

## SECURITIES AND EXCHANGE COMMISSION

Washington, DC

20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended October 2, 1994

Commission File No. 1-11261

SONOCO PRODUCTS COMPANY

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Incorporated under the laws  
of South CarolinaI.R.S. Employer Identification  
No. 57-0248420

Post Office Box 160

Hartsville, South Carolina 29551-0160

Telephone: 803-383-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes   X      No  
    ---      ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock at October 2, 1994.

Common stock, no par value: 87,312,353

SONOCO PRODUCTS COMPANY

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SONOCO PRODUCTS COMPANY  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)  
(Dollars and shares in thousands)

	October 2, 1994	December 31, 1993	
ASSETS	-----	-----	
Current Assets			
Cash and cash equivalents	\$ 25,908	\$ 25,858	
Trade accounts receivable, net of allowances for doubtful amounts of \$6,971 and \$6,514, respectively	287,727	232,628	
Other receivables	23,090	22,989	
Inventories:			
Finished and in process	86,002	83,660	
Materials and supplies	115,450	102,465	
Prepaid expenses	19,442	30,750	
Deferred income taxes	13,413	14,760	
	-----	-----	
Property, Plant and Equipment	571,032	513,110	
Cost in Excess of Fair Value of Assets Purchased	771,795	737,154	
Other Assets	362,935	339,653	
	131,306	117,208	
	-----	-----	
Total assets	\$1,837,068	\$1,707,125	
	=====	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Payable to suppliers	\$ 160,494	\$ 129,389	
Accrued expenses and other	84,820	60,407	
Accrued wages and other compensation	23,779	22,633	
Restructuring reserve	16,900	27,114	
Notes payable and current portion of long-term debt	55,090	60,564	
Taxes on income		16,047	3,071
		-----	-----
Long-Term Debt		357,130	303,178
Postretirement Benefit Obligation		474,492	455,262
Deferred Income Taxes and Other		102,555	99,165
		64,809	61,156
Shareholders' Equity			
Serial preferred stock, no par value			
Authorized 30,000 shares			
Issued 3,450 shares		172,500	172,500
Common stock, no par value			
Authorized 150,000 shares			
Issued 91,841 shares		7,175	7,175
Capital in excess of stated value		66,417	62,277
Translation of foreign currencies		(33,129)	(39,016)
Retained earnings		675,009	623,500
Treasury shares at cost (1994 - 4,529 shares; 1993 - 4,394 shares)		(49,890)	(38,072)
		-----	-----
Total shareholders' equity		838,082	788,364

Total liabilities and shareholders' equity

\$1,837,068

\$1,707,125

See accompanying Notes to Consolidated Financial Statements

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SONOCO PRODUCTS COMPANY  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
(Dollars and shares in thousands except per share)

	Three Months Ended		Nine Months Ended	
	October 2, 1994	October 3, 1993*	October 2, 1994	October 3, 1993*
Sales	\$591,178	\$462,324	\$1,692,941	\$1,407,770
Cost of sales	466,468	361,763	1,332,628	1,098,058
Selling, general and administrative expense	63,254	49,246	182,626	150,220
Interest expense	9,435	6,937	27,007	21,907
Interest income	(538)	(1,603)	(1,459)	(4,414)
Income from operations before income taxes	52,559	45,981	152,139	141,999
Taxes on income	20,500	17,600	59,300	55,400
Income from operations before equity in earnings of affiliates	32,059	28,381	92,839	86,599
Equity in earnings of affiliates	450	123	605	621
Net income	32,509	28,504	93,444	87,220
Preferred dividends	(1,941)		(5,823)	
Net income available to common shareholders	\$ 30,568	\$ 28,504	\$ 87,621	\$ 87,220
Average shares outstanding			87,099	87,289
Per share				
Net income available to common shareholders	\$ .35	\$ .33	\$ 1.01	\$ 1.00
Dividends	\$ .14	\$ .135	\$ .415	\$ .395

\* 1993 results have been restated to reflect the reclassification of certain costs.

See accompanying Notes to Consolidated Financial Statements

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SONOCO PRODUCTS COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(Dollars in thousands)

Nine Months Ended	
October 2, 1994	October 3, 1993

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 93,444	\$ 87,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	82,130	66,030
Loss on disposition of assets	1,100	227
Equity in earnings of affiliates	(605)	(621)
Deferred taxes	2,737	4,742
Changes in assets and liabilities net of effects from acquisitions/dispositions and foreign currency adjustments:		
Receivables	(52,795)	(13,751)
Inventories	(9,278)	4,937
Prepaid expenses	12,320	14,115
Payables and taxes	42,533	(34,603)
Other assets and liabilities	(3,284)	209
	-----	-----
Net cash provided by operating activities	168,302	128,505
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(90,252)	(83,722)
Cost of acquisitions, exclusive of cash	(26,457)	(101,296)
Proceeds from the sale of assets	2,912	39,980
	-----	-----
Net cash used by investing activities	(113,797)	(145,038)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	72,734	139,213
Principal repayment of debt	(70,478)	(82,869)
Cash dividends	(41,893)	(34,476)
Treasury shares acquired	(18,602)	(2,361)
Treasury shares issued	2,728	2,277
	-----	-----
Net cash (used) provided by financing activities	(55,511)	21,784
	-----	-----
Effects of exchange rate changes on cash	1,056	(9,801)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50	(4,550)
Cash and cash equivalents at beginning of period	25,858	38,068
	-----	-----
Cash and cash equivalents at end of period	\$ 25,908	\$ 33,518
	=====	=====

See accompanying Notes to Consolidated Financial Statements

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SONOCO PRODUCTS COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), CONTINUED  
(Dollars in thousands)

SUPPLEMENTAL CASH FLOW DISCLOSURES:

	Nine Months Ended	
	October 2, 1994	October 3, 1993
	-----	-----
Interest paid	\$ 27,522	\$ 23,121
Income taxes paid *	40,033	55,254

NONCASH ACTIVITY:

During the third quarter of 1994, the Company acquired approximately 4,300 acres of timberland through the issuance of 255,564 shares of treasury stock valued at \$5,111.

The Company assumed approximately \$6,000 and \$9,000 in debt in connection with acquisitions during 1994 and 1993, respectively.

\* Income taxes were overpaid in 1993, and the resulting credits were utilized in 1994.

See accompanying Notes to Consolidated Financial Statements

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SONOCO PRODUCTS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1: BASIS OF INTERIM PRESENTATION

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and results of operations for the interim periods reported hereon. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's annual report for the fiscal year ended December 31, 1993.

NOTE 2: DIVIDEND DECLARATIONS

On October 19, 1994, the Board of Directors declared a regular common stock dividend of \$.14 per share, payable December 9 to shareholders of record November 18, 1994. The Board also declared a dividend of \$.5625 per share on the \$2.25 Series A Cumulative Convertible Preferred Stock payable February 1, 1995, to shareholders of record as of January 13, 1995.

NOTE 3: ACQUISITIONS

During 1994, the Company made several acquisitions, the most notable being the purchase of M. Harland & Son Limited, a leading producer of pressure-sensitive roll labels and roll-label application equipment headquartered in the United Kingdom. This acquisition was completed during the second quarter and is expected to add \$33 million in sales annually. The acquisition was accounted for as a purchase; accordingly, the results of operations have been included in the consolidated statements since the date of acquisition. The pro forma impact of this purchase is not material.

SONOCO PRODUCTS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
OPERATIONS  
(UNAUDITED)

THIRD QUARTER 1994 COMPARED WITH THIRD QUARTER 1993

RESULTS OF OPERATIONS

Consolidated net sales for the third quarter of 1994 were \$591.2 million, up 27.9% over the third quarter of last year, partially due to the Engraph acquisition. Net income for the third quarter was up 14.1% to \$32.5 million from the \$28.5 million reported in 1993. Income available to common shareholders was \$30.6 million, after preferred stock dividends, compared with the \$28.5 million in last year's third quarter. Earnings per share for the quarter, which ended October 2, were \$.35, compared with \$.33 in last year's third quarter.

The following segment discussion compares 1994's third-quarter performance with the third quarter of 1993. Sonoco is changing its segmental reporting this quarter by combining the Miscellaneous Segment with the Converted Products Segment. The Company believes that operations in both segments are converting in nature and, given the relative size of the Miscellaneous Segment, separate reporting is no longer necessary. If the Miscellaneous Segment had been reported separately, sales would be \$69.3 million, up 12% from last year. Operating profits would be \$9.8 million, up 14% from last year.

Converted Products Segment

Trade sales for the converted products segment were \$442.1 million, a 27% increase over 1993's third-quarter sales of \$348.1 million. Operating profits were \$49.6 million, compared with \$36.9 million in 1993. The major factor affecting the increase in this segment's sales and profits is the added volume in nearly every operation. Other factors include the addition of Engraph, which was acquired in October 1993, and higher selling prices.

Sales volume in the tube and core businesses increased approximately 10% with all product lines showing strength. Rising paperboard and other costs necessitated selling price increases during the quarter. Efficiencies achieved through the introduction of new technologies and cost control programs added to this group's much improved performance.

The composite can operations experienced overall volume gains led by increases in frozen concentrate, snack, refrigerated dough and caulk. Selling price increases during the quarter were required to recover some raw material cost increases. Continued cost pressure is expected. Improved productivity and lower scrap rates added to this group's profitability.

Engraph, acquired in October 1993, was not included in last year's third quarter financial results. Engraph produces pressure-sensitive labels, coupons and package inserts, screen process printing, paperboard cartons and specialties, and flexible packaging. The label and package insert business continues to recover from the loss of high-margin tobacco coupon business. Flexible packaging volume increased with the opening of the new plant in Tennessee. This new plant continued to show efficiency improvement. The paperboard carton business has been strong with added business in the cosmetics and personal-care and home-furnishing markets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
OPERATIONS  
(UNAUDITED), CONTINUED

THIRD QUARTER 1994 COMPARED WITH THIRD QUARTER 1993, CONTINUED

RESULTS OF OPERATIONS, CONTINUED

Overall unit volume in the industrial container business increased over last year. Selling price increases have recovered most cost increases in paper, resin and steel; however, announced fourth-quarter cost increases are likely to reduce profit margins.

Volume increased in the protective packaging businesses led by the packaging forms operation, which continues to make significant conversions among appliance manufacturers. The engineered cushion fibre operation, Sonoco's newest product, continued to experience start-up losses. While sales volume is off slightly in fibre partitions, the division reported productivity improvements during the quarter.

The Baker Division, the leading manufacturer of reels for wire packaging, recorded good results during the quarter, led by the continuing expansion of cable television service.

Crellin, a major manufacturer of a variety of injection molded plastic products, saw sales increases in the automotive and filtration segments. Selling prices have increased as a result of resin cost increases.

The High Density Film Products group, the leading U.S. manufacturer of plastic bags for the grocery and retail industries, had a strong quarter with volume gains in all market segments. These gains are from the continuing conversion from paper to plastic and also the result of a major producer curtailing production. Capacity in this industry is now fully utilized. Pricing has increased to offset higher resin costs, though prices remained below 1993 levels for most of the quarter. Sonoco announced that it would be increasing its manufacturing capacity for plastic grocery bags by about two billion bags. This expanded capacity is expected to be on line by the second quarter of 1995. In May, a plastic bag competitor filed a patent infringement suit against Sonoco. There are no new developments and Sonoco continues to believe this lawsuit is without merit. The Company is aggressively defending its position and expects to prevail.

A common thread through most of the Converted Products Segment is an increase in materials cost. These increases are generally in paper, steel and resin. Most operations implemented price increases to offset all or a portion of the materials cost increase.

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SONOCO PRODUCTS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
OPERATIONS  
(UNAUDITED), CONTINUED

THIRD QUARTER 1994 COMPARED WITH THIRD QUARTER 1993, CONTINUED

RESULTS OF OPERATIONS, CONTINUED

Paper Segment

Total domestic paper sales were \$90.2 million, compared with \$67.8 million in the third quarter of 1993. Operating profits were \$15.7 million, up from \$14 million in 1993. Sales in this segment, both internal and external, were up as the paper operations saw strong demand with mills operating at 98% of capacity, approximately five percentage points higher than last year. Much of the increased demand is coming from the increased sales in Sonoco's industrial packaging businesses. Approximately 85% of Sonoco's paper is sold internally. Corrugated medium prices are up from last year and this business remains very strong.

The major concern in this segment is the unprecedented rise in recovered paper costs. Selling price increases that took effect in the second quarter improved third-quarter profits. Recovered paper costs have been very volatile in 1994, with current prices lingering at nearly three times 1993 cost levels. With the price increase in the third quarter, recovered paper costs will be fully recovered in the fourth quarter.

#### International Segment

Third quarter sales from international operations were \$114.6 million, up from 1993 sales of \$90.1 million primarily due to acquisitions. Operating profits were \$1.5 million in the third quarter of 1994, down from \$4.5 million in 1993. The decline in profits is largely due to the poor performance of the European and Canadian paper operations. These operations have experienced increased recovered paper costs much the same as in the United States, but the European paper operations have achieved little selling price relief. Price increases have been announced in both the paper and converting operations, and the Company expects improved performance in the fourth quarter. The Company's German converting operation remains well behind last year; however, operating efficiencies have improved, scrap rates are reduced and the cost reduction program continues. The German operation should show improved results in the fourth quarter. Sonoco's Latin American and Far East operations reported improved performances.

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#### SONOCO PRODUCTS COMPANY

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED), CONTINUED

SEPTEMBER 1994 YEAR-TO-DATE COMPARED WITH SEPTEMBER 1993 YEAR-TO-DATE

#### RESULTS OF OPERATIONS

Consolidated net sales for the first three quarters of 1994 were \$1,693 million, a 20.3% increase over the first three quarters of 1993 when sales were \$1,408 million. Net income for the first three quarters was \$93.4 million, a 7.1% increase over the \$87.2 million recorded in the same period of 1993. Income available to common shareholders, after preferred dividends, was \$87.6 million in 1994. Earnings per share for the first nine months of 1994 were \$1.01, compared with \$1.00 in the first three quarters of 1993.

On a consolidated basis, the gross profit margin decreased from 22% for the first nine months of 1993 to 21.3% for the same period in 1994. This decrease in gross profit percentage reflects the rapidly rising material costs, primarily in recovered paper, steel and resin. Most operations have implemented price increases during 1994 to offset all or a portion of the materials cost increase. However, the Company does not expect to fully recover the full-year impact of these increased costs over the balance of the year.

#### Converted Products Segment



Trade sales for the converted products segment were \$1,291 million, a 24.3% increase over 1993's sales of \$1,038.8 million. Operating profits were \$140.5 million, compared with \$115.1 million in 1993. The increase in sales and profits for this segment reflects the addition of Engraph, an October 1993 acquisition, as well as volume gains in nearly all of the traditional operations in this segment. In addition, most operations have implemented price increases during the second and third quarters of 1994 due to the rising raw material costs. Selling prices for plastic grocery bags, however, have remained below 1993 levels for most of the year.

#### Paper Segment

Total domestic paper sales were \$237.3 million, up from \$209.9 million reported for the first three quarters of 1993. The increase in sales is due to increased demand in Sonoco's industrial packaging businesses, coupled with price increases implemented during the second and third quarters in response to the rapidly rising recovered paper costs. Operating profits were \$42 million, down from \$43.1 million in 1993 due to the unrecovered portion of the recovered paper cost increases.

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#### SONOCO PRODUCTS COMPANY

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED), CONTINUED

SEPTEMBER 1994 YEAR-TO-DATE COMPARED WITH SEPTEMBER 1993 YEAR-TO-DATE, CONTINUED

#### International Segment

Sales in the international segment were \$312.1 million, up from \$289.9 million in 1993. The increase in sales is due to acquisitions and growth in several geographic areas partially offset by the disposition of several business units in 1993 as part of the Company's restructuring program. Operating profits were \$11.5 million, compared with \$14 million reported for the first three quarters of 1993. Profits in this segment are being adversely impacted by significant increases in recovered paper costs. Price increases in both the paper and converting operations will result in improved performance in the fourth quarter.

#### RESULTS OF OPERATIONS, CONTINUED

#### Corporate

Interest income, interest expense and unallocated corporate expenses are excluded from the operating profits by segment and are shown under Corporate. Total expenses, net of interest income, for the corporate segment were \$41.9 million, up from \$30.3 million in 1993. Corporate interest expense increased, reflecting rising short-term rates and the debt incurred with the Engraph acquisition. Interest income decreased due to the early payment of the Sonoco Graham note in November 1993. General corporate expense increased over 1993 due to a broad-based company-owned life insurance program. The tax advantages of this program are more than offsetting the costs.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remained strong through the first three quarters of 1994. The debt to capital percentage decreased to 37.2% at October 2, 1994, from 38.0% at December 31, 1993, primarily due to the increase in capital resulting from year-to-date earnings retained by the Company. Debt increased only slightly as cash provided by operations has been sufficient to cover dividends, capital spending (including acquisitions) and the purchase of

\$18.6 million of Company stock.

Working capital was \$213.9 million at October 2, 1994, up from \$209.9 million at December 31, 1993. Significant increases in accounts receivable and payables during 1994 is primarily due to increased sales and seasonal fluctuations. In addition, income taxes payable increased \$13 million due to an overpayment in December 1993, resulting in a lower payable balance at December 31, 1993.

The Company expects internally generated cash flow along with borrowings available under its existing credit facilities to be sufficient to meet operating and normal capital expenditure requirements.

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SONOCO PRODUCTS COMPANY

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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Reference is made to Item 1 of Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1994.

Item 6. Exhibits and Reports on Form 8-K

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(a)	Exhibit (11) - Computation of Earnings Per Share	15
	Exhibit (27) - Financial Data Schedule (for SEC purposes only)	16
(b)	There were no reports on Form 8-K filed by the Company during the quarter ended October 2, 1994.	

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SONOCO PRODUCTS COMPANY

SIGNATURE

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.

SONOCO PRODUCTS COMPANY

-----  
(Registrant)

Date: November 15, 1994  
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By: /s/ F. T. Hill, Jr.  
-----

F. T. Hill, Jr.  
Vice President - Finance  
(and Principal Accounting  
Officer, in his respective  
capacities as such)

SONOCO PRODUCTS COMPANY  
COMPUTATION OF EARNINGS PER SHARE\* (UNAUDITED)  
(Dollars in thousands, except per share)

	Three Months Ended		Nine Months Ended	
	October 2, 1994	October 3, 1993	October 2, 1994	October 3, 1993
Primary earnings				
Net income available to common shareholders	\$ 30,568	\$ 28,504	\$ 87,621	\$ 87,220
Common shares:				
Weighted average number of shares outstanding	87,099,497	87,289,326	87,099,497	87,289,326
Assuming exercise of options reduced by the number of shares which could have been purchased (at average price) with proceeds from exercise of such options	872,387	769,606	885,593	886,463
Weighted average number of shares outstanding as adjusted	87,971,884	88,058,932	87,985,090	88,175,789
Primary earnings per common share	\$ 0.35	\$ 0.32	\$ 1.00	\$ 0.99
Assuming full dilution				
Net income available to common shareholders	\$ 30,568	\$ 28,504	\$ 87,621	\$ 87,220
Common shares:				
Weighted average number of shares outstanding	87,099,497	87,289,326	87,099,497	87,289,326
Assuming exercise of options reduced by the number of shares which could have been purchased (at the higher of end-of-period price or average) with proceeds from exercise of such options	1,067,274	769,606	1,067,274	886,463
Weighted average number of shares				
outstanding as adjusted	88,166,771	88,058,932	88,166,771	88,175,789
Earnings per common share assuming full dilution	\$ 0.35	\$ 0.32	\$ 0.99	\$ 0.99

(A) The Company issued 3,450,000 shares of Series A Cumulative Convertible Preferred Stock in October 1993. The convertible preferred stock and the related dividend had an anti-dilutive effect on earnings per share in 1994 and are therefore excluded from the above computation.

\* This calculation is submitted in accordance with Regulation S-K, Item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
FINANCIAL STATEMENTS OF SONOCO PRODUCTS COMPANY FOR THE QUARTER ENDED  
OCTOBER 2, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO  
SUCH FINANCIAL STATEMENTS.

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