

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994

COMMISSION FILE NUMBER 1-11261

SONOCO PRODUCTS COMPANY

INCORPORATED UNDER THE LAWS
OF SOUTH CAROLINA

I.R.S. EMPLOYER IDENTIFICATION
NO. 57-0248420

POST OFFICE BOX 160
HARTSVILLE, SOUTH CAROLINA 29551-0160

TELEPHONE: 803-383-7000

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of each class -----	Name of exchange on which registered * -----
No par value common stock	New York Stock Exchange, Inc.
Series A Cumulative Preferred Stock	New York Stock Exchange, Inc.

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of voting stock held by nonaffiliates of the registrant (based on the New York Stock Exchange closing price) on March 8, 1995, was \$1,940,884,018.

As of March 8, 1995, there were 86,767,859 shares of no par value common stock outstanding.

Documents Incorporated by Reference

Portions of the Annual Report to Shareholders for the fiscal year December 31, 1994, are incorporated by reference in Parts I, II and IV; portions of the Proxy Statement for the annual meeting of shareholders to be held on April 19, 1995, are incorporated by reference in Part III.

*The Company's stock began trading on the New York Stock Exchange, Inc. on March 8, 1995.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART I

ITEM I. BUSINESS

The Company

The Company, a South Carolina corporation founded in Hartsville, South Carolina, in 1899, is a major multinational manufacturer of paperboard-based and plastic-based packaging products. The Company is also vertically integrated into paperboard production and recovered-paper collection. The paperboard utilized in the Company's packaging products is produced substantially from recovered paper. The Company operates an extensive network of plants in the United States and has subsidiaries in Europe, Canada, Mexico, South America, Australia and Asia, and affiliates in Canada, Japan and France. The Company's business is organized by global product lines in order to leverage its U.S. customer base, to take advantage of synergies from its worldwide operations and to serve its customers worldwide on a timely basis and with consistent quality.

The Company serves a wide variety of industrial and consumer markets. Industrial markets, which represented approximately 58% of the Company's sales in 1994, include paper manufacturers, chemical and pharmaceutical producers, textile manufacturers, automotive manufacturers, the wire and cable industry, and the building and construction industry. Consumer markets, which represented approximately 42% of the Company's sales in 1994, include food and beverage processors, the personal and health care industries, supermarkets, retail outlets, household good manufacturers and consumer electronics. The Company believes that it is a leading producer in most markets served. One of the Company's strategic goals is to increase the proportion of consumer markets product sales in order to change the business mix between industrial and consumer markets to 50/50.

In 1994 the Company changed its segmental reporting by combining the Miscellaneous segment with the Converted Products segment. The Company determined the operations in both segments were converting businesses and, given the small size of the Miscellaneous segment, separate reporting was no longer appropriate. The Company's operations are now divided into three segments (two domestic and one international) for financial reporting purposes. Domestic segments include Converted Products and Paper. The Financial Reporting For Business Segments Table as shown in the Company's 1994 Annual Report to Shareholders, which is included as Exhibit 13, presents selected financial data by major lines of business or segments for each of the past three fiscal years. This table is hereby incorporated by reference herein and should be read in conjunction with the Management's Discussion and Analysis of the 1994 Annual Report to Shareholders, which is also hereby incorporated by reference herein.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM I. BUSINESS, CONTINUED

Acquisitions/Dispositions

Acquisitions and business combinations have been, and are expected to continue to be, an important part of the Company's strategy for growth. Significant acquisitions during the past five years include the 1990 acquisition of Lhomme S.A. in France, which was the leading French manufacturer of paperboard, tubes and cores. In January 1992, the Company purchased the Trent Valley paper mill in Trenton, Ontario, Canada. This purchase provided the Company with a modern machine that allows for the production of higher grades of paper. In January 1993, the Company purchased all of the outstanding stock of Crellin Holding, Inc., an international manufacturer, designer and marketer of molded

plastic products. In January 1993, the Company also completed the acquisition of the OPV/Durener Group, Germany's second largest manufacturer of tubes and cores. In October 1993, the Company acquired Engraph, Inc. following the successful conclusion of a cash tender-offer and merger transaction. Engraph markets pressure-sensitive labels and package inserts, flexible packaging, screen process printing and paperboard cartons and specialities. In May 1994, the Company acquired M. Harland & Son Limited, a leading producer of pressure-sensitive roll labels and roll-label application equipment headquartered in the United Kingdom.

Subsequent to December 31, 1994, the Company acquired the remaining 50% interest in the CMB Sonoco joint venture. CMB Sonoco is a producer of composite cans with manufacturing facilities in the U.K. and France. Also subsequent to December 31, 1994, the Company purchased a flexible packaging plant in Edinburgh, Indiana.

Competition

The Company believes it has several competitive advantages in the industrial and consumer Converted Products markets it serves. First, the Company sells many products within the Converted Products segment globally. As a result, the Company believes it has the capability to respond effectively to customers seeking national or international supply agreements. Secondly, the Company believes its technological leadership, reputation for quality, and vertical integration has enabled the Company to coordinate its product development and global expansion with the rapidly changing needs of its major customers, who demand high-quality, state-of-the-art, environmentally compatible packaging. Thirdly, the Company and its customers have developed international standards to reduce costs and increase quality. Finally, the Company believes that its strategy of vertical integration, via the Paper segment, increases its control over the availability and quality of raw materials used in its products. With the acquisition of Engraph, the Company entered into a major new business that expands the Company's opportunities for growth in new packaging fields.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM I. BUSINESS, CONTINUED

Competition, Continued

The Company is the U.S. market leader in nearly all of its traditional businesses, including the manufacture of tubes, cores and cones; fibre and plastic drums; and nailed wood and metal reels. The Company is the second leading producer of fibre partitions. The Paper Division is also one of the world's leading producers of recycled paperboard, most of which is consumed internally. Sonoco has a strong degree of vertical integration with the paper-converting business. This tactic, combined with advancing technology, helps to keep the Company a competitive producer.

Having operated internationally for more than 70 years, the International segment has been important in the Company's ability to serve and retain many of its customers that have international packaging requirements. The Company considers its ability to serve its customers worldwide in a timely, consistent and cost-effective manner a competitive advantage. The Company expects its international activities to provide an increasing portion of its future growth.

The Company is the largest United States producer of high-density, high-molecular weight plastic carry-out grocery bags. The Company sponsors recycling programs for the plastic carrier bag industry and has relationships with what it believes to be approximately one-half of all participating U.S. supermarkets offering a bag recycling program. Other similar products produced by the Company include roll bags for produce and bakery requirements, plastic bags for convenience stores and high-volume retail outlets, and agricultural film. During 1994 a major competitor curtailed production of plastic grocery bags, creating a decrease in available supply. The Company authorized a \$20-million investment to replace some of this capacity and improve production.

The Company's products are sold in highly competitive market environments. Within each of these markets, supply and demand are the major factors controlling the market environment. Additionally, and to a lesser degree, these markets are influenced by the overall rate of economic activity. Throughout the year, the Company remained highly competitive within each of the markets served. None of the Company's segments is seasonal to any significant degree. The Management's Discussion and Analysis of the 1994 Annual Report to Shareholders discusses competition with respect to the various segments of the Company and is hereby incorporated by reference herein.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM I. BUSINESS, CONTINUED

Raw Materials

The principal raw materials used by the Company are plastic resins, metal, pulpwood, recovered paper and paper. With the exception of pulpwood, recovered paper and paper, the Company's raw materials and supplies are purchased from a number of outside sources; however, the supply is considered adequate to meet the Company's requirements. Company-owned timberlands, timber-cutting rights and suppliers are believed to be sufficient to assure the future availability of pulpwood. Recovered paper used in the manufacture of paperboard is purchased either directly from suppliers near manufacturing operations or through the Company's subsidiary, Paper Stock Dealers, Inc.

Although the Company considers the supply of raw materials to be adequate to meet its needs, the majority of raw materials are subject to price volatility as experienced in 1994. Recovered paper, the Company's largest raw material, nearly tripled in cost during 1994. This unprecedented rate of increase began in the second quarter and quickly peaked early in the third quarter. Selling price increases were implemented in the third quarter, resulting in improved gross margin percentages in the fourth quarter. The Company was not able to recover all of the cost increases in 1994, but ended the year basically in balance. The recovered paper market remains volatile; the demand for recovered paper continues to grow due to increased demand for recycled content in most paper grades and an increased demand in export markets. Although cost pressures on recovered paper are expected to be a continuing factor, the Company expects to be able to mitigate any adverse earnings impact over time through selling price increases. The Company also took actions in 1994 to strengthen its fibre recovery system. These actions are described in the Recovered Paper section of the Industrial Packaging Review of the

Annual Report and is hereby incorporated by reference herein.

Other key raw materials include plastic resins, steel, aluminum, liners and labels. All increased in cost at varying degrees during the year. Resin prices increased dramatically in 1994, resulting in several selling price increases. The Company does have certain contracts that, while providing for price increases, preclude the immediate recovery of these additional costs. However, the Company does expect to recover cost increases as these contracts expire early in 1995.

Backlog

Most customer orders are manufactured with a lead time not to exceed three weeks. Long-term contracts, primarily for composite cans, exist for approximately 14% of trade sales (no one contract exceeds 3%). These contracts, which are for a specific duration, generally include price escalation provisions for raw materials, labor and overhead costs. There are no significant long-term purchase contracts as the Company considers the supply of raw materials adequate to meet its needs.

Patents, Trademarks and Related Contracts

No segment of the business is materially dependent upon the existence of patents, trademarks or related contracts.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM I. BUSINESS, CONTINUED

Research and Development

The Company has 124 employees engaged in new product development and technical support for existing product lines. Company-sponsored spending in this area was \$12.1 million, \$12.9 million and \$11.7 million in 1994, 1993, and 1992, respectively. Spending focused on projects related to Sonoco's primary businesses and reflects a commitment to ensure that the Company is the technology leader in markets served. Customer-sponsored spending has been immaterial for the past three years.

Environmental Protection

The Financial Position, Liquidity and Capital Resources section of the Management's Discussion and Analysis in the 1994 Annual Report to Shareholders provides the required information and is hereby incorporated by reference.

Employees

The number of employees at December 31, 1994, was approximately 17,200.

Financial Information about Foreign and Domestic Operations and Export Sales

The Company has subsidiaries and affiliates operating in twenty-three countries. The primary operations of the international subsidiaries are similar to the Company's domestic business in products and markets served. The Management's Discussion and Analysis, the Financial Reporting for Business Segments and Note 17 to the Financial Statements of the Annual Report to Shareholders are hereby

incorporated by reference herein. United States export sales are immaterial.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 2. PROPERTIES

The main plant and corporate offices are located in Hartsville, South Carolina. The Company has 172 branch or manufacturing operations in the United States, 26 in Canada and 68 in 21 international countries.

Information about the Company's manufacturing operations by segment follows:

	Segment		
	Converted Products	Paper	International
Number of Plants:			
Owned fee simple	71	27	46
Leased for terms up to ten years with options to renew for additional terms	65	5	48
Leased with lease purchase agreements	3	1	
	---	--	--
Total manufacturing operations	139	33	94
	===	==	==

The Company believes that its properties are suitable and adequate for current needs and that the total productive capacity is adequately utilized.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. On May 3, 1994, a civil action was filed against the Company in the United States District Court for the District of Massachusetts by Integrated Bagging Systems Corporation and BPI Packaging Technologies, Inc. for alleged patent infringement. The suit also seeks to have a patent owned by the Company declared invalid. There are no new developments in this matter, and the Company believes this lawsuit is without merit. The Company will vigorously defend its position and expects to prevail.

Although the level of future expenditures for legal and environmental matters is impossible to determine with any degree of probability, it is management's opinion that such costs, when finally determined, will not have a material adverse effect on the consolidated financial position of the Company.

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

None.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market and Market Prices of Common Stock

The Company's common stock began trading on the New York Stock Exchange (NYSE) March 8, 1995, under the stock symbol "SON." Prior to that date, the common stock was traded on the NASDAQ National Market System. The Comparative Highlights in the 1994 Annual Report to Shareholders (Exhibit 13 of this report) shows, by quarter, the high and low price on the NASDAQ market for the latest two years, and is hereby incorporated by reference herein.

Approximate Number of Security Holders

There were approximately 34,000 shareholder accounts as of March 5, 1995.

Dividends

The Comparative Highlights in the 1994 Annual Report to Shareholders is hereby incorporated by reference herein. There are certain restrictions with respect to the maintenance of financial ratios and the disposition of assets in several of the Company's loan agreements that may affect the Company's ability to pay dividends. The most restrictive covenant requires that tangible net worth at the end of each fiscal quarter be greater than \$365 million. The Company is prohibited from paying cash dividends if these requirements are not met. Additionally, the terms of the Company's \$2.25 Series A Cumulative Convertible Preferred Stock prohibits payment of dividends on any junior class of stock, including the Company's Common Stock, unless full cumulative dividends on the \$2.25 Series A Cumulative Convertible Preferred Stock have been paid or declared and set aside for payment for all past dividend payment periods.

ITEM 6. SELECTED FINANCIAL DATA

The Selected Eleven-Year Financial Data in the 1994 Annual Report to Shareholders provides the required data, and is hereby incorporated by reference herein.

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

The information presented under Management's Discussion and Analysis of the 1994 Annual Report to Shareholders is hereby incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Accountants.

To the Shareholders and Directors of
Sonoco Products Company:

We have audited the consolidated financial statements of Sonoco Products Company as of December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, which financial statements are included on pages 28 through 37 of the 1994 Annual Report to Shareholders of Sonoco Products Company and incorporated by reference herein. We have also audited the financial statement schedule listed in Item 14 of this form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sonoco Products Company as of December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

As discussed in Notes 14 and 15 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions and income taxes in 1992.

/s/ Coopers & Lybrand, L.L.P.

COOPERS & LYBRAND, L.L.P.

Charlotte, North Carolina
February 1, 1995

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, CONTINUED

Consolidated Financial Statements

The consolidated financial statements and notes to consolidated financial statements for the Company included in the 1994 Annual Report to Shareholders are hereby incorporated by reference herein.

Supplementary Financial Data

The Comparative Highlights in the 1994 Annual Report to Shareholders is hereby incorporated by reference herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Identification of Directors

Information about the Directors of the Company and Compliance with the Securities Exchange Act of 1934 is shown on pages 5 through 10 and page 30, respectively, of the Definitive Proxy Statement (included as Exhibit 99-1 of this report) and is hereby incorporated by reference herein.

Identification of Executive Officers

NAME ----	AGE ---	POSITION -----	YEAR FIRST ELECTED OFFICER -----	BUSINESS EXPERIENCE DURING LAST FIVE YEARS -----
C. W. Coker	61	Chairman of the Board, President and Chief Executive Officer	1961	Present position since 1990, previously having served as President since 1970.
T. C. Cox, III	64	Senior Executive Vice President	1977	Present position since 1993, previously having served as Executive Vice President since 1985.
L. Benatar	65	Senior Vice President	1993	Present position since 1993. Chairman and Chief Executive Officer of Engraph, Inc. (printer and fabricator of roll labels, decals, specialty paperboard items and flexible packaging) since 1981.
P. C. Browning	53	Executive Vice President - Global Industrial Products and Paper Divisions	1993	Present position since 1993, previously having served as President, Chairman and Chief Executive Officer - National Gypsum Company (manufacturer and supplier of products and services used in building and construction) since 1990.
C. W. Claypool	59	Vice President - Paper Division	1987	Present position since 1987.
P. C. Coggeshall, Jr.	51	Vice President - Administration	1979	Present position since 1991, previously having served as Group Vice President - Industrial Products Division since 1986.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, CONTINUED

NAME ----	AGE ---	POSITION -----	YEAR FIRST ELECTED OFFICER -----	BUSINESS EXPERIENCE DURING LAST FIVE YEARS -----
H. E. DeLoach, Jr.	50	Group Vice President	1986	Present position since 1993, previously having served as Vice President - Film, Plastics and

R. C. Eimers, Ph.D.	47	Vice President - Human Resources	1988	Special Products since 1993, and Vice President - High Density Film Products Division since 1989. Present position since 1988. Resigned February 1, 1995.
F. T. Hill, Jr.	42	Vice President - Finance	1987	Present position since January 1994, previously having served as Vice President - Industrial Products North America since 1990.
R. E. Holley	52	Vice President - High Density Film Products	1987	Present position since 1993, previously having served as Vice President - Total Quality Management since 1990.
J. R. Kelley	40	Vice President - Industrial Products Division - North America	1994	Present position since January 1994, previously having served as Division Vice President - Industrial Container since 1990.
H. J. Moran	62	Group Vice President - Consumer Packaging Group	1987	Present position since 1993, previously having served as Vice President and General Manager - Consumer Packaging since 1990.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, CONTINUED

NAME ----	AGE ---	POSITION -----	YEAR FIRST ELECTED OFFICER -----	BUSINESS EXPERIENCE DURING LAST FIVE YEARS -----
E. P. Norman, Jr.	58	Vice President - Technology	1989	Present position since 1989.
J. L. Coker	54	Corporate Secretary	1969	Present position since 1969.
C. J. Hupfer	48	Treasurer	1988	Present position since 1988.

Family Relationships

C. W. Coker and F. L. H. Coker are brothers and the first cousins of J. L. Coker and P. C. Coggeshall, Jr.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation - Directors and Officers as shown on pages 13 - 21 of the Proxy Statement, included as Exhibit 99-1 of this report, is hereby incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The security ownership of management as shown on page 12 of the Proxy Statement, Exhibit 99-1 of this report, is hereby incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with management as shown on pages 22 - 23 of the Proxy Statement, included as Exhibit 99-1 of this report, is hereby incorporated by reference herein.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Data incorporated by reference from the
attached 1994 Annual Report to Shareholders
(included as Exhibit 13 of this report):

Comparative Highlights (Selected Quarterly
Financial Data)

Consumer Packaging Review

Industrial Packaging Review

Management's Discussion and Analysis of
Financial Condition and Results of
Operations

Consolidated Balance Sheets as of
December 31, 1994 and 1993

Consolidated Statements of Income for
the years ended December 31, 1994, 1993 and 1992

Consolidated Statements of Changes in
Shareholders' Equity for the years ended
December 31, 1994, 1993 and 1992

Consolidated Statements of Cash Flows
for the years ended December 31, 1994,
1993 and 1992

Notes to Consolidated Financial Statements

Shareholders' Information (Selected Financial Data)

Data submitted herewith:

Report of Independent Accountants (included under Item 8)

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON
FORM 8-K, CONTINUED

Financial Statement Schedule:

Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because they are not required, are not applicable or the required information is given in the financial statements or notes thereto.

Exhibits:

- | | |
|------|--|
| 3 | Articles of Incorporation and By-laws |
| 4 | Instruments Defining the Rights of Securities Holders, including Indentures * |
| 11 | Computation of Earnings Per Share |
| 13 | 1994 Annual Report to Shareholders |
| 21 | Subsidiaries and Affiliates of the Registrant |
| 23 | Consent of Independent Accountants |
| 27 | Financial Data Schedule |
| 99-1 | Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 19, 1995 |
| 99-2 | Form 11-K Annual Report - 1983 and 1991 Sonoco Products Company Key Employee Stock Option Plans |
| | |
| * | Incorporated by reference to the Registrant's Form S-3 (File No. 33-50501). |

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K, CONTINUED

Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of 1994.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
(DOLLARS IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- BALANCE AT BEGINNING OF PERIOD -----	COLUMN C ----- ADDITIONS CHARGED TO COSTS AND EXPENSES -----	COLUMN D ----- DEDUC- TIONS (1) -----	COLUMN E ----- BALANCE AT END OF PERIOD -----
1994 ----				
Restructuring Reserve	\$27,114 =====	\$ =====	\$16,191 =====	\$10,923 =====
Goodwill Amortization	\$24,403 =====	\$13,030 =====	\$ 3,097 =====	\$34,336 =====
Allowance for Doubtful Accounts	\$ 6,514 =====	\$ 2,546 =====	\$ 3,002 =====	\$ 6,058 =====
1993 ----				
Restructuring Reserve	\$39,130 =====	\$ =====	\$12,016 =====	\$27,114 =====
Goodwill Amortization	\$22,040 =====	\$ 8,024 =====	\$ 5,661 =====	\$24,403 =====
Allowance for Doubtful Accounts	\$ 3,511 =====	\$ 5,537 =====	\$ 2,534 =====	\$ 6,514 =====
1992 ----				
Restructuring Reserve	\$ 9,871 =====	\$42,000 =====	\$12,741 =====	\$39,130 =====
Goodwill Amortization	\$19,333 =====	\$ 3,854 =====	\$ 1,147 =====	\$22,040 =====
Allowance for Doubtful Accounts	\$ 3,671 =====	\$ 1,737 =====	\$ 1,897 =====	\$ 3,511 =====

(1) Includes amounts written off, translation adjustments and payments.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 30th day of March 1995.

SONOCO PRODUCTS COMPANY

/s/ C. W. Coker

C. W. Coker
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following person on behalf of the Registrant and in the capacities indicated on this 30th day of March 1995.

/s/ F. T. Hill, Jr.

F. T. Hill, Jr.
Vice President - Finance
(Principal Accounting Officer)

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SIGNATURES, CONTINUED

/s/ C. W. Coker ----- C. W. Coker	Chief Executive Officer and Director (Principal Executive Officer)
/s/ T. C. Coxe, III ----- T. C. Coxe, III	Senior Executive Vice President and Director (Principal Financial Officer)
/s/ L. Benatar ----- L. Benatar	Director
/s/ C. J. Bradshaw ----- C. J. Bradshaw	Director
/s/ R. J. Brown ----- R. J. Brown	Director
----- F. L. H. Coker	Director
/s/ J. L. Coker ----- J. L. Coker	Director
/s/ A. T. Dickson ----- A. T. Dickson	Director
/s/ R. E. Elbertson	Director

----- R. E. Elberson	
/s/ J. C. Fort ----- J. C. Fort	Director
/s/ P. Fulton ----- P. Fulton	Director
/s/ R. C. King, Jr. ----- R. C. King, Jr.	Director
	Director
----- E. H. Lawton, Jr.	
/s/ H. L. McColl, Jr. ----- H. L. McColl, Jr.	Director
/s/ E. C. Wall, Jr. ----- E. C. Wall, Jr.	Director

EXHIBIT 3

[The following is an unofficial
Restatement of the Restated Articles of
Incorporation, filed on October 7, 1988,
with the Secretary of State of South
Carolina, as subsequently amended on
April 28, 1989, November 2, 1993 and
May 4, 1994.]

STATE OF SOUTH CAROLINA
SECRETARY OF STATE
(RESTATED) ARTICLES OF INCORPORATION
OF
SONOCO PRODUCTS COMPANY

(File this Form in
Duplicate Originals) This Space for Use
by
(Section 33-7-30 of 1976 Code) Secretary of State

1. The name of the corporation is SONOCO PRODUCTS COMPANY, originally known as
SOUTHERN NOVELTY COMPANY as filed on May 10, 1899.

2. The initial registered office of the corporation is North Second Street

Street & Number

Hartsville	Darlington	S.C.	29550
-----	-----	-----	-----
City	County		Zip Code

and the initial registered agent at such address is Harris E. DeLoach, Jr.

3. The period of duration of the corporation shall be perpetual (years).

4. The corporation is authorized to issue shares of stock as follows:

Class of Shares	Authorized No. of Each Class	Par Value
-----	-----	-----
Common	150,000,000	None
Preferred	30,000,000	None

If shares are divided into two or more classes or if any class of shares is
divided into series within a class, the relative rights, preferences, and
limitations of the shares of each class, and of each series within a class, are
as follows:

(a) Preferred Stock. The Board of Directors is authorized,
subject to limitations prescribed by law and the provisions of this Article 4,
to provide for the issuance of the shares of Preferred Stock (including any
shares of Preferred Stock restored to the status of authorized but unissued
Preferred Stock, undesignated as to series pursuant to this Article 4(a) in one
or more series, and to establish, from time to time, the number of shares to
be included in each such series and to fix the designations, voting powers, if
any, preferences, limitations, and relative, participating, optional or other

special rights, as shall be stated and expressed in the articles of amendment providing for the issue of such series adopted by the Board of Directors and filed with the Secretary of State. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(i) the distinctive serial designations and the division of shares of Preferred Stock into one or more series and the number of shares of a particular series, which may be increased or decreased (but not below the number of shares thereof then outstanding) by articles of amendment authorized, executed and filed as required by law;

(ii) the rate or amount (or the method of determining the rate or amount) and times at which, and the preferences and conditions under which, dividends shall be payable on shares of a particular series, the status of such dividends as cumulative, partially cumulative, or noncumulative, the date or dates from which dividends, if cumulative, shall accumulate, and the status of such series as participating or nonparticipating with shares of other classes or series of stock;

(iii) the price or prices at which, the nature of the consideration for which, the period or periods within which and the terms and conditions, if any, upon which the shares of a particular series may be redeemed, in whole or in part,

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at the option of the corporation;

(iv) the amount or amounts and rights and preferences, if any, to which the holders of shares of a particular series are entitled or shall have in the event of any involuntary or voluntary liquidation, dissolution or winding up of the corporation;

(v) the right, if any, of the holders of a particular series or the corporation to convert or cause conversion of shares of such series into shares of other classes or series of stock or other securities or other property or to exchange or cause exchange of such shares for shares of other classes or series of stock or other securities for other property, and the terms and conditions, if any, including the price or prices or the rate or rates of conversion and exchange, and the terms and conditions of adjustments, if any, at which such conversion or exchange may be made or caused;

(vi) the obligation, if any, of the corporation to redeem, purchase or otherwise acquire, in whole or in part, shares of a particular series for a sinking fund or otherwise, and the terms and conditions thereof, if any, including the price or prices and the nature of the consideration payable for such shares so redeemed, purchased or otherwise acquired;

(vii) the voting rights, if any, of the shares of a particular series (in addition to those that may be required by law), whether special, conditional, limited or unlimited, including the number of votes per share and any requirement for the approval by the holders of shares of all series of Preferred Stock, or of the shares of one or more series thereof, or of both, in an amount greater than a majority up to such amount as is in accordance with applicable law, as a condition to specified corporation action or amendments to the Articles of Incorporation; and,

(viii) any other relative rights, limitations and preferences which may be so determined by the Board of Directors to the fullest extent permitted by the laws of the State of South Carolina.

All shares of any particular series of Preferred Stock shall rank equally and shall be identical as to preferences, limitations and relative rights, except as to the date or dates from and after which dividends, if cumulative or partially cumulative, shall accumulate. All series of Preferred Stock shall rank equally and shall be identical as to preferences, limitations and relative rights, except insofar as, to the extent permitted by law, they may vary with respect to the matters which the Board of Directors is hereby expressly authorized to determine in the articles of amendment providing for any

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particular series of Preferred Stock.

All shares of Preferred Stock shall rank senior and prior to the Common Stock in respect of the right to receive dividends and the right to receive payments out of the net assets of the corporation upon any involuntary or voluntary liquidation, dissolution or winding up of the corporation. All shares of Preferred Stock redeemed, purchased or otherwise acquired by the corporation (including shares surrendered for conversion or exchange) shall be cancelled and thereupon restored to the status of authorized but unissued shares of Preferred Stock undesignated as to series.

1. DESIGNATION OF THE SERIES; RANK. The shares of such series shall be designated as "\$2.25 Series A Cumulative Convertible Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting such series shall be 3,450,000. The Series A Preferred Stock shall be without par value. Such number of shares may be decreased, at any time and from time to time, by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than that of the shares then outstanding. The Series A Preferred Stock shall rank senior to the common stock of the Company (the "Common Stock") and any other capital stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

2. DIVIDENDS. (a) The holders of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cumulative annual cash dividends of \$2.25 per share, payable in arrears on the first day of February, May, August and November, commencing February 1, 1994 (the "Dividend Payment Date"), with respect to the quarterly period ending on the day immediately preceding such dividend payment date. The amount of dividends payable per share for each full dividend period shall be computed by dividing by four the \$2.25 annual rate. Dividends payable for any period other than a full dividend period shall be calculated on the basis of a year of 360 days consisting of twelve 30-day months. The dividends will be payable to holders of record as they appear on the stock register of the Company on a record date fixed by the Board of Directors, which shall in no event be more than fifty (50) days nor less than ten (10) days prior to the Dividend Payment Date. Dividends on the Series A Preferred Stock shall be cumulative from the date of original issuance of the Series A Preferred Stock. Holders of the Series A Preferred Stock shall not be entitled to any dividends,

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whether payable in cash, property or securities, in excess of the full cumulative dividends.

Any dividend which shall not be paid on the Dividend Payment Date on

which it shall become due shall be deemed to be "past due" until such dividend shall be paid or until the share of Series A Preferred Stock with respect to which such dividend became due shall no longer be outstanding, whichever is the earlier to occur. No interest or sum of money in lieu of interest shall be payable in respect of any dividend payment or payments which are past due. Dividends paid on shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accumulated and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares of Series A Preferred Stock at the time outstanding.

Unless full cumulative dividends on all outstanding shares of the Series A Preferred Stock have been paid or declared and set aside for payment for all past dividend periods: (i) no dividends -- in cash, stock or other property -- may be declared or any other distribution made upon the Common Stock or on any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends (other than dividends or distributions in Common Stock or any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up, dividends or distributions of Rights (as defined in Section 7 hereof), or the issuance of such Rights in connection with any other stock of the Company ranking junior to or on a parity with the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up); (ii) no Common Stock, or any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends or upon liquidation, dissolution or winding up, may be redeemed pursuant to a sinking fund or otherwise or purchased or otherwise acquired for any consideration by the Company (except by conversion of such junior stock into, or exchange of such stock for, stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up, or by redemption of the Rights for cash), provided that unless

prohibited by the terms of any other outstanding series of preferred stock, any monies theretofore deposited in any sinking fund with respect to any preferred stock of the Company in compliance with paragraph (a) of this Section 2 and the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund, regardless of whether at the time of such application full cumulative dividends on all

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outstanding shares of Series A Preferred Stock through the most recent Dividend Payment Date shall have been paid in full or declared and a sufficient sum set apart for payment thereof.

If a dividend upon any shares of Series A Preferred Stock or any other outstanding preferred stock of the Company ranking on a parity with the Series A Preferred Stock as to dividends is in arrears, all dividends or other distributions on account of such arrearage (other than dividends paid in Common Stock or any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up) will be declared pro rata so that the amounts of dividends per share declared on the Series A Preferred Stock and such other series shall in all cases bear to each other the same ratio that full cumulative dividends per share at the time on the shares of Series A Preferred Stock and on such other series bear to each other.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company if the Company could not, under paragraph (a) of this Section 2, purchase or otherwise acquire such shares at such time and in such manner.

3. GENERAL, CLASS AND SERIES VOTING RIGHTS. Except as provided in this Section 3 and in Section 4 hereof, or as otherwise from time to time required by law, the Series A Preferred Stock shall have no voting rights.

So long as any shares of Series A Preferred Stock remain outstanding, the consent of the holders of at least two-thirds of the shares of Series A

Preferred Stock outstanding at the time (voting separately as a class together, as to clause (i) below, with all other series of preferred stock ranking on a parity with the Series A Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable) given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) The authorization, creation, issuance or reclassification of authorized stock of the Company into, or authorization, creation or issuance of any obligation or security convertible into or evidencing a right to purchase, any shares of any class of stock of the Company (including any class or series of preferred

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stock) ranking prior to the Series A Preferred Stock or to any other series of preferred stock which ranks on a parity with the Series A Preferred Stock as to dividends or upon liquidation, dissolution or winding up; or

(ii) The amendment, alteration or repeal of any of the provisions of this Amendment or of these resolutions, whether by merger, consolidation or otherwise, which would materially and adversely affect the preferences, rights, powers or privileges, qualification, limitations and restrictions of the Series A Preferred Stock; provided, however, that the

authorization, creation, issuance or increase in the amount of shares of any other class or series of capital stock ranking on a parity with or junior to the Series A Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such preferences, rights, powers or privileges, qualifications, limitations and restrictions.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

4. DEFAULT VOTING RIGHTS. Whenever at any time dividends payable on the shares of Series A Preferred Stock shall be in arrears in an amount equal to at least six full quarterly dividends payable on shares of the Series A Preferred Stock at the time outstanding, whether or not consecutive quarterly dividend payment periods, the holders of the outstanding shares of Series A Preferred Stock shall have the exclusive right (voting separately as a class together with holders of shares of any one or more other series of preferred stock ranking on a parity with the Series A Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable) to elect two directors of the Company for terms at the Company's next annual meeting of shareholders (the "Preferred Stock Directors"). If the right to elect Preferred Stock Directors shall have accrued to the holders of the Series A Preferred Stock more than 90 days prior to the date established for the next annual meeting of shareholders and if immediately prior to the accrual of that right there are at least two vacancies on the full Board of Directors of the Company, the Chairman of the Board or the President of the Company shall, within 20 days after

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delivery to the Company at its principal office of a written request for a special meeting signed by the holders of at least 15 percent of all outstanding

shares of the Series A Preferred Stock, call a special meeting of the holders of Series A Preferred Stock to be held within 60 days after the delivery of such request for the purpose of electing such additional directors. At elections for such Preferred Stock Directors, each holder of Series A Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other series of preferred stock ranking on a parity as aforesaid with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable being entitled to such number of votes, if any, for each share of stock held as may be granted to them).

The Preferred Stock Directors to be elected by the holders of Series A Preferred Stock (together with any series of preferred stock ranking on a parity as aforesaid with the Series A Preferred Stock and upon which like Voting rights have been conferred and are exercisable) shall be in addition to the number of directors constituting the Board of Directors of the Company immediately prior to the accrual of that right, unless the Board of Directors is then at its maximum size, in which case such holders shall be entitled to elect two of such Directors at the Company's next annual meeting of shareholders. Unless the voting rights of the holders of such stock have terminated as provided below, such Preferred Stock Directors shall serve until their successors are elected and qualified by the holders of Series A Preferred Stock and any other holders of shares of preferred stock ranking as aforesaid on a parity with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable.

Each Preferred Stock Director elected by the holders of shares of Series A Preferred Stock (together with any other series of preferred stock ranking as aforesaid on a parity with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable) shall continue to serve as such director until such time as all dividends accumulated on the Series A Preferred Stock have been paid in full, at which time, subject to the requirements of the South Carolina Business Corporation Act of 1988, as amended, the term of office of all persons elected

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as Preferred Stock Directors by the holders of Series A Preferred Stock (together with any other series of preferred stock ranking on a parity with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable) shall forthwith terminate and the number of members of the Board of Directors shall be reduced accordingly. If the office of any Preferred Stock Director elected by the holders of Series A Preferred Stock voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise (other than termination upon the payment in full of all accumulated dividends as aforesaid), the remaining Preferred Stock Director elected by the holders of Series A Preferred Stock (together with any other series of preferred stock ranking on a parity with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable) voting as a class may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Any Preferred Stock Director may be removed by, and shall not be removed otherwise than by, a majority of the votes to which the holders of the outstanding shares of Series A Preferred Stock and all other such series of preferred stock ranking on a parity with the Series A Preferred Stock and upon which like voting rights have been conferred and are exercisable are entitled. Whenever the term of office of the Preferred Stock Directors elected by the holders of Series A Preferred Stock voting as a class shall end and the special voting powers vested in the holders of Series A Preferred Stock as provided in this Section 4 shall have expired, the number of directors shall be such number as may be provided for in the By-Laws or in a resolution of the Board of Directors adopted in accordance with the By-laws.

5. REDEMPTION. The outstanding shares of Series A Preferred Stock shall not be redeemable prior to November 8, 1996. On or after November 8, 1996, the Series A Preferred Stock may be redeemed at the option of the Company

at any time, in whole or in part, at a price of \$51.575 per share, plus accrued and unpaid dividends, if any, if redeemed prior to November 1, 1997 and at the prices indicated below, plus in each case accrued and unpaid dividends, if any, if redeemed during the 12-month period beginning November 1 of the years indicated below:

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Year	Redemption Price	Year	Redemption Price
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1997.....	\$51.350	2001.....	\$50.450
1998.....	\$51.125	2002.....	\$50.225
1999.....	\$50.900	2003 and	
2000.....	\$50.675	thereafter..	\$ 50.00

in each case plus accrued and unpaid dividends, if any, up to but excluding the date fixed for redemption (subject to the right of the holder of record of shares of Series A Preferred Stock on a record date for the payment of a dividend on the Series A Preferred Stock to receive the dividend due on such shares of Series A Preferred Stock on the corresponding Dividend Payment Date).

No sinking fund, mandatory redemption or other similar provision shall apply to the Series A Preferred Stock.

If fewer than all the outstanding shares of Series A Preferred Stock are to be redeemed, the Company will determine those to be redeemed pro rata as nearly as practicable, by lot, or by such other method as the Board of Directors may determine to be fair and appropriate.

Notice of any proposed redemption of shares of Series A Preferred Stock shall be mailed by means of first class mail, postage paid, addressed to the holders of record of the shares of Series A Preferred Stock to be redeemed, at their respective addresses then appearing in the stock register of the Company, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for such redemption (herein referred to as the "Redemption Date"). Each such notice shall specify (i) the Redemption Date, (ii) the Redemption Price, (iii) the place for payment and for delivering the stock certificate(s) and transfer instrument(s) in order to collect the Redemption price; (iv) the shares of Series A Preferred Stock to be redeemed and (v) the then effective Conversion Price (as defined below) and that the right of holders of shares of Series A Preferred Stock being redeemed to exercise their conversion right shall terminate as to such shares at the close of business on the business day next preceding the Redemption Date (provided that no default by the Company in the payment of the applicable Redemption Price (including any accrued and unpaid dividends) shall have occurred and be continuing). Any notice mailed in such manner shall be conclu-

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sively deemed to have been duly given whether or not such notice is in fact received.

The holder of any shares of Series A Preferred Stock redeemed upon any exercise of the Company's redemption right shall not be entitled to receive payment of the Redemption Price for such shares until such holder shall cause to be delivered to the place specified in the notice given with respect to such redemption (i) the certificate(s) representing such shares of Series A Preferred Stock and (ii) transfer instrument(s) satisfactory to the Company and sufficient to transfer such shares of Series A Preferred Stock to the Company free of any

adverse interest. No interest shall accrue or be paid on the Redemption Price of any share of Series A Preferred Stock.

On and after the Redemption Date for any share of Series A Preferred Stock, such share shall (provided the Redemption (including any accrued and unpaid dividends up to but excluding the Redemption Date) of such share has been paid or properly provided for) be deemed to cease to be outstanding and all rights of any person other than the Company in such share shall be extinguished on the Redemption Date for such share (including all rights to receive future dividends with respect to such share) except for the right to receive the Redemption Price (including any accrued and unpaid dividends up to but excluding the Redemption Date), without interest, for such share in accordance with the provisions of this Section 5, subject to applicable escheat laws. Any interest accrued on such funds shall be paid to the Company from time to time.

If any such notice of redemption shall have been duly given or has been given to a bank or trust company hereinafter referred to in Section 8 with irrevocable written instruction to promptly give or complete such notice, and if on or before the Redemption Date all funds necessary for such redemption shall have been deposited with such a bank or trust company, in trust for the benefit of the holders of the shares so called for redemption, then, notwithstanding the certificate or certificates for shares so called for redemption shall not have been surrendered for redemption, from and after the time of such deposit all shares so called for redemption shall be deemed to be no longer outstanding, and all rights with respect to such shares shall forthwith terminate, except only the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest, on or before the date fixed for redemption, and to exercise all privileges of conversion, if any, not theretofore expired, subject to applicable escheat laws. Any interest accrued on such funds so held by such bank or trust company shall be paid to the Company from time to time.

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In the event that any shares of Series A Preferred Stock shall be converted into Common Stock pursuant to Section 7 hereof, then (i) the Company shall not have the right to redeem such shares and (ii) any funds which shall have been deposited for the payment of the Redemption Price for such shares shall be returned to the Company immediately after such conversion (subject to declared dividends payable to holders of shares of Series A Preferred Stock on the record date for such dividends being so payable, to the extent set forth in Section 7 hereof).

Subject to Section 2 hereof and to the following paragraph, the Company shall have the right to purchase shares of Series A Preferred Stock in the public market at such prices as may from time to time be available in the public market for such shares and shall have the right at any time to acquire any shares of Series A Preferred Stock from the owner of such shares on such terms as may be agreeable to such owner. Shares of Series A Preferred Stock may be acquired by the Company from any shareholder pursuant to this paragraph without offering any other shareholder an equal opportunity to sell his stock to the Company, and no purchase by the Company from any shareholder pursuant to this paragraph shall be deemed to create any right on the part of any shareholder to sell any shares of Series A Preferred Stock (or any other stock) to the Company.

Notwithstanding the foregoing provisions of this Section 5, and subject to the provisions of Section 2 hereof, if a dividend upon any shares of Series A Preferred Stock is past due, (i) no shares of the Series A Preferred Stock may be redeemed, except (A) by means of a redemption pursuant to which all outstanding shares of the Series A Preferred Stock are simultaneously redeemed, or pursuant to which the outstanding shares of the Series A Preferred Stock are redeemed on a pro rata basis or (B) by conversion of shares of Series A Preferred Stock into, or exchange of such shares for, Common Stock or any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up, and (ii) neither the Company nor any subsidiary of the Company shall purchase or otherwise acquire

any shares of the Series A Preferred Stock, except (A) pursuant to a purchase or exchange offer made on the same terms to all holders of the Series A Preferred Stock or (B) by conversion of shares of Series A Preferred Stock into, or exchange of such shares for, Common Stock or any other stock of the Company ranking junior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

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6. LIQUIDATION. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company (for the purposes of this Section 6, a "Liquidation"), before any distribution of assets shall be made to the holders of Common Stock or the holders of any other stock of the Company that ranks junior to the Series A Preferred Stock upon liquidation, dissolution or winding up, the holder of each share of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, an amount equal to \$50 per share plus all dividends accrued and unpaid on such share up to the date of distribution of the assets of the Company to the holders of Series A Preferred Stock, and the holders of any class or series of stock ranking on a parity with the Series A Preferred Stock as to liquidation, dissolution or winding up shall be entitled to receive the full respective liquidation preferences (including any premium), to which they are entitled and shall receive all accrued and unpaid dividends with respect to their respective shares through and including the date of distribution.

If upon any Liquidation of the Company, the assets available for distribution to the holders of Series A Preferred Stock and any other stock of the Company ranking on a parity with the Series A Preferred Stock upon Liquidation which shall then be outstanding shall be insufficient to pay the holders of all outstanding shares of Series A Preferred Stock and all other such parity stock the full amounts (including all dividends accrued and unpaid) of the liquidating distribution to which they shall be entitled, then the holders of each series of such stock will share ratably in any such distribution of assets first in proportion to their respective liquidation preferences until such preferences are paid in full, and then in proportion to their respective amounts of accrued but unpaid dividends. After payment of any such liquidating preference and accrued dividends, the holders of shares of the Series A Preferred Stock will not be entitled to any further participation in any distribution of assets by the Company.

For purposes of this Section 6, a Liquidation shall not include (i) any consolidation or merger of the Company with or into any other corporation, (ii) any liquidation, dissolution, winding up or reorganization of the Company immediately followed by reincorporation of another corporation or (iii) a sale or other disposition of all or substantially all of the Company's assets to another corporation unless in connection therewith the Liquidation of the Company is specifically approved.

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The holder of any shares of Series A Preferred Stock shall not be entitled to receive any payment owed for such shares under this Section 6 until such holder shall cause to be delivered to the Company (i) the certificate(s) representing such shares of Series A Preferred Stock and (ii) transfer instrument(s) satisfactory to the Company and sufficient to transfer such shares of Series A Preferred Stock to the Company free of any adverse interest. As in the case of the Redemption Price, no interest shall accrue on any payment upon Liquidation after the due date thereof.

7. CONVERSION PRIVILEGE. The holder of any share of Series A Preferred Stock shall have the right, at such holder's option (but if such share is called for redemption, then in respect of such share only to and including but not after the close of business on the second business day preceding the date fixed

for such redemption, provided that no default by the Company in the payment of the applicable Redemption Price (including any accrued and unpaid dividends) shall have occurred and be continuing on the date fixed for such redemption), to convert such share into that whole number of fully paid and nonassessable shares of Common Stock equal to a fraction, the numerator of which is the liquidation preference specified in Section 6 above (excluding accrued but unpaid dividends, if any) of such share of Series A Preferred Stock surrendered for conversion, and the denominator of which is the current Conversion Price per share of Common Stock. The Conversion Price shall initially be \$25.3125 per share of Common Stock and shall be subject to adjustment as set forth below.

In order to exercise the conversion privilege, the holder of shares of Series A Preferred Stock shall surrender the certificate(s) representing such shares, accompanied by transfer instrument(s) satisfactory to the Company and sufficient to transfer the Series A Preferred Stock being converted to the Company free of any adverse interest, at any of the offices or agencies maintained for such purpose by the Company ("Conversion Agent") and shall give written notice to the Company at such Conversion Agent that the holder elects to convert such shares. Such notice shall also state the name(s), together with address(es), in which the certificate(s) for shares of Common Stock which shall be issuable on such conversion shall be issued. As promptly as practicable after the surrender of such shares of Series A Preferred Stock as aforesaid, the Company shall issue and shall deliver at such Conversion Agent to such holder, or upon such holder's written order, a certificate(s) for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions hereof, and any fractional interest in respect of a share of

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Common Stock arising upon such conversion shall be settled as provided below. Balance certificates will be issued for the remaining shares of Series A Preferred Stock in any case in which fewer than all of the shares of Series A Preferred Stock represented by a certificate are converted. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which shares of Series A Preferred Stock shall have been so surrendered and such notice received by the Company as aforesaid, and the person(s) in whose name(s) any certificate(s) for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder(s) of record of the Common Stock represented thereby at such time, unless the stock transfer books of the Company shall be closed on the date on which shares of Series A Preferred Stock are so surrendered for conversion, in which event such conversion shall be deemed to have been effected immediately prior to the close of business on the next succeeding day on which such stock transfer books are open, and such person(s) shall be deemed to have become such holder(s) of record of the Common Stock at the close of business on such later day. In either circumstance, such conversion shall be at the Conversion Price in effect on the date upon which such share shall have been surrendered and such notice received by the Company.

In the case of any share of Series A Preferred Stock which is converted after any record date with respect to the payment of a dividend on the Series A Preferred Stock and on or prior to the next succeeding Dividend Payment Date, the dividend due on such next succeeding Dividend Payment Date shall be payable on such Dividend Payment Date to the holder of record of such share as of such preceding record date notwithstanding such conversion, except that holders of shares called for redemption on a Redemption Date between the record date and the Dividend Payment Date will not be entitled to receive such dividend. However, shares of Series A Preferred Stock surrendered for conversion during the period between the close of business on any record date with respect to the payment of a dividend on the Series A Preferred Stock next preceding any Dividend Payment Date and the opening of business on such Dividend Payment Date must (except in the case of shares of Series A Preferred Stock which have been called for redemption on a Redemption Date within such period) be accompanied by payment in funds acceptable to the Company of an amount equal to the dividend payable on such next succeeding Dividend Payment Date on the shares of Series A Preferred Stock being surrendered for conversion. A holder of shares of Series

A Preferred Stock on a dividend record date who (or whose transferee) tenders any such shares for conversion

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into shares of Common Stock on the corresponding Dividend Payment Date will receive the dividend payable by the Company on such shares of Series A Preferred Stock on such Dividend Payment Date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of Series A Preferred Stock for conversion. Except as provided in this paragraph, no payment or adjustment shall be made upon any conversion on account of any dividends accrued on shares of Series A Preferred Stock surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

No fractional shares of Common Stock will be issued, but in lieu thereof, in the sole discretion of the Board of Directors, either (i) such fractional interest shall be rounded up to the next whole share, or (ii) an appropriate amount will be paid in cash by the Company, as described in Section 10 hereof. If more than one certificate representing shares of Series A Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Preferred Stock represented by, such certificates, or the specified portions thereof to be converted, so surrendered.

The Conversion Price shall be adjusted from time to time as follows:

(a) In case the Company shall pay or make a dividend or other distribution on Common Stock of the Company in Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this subsection (a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any

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distribution on shares of Common Stock held in the treasury of the Company.

(b) In case the Company shall issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date fixed for a distribution of such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in subsection (g) below) of Common Stock on the date fixed for the determination of shareholders entitled to receive such rights or warrants (other than pursuant to a dividend reinvestment plan), the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such

current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this subsection (b), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Company. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect had the adjustments made in respect of the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered.

(c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day

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upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller amount of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock (i) evidences of its indebtedness and/or (ii) cash or other assets (including securities, but excluding Common Stock and any rights or warrants referred to in subsection (b) above, dividends or distributions in connection with the liquidation, dissolution or winding up of the Company, dividends payable solely in cash that may from time to time be fixed by the Board of Directors of the Company and dividends or distributions referred to in subsection (a) above), then in each case (unless the Company elects to reserve such evidences of indebtedness, securities or other assets for distribution to the holders of Series A Preferred Stock upon the conversion thereof so that any such holder converting such shares will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount and kind of such evidences of indebtedness, securities or other assets which such holder would have received if such holder had, immediately prior to the record date for the distribution of the evidences of indebtedness, securities or other assets, converted such shares of Series A Preferred Stock into Common Stock) the Conversion Price shall be adjusted so that the sum shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such record date by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (g) below) of the Common Stock on such record date less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and shall be described in a statement filed with any Conversion Agent) of the portion of the cash or other assets, evidences of indebtedness or securities so distributed (and for which an adjustment to the Conversion Price has not previously been made pursuant to the terms of this

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Section 7) applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following such record date. However, in the event the then fair market value (as so determined) of the portion of the evidences of indebtedness, securities or other assets so distributed applicable to one share of Common Stock is equal to or greater than the current market price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of Series A Preferred Stock shall have the right to receive upon conversion thereof the amount and kind of evidences of indebtedness, securities or other assets such holder would have received had he converted such shares on such record date. If the Board of Directors determines the fair market value of any distribution for purposes of this subparagraph by reference to the actual or when issued trading market for any securities comprising a distribution of securities, it shall in doing so consider the price in such market over the period used in computing the current market price of the Common Stock.

The occurrence of a distribution or the occurrence of any other event as a result of which holders of shares of Series A Preferred Stock converting such shares into Common Stock hereunder will not be entitled to receive rights issued pursuant to any shareholders protective rights agreement that may be adopted by the Company (the "Rights") in the same amount and manner as if such holders had converted such shares immediately prior to the occurrence of such event shall be deemed a distribution of Rights for the purposes of conversion adjustments pursuant to this subparagraph. In lieu of making any adjustment to the Conversion Price under this subparagraph as a result of such a distribution of Rights, the Company may, at its option, provide that Rights shall be issuable in the same amount and manner upon conversion of the Series A Preferred Stock without regard to whether the shares of Common Stock issuable upon conversion of the Series A Preferred Stock were issued before or after such distribution or other event.

(e) In case the Company shall, by dividend or otherwise, at any time distribute to all holders of its Common Stock cash (excluding (i) any cash dividends on the Common Stock to the extent that the aggregate cash dividends per share of Common Stock in any consecutive 12-month period do not exceed the greater of (a)

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the amount per share of Common Stock of the cash dividends paid on the Common Stock in the next preceding 12-month period, to the extent that such dividends for the preceding 12-month period did not require an adjustment to the Conversion Price pursuant to this subparagraph (as adjusted to reflect subdivisions or combinations of the Common Stock) and (b) 15% of the average daily Closing Prices (as hereinafter defined) of the Common Stock for the ten consecutive Trading Days (as hereinafter defined) immediately prior to the date of declaration of such dividend, (ii) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, and (iii) any redemption of Rights issued under a rights agreement) then, in each such case, unless the Company elects to reserve such an amount of cash for distribution to the holders of the Series A Preferred Stock so that any such holder converting such shares will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount of cash which such holder would have received if such holder had, immediately prior to the record date for such distribution of cash, converted its shares of Series A Preferred Stock into Common Stock, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect at the close of business on such record date by a fraction of which the numerator shall be the last reported sales price of the Common Stock on such record date

less the amount of cash so distributed (to the extent not excluded as provided above) applicable to one share of Common Stock, and the denominator shall be such last reported sales price of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following such record date; provided, however, that in

the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the last reported sales price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of Series A Preferred Stock shall thereafter have the right to receive upon conversion the amount of cash such holder would have received had such holder converted each share of Series A Preferred Stock on such record date. If any adjustment is required to be made as set forth in this subparagraph as a result of a distribution which is a dividend described in subclause (i) of this subparagraph, such adjustment would be based upon the

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amount by which such distribution exceeds the amount of the dividend permitted to be excluded pursuant to such subclause (i) of this subparagraph. If an adjustment is required to be made pursuant to this subparagraph as a result of a distribution which is not such a dividend, such adjustment would be based upon the full amount of such distribution.

(f) In case of the consummation of a tender or exchange offer (other than an odd-lot tender offer) made by the Company or any subsidiary of the Company for all or any portion of the Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Common Stock exceeds the first reported sales price per share of Common Stock on the Trading Day next succeeding the Expiration Time (as defined below), the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the "Expiration Time") by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, and the denominator shall be the sum of (A) the fair market value (determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) of the aggregate consideration payable to shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (B) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time.

(g) For the purpose of any computation under this Section 7, the current market price per share of Common Stock on any day shall be deemed to be the average of the daily Closing Prices (as hereinafter defined) per share of Common Stock for the ten consecutive Trading Days prior to and including the date in question;

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provided, however, that (1) if the "ex" date (as hereinafter defined) for

any event (other than the issuance, distribution or Fundamental Change

requiring such computation) that requires an adjustment to the Conversion Price pursuant to this Section 7 occurs during such ten consecutive Trading Days and prior to the "ex" date for the issuance, distribution or Fundamental Change requiring such computation, the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event, (2) if the "ex" date for any event (other than the issuance, distribution or Fundamental Change requiring such computation) that requires an adjustment to the Conversion Price pursuant to such subparagraphs hereof occurs on or after the "ex" date for the issuance, distribution or Fundamental Change requiring such computation and on or prior to the date in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event (provided that in the event that such fraction is required to be determined at a date subsequent to the date in question and with reference to events taking place subsequent to the date in question, the Board of Directors of the Company or, to the extent permitted by applicable law, a duly authorized committee thereof, whose determination shall be conclusive and described in a resolution of the Board of Directors or such duly authorized committee thereof, as the case may be, shall estimate such fraction based on assumptions it deems reasonable regarding such events taking place subsequent to the date in question, and such estimated fraction shall be used for purposes of such adjustment until such time as the actual fraction by which the Conversion Price is so required to be adjusted as a result of such other event is determined), and (3) if the "ex" date for the issuance, distribution or Fundamental Change requiring such computation is on or prior to the date in question, after taking into account any adjustment required pursuant to clause (1) or (2) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board of Directors or, to the extent permitted by applicable law, a duly authorized committee thereof in a manner consistent with any

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determination of such value for purposes of the subparagraphs of this Section 7, whose determination shall be conclusive and described in a resolution of the Board of Directors or such duly authorized committee thereof, as the case may be) of the evidences of indebtedness, shares of capital stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance, distribution or Fundamental Change, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance, such distribution or the cash, securities, property or other assets distributable in such Fundamental Change to holders of the Common Stock, (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (3) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

(h) No adjustment in the Conversion Price shall be required pursuant to this Section 7 unless the adjustment would require a change of at least 1% of such price; provided, however, that any adjustments which by reason

of this subsection are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent or to the nearest 1/100th of a share, as the case

may be. The Board of Directors of the Company from time to time may, to the extent permitted by law, reduce the Conversion Price by any amount for any period of at least 20 days, in which case the Company shall give at least 15 days' notice of such reduction. In addition, the Company may, at its option, make such reductions in the Conversion Price in addition to those set forth in this Section 7, as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons. The Company shall have the power to resolve any ambiguity or

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correct any error with regard to the preceding sentence and its actions in so doing shall be final and conclusive. Notwithstanding anything to the contrary within this Section 7, the Conversion Price shall not be less than the greater of \$1.00 or the par value, if any, per share of the Common Stock. In the event an adjustment provided for herein would result in a Conversion Price of less than \$1.00 or the par value, if any, such adjusted Conversion Price shall be such greater amount per share.

Whenever the Conversion Price is adjusted as herein provided, (i) the Company shall promptly file with any Conversion Agent a Certificate of a duly authorized officer of the Company or of a firm of independent public accountants setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, and the manner of computing the same, which certificate, if of a firm of independent public accountants, shall be conclusive evidence of the correctness of such adjustment, and (ii) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be given by the Company to any Conversion Agent and mailed by the Company to each holder of shares of Series A Preferred Stock at such holder's last address as the same appears on the books of the Company.

In any case in which this Section 7 provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (A) issuing to the holder of any share of Series A Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of any fractional shares pursuant to this Section 7.

For purposes of this Section 7, "Common Stock" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of this Section 7,

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shares issuable on conversion of shares of Series A Preferred Stock shall include only shares of the class designated as Common Stock of the Company on the date of the initial issuance of Series A Preferred Stock by the Company, or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each

such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

In case:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock that would cause an adjustment to the Conversion Price of the Series A Preferred Stock pursuant to the terms of any of the subsections above (including such an adjustment that would occur but for the terms of the first sentence of subsection (h) above); or

(ii) the Company shall authorize the granting to the holders of its Common Stock generally of rights or warrants (for a period expiring within 45 days after the record date fixed for a distribution of such rights and warrants) to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(iii) the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock; or

(iv) of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfers of all or

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substantially all of the assets of the Company or a compulsory share exchange; or

(v) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with any Conversion Agent, and shall cause to be mailed to all holders of shares of Series A Preferred Stock at each such holder's last address as the same appears on the books of the Company, at least 20 days prior to the applicable record or effective date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or (B) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings described in clauses (i) through (v) above.

The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of shares of Series A Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the shares of Series A Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to

the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

The Company covenants that all shares of Common Stock which may be delivered upon conversions of shares of Series A Preferred Stock will upon delivery be duly and

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validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock, a sufficient number of shares of Common Stock for the purpose of effecting conversions of shares of Series A Preferred Stock not theretofore converted. For purposes of this reservation of Common Stock, the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series A Preferred Stock shall be computed as if at the time of computation all outstanding shares of Series A Preferred Stock were held by a single holder. The issuance of shares of Common Stock upon conversion of shares of Series A Preferred Stock is hereby authorized in all respects.

If any shares of Common Stock required to be reserved for purposes of conversion of the Series A Preferred Stock hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be issued upon conversion, the Company will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered or approved, as the case may be. If the Common Stock is listed on the New York Stock Exchange, the NASDAQ Stock Market ("Nasdaq") or any other national securities exchange, the Company will, in good faith and as expeditiously as possible, endeavor, if permitted by the rules of such exchange or system, to list and keep listed on such exchange or system, upon official notice of issuance, all shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

Notwithstanding the provisions in this Section 7, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any such plan (whether any such plan is now or hereafter authorized), or the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any employee benefit plan or program of the Company or any subsidiary (whether any such plan or program is now or hereafter authorized), or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Series A Preferred Stock was first designated, shall not be deemed to constitute an issuance of Common

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Stock or exercisable, exchangeable or convertible securities by the Company to which any of the adjustment provisions described above applies. There shall be no adjustment of the Conversion Price in case of the issuance of any stock (or securities convertible into or exchangeable for stock) of the Company except as described in this Section 7. Except as expressly set forth in this Section 7, if any action would require adjustment of the Conversion Price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value.

In the event that the Company shall be a party to any transaction constituting a recapitalization, reclassification, consolidation, merger, sale, transfer of all or substantially all of its assets or share exchange (including

without limitation any (i) recapitalization or reclassification of shares of the Common Stock (other than a change from no par value to par value, or from par value to no par value, or as a result of a subdivision or combination of the Common Stock)), (ii) any consolidation of the Company with, or merger of the Company into, any other corporation, any merger of another corporation into the Company as a result of which holders of Common Stock shall be entitled to receive securities or other property or assets (including cash) with respect to or in exchange for the Common Stock (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange, pursuant to any of which the holders of Common Stock shall be entitled to receive other securities, cash or other property), then appropriate provision shall be made as part of the terms of such transaction so that the holder of each share of Series A Preferred Stock then outstanding shall have the right thereafter to convert such share only into (1) in the case of a Non-Stock Fundamental Change (as hereinafter defined) and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of securities, cash and other property that would have been receivable upon such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock into which such share of Series A Preferred Stock might have been converted immediately prior to such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange, after giving effect to any adjustment in the Conversion Price required by the provisions which follow, and (2) in the case of a Common

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Stock Fundamental Change (as hereinafter defined), common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined pursuant to the provisions of this Section 7. The company formed by such consolidation or resulting from such merger or which acquires such assets or which acquires the Company's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to establish such right. Such certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The above provisions shall similarly apply to successive recapitalizations, reclassifications, consolidations, mergers, sales, transfer or share exchanges.

Notwithstanding any other provisions in this Section 7 to the contrary, if any Fundamental Change (as hereinafter defined) occurs, then the Conversion Price in effect will be adjusted immediately following such Fundamental Change as described below. In addition, in the event of a Common Stock Fundamental Change, each share of Series A Preferred Stock shall be convertible solely into Common Stock of the kind received by holders of Common Stock as the result of such Common Stock Fundamental Change.

For purposes of calculating any adjustment to be made pursuant to this Section 7 in the event of a Fundamental Change, immediately following such Fundamental Change (and for such purposes a Fundamental Change shall be deemed to occur on the earlier of (a) the occurrence of such Fundamental Change and (b) the date, if any, fixed for determination of shareholders entitled to receive the cash, securities, property or other assets distributable in such Fundamental Change to holders of the Common Stock):

(i) in the case of a Non-Stock Fundamental Change, the Conversion Price per share of Common Stock shall be the lower of (A) the Conversion Price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other adjustments effected pursuant to this Section 7, and (B) the product of (1) the greater of the Applicable Price (as hereinafter defined) and the applicable Reference Market Price (as hereinafter defined) and (2) a fraction, the numerator of which shall be

\$50 and the denominator of which shall be the amount at which one share of Series A Preferred Stock would be redeemed by

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the Company if the redemption date were the date of such Non-Stock Fundamental Change (such denominator being the sum of (1) the redemption price set forth in the table contained in Section 5(a) above, or if the Non-Stock Fundamental Change occurs during the period commencing on the date of original issue of the Series A Preferred Stock and ending October 31, 1994, and for the 12-month periods commencing November 1, 1994 and November 1, 1995, and for the period commencing November 1, 1996 and ending November 7, 1996, \$52.250, \$52.025, \$51.800 and \$51.575, respectively, and (2) any accrued and unpaid dividends on the Series A Preferred Stock, whether or not declared, to but excluding the date of such Non-Stock Fundamental Change); and

(ii) in the case of a Common Stock Fundamental Change, the Conversion Price per share of Common Stock shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other adjustments effected pursuant to this Section 7, multiplied by a fraction, the numerator of which is the Purchaser Stock Price (as hereinafter defined) and the denominator of which is the Applicable Price; provided, however, that in the event of a Common Stock

Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change and (B) all of the Common Stock shall have been exchanged for, converted into or acquired for common stock (and cash, if any, with respect to fractional interests) of the successor, acquiror or other third party, the Conversion Price per share of Common Stock immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of shares of common stock of the successor, acquiror, or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change.

The following definitions shall apply to terms used in this Section 7:

(a) "Applicable Price" shall mean (i) in the event of a Non-Stock Fundamental Change in which the

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holders of the Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Non-Stock Fundamental Change or any Common Stock Fundamental Change, the average of the Closing Prices for one share of the Common Stock during the ten Trading Days immediately prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change or, if there is no such record date, prior to the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets. The Closing Price on any Trading Day may be subject to adjustment as provided in this Section 7.

(b) "Closing Price" with respect to any securities on any day shall mean the closing sale price, regular way, on such day or, in case no such sale takes place on such day, the average of the reported closing bid and

asked prices, regular way, in each case on Nasdaq or, if such security is not listed or admitted to trading on such Exchange, on the principal national securities exchange or quotation system on which such security is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the date in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Company for that purpose or a price determined in good faith by the Board of Directors of the Company. The Closing Price on any Trading Day may be subject to adjustment as provided in this Section 7.

(c) "Common Stock Fundamental Change" shall mean any Fundamental Change in which more than 50% of the value (as determined in good faith by the Board of Directors of the Company or, to the extent permitted by applicable law, a duly authorized committee thereof) of the consideration received by the holders of Common Stock pursuant to such transaction consists of common stock that, for the ten consecutive Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to

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notice of issuance on a national securities exchange or quoted on Nasdaq; provided, however, that a Fundamental Change shall not be a

Common Stock Fundamental Change unless either (i) the Company continues to exist after the occurrence of such Fundamental Change and the outstanding shares of Series A Preferred Stock continue to exist as outstanding shares of Series A Preferred Stock, or (ii) not later than the occurrence of such Fundamental Change, the outstanding shares of Series A Preferred Stock are converted into or exchanged for shares of convertible preferred stock of a corporation succeeding to the business of the Company, which convertible preferred stock has powers, preferences and relative, participating, optional or other rights, and qualifications, limitations and restrictions substantially similar to those of the Series A Preferred Stock.

(d) "Fundamental Change" shall mean the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitutes solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the

case of a plan involving more than one such transaction or event, for purposes of adjustment of the Conversion Price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Company has been exchanged for, converted into, or acquired for or constitutes solely the right to receive cash, securities, property or other assets, but the adjustment shall be based upon the consideration which the holders of Common Stock received in such transaction or event as a result of which more than 50% of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for or shall constitute solely the right to receive cash, securities, property or other assets; provided,

further, that such term does not include (i) any transaction or event in

which the Company and/or any of its subsidiaries are the issuers of all the cash, securities, property or other assets exchanged, acquired or otherwise issued in such transaction or event, or (ii) any transaction or event in which the holders of Common Stock receive securities of an issuer other than the Company if, immediately following such transaction or event, those

holders hold a majority of the securities having the power to vote

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normally in the election of directors of such other issuer outstanding immediately following such transaction or other event.

(e) "Non-Stock Fundamental Change" shall mean any Fundamental Change other than a Common Stock Fundamental Change.

(f) "Purchaser Stock Price" shall mean, with respect to any Common Stock Fundamental Change, the average of the Closing Prices for one share of the common stock received by holders of Common Stock in such Common Stock Fundamental Change during the ten Trading Days immediately prior to the record date for the determination of the holders of Common Stock entitled to receive such common stock or, if there is no such record date, prior to the date upon which the holders of the Common Stock shall have the right to receive such common stock. The Closing Price on any Trading Day may be subject to adjustment as provided in this Section 7.

(g) "Reference Market Price" shall initially mean \$13.50 (which is an amount equal to 66 2/3% of the last reported sales price for the Common Stock on Nasdaq on October 26, 1993) and, in the event of any adjustment to the Conversion Price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of \$13.50 to the initial Conversion Price set forth in this Section 7.

(h) "Trading Day" shall mean (A) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (B) if the applicable security is quoted on Nasdaq, a day on which trades may be made on such National Market System or (C) if the applicable security is not otherwise listed, admitted for trading or quoted, any day other than a Saturday or Sunday or on a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

8. PAYMENTS. The Company may provide funds for any payment of the

Redemption Price prior to the Redemption Date for any shares of Series A Preferred Stock or any

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amount distributable with respect to any Series A Preferred Stock under Section 6 hereof by depositing such funds with a bank or trust company selected by the Company having a net worth of at least \$100,000,000 and having its principal place of business in New York, New York, Charlotte or Winston-Salem, North Carolina, or Atlanta, Georgia, in trust for the benefit of the holders of such shares of Series A Preferred Stock under arrangements providing irrevocably for payment upon satisfaction of any conditions to such payment by the holders of such shares of Series A Preferred Stock which shall reasonably be required by the Company. Except as otherwise provided in Section 5 (seventh paragraph), the Company shall be entitled to make any deposit of funds contemplated by this Section 8 under arrangements designed to permit such funds to generate interest or other income for the Company, and the Company shall be entitled to receive all interest and other income earned by any funds while they shall be deposited as contemplated by this Section 8, provided that the Company shall maintain on deposit funds sufficient to satisfy all payments which the deposit arrangement shall have been established to satisfy. If the conditions precedent to the disbursement of any funds deposited by the Company pursuant to Section 5 or this Section 8 shall not have been satisfied within two years after the

establishment of such funds, then (i) such funds shall be returned to the Company upon its request; (ii) after such return, such funds shall be free of any trust which shall have been impressed upon them; (iii) the person entitled to the payment for which such funds shall have been originally intended shall have the right to look only to the Company for such payment, subject to applicable escheat laws; and (iv) the trustee which shall have held such funds shall be relieved of any responsibility for such funds upon the return of such funds to the Company.

Any payment which may be owed for the payment of the Redemption Price for any shares of Series A Preferred Stock pursuant to Section 5 hereof or the payment of any amount distributable with respect to any shares of Series A Preferred Stock under Section 6 hereof shall be deemed to have been "paid or properly provided for" upon the earlier to occur of: (i) the date upon which funds sufficient to make such payment shall be deposited in a manner contemplated by the preceding paragraph or (ii) the date upon which a check payable to the person entitled to receive such payment shall be delivered to such person or mailed to such person at either the address of such person then appearing on the books of the Company or such other address as the Company shall deem reasonable.

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9. STATUS OF REACQUIRED SHARES OF SERIES A PREFERRED STOCK. Shares of

Series A Preferred Stock issued and reacquired by the Company (including, without limitation, shares of Series A Preferred Stock which have been redeemed pursuant to the terms of Section 5 hereof and shares of Series A Preferred Stock which have been converted into shares of Common Stock) shall have the status of authorized and unissued shares of preferred stock, undesignated as to series, subject to later issuance.

10. FRACTIONAL SHARES. In the event the holder of Series A Preferred

Stock shall be entitled to receive a fractional interest in a share of Series A Preferred Stock or a fractional interest in a share of Common Stock, except as otherwise provided herein, the Company shall either, in the sole discretion of the Board of Directors, (i) round such fractional interest up to the next whole share of Series A Preferred Stock or Common Stock, as the case may be, or (ii) deliver cash in the amount of the fair market value (as determined by the Board of Directors or in any manner prescribed by the Board of Directors) of such fractional interest.

11. PREEMPTIVE RIGHTS. The Series A Preferred Stock is not entitled to

preemptive or subscription rights in respect of any securities of the Company.

12. LEGAL HOLIDAYS. In any case where any Dividend Payment Date, any

Redemption Date or the last date on which a holder of Series A Preferred Stock has the right to convert such holder's shares of Series A Preferred Stock shall not be a Business Day (as defined below), then (notwithstanding any other provision of these resolutions or of the Series A Preferred Stock) payment of a dividend due or a Redemption Price or conversion of the shares of Series A Preferred Stock need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Dividend Payment Date or Redemption Date or last day for conversion, provided

that, for purposes of computing such payment, no interest shall accrue for the period from and after such Dividend Payment Date or Redemption Date, as the case may be. As used in this Section 12, "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, New York, Charlotte or Winston-Salem, North Carolina, or Atlanta, Georgia, are authorized or obligated by law or executive order to close.

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(b) Common Stock. The Common Stock shall be entitled to unlimited voting rights as provided by law, and together with the Preferred Stock, but subject to the prior rights of the Preferred Stock, shall be entitled to receive the net assets of the corporation upon any involuntary or voluntary liquidation, dissolution or winding up of the corporation.

(c) Certain Dividends. Shares of one class or series (including, without limitation, rights, options or warrants for the purchase or other acquisition of shares) may be issued by the Board of Directors as a dividend in respect of shares of any class or series.

5. Total authorized capital stock is 75,000,000 shares common stock.
6. The existence of the corporation began as of the filing date with the Secretary of State or to be effective May 10, 1899.
7. The number of directors constituting the board of directors of the corporation is 15 and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors be elected and qualify are as follows:

	Name	Address
(a)	SEE ATTACHMENT -----	-----
(b)	-----	-----
(c)	-----	-----
(d)	-----	-----

8. The general nature of the business for which the corporation is organized is as follows: (It is not necessary to set forth the powers enumerated in Section 33-3-10 of 1976 Code) Manufacturing and selling articles made of wood, paper, iron, cloth, or other materials, buying and selling merchandise of all kinds, and such other business as is properly connected with the conduct of these undertakings, including the buying, selling and holding of real estate, erection of power plant stations.
9. Additional provisions included in the articles of incorporation are as follows:

(a) Board of Directors. Notwithstanding anything in Item 7 of the Restated Articles of Incorporation, the number of directors of the corporation shall be (i) the number fixed from time to time by the Board of Directors, which shall not be less than nine, plus (ii) any directors elected exclusively by the holders of Preferred Stock as provided in these articles. Except for any director elected exclusively by the holders of Preferred Stock, the directors shall continue to be divided into three classes of as nearly equal size as possible. Each class shall be elected to serve a term of three years. At each Annual Meeting of Shareholders, directors shall be elected to fill any vacancies in any class of the Board of Directors. Directors so elected shall serve until the Annual Meeting of Shareholders in the year in which their terms expire. No person who is not then already a director of the corporation shall be eligible to be elected as a director at the Annual Meeting of Shareholders unless such person shall have been nominated in writing, with such notice delivered to the Secretary of the corporation, not less than sixty days prior to such Annual Meeting.

(b) Noncumulative Voting. Shareholders shall not have the right to cumulate their votes in the election of Directors.

(c) No Preemptive Rights. The corporation elects not to have preemptive rights with respect to its shares, whether now or hereafter authorized.

(d) Removal of Directors. Directors may be removed only for cause. Removal of a Director or the entire Board of Directors for cause shall only be accomplished by a vote of the

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holders of at least a majority of the outstanding shares then entitled to vote at an election for such Directors, subject to the provisions of the laws of the State of South Carolina.

(e) Liability of Directors. No Director of the corporation shall be personally liable to the corporation or to its shareholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the laws of South Carolina, as presently in effect or as the same may hereafter be amended. No amendment, modification or repeal of this Article 9(e) shall adversely affect any right or protection that exists at the time of such amendment, modification, or repeal.

(f) Quorum or Voting Requirement for Shareholders. The shareholders are authorized to adopt or amend a by-law that fixes a greater quorum or voting requirement for shareholders (or voting groups of shareholders) than is required by the laws of the State of South Carolina.

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10. The name and address of each incorporator is as follows: Not necessary for Restated Articles.

Name	Street & Res. No.	City	County	State
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These Restated Articles of Incorporation are executed and filed pursuant to Resolution of the Board of Directors of Sonoco Products Company duly adopted on July 20, 1988, and in accordance with Section 33-15-80, Code of Laws of South Carolina (1976); it is hereby expressly recited that they purport merely to restate, but not to change the provisions of the original Articles (that is the Charter of the Corporation, originally named Southern Novelty Company, dated May 10, 1899) as heretofore amended and supplemented, and that there is no discrepancy between such provisions and the provisions of these Restated Articles.

/s/ Charles W. Coker

Signature of Incorporator

Type or Print Name

/s/ Harris E. DeLoach

Signature of Incorporator

Type or Print Name

Date: September 1, 1988*

STATE OF SOUTH CAROLINA
COUNTY OF DARLINGTON

The undersigned Charles W. Coker and Harris E. DeLoach, Jr.

do hereby certify that they are the President and Assistant Secretary of
Sonoco Products Company and are authorized to execute this verification;
that each of the undersigned does hereby certify that he or she has read
the foregoing document, understands the meaning and purport of the
statements therein contained and the same are true to the best of his or
her information and belief.

-----	/s/ Charles W. Coker
Signature of Incorporator	----- President
-----	/s/ Harris E. DeLoach
Signature of Incorporator	----- Asst. Secretary

CERTIFICATE OF ATTORNEY

I, Harriet E. Wilmeth, an attorney licensed to practice in the State of South Carolina, certify that the corporation, to whose articles of incorporation this certificate is attached, has complied with the requirements of Chapter 7 of Title 33 of the Code of Laws of South Carolina (1976) relating to the organization of corporations, and that in my opinion, the corporation is organized for a lawful purpose.

Date: September 1, 1988*	/s/ Harriet E. Wilmeth
	----- Signature
	Harriet E. Wilmeth
	----- Type or Print Name
	Wilmeth & Jones

	Post Office Box 1139
	----- Address
	Hartsville, SC 29550
	----- City State Zip Code

* As amended on April 28, 1989, November 2, 1993, and May 4, 1994.

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SCHEDULE OF FEES
(Payable at time of filing Articles with Secretary of State)

Fee for filing Articles	\$5.00
In addition to the above, \$.40 for each \$1,000.00 of the aggregate value of shares which the corporation is authorized to issue, but in no case	

less than 40.00

nor more than 1,000.00

NOTE: THIS FORM MUST BE COMPLETED IN ITS ENTIRETY BEFORE IT WILL BE ACCEPTED FOR FILING.

THIS FORM MUST BE ACCOMPANIED BY THE FIRST REPORT OF CORPORATIONS AND A CHECK IN THE AMOUNT OF \$10.00 PAYABLE TO THE SOUTH CAROLINA TAX COMMISSION.

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ATTACHMENT

BOARD OF DIRECTORS OF SONOCO PRODUCTS COMPANY*

Charles J. Bradshaw, Spartanburg, South Carolina
Charles W. Coker, Hartsville, South Carolina
Fitz L. H. Coker, Myrtle Beach, South Carolina
James L. Coker, Charleston, South Carolina
Thomas C. Coxe, III, Darlington, South Carolina
Alan T. Dickson, Charlotte, North Carolina
C. Kirkland Dunlap, Jr., Hartsville, South Carolina
Robert E. Elbersson, Chicago, Illinois
James C. Fort, Hartsville, South Carolina
Edgar H. Lawton, Jr., Hartsville, South Carolina
Hugh L. McColl, Jr., Charlotte, North Carolina
R. Roy Pearce, Columbia, South Carolina
Paul J. Rizzo, Chapel Hill, North Carolina
Donald R. Russell, Hartsville, South Carolina
E. Craig Wall, Jr., Conway, South Carolina

* As of October 7, 1988. For a current listing of the Board of Directors, refer to Item 10 of the Company's Form 10-K Annual Report.

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BY-LAWS
SONOCO PRODUCTS COMPANY
HARTSVILLE, S. C.

(Incorporated under the laws of the
State of South Carolina)

Revised through April 20, 1994

ARTICLE I - OFFICE

1. The principal office of the corporation shall be at Hartsville, Darlington County, South Carolina.

2. The corporation may also have offices at such other places as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II - SHAREHOLDERS' MEETINGS

1. THE PLACE OF ALL MEETINGS of the shareholders shall be the principal

office of the corporation at Hartsville, Darlington County, State of South Carolina.

2. THE ANNUAL MEETING of the shareholders of the corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the third Wednesday of April at 11:00 A.M., if not a legal holiday; but if a legal holiday, then on the following day.

3. THE ORDER OF BUSINESS at the annual meeting and all other meetings of the shareholders, where practicable, shall be as follows:

- (a) Calling meeting to order;
- (b) Proof of notice of meeting;
- (c) Reading of minutes of last previous annual meeting and disposing of any unapproved minutes;
- (d) Annual reports;
- (e) Election of directors;
- (f) Unfinished business;
- (g) New business;
- (h) Adjournment.

4. SPECIAL MEETINGS OF THE SHAREHOLDERS for any purpose or purposes may be called by the Chairman of the Board of Directors, or by the President, or by any Vice President, or the Secretary, or the Treasurer, or by the shareholders owning not less than ten percent (10%) of the outstanding shares of the corporation entitled to vote at such meeting. Special meetings shall be called at the request of holders of Preferred stock as

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may be provided in Resolution or Resolutions of shareholders at the time in effect with respect to the rights, preferences, privileges, limitations and conditions affecting the capital stock of the corporation. Business to be transacted at all special meetings shall be confined to the purpose or purposes stated in the call.

5. NOTICE of the time and place of the annual meeting and any special meeting of the shareholders shall be given by mailing written or printed notice of the same not less than twenty (20) days nor more than fifty (50) days prior to the meeting to each shareholder of record of the corporation entitled to vote at such meeting, addressed to shareholder's last known address appearing on the corporate books of the corporation. NOTICE SHALL BE DEEMED TO HAVE BEEN GIVEN when deposited with postage prepaid in the United States mail, addressed to the shareholder at the address appearing on the stock transfer books of the corporation.

A RECORD DATE may be set by the Board of Directors in advance, not less than ten (10) nor more than fifty (50) days preceding the date of any meeting of the shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting or adjournment thereof.

6. A COMPLETE LIST OF SHAREHOLDERS ENTITLED TO VOTE at the annual shareholders' meeting or any adjournment thereof, or any special meeting of the shareholders or adjournment thereof, shall be prepared by the Treasurer of the corporation or his agent, such list to be arranged in alphabetical order with the complete address of each shareholder, showing the number of voting shares held by each shareholder, subject to the provisions of the laws of the State of South Carolina.

7. THE VOTING AT ALL MEETINGS of the shareholders may be by voice vote, but any ten (10) qualified voters may demand a stock vote whereupon such stock vote shall be taken by ballot, each of which shall state the name of the shareholder voting and the number of shares voted by him; and if such ballots be cast by

proxy, it shall also state the name of such proxy.

8. EVERY SHAREHOLDER HAVING THE RIGHT TO VOTE at any meeting of the shareholders shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholders. Each shareholder shall have one vote for each share of stock having voting power registered in his name on the books of the corporation as of the record date set by the Board of Directors.
NO PROXY SHALL BE VALID after the expiration of eleven (11) months from its execution.

9. A QUORUM at any annual or special meeting of the shareholders shall consist of shareholders representing, either in person or by proxy, a majority of the shares of the corporation entitled to vote at such meeting. A majority of the votes cast at such meeting shall decide any question that may come before such meeting except as otherwise provided by law and except as otherwise may be provided by Resolution or Resolutions of shareholders at the time in effect with respect to the rights, preferences, privileges, limitations and conditions affecting the shares of the corporation.

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10. IN THE ABSENCE OF A QUORUM at a properly called shareholders' meeting, such meeting may be adjourned from time to time by a vote of a majority of the shares represented. If the meeting is adjourned for thirty (30) days or more, a notice of such adjourned meeting shall be sent to all shareholders entitled to vote thereat stating the time and place of holding such adjourned meeting.

11. NO NOTICE OF AN ADJOURNED MEETING for less than thirty (30) days need be given if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken.

ARTICLE III - DIRECTORS

1. THE MANAGEMENT of all the affairs, property and the business of the corporation shall be vested in a Board of Directors. The number of directors of the corporation shall be (i) the number fixed from time to time by the Board of Directors, which number shall not be less than nine, plus (ii) any directors elected exclusively by the holders of Preferred Stock as provided in the corporation's Restated Articles of Incorporation. Directors shall be shareholders, each owning not less than one hundred (100) shares of the voting stock of the corporation. The directors need not be residents of the State of South Carolina.

2. THE BOARD OF DIRECTORS shall be divided into three classes of as nearly equal size as possible in accordance with the provisions of the Restated Articles of Incorporation, as amended.

3. ALL DIRECTORS SHALL SERVE until their successors shall have been duly elected and qualify or until their earlier resignation, retirement, removal from office, death or incapacity except as otherwise provided by Resolution or Resolutions of the shareholders at the time in effect with respect to the rights, references, privileges, limitations and conditions affecting the shares of the corporation.

4. ALL DIRECTORS OF AN EXPIRING CLASS shall be eligible for re-election to the Board of Directors.

5. ALL VACANCIES OCCURRING IN THE BOARD OF DIRECTORS whether caused by resignation, death, increase in number of directors, or otherwise can be filled by a majority vote of the remaining directors attending a regular or special

meeting.

6. RETIREMENT OF DIRECTORS shall be automatic upon reaching the age of seventy (70), and a special meeting of the Board of Directors may be called to fill the vacancy thus created by the retirement, provided that this paragraph shall not apply to any person serving on the Board of Directors at the time of the adoption of these By-Laws who has reached retirement age.

7. REMOVAL OF A DIRECTOR OR THE ENTIRE BOARD OF DIRECTORS for cause shall only be accomplished by a vote of the holders of at least a majority of the outstanding shares then entitled to vote at an election of Directors, subject to the provisions of the laws

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of the State of South Carolina and the Restated Articles of Incorporation of the Company. Directors may be removed only for cause.

8. REGULAR MEETINGS OF THE BOARD OF DIRECTORS shall be held quarterly at the principal office of the corporation at Hartsville, South Carolina and ten (10) days written notice shall be given prior to the meeting date. Date of each quarterly meeting shall be decided upon by the Chairman of the Board of Directors or by the President or, in their absence, by any two Vice Presidents or by any two directors.

9. SPECIAL MEETINGS of the Board of Directors may be called at any time to be held at the principal office of the corporation at Hartsville, South Carolina or elsewhere by:

- (a) The Chairman of the Board of Directors;
- (b) The President;
- (c) Any two (2) members of the Board;
- (d) Unanimous written consent of all the members at any time and place without notice;
- (e) The presence of all members at such meeting.

Notice of all special meetings of the Board of Directors shall be given to each director by telegram or by letter two (2) days prior to the meeting date. Notice of a meeting of directors need not be given to any director who signs a waiver of notice either before or after the meeting.

10. NOTICE OF ADJOURNMENT OF A MEETING OF THE BOARD OF DIRECTORS need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

11. NEITHER THE BUSINESS TO BE TRANSACTED at nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice.

12. A QUORUM at all meetings of the Board of Directors shall consist of a majority of the total number of directors then in office, but less than a quorum may adjourn the meeting which may be held on a subsequent date without further notice if the time and place to which it is adjourned are fixed and announced at such meeting.

13. COMPENSATION shall be paid directors not otherwise currently employed by the Company for their services in such form and in such amount as may be determined by Resolution of the Board of Directors.

ARTICLE IV - OFFICERS

1. THE OFFICERS OF THE CORPORATION shall consist of a President, one or more Vice Presidents, a Secretary and Treasurer who shall be elected for one year by the directors at their first meeting after the annual meeting of shareholders and who shall hold

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office until their successors are elected and qualify. The Board of Directors may also in their discretion elect a Chairman of the Board of Directors for a term of one year. The position of Vice President and Treasurer and/or Secretary and Treasurer and/or Vice President and Secretary may be united in one person. The Board of Directors may also elect one or more Assistant Secretaries and Assistant Treasurers.

2. THE CHAIRMAN OF THE BOARD OF DIRECTORS, if elected, shall preside at all meetings of the shareholders and directors. The Chairman shall possess the same power as the President to sign all certificates, contracts and other instruments of the corporation which may be authorized by the Board of Directors. He shall perform all such other duties as are incident to his office or are properly required of him by the Board of Directors.

3. THE PRESIDENT, in the absence of the Chairman of the Board of Directors, shall preside at all meetings of the shareholders and directors, shall have general supervision of the affairs of the corporation, shall sign or countersign all certificates, contracts and other instruments of the corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and shareholders and shall perform all such other duties as are incident to his office or are properly required of him by the Board of Directors.

4. THE VICE PRESIDENTS, in the order designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President and the Chairman of the Board of Directors. Each Vice President shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors.

5. THE SECRETARY shall issue notices for all meetings, shall keep minutes of all meetings, shall have charge of the seal and corporate books, shall sign with the President such instruments that require his signature, shall make such reports and shall perform such other duties as are incident to his office or are properly required of him by the Board of Directors.

6. THE ASSISTANT SECRETARIES, in order designated by the Board of Directors, shall in the absence or disability of the Secretary perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors may prescribe.

7. THE TREASURER shall have custody of all funds and securities of the corporation and shall keep regular books of account. He shall disburse the funds of the corporation in payment of just demands against the corporation or as may be ordered by the Board of Directors, taking proper vouchers for disbursements, and shall render to the Board of Directors from time to time as may be required of him an account of all his transactions as Treasurer and of the financial condition of the corporation. He shall perform all duties incident to his office or which are properly required of him by the Board of Directors.

8. THE ASSISTANT TREASURERS, in order designated by the Board of Directors, shall in the absence or disability of the Treasurer perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors may prescribe.

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9. IN THE CASE OF ABSENCE OR INABILITY TO ACT of any officer of the corporation or of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

10. VACANCIES in any office arising from any cause may be filled by the directors at any regular or special meeting.

11. THE SALARIES of all officers receiving both officer compensation and officer benefits shall be fixed by the Board of Directors.

ARTICLE V - SHARES

1. CERTIFICATES FOR SHARES, Common and Preferred, respectively, shall be issued in numerical order, and each shareholder shall be entitled to a certificate signed by the Chairman of the Board of Directors or by the President or any Vice President and by the Secretary or the Treasurer of the corporation or bearing the facsimile signatures of such officers and bearing the corporate seal or a facsimile thereof. A record of such certificates issued shall be kept by the corporation or a designated transfer agent and/or registrar. No certificate shall be issued covering or evidencing a fractional part of a share of either Common or Preferred shares but in lieu thereof the corporation may issue script in registered or bearer form over the manual or facsimile signature of an officer of the corporation or of its agents, exchangeable as therein provided for full shares, but such script shall not entitle the holder to any right of a shareholder except as therein provided. Such script may be issued subject to the condition that it shall become void if not exchanged for certificates representing full shares before a specified date or, subject to the condition that the shares for which such script is exchangeable, may be sold by the corporation and the proceeds thereof distributed to the holders of such script or subject to any other conditions which the Board of Directors may determine.

2. TRANSFERS OF SHARES shall be made only upon the transfer books of the corporation kept at the principal office of the corporation or by a transfer agent designated to transfer the Common or Preferred shares; and before a new certificate is issued, the old certificate must be surrendered for cancellation.

3. REGISTERED HOLDERS only shall be entitled to be treated by the corporation as holders in fact of the shares standing in their respective names, and the corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any person, whether or not it shall have express or other notice thereof.

4. IN CASE OF LOSS OR DESTRUCTION BY A SHAREHOLDER of the original certificate, another may be issued in its place upon proof of such loss or destruction and upon the giving of a satisfactory bond of indemnity to the corporation and/or to the transfer agent of such shares, subject to the provisions of the laws of the State of South Carolina.

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5. TRANSFER AGENTS OR REGISTRARS of the Common or Preferred shares of the corporation may from time to time be designated by the Board of Directors which may provide for their countersigning of share certificates.

ARTICLE VI - DIVIDENDS AND FINANCE

1. THE BOARD OF DIRECTORS MAY DECLARE and the corporation may pay dividends at such time as the Board of Directors may designate on its outstanding shares, in cash or property or from authorized but unissued shares of its own and may declare stock splits, but no dividends or splits shall be declared that shall impair the capital stock of the corporation or violate any right, preference, privilege, limitation or condition affecting any class of shares of the corporation as fixed and determined by the shareholders or that shall violate any agreement or undertaking made by the corporation or that shall not conform to the laws of the State of South Carolina.

2. THE FUNDS of the corporation shall be deposited in the name of the corporation in such bank or banks or trust company or trust companies as the Board of Directors may designate and shall be drawn out by checks signed by any two officers or any two designated employees or by an officer together with a designated employee or by the use of facsimile signatures in lieu thereof.

3. THE FISCAL year of the corporation shall begin on the first day of January in each year unless otherwise provided by the Board of Directors.

ARTICLE VII - SEAL

1. THE CORPORATE SEAL shall consist of two concentric circles between which are written the words, "SONOCO PRODUCTS COMPANY, S. C.," and in the center of which is written "INCORPORATED 1899," and such seal is impressed on the margin hereof, has been and is hereby adopted as the corporate seal of the corporation.

ARTICLE VIII - INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

1. Any present or former director, officer or employee of the corporation or any person who, at the request of the corporation, may have served as director or officer of another corporation in which it owns shares or of which it is a creditor shall be entitled to reimbursement of expenses and other liabilities to the maximum extent permitted by the laws of the State of South Carolina or by order of any Court having jurisdiction in any action or proceeding to which he is a party by reason of being or having been a director, officer or employee.

ARTICLE IX - AMENDMENTS

1. The By-Laws may be amended, repealed or altered, in whole or in part, or new By-Laws adopted, by a majority of the outstanding shares of the corporation entitled to vote at any annual meeting of the shareholders of the corporation or at any special meeting called for such purpose or, to the extent permitted by law, by a majority of the Board of Directors at any regular meeting or special meeting called for that purpose; provided, however, that no such amendment, repeal, alteration or adoption shall violate any right, preference, privilege, limitation or condition affecting any class of stock of the corporation as fixed and determined by shareholders or, acting under or pursuant to authority in the Articles of Incorporation, by the Board of

Directors, or violate any agreement or understanding made by the corporation; and provided further that Article III, Sections 1, 2, 7, and Article IX, Section 1, of the By-Laws may not be amended, repealed or altered, in whole or in part, and no By-Law may be amended, repealed, altered or adopted which is inconsistent with any of such Sections or either Article 4 or Article 9 of the Articles of Incorporation, other than by an affirmative vote of shareholders sufficient to amend Articles 4 and 9 of the Articles of Incorporation of the corporation.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)

	Years Ended December 31		
	1994 (A)	1993 (A)	1992
Primary earnings			
Net income available to common shareholders	\$ 122,086	\$ 117,570	\$ 43,359
Common shares			
Weighted average number of shares outstanding	87,090,108	87,315,677	86,732,210
Assuming exercise of options reduced by the number of shares that could have been purchased (at average price) with proceeds from exercise of such options	831,480	857,331	810,786
Weighted average number of shares outstanding as adjusted	87,921,588	88,173,008	87,542,996
Primary earnings per common share			
Net income available to common shareholders	\$ 1.39	\$ 1.33	\$.50
Assuming full dilution			
Net income available to common shareholders	\$ 122,086	\$ 117,570	\$ 43,359
Common shares			
Weighted average number of shares outstanding	87,090,108	87,315,677	86,732,210
Assuming exercise of options reduced by the number of shares that could have been purchased (at the higher of the end-of-year price or the yearly average) with proceeds from exercise of such options	831,480	857,331	1,090,620
Weighted average number of shares outstanding as adjusted	87,921,588		
	88,173,008	87,822,830	
Earnings per common share assuming full dilution			
Net income available to common shareholders	\$ 1.39	\$ 1.33	\$.49

(A) The Company issued 3,450,000 shares of \$2.25 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 1993 and are therefore excluded from the above computation.

COMPARATIVE HIGHLIGHTS (UNAUDITED)
Sonoco Products Company

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	% CHANGE YEAR	FROM PRIOR YEAR
(Dollars in thousands except per share)						
1994						
Net sales.....	\$537,372	\$564,391	\$591,178	\$607,186	\$2,300,127	18.1%
Gross profit.....	113,609	121,994	124,710	136,387	496,700	17.8%
Net income available to common shareholders.....	26,159	30,895	30,568	34,464	122,086	3.8%*
Per common share						
Net income available to common shareholders.....	.30	.36	.35	.39	1.40	3.7%*
Dividends - common.....	.135	.14	.14	.14	.555	4.7%
Book value per common share.....					7.59	7.8%
Market price - high.....	25-3/4	22-3/4	24	23-3/4	25-3/4	
Market price - low.....	21-1/2	19-3/4	20-1/2	19-3/4	19-3/4	
1993						
Net sales.....	\$466,938	\$478,508	\$462,324	\$539,454	\$1,947,224	
Gross profit.....	101,716	107,435	100,561	111,841	421,553	
Net income available to common shareholders.....	26,908	31,808	28,504	30,350	117,570	
Per common share						
Net income available to common shareholders.....	.31	.36	.33	.35	1.35	
Dividends - common.....	.125	.135	.135	.135	.53	
Book value per common share.....					7.04	
Market price - high.....	24-7/8	24-3/4	24	22-1/2	24-7/8	
Market price - low.....	21-7/8	21-3/4	20-1/2	19-3/4	19-3/4	

* Excluding the expected dilution for the 1993 Engraph acquisition, the one-time gain in 1993 and the elimination of the international lag, net income increased 12% over 1993.

SONOCO LISTS ON THE NEW YORK STOCK EXCHANGE

Sonoco began trading on the New York Stock Exchange (NYSE) March 8, 1995, under the stock symbol "SON."

Sonoco had been studying a move to the New York Stock Exchange for several years and the timing seemed right to make this strategic move during 1995. Coming off a record year in both sales and profits, with sales exceeding \$2 billion, the Company has strong growth plans in place that call for continuing international expansion. The move to the world's most widely recognized stock exchange should significantly add to Sonoco's visibility in crucial financial markets.

We expect the move to the "big board" to have very positive benefits for shareholders because of the wider market for shares and because of the lower transaction costs the Company believes to be associated with the NYSE.

CONSUMER PACKAGING REVIEW

SONOCO'S CONSUMER PACKAGING OPERATIONS ACCOUNT FOR APPROXIMATELY 42% OF THE COMPANY'S PRODUCT LINE.

OPERATIONS IN SONOCO'S CONSUMER PACKAGING BUSINESSES INCLUDE: THE CONSUMER PRODUCTS DIVISION; SONOCO CONSUMER PACKAGING -- EUROPE; SONOCO CAPSEALS; ENGRAPH AND THE HIGH DENSITY FILM PRODUCTS DIVISION.

[FIGURE 1]

RUTH THOMAS AND HER TWINS, KAYLA AND KYLE, find high value and performance from Sonoco's composite and flexible packaging.

New products, new markets, good capacity utilization, increased customer satisfaction, increased demand for products and continued international expansion all contributed to strong performance for Sonoco's consumer packaging businesses in 1994. In addition, 1994 was the first full year that Engraph was part of Sonoco. The Engraph businesses continued to perform well. Also, during the year they added two acquisitions.

CONSUMER PRODUCTS

Sonoco's Consumer Products Division (CPD) is the world's largest and leading supplier of high-quality composite packaging. Composite cans, the division's primary product line, are versatile packages that meet tomorrow's packaging requirements today. The division's research, development and marketing personnel work closely with its strong customer base to continually refine composite can technology to develop cost, quality and environmental advantages to satisfy the most demanding packaging requirements. Because of strong customer support, this division is one of Sonoco's fastest growing global businesses.

The Consumer Products Division is a principal supplier to many of the world's largest packaging users. Sonoco supplies its customers from a network of 28 United States plants and 11 international plants. Supporting its manufacturing operations is an organization totally focused on customer satisfaction and a world-class research and development center. The fundamental growth strategy for this division is to expand its businesses through its understanding of the requirements, expectations and business strategies of its strong customer base and develop the packages that provide customers with a marketing advantage.

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On the Front Lines of Customer Satisfaction

Solving our customers' packaging problems is one of our most important goals.

[FIGURE 2]

INCREASED CUSTOMER DEMAND FOR PLASTIC GROCERY BAGS saw Sonoco's High Density Film Products Division operating at maximum capacity during 1994. Maria Estes prepares a shipment of bags at the Santa Maria, Calif., plant.

Composite cans, called board cans in Europe, are packages with a paperboard body; paper, metal, membrane or plastic-end closures; and, depending on product specifications, a variety of liners. Most composite cans produced by Sonoco contain more than 50% post-consumer recycled materials. The packages are used throughout the world to contain such products as prepared dough, pastries, frozen concentrate, snacks, nuts, powdered foods and beverages, shortening, cereal, institutional foods, adhesives, chemicals, cleansers and a wide variety of other products. Besides composite cans, the division is also a

major world producer of both fibre and plastic caulk cartridges for products like adhesives and sealants as well as the manufacturer of plastic tennis ball containers.

This group also grows by working closely with customers to develop composite packaging for new products. Prime examples of this type of growth are the Oreo Crunchies(TM) package, the new snack containers for Planters(R) nutty crunch caramel corn, a specialty canister for chocolate-covered cashews and high-tech canisters for new, larger biscuit products. Converting existing customers from self-manufacture to Sonoco's composite cans is another major avenue of growth that will continue because of our Company's expertise as the world's largest composite can manufacturer.

Solving our customers' packaging problems is one of our most important goals. Our Packaging Development Center helps Sonoco fill the void created by many companies cutting back on their own research and development activities. Customers have found that Sonoco's development group can move a packaging idea from concept to test market very quickly. The Packaging Development Center has facilities to design and fill the package, test the product and supply market-test quantities of cans.

These research and development capabilities enabled Sonoco to develop new coffee creamer packages as well as develop composite can packaging for coffee that was test marketed in 1994. The Packaging Development Center is at the forefront of Sonoco's drive to develop composite packaging options for a wide variety of products.

Sonoco has an expanding global presence in composite canister packaging. The division also has international plants in Mexico, Puerto Rico, Columbia, Canada, Australia, Venezuela and New Zealand, and continues to look at additional opportunities. In 1990, Sonoco joined with CarnaudMetalbox to form the CMB Sonoco joint venture to produce composite cans in England and France. In January 1995, Sonoco completed the purchase of CMB's 50% interest in the joint venture to give us 100% ownership of this European composite can business. Sonoco expects this sole ownership will help accelerate growth in the European market. There has been strong support from existing customers for this global expansion and the Company has plans in place for ongoing international expansion.

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[FIGURE 3]

MAYBELLINE(R) HAS SELECTED SONOCO'S ENGRAPH Paperboard Cartons and Specialties Group as its exclusive supplier of blister packaging for cosmetics. Checking out the makeup are Ashley Nichols, Eve Puffer and Shanea Carr.

CUSTOMER SATISFACTION

Continuous improvement remains an important element in this division's growth strategy. The entire team is focused on improving the value that Sonoco composite packaging offers customers. We have developed a strong systems approach to canister supply that not only meets just-in-time delivery requirements, but also allows the division to react quickly to surges in demand. Division team members continue to examine products and processes to find ways of continually adding more value for our customers. This group is committed to being in the forefront of innovation in products and services.

SONOCO CAPSEALS

Sonoco Capsels is a specialty operation based in the United Kingdom that produces seals used inside bottle closures. This operation develops

state-of-the-art seals that enhance product protection and product identification. The operation is expanding globally and serves customers around the world.

ENGRAPH

Engraph was the largest acquisition in Sonoco's history when we purchased it in October 1993. Sonoco acquired Engraph for the opportunity to grow in new packaging fields. The Engraph businesses fit well into Sonoco and continued to grow during 1994. Engraph is a leader in such packaging and product identification markets as pressure-sensitive and extended-text labels; flexible packaging for confectionary and other industries; screen printing for fleet graphics and beverage vending machines; and paperboard specialties. Like Sonoco, Engraph has developed a niche-market philosophy and has a leading position in all areas in which it does business.

LABEL BUSINESS... Sonoco plans an aggressive growth strategy for the Engraph label businesses. During 1994, Engraph acquired M. Harland & Son of England. Harland is one of England's leading producers of labels and label machinery. Engraph became the 100% owner of Engraph Puerto Rico after purchasing the venture partner's 50% interest. Those two companies join Patton of Moorestown, N.J. and Engraph Machine Systems of Delran, N.J.; Graphic Resources, Inc., Cold Spring, Ky. and Phoenix, Ariz.; Screen Graphics, Inc., Memphis, Tenn.; Package Products, Charlotte, N.C.; Polaris Packaging, Robbinsville, N.J.; and Engraph Mexico, Mexico City, Mexico, as the Engraph Label Group. Engraph's Machine Group designs the packaging line and assembles complete systems for label application and product handling, providing Engraph customers with a single source for both packaging products and machinery. These business units have leading label supplier positions in personal care, cosmetics, health care, pharmaceutical, chemical and other markets. The label business will continue to grow globally to serve customers as they expand to new markets. Engraph's intent is to build a worldwide supply network to serve customers as they grow.

FLEXIBLE PACKAGING... Through Morrill Press, Engraph is the finest producer of thin-gauge, high-value-added rotogravure printed films in the United States. This operation has two printing plants, one in Fulton, N.Y., and one in Morristown, Tenn. The Morristown plant, which opened in 1993, showed significant operational improvement through 1994. In early 1995, we signed an agreement to purchase a flexible packaging plant in Edinburgh, Ind., from Hargro Flexible Packaging Corp. A new Cerutti rotogravure press is being installed in this facility, which will add capacity to our flexible

On the Front Lines of Customer Satisfaction

THROUGH EXCELLENCE

[FIGURE 4]

WELCH'S RECOGNIZES SONOCO as an outstanding composite can supplier and an integral part of their overall quality system. Margaret Sage, Welch's, inspects cranberry juice on the production line in Lawton, Mich.

[FIGURE 5]

GINGER BEAUCHAMP FROM DIAL CORPORATION'S Phoenix, Ariz., facility, and Engraph's Lars HoTseung inspect a flexographic printing plate for Borateem(R) discount coupons.

packaging operations. These operations primarily serve the confectionary industry, printing on paper, foil or film that protects products for longer shelf life. Customers include some of the best-known names in candy, gum, snack, cookies and other products.

SCREEN GROUP... The Engraph Screen Group consists of two businesses, Screen Art of Knoxville, Tenn. and Ariston of Hillside, N.J. These operations, specializing in screen process printing, are the largest and most effective producers of fleet graphics in the United States. They also supply the beverage industry as the leading producer of product identification and promotional graphics for beverage vending machines, fountain dispensers and delivery trucks.

PAPERBOARD SPECIALTIES... Package Products of Charlotte, N.C., produces paperboard cartons, sleeves and blister packs for some of America's best-known brands. This operation offers customers one-stop shopping for both cartons and labels. Standard Cap and Seal of Norcross, Ga., and Rixie Paper Products of Pottstown, Pa., serve the hospitality and health care industries with paper covers that protect glassware and provide identification for hotels, hospitals and other health care facilities. Rixie is also the nation's leading producer of coasters, used for advertising and image enhancement by hotels, restaurants and other service facilities.

Several of Engraph's markets, particularly pressure-sensitive labels and certain flexible packaging areas, are among the fastest growing in the packaging industry. The multi-year plans for Engraph call for strong profit growth well into the future. This growth will come as the label and flexible packaging industries continue consolidating, helping Engraph to grow through acquisitions. In addition, the cross-selling opportunities provided as part of the Sonoco organization will help increase market share. Sonoco is committed to supporting this growth by funding internal developments and tactical acquisitions in both the United States and international markets.

HIGH DENSITY FILM PRODUCTS

Sonoco's High Density Film Products Division is the largest United States producer of high-density, high-molecular weight plastic carry-out grocery bags. In addition to plastic grocery bags, the group also produces plastic bags for convenience stores and high-volume retail operations, as well as agricultural mulch film.

During 1994, the division operated at near capacity. As a result of a major competitor leaving the high density market, Sonoco announced it is investing \$20 million to increase capacity by nearly two billion bags, beginning in 1995.

This division will grow by adding capacity to increase its penetration in the grocery market and will continue its focus of increasing share in the high-volume retail chains. Sonoco has a strong, value-added niche in its bag markets because of its customer-focus and unique systems approach to bag supply. Sonoco's patented Quik-Mate(R) bagging system and training programs have helped Sonoco customers achieve higher front-end productivity in their stores. In addition, the division maintains a nationwide plastic bag reclamation system in use at thousands of stores.

INDUSTRIAL PACKAGING REVIEW

ACTIONS TAKEN THE PAST FEW YEARS TO MAKE THE COMPANY EVEN MORE COST EFFECTIVE
PAID OFF IN IMPROVED RESULTS DURING 1994.

.....

SONOCO'S INDUSTRIAL PACKAGING SECTOR INCLUDES THE FOLLOWING BUSINESSES:
INDUSTRIAL PRODUCTS AND PAPER; INDUSTRIAL CONTAINER; FIBRE PARTITIONS;
PROTECTIVE PACKAGING; CRELLIN MOLDED PLASTICS; BAKER REELS; ADHESIVES AND
MACHINERY MANUFACTURING.

These businesses have leadership positions in their markets because of their continuing dedication to achieving customer satisfaction.

[FIGURE 6]

THE PROPRIETARY DESIGN OF SONOCO'S HQ SERIES of paper mill cores exceeds the performance requirements of the most modern printing machinery. Pat Crowley operates the Cerutti rotogravure press at Ringier America, a major catalog printing company in Evans, Ga.

Performance in nearly every business in the industrial packaging sector met or exceeded expectations for 1994, despite the sharp increases in raw material costs. Volume was up significantly in nearly every business and price increases were implemented to recover some of the cost increases. In addition, actions taken the past few years to make the Company even more cost effective paid off in improved results during 1994. These improved results should continue in 1995 and beyond. Sonoco has well-defined niche businesses in the industrial packaging sector. These businesses have leadership positions in their markets because of their continuing dedication to achieving customer satisfaction by being the preferred supplier of high-value products.

INDUSTRIAL PRODUCTS AND PAPER

One of Sonoco's unique strengths is the integrated relationship of the industrial products and paper operations. During 1994, these two divisions forged a joint strategy that is helping both businesses become even more responsive to the changing demands in the market-

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On the Front Lines of Customer Satisfaction

The Industrial Products Division and the Paper Division are Sonoco's oldest businesses but they continue to have significant growth potential.

[FIGURE 7]

CLAUDE AYMOT AND SYLVAIN BEAUDREAU OF SONOCO'S paper mill in Terrebonne, Quebec, Canada, survey some recovered paper collected at the mill. Sonoco collects more than 1.5 million tons of this raw material.

place. A high degree of vertical integration allows Sonoco to have strong control of its manufacturing process. The combined strategy allows the two businesses to merge their technical resources into a global technology group. The divisions combined their human resource groups in the United States and reorganized other areas, resulting in a reduction of nearly 50 positions during the year. In the past three years, these groups have reduced their headcount by nearly 10%. The Industrial Products Division (IPD) and the Paper Division are Sonoco's oldest businesses but they continue to have significant growth potential. They remain the "bread and butter" businesses, the foundation on which Sonoco is building its plans for future growth.

PAPER OPERATIONS

The Company's paper operations operated near capacity throughout 1994. Worldwide, Sonoco operates 23 paper mills and 34 paper machines. All of those machines except one produce recycled paperboard, giving Sonoco an annual capacity of more than one million tons. We sell more than 80% of this capacity internally to supply Sonoco's paper converting operations.

Sonoco operates a Fourdrinier machine in partnership with Georgia-Pacific Corporation that has an annual capacity of 176,000 tons of corrugating medium. The corrugating medium uses a combination of recycled pulp and wood chips for its furnish. The Company manages approximately 80,000 acres of timberland to supply wood chips for the Fourdrinier and lumber to produce furniture squares.

RECOVERED PAPER

Recovered paper is the primary raw material for Sonoco's papermaking activities. Sonoco collects and processes more than 1.5 million tons of recovered paper through its paper mills, paper procurement contracts and its subsidiary, Paper Stock Dealers, Inc. (PSD). Sonoco is one of the world's leading processors of this raw material. Recovered paper prices were one of the primary factors affecting 1994 results in Sonoco's paper and paper converting operations. The price of this material rose from about \$40 a ton early in 1994 to more than \$140 a ton later in the year. These unprecedented cost increases forced the paper operations, and subsequently the converting operations, to raise their prices in an attempt to recover some of these costs.

The recovered paper market remains volatile and Sonoco expects the cost pressures on recovered paper to be a continuing factor. However, there is a better understanding now of the new factors involved in the recovered paper marketplace. Sonoco met the challenge of this unprecedented price rise during 1994 by moving to strengthen our fibre-supply security. The Company will continue making acquisition that will enhance this position. For example, at the end of 1993, the Company established Sonoco Asia Recycling to supply recovered paper to paper mills in China. Sonoco purchased a materials recovery facility in Toronto, Ontario, Canada, late in 1993. The Company's PSD subsidiary acquired a recovered paper collection business in Spartanburg, S.C. This subsidiary now has 22 paper collection plants.

Due to the changing conditions of the marketplace, PSD invested in a new multi-material recovery facility in Columbia, S.C. This facility was set up to serve the recycling requirements of cities, counties and large industries, who need processors that handle a wide variety of recyclable materials. PSD will continue to invest in these facilities to maintain its position as the South's leading recovered-materials processor.

The paper operations are committed to growth to meet the demands of Sonoco's converting operations. A key success factor in this endeavor is technological leadership that will continue improving the quality of tube-board produced to both improve strength and increase productiv-

CUSTOMER SATISFACTION

[FIGURE 8]

LISA DAVIS EASILY INSERTS SONOPOST(R) CORNER POSTS on a General Electric range, one of several appliance manufacturers to choose the protective packaging for its strength, durability and stackability.

[FIGURE 9]

SEAMLESS FILM CORES MEET STRINGENT SPECIFICATIONS and improve quality for Borden at their North Andover, Mass., plant. L-r, Borden's Carlos Veras monitors film winding while Mike Hill, Borden purchasing, and Ray LaBonte, Sonoco sales representative, discuss core applications.

ity. The Company announced a \$90-million investment to enhance the competitiveness of Sonoco's Hartsville paper mill, our largest and oldest facility. This project will begin in 1995 and should be completed in about five years.

INDUSTRIAL PRODUCTS

Sonoco's Industrial Products Division is the world's leading manufacturer of high-value tubes and cores used by a wide variety of the world's industries in their winding and converting processes. A large percentage of this division's more than 60,000 products are highly engineered industrial carriers designed to meet the rapidly changing requirements of the high-speed machinery being used in most modern manufacturing environments. These tubes and cores are used in a wide variety of industries including textiles, film, paper, tape, converting, metal and many others. Specialty uses include forms for round concrete columns, tubes for shipping and storage and containers for business machines. The division is also one of the world's largest suppliers of paper cones to the textile industry.

The division has two major operating units, IPD-North America and IPD-Europe. Other tube manufacturing businesses in Australia, New Zealand, Latin America and Asia are also part of this operating group. These operations supply customers from nearly 100 plants around the world.

Sonoco is the market leader in nearly all industrial product lines in North America, Europe and Australia. The growth strategy for this division, which is critical to the continued success of the Company, calls for these businesses to be world leaders in customer satisfaction, the most cost-effective, high-value manufacturers in their markets, technology leaders for all served markets and growing global suppliers.

IPD-North America had very good performance in 1994, experiencing significant volume growth in most product lines. Consolidations and restructuring over the past couple of years put this group in a strong position to take advantage of the rebounding United States economy.

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On the Front Lines of Customer Satisfaction

Sonoco believes its technological expertise in the tube and core business is a distinct competitive advantage.

THROUGH EXCELLENCE

[FIGURE 10]

NEW MACHINERY IS REVOLUTIONIZING the textile industry and Sonoco cores are helping to ensure maximum productivity at modern plants like this one owned by Unifi, Inc.

IPD-Europe did not rebound as quickly as the North American operations

and continued to experience problems during 1994. Several European plants have been consolidated. Operations began to pick up toward the end of last year and we expect considerable improvement in the European tube and papermaking operations during 1995. We sold two small operations, a cone manufacturing plant in France and a paper mill in England, during 1994.

IPD-North America and Showa Products Company, our Japanese affiliate, formed a joint venture in 1991 for the manufacture of sophisticated film cores in the United States. This joint venture, Sonoco Marutsutsu, exceeded its objectives and was a significant success in developing the most sophisticated film cores on the market. Both companies planned this as a short-term endeavor and closed the joint venture in August 1994. Sonoco and Showa shared significant technology and manufacturing know-how that is being incorporated into the tube manufacturing operations of both companies. Sonoco is now supplying sophisticated film cores as part of regular division activities. Sonoco expressed deep appreciation to Showa and the Showa team members who helped make this venture such a strong success.

Sonoco believes its technological expertise in the tube and core business is a distinct competitive advantage. While the details are proprietary, the Company has implemented a number of programs during the past two years that have dramatically increased quality and controlled the costs of its industrial carriers. In addition, the new HQ series of paper mill cores and high-speed textile tubes have provided customers with carriers that greatly enhance productivity on their manufacturing lines.

The IPD/Paper technology efforts include research and development facilities in South Carolina and France, as well as a support unit in Wisconsin. Customers are demanding increasingly sophisticated carriers to keep up with the demands of new machinery entering the market. These new machines continue to wind faster and create heavier packages, putting increased demands on tubes and cores. Sonoco's technological know-how puts the Company in a unique position to supply these new generation carriers far ahead of the competition.

Another example of Sonoco's technology leadership is the development of a new test for tube strength. Sonoco researchers have determined that some tubes are affected by radial crush during the winding processes, not the flat crush that has been the standard measure. After developing several mathematical models and testing these theories in practice, Sonoco has developed a radial crush test that we expect will become a new industry standard.

International expansion continues to be a vibrant growth strategy of these operations. The Company has a solid market share in North America, Australia and New Zealand, nearly 20% of Europe's fragmented market, and only a small fraction of the fast-growing Asian markets. The new structure formed for the Asian operations, which includes Sonoco, Istethmar, a Hong Kong based investment organization, and Showa Products, should enable Sonoco to accelerate growth plans for this region of the world. Acquisitions will continue to be an important part of the division's growth strategy, especially in international markets.

All tubes and cores produced by IPD are made from recycled

testing methods.

[FIGURE 2]

PRODUCING SONOTUBE(R) FIBRE FORMS, which have become synonymous with high-quality construction forms for round concrete columns, are Harry Denby, Todd Pylman and Ken Phipps of Sonoco's Jacksonville, Fla., plant.

paperboard, and nearly all these products can be recycled. Sonoco is working closely with its customer base to develop product-reclamation programs for its cores, many of which it can take back and use in the papermaking process. During 1994, Sonoco's U.S. Industrial Products Division recycled approximately one third of all the products it manufactured.

The Industrial Products operations are committed to setting the world-class standard for the industrial carrier industry. The division plans to stay "a step ahead" of both customers and competition by providing cores to solve all winding and packaging challenges.

INDUSTRIAL CONTAINER

Sonoco's Industrial Container Division is the largest producer of fibre drums in the United States and is also a major manufacturer of plastic drums and intermediate bulk containers (IBC). Sonoco offers customers solutions for a wide variety of bulk packaging challenges through this division.

Business was strong in this operation during 1994, as each of the business units increased its volume. Fibre drums, while growing at a slower pace than plastic drums and IBCs, continued to gain business as steel drum users converted to fibre.

This division is the only industrial container supplier with a research and development facility that studies and tests performance of fibre and plastic drums, IBCs and a variety of other container types. This facility, in Lombard, Ill., continually refines existing products, develops new products and ensures ongoing regulatory compliance of its multiple product line. For example, this past year the group introduced a new single-piece plastic drum. The division is also working closely with its strong customer base in product development. This work has led to several refinements in the intermediate bulk containers, which are available in both 275- and 330-gallon sizes.

The Industrial Container group is a leader in the development of effective drum-disposal methods. Working with customers and drum reconditioners, Sonoco has developed several customer-specific programs for recycling drums. In addition, the Company's mobile recycling vehicles, MERV, can go directly to end-user locations to help in the recycling of fibre drums. MERV drivers can separate the fibre, metal and plastic components of the drum on location and prepare them for recycling. Five vehicles are currently assisting customers in recycling their drums.

There has been strong customer approval of the single-source strategy for industrial containers. Sonoco's ability to provide a wide variety of packaging options is a major advantage in the marketplace. The division plans to continue growing by meeting the packaging requirements of our current customers, developing new products and making tactical acquisitions, especially in international markets.

CRELLIN MOLDED PLASTICS

Sonoco developed a strong molded plastics business early in 1993 by combining its small injection molding business with the acquisition of Crellin Holding, Inc., of Chatham, N.Y. This division, which produces both injection molded and extrusion plastic products, has 10

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On the Front Lines of Customer Satisfaction

[FIGURE 13]

JOSE TRUJILLO OF SONOCO'S PLASTIC DRUM PLANT IN HOUSTON, TEXAS, inspects lids of the new and improved 25-gallon liquid DakPak(TM) drum. This plastic drum is a UN-approved container for hazardous waste that exceeds standards of most free-market countries. It has become a popular container for many major chemical companies.

[FIGURE 14]

HELPING CUSTOMERS PROTECT THE ENVIRONMENT by saving timberland, lowering cost and reducing landfilling by reusing reels, is one of the goals for Sonoco's Baker reel refurbishing operation in Temple, Ga. W.L. Campbell is the plant supervisor.

Baker Reels is the nations's largest producer of primary packaging (reels) for the wire and cable industry.

operations in the United States, one in Germany and one in the Netherlands.

This has become a solid business for Sonoco, serving customers in the automotive, textiles, fiber optics, medical and diagnostic, wire and cable, plumbing, filtration and food processing industries. These businesses provide customers with state-of-the-art injection molding engineering capabilities that provide prompt response to a wide variety of customer requirements with expert assistance in part design and polymer selection.

FIBRE PARTITIONS

Sonoco manufactures solid fibre partitions from eight plants, six in the United States, one in Canada and one in Mexico. Business was strong in 1994 due to operational improvements that should continue to reap benefits into 1995. Conversion of customers from corrugated partitions to fibre partitions continues to be a priority.

PROTECTIVE PACKAGING

The Company's Protective Packaging Division includes two primary product lines, Sonopost(R) corner posts and Aegis-ECF(TM), engineered cushion fibre. These products are custom-designed interior protective packaging made from recycled paper. This packaging is used by customers in the major appliance, home comfort and consumer electronics markets.

Sonopost(R) corner posts are designed to provide superior protection, cushioning and vertical support for major appliances throughout the distribution and handling process. A new manufacturing facility for this product was added in Nashville, Tenn., during 1994. We also manufacture corner posts in Tiffin, Ohio and Marion, Ind.

Aegis-ECF(TM) is in its start-up phase with manufacturing locations in Hartsville, S.C., and Singapore. This packaging uses advanced design and manufacturing processes to provide an ideal substitute for expanded polystyrene (EPS) in protection of home appliances and a wide variety of consumer electronics and computer products during shipment and storage.

BAKER REELS

Baker Reels is the nation's largest producer of primary packaging (reels) for the wire and cable industry. The reel business was strong in 1994, as cable television continued to expand, and is expected to continue growing in 1995. Baker serves customers from six plants and twenty warehouse locations across the United States.

ADHESIVES AND MACHINERY

The Adhesives Division primarily supplies the adhesive requirements of the Company's paperboard converting businesses. This operation also markets to external customers. Sonoco's Machinery Manufacturing Division manufactures much of our paperboard converting machinery.

RESEARCH AND DEVELOPMENT

Sonoco has industrial packaging and paper research and development facilities in Hartsville, S.C., Madison, Wis., and Pont-sur-Yonne, France. Sonoco also operates a comprehensive industrial container research and development facility in Lombard, Ill. From our Packaging Development Center in Hartsville, we offer our customers a major consumer packaging research and development operation.

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MANAGEMENT'S DISCUSSION & ANALYSIS

RESULTS OF OPERATIONS 1994-1993

.....

[FIGURE 15]

NET SALES BY SEGMENT

THE CONVERTED PRODUCTS SEGMENT continues to be the strength of the Company.

Consolidated net sales for 1994 were \$2.30 billion, compared with \$1.95 billion in 1993, an increase of 18.1%. Several factors impact the sales comparison between 1994 and 1993. Sales in 1994 included a full year of the Engraph acquisition, completed in October 1993, as well as reductions from operations closed in 1993. Sales in 1993 also increased because of the elimination of Sonoco's historical reporting lag of one month for most international operations, which resulted in 13 months of sales being reported during 1993. Excluding the above factors, the sales gain in 1994 was 9.5%.

Volume gains were strong in most business units, reflecting the strength of the economy, particularly in North America and Asia. Selling price increases also contributed to the sales increase. The selling price increases were necessary to recover the significant cost increases in many of the commodity raw materials utilized in our manufacturing operations.

Gross profit margins reflect the combination of selling price and raw material cost increases. Recovered paper, our largest raw material, nearly tripled in cost during the year. This unprecedented rate of increase began in the second quarter and quickly peaked early in the third quarter. Selling price increases were implemented in the third quarter, resulting in improved gross margin percentages in the fourth quarter. Sonoco was not able to recover all of the cost increases in 1994, but ended the year basically in balance. Thus, the Company expects improved profits in 1995, compared with 1994. The cost of recovered paper is expected to remain volatile, and we expect to be able to mitigate any adverse earnings impact over time through selling price increases.

Other key raw materials include plastic resins, steel, aluminum,

liners and labels. All increased in cost at varying degrees during the year. While providing for price increases certain contracts preclude the immediate recovery of these additional costs. However, we do expect to recover cost increases as these contracts expire early in 1995.

Productivity improvements also helped ease the cost/price squeeze. Increased volume in our converting operations resulted in lower cost per unit. We commercialized new technology either through product design or new equipment, which also produced lower cost per unit of production.

Selling, general and administrative costs include our company-owned life insurance which is discussed in Note 9 to the Financial Statements. Excluding these expenses, selling and administrative costs as a percentage of sales remained constant at 10.7% for 1994 and 1993 due to continued emphasis on cost and headcount levels.

Net income for 1994 was \$122.1 million, or \$1.40 per share. This includes the expected first-year dilution for the Engraph acquisition. Net income for 1993 of \$117.6 million, or \$1.35 per share, included a one-time gain of \$.04 per share from the early repayment of the Graham note (See Note 3 to the Financial Statements). Excluding the dilution, the one-time gain in 1993 and the elimination of the international reporting lag, base operating income increased by 12%.

Additional information on sales and profits is included in the segment discussions below.

Capital expenditures increased to \$126.7 million in 1994, compared with \$115.6 million in 1993. These expenditures were for projects to expand capacity and introduce new technology. The Company expects capital expenditures to rise to \$200 million in 1995, as we expand capacity in the plastic bag business and start on a \$90-million investment in the Hartsville complex, a five-year project. These planned expenditures are expected to have excellent returns and will further enhance our strong competitive position in these businesses.

Research and development costs charged to expense were \$12.1 million in 1994, compared with \$12.9 million in 1993. Sonoco's research programs in materials science and applied mechanics have led to significant improvements in our operations.

Sonoco's effective tax rate in 1994 was 39.1%, compared with 39% in 1993. The impact of the goodwill associated with the Engraph acquisition on the tax rate was largely offset by the tax benefits from our company-owned life insurance program.

SEGMENT REPORTING

Sonoco changed the segmental reporting in 1994 by combining the miscellaneous segment with the converted products segment. The Company determined the operations in both segments were converting businesses and, given the small size of the miscellaneous segment, separate reporting was no longer appropriate. The following segmental data will include the converted products segment, the paper segment and the international segment.

CONVERTED PRODUCTS SEGMENT

The converted products segment consists of the following domestic businesses, all of which are described in the Operations Review: the Industrial Products Division; the Consumer Products Division; Industrial Container Division; Engraph Division; Fibre Partitions Division; Protective Packaging Division; Crellin Molded Plastics Division; High Density Film Products Division and the Baker Reels Division. Converted products is the largest of Sonoco's business segments, representing approximately 80% of the Company's consolidated sales and profits. Sales and profits increased significantly in this segment compared with 1993.

Trade sales in this segment were \$1.74 billion compared to \$1.44

billion in 1993, an increase of 20.8%. The key factors affecting this sales increase included additional volume in nearly every business, the full-year sales impact for Engraph, acquired in October 1993, and higher selling prices.

The overall operating profit for the converted products segment was \$188.5 million, compared with \$157.4 million in 1993, an increase of 19.7%.

Sales volume in the Industrial Products Division's tube and core businesses increased approximately 8% with all the product lines showing strength through the year. Rising paperboard and other costs necessitated selling price increases, which took effect in the second half of the year. In addition to the increased volume, efficiencies achieved through the introduction of new technologies and cost-control programs added to this unit's performance. Volatility in paper cost is

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On the Front Lines of Customer Satisfaction

[FIGURE 16]

IDENTIFIABLE ASSETS BY SEGMENT

IDENTIFIABLE ASSETS, EXCLUDING CORPORATE, INCREASED in 1994 primarily due to base business growth and acquisitions.

expected to continue and selling price increases have been announced in the first quarter of 1995 in response to higher paper costs.

In the Consumer Products Division, volume gains in the concentrate, nut, refrigerated dough, snack and caulk markets offset volume declines in solid shortening, powdered beverages and cleanser markets. Increased material costs in the second half of the year spurred some selling price increases. Improved productivity and lower scrap rates helped improve this division's profitability. Growth continues in this business through new products and conversion of self-manufacturers. Continued material cost pressure is expected in 1995, but we expect to recover these increases through selling price increases.

Volume increased in all units of the Industrial Container Division. The group had a good year but continuing cost increases for resin, paper and steel are putting additional pressure on margins. Fibre drums, while growing at a slower pace than plastic drums and intermediate bulk containers (IBC), continued to gain business as steel drum users converted to fibre. Unit growth was up 1%, 19% and 38% in fibre, plastic and IBC, respectively in 1994.

Sonopost(R) packaging forms continued to make significant conversions among appliance manufacturers during 1994. This growth is expected to continue. The engineered cushion fibre business continued to experience start-up losses. Solid fibre partitions had a good year, boosted by some volume increases and productivity improvements at several plants.

The Baker Division's reel business was strong in 1994 as cable television continued to expand, and is expected to continue growing in 1995.

The High Density Film Products Division operated near 100% capacity throughout 1994. During the year a major competitor curtailed production of plastic grocery bags, creating a decrease in available supply. Sonoco authorized a \$20-million investment to replace some of this capacity and improve production. This capacity will be on line during 1995. In addition, resin prices increased dramatically resulting in selling price increases. The division expects continued volume growth in their markets as conversions from paper grocery sacks continue and additional penetration of the retail market is

achieved.

Sonoco's other large plastics operation is the Crellin Molded Plastics Division, a manufacturer of a diverse line of injection molded and extrusion plastic products. Business increased in the automotive and filtration segments during 1994 and selling prices increased due to the high cost of resin.

Engraph, whose businesses are described in the Operations Review, had volume growth in most units but experienced pressure on margins. In Engraph's first full year as part of Sonoco, sales and earnings grew at double digit rates, reinforcing the growth potential in these served markets. The paperboard carton operations made share gains in the cosmetics, personal care and home furnishing markets. The Morrill Press flexible packaging operation's volume increased as the new plant in Tennessee continued to show efficiency improvement. The label and package insert businesses continued to recover from the loss in 1993 of a significant amount of good-value-added tobacco coupon business. Sonoco expects that all of the Engraph businesses will continue to grow and improve margins in 1995.

Capital spending rose to \$77.3 million in this segment, up from \$47 million in 1993. Much of this spending is to implement new manufacturing processes in the tube and core business, to cover two start-up plants in the protective packaging area and to add equipment and facilities in the Engraph operations.

PAPER SEGMENT

Sonoco's paper operations are designed primarily to supply our converting operations. As mentioned in the Operations Review, extensive work was accomplished during 1994 to more fully integrate the operating strategies of the Paper Division with its largest customer, the Industrial Products Division. The paper segment consists of 21 U.S. cylinder board machines, one Fourdrinier paper machine and Paper Stock Dealers, Inc., a recovered paper collection and processing subsidiary.

The Fourdrinier paper machine, located in Hartsville, S.C., has an annual capacity of approximately 176,000 tons. This machine produces corrugating medium sold under contract to Georgia-Pacific Corporation.

Sonoco's U.S. cylinder board capacity is approximately 750,000 tons a year. Most of the board produced on these machines is sold to Sonoco's paper converting operations with about 18% of the capacity going to external customers.

Paper Stock Dealers has 22 collection facilities purchasing and processing recovered paper for use by Sonoco paper mills and for sale to external customers. Sonoco annually recycles more than a million tons of recovered paper and much of this is provided through this subsidiary and mill-site collections.

Total domestic paper sales, including both internal and external, for 1994 were \$331 million, compared to \$279 million in 1993, an 18.7% increase. Operating profits increased 11.5% to \$64.5 million in 1994 from \$57.9 million in 1993.

The domestic paper division operated at 97% of capacity through 1994. The primary factor influencing this segment in 1994 was the radical change in the recovered paper market. Old corrugated container (OCC), our major furnish component, more than tripled in price during the year. Other grades used in our furnish mix also increased significantly. The unprecedented rise in cost resulted in three paper price increases, internally and externally, during the year. While the cost of recovered paper dropped temporarily in the fourth quarter, it has risen again in the first quarter of 1995, resulting in further selling price increases.

Sonoco expects higher volatility in this cost component than in the past due to the existing high recovery rate, economic improvement in the United States and overseas that impacts exports of this key material, and increasing

demand for recovered paper from new linerboard and corrugating medium installations. Our

[FIGURE 17]

OPERATING INCOME BY SEGMENT

MOST OF THE INCREASE IN 1994 OCCURRED IN THE CONVERTED PRODUCTS SEGMENT and is due to volume gains, increased productivity and the acquisition of Engraph in October 1993.

Operating income by segment has been restated to exclude 1992 and 1990 restructuring charges.

recovered paper collection network, through our paper mills and Paper Stock Dealers subsidiary, is expanding geographically as we seek to secure the supply of recovered paper for our paper mills. Our recovery system is a key competitive advantage in our markets, providing self-sufficiency from a supply standpoint.

Capital spending in this segment during 1994 was \$18.9 million, compared with \$20.5 million in 1993. Plans are to significantly increase capital spending in 1995 to increase capacity at Sonoco's largest mill in Hartsville, S.C. Increased capacity is needed to keep up with the growing demand for cylinder board from Sonoco's converting divisions. The project also updates our internal power generation capabilities resulting in significant reductions in power cost.

INTERNATIONAL SEGMENT

The international segment includes all of Sonoco's non-U.S. operations, the largest of which are in the United Kingdom, Canada, France, Mexico, Australia and Germany. These operations are similar to the United States operations in products and markets served.

Sales in 1994 were \$431.2 million, compared with \$404.1 million in 1993. Due to the elimination of our historical reporting lag, 13 months of sales were included in 1993 for many of our international operations. We also sold several businesses in 1993, impacting the year-to-year comparison. Excluding the above, the sales gain for 1994 was 16.5%. Operating profits increased 31.9% to \$15.7 million in 1994 from \$11.9 million in 1993.

Volume was strong in the U.K., Latin America, Australia, Canada and Asia-Pacific. Germany and Southern Europe continued to deal with a flat economy. The same cost pressures that are affecting the tube and paper markets in the United States are affecting Europe, resulting in price increases in the paper and converting operations. Three paper and two converted products price increases were implemented in the second half of 1994. Engraph's purchase of M. Harland & Son Ltd., of the U.K. also contributed to the sales increase.

Business remained steady in Mexico. The severe devaluation of the Mexican peso at the end of 1994 had only a minimal impact on Sonoco operations. Since our largest operation in Mexico supplies the Mexican textile industry, which is a heavy exporter, we do not expect a significant impact from the devaluation.

Sonoco expects to continue growing in all international operations.

Capital spending in the international segment was \$27.7 million, compared with \$41.2 million in 1993. The primary projects involved were aimed at process improvements at plants in Mexico, Canada, Germany and France.

CORPORATE

Interest income, interest expense and unallocated corporate expenses are excluded from the operating profits by segment and are shown under Corporate. Interest expense in 1994 was \$35.9 million, compared with \$31.2 million in 1993, a result of higher average debt levels, primarily due to acquisitions, offset partially by the impact of a lower average cost of funds. Although short-term rates were higher in 1994, the Company benefited from the favorable impact of the prepayment of the 9.3% privately placed notes in November 1993 and the maturing of various fixed-rate instruments in 1994. Interest income was lower in 1994 due to the early repayment of the Graham note in November 1993. The repayment of this note resulted in a \$5.8-million gain (net of certain corporate charges), which was included in general corporate expense in 1993. General corporate expense increased in 1994 primarily due to the pretax cost of a broad-based, company-owned life insurance program. The tax benefit from this program, which largely offset the costs, is reflected in our effective tax rate.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

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Sonoco maintained its strong financial position in 1994 and 1993 and its ability to meet future financial needs. The debt to total capital ratio was 38.1%, 38.0%, and 35.1% at December 31, 1994, 1993, and 1992, respectively. The Company's earnings before interest and taxes were 6.9 times interest expense in 1994 as compared to 7.2 times in 1993 and 6.8 times in 1992 (excluding cumulative effect of accounting changes and restructuring costs in 1992). The Company's financial strength has been acknowledged by Standard and Poor's (S&P) and Moody's who have rated the Company's long-term debt A+ and A2 and commercial paper program A1 and P1, respectively.

Operations continued to produce solid cash flows, providing \$219.5 million in cash in 1994, compared with \$162.8 million and \$157.4 million in 1993 and 1992, respectively. Cash provided by operations was significantly higher in 1994, compared with 1993 due to lower payables in 1993 coupled with the prepayment of \$15 million in taxes which would have otherwise been payable in 1994.

Debt increased \$31.6 million to \$547.4 million at December 31, 1994, primarily due to the purchase of \$29.5 million of Company stock and to fund \$30.4 million in acquisitions. Debt increased \$200 million in 1993 to \$515.8 million. This debt, along with the issue of \$172.5 million in preferred stock, \$42.5 million in proceeds from asset dispositions and \$33.7 million received from the early repayment of the 10.9% Graham note, were used to fund \$393 million in acquisitions. Capital spending was \$126.7 million in 1994, compared with \$115.6 million in 1993 and \$109.3 million in 1992.

In October 1993, the Company filed a shelf registration with the Securities and Exchange Commission increasing the amount of registered debt securities available for issuance to \$325 million (including \$100 million previously filed under the June 1991 registration), referred to collectively as the "registered debt securities." The Company issued \$100 million of 5.875% notes, due November 2003, of its registered debt securities in October 1993. The Company issued \$75 million of 5.49% notes, due April 2000, of its registered debt securities directly to an institutional investor in November 1993. The net proceeds of these issues were used to fund a portion of the Engraph acquisition and

CAPITAL SPENDING BY SEGMENT

IN 1994, CAPITAL SPENDING INCREASED SIGNIFICANTLY in the Converted Products segment due to expansion and technology improvements.

repay other indebtedness including the prepayment of 9.3% privately placed notes due 1994 through 1998 (including a make-whole premium of \$3.2 million). The Company has \$150 million of registered debt securities available for issuance at December 31, 1994.

The Company also filed a registration statement with the Securities and Exchange Commission for the issuance of up to 3,450,000 shares of \$2.25 Series A Cumulative Convertible Preferred Stock in October 1993. The sale of these securities at \$50.00 per share, convertible to the Company's common stock at a price of \$25.31, was completed in October 1993. The net proceeds from this issue were used to fund a portion of the Engraph acquisition.

The Company has authorized a commercial paper program totaling \$250 million and has fully committed bank lines of credit supporting the program by a like amount.

The Company expects internally generated cash flow along with borrowings under its existing credit facilities to be sufficient to meet operating and normal capital expenditure requirements in the future. Capital spending for 1995 is estimated to be approximately \$200 million.

Acquisitions are expected to continue to be an important part of the Company's strategy for growth. The Company would expect to acquire additional companies with market and technology positions that provide meaningful opportunities when consistent with its overall goals and strategies.

Net working capital was \$222.1 million, \$209.9 million and \$152.5 million at December 31, 1994, 1993 and 1992, respectively. Net working capital increased \$12.2 million in 1994 primarily as a result of base business growth. In 1993, working capital increased significantly as a result of acquisitions. The restructuring reserve declined in 1994 to \$10.9 million from \$27.1 million at December 31, 1993, as most of the plant closings, consolidations and relocations identified as part of the 1992 and 1990 restructuring programs were completed. The balance remaining at December 31, 1994, is principally to cover pension costs related to terminated employees. The ratio of current assets to current liabilities was 1.6 at December 31, 1994, compared with 1.7 and 1.5 at December 31, 1993 and 1992, respectively. Excluding restructuring accruals, the ratio was approximately 1.7 in 1994, 1.9 in 1993 and 1.7 in 1992.

Shareholders' equity increased \$43.8 million to \$832.2 million at December 31, 1994, primarily from \$129.8 million in earnings, partially offset by common and preferred dividend payments of \$56.1 million, the repurchase of \$29.5 million of outstanding shares of the Company's stock and translation of foreign currency of \$7.2 million. The translation adjustment in 1994, resulting from the conversion of investments in foreign countries to the U.S. dollar for reporting purposes, was attributable to the effect of the dollar strengthening against the Canadian dollar and Mexican peso, partially offset by the U.S. dollar weakening against most European currencies. Shareholders' equity increased \$226.5 million to \$788.4 million at December 31, 1993, as a result of \$118.8 million in earnings and the issuance of \$172.5 million in preferred stock, partially offset by dividends of \$47.6 million and a \$19 million translation adjustment due primarily to the U.S. dollar strengthening against most European currencies.

In April 1994, the Board of Directors increased the dividend payable to common shareholders to \$.14 per share from the \$.135 per share that had been paid since the second quarter of 1993. The Company plans to increase dividends as earnings justify as it has done in the past. The return on common equity was 20.4% in 1994, compared with 19.9% in 1993 and 13.7% in 1992 (excluding the cumulative effect of accounting changes). Excluding the impact of restructuring costs and accounting changes, return on equity was 18% in 1992.

The book value per common share was \$7.59 in 1994, compared to \$7.04 in 1993.

The Company is exposed to interest rate fluctuations as a result of using debt as a major source of financing its operations. When necessary, the Company will use traditional, unleveraged interest rate swaps to manage its mix of fixed and variable rate debt to ensure that exposure to interest rate movements is maintained within established ranges. The Company is also subject to risk due to foreign exchange rate changes as a result of operating globally. The Company monitors these exposures and can use traditional currency swaps and forward foreign exchange contracts to hedge a portion of the net investment in foreign subsidiaries or to hedge firm commitments denominated in foreign currencies. The Company does not use any financial instruments for speculative purposes. The aggregate impact of these financial instruments was not material to the financial statements as a whole as of December 31, 1994 or 1993.

Except for the impact of raw material prices, as discussed in the segmental information, inflation did not have a material impact on the Company's operations in 1994, 1993 or 1992.

The Company is subject to various federal, state and local environmental laws and regulations, concerning among other matters, wastewater effluent and air emissions. Compliance costs have not been significant due to the nature of the materials and processes used in manufacturing operations. Such laws also make generators of hazardous wastes, and their legal successors, financially responsible for the clean-up of sites contaminated by those wastes. The Company has been named a potentially responsible party at several environmentally contaminated sites primarily located in the Northeast owned by third parties. These sites are believed to represent the Company's largest potential environmental liabilities. The Company has accrued \$4.4 million as of December 31, 1994, with respect to these sites. In determining the amounts to accrue with respect to such sites, the Company has considered: 1) the aggregate potential clean-up costs in light of the joint and several liability to which the Company may be subject, 2) the availability of insurance coverage, 3) the likelihood that insurance coverage may be contested, 4) potential sources of contribution and/or indemnification, 5) the periods in which claims for recovery may be realized, 6) the financial condition of third parties from which

recovery is expected, 7) the identification of specific sites for clean-up, 8) statutory defenses and 9) the status of federal and state regulatory action. Due to the complexity of determining clean-up costs associated with the sites, a reliable estimate of the ultimate cost to the Company cannot be determined; however, costs will be accrued as necessary once reasonable estimates are determined. Because it appears unlikely that these matters will be completely resolved in the near future, and because they involve matters in areas of law and policy that are constantly changing, any opinion the Company has regarding such matters must necessarily be qualified to reflect the uncertainty. Nevertheless, it is management's opinion (based on prior experiences with such matters; rough estimates of counsel, consultants and others; the apparent ability and obligation of other parties to share clean-up costs; and the Company's present and estimated future financial position) that such costs, when finally determined, will not have a material adverse effect on the consolidated financial position of the Company.

RESULTS OF OPERATIONS 1993-1992

Consolidated net sales for 1993 were \$1.95 billion compared with \$1.84 billion in 1992, an increase of 5.9%. The sales gain included acquisitions and base business growth offset by operations sold as part of the 1992 restructuring and exchange rate changes in 1993. The acquisitions of Engraph,

Crellin, OPV/Durener and a composite can plant in Mexico added \$154 million in sales in 1993. Edgeboard(R), European plastic bags, liquid packaging, packaging tapes and U.K. reel operations were sold, reducing sales in 1993 by \$38.6 million compared with 1992. The exchange rate losses associated with the stronger dollar in 1993 were \$35 million, or 1.9% of 1992 sales.

Net income for 1993 was \$117.6 million, or \$1.35 per share, compared with a restated 1992 income of \$106.3 million, or \$1.23 per share. The \$1.23 per share in 1992 was restated to exclude the 1992 cumulative effect of FAS 106 and FAS 109, as well as the restructuring reserve (all of which had a total negative impact of \$.73 per share). The 1993 earnings represented a 10.7% increase over restated 1992 earnings. The 1993 profit included a non-operating gain of \$.04 per share, as described in Note 3 to the Financial Statements.

On a consolidated basis, the gross profit margin in 1993 increased to 21.6% from 21% in 1992. While some of our major industrial packaging operations felt the impact of poor business conditions, our consumer businesses performed well. The increase also reflected restructuring actions the Company had taken and investments made over the past couple of years.

Further information on sales and profits is included in the segment discussion below.

Acquisitions had a significant impact on 1993 earnings. The aggregate cost of these acquisitions, net of debt assumed, was \$393 million. With the additional goodwill (\$292 million) and preferred stock and debt financing, dilution of approximately \$.04 per share was expected in 1994.

Capital expenditures in 1993 of \$115.6 million included projects to expand capacity and improve productivity and quality. Research and development costs charged to expense in 1993 were \$12.9 million as compared with \$11.7 million in 1992.

Sonoco's effective tax rate in 1993 was 39% compared with 39.5% in 1992.

CONVERTED PRODUCTS SEGMENT

Trade sales for this segment in 1993 were \$1.44 billion compared with \$1.29 billion in 1992, an increase of 11.6%. This increase was primarily due to the acquisition of Engraph and Crellin. Demand in our industrial businesses was down, reflecting the depressed state of many of the major markets served. Selling price pressures were intense due to competition and customer profit pressures in these markets. Our consumer businesses also experienced selling price pressure and low growth in 1993.

The overall operating profit for the converting segment was \$157.4 million compared with \$117.9 million in 1992. The 1992 results included a restructuring charge of \$10 million. Profits in the converting segment increased due to acquisitions, lower material costs and the benefits of the restructuring actions taken in 1992.

Capital spending rose to \$47 million in 1993 from \$39.3 million in 1992. Major projects included actions to expand capacity and improve productivity and quality.

PAPER SEGMENT

Total domestic paper sales, including both internal and external, for 1993 were \$278.9 million, a decrease of 1.3%, compared with \$282.6 million for 1992. Lower prices in corrugating medium coupled with flat industrial products sales and lower fibre drum sales were the primary factors affecting this segment.

Operating profits for 1993 were \$57.9 million, 11.5% below the \$65.4 million in 1992. The decline in profits was due to lower volume and reduced prices in corrugating medium; lower external cylinder board volume and prices slightly below 1992 levels; and higher costs in several areas.

Capital spending of \$20.5 million in 1993 compared with \$15.6 million in 1992. Projects were primarily focused on process improvements and productivity enhancements on cylinder board machines.

INTERNATIONAL SEGMENT

Trade sales in the international segment totaled \$404.1 million in 1993 compared with \$444.7 million in 1992. Unfavorable exchange rates and the disposition of several business units, which were a part of the 1992 restructuring program, accounted for \$35 million and \$37 million, respectively, of the sales decline. Sales were also negatively impacted by depressed paper markets in Canada, Mexico and Europe. Partially offsetting these were additional sales from acquisitions completed during 1993 and increased sales in the Asia-Pacific region.

Operating profits in the international segment totaled \$11.9 million as compared with a loss in 1992 of \$12.4 million. Included in the 1992 results is a \$31.8 million restructuring charge. Excluding this charge, profits in 1993 were \$7.5 million lower than 1992. Although Canada, Mexico and Australia had profit improvements in their converting operations, these improvements were more than offset by inefficiencies in consolidating businesses in Europe, exchange rate losses and lower paper volume and prices due to several weak economies.

Capital spending in this segment was \$41.2 million compared with \$48.3 million in 1992. Major projects included the start-up of a tape core operation in Italy and a project in Canada to generate power for internal use.

CORPORATE

Interest expense in 1993 was \$31.2 million, compared with \$30.4 million in 1992. In 1993, the benefit of declining global short-term interest rates was more than offset by higher average debt levels as a result of acquisitions. Corporate operating profit in 1993 includes a non-operating gain of \$5.8 million described in Note 3 of the Financial Statements.

CONSOLIDATED BALANCE SHEETS Sonoco Products Company

	DECEMBER 31	
	1994	1993
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,444	\$ 25,858
Trade accounts receivable, net of allowances	270,439	232,628
Other receivables	20,211	22,989
Inventories		
Finished and in process	86,238	83,660
Materials and supplies	121,424	102,465
Prepaid expenses	29,943	30,750
Deferred income taxes	14,012	14,760
	570,711	513,110
PROPERTY, PLANT AND EQUIPMENT	763,109	737,154
COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED	358,965	339,653
OTHER ASSETS	142,268	117,208
	<u>\$1,835,053</u>	<u>\$1,707,125</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		

CURRENT LIABILITIES

Payable to suppliers	\$ 158,098	\$ 129,389
Accrued expenses and other	72,345	60,407
Accrued wages and other compensation	30,855	22,633
Restructuring reserve	10,923	27,114
Notes payable and current portion of long-term debt	59,421	60,564

Taxes on income	17,001	3,071
	-----	-----
LONG-TERM DEBT	348,643	303,178
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	487,959	455,262
DEFERRED INCOME TAXES AND OTHER	104,179	99,165
COMMITMENTS AND CONTINGENCIES	62,054	61,156
SHAREHOLDERS' EQUITY		
Serial preferred stock, no par value		
Authorized 30,000 shares		
Issued 3,450 shares	172,500	172,500
Common shares, no par value		
Authorized 150,000 shares		
Issued 91,841 shares	7,175	7,175
Capital in excess of stated value	60,908	62,277
Translation of foreign currencies	(46,252)	(39,016)
Retained earnings	697,299	623,500
Treasury shares at cost (1994 -- 4,933 SHARES; 1993 -- 4,394 shares)	(59,412)	(38,072)
	-----	-----
	832,218	788,364
	-----	-----
	\$1,835,053	\$1,707,125
	=====	=====

The Notes beginning on page 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME
Sonoco Products Company

	YEARS ENDED DECEMBER 31		
	1994	1993	1992
.....			
(Dollars and shares in thousands except per share)			
Net sales	\$2,300,127	\$1,947,224	\$1,838,026
Cost of sales	1,803,427	1,525,671	1,451,252
Selling, general and administrative expenses	252,307	209,309	189,823
Interest expense	35,861	31,154	30,364
Interest income	(2,398)	(6,017)	(6,416)
Unusual items		(5,800)	42,000
	-----	-----	-----
Income before income taxes and cumulative effect of changes in accounting principles	210,930	192,907	131,003
Taxes on income	82,500	75,200	51,800
	-----	-----	-----
Income before equity in earnings of affiliates and cumulative effect of changes in accounting principles	128,430	117,707	79,203
Equity in earnings of affiliates	1,419	1,127	2,048
	-----	-----	-----
Income before cumulative effect of changes in accounting principles	129,849	118,834	81,251
Cumulative effect of changes in accounting for postretirement benefits (Note 14) and income taxes (Note 15)			(37,892)
	-----	-----	-----
Net income	129,849	118,834	43,359
Preferred dividends	(7,763)	(1,264)	
	-----	-----	-----
Net income available to common shareholders	\$ 122,086	\$ 117,570	\$ 43,359
	=====	=====	=====
Per common share			
Income before cumulative effect of changes in accounting principles	\$ 1.40	\$ 1.35	\$.94
Cumulative effect of changes in accounting for postretirement benefits and income taxes			(.44)
	-----	-----	-----
Net income available to common shareholders	\$ 1.40	\$ 1.35	\$.50
	=====	=====	=====
Dividends -- common	\$.555	\$.53	\$.49
Average common shares outstanding	87,090	87,316	86,732

The Notes beginning on page 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Sonoco Products Company

Dollars and shares in thousands except per share)	COMMON SHARES OUTSTANDING	AMOUNT	PREFERRED STOCK AMOUNT	CAPITAL IN EXCESS OF STATED VALUE	TRANSLATION OF FOREIGN CURRENCIES	RETAINED EARNINGS	TREASURY SHARES AMOUNT
JANUARY 1, 1992	86,490	\$7,175	\$	\$54,821	\$ (8,229)	\$551,347	\$(42,808)
Net income						43,359	
Dividends, \$.49 per share						(42,443)	
Translation loss					(11,723)		
Issuance of treasury shares under							
Stock option plan	682			3,894			4,864
Employee stock ownership plan	224			2,893			1,854
Treasury shares acquired	(252)						(3,114)
DECEMBER 31, 1992	87,144	7,175		61,608	(19,952)	552,263	(39,204)
Net income						118,834	
Dividends							
Preferred						(1,264)	
Common, \$.53 per share						(46,333)	
Translation loss					(19,064)		
Issuance of 3,450 preferred shares			172,500	(3,968)			
Issuance of treasury shares under							
Stock option plan	208			1,388			1,493
Employee stock ownership plan	235			3,249			2,001
Treasury shares acquired	(140)						(2,362)
DECEMBER 31, 1993	87,447	7,175	172,500	62,277	(39,016)	623,500	(38,072)
Net income						129,849	
Dividends							
Preferred						(7,763)	
Common, \$.555 per share						(48,287)	
Translation loss					(7,236)		
Issuance of treasury shares							
Under stock option plan	327			(442)			3,748
Under employee stock ownership plan	149			1,779			1,581
Other	256			(2,706)			2,793
Treasury shares acquired	(1,271)						(29,462)
DECEMBER 31, 1994	86,908	\$7,175	\$172,500	\$60,908	\$(46,252)	\$697,299	\$(59,412)

The Notes beginning on page 32 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Sonoco Products Company

Dollars in thousands	YEARS ENDED DECEMBER 31		
	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 129,849	\$ 118,834	\$ 43,359
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	112,797	95,745	83,309
Cumulative effect of changes in accounting principles			37,892
Restructuring charge			39,130
Loss on disposition of assets	2,901	836	2,941
Equity in earnings of affiliates, net of dividends	(917)	(975)	(1,893)
Deferred taxes	5,668	22,361	(13,619)
Gain on sale of investment in affiliate		(15,299)	
Changes in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments			
Accounts receivable	(33,127)	860	(13,178)
Inventories	(17,637)	5,545	(3,719)
Prepaid expenses	1,563	(1,411)	831
Payables and taxes	29,536	(45,881)	(7,930)
Other assets and liabilities	(11,118)	(17,771)	(9,711)
Net cash provided by operating activities	219,515	162,844	157,412
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(126,746)	(115,596)	(109,305)
Cost of acquisitions, exclusive of cash	(30,370)	(392,950)	(34,964)
Proceeds from the sale of assets	5,533	42,467	6,626
Proceeds from collection of a note receivable		33,672	

Net cash used by investing activities	(151,583)	(432,407)	(137,643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt	96,838	662,800	168,072
Principal repayment of debt	(81,053)	(523,817)	(132,163)
Cash dividends - common and preferred	(56,004)	(46,333)	(42,443)
Treasury shares acquired	(29,462)	(2,362)	(3,114)
Treasury shares issued	3,334	2,428	7,781
Preferred shares issued		172,500	
Net cash (used) provided by financing activities	(66,347)	265,216	(1,867)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	1,001	(7,863)	(8,456)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,586	(12,210)	9,446
Cash and cash equivalents at beginning of year	25,858	38,068	28,622
Cash and cash equivalents at end of year	\$ 28,444	\$ 25,858	\$ 38,068
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	\$ 37,123	\$ 31,504	\$ 29,265
Income taxes paid	\$ 61,254	\$ 75,374	\$ 65,224

Excluded from the consolidated statements of cash flows is the effect of certain non-cash activities. The Company assumed approximately \$6,000 and \$75,000 of debt obligations in 1994 and 1993, respectively, in conjunction with acquisitions.

The Notes beginning on page 32 are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Sonoco Products Company
(Dollars in thousands except per share)

The following notes are an integral part of the consolidated financial statements. The accounting principles followed by the Company appear in bold type.

1. PRINCIPLES OF CONSOLIDATION

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE ACCOUNTS OF SONOCO PRODUCTS COMPANY AND ITS UNITED STATES AND INTERNATIONAL SUBSIDIARIES AFTER ELIMINATION OF INTERCOMPANY ACCOUNTS AND TRANSACTIONS. INVESTMENTS IN AFFILIATED COMPANIES IN WHICH THE COMPANY OWNS 20% TO 50% OF THE VOTING STOCK ARE INCLUDED ON THE EQUITY METHOD OF ACCOUNTING.

2. ACQUISITIONS

During 1994, the Company completed several acquisitions with an aggregate cost of approximately \$30,000 and the assumption of \$6,000 in debt. The most notable was 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 in May 1994 and is expected to add \$33 million in sales annually. Subsequent to December 31, 1994, the Company acquired the remaining 50% interest in the CMB Sonoco joint venture. CMB Sonoco is a producer of composite cans with manufacturing facilities in Manchester, U.K., and Lieven, France. Also, subsequent to December 31, 1994, the Company signed an agreement with Hargro Flexible Packaging Corporation to purchase its Edinburgh, Ind., flexible packaging plant.

During 1993, the Company completed several acquisitions totaling approximately \$400,000. The Company acquired 100% of the outstanding stock of Crellin Holding, Inc., and in October 1993, the Company acquired Engraph, Inc., for approximately \$300,000. Debt assumed in connection with the 1993 acquisitions was approximately \$75,000.

The Company has accounted for each of these acquisitions as a purchase

and, accordingly, has included their results of operations in consolidated net income from the date of acquisition. The aggregate excess purchase price over the fair value of assets purchased is being amortized over 40 years.

3. UNUSUAL ITEMS

Unusual items in 1993 include a gain from the early repayment of a note issued in connection with the sale of Sonoco Graham in 1991. This gain was partially offset by charges for refinancing debt related to the Engraph acquisition and various other unusual items in 1993. The 1992 unusual items represent restructuring charges, which are discussed more fully in Note 4.

4. RESTRUCTURING CHARGES

During the fourth quarter of 1992, the Company recorded a charge to earnings for costs associated with the restructuring, closing, consolidating and relocation of various plants, principally at foreign locations. The restructuring reduced income before taxes, net income and earnings per share by \$42,000, \$25,000 and \$.29, respectively. At December 31, 1994, \$10,923 of restructuring reserve remained primarily to cover pension costs related to terminated employees.

5. CASH AND CASH EQUIVALENTS

CASH EQUIVALENTS ARE COMPOSED OF HIGHLY LIQUID INVESTMENTS WITH AN ORIGINAL MATURITY OF THREE MONTHS OR LESS.

At December 31, 1994 and 1993, \$28,182 and \$18,751, respectively, of outstanding checks were included in Payables to suppliers.

6. INVENTORIES

INVENTORIES ARE STATED AT THE LOWER OF COST OR MARKET. The last-in, first-out (LIFO) method was used to determine cost of approximately 43% of total inventories in 1994 and 44% in 1993. The remaining inventories are determined on the first-in, first-out (FIFO) method.

If the FIFO method of accounting had been used for all inventories, the totals would have been higher by \$9,961 in 1994 and \$7,885 in 1993.

7. PROPERTY, PLANT AND EQUIPMENT

PLANT ASSETS REPRESENT THE ORIGINAL COST OF LAND, BUILDINGS AND EQUIPMENT LESS DEPRECIATION COMPUTED UNDER THE STRAIGHT-LINE METHOD OVER THE ESTIMATED USEFUL LIFE OF THE ASSET. Equipment lives range from 5 to 11 years, buildings from 20 to 30 years.

TIMBER RESOURCES ARE STATED AT COST. DEPLETION IS CHARGED TO OPERATIONS BASED ON THE NUMBER OF UNITS OF TIMBER CUT DURING THE YEAR.

Depreciation and depletion expense amounted to \$99,767 in 1994, \$87,721 in 1993 and \$79,455 in 1992.

Details of property, plant and equipment at December 31 are as follows:

	1994	1993
Land	\$ 28,179	\$ 25,694
Timber resources	31,699	25,349
Buildings	279,634	267,933
Machinery & equipment	1,009,024	935,247
Construction in progress	62,988	61,473
	<hr/>	<hr/>
	1,411,524	1,315,696

Accumulated depreciation and depletion	(648,415)	(578,542)
	-----	-----
	\$ 763,109	\$ 737,154
	=====	=====

Estimated costs for completion of authorized capital additions under construction totaled approximately \$101,000 at December 31, 1994.

Certain operating properties and equipment are leased under non-cancellable operating leases. Total rental expense under operating leases was \$28,000, \$26,400, and \$23,400 in 1994, 1993 and 1992, respectively. Future minimum rentals under non-cancellable operating leases with terms of more than one year are as follows: 1995 - \$15,700; 1996 - \$12,900; 1997 - \$9,500; 1998 - \$8,100; 1999 - \$6,700; 2000 and thereafter - \$11,800.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Sonoco Products Company
(Dollars in thousands except per share)

8. COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED

Goodwill arising from business acquisitions (\$27,000 in 1994 and \$292,000 in 1993) is amortized on the straight-line basis over periods ranging from 20 to 40 years. The Company evaluates, at each balance sheet date, the realizability of goodwill for each subsidiary having a goodwill balance. Amortization expense amounted to \$13,030 in 1994; \$8,024 in 1993 and \$3,854 in 1992. Accumulated amortization at December 31, 1994 and 1993 was \$34,336 and \$24,403, respectively.

9. INVESTMENT IN LIFE INSURANCE

Company-owned life insurance policies are recorded net of policy loans in Other Assets. The net pretax cost of company-owned life insurance, including interest expense, was \$5,532 in 1994 and \$1,949 in 1993 and is included in Selling, General and Administrative expenses. The related interest expense was \$18,630 and \$5,976 in 1994 and 1993, respectively. The pretax cost of these life insurance programs was largely offset by the reduction in the Company's effective tax rate.

10. DEBT

Debt at December 31 was as follows:

	1994	1993
Commercial paper, average rate of 4.2% in 1994 and 3.2% in 1993.	\$173,700	\$146,500
9.2% notes due August 2021	99,917	99,920
5.875% notes due November 2003.	99,405	99,339
5.49% notes due April 2000	75,000	75,000
Foreign denominated debt, average rate of 6.8% at December 31, 1994 and 1993	70,304	70,618
Other notes	29,054	24,449
	-----	-----
Total debt	547,380	515,826
Less current portion and short-term notes	59,421	60,564
	-----	-----
Long-term debt	\$487,959	\$455,262

=====

The Company has authorized a commercial paper program totaling \$250 million and has fully committed bank lines of credit supporting the program by a like amount. These bank lines expire in 1998. Accordingly, commercial paper borrowings are classified as long-term debt.

The approximate principal requirements of debt maturing in the next five years are: 1995 - \$59,400; 1996 - \$3,400; 1997 - \$2,900; 1998 - \$2,100; and 1999 - \$2,200. It is management's intent to extend indefinitely the line of credit agreements supporting the commercial paper program. Accordingly, no principal repayments are projected through 1998.

Certain of the Company's debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenant currently requires that tangible net worth at the end of each fiscal quarter be greater than \$365,000.

In addition to the committed availability under the commercial paper program, unused short-term lines of credit for general Company purposes at December 31, 1994, were approximately \$64,300 with interest at mutually agreed upon rates.

11. FINANCIAL INSTRUMENTS

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The Company enters into currency swaps and foreign exchange forward contracts to hedge a portion of the net investment in certain foreign subsidiaries. Gains and losses on such contracts are recognized in the cumulative translation adjustments account in Shareholders' Equity. As of December 31, 1994 and 1993, the notional value of such contracts was approximately \$32,000. All financial instruments are executed with credit worthy financial institutions; therefore, the Company considers the risk of non-performance on these instruments to be remote.

The following table sets forth the carrying amounts and fair values of the Company's significant financial instruments where the carrying amount differs from the fair value. The carrying amount of cash and cash equivalents, short-term debt and long-term variable rate debt approximates fair value. The fair value of long-term debt is based on quoted market prices or by discounting future cash flows using interest rates available to the Company for issues with similar terms and average maturities. Foreign currency agreements are valued based on termination values or quoted market prices of comparable instruments.

	December 31, 1994		December 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value

Long-term debt	\$ (487,959)	\$ (468,126)	\$ (455,262)	\$ (476,262)
Foreign currency agreements	1,309	1,309	512	512

12. STOCK PLANS

.....

The Company has stock option plans under which common shares are reserved for sale to certain employees. Options granted under the plans were at the market value of the shares at the date of grant. Options are generally exercisable one year after the date of grant, and expire 10 years after the date of grant. At December 31, 1994, 1,710,440 shares were reserved for future grants.

On October 20, 1994, the Board recommended, pending shareholder approval, the granting of one-time awards of contingent shares to 13 of the

Company's executives. Three-hundred twenty thousand shares were granted under this plan from shares allocated in the 1991 Key Employee Stock Plan.

Information with respect to the Company's stock option plans follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Sonoco Products Company
(Dollars in thousands except per share)

NOTE 12: STOCK PLANS - CONTINUED

	OPTION SHARES	OPTION PRICE RANGE
	
1992		
Outstanding at beginning of year	3,122,868	\$5.02-\$18.25
Granted	862,350	\$18.75
Exercised	(683,234)	\$5.02-\$17.63
Cancelled	(48,400)	\$10.50-\$18.75

Outstanding at end of year	3,253,584	\$5.02-\$18.75
1993		
Granted	957,300	\$20.75-\$24.13
Assumed - Engraph	623,156	\$3.73-\$18.40
Exercised	(208,274)	\$5.02-\$18.75
Cancelled	(5,900)	\$24.13

Outstanding at end of year	4,619,866	\$3.73-\$24.13
1994		
Granted	894,210	\$25.13
Exercised	(327,366)	\$3.73-\$18.75
Cancelled	(34,846)	\$5.02-\$25.13

Outstanding at end of year	5,151,864	\$5.12-\$25.13
	=====	
Options exercisable at December 31, 1994 . .	4,257,654	

13. RETIREMENT BENEFIT PLANS

.....
Non-contributory defined benefit pension plans cover substantially all U.S. employees. Under the plans, retirement benefits are based either on both years of service and compensation or on service only. IT IS THE COMPANY'S POLICY TO FUND THESE PLANS, AT A MINIMUM, IN AMOUNTS REQUIRED UNDER ERISA. Plan assets consist primarily of common stocks, bonds and real estate.

The Company also maintains a plan to supplement executive benefits limited through qualified plans. Benefits are based on years of service and compensation. The Plan is partially funded through a grantor trust as defined under Section 671 of the Internal Revenue Service Code of 1986.

The Company's subsidiaries in the United Kingdom have contributory pension plans covering about 75% of the groups' employees. The acquisition of M. Harland and Son, Ltd. of the U.K. is included in 1994. Pension benefits are based either on the employee's salary in the year of retirement or the average of the final three years. THE FUNDING POLICY IS TO CONTRIBUTE ANNUALLY AT ACTUARIALLY DETERMINED RATES THAT ARE INTENDED TO REMAIN A LEVEL PERCENTAGE OF SALARY.

Net pension cost for the domestic and United Kingdom plans included the following components:

	COMBINED PLANS		
	1994	1993	1992
Service cost-benefits earned			
during year	\$ 13,716	\$ 9,555	\$ 9,074
Interest cost on projected			
benefit obligation	27,160	23,881	22,196
Actual return on plan			
assets	(1,205)	(32,165)	(19,510)
Net amortization and			
deferral	(33,209)	2,031	(9,581)
	<u>\$ 6,462</u>	<u>\$ 3,302</u>	<u>\$ 2,179</u>
	=====	=====	=====

The following table sets forth the funded status of the plans at December 31:

	OVER-FUNDED PLANS		UNDER-FUNDED PLAN	
	1994	1993	1994	1993
Projected benefit obligation				
Vested benefits	\$273,601	\$271,733	\$	\$
Non-vested benefits	8,043	9,757	14,521	14,473
	-----	-----	-----	-----
Accumulated benefit				
obligation	281,644	281,490	14,521	14,473
Effect of assumed increase				
in compensation levels	45,523	35,768	2,442	1,369
	-----	-----	-----	-----
Projected benefit				
obligation	327,167	317,258	16,963	15,842
Plan assets at fair value	365,802	341,669	12,965	12,502
	-----	-----	-----	-----
Plan assets in excess of				
(less than) projected				
benefit obligation	38,635	24,411	(3,998)	(3,340)
Unrecognized net loss	20,376	26,729	1,997	1,142
Unrecognized prior service				
cost	2,192	3,333	1,803	2,235
Unrecognized net transition				
(asset) obligation	(2,671)	(6,150)	1,370	1,599
Adjustment required to				
recognize minimum liability			(2,728)	(3,607)
	-----	-----	-----	-----
Prepaid (accrued) pension				
cost	\$ 58,532	\$ 48,323	\$ (1,556)	\$ (1,971)
	=====	=====	=====	=====

Prepaid pension costs of \$8,188 and \$7,011 were included in Prepaid Expenses in 1994 and 1993, respectively. In addition, \$50,344 and \$41,312 were included in Other Assets in 1994 and 1993, respectively.

The weighted-average discount rate used in determining the projected benefit obligations was 8.5% for 1994, 7% for 1993, and 9% for 1992. The assumed compensation increase was 5% in 1994, 4% in 1993 and 6% in 1992. The expected long-term rate of return on assets was 9.5% for all years presented.

The Company's other international subsidiaries have pension plans covering most of its employees. The cost for these plans is considered immaterial.

The Company's Employee Savings and Stock Ownership Plan provides that all eligible employees may contribute 1% to 16% of their gross pay to the Plan subject to Internal Revenue Service regulations. The Company may make matching contributions in an amount to be determined annually by the Company's Board of Directors. The Company's contributions to the plan for 1994, 1993 and 1992, were \$5,600, \$5,250 and \$4,747, respectively.

14. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides health care and life benefits to the majority of its United States retirees and their eligible dependents. The Company's subsidiaries in Canada also provide postretirement benefits to eligible retirees. In 1992, the Company adopted Statement of Financial Accounting Standard 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). This standard requires accrual for postretirement benefits other than pensions over an employee's career, rather than expensing these costs when paid. The Company elected to immediately recognize the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Sonoco Products Company (Dollars in thousands except per share)

cumulative effect of the change in accounting for postretirement benefits of \$93,500 pretax, or \$58,000 after-tax, which represents the accumulated postretirement benefit obligation (APBO) existing at January 1, 1992. THE COMPANY FUNDS BENEFIT COSTS PRINCIPALLY ON A PAY-AS-YOU-GO BASIS, WITH THE RETIREE PAYING A PORTION OF THE COSTS. In situations where full-time employees retire from the Company between age 55 and age 65, most are eligible to receive, at a cost to the retiree equal to the cost for an active employee, certain health-care benefits identical to those available to active employees. After attaining age 65, an eligible retiree's health-care benefit coverage becomes coordinated with Medicare. For purposes of projecting future benefit payments, early retiree contributions were assumed to increase at the health-care cost trend.

Non-pension retirement benefit expense includes the following:

	1994	1993	1992
.....			
Service cost-benefits			
earned during year	\$ 5,180	\$ 2,482	\$ 2,283
Interest cost on APBO	7,110	8,196	8,239
Actual return on plan assets	459	(874)	(304)
Net amortization and deferral	(5,400)	(189)	

Net periodic postretirement			
benefit cost	\$ 7,349	\$ 9,615	\$10,218
	=====		

The following sets forth the accrued obligation included in the accompanying December 31 balance sheet applicable to each employee group for non-pension retirement benefits:

	1994	1993
Accumulated postretirement benefit obligation:		
Retired employees	\$50,008	\$ 57,610
Active employees-fully eligible	17,671	18,514
Active employees-not yet eligible	27,329	50,460
	-----	-----
Accumulated benefit obligation	95,008	126,584
Plan assets at fair value	17,375	10,776
	-----	-----
Accumulated benefit obligation greater than plan assets	77,633	115,808
Unrecognized net loss from changes in assumptions	(9,552)	(28,964)
Unrecognized prior service cost	22,459	1,545
	-----	-----
Accrued postretirement benefit cost	\$90,540	\$88,389
	=====	=====

Prepaid postretirement medical costs of \$13,639 and \$10,776 were included in Other Assets in 1994 and 1993, respectively.

The discount rate used in determining the APBO was 8.5% in 1994, 7% in 1993 and 9% in 1992. Plan amendments related to the plan's credited service period decreased the accumulated benefit obligation and correspondingly increased prior service cost. The assumed health-care cost-trend rate used in measuring the APBO was 11% in 1994 declining to 6.5% in the 2010. Increasing the assumed trend rate for health-care costs by one percentage point would result in an increase in the APBO of approximately \$6,000 at December 31, 1994, and an increase of \$950 in the related 1994 expense. Plan assets are the result of funding these benefit costs in amounts representing the maximum allowable under Section 401(H) of the Internal Revenue Code. These assets are combined with the pension plan assets and consist primarily of common stocks, bonds and real estate. The expected long-term rate of return on assets was 9.5% for all years presented.

15. INCOME TAXES

The Company adopted Statement of Financial Accounting Standard 109, "Accounting for Income Taxes" (FAS 109), effective January 1, 1992. The cumulative effect, which was recorded in 1992, increased earnings by \$20,100.

The provision (benefit) for taxes on income for the years ending December 31 consists of the following:

	1994	1993	1992
Pretax income			
Domestic	\$202,363	\$189,122	\$160,637
Foreign	8,567	3,785	(29,634)
	-----	-----	-----
Total pretax income . . .	\$210,930	\$192,907	\$131,003
	=====	=====	=====
Current			
Federal	\$ 62,800	\$ 43,998	\$ 50,642
State	10,074	7,320	8,731
Foreign	3,958	1,521	6,046
	-----	-----	-----
Total current	76,832	52,839	65,419
	-----	-----	-----

Deferred			
Federal	4,263	14,005	(455)
State	949	2,924	(96)
Foreign	456	5,432	(13,068)
	-----	-----	-----
Total deferred	5,668	22,361	(13,619)
	-----	-----	-----
Total taxes	\$ 82,500	\$ 75,200	\$ 51,800
	=====	=====	=====

Current deferred income tax expense (benefit) results from temporary differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences and the tax effect of each are as follows:

	1994	1993	1992

Restructuring charge . . .	\$2,815	\$ 8,711	\$(15,065)
Sale of an affiliate . . .		6,409	
Depreciation expense . . .	45	1,163	700
Benefit plan costs	3,125	7,379	2,643
Other items, net	(317)	(1,301)	(1,897)
	-----	-----	-----
Total deferred	\$5,668	\$22,361	\$(13,619)
	=====	=====	=====

Cumulative deferred tax liabilities (assets) are comprised of the following at December 31:

	1994	1993*

Depreciation	\$ 70,751	\$ 62,975
Employee benefits	21,062	15,410
Other	2,179	9,762
	-----	-----
Gross deferred tax liabilities	93,992	88,147
	-----	-----
Restructuring	(4,193)	(5,403)
Retiree health benefits	(27,482)	(23,910)
Foreign loss carry-forwards	(11,231)	(8,011)
Capital loss carry-forwards	(6,830)	(6,785)
Employee benefits	(13,026)	(11,494)
Other	(7,199)	(7,303)
	-----	-----
Gross deferred tax assets	(69,961)	(62,906)
Valuation allowance on deferred tax assets . .	11,231	8,011
	-----	-----
Total deferred taxes, net	\$ 35,262	\$ 33,252
	=====	=====

* Certain amounts have been restated to conform to the current year's presentation.

The net change in the valuation allowance for deferred tax assets in 1994 is a net increase of \$3,220. The change relates to current net operating losses of certain foreign subsidiaries for which their use is limited to future taxable earnings. A net decrease in the valuation

NOTES OF CONSOLIDATED FINANCIAL STATEMENTS
Sonoco Products Company
(Dollars in thousands except per share)

NOTE 15: INCOME TAXES - CONTINUED

allowance of \$980 in 1993 resulted from the disposal of a European entity; this decrease was partially offset by the inclusion of current net operating losses from various foreign subsidiaries.

Approximately \$30,300 of foreign subsidiary net operating loss carry-forwards remain at December 31, 1994. Their use is limited to future taxable earnings of the respective foreign subsidiaries. Of these loss carry-forwards approximately \$19,900 have no expiration date. The remaining loss carry-forwards expire at various dates in the future.

	1994		1993		1992	
	
Statutory tax rate	\$73,825	35.0%	\$67,517	35.0%	\$44,587	34.0%
State income taxes, net of federal tax benefit	7,087	3.3	7,039	3.6	4,983	3.8
Net effect of foreign income at lower rates and foreign losses with no tax benefit . .	2,479	1.2	2,155	1.1	2,360	1.8
Goodwill	3,777	1.8	1,694	.9	524	.4
Company-owned life insurance . .	(5,091)	(2.4)	(1,570)	(.8)		
Other, net	423	.2	(1,635)	(.8)	(654)	(.5)
Total taxes	\$82,500	39.1%	\$75,200	39.0%	\$51,800	39.5%
	=====		=====		=====	

Undistributed earnings of international subsidiaries totaled \$42,973 at December 31, 1994. There have been no United States income taxes provided on the undistributed earnings since the Company considered these earnings to be indefinitely reinvested to finance international growth and expansion. If such amounts were remitted, loaned to the Company or the stock in the foreign subsidiaries sold, these earnings could become subject to tax; however, the Company believes United States foreign tax credits would substantially eliminate any taxes due.

16. COMMITMENTS AND CONTINGENCIES

.....
The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. In 1994, a suit was filed against the Company in the U.S. District Court for the District of Massachusetts for alleged patent infringement involving grocery bag packs. The suit also seeks to have a patent involving plastic bag loading systems owned by the Company declared invalid. The Company believes this lawsuit is without merit. The Company will vigorously defend its position and expects to prevail.

The Company has been named as a potentially responsible party at several environmentally contaminated sites primarily located in the Northeast owned by third parties. These sites represent the Company's largest potential environmental liabilities. As of December 31, 1994, the Company has \$4,400 accrued for these contingencies. This compares with \$3,100 accrued as of December 31, 1993. Due to the complexity of determining clean-up costs associated with the sites, a reliable estimate of the ultimate cost to the

Company cannot be determined; however, costs will be accrued as necessary once reasonable estimates are determined.

Although the level of future expenditures for legal and environmental matters is impossible to determine with any degree of probability, it is management's opinion that such costs, when finally determined, will not have a material adverse effect on the consolidated financial position of the Company.

17. INTERNATIONAL OPERATIONS

.....
The operating profit, net assets and dividends received by the Company from operations outside the United States are as follows:

	1994	1993

Operating profit	\$ 15,675	\$ 11,923
Net assets	245,423	185,723
Dividends	194	2,087

The aggregate foreign currency transaction gain/loss recognized in net income was immaterial for 1994, 1993 and 1992.

Information regarding the Company's significant foreign geographic area in Europe is as follows:

	1994	1993	1992*

Sales to unaffiliated customers	\$184,247	\$180,044	\$226,127
Operating loss	(2,085)	(890)	(20,325)
Total assets	215,981	171,073	222,164

*Restructuring costs of \$28,200 are included in 1992 results.

18. SHAREHOLDERS' EQUITY

.....
In 1993, the Company issued 3,450,000 shares of \$2.25 Series A Cumulative Convertible Preferred Stock for \$172,500, or \$50.00 per share. These securities are convertible into the Company's common stock at a price of \$25.31 per share. This stock is redeemable at the option of the Company, on or after November 8, 1996, at a redemption price of \$51.575 per share and decreasing ratably annually to \$50 per share on or after November 1, 2003. Dividends on the Convertible Preferred Stock, which are paid quarterly, accrue and are cumulative from the date of original issuance.

Fully diluted earnings per share is not presented as it approximates primary earnings per share.

The Financial Reporting for Business Segments should be read in conjunction with the Management's Discussion and Analysis (which describes the segments in detail) appearing on pages 21-25. Sonoco changed the segmental reporting in 1994 by combining the Miscellaneous segment with the Converted Products segment. Prior years' information has been restated to reflect this change.

(Dollars in thousands)	CONVERTED PRODUCTS	PAPER	INTERNATIONAL	CORPORATE	CONSOLIDATED
TOTAL REVENUE					
1994	\$1,771,441	\$330,982	\$438,383		\$2,540,806
1993	1,466,486	278,904	406,914		2,152,304
1992	1,311,935	282,583	447,029		2,041,547
INTERSEGMENT SALES(1)					
1994	\$ 29,970	\$203,569	\$ 7,140		\$ 240,679
1993	28,615	173,640	2,825		205,080
1992	25,612	175,629	2,280		203,521
SALES TO UNAFFILIATED CUSTOMERS					
1994	\$1,741,471	\$127,413	\$431,243		\$2,300,127
1993	1,437,871	105,264	404,089		1,947,224
1992	1,286,323	106,954	444,749		1,838,026
OPERATING PROFIT(2)					
1994	\$ 188,517	\$ 64,495	\$ 15,675	\$ (57,757)	\$ 210,930
1993	157,426	57,867	11,923	(34,309)	192,907
1992	117,906	65,437	(12,398)	(39,942)	131,003
IDENTIFIABLE ASSETS(3)					
1994	\$1,056,341	\$157,408	\$405,604	\$215,700	\$1,835,053
1993	1,018,056	140,406	349,144	199,519	1,707,125
1992	529,319	130,486	390,644	196,082	1,246,531
DEPRECIATION, DEPLETION AND AMORTIZATION					
1994	\$ 69,076	\$ 14,471	\$ 23,161	\$ 6,089	\$ 112,797
1993	51,360	12,974	26,135	5,276	95,745
1992	42,467	12,746	23,897	4,199	83,309
CAPITAL EXPENDITURES					
1994	\$ 77,275	\$ 18,874	\$ 27,727	\$ 2,870	\$ 126,746
1993	46,969	20,450	41,209	6,968	115,596
1992	39,283	15,581	48,317	6,124	109,305

(1) Intersegment sales are recorded at a market-related transfer price.

(2) Interest income, interest expense and unallocated corporate expenses are excluded from the operating profits by segment and are shown under Corporate. In addition, 1993 Corporate operating profit includes \$5,800 for unusual items, as described in Note 3 to the Consolidated Financial Statements.

(3) Identifiable assets are those assets used by each segment in its operations. Corporate assets consist primarily of cash and cash equivalents, investments in affiliates, headquarters facility and prepaid expenses. Identifiable assets in the Converted Products segment more than doubled in 1993 as a result of the acquisitions.

See Note 4 to the Consolidated Financial Statements regarding restructuring charges in 1992. These costs have been allocated to the appropriate segments.

SHAREHOLDERS' INFORMATION

[FIGURE 19]

WHEN IT COMES TO POWDERED BEVERAGE PACKAGING, Sonoco's composite canisters are durable, resealable, stackable and have great shelf appeal. Tim Grooms, with Winn Dixie, stocks the powdered beverage section with a variety of composite cans from Sonoco.

[FIGURE 20]

NEW LASER CODING LABEL TECHNOLOGY WAS JOINTLY DEVELOPED FOR BAUSCH & LOMB(R) by

Sonoco's Engraph Label Group and a face stock supplier.

CORPORATE OFFICES

North Second Street
Hartsville, SC 29550
(803) 383-7000
Fax: (803) 339-6078

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand, L.L.P.
NationsBank Corporate Center
100 North Tryon Street, Suite 3400
Charlotte, NC 28202

TRANSFER AGENT

Wachovia Bank of North Carolina, N.A.
Corporate Trust Department
P.O. Box 3001
Winston-Salem, NC 27102

LEGAL COUNSEL

Sinkler & Boyd, P.A.
P.O. Box 11889
Columbia, SC 29211

SHAREHOLDER RELATIONS

Sonoco Products Company
Treasurer - B01
P.O. Box 160
Hartsville, SC 29551
(803) 383-7277

CORPORATE COMMUNICATION

Sonoco Products Company
Corporate Communication - A09
P.O. Box 160
Hartsville, SC 29551
(803) 383-7437

ANNUAL MEETING OF SONOCO SHAREHOLDERS

The annual meeting of shareholders will be held at the Center Theater on Fifth Street in Hartsville, S.C. at 11 a.m., Wednesday, April 19, 1995.

COMMON STOCK

Sonoco common stock is traded in the New York Stock Exchange, Symbol: SON. The change from the NASDAQ National Market was made in March 1995.

FORM 10-K AVAILABLE

A copy of the Company's annual report filed with the Securities and Exchange Commission on Form 10-K may be obtained by shareholders without charge after April 1, 1995, by writing to:

Sonoco Products Company
Treasurer - B01
P.O. Box 160
Hartsville, SC 29551

DIVIDEND REINVESTMENT

A dividend reinvestment plan is available to registered Sonoco shareholders. For more information write to:

Wachovia Bank of North Carolina, N.A.
Corporate Trust Department
P.O. Box 3001
Winston-Salem, NC 27102

DIRECT DEPOSIT OF DIVIDENDS

Sonoco shareholders may request automatic deposit of cash dividends to checking, savings or money market accounts that participate in the Automatic

Clearinghouse System. If you would like this service, please contact:
Wachovia Bank of North Carolina, N.A.
Corporate Trust Department
P.O. Box 3001
Winston-Salem, NC 27102

SHARE ACCOUNT INFORMATION

Shareholders with inquiries concerning their accounts may call Wachovia Bank of North Carolina, N.A. on their toll-free line. The number is 1-800-633-4236.

[FIGURE 21]

DIVIDENDS DECLARED - COMMON

THE SONOCO DIVIDEND WAS INCREASED from \$.135 to \$.14 beginning in the second quarter of 1994. Dividends are increased as earnings justify.

[FIGURE 22]

MARKET VS. BOOK VALUE PER COMMON SHARE

THE BOOK VALUE PER COMMON SHARE INCREASED TO \$7.59 in 1994, compared with \$7.04 in 1993.

[FIGURE 23]

MARKET PRICE OF STOCK AT YEAR END

THE MARKET PRICE OF THE COMPANY'S STOCK WAS \$21.88 at the end of 1994.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

- A. Subsidiaries of Sonoco Products Company, pursuant to Regulation S-K 601, as of December 31, 1994 are:
1. KMI Continental Fibre Drum, Inc., 100%-owned domestic subsidiary incorporated in the State of Delaware.
 - a. Sonoco Fibre Drum, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 2. Paper Stock Dealers, Inc., 100%-owned domestic subsidiary, incorporated in the State of North Carolina.
 3. Sonoco Plastic Drum, Inc., 100%-owned domestic subsidiary, incorporated in the State of Illinois.
 - a. Sonoco Plastic Drum Southwest Division, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Texas.
 - b. Sonoco Plastic Drum Southeast Division, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Kentucky.
 4. Southern Plug & Manufacturing Co. Inc., 100%-owned domestic subsidiary, incorporated in the State of Louisiana.
 - a. Pelican Plug, 100%-owned domestic subsidiary, incorporated in the State of Louisiana.
 - b. Boltz Manufacturing, 100%-owned domestic subsidiary, incorporated in the State of Louisiana.
 - c. Memphis Wood Products, 100%-owned domestic subsidiary, incorporated in the State of Tennessee.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

5. Grupo Sonoco, S.A. de C.V., 100%-owned Mexican subsidiary.
 - a. Sonoco de Mexico, S.A. de C.V., 100%-owned Mexican subsidiary.
 - b. Manufacturas Gargo, S.A. de C.V., 100%-owned Mexican subsidiary.
 - c. Fibro Tambor, S.A. de C.V., 100%-owned Mexican subsidiary.
 1. Direccion Ejecutiva, S.A. de C.V., 100%-owned Mexican subsidiary.
 - d. Inmobiliaria Sonomex Direccion, S.A. de C.V.,

- 100%-owned Mexican subsidiary.
- e. Direccion Integral Industries, S.A., 100%-owned Mexican subsidiary.
- f. Sonoco Envases, S.A. de C.V. (Smurfit), a 100%-owned Mexican subsidiary.
- 6. Inversiones Sm C.A., 45%-owned Venezuelan subsidiary, (45% owned by Sonoco International).
 - a. Sonoco de Venezuela, C.A., 45%-owned Venezuelan subsidiary (45% owned by Sonoco International).
 - b. A Manufacturas de Envases de Fibra, C.A., 45%-owned Venezuelan subsidiary (45% owned by Sonoco International).
- 7. SPC Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 - a. SPC Capital Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 - b. SPC Resources, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

- 8. Sonoco-Crellin, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 - a. Crellin International, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:
 - 1. Crellin, Inc., a 100%-owned domestic subsidiary, incorporated in the State of New York.
 - a. Crellin Europe B.V., a 100%-owned Dutch subsidiary.
 - 1. Crellin B.V., 100%-owned Dutch subsidiary.
 - 2. Sebro Plastics, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Michigan.
 - 3. Injecto Mold, a 100%-owned domestic subsidiary, incorporated in the State of Illinois.
- 9. Engraph, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 - a. Engraph Puerto Rico, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Delaware.
 - b. E L R, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Delaware.

1. Screen Graphics, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Tennessee.
2. Graphic Resources, Inc., a 100%-owned domestic subsidiary, incorporated in the State of Kentucky.
- c. Polaris, Inc., a 100%-owned domestic subsidiary, incorporated in the State of New Jersey.
- d. Engraph Mexico S.A. de C.V., a 100%-owned Mexican subsidiary.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

10. Polysack A/S, Inc., a 100%-owned domestic subsidiary, incorporated in the State of South Carolina.
11. Sonoco International, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:
 - a. Sonoco Limited, 100%-owned Canadian subsidiary.
 1. Coretech Sonoco Holdings Limited, 50%-owned Canadian subsidiary.
 - a. Coretech Sonoco Limited, a 50%-owned Canadian subsidiary.
 - b. Roll Packaging Technology, Inc., 50%-owned Canadian subsidiary.
 2. Montreal Recycled Paperboard, 50%-owned Canadian subsidiary.
 3. Ontario Inc., a 50%-owned Canadian subsidiary.
 - a. Fibre Resource Recovery Corp., 50%-owned Canadian subsidiary.
 4. SW, Inc., a 60%-owned Canadian subsidiary.
 - a. Cascades Conversion Inc., a 30%-owned Canadian subsidiary.
 - b. Sonoco Colombiana, S.A., 100%-owned Colombian subsidiary.
 - c. Sonoco of Puerto Rico, Inc., 100%-owned domestic subsidiary, incorporated in the State of South Carolina.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

- d. Sonoco U.K. Limited Inc., 100%-owned subsidiary incorporated in the State of Delaware, holder of securities in:
 - 1. Sonoco Products Company U.K. Limited, 100%-owned U.K. subsidiary.
 - a. Sonoco Holdings Limited, 100%-owned English subsidiary. The subsidiaries and affiliate of Sonoco Holdings Limited include:
 - 1. Sonoco Board Mills Limited.
 - 2. Sonoco Limited.
 - 3. Sonoco U.K. Leasing Limited.
 - 4. Sonoco Europe Limited.
 - 5. Sonoco Polysack Limited.
 - 6. CMB Sonoco Composites, 51%-owned English subsidiary.*
 - a. CMB Sonoco Composites S.A., 51%-owned French subsidiary. *
 - 7. T.P.T. Board Mills Limited.
 - 8. T.P.T. Limited.
 - 9. Capseals Limited.

*In January 1995, the Company acquired the remaining 49% interests in CMB Sonoco Composites and CMB Sonoco Composites S.A.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

- 2. Sonoco Packaging Limited, 100%-owned U.K. subsidiary. Subsidiaries of Sonoco Packaging Limited, all of which are 100%-owned U.K. companies, include:
 - a. Sonoco Capseals Liners Limited.
 - b. Sonoco Packaging Tapes Limited.
 - c. Sonoco Reels Limited.
 - 1. Unit Reels and Drums Limited.
 - d. The Grove Mill Paper Company Limited.

- e. Capseals Liners Limited.
- f. Healthfield Reels Limited.
- g. Nathaniel Lloyd & Co. Limited.
- h. Cap Liners Limited.
- 3. The Harland Group Limited, 100%-owned U.K. subsidiary.
 - a. Harlands Ltd., 100%-owned U.K. subsidiary.
 - b. Harland France SARL, 100%-owned French subsidiary.
 - c. Harland Machine Systems Limited, 100%-owned U.K. subsidiary.
 - d. Trident Graphics Limited, 100%-owned U.K. subsidiary.
 - e. Harlands of America, Inc., 100%-owned subsidiary, incorporated in the State of Delaware.
- e. Sonoco Espana, S.A., 100%-owned Spanish subsidiary.
- f. Sonoco Nederland B.V., 99.8%-owned Dutch subsidiary.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

- g. Sonoco Deutschland Holdings GmbH, 100%-owned German subsidiary.
 - 1. Sonoco Deutschland GmbH, 100%-owned German subsidiary.
 - 2. Sonoco Plastics GmbH, 100%-owned German subsidiary.
 - 3. Sonoco IPD GmbH, 100%-owned German subsidiary.
 - a. Sonoco MBS GmbH, 100%-owned subsidiary.
 - b. OPV Oberrhein GmbH, 100%-owned German subsidiary.
 - c. Sonoco MBS GmbH and Company, 100%-owned German partnership.
 - d. OPV Textihulsen GmbH, 100%-owned German partnership.
 - 4. Caprex AG, 72%-owned Swiss subsidiary.
- h. Sonoco Norge A/S, 100%-owned Norwegian subsidiary.
- i. Sonoco Europe, S.A., 100%-owned Belgian subsidiary.

- j. Sonoco Australia, Pty., Ltd., 100%-owned Australian subsidiary.
- k. Sonoco New Zealand Pty., Ltd., 100%-owned New Zealand subsidiary.
- l. Sonoco Asia, 100%-owned British Virgin Islands subsidiary.
- m. Colombiana P.M., Inc., 100%-owned Delaware Corporation.
 - 1. Andina de Cartones Especiales, S.A., 100%-owned Colombian subsidiary.
- n. Sonoco SNC, 100%-owned French partnership with the following subsidiaries and affiliate:
 - 1. Sonoco Holdings, 100%-owned French subsidiary.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT (21)

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT, CONTINUED

- a. Lhomme S.A., 100%-owned French subsidiary.
 - 1. Eurocore, 100%-owned Belgian subsidiary.
 - 2. Papeteries Du Rhin, 47%-owned French affiliate.
- b. Sonoco Alsace, S.A., 100%-owned French subsidiary.
- o. Cascades-Sonoco, Inc., 30%-owned Canadian subsidiary.
- p. Sonoco Italia, 100%-owned Italian subsidiary.
- q. Sonoco Asia, L.L.C., 90.9%-owned limited liability company.
 - 1. Sonoco Singapore, Ltd., 100%-owned Singapore subsidiary.
 - a. Sonoco Malaysia, SDN BHD, 100%-owned Malaysian subsidiary.
 - 2. Sonoco Taiwan, 100%-owned Republic of China subsidiary.
 - 3. Sonoco Thailand, 70%-owned Thai subsidiary,
- r. Sonoco Asia Management Company, L.L.C., 70%-owned limited liability company.

B. Affiliate companies are:

- 1. Showa Products Company, Ltd., Japanese company 20%-owned by Sonoco Products Company. Showa's subsidiary and affiliate are:
 - a. Hiyoshimaru Shiko Company, Ltd., 55.6%-owned Japanese subsidiary.

- b. Cosmos-Showa Products Company, Ltd., 33.2%-owned Republic of China affiliate.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference into the registration statements of Sonoco Products Company on Form S-8 (filed September 1, 1981, September 5, 1985, June 3, 1988, November 27, 1989, February 5, 1992 and November 22, 1993) and Form S-3 (filed June 6, 1991, File No. 33-40538; filed October 4, 1993, File No. 33-50501; filed October 4, 1993, File No. 33-50503) of our report, which includes an explanatory paragraph indicating that the Company changed its method of accounting for postretirement benefits other than pensions and income taxes in 1992, dated February 1, 1995, on our audits of the consolidated financial statements and financial statement schedules of Sonoco Products Company as of December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, which report is included in this Annual Report on Form 10-K.

/s/ Coopers & Lybrand, L.L.P.

COOPERS & LYBRAND, L.L.P.

Charlotte, North Carolina
March 30, 1995

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF SONOCO PRODUCTS COMPANY FOR THE YEAR ENDED DECEMBER 31,
1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

</LEGEND>

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[logo]

SONOCO PRODUCTS COMPANY

POST OFFICE BOX 160
 ONE NORTH SECOND STREET
 HARTSVILLE, SOUTH CAROLINA 29551-0160 U.S.A.

March 17, 1995

TO OUR SHAREHOLDERS:

As a shareholder of Sonoco Products Company, you are cordially invited to attend the Annual Shareholders' Meeting to be held at the Center Theater, 212 North Fifth Street, Hartsville, South Carolina, 29550, on Wednesday, April 19, 1995, at 11:00 A.M.

The accompanying Notice of Meeting and Proxy Statement cover the details of matters to be presented at the meeting which consists of the election of directors, a proposal to approve amendments to the 1991 Key Employee Stock Plan, a proposal to approve the Annual Incentive Compensation Terms for Executive Officers, and the election of independent auditors.

In addition to action to be taken on the matters listed in the Notice of Annual Meeting of Shareholders, the Company's progress will be discussed, and attendees will be given an opportunity to ask questions of general interest to all shareholders.

A copy of the 1994 Annual Report, which reviews the Company's past year's events, is enclosed unless you have signed a statement indicating that you have access to another copy at your address.

Whether or not you plan to attend the meeting, you are urged to participate by completing and returning your proxy in the enclosed business reply envelope. If you later find you can be present or for any reason desire to revoke your proxy, you can do so at any time before the voting. Your vote is important and will be greatly appreciated.

Charles W. Coker
 Chairman, President and
 Chief Executive Officer

SONOCO PRODUCTS COMPANY

POST OFFICE BOX 160
 ONE NORTH SECOND STREET
 HARTSVILLE, SOUTH CAROLINA 29551-0160

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME..... 11:00 A.M. on Wednesday, April 19, 1995.

PLACE..... The Center Theater, 212 North Fifth Street, Hartsville, South Carolina, 29550.

PURPOSES..... (1) To elect seven members of the Board of Directors to serve for the next three years.
 (2) To act upon a proposal to amend the 1991 Key Employee Stock Plan.
 (3) To act upon a proposal to approve the Annual Incentive

Compensation Terms for Executive Officers.
(4) To elect independent auditors.
(5) To transact such other business as may properly come before the meeting or any adjournment thereof.

RECORD DATE..... Holders of Common Stock of record at the close of business March 3, 1995, are entitled to notice of and to vote at the meeting.

ANNUAL REPORT..... The Annual Report of the Company for the year 1994 is enclosed unless you have signed a statement indicating that you have access to another copy at your address.

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PROXY VOTING..... It is important that your shares be represented and voted at the meeting. Please MARK, SIGN, DATE, and RETURN PROMPTLY the enclosed proxy card in the envelope furnished. Any proxy so given can be revoked in the manner described in the accompanying Proxy Statement at any time prior to its exercise at the meeting.

By order of the Board of Directors,

James L. Coker, Secretary

March 17, 1995

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SONOCO PRODUCTS COMPANY

POST OFFICE BOX 160
ONE NORTH SECOND STREET
HARTSVILLE, SOUTH CAROLINA 29551-0160

PROXY STATEMENT

GENERAL INFORMATION

INFORMATION CONCERNING THE SOLICITATION

This statement is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Shareholders (Annual Meeting) of Sonoco Products Company (the "Company"), a South Carolina corporation, to be held on April 19, 1995.

The solicitation of proxies in the enclosed form is made on behalf of the Board of Directors of the Company.

The cost of preparing, assembling and mailing the proxy material and of reimbursing brokers, nominees and fiduciaries for the out-of-pocket and clerical expense of transmitting copies of the proxy material to the beneficial owners of shares held of record by such persons will be borne by the Company. The Company does not intend to solicit proxies otherwise than by use of the mail; however, certain officers and regular employees of the Company or its subsidiaries, without additional compensation, may use their personal efforts by telephone, telefacsimile or by personal calls to obtain proxies.

The proxy materials are being mailed on March 17, 1995, to shareholders of record at the close of business on March 3, 1995.

Any shareholder who executes and delivers a proxy has the right to revoke

it at any time before it is voted. The proxy can be revoked by giving notice of revocation at the Annual Meeting, or by delivery to the Secretary of the Company, Post Office Box 160, Hartsville, South Carolina, 29551-0160, of an instrument which by its terms revokes the proxy, or by delivery to the Secretary of a duly executed proxy bearing a later date. Any shareholder who desires to do so can attend the meeting and vote in person in which case the proxy will not be used.

Shares represented by all properly executed proxies delivered pursuant to this solicitation will be voted at the Annual Meeting or any adjournment thereof. With respect to the election of directors and to any of the proposals for which a choice is provided, the proxy will be voted in the manner directed by the shareholder. If no direction is made, the proxy will be voted FOR the election of directors and FOR the proposals.

OUTSTANDING SECURITIES

The Company has authorized two classes of stock consisting of 150,000,000 authorized shares of no par value Common Stock, of which 86,766,503 shares are outstanding and 30,000,000 authorized shares of no par

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value Preferred Stock of which 3,450,000 shares of \$2.25 Series A Cumulative Convertible Preferred Stock are outstanding. Each share of the Company's Common Stock is entitled to one vote. The shareholders of the Company's \$2.25 Series A Cumulative Convertible Preferred Stock will not be entitled to vote at the Annual Meeting.

VOTING SECURITIES

Only shareholders of record of the Company's Common Stock at the close of business on March 3, 1995, will be entitled to vote at the Annual Meeting. As of that date there were issued and outstanding 86,766,503 shares. Each share will be entitled to one vote on each matter submitted at the Annual Meeting.

A majority of the shares entitled to be voted at the Annual Meeting constitutes a quorum. If a share is represented for any purpose at the Annual Meeting by the presence of the registered owner or a person holding a valid proxy for the registered owner, it is deemed to be present for purposes of establishing a quorum. Therefore, valid proxies which are marked "Abstain" or "Withhold" and shares that are not voted, including proxies submitted by brokers that are the record owners of shares (so-called "broker non-votes"), will be included in determining the number of votes present or represented at the Annual Meeting.

If a quorum is present at the Annual Meeting, directors will be elected by a plurality of the votes cast by shares present and entitled to vote at the Annual Meeting. Votes that are withheld or that are not voted in the election of directors will have no effect on the outcome of election of directors. Cumulative voting is not permitted.

Approval of the proposals to amend the 1991 Key Employee Stock Plan and to adopt the Annual Incentive Compensation Terms for Executive Officers requires the affirmative vote of a simple majority of the total shares present and entitled to vote at the Annual Meeting.

There is no person known by the management of the Company to own of record or beneficially more than 5% of the outstanding voting shares of the Company.

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ELECTION OF DIRECTORS

At this Annual Meeting seven directors are to be elected and shall hold office for the next three years, their terms expiring at the Annual Shareholders' Meeting in 1998, or until their successors are duly elected and qualified. It is the intention that the persons named on the enclosed form of proxy will vote such proxy FOR the election of the seven persons named herein (or if any of the persons nominated is unexpectedly unavailable, for such substitutions as the Board of Directors may designate) unless authority is withheld for all or any of the nominees. Proxies will not be voted for a greater number of persons than the number of nominees named. Each nominee has been recommended for election by the Board of Directors.

INFORMATION CONCERNING NOMINEES

NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
<p>-----</p> <p>LEO BENATAR (65). Mr. Benatar is Senior Vice President of the Company, a position held since 1993, and Chairman and Chief Executive Officer of Engraph, Inc. (printer and fabricator of roll labels, decals, specialty paperboard items and flexible packaging), Atlanta, Georgia, a position held since 1981. Engraph, Inc. became a wholly-owned subsidiary of the Company on October 21, 1993. He was President of Mead Packaging, a division of the Mead Corporation, from 1972 to 1981. Mr. Benatar is a director of Interstate Bakeries Corporation, Aaron Rents, Inc., Mohawk Industries, Inc. and Riverwood International Corporation, and is Chairman of the Federal Reserve Bank of Atlanta.</p> <p>-----</p> <p>[PHOTO]</p> <p>-----</p>	1993
<p>-----</p> <p>PETER C. BROWNING (53). Mr. Browning is Executive Vice President of the Company, a position held since 1993. He served as President, Chairman and Chief Executive Officer of National Gypsum Company (manufacturer and supplier of products and services used in building and construction), Charlotte, North Carolina, from 1990 to 1993 and as President-Gold Bond Division, National Gypsum Company, from 1989 to 1990. Prior to 1989 he spent twenty-four years with Continental Can Company, serving as President of Continental's Bondware and White Cap Divisions and later as the company's Executive Vice President. Mr. Browning is a director of Phoenix Home Life Mutual Insurance Company, Loctite Corporation and First Union National Bank of South Carolina.</p> <p>-----</p> <p>[PHOTO]</p> <p>-----</p>	

NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
<p>-----</p> <p>*F. L. H. COKER (59). Mr. Coker is retired. He was President and Director of Sea Corporation of Myrtle Beach, Inc. (private investments), Myrtle Beach, South Carolina, from 1983 to 1989. Until his retirement from the Company in 1979, Mr. Coker was Senior Vice President, a position held since 1976.</p> <p>-----</p> <p>[PHOTO]</p> <p>-----</p>	1964
<p>-----</p> <p>T. C. COXE, III (64). Mr. Coxie is Senior Executive Vice President of the Company, a position held since 1993. He was Executive Vice President from 1985 to 1993. He is a director of Wachovia Bank of South Carolina, N.A.</p> <p>-----</p> <p>[PHOTO]</p> <p>-----</p>	1982
<p>-----</p> <p>BERNARD L. M. KASRIEL (48). Mr. Kasriel is Vice Chairman and Chief Operating Officer of Lafarge Coppee (a construction materials group), Paris, France, a position</p> <p>-----</p>	

[PHOTO]

held since January 1995. He served as Managing Director of Lafarge Coppee from 1989 to 1994 and as Senior Executive Vice President from 1987 to 1989. Mr. Kasriel temporarily was detached to National Gypsum Company, Charlotte, North Carolina, as President and Chief Operating Officer from 1987 to 1989. He served as Executive Vice President of Lafarge Coppee from 1984 to 1987. Mr. Kasriel is a director of Lafarge Coppee, Lafarge Corporation and National Gypsum Company.

* C. W. Coker and F. L. H. Coker are brothers and are first cousins of J. L. Coker and of P.C. Coggeshall, Jr., an executive officer of the Company.

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NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
----- [PHOTO] ----- E. H. LAWTON, JR. (65). Mr. Lawton is President and Director of Hartsville Oil Mill (vegetable oils processor), Darlington, South Carolina, a position held since 1962. He is a director of NationsBank, N.A. (Carolinas). -----	1968
----- [PHOTO] ----- E. C. WALL, JR. (57). Mr. Wall is President and Director of Canal Industries (forest products), Conway, South Carolina, a position held since 1969. He is a director of Ruddick Corporation, SCANA Corporation and Blue Cross-Blue Shield of South Carolina. -----	1976

All nominees previously have been elected to the Board of Directors by the Common Shareholders except Mr. Browning and Mr. Kasriel.

At its meeting on February 1, 1995, the Board of Directors decided it was in the best interest of the Company to increase the size of the Board of Directors from fifteen to seventeen, and pursuant to Article III, Section 1, of the By-Laws of the Company, amendment of which was approved by the shareholders at their Annual Meeting in 1994, the Board fixed the number of directors of the corporation at seventeen.

Mr. Browning and Mr. Kasriel were nominated by the Board of Directors at their February 1, 1995, meeting, for election by the shareholders at this Annual Meeting, to serve three-year terms which will expire at the Annual Shareholders' Meeting in 1998. The Nominating Committee of the Board of Directors recommends Mr. Browning and Mr. Kasriel for election by the Common Shareholders.

The Nominating Committee recommends to the Board of Directors nominees to fill vacancies on the Board as they occur and recommends candidates for election as directors at Annual Meetings of Shareholders. The committee will consider persons recommended to be nominees by shareholders upon submission in writing to the Nominating Committee of the Company of the names of such persons, together with their qualifications for service and evidence of their willingness to serve. The Company's Restated Articles of Incorporation require that nominations for any person who is not then a director of the Company, whether made by the Nominating Committee or any shareholder, be submitted to the Secretary not less than sixty days prior to the Annual Meeting for which such nominations are made.

Members of the Board of Directors whose terms of office will continue until the Annual Shareholders' Meeting in 1996 are:

NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
----- C. J. BRADSHAW (58). Mr. Bradshaw is President and Director of Bradshaw Investments, Inc. (private investments), Georgetown, South Carolina, a position held since 1986. He served as President and Chief Operating Officer of Transworld Corporation, New York, New York, from 1984 to 1986 and Chairman of the Board and Chief Executive Officer of Spartan Food Systems, Inc., Spartanburg, South Carolina, from 1961 to 1986. Mr. Bradshaw is a director of Wachovia Bank of South Carolina, N.A. -----	1986
----- R. J. BROWN (60). Mr. Brown is Founder, Chairman and Chief Executive Officer of B&C Associates, Inc. (a management consulting, marketing research and public relations firm), High Point, North Carolina, a position held since 1973. He is a director of First Union Corporation, Duke Power Company and Pacific National Financial Group. -----	1993
----- *J. L. COKER (54). Mr. Coker is Secretary of the Company, a position held since 1969. He is President of JLC Enterprises (private investments), Stonington, Connecticut, a position held since 1979. He was President of Sonoco Limited, Canada, from 1972 to 1979. -----	1969

* C. W. Coker and F. L. H. Coker are brothers and are first cousins of J. L. Coker and of P.C. Coggeshall, Jr., an executive officer of the Company.

NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
----- PAUL FULTON (60). Mr. Fulton is Dean of The Kenan-Flagler Business School, The University of North Carolina, Chapel Hill, North Carolina, a position held since 1994. He was President of Sara Lee Corporation (manufacturer and marketer of consumer products), Chicago, Illinois, from 1988 through 1993. He served as Executive Vice President from 1987 to 1988 and as Senior Vice President of Sara Lee Corporation and President of the Hanes Group of Sara Lee Corporation from 1981 to 1986. Mr. Fulton is a director of NationsBank Corporation, Bassett Furniture Industries, Inc., Cato Corporation and Winston Hotels, Inc. -----	1989
----- H. L. MCCOLL, JR. (59). Mr. McColl is Chairman of the Board and Chief Executive Officer and Director of NationsBank Corporation, Charlotte, North Carolina, and Chief Executive Officer of each of its subsidiary banks. He served as Chairman of the Board of NationsBank -----	1972

----- Corporation (formerly NCNB Corporation) from 1983 until
 ----- December 31, 1991, and was reappointed Chairman on
 ----- December 31, 1992. He is a director of CSX Corporation,
 ----- Ruddick Corporation and Jefferson-Pilot Corporation.

Members of the Board of Directors whose terms of office will continue until
 the Annual Shareholders' Meeting in 1997 are:

NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
----- ----- *C. W. COKER (61). Mr. Coker is Chairman, President and ----- Chief Executive Officer of the Company. He was President ----- of the Company from 1970 to 1990 and was reappointed [PHOTO] President upon the early retirement of R. C. King, Jr. on ----- May 31, 1994. He is a director of NationsBank Corporation, ----- Springs Industries, Inc., Sara Lee Corporation and ----- Carolina Power and Light Company. -----	1962

* C. W. Coker and F. L. H. Coker are brothers and are first cousins of J. L.
 Coker and of P.C. Coggeshall, Jr., an executive officer of the Company.

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NAME, AGE, PRINCIPAL OCCUPATION FOR LAST FIVE YEARS AND DIRECTORSHIPS IN PUBLIC CORPORATIONS	SERVED AS A DIRECTOR SINCE
----- ----- A. T. DICKSON (63). Mr. Dickson is President and Director ----- of Ruddick Corporation (a diversified holding company), ----- Charlotte, North Carolina, a position held since 1968. He [PHOTO] is a director of Lance, Inc., NationsBank Corporation, ----- Royal Group, Inc. and Bassett Furniture Industries, Inc. -----	1981
----- ----- R. E. ELBERSON (66). Mr. Elbersen is a retired executive ----- and director of Sara Lee Corporation (manufacturer and ----- marketer of consumer products), Chicago, Illinois. He ----- served as Vice Chairman of Sara Lee Corporation from 1986 [PHOTO] to 1989 and as President and Chief Operating Officer from ----- 1983 to 1986. Mr. Elbersen is a director of W. W. ----- Grainger, Inc. -----	1985
----- ----- J. C. FORT (68). Mr. Fort is President and Director of ----- Trust Company of South Carolina, Inc. (insurance brokers), ----- Hartsville, South Carolina. Until his retirement from the ----- Company in 1987, Mr. Fort served as Senior Vice President, [PHOTO] a position held since 1986. He served as Senior Vice ----- President -- International Group from 1983 to 1986. -----	1969
----- ----- R. C. KING, JR. (60). Mr. King is retired. He was ----- President and Chief Operating Officer of the Company from ----- 1990 to 1994 and Senior Vice President from 1987 to 1990. [PHOTO] He is a director of United Dominion Industries. ----- ----- -----	1991

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BOARD COMMITTEES

During 1994 the Board of Directors held four regularly scheduled meetings and one special meeting to review significant developments affecting the Company and to act on matters requiring Board approval. To assist it in the discharge of its responsibilities, the Board has established four committees:

COMMITTEE NAME	PURPOSE	CURRENT MEMBERS	NUMBER OF 1994 MEETINGS
Audit Committee	Responsible for the scope of both internal and external audit programs in order to fully protect assets of the Company.	E. C. Wall, Jr. -- Chairman R. J. Brown F. L. H. Coker J. L. Coker A. T. Dickson J. C. Fort R. C. King, Jr.	3
Executive Compensation Committee	Responsible for establishing and maintaining officer-level salaries and administering executive compensation plans.	A. T. Dickson -- Chairman C. J. Bradshaw R. E. Elbertson Paul Fulton E. H. Lawton, Jr.	5
Nominating Committee	Responsible for recommending to the directors qualified candidates to fill vacancies on the Board.	F. L. H. Coker -- Chairman R. E. Elbertson J. C. Fort E. H. Lawton, Jr. H. L. McColl, Jr.	3
Finance Committee	Responsible for evaluating the Company's financial status, advising corporate management and the full Board on financial matters, and reviewing the Company's long-term financial requirements and plans.	H. L. McColl, Jr. -- Chairman C. J. Bradshaw R. J. Brown J. L. Coker Paul Fulton R. C. King, Jr. E. H. Lawton, Jr.	3

During 1994 all directors attended 75% or more of the aggregate number of meetings of the Board and committees.

SECURITY OWNERSHIP OF MANAGEMENT AS OF DECEMBER 31, 1994

NAME	POSITION	COMMON STOCK BENEFICIALLY OWNED	
		NUMBER (1)	PERCENTAGE (2)
C. J. Bradshaw	Director	21,262	
R. J. Brown	Director	832	
F. L. H. Coker	Director	1,148,633	1.3
J. L. Coker	Secretary and Director	144,087	
A. T. Dickson	Director	59,616	
R. E. Elbertson	Director	21,000	
J. C. Fort	Director	1,136,666	1.3
Paul Fulton	Director	5,700	
R. C. King, Jr.	Director	280,802	
E. H. Lawton, Jr.	Director	710,962	
H. L. McColl, Jr.	Director	17,257	
E. C. Wall, Jr.	Director	80,651	

C. W. Coker	Chairman, President, Chief Executive Officer and Director	1,483,158	1.7
P. C. Browning	Executive Vice President	235,300	
T. C. Coxe, III	Senior Executive Vice President and Director	343,471	
Leo Benatar	Senior Vice President and Director	176,684	
H. E. DeLoach, Jr.	Group Vice President	1,023,520(3)	1.2
All Executive Officers and Directors (26 persons)		7,940,410(4)	9.1

-
- (1) Shareholdings represent the number of shares beneficially owned directly or indirectly by each named director and executive officer as of December 31, 1994. The number includes shares subject to currently exercisable options, granted by the Company under the 1983 Key Employee Stock Option Plan and the 1991 Key Employee Stock Plan, and Restricted Stock Awards, granted under the 1991 Key Employee Stock Plan, respectively, for the following directors and named executive officers: C. W. Coker -- 391,200 and 80,000; P. C. Browning -- 175,000 and 60,000; T. C. Coxe, III -- 98,500 and 20,000; Leo Benatar -- 126,752 and 20,000; H. E. DeLoach, Jr. -- 91,600 and 40,000; and R. C. King, Jr. -- 206,200 and -0-.

Also included are shares held in the Company's Dividend Reinvestment Plan (8,949), the Employee Savings and Stock Ownership Plan (46,509), and share equivalents in deferred compensation plans (24,565).

- (2) Percentages not shown are less than 1%.
- (3) Includes 773,670 shares of Common Stock owned by an estate of which Mr. DeLoach is executor. Mr. DeLoach disclaims beneficial ownership of such shares.
- (4) Includes 1,623,702 shares of Common Stock which the executive officers have a right to acquire pursuant to options granted by the Company under the 1983 and the 1991 Plans and 320,000 shares which they have a right to acquire pursuant to Restricted Stock Awards granted under the 1991 Plan.

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EXECUTIVE COMPENSATION COMMITTEE'S REPORT TO SHAREHOLDERS

The Executive Compensation Committee of the Board of Directors (the "Committee") is responsible for setting the remuneration levels for executives of the Company. It also oversees the Company's various executive compensation plans, as well as the overall management compensation program. Additionally, the Committee reviews and plans for top management succession and reviews executive job performance. The Committee periodically evaluates the Company's executive compensation program in terms of appropriateness, including competitive positioning relative to other companies' practices. The Committee obtains independent and impartial advice from external compensation consulting firms in order to maintain objectivity in executing its responsibilities. The Committee met five times during 1994, and had met twice in 1995 as of the printing of this report.

PHILOSOPHY

The executive compensation program has been designed to attract, motivate, reward, and retain senior management by providing competitive total compensation opportunities based on performance, teamwork, and the creation of shareholder value. It is a basic program consisting of salary, annual cash bonus awards, annual stock option awards, perquisites, and employee benefits.

In order to determine competitive compensation levels, the Company participates in a number of surveys conducted by independent consulting firms, and from time to time contracts with these firms to perform customized studies of companies in its industry groups and/or with companies showing similar long-term financial performance results. In these surveys executive compensation levels are developed by looking at large numbers of similar positions across

American industry and reflect adjustments based upon company revenues. The Dow Jones Containers and Packaging Group Index, which includes the Company, was used in the five year shareholder return performance graph that appears on Page 16. The companies in this Index also are included, as available, among the companies whose survey data is used in the Company's compensation studies.

The total compensation package for executives is generally structured to be competitive with the median total pay practices for executives of other large corporations. The base salary midpoints are targeted to be at the median of surveyed market rates. Incentive compensation, consisting of the annual cash bonus plan and the annual stock option awards, is targeted at the median of surveyed market compensation for expected Company performance, and provides opportunities to motivate and reward executives for exceptional performance. Executive perquisites are limited and provide a lower benefit than the market median. The benefits program for executives provides a benefit that is somewhat higher than the market median. This benefits program, in particular the retirement and life insurance plans, is designed to enhance retention of executives until normal retirement age.

Following is a discussion of the elements of the executive compensation program, along with a description of the decisions and actions taken by the Committee with regard to 1994 compensation. Also included is a specific discussion of the decisions regarding Mr. Coker's compensation for performing the duties of Chairman, President and Chief Executive Officer ("CEO"). The tables and accompanying narrative and footnotes which follow this report reflect the decisions covered by the discussions below.

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SALARY

The Company's salary ranges and resulting salaries are based on a relative valuing of the duties and responsibilities of each position. The Company reviews the base salaries of all salaried employees on an annual basis.

Merit salary increases are based on a table which considers each individual's performance rating and position in his or her salary range. Promotional salary increases are awarded to recognize increased responsibilities and accountabilities. The Committee used this table to determine salary adjustments for each of the executive officers, including Mr. Coker, whose most recent increase was effective June 1, 1994.

ANNUAL BONUS AWARDS

The Company has a bonus plan which for 1994 provided for cash incentive opportunities based upon achievement of pre-determined annual financial performance goals as well as attainment of key individual strategic and operational objectives. The purpose of this plan is to link a significant portion of executive pay to both the Company's operating performance for the year and to critical issues affecting the long-term health of the Company.

Financial performance goals were weighted from 80% to 86% of total bonus opportunity. For executives with only corporate responsibility, the plan's financial goals were based on corporate earnings per share from ongoing operations. For executives with business unit responsibility, one half of the bonus opportunity available for financial performance was based on corporate earnings per share and the remainder was based on business unit profit before interest and taxes.

The key strategic and operational objectives for 1994, which were weighted from 14% to 20% of total bonus opportunity, varied by individual and were in areas such as employee safety, customer satisfaction, business development, strategic acquisitions, technology innovation, management succession and employee development, process improvement, total quality management, and environmental protection.

On February 1, 1995, the Committee reviewed and approved the 1994 annual bonus awards for executive officers. Initial bonus amounts were assigned to each executive officer based on the scoring of financial goal attainment and subjective evaluations of how well the personalized objectives were met. In some cases the Committee used additional discretion based on its assessment of individual performance and internal equity in the determination of final bonus amounts. Mr. Coker's earned award under the plan reflected the Company's record performance, based on earnings per share from ongoing operations, the Committee's assessment of how well he met his key strategic and operational objectives for the year, and the Committee's assessment of Mr. Coker's individual performance and contributions during the year, and is included among the values listed under the "Bonus" caption in the Summary Compensation Table on Page 17.

STOCK OPTIONS

In 1994 Mr. Coker, the executive officers, and other key management employees were granted options to purchase shares of Common Stock by the Committee under a plan which previously had been approved by the Company's shareholders. The price of these options was set at the prevailing market price on the date the

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options were awarded. Accordingly, these options will be valuable to the recipients only if the market price of Company stock increases. Stock option awards and annual cash bonus opportunities are the Company's performance-based compensation elements. The level of the combined award opportunities, including Mr. Coker's, reflects median competitive total annual incentive compensation opportunities as reported by the independent consulting firms. Stock option awards for Mr. Coker and the other four named officers are included in the Summary Compensation Table on Page 17 under the caption "Number of Securities Underlying Options" and on the Option Grants Table on Page 19.

OTHER

On October 20, 1994, the Committee granted one-time awards of contingent shares to thirteen executives, including Mr. Coker and the four other executive officers named in the Summary Compensation Table. These awards, consisting of share units equal in value to an equivalent number of shares of Common Stock, were granted to reward the members of the current management team for the contribution each has made in strategically positioning the Company as the recognized leader and top financially performing company in the majority of the industries in which it competes. The number of share units granted was based on the Committee's judgment as to the appropriate size of an award, given its intent, and the individual's current salary level. The shares disbursed as a part of this program will be funded from shares allocated in the 1991 Key Employee Stock Plan and, in order to minimize dilution, will consist entirely of previously-issued shares that are reacquired by the Company.

The award to Mr. Coker reflects the Committee's recognition of his excellent contributions and outstanding leadership in the development of strategic direction and succession plans for the Company. The awards to other officers also are intended to enhance management succession and ongoing management stability by helping to ensure that each recipient remains with the Company over the respective vesting period. Awards will generally vest in one-third annual installments commencing on October 20, 1997. A termination of employment by a recipient may not result in forfeiture of an award if the Committee determines that such early termination is in the interest of the Company and the recipient does not provide services to a competitor during the remaining vesting period. Unless otherwise determined by the Committee, the future payment of awards or portions of awards will be deferred until such time that the payment is tax deductible to the Company.

As a result of recent changes to tax law, companies cannot deduct certain types of compensation paid to the CEO or to the other executive officers named

in the Summary Compensation Table for individual amounts in excess of one million dollars unless such compensation is approved by the shareholders and meets certain other requirements. The Committee deferred payment of the applicable portion of the 1994 bonus award to Mr. Coker until tax year 1995. Under current regulations this amount will be a tax deductible expense. The Committee and the Board of Directors present and recommend shareholder approval of the annual incentive compensation terms for executive officers and ratification of amendments to the Company's 1991 Key Employee Stock Plan that, under current regulations, are intended to ensure tax deductibility in the future.

A. T. Dickson (Chairman) C. J. Bradshaw R. E. Elbertson
P. Fulton E. H. Lawton, Jr. E. C. Wall, Jr.

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COMPARATIVE COMPANY PERFORMANCE

The following line graph compares cumulative total shareholder return for the Company with the cumulative total return of the S&P 500 Stock Index and a nationally recognized industry index, the Dow Jones Containers and Packaging Group (which includes the Company), from December 31, 1989, through December 31, 1994.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* AMONG SONOCO PRODUCTS COMPANY, THE S&P 500 STOCK INDEX, AND THE DOW JONES CONTAINERS & PACKAGING GROUP**

MEASUREMENT PERIOD (FISCAL YEAR COVERED)	S&P 500 STOCK INDEX	DOW JONES CONTAINERS & PACKAGING GROUP	SONOCO PRODUCTS COMPANY
1989	\$100	\$100	\$100
1990	\$ 97	\$ 86	\$ 90
1991	\$126	\$135	\$ 98
1992	\$136	\$147	\$139
1993	\$150	\$141	\$132
1994	\$152	\$140	\$134

ASSUMES \$100 INVESTED ON DECEMBER 31, 1989, IN EACH OF SONOCO PRODUCTS COMPANY COMMON STOCK, THE S&P 500 STOCK INDEX, AND THE DOW JONES CONTAINERS & PACKAGING GROUP.

* TOTAL RETURN ASSUMES REINVESTMENT OF DIVIDENDS
** FISCAL YEAR ENDING DECEMBER 31

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SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	LONG-TERM COMPENSATION					

		AWARDS					

		ANNUAL COMPENSATION (2)		RESTRICTED STOCK AWARDS (3)	NUMBER OF SECURITIES UNDERLYING OPTIONS	PAYOUTS	
		SALARY	BONUS			LTIP PAYOUTS (4)	ALL OTHER COMPENSATION (5)

C. W. Coker	1994	\$602,835	\$691,416	\$1,820,000	63,200	\$ -0-	\$ 205,936
Chairman, President	1993	575,834	451,567	-0-	62,000	-0-	184,233
and Chief Executive Officer	1992	541,831	460,556	-0-	80,000	-0-	178,813
P. C. Browning	1994	449,759	360,241	1,365,000	25,000	-0-	56,228
Executive Vice President	1993	73,666	221,000	-0-	150,000	-0-	55,366
T. C. Coxe, III	1994	340,891	324,109	455,000	29,000	-0-	62,813
Senior Executive Vice President	1993	316,668	200,999	-0-	26,600	-0-	48,975
	1992	297,759	211,409	-0-	36,000	-0-	47,059
L. Benatar(1)	1994	368,579	230,000	455,000	20,000	-0-	87,078
Senior Vice President	1993	360,813	169,106	-0-	-0-	55,427	13,832
	1992	344,166	435,875	-0-	21,809	-0-	13,148
H. E. DeLoach, Jr.	1994	259,586	230,512	910,000	20,000	-0-	41,422
Group Vice President	1993	220,351	172,690	-0-	12,600	-0-	25,398
	1992	206,460	110,487	-0-	16,000	-0-	22,010

- (1) Includes amounts paid by Engraph, Inc. for services as Chairman and CEO for the period from January 1, 1992, through October 21, 1993, the date that Engraph, Inc. merged with the Company.
- (2) None of the executive officers received perquisites or personal benefits which totaled the lesser of \$50,000 or 10% of their respective salary plus bonus payments.
- (3) Dollar amounts shown equal the number of units of restricted stock rights granted multiplied by the \$22.75 per share stock price on October 20, 1994, the date of grant. The number and dollar value of restricted stock rights, including dividend equivalents, held, based on the closing stock price on December 31, 1994, of \$21.875 per share, were: C. W. Coker -- 80,546 shares (\$1,761,951); P. C. Browning -- 60,410 shares (\$1,321,463); T. C. Coxe, III -- 20,137 shares (\$440,488); L. Benatar -- 20,137 shares (\$440,488); and H. E. DeLoach, Jr. -- 40,273 shares (\$880,976). Restrictions lapse over a five year vesting period for Messrs. Coker, Browning, and DeLoach with one-third of the shares vesting on each of the third, fourth, and fifth anniversary dates of the grant. The restrictions lapse and all shares vest for Messrs. Coxe and Benatar on October 20, 1996.
- (4) This award was pursuant to the Engraph Long Range Incentive Plan for the 1991-1993 performance period. There are no other potential payment obligations under this plan.

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- (5) All other compensation for 1994 consisted of the following components:

NAME	SPLIT-DOLLAR LIFE INSURANCE	ABOVE-MARKET DEFERRED COMPENSATION ACCRUALS (2)	COMPANY CONTRIBUTIONS AND ACCRUALS TO DEFINED CONTRIBUTION RETIREMENT PLANS
C. W. Coker	\$135,779(1)	\$ 38,525	\$ 31,632(3)
P. C. Browning	56,228	-0-	-0-
T. C. Coxe, III	18,168	28,388	16,257(3)
L. Benatar	77,208	-0-	9,870(4)
H. E. DeLoach, Jr.	18,139	10,315	12,968(3)

- (1) Includes additional insurance which was purchased for Mr. Coker during December 1992 in exchange for cancellation of stock options that, at the time of the transaction, had a market price gain of \$497,875.
- (2) Represents the above-market portion of interest credits on

previously-earned compensation for which payment has been deferred.

- (3) Comprised of contributions to the Company's Employee Savings and Stock Ownership Plan (ESSOP) and accruals to individual accounts in the Company's non-qualified benefits restoration plan, in order to keep employees whole with respect to Company contribution amounts that were limited by tax law.
- (4) Comprised of contributions to the Engraph, Inc. Retirement Plus Plan.

OPTION EXERCISES AND YEAR-END VALUES TABLE
AGGREGATED OPTION EXERCISES IN 1994 AND 1994 YEAR-END VALUES

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (1)	NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS AS OF DECEMBER 31, 1994		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AS OF DECEMBER 31, 1994 (2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
C. W. Coker	17,500	\$ 193,625	328,000	63,200	\$ 1,187,688	\$ -0-
P. C. Browning	-0-	-0-	150,000	25,000	168,750	-0-
T. C. Coxe, III	4,440	85,401	69,500	29,000	571,331	-0-
L. Benatar	4,480	89,690	106,752	20,000	1,143,172	-0-
H. E. DeLoach, Jr.	-0-	-0-	71,600	20,000	251,500	-0-

(1) The difference between the exercise price paid and the value of the acquired shares based on the closing price of the Company's stock on the exercise date.

(2) Based on \$21.875 per share, the December 31, 1994, closing price.

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OPTION GRANTS TABLE
1994 STOCK OPTION GRANTS

NAME	INDIVIDUAL GRANTS			EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AND RESULTING COMPANY STOCK PRICE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR 10 YEAR OPTION TERM (2)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1994	EXERCISE PRICE (PER SHARE)		5% (\$40.926)	10% (\$66.168)
C. W. Coker	63,200	7.1	\$25.125	2/2/2004	\$ 998,623	\$ 2,530,718
P. C. Browning	25,000	2.8	25.125	2/2/2004	395,025	1,001,075
T. C. Coxe, III	29,000	3.3	25.125	2/2/2004	458,229	1,161,247
L. Benatar	20,000	2.2	25.125	2/2/2004	316,020	800,860
H. E. DeLoach, Jr.	20,000	2.2	25.125	2/2/2004	316,020	800,860
Comparable gain in shareholder value for the 87,547,334 shares outstanding as of February 2, 1994, the grant date.					1,383,335,425	3,505,657,895

(1) These options were granted on February 2, 1994, at the closing market price, became exercisable on February 2, 1995, and were granted for a period of ten years, subject to earlier expiration in certain events related to termination of employment. The exercise price can be paid by cash or the delivery of previously-owned shares. Tax obligations also can be paid by an offset of the underlying shares.

(2) The amounts in these columns are the result of calculations set by the Securities and Exchange Commission and are based on hypothetical 5% and 10% stock price appreciation over ten years. They are not intended to forecast

possible future appreciation, if any, of the Company's stock price.

PENSION TABLE

Executive officers participate in a non-contributory defined benefit program which provides for a maximum annual lifetime retirement benefit equal to 60% of final average compensation, computed as a straight life annuity and based on the highest three of the last seven calendar years. In order to receive the full benefit, the executive must have at least 15 years of service and retire no earlier than age 65. Eligible spouses (married one year or longer at the executive's retirement date) receive survivor benefits at a rate of 75% of the benefit paid to the executives. The total benefit provided by the Company is offset by 100% of primary U.S. Social Security.

FINAL AVERAGE COMPENSATION (1)	AGE 65 RETIREMENT YEARS OF SERVICE						
	5	10	15	20	25	30	35
\$ 300,000	\$ 60,000	\$120,000	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
400,000	80,000	160,000	240,000	240,000	240,000	240,000	240,000
500,000	100,000	200,000	300,000	300,000	300,000	300,000	300,000
600,000	120,000	240,000	360,000	360,000	360,000	360,000	360,000
700,000	140,000	280,000	420,000	420,000	420,000	420,000	420,000
800,000	160,000	320,000	480,000	480,000	480,000	480,000	480,000
900,000	180,000	360,000	540,000	540,000	540,000	540,000	540,000
1,000,000	200,000	400,000	600,000	600,000	600,000	600,000	600,000
1,100,000	220,000	440,000	660,000	660,000	660,000	660,000	660,000
1,200,000	240,000	480,000	720,000	720,000	720,000	720,000	720,000
1,300,000	260,000	520,000	780,000	780,000	780,000	780,000	780,000
1,400,000	280,000	560,000	840,000	840,000	840,000	840,000	840,000
1,500,000	300,000	600,000	900,000	900,000	900,000	900,000	900,000
1,600,000	320,000	620,000	960,000	960,000	960,000	960,000	960,000

(1) Final average compensation includes salary, bonus, and cash awards from the Company's former long-term incentive plan. Age, years of service, and final average compensation as of December 31, 1994, for the named officers are as follows:

NAME	AGE	YEARS OF SERVICE	FINAL AVERAGE COMPENSATION
C. W. Coker	61	37	\$987,105
P. C. Browning	53	1	372,213
T. C. Cox, III	64	42	520,395
L. Benatar	64	14	700,956
H. E. DeLoach, Jr.	50	9	325,531

EMPLOYMENT AGREEMENT

On September 12, 1993, in conjunction with the Company's tender offer for Engraph, Inc. Common Stock, the Company entered into an employment agreement with Mr. Leo Benatar, an executive officer and director of the Company. This

agreement, which superseded the employment agreement of May 7, 1992, between Engraph, Inc. and Mr. Benatar, secured the continued service of Mr. Benatar until March 31, 1995. The Company has extended the term of this agreement until March 31, 1996. This agreement can be further extended by the Company, with the consent of Mr. Benatar, until March 31, 1997. This agreement provides for a minimum annual base salary of \$362,500 (Mr. Benatar's then present salary as Chairman and CEO of Engraph, Inc.), subject to annual review by the Board's Executive Compensation Committee, and participation in the Company's executive officer bonus plan, Engraph benefit plans, and the Company's executive benefit and perquisite programs. Consistent with a provision in the prior agreement, on March 31, 1995, Mr. Benatar will be credited with one additional year of service for the purposes of credited service calculations in the Company's Supplemental Executive Retirement Plan. The agreement stipulates that during the term of his employment and for two years thereafter, Mr. Benatar will not compete with the Company, will not solicit its customers or employees, and will not use or disclose its trade secrets and proprietary information.

DIRECTORS' COMPENSATION

Employee directors receive no additional compensation for their services as members of the Board of Directors. Effective July 1, 1993, non-employee directors were paid a \$9,000 quarterly retainer fee and a \$1,000 attendance fee for special meetings. On July 1, 1994, the quarterly retainer fee was increased to \$9,250.

Directors are able to defer part or all of their fees. Directors can choose to earn market rate interest credits on their deferrals or have their deferrals treated as if invested in equivalent units of Sonoco Products Company Common Stock. In the latter account they earn dividend equivalent credits which are reinvested in stock equivalent units. The directors can choose a fixed period, commencing the January following termination from the Board of Directors, over which the account balances will be paid in annual installments.

Mr. R. C. King, Jr. elected to take early retirement from the Company effective May 31, 1994, following over 37 years of distinguished service. To secure his advice and counsel, the Company entered into an agreement with Mr. King under which he will provide consulting services to the Company on an as-needed basis through December 31, 1996. As a part of this arrangement, Mr. King agreed that he would not compete against the Company for the remainder of the century and would not disclose any confidential Company information. Mr. King received consulting fees of \$193,263 during 1994 under this agreement. In recognition of Mr. King's innumerable and invaluable contributions to the Company in the past, the Company provided to him certain benefits under the terms of a retirement agreement. Mr. King's annual retirement benefit, including payments from Primary Social Security or equivalents, Sonoco's Retirement Plan, and Sonoco's Supplemental Executive Retirement Plan, totals \$390,434 or 49.5% of his salary and bonus paid in 1993. Mr. King also received a payment of \$184,839 in February 1995, representing a pro-rata annual bonus for his five months of service in 1994, and payments totaling \$9,266 for reimbursement of financial and early retirement planning fees and expenses during 1994.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. A. T. Dickson, C. J. Bradshaw, R. E. Elbertson, Paul Fulton, E. H. Lawton, Jr. and E. C. Wall, Jr. served on the Company's Executive Compensation Committee during the year ended December 31, 1994. Mr. E. C. Wall, Jr. resigned from the Executive Compensation Committee on October 19, 1994, prior to the meeting of the committee on that date due to other commitments. Mr. E. H. Lawton, Jr. was appointed to the committee on September 9, 1994.

Mr. A. T. Dickson and Mr. Paul Fulton, directors of NationsBank Corporation, Mr. E. H. Lawton, Jr., a director of NationsBank, N.A. (Carolinas), and Mr. C. J. Bradshaw, a director of Wachovia Bank of South Carolina, N.A., are members of the Executive Compensation Committee. On October 8, 1987, the Company

entered into a seven-year \$50,000,000 interest rate swap agreement with NCNB National Bank, subsequently NationsBank of North Carolina, N.A., and now NationsBank, N.A. (Carolinas), to exchange a floating interest rate payment for a fixed rate payment. This agreement expired October 8, 1994. On October 1, 1993, NationsBank of North Carolina, N.A., now NationsBank, N.A. (Carolinas), also extended to the Company, as a backstop facility for its commercial paper program and general corporate purposes, a five-year committed line of credit for \$75,000,000. Wachovia Bank of South Carolina, N.A. has extended a similar line for \$65,000,000. These committed lines of credit from NationsBank, N.A. (Carolinas) and Wachovia Bank of South Carolina, N.A. have been in place since 1987 and have been renewed and increased or decreased according to the Company's needs. Additionally, NationsBank, N.A. (Carolinas) has extended other lines of credit to the Company as support for letters of credit, overdrafts and other corporate needs. NationsBank, N.A. (Carolinas) also provides treasury management services to the Company and investment management services through its trust department. The Company pays fees to NationsBank, N.A. (Carolinas) for these services and for the availability of the lines of credit, as well as interest on borrowed funds. All transactions were handled on a competitive basis. Management is convinced that the rates and provisions were as favorable to the Company as otherwise could have been obtained.

Mr. E. C. Wall, Jr., a director of the Company and a member of the Executive Compensation Committee during the year, is Chairman of the Board and more than a 10% beneficial owner of a company from which the Company purchased lumber for an aggregate purchase price of \$846,521 during 1994.

Mr. H. L. McColl, Jr., an executive officer of NationsBank Corporation, is a member of the Company's Board but is not a member of the Company's Executive Compensation Committee. Mr. C. W. Coker, Chairman, President and Chief Executive Officer of the Company, is a member of NationsBank Corporation's Compensation Committee.

TRANSACTIONS WITH MANAGEMENT

Mr. H. L. McColl, Jr. is Chairman, Chief Executive Officer and Director of NationsBank Corporation. Mr. C. W. Coker, Mr. A. T. Dickson and Mr. Paul Fulton are directors of NationsBank Corporation and Mr. E. H. Lawton, Jr. is a director of NationsBank, N.A. (Carolinas). Mr. C. J. Bradshaw and Mr. T. C. Coxe, III are directors of Wachovia Bank of South Carolina, N.A. See the "Compensation Committee Interlocks and Insider Participation" section above.

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During 1994 the Company purchased lumber from a company of which Mr. E. C. Wall, Jr., a director of the Company, is Chairman of the Board and more than a 10% beneficial owner. Mr. T. C. Coxe, III, a director and executive officer of the Company, also is a director of this company. The aggregate purchase price of the lumber was \$846,521.

The Company also purchased timber during the year from a trust of which Mr. T. C. Coxe, III, a director and executive officer of the Company, is trustee and more than a 10% beneficial owner. The aggregate purchase price of the timber was \$218,473.

The Company purchased wooden pallets from a company of which Mr. J. C. Fort, a director of the Company, is more than a 10% beneficial owner. The aggregate purchase price of the pallets was approximately \$677,880. The Company, in turn, sold to the same company approximately \$1,066,000 in hardwood timbers.

Management of the Company believes the prices and terms were comparable to those the Company could have obtained from unaffiliated third parties.

In accordance with the Company's relocation policy and practices, the Company made secured relocation loans to Mr. Peter C. Browning, Executive Vice President, under identical terms and conditions as loans made to other salaried employees. These loans were settled in full on February 24, 1995.

AMENDMENTS TO THE 1991 KEY EMPLOYEE STOCK PLAN

On March 17, 1995, the Executive Compensation Committee of the Board of Directors (the "Committee") amended the 1991 Key Employee Stock Plan (the "Plan"), subject to the approval of shareholders at this Annual Meeting. The full text of this Plan is appended to this Proxy Statement as Exhibit I. The following information is qualified in its entirety by the Plan, as amended.

It is the opinion of the Committee and the Board of Directors that the 1991 Key Employee Stock Plan advances the interests of the shareholders of the Company by encouraging employees to acquire greater proprietary interests in the Company. The Plan permits the Committee to grant long-term incentive compensation opportunities that will provide meaningful incentive for recipients to make significant contributions toward the Company's future success, while enhancing the Company's competitive compensation position and the Company's ability to attract and retain individuals of outstanding ability.

The Board of Directors recommends that you vote FOR ratification of the amendments to the 1991 Key Employee Stock Plan.

The major amendments to the Plan are as follows:

Term. Under its present provisions, the Plan will terminate in 2001. Under the proposed amendments, the Plan will remain in effect until terminated by the Board of Directors. These amendments are intended to cause the Plan to have an indefinite term.

The Common Shares Available for Issuance. In 1991 the Plan made available for issuance 5,000,000 shares of Common Stock plus any shares of Common Stock exchanged by optionees as full or partial payment to the Company upon exercise of stock options granted under the 1983 Key Employee Stock Option Plan (the

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"Prior Plan"). The proposed amendments to the Plan increase the number of shares available for issuance. In addition to the shares presently available for issuance, the amendments to the Plan make available for issuance, beginning January 1, 1995, and on each January 1 thereafter, a number of shares equal to 1.2% of the number of shares of Common Stock issued on such first day of January. After April 19, 1995, the proposed amendments may increase the number of shares available for issuance by the number of shares acquired by the Company from open market purchases at market price or private transactions at fair market value to the extent that the price paid for such shares does not exceed the cumulative amount of money received by the Company from the exercise of options granted under the Plan, as amended, or the Prior Plan. These amendments will cause the number of shares available for issuance under the Plan to increase annually without further shareholder approval.

Grant Limits. The proposed amendments to the Plan include a new section (Section 9) that imposes certain limits on the number of shares that can be granted after April 19, 1995, as stock options, stock appreciation rights or stock grants. These amendments are intended to cause the Plan to comply with changes to the Internal Revenue Code of 1986, as amended, (the "Code"), in order to keep the Company from losing deductibility for federal income tax purposes of certain benefits paid to Plan participants.

Transferability and Exercisability. The proposed amendments to the Plan expand the circumstances under which a grant under the Plan may be transferable to permit transfers pursuant to certain qualified domestic relations orders and certain types of gifts. These amendments may allow Plan participants to take advantage of certain estate planning mechanisms.

Other Changes. A number of other amendments to the Plan also are included for the purpose of clarifying various aspects of the Plan and removing certain restrictions.

The following is a summary description of the Plan as amended. The full text of the Plan, as amended, is Exhibit 1 to this Proxy Statement.

While any employee of the Company is eligible to receive a grant under the Plan, it is intended that participation be limited to officers, other executives and employees as selected by the Committee administering the Plan. Currently, the number of such employees is approximately 325.

The Plan is administered by the Committee which is presently made up of five members of the Board of Directors, each of whom qualifies for plan administration under Rule 16b-3 of the Securities Exchange Act of 1934 (the "1934 Act"). In addition to selecting participants, the Committee has the power, within certain limitations set forth in the Plan, to determine the number of shares to be covered by grants, the terms (including form of settlement) for all grants, and to interpret, make rules, regulations and determinations and, otherwise, administer the Plan to carry out its intent. Within the Committee's authority is the ability to delegate its responsibilities with regard to participation by employees who are not persons subject to Section 16 of the 1934 Act. Also within the Committee's authority is the ability to provide, at its discretion, for grants under the Plan to carry dividend or dividend equivalent rights and to permit or require the deferral of settlement of grants under the Plan on such terms and conditions as the Committee may determine.

Stock Options: The Committee may grant three types of stock options: non-qualified stock options, incentive stock options (which qualify for specified tax status under Section 422 of the Code), and non-

qualified deferred compensation stock options. A stock option entitles the recipient to purchase a specified number of shares of Common Stock at a fixed price, subject to terms and conditions set by the Committee. The purchase price of shares covered by a non-qualified or incentive stock option cannot be less than 100% of the fair market value on the date the option is granted, except that in a situation where a non-qualified option is granted in tandem with or as substitution for another grant, the exercise price can be the same as the exercise or designated price of the other grant. The maximum number of shares that may be covered by stock options and stock appreciation rights that may be granted to any individual in a calendar year is 200,000 plus the carry-forward of available but unused shares for up to five years, commencing in 1995. The aggregate fair market value of incentive stock option shares (determined at the time the options are granted) for an individual cannot exceed \$100,000 for all shares covered by options which become exercisable for the first time in any calendar year.

The Committee also may grant deferred compensation options under the Plan. Such options are intended to serve as a deferred payment vehicle for compensation earned by selected employees. The total purchase price of these shares is 100% of the fair market value on the date the option is granted. This total purchase price per share is equal to the compensation deferred, on a per share basis, and the exercise price. The Committee determines the exercise price, which shall be no lower than that permitted by Rule 16b-3 of the 1934 Act, and the Committee determines whether each such option shall carry dividend equivalents rights. The number of shares covered by each deferred compensation option is determined by the formula in the Plan.

Stock Appreciation Rights (SAR): A SAR permits its recipient, subject to such terms and conditions as the Committee shall set for each grant, to receive in shares, cash or a combination of both, an amount up to the positive aggregate difference, if any, between the fair market value of the covered shares, based on the closing bid price as of the exercise date and the designated price of a specified number of shares. The designated price of the SARs may be no less than the closing price of the Common Stock on the date of grant; except that if a SAR is granted in tandem with or in substitution for another grant, the designated price may be the same as the exercise or designated price of the other grant.

For all SARs granted under the Plan, the Committee determines whether each such SAR shall carry dividend equivalent rights. The maximum number of shares that may be covered by stock options and SARs that may be granted to any individual in a calendar year is 200,000 plus the carry-forward of available but unused shares for up to five years commencing in 1995.

Stock Grants: The Committee may award to selected participants shares of Common Stock or share equivalents under such terms and conditions as it may determine. These grants may require that the recipients remain in the Company's employ for specified future periods of time for the shares or share equivalents to vest. Additionally, the Committee may require that the grants vest only if certain levels of financial or other measurable performance are met. The performance criteria that may be used by the Committee in awarding contingent stock grants may consist of total shareholders return, earnings and revenue growth, and profitability as measured by return ratios. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based on absolute Company or business unit performance or based on comparative performance with other companies. Stock grants also may be used by the Committee as a form of payment to selected employees for salary earned or for incentive compensation awarded under other Company plans. The maximum number of shares that may be covered by stock grants that may be granted to any individual in a calendar year is 100,000 plus the carry-forward of available but unused shares for up to five

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years commencing in 1995. Beginning in 1995 the maximum aggregate number of shares that may be covered by stock grants shall be 0.4% of shares outstanding on the first day of each calendar year, plus any unused shares which were available to be covered by stock grants in any prior year commencing in 1995.

General: Under limited circumstances the Committee may permit awards or grants to be assigned under a qualified domestic relations order, or transferred to the participant's spouse or other relative, or transferred to a trust or estate in which the optionee or an optionee's spouse or other relative has a substantial interest.

The Board of Directors may make appropriate adjustments and settlements to outstanding grants and the share and cash authorizations under the Plan in the event of changes in capitalization or other events that affect the number and/or market value of shares of Common Stock or in the event of a reorganization, merger or other transaction in which the Company is not the surviving corporation.

Under the Code, the granting of a stock option does not produce income to the optionee or a tax deduction for the Company unless the option itself has a determinable market value and is not an incentive stock option. Upon exercise of a non-qualified stock option, the excess of the fair market value of the shares over the option exercise price is taxable to the optionee as ordinary income and deductible as an expense by the Company. The cost basis of the shares acquired is the fair market value at the time of exercise. Upon exercise of an incentive stock option, the excess of the fair market value of the stock acquired over the option price will be an item of tax preference to the optionee, which may be subject to an alternative minimum tax for the year of exercise. If no disposition of the stock is made within two years from the date of grant of the incentive stock option nor within one year after the transfer of the stock to the optionee, the optionee does not realize income as a result of exercising the incentive stock option; the tax basis of the stock received is the option price; any gain or loss realized on the ultimate sale of the stock is long-term capital gain or loss, and the Company is not entitled to any tax deduction by reason of the exercise. If the optionee disposes of the stock within the two-year or one-year periods referred to above, the excess of the fair market value of the stock at the time of exercise (or the proceeds of disposition, if less) over the option price will at that time be taxable to the optionee as ordinary income and deductible by the Company. For determining capital gain or loss on such a disposition, the tax basis of the stock will be the fair market value at the

time of exercise.

The plan may be amended or terminated by the Committee except that any amendment to the Plan, which (a) materially increases the number of securities which may be granted under the Plan or to any individual participant, or (b) reduces the minimum exercise or designated price for any stock options or SARs granted under the Plan, will require shareholder approval.

On February 1, 1995, the Committee made available for grants 1,055,200 shares to selected officers, other executives and employees, of which 50,000 shares have not been allocated as of March 1, 1995. Those grants are not contingent on the approval of the proposed amendments to the Plan.

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Set forth below are the numbers of shares underlying the options which were actually granted under the 1991 Key Employee Stock Plan on February 1, 1995, for the 1995 plan year to the persons and groups identified. Any future options, grants, or benefits under the Plan are not determinable, as they are at the discretion of the Committee.

NAME AND POSITION	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED
C. W. Coker	75,500
Chairman, President & CEO	
P. C. Browning	38,300
Executive Vice President	
T. C. Cox, III	34,800
Senior Executive Vice President	
L. Benatar	22,700
Senior Vice President	
H. E. DeLoach, Jr.	22,700
Group Vice President	
All Current Executive Officers As A Group (including the persons named above)	343,800
All Current Directors, Not Executive Officers, As A Group (not eligible)	--0--
All Employees, Not Executive Officers, As A Group	661,400
Shares Not Allocated	50,000

All of the above options, excluding the 50,000 shares not allocated, are non-qualified stock options, have an exercise price of \$20.875 per share (the fair market value of the Common Stock on February 1, 1995, the date of the grant), become exercisable on February 1, 1996, and were granted for a period of ten years, expiring February 1, 2005, subject to earlier expiration in certain events related to termination of employment. The exercise price and tax obligations can be paid by cash or the delivery of previously-owned shares. Tax obligations also can be paid by an offset of the underlying shares. No person other than the persons named in the above table received more than five percent of the options granted under the Plan.

In order to be approved, the amendments to the Plan must receive the affirmative vote of a majority of the outstanding shares of Common Stock present, or represented, and eligible to vote at the Annual Meeting.

If the amendments to the Plan are not ratified by the shareholders, the Plan will remain in effect without the amendments.

The Board of Directors recommends that you vote FOR ratification of the amendments to the 1991 Key Employee Stock Plan.

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ANNUAL INCENTIVE COMPENSATION TERMS FOR EXECUTIVE OFFICERS

As noted in the Executive Compensation Committee's Report To Shareholders, beginning on Page 13, on February 1, 1995, and on March 1, 1995, the Executive Compensation Committee (the "Committee") of the Board of Directors took actions, including adopting resolutions, that are intended to ensure that future annual incentive compensation payments will be tax deductible by the Company.

The Board of Directors recommends that you vote FOR approval of the Committee's actions.

Such approval is required under Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), so that certain compensation in excess of \$1 million is considered "performance-based" and, therefore, tax deductible by a company. This Section of the Code applies to compensation paid to or received by a person named in a company's Summary Compensation Table who is employed by that company on the last day of the year.

The Committee has approved the following Annual Incentive Compensation Terms (the "Terms") for fiscal year 1995 and all future years, contingent upon this approval by the shareholders:

1. ELIGIBLE EMPLOYEES: All executive officers (17), as defined by Rule 16a-1(f) of the Securities Exchange Act of 1934 are eligible to be named by the Committee as participants for any fiscal year.

2. PERFORMANCE CRITERION: Performance goals shall be based on the Company's "Earnings Per Share from Ongoing Operations" (EPS).

EPS shall be calculated in accordance with generally accepted accounting principles applied on a consistent basis and shall be audited by independent certified public accountants. EPS shall be exclusive of the after-tax effects of (a) unusual items, and (b) cumulative effects of changes in accounting principles stated in the Consolidated Statement of Income and Notes to Consolidated Financial Statements as published in the Company's Annual Report. Shares used in the calculation shall be the "Average Common Shares Outstanding" (calculated on a daily basis) as stated in the Consolidated Statement of Income.

3. MAXIMUM PAYMENT AMOUNT: The maximum payment amount to any one individual shall be limited to 0.75% of income from operations before income taxes and cumulative effect of changes in accounting principles, exclusive of unusual items, for the applicable fiscal year, as stated in the Consolidated Statement of Income published in the Company's Annual Report. If this provision had been in effect for fiscal year 1994, the Maximum Payment Amount allowable would have been \$1,581,975.

These Terms will not be altered or replaced by any other criterion without ratification by shareholders if failure to obtain such approval would otherwise result in jeopardizing the tax deductibility of future annual incentive payments to the eligible employees.

In order to comply with the remaining provisions of Section 162(m), the Committee members who administer this plan will meet the qualifications for being disinterested "outside directors" as defined in the Code. The Committee will select participants each fiscal year from among the list of eligible employees, establish performance payment schedules at a time when the outcomes are substantially uncertain that set in place maximum individual incentive payment limits for each level of performance, certify, in writing, the extent to which the performance goals have been met, and set the final payment amounts. Any individual who

participates under these Terms will be ineligible to participate in any other

annual incentive plan for which the individual would have been otherwise eligible.

In setting final payment amounts, the Committee has retained full authority to award final payments that are less than the amount earned by an executive pursuant to the performance payment schedule. In determining whether to use this downward discretion and the extent to which it will be used, the Committee may consider any or all of the following: the extent to which each participant completed his personal performance goals for the year, the size of the bonus awards earned by other executive officers, the general business conditions for the Company and the world economy, and other factors that are deemed to be significant at the time of the decision.

The Committee also has retained the full authority to suspend or amend these Terms at any time, provided that such action does not require shareholder approval in order to retain tax deductibility.

For 1995 the Committee has selected two individuals, Mr. Charles W. Coker and Mr. Peter C. Browning, to be participants. The Committee has established a performance payment schedule for each individual that provides for incremental incentive award payments based on the degree of achievement of the Company's budgeted consolidated EPS. The Committee believes that it would adversely affect the Company to disclose the exact performance payment schedules that it has set for the participants because confidential business information would be compromised as a result. Accordingly, such information is not provided.

It should be noted that while the Committee's action and intent are to ensure deductibility of annual incentive compensation payments, final regulations and guidance for Section 162(m) have not been adopted by the Internal Revenue Service. For this reason, and because of possible unforeseen future events, it is impossible to be certain that all future annual incentive compensation payments by the Company will be deductible. It is, however, the Committee's intent to pursue actions that it deems to be reasonable in the future to maintain the tax deductibility of incentive compensation payments.

In order to be approved, the Terms must receive the affirmative vote of a majority of the outstanding shares of Common Stock present, or represented, and eligible to vote at the Annual Shareholders' Meeting.

If the Terms are not approved, the Company will not make performance payments for 1995 to participants in amounts that would not be deductible expenses pursuant to Section 162(m) of the Code.

POTENTIAL PAYMENTS

The amount of annual incentive compensation to be paid in the future to any of the Company's current or future executive officers subject to Section 162(m) cannot be determined since such amounts will be totally dependent on actual performance measured against the attainment of performance goals. Such amounts will not, however, exceed the Maximum Payment Amount. If these Terms had been in place for fiscal year 1994, the amounts paid to Mr. Coker and Mr. Browning would be substantially identical to the amounts shown under the "Bonus" column in the Summary Compensation Table on Page 17.

The Board of Directors urges you to vote FOR approval of the Executive Compensation Committee's actions regarding the Annual Incentive Compensation Terms for Executive Officers.

ELECTION OF INDEPENDENT AUDITORS

Independent auditors are to be elected by the shareholders for the calendar year 1995. The firm of Coopers & Lybrand, LLP, Certified Public Accountants, has audited the books and records of the Company for many years, and the Audit Committee of the Board of Directors recommends continuing the services of this

firm. Representatives of Coopers & Lybrand, LLP will be present and available to answer any questions that may arise at the Annual Meeting and may make a statement if they so desire.

The Board of Directors recommends that you vote FOR the election of Coopers & Lybrand, LLP as independent auditors for the Company for the current year.

COMPLIANCE WITH THE SECURITIES EXCHANGE ACT OF 1934

As required by Section 16(a) of the Securities Exchange Act of 1934, the Company's directors, its executive officers and certain individuals are required to report periodically their ownership of the Company's Common Stock and any changes in ownership to the Securities and Exchange Commission and the National Association of Securities Dealers, Inc.

The Company failed to file on a timely basis one report for Mr. R. C. King, Jr. Mr. King's wife sold a small number of Company shares in an IRA. Mr. King is a director of the Company. This information should have been filed on September 1994's Form 4, due October 10, 1994, but was reported on March 10, 1995, on Form 4, amended.

SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

A shareholder proposal to be presented at the next Annual Meeting must be received by the Company not later than November 3, 1995, in order to be included in the Proxy Statement and Proxy.

OTHER MATTERS

As of the date of this statement management knows of no business which will be presented for consideration at the meeting other than that stated in the notice of the meeting. As to other business, if any, that may properly come before the meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the best judgment of the person or persons voting the proxies.

TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE MARK, SIGN, DATE, AND RETURN YOUR PROXY AS PROMPTLY AS POSSIBLE. PLEASE SIGN EXACTLY AS YOUR NAME APPEARS ON THE ACCOMPANYING PROXY.

James L. Coker, Secretary

March 17, 1995

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EXHIBIT I

SONOCO PRODUCTS COMPANY 1991 KEY EMPLOYEE STOCK PLAN (AS AMENDED)

1. Purpose. The Sonoco Products Company 1991 Key Employee Stock Plan (the "Plan") has been adopted by the Board of Directors (the "Board") to encourage and create significant ownership of the Common Stock ("Common Stock" or "Shares") of Sonoco Products Company (the "Company") by employees. Additional purposes of the Plan include generating a meaningful incentive to participants to make substantial contributions to the Company's future success, enhancing the Company's ability to attract and retain persons who will make such contributions, and ensuring that the Company can provide competitive compensation opportunities for its key personnel. By meeting these objectives, the Plan is intended to benefit the shareholders of the Company.

2. Term. The Plan shall be effective February 6, 1991. The amendments to the Plan shall be effective when approved by shareholders and until terminated pursuant to Section 14.7.

3. Common Shares Available for Issuance. Subject to adjustments contemplated by Section 5, 5,000,000 shares of Common Stock of the Company became available for issuance under the Plan on February 6, 1991. Beginning on January 1, 1995, the number of shares available for issuance under the Plan shall be increased on each January 1 by an amount equal to 1.2% of the number of shares of Common Stock issued on such day. Furthermore, the Committee may designate for issuance under the Plan any shares of Common Stock that are repurchased by the Company after April 19, 1995, (the "Repurchased Shares") on the open market or in private transactions in which the Company paid fair market value, so long as the aggregate price paid for the Repurchased Shares does not exceed the cumulative amount received in cash by the Company after April 19, 1995, for the exercise of options granted under the Plan or the 1983 Key Employee Stock Option Plan (the "Prior Plan"). Shares available for issuance under the Plan, which are not issued in a given year, will be carried forward and continue to be available in the succeeding year. Any shares issued under the Plan may be either authorized but unissued shares, or previously-issued shares reacquired by the Company.

4. Share Usage. If grants made under the Plan expire or are canceled without the issuance of shares, the shares of stock covered by such grants shall remain available for issuance under the Plan. Further, any shares which are exchanged by a participant as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option granted under the Plan or the Prior Plan shall be added to the aggregate number of shares available for issuance for grants other than incentive stock option grants. In instances where a stock appreciation right (SAR) or a stock grant is settled in cash or any form other than shares, then the shares covered by these settlements shall not be deemed issued and shall remain available for issuance under the Plan. The payment in shares of dividends in conjunction with outstanding grants shall not be counted against the shares available for issuance.

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5. Adjustments and Reorganizations. The Board may make such adjustments as it deems appropriate to meet the intent of the Plan in the event of changes that impact the Company's share price or share status, provided that any such actions are consistently and equitably applicable to all affected participants.

a. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting shares, such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change shall be made with respect to (i) aggregate number of shares that may be issued under the Plan; (ii) each outstanding grant made under the Plan; (iii) the price per share for any outstanding stock options, SARs and other rights granted under the Plan; and the limitations on share usage and allocation set forth in Section 9. In addition, any shares issued or settlement of grants by the Company through the assumption or substitution of outstanding grants or grant commitments from an acquired company or other entity shall not be counted against the limitations set forth in Section 3 and Section 9.

b. In the event that the Company is not the surviving company of a merger, consolidation or amalgamation with another company or in the event of a liquidation or reorganization of the Company, and in the absence of the surviving corporation's assumption of outstanding grants made under the Plan, the Board may provide for appropriate adjustments and settlements of such grants either at the time of grant or at a subsequent date.

6. Plan Administration.

6.1 The Committee. A Committee (the "Committee") appointed by the Board shall be responsible for administering the Plan. The Committee shall

be comprised of three or more members of the Board who qualify to administer the Plan as contemplated by Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule.

6.2 Powers of the Committee. Subject only to the express restrictions and limitations otherwise set forth in the Plan, the Committee shall have sole, absolute and full authority and power to:

(a) Interpret the Plan and undertake such actions and make such determinations and decisions as it deems necessary and appropriate to carry out the Plan intent;

(b) Select individuals to receive grants;

(c) Determine the amount of shares to be covered by each grant;

(d) Decide the type grant or grants to be made to each participant and the terms and conditions applicable to each such grant;

(e) Award grants to individuals who are foreign nationals or who are employed outside the United States or both, on such terms and conditions (which may be different than specified by the Plan) which it deems are necessary to assure the viability of such grants in meeting the purposes of the Plan;

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(f) Enter into grant agreements evidencing grants made under the Plan and their respective terms and conditions;

(g) Establish, amend and repeal rules and regulations relating to the Plan; and

(h) Amend the Plan to the extent permitted by Section 14.6.

6.3 Delegation of Authority. The Committee may designate persons other than members of the Committee or the Board to carry out its responsibilities subject to such limitations, restrictions and conditions as it may prescribe, except that the Committee may not delegate its authority with regard to the awarding of grants to persons subject to Section 16 of the 1934 Act. Further, the Committee may not delegate its authority if such delegation would cause the Plan not to comply with the requirements of Rule 16b-3 or any successor rule under the 1934 Act.

6.4 Dividends and Dividend Equivalents. The Committee may provide that grants awarded under the Plan earn dividends or dividend equivalents. Such dividend equivalents may be paid currently or may be credited to a participant's account. In addition, dividends paid on outstanding grants or issued shares may be credited to a participant's account, including additional shares or share equivalents, rather than paid currently. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents.

6.5 Deferrals and Settlements. The Committee may require or permit participants to elect to defer the issuance of shares or the settlement of grants in cash under such rules and procedures as it may establish under the Plan. It also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred settlements denominated in shares. The Committee also may require or permit grants to be settled in the form of other grant types.

6.6 Documentation of Grants. Grants under the Plan shall be evidenced by written agreements or such other appropriate documentation as the Committee shall prescribe. The Committee need not require the execution

of any instrument or acknowledgment of notice of a grant under the Plan, in which case acceptance of such a grant by the respective participant will constitute agreement to the terms of the grant.

7. Plan Eligibility. Any employee of the Company (including any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee) shall be eligible to be designated a participant under the Plan.

8. Grant Types. Awards under the Plan may consist of single, combination, tandem or replacement grants of the following types.

8.1 Stock Options. A stock option shall confer on a participant the right to purchase a specified number of shares from the Company subject to the terms and conditions of the stock option grant. A stock option may be in the form of an incentive stock option or any other option type. Any incentive stock option grant shall comply with the requirements of Section 422 of the Internal Revenue Code of 1986, as

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amended, (the "Code"), and, accordingly, the aggregate fair market value at the time of grant of the shares covered by incentive stock option grants exercisable by any one optionee in any calendar year shall not exceed \$100,000 (or such other limit as may be required by the Code). The recipient of a stock option grant shall pay for the shares at the time of exercise in cash or such other form as the Committee may approve, including the transfer of shares (whether actual or constructive), valued at their fair market value on the date of exercise, or in a combination of payment forms.

8.2 Stock Appreciation Rights (SAR). A SAR grant shall confer on a participant the right to receive in shares, cash or a combination of both, up to the positive difference, if any, between the fair market value of a designated number of shares on the date the SARs are exercised and the designated price of the SARs contained in the terms and conditions of the grant. Shares issued in settlement of the exercise of SARs shall be valued at their fair market value on the date of the exercise of the SARs.

8.3 Stock Grants. A stock grant shall confer on a participant the right to receive a specified number of shares, cash equal in value to a designated number of shares or a combination of both, subject to the terms and conditions of the grant, which may include forfeitability contingencies based on continued employment with the Company or the meeting of performance criteria or both. The performance criteria that may be used by the Committee in awarding contingent stock grants will consist of total shareholders' return, earnings growth, revenue growth, and/or profitability measured by return ratios. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based on absolute Company or business unit performance or based on comparative performance with other companies. A stock grant may be received by a participant as part of or in lieu of the participant's normal compensation or as part of or in lieu of a payment under another incentive compensation or employee benefit plan of the Company, subject to such rules and conditions as the Committee may establish for such grants.

8.4 Deferred Compensation Stock Options. The Committee may, at its sole discretion, require or permit that designated grants under the Plan be settled in the form of deferred compensation stock options. The Committee also, at its sole discretion, may require or permit eligible employees to receive deferred compensation stock options in lieu of a payment of normal compensation or a payment under another incentive compensation or employee benefit plan of the Company. The number of shares to be subject to such a grant shall be the quotient (rounded down to the nearest whole number) resulting from the following formula:

Amount of Compensation to be Deferred		
-----	=	Number of Shares
Fair Market Value at Time of Grant -- Option Price		

9. Grant Limits. Subject to adjustments contemplated by Section 5, the following limitations on the usage of shares of Common Stock shall be effective for grants made after April 19, 1995:

9.1 Stock Options and SARs. Commencing with 1995, no individual may receive a stock option or SAR, or combination of both, in any one calendar year that covers more than 200,000 shares plus unused shares carried forward for up to five years commencing in 1995. The aggregate number of shares that may be covered by incentive stock options granted under the Plan cannot exceed 5,000,000 shares.

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9.2 Stock Grants. Commencing with 1995, no individual may receive a stock grant in any one calendar year that covers more than 100,000 shares plus unused shares carried forward for up to five years commencing in 1995. The aggregate number of shares that may be covered by stock grants made in any one calendar year shall not exceed 0.4% of the number of issued shares of Common Stock as of the first day of such calendar year commencing in 1995, plus any unused shares which were available for stock grants in any prior years commencing in 1995.

10. Transferability and Exercisability

10.1 Transferability. Any grant under the Plan will be non-transferable and, accordingly, shall not be assignable, alienable, salable or otherwise transferable by the participant other than as provided in Section 10.2 or:

(a) By will or the laws of descent and distribution;

(b) Pursuant to a qualified domestic relations order, to the extent permitted by the Committee, either at the time of grant or subsequently; and

(c) By gift or other transfer to, either (i) a trust or estate in which the participant or such person's spouse, or other relative has a substantial interest, or (ii) the participant's spouse or other relative, to the extent permitted by the Committee, either at time of grant or subsequently, provided further that for any such transfer by a person subject to Section 16 of the 1934 Act, the Committee may require the shares covered by such grant to continue to be deemed beneficially owned.

10.2 Third Party Exercises. In the event that a participant terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, the Committee may subsequently authorize a third party, including but not limited to a "blind" trust, to act on behalf of and for the benefit of the respective participant with respect to any outstanding grants held by the participant subsequent to such termination of employment. If permitted by the Committee, a participant may designate a beneficiary or beneficiaries to exercise the rights of the participant and receive any distributions under the Plan upon the death of the participant.

11. Grant Terms and Conditions. The Committee shall determine the provisions and duration of grants made under the Plan, including the purchase prices for all stock options, the established prices for all SARs, the consideration, if any, to be required from participants for all other grants and the conditions under which a participant will retain rights in the event of the

participant's termination of employment while holding outstanding grants made under the Plan. However, any stock option (other than a deferred compensation grant made pursuant to Section 8.4) or SAR may not have an exercise or designated price of less than 100% of the fair market value of the covered shares on the date of grant, except that, in the case of a stock option or SAR granted retroactively in tandem with or as a substitution for another grant, the exercise or designated price may be the same as the exercise or designated price of such other grant.

12. Tax Withholding. The Company shall have the right to deduct from any settlement of a grant made under the Plan, including the delivery or vesting of shares, a sufficient amount to cover withholding of any federal, state or local taxes required by law or to take such other action as may be necessary to satisfy any

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such withholding obligations. The Committee may permit shares to be used to satisfy required tax withholding and such shares shall be valued at their fair market value as of the settlement date of the applicable grant.

13. Other Company Benefit and Compensation Programs. Unless otherwise determined by the Committee, settlements of grants received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit or severance program (or severance pay law of any country). The above notwithstanding, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

14. General. The following provisions are applicable to the Plan generally:

14.1 Future Rights. No person shall have any claim or rights to be awarded a grant under the Plan, and no participant shall have any rights under the Plan to be retained in the employ of the Company.

14.2 Fair Market Value. The term "fair market value" as used in the Plan means the closing price of a share of Common Stock on the date of the applicable transaction or such other appropriate valuation method as the Committee may determine.

14.3 No Fractional Shares. No fractional shares shall be issued under the Plan and cash shall be paid in lieu of any fractional shares in settlement of grants awarded under the Plan.

14.4 Unfunded Plan. Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Plan, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of the Company.

14.5 Successors and Assigns. The Plan shall be binding on all successors and assigns of a participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the participant's creditors.

14.6 Plan Amendment. The Committee may amend the Plan as it deems necessary or appropriate to better achieve the purposes of the Plan, except that no amendment without the approval of the Company's shareholders shall be made which would:

(a) Subject to adjustments contemplated by Section 5, increase the

total number of shares available for issuance under Section 3 or the share limits set forth in Section 9; and

(b) Reduce the minimum exercise or designated price for any stock options or SARs granted under the Plan.

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14.7 Plan Termination. The Board may terminate the Plan at any time. However, if so terminated, then-existing previously-awarded grants shall remain outstanding and in effect in accordance with their applicable terms and conditions.

14.8 Governing Law. The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of South Carolina and applicable federal law.

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EXHIBIT (99-2)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994

SONOCO PRODUCTS COMPANY
1983 KEY EMPLOYEE STOCK OPTION PLAN

AND

SONOCO PRODUCTS COMPANY
1991 KEY EMPLOYEE STOCK PLANSONOCO PRODUCTS COMPANY
NORTH SECOND STREET
HARTSVILLE, SOUTH CAROLINA 29550

EXHIBIT (99-2)

SONOCO PRODUCTS COMPANY
KEY EMPLOYEE STOCK OPTION PLAN

The Consolidated Financial Statements and Notes to Consolidated Financial Statements of Sonoco Products Company represent the financial statements of the Plans and are hereby incorporated by reference in this Form 11-K Annual Report.