

SECURITIES AND EXCHANGE COMMISSION

Washington, DC

20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended July 3, 1994

Commission File No. 0-516

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

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

Yes X No
----- -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock at July 3, 1994:

Common stock, no par value: 86,994,693

SONOCO PRODUCTS COMPANY

INDEX

	Page ----
PART I. FINANCIAL INFORMATION	
Consolidated Balance Sheets - July 3, 1994 and December 31, 1993	3
Consolidated Statements of Income - Three Months and Six Months Ended July 3, 1994 and July 4, 1993	4
Consolidated Statements of Cash Flows - Six Months Ended July 3, 1994 and	

July 4, 1993

5-6

Notes to Consolidated Financial Statements

7

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

8-11

PART II. OTHER INFORMATION

12

SIGNATURE

13

-2-

3

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

	July 3, 1994	December 31, 1993
	-----	-----
ASSETS		

Current Assets		
Cash and cash equivalents	\$ 27,120	\$ 25,858
Trade accounts receivable, net of allowances for doubtful amounts of \$6,286 and \$6,514, respectively	280,322	232,628
Other receivables	21,642	22,989
Inventories:		
Finished and in process	88,146	83,660
Materials and supplies	103,683	102,465
Prepaid expenses	25,852	30,750
Deferred income taxes	13,528	14,760
	-----	-----
	560,293	513,110
Property, Plant and Equipment	752,877	737,154
Cost in Excess of Fair Value of Assets		
Purchased	363,813	339,653
Other Assets	133,856	117,208
	-----	-----
	\$1,810,839	\$1,707,125
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current Liabilities		
Payable to suppliers	149,377	129,389
Accrued expenses and other	78,376	60,407
Accrued wages and other compensation	21,479	22,633
Restructuring reserve	18,300	27,114
Notes payable and current portion of long-term debt	52,227	60,564
Taxes on income	12,396	3,071
	-----	-----
	332,155	303,178
Long-Term Debt	505,881	455,262
Postretirement Benefit Obligation	101,433	99,165
Deferred Income Taxes and Other	63,795	61,156
Shareholders' Equity		
Serial preferred stock, no par value		
Authorized 30,000 shares		
Issued 3,450 shares	172,500	172,500
Common stock, no par value		
Authorized 150,000 shares		

Issued 91,841 shares	7,175	7,175
Capital in excess of stated value	63,869	62,277
Translation of foreign currencies	(39,714)	(39,016)
Retained earnings	656,663	623,500
Treasury shares at cost (1994 - 4,846 shares; 1993 - 4,394 shares)	(52,918)	(38,072)
	-----	-----
Total shareholders' equity	807,575	788,364
	-----	-----
Total liabilities and shareholders' equity	\$1,810,839	\$1,707,125
	=====	=====

See accompanying Notes to Consolidated Financial Statements

-3-

4

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

	Three Months Ended		Six Months Ended	
	July 3, 1994	July 4, 1993	July 3, 1994	July 4, 1993
Sales	\$564,391	\$478,508	\$1,101,763	\$945,446
Cost of sales	442,397	371,073	866,160	736,295
Selling, general and administrative expenses	60,084	49,799	119,371	100,974
Interest expense	8,924	7,319	17,572	14,970
Interest income	(602)	(1,388)	(921)	(2,811)
	-----	-----	-----	-----
Income from operations before income taxes	53,588	51,705	99,581	96,018
Taxes on income	20,800	20,100	38,800	37,800
	-----	-----	-----	-----
Income from operations before equity in earnings of affiliates	32,788	31,605	60,781	58,218
Equity in earnings of affiliates	48	203	155	498
	-----	-----	-----	-----
Net Income	32,836	31,808	60,936	58,716
Preferred Dividends	(1,941)		(3,882)	
	-----	-----	-----	-----
Net income available to common shareholders	\$ 30,895	\$ 31,808	\$ 57,054	\$ 58,716
	=====	=====	=====	=====
Average shares outstanding			87,059	87,260
Per share				
	-----	-----	-----	-----
Net income available to common shareholders	\$.36	\$.36	\$.66	\$.67
	=====	=====	=====	=====
Dividends - common	\$.14	\$.135	\$.275	\$.26

See accompanying Notes to Consolidated Financial Statements

-4-

5

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

	SIX MONTHS ENDED	
	July 3, 1994	July 4, 1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 60,936	\$ 58,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	54,882	45,257

Equity in earnings of affiliates	(153)	(498)
Deferred taxes	2,997	2,507
Changes in assets and liabilities net of effects from acquisitions/dispositions and foreign currency adjustments:		
Accounts receivable	(42,189)	(9,665)
Inventories	(530)	1,780
Prepaid expenses	5,825	13,660
Payables and taxes	21,202	(23,310)
Other assets and liabilities	(8,324)	(11,387)
	-----	-----
Net cash provided by operating activities	94,646	77,060
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(54,067)	(56,558)
Cost of acquisitions, exclusive of cash	(26,457)	(101,296)
Proceeds from the sale of assets	1,743	29,480
	-----	-----
Net cash used by investing activities	(78,781)	(128,374)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	61,538	114,233
Principal repayment of debt	(28,889)	(47,045)
Cash dividends	(27,730)	(22,689)
Treasury shares acquired	(17,813)	
Treasury shares issued	1,910	1,778
	-----	-----
Net cash (used) provided by financing activities	(10,984)	46,277
	-----	-----
Effects of exchange rate changes on cash	(3,619)	(1,117)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,262	(6,154)
Cash and cash equivalents at beginning of period	25,858	38,068
	-----	-----
Cash and cash equivalents at end of period	\$ 27,120	\$ 31,914
	=====	=====

See accompanying Notes to Consolidated Financial Statements

-5-

6

SONOCO PRODUCTS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited), continued
(Dollars in thousands)

SUPPLEMENTAL CASH FLOW DISCLOSURES:

	SIX MONTHS ENDED	
	July 3, 1994	July 4, 1993
	-----	-----
Interest paid	\$16,923	\$14,435
Income taxes paid	\$23,746	\$31,864

See accompanying Notes to Consolidated Financial Statements

-6-

SONOCO PRODUCTS COMPANY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

NOTE 1: BASIS OF INTERIM PRESENTATION

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

NOTE 2: DIVIDEND DECLARATION

On July 20, 1994, the Board of Directors declared a regular dividend of \$.14 per share, payable September 9 to shareholders of record August 19, 1994. The Board also declared a dividend of \$.5625 per share on the \$2.25 Series A Cumulative Convertible Preferred Stock payable November 1, 1994, to shareholders of record as of October 14, 1994.

NOTE 3: ACQUISITION

During the second quarter of 1994, the Company completed 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 is expected to add \$33 million in sales annually. The acquisition was accounted for as a purchase; accordingly, the results of operations have been included in the consolidated statements since the date of acquisition. The pro forma impact of this purchase is not material.

-7-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

 OPERATIONS (UNAUDITED)

SECOND QUARTER 1994 COMPARED WITH SECOND QUARTER 1993

Results of Operations

Consolidated net sales for the second quarter of 1994 were \$564.4 million compared with \$478.5 million reported for the same period last year. Net income for the second quarter was \$32.8 million, compared with \$31.8 million reported in 1993. Net income available to common shareholders after preferred dividends was \$30.9 million in 1994. Earnings per share for the quarter ended July 3, 1994, were \$.36, the same as last year's second quarter.

Converted Products Segment

Trade sales for the converted products segment were \$364.3 million, a 26.7% increase over 1993's second-quarter sales of \$287.5 million. Operating profits were \$42.3 million, compared with \$31.5 million in 1993. Sales and profits for this segment increased primarily due to the acquisition of Engraph in October of 1993 and increased demand in most of the Company's traditional product lines.

Volume remained strong in the consumer products operations. These operations continue to benefit from productivity and scrap reduction programs that are part of the company's overall quality improvement efforts.

Engraph, which was not part of Sonoco during last year's second quarter, reported increased business during the quarter. Engraph produces pressure-sensitive labels, coupons and package inserts, screen process printing, paperboard cartons and specialties and flexible packaging. The label and package insert business continues to grow. The flexible packaging business has been good and the new press in Tennessee is expected to be profitable during the second half. The paperboard carton business has been strong with added business in the cosmetics and personal-care markets.

Sales volume in the industrial products businesses (tubes and cores) was up in the second quarter led by increases in paper mill cores, film cores, tape cores and textile tubes. This increase was driven by improved market conditions for many customers. Sales were still off in the textile cone area, but this business did show improvement during the second quarter.

Sales in the industrial container business were up in the second quarter with significant increases in plastic drums and intermediate bulk containers. Volume increased in the protective packaging businesses led by the packaging forms operation, which continues to make significant conversions among appliance manufacturers. The engineered cushion fibre operation reported start-up losses but has begun supplying customers and should continue growing throughout the year.

Crellin, a major manufacturer of a variety of injection molded plastic products, continued its growth with sales increasing in most product lines, including textile, wire, filtration and automotive.

A common thread through most of the converted products segment is an increase in materials cost. These increases are generally in paper, steel and resin. Most operations have announced price increases, which will offset portions of the materials increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS (UNAUDITED), continued

Results of Operations, continued

Paper Segment

Total domestic paper sales were \$75.7 million, compared with \$70.0 million in the second quarter of 1993. Operating profits were \$12.6 million, down from \$14.3 million in the second quarter of 1993. The increase in sales for this segment is primarily due to very strong demand, which has paper mills operating at 97% of capacity. However, there has been a decline in profitability that is directly related to the increases in recovered paper costs. Price increases in cylinder paperboard have been announced and implemented but they will not have an impact until the third quarter. Much of the increased demand is coming from the increased sales in Sonoco's industrial packaging businesses. Approximately 85% of Sonoco's board is sold internally. Corrugated medium prices are up from last year and this business is strong.

The major concern in this segment is focused on the unprecedented rise in recovered paper prices. Factors that are currently affecting the recovered paper market include an increased demand for recycled content for most paper grades and an increased demand in export markets.

International Segment

Sales in the international segment were \$108.0 million in the second quarter of 1994, compared with \$102.8 million in the same period of 1993. The increase in sales is a result of acquisitions and growth in several geographic areas. Operating profits in the second quarter of 1994 were \$4.9 million, down from \$6.5 million reported in the same period of 1993. Gains in converting operations in certain geographic areas were more than offset by the decline in profits from the paper operations. International paper operations are experiencing the same price problems with recovered paper as the U.S. mills. European operations continue to be negatively affected by the consolidation and restructuring of several operations, although some improvement in operational efficiencies has been noted. There should be additional profit improvement as consolidation results begin to take effect later this year.

Miscellaneous Segment

Trade sales for the miscellaneous segment were \$63.1 million, compared with \$62.1 million reported in the same period of last year. Profits were \$7.5 million, down from \$9.6 million in 1993. The increase in sales is driven by the increase in volume in the Baker reel division. The cable TV business has been expanding dramatically, which directly affects the demand for reels. Volume in the plastic grocery bag business was up with most plants operating at capacity. However, lower selling prices for plastic grocery bags resulted in an overall decrease in profits for this segment.

-9-

10

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS (UNAUDITED), continued

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

Results of Operations

Consolidated net sales for the first six months of 1994 were \$1,102 million, compared with \$945 million reported for the same period last year. Net income for the first six months was \$60.9 million, compared with \$58.7 million reported for the same period last year. Income available to common shareholders, after preferred dividends, was \$57.1 million in the first half of 1994. Earnings per share for the first six months were \$.66, compared with \$.67 in last year's first half.

On a consolidated basis, gross profit margin decreased from 22.1% for the first six months of 1993 to 21.4% for the same period in 1994. This decrease in profit reflects the rapidly rising material costs. The cost of recovered paper has more than tripled since January 1994. These unprecedented increases, along with increases in steel and resin prices, are affecting short-term profitability. Most operations implemented price increases during the second quarter of 1994 and will be forced to raise prices again. However, the Company does not expect to fully recover these increased costs over the balance of the year.

Converted Products Segment

Trade sales for the converted products segment were \$729.6 million, a 27.6% increase over 1993's first-half sales of \$571.6 million. Operating profits were \$77.9 million, compared with \$61.2 million in 1993. The increase in sales and profits for this segment reflects the addition of Engraph, an October 1993 acquisition. In addition the consumer operations, as well as most of the industrial products businesses, experienced volume gains for the first half of 1994 compared with the same period in 1993.

Paper Segment

Total domestic paper sales were \$147.1 million, compared with \$142.1 million in the first half of 1993. The increase in sales is primarily due to increased demand in Sonoco's industrial packaging businesses. Operating profits were \$26.2 million, down from \$29.1 million for the same period in 1993 due to the increase in recovered paper costs.

International Segment

Sales in the international segment were \$197.5 million, down from \$199.9 million in 1993. The decrease in sales is due to the disposition of several business units during 1993. Sales from ongoing operations were ahead of prior year because of acquisitions and growth in several geographic areas. This sales improvement was partially offset by the closing of two paper mills and lower selling prices. Operating profits were \$10.1 million compared with \$9.6 million recorded for the first half of 1993 due to improved profits in the converting operations. Profits in this segment are being adversely impacted by significant increases for recovered paper.

-10-

11

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS (UNAUDITED), continued

Results of Operations, continued

Miscellaneous Segment

Sales in this segment were \$119.3 million for the first half of 1994, up slightly from \$119.1 million reported in the same period last year. Operating profits were \$13.0 million compared with \$17.0 million reported for the first half of 1993. The decline in profits is attributed to lower selling prices for plastic grocery bags.

In May a plastic bag competitor filed a patent infringement suit against Sonoco. Sonoco believes this lawsuit is without merit and will vigorously defend its position. Sonoco expects to prevail in this matter.

Corporate

Interest income, interest expense and unallocated corporate expenses are excluded from the operating profits by segment and are shown under Corporate. Total expenses, net of interest income, for the corporate segment were \$27.6 million, up from \$20.9 million for the same period last year. Corporate interest expense increased, reflecting rising short-term rates and the debt incurred with the Engraph acquisition. There was also reduced interest income due to the early payment of the Sonoco Graham note in November 1993. General corporate expense is up over second quarter 1993 due to a broad-based company-owned life insurance program. The tax advantages of this program are more than offsetting the costs.

Liquidity and Capital Resources

The Company's financial position remained strong through the first six months. The debt to capital percentage increased to 39.3% at July 3, 1994, from 38.0% at December 31, 1993. Debt increased in 1994 primarily as a result of the purchase of M. Harland & Son Limited during the second quarter and the Company's purchase of \$17.8 million of its common shares during the first quarter.

Working capital increased \$18.2 million during the first six months of 1994

primarily due to an increase in accounts receivable partially offset by increased payables. The increase in receivables and payables in 1994 is a result of sales growth and seasonal fluctuations.

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

-11-

12

SONOCO PRODUCTS COMPANY

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A civil action was filed against the Company in the United States District Court for the District of Massachusetts on May 3, 1994, by Integrated Bagging Systems Corporation and BPI Packaging Technologies, Inc. (the "Plaintiffs"). The suit seeks to have a patent owned by the Company covering certain plastic grocery bag products and mounting systems declared invalid. The complaint also asserts that the Company has willfully infringed a patent covering a method for making a bag pack owned by one of the Plaintiffs and seeks treble damages which the Plaintiff has estimated to be more than \$120 million (\$40 million trebled). The Company believes this lawsuit is without merit. The Company will vigorously defend its position and expects to prevail.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 6. Exhibits and Reports on Form 8-K

	Page
(a) Exhibit (11) - Computation of Earnings per Share	14
(b) There were no reports on Form 8-K filed by the Company for the three months ended July 3, 1994.	

-12-

13

SONOCO PRODUCTS COMPANY
SIGNATURE

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

SONOCO PRODUCTS COMPANY

(Registrant)

Date: August 16, 1994

By: /s/ F.T. Hill, Jr.

F.T. Hill, Jr.

Vice President - Finance
(and Principal Accounting
Officer, in his respective
capacities as such)

SONOCO PRODUCTS COMPANY
 Computation of Earnings Per Share* (unaudited)
 (Dollars in thousands, except per share)

	Three Months Ended		Six Months Ended	
	July 3, 1994 (A)	July 4, 1993	July 3, 1994 (A)	July 4, 1993
Primary earnings				

Net income available to common shareholders	\$ 30,895	\$ 31,808	\$ 57,054	\$ 58,716
	=====	=====	=====	=====
Common shares				
Weighted average number of shares outstanding	87,059,440	87,259,527	87,059,440	87,259,527
Assuming exercise of options reduced by the number of shares which could have been purchased (at average price) with proceeds from exercise of such options	593,785	669,405	932,429	699,141
	-----	-----	-----	-----
Weighted average number of shares outstanding as adjusted	87,653,225	87,928,932	87,991,869	87,958,668
	=====	=====	=====	=====
Primary earnings per share common	\$ 0.35	\$ 0.36	\$ 0.65	\$ 0.67
	=====	=====	=====	=====
Assuming full dilution				

Net income available to common shareholders	\$ 30,895	\$ 31,808	\$ 57,054	\$ 58,716
	=====	=====	=====	=====
Common shares				
Weighted average number of shares outstanding	87,059,440	87,259,527	87,059,440	87,259,527
Assuming exercise of options reduced by the number of shares which could have been purchased (at the higher of the end-of-period price or the average) with proceeds from exercise of such options	647,575	756,737	932,429	756,737
	-----	-----	-----	-----
Weighted average number of shares outstanding				
as adjusted	87,707,015	88,016,264	87,991,869	88,016,264
		=====	=====	=====
Earnings per common share assuming full dilution				
Net income	\$ 0.35	\$ 0.36	\$ 0.65	\$ 0.67
	=====	=====	=====	=====

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

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