

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 April 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 April 3, 1994:

Common stock, no par value: 86,890,841  
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SONOCO PRODUCTS COMPANY  
 CONSOLIDATED BALANCE SHEETS (unaudited)  
 (Dollars and shares in thousands)

Assets	April 3, 1994	December 31, 1993
-----	-----	-----
Current Assets		
Cash and cash equivalents	\$ 35,499	\$ 25,858
Receivables	275,323	255,617
Inventories		
Finished and in process	88,108	83,660
Materials and supplies	99,631	102,465
Prepaid expenses	31,920	30,750
Deferred income taxes	14,240	14,760
	-----	-----
	544,721	513,110
Property, Plant and Equipment	734,846	737,154
Cost in Excess of Fair Value of Assets Purchased	336,780	339,653
Other Assets	126,775	117,208
	-----	-----
Total Assets	\$1,743,122	\$1,707,125
	=====	=====
Liabilities and Shareholders' Equity		
-----		
Current Liabilities		
Payable to suppliers	\$ 128,197	\$ 129,389
Accrued expenses and other	70,524	60,407
Accrued wages and other compensation	14,650	22,633
Restructuring reserve	19,600	27,114
Notes payable and current portion of long-term debt	53,555	60,564
Taxes on income	17,397	3,071
	-----	-----
	303,923	303,178
Long-Term Debt	491,852	455,262
Postretirement Benefit Obligation	100,311	99,165
Deferred Income Taxes and Other	60,096	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	63,416	62,277
Translation of foreign currencies	(39,961)	(39,016)
Retained earnings	637,960	623,500
Treasury shares at cost (1994 - 4,950 shares; 1993 - 4,394 shares)	(54,150)	(38,072)
	-----	-----
Total shareholders' equity	786,940	788,364
	-----	-----
Total liabilities and shareholders' equity	\$1,743,122	\$1,707,125
	=====	=====

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	April 3, 1994	April 4, 1993 *
Sales	\$537,372	\$466,938
Cost of sales	423,763	365,222
Selling, general and administrative expenses	59,287	51,175
Interest expense	8,648	7,651
Interest income	(319)	(1,423)
Income from operations before income taxes	45,993	44,313
Taxes on income	18,000	17,700
Income from operations before equity in earnings of affiliates	27,993	26,613
Equity in earnings of affiliates	107	295
Net income	28,100	26,908
Preferred dividends	(1,941)	
Net income available to common shareholders	\$ 26,159 =====	\$ 26,908 =====
Per common share		
Net income available to common shareholders	\$.30	\$.31
Dividends - common	\$.135	\$.125
Average common shares outstanding	87,178	87,196

\* First quarter of 1993 restated to reflect the reclassification of certain costs.

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	April 3, 1994	April 4, 1993
	-----	-----
Cash Flows From Operating Activities		
-----		
Net income	\$ 28,100	\$ 26,908
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	27,603	21,687
Equity in earnings of affiliates	(107)	(295)
Deferred taxes	(75)	525
Loss on retired assets	674	
Changes in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments:		
Accounts receivable	(20,316)	(6,957)
Inventories	(1,473)	2,662
Prepaid expenses	(1,199)	5,652
Payables and taxes	7,553	(4,366)
Other assets and liabilities	(7,245)	(1,334)
	-----	-----
Net cash provided by operating activities	33,515	44,482
Cash Flows From Investing Activities		
-----		
Purchase of property, plant and equipment	(25,479)	(21,875)
Cost of acquisitions, exclusive of cash		(100,500)
Proceeds from sale of assets	1,636	
	-----	-----
Net cash used by investing activities	(23,843)	(122,375)
Cash Flows From Financing Activities		
-----		
Proceeds from issuance of debt	39,018	91,039
Principal repayment of debt	(8,926)	(14,498)
Cash dividends	(13,618)	(10,900)
Treasury shares acquired	(17,813)	
Treasury shares issued	1,533	1,012
	-----	-----
Net cash provided by financing activities	194	66,653
Effects of Exchange Rate Changes on Cash	(225)	(3,999)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	9,641	(15,239)
Cash and cash equivalents at beginning of period	25,858	38,068
	-----	-----
Cash and cash equivalents at end of period	\$ 35,499	\$ 22,829
	=====	=====

See accompanying Notes to Consolidated Financial Statements

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

## Supplemental Cash Flow Disclosures:

	Three Months Ended	
	----- April 3, 1994 -----	April 4, 1993 -----
Interest paid	\$8,577	\$8,019
Income taxes paid	3,628	3,695

See accompanying Notes to Consolidated Financial Statements

SONOCO PRODUCTS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

NOTE 1: Basis of Interim Presentation

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

NOTE 2: Dividend Declarations

On April 20, 1994, the Board of Directors increased the quarterly common stock dividend from \$.135 to \$.14 per share, payable June 10 to shareholders of record May 20. The Board also declared a dividend of \$.5625 per share on the \$2.25 Series A Cumulative Convertible Preferred Stock payable August 1, 1994, to shareholders of record as of July 15, 1994.

NOTE 3: Pending Acquisition

On March 2, 1994, the Company announced the offer made to purchase M. Harland & Son Limited, one of the United Kingdom's leading producers of pressure-sensitive roll labels and one of the world's leading manufacturers of roll-label application equipment. Headquartered in the United Kingdom, the Harland Group has estimated annual sales of \$32 million. The offer is subject to approval of each company's board of directors, satisfactory due diligence by Sonoco and negotiation and execution of a definitive purchase agreement.

Management's Discussion and Analysis of Financial Condition and Results of  
 -----  
 Operations (unaudited)  
 -----

April 1994 Year-to-Date Compared with April 1993 Year-to-Date  
 -----

Results of Operations  
 -----

Consolidated net sales for the first quarter of 1994 were \$537.4 million compared with \$466.9 million reported for the same period last year. Net income for the quarter was \$28.1 million compared with 1993 first quarter's \$26.9 million. First quarter income available to common shareholders after preferred dividends was \$26.2 million in 1994. Earnings per share (EPS) were \$.30 compared with \$.31 in last year's first quarter.

Converted Products Segment

Trade sales for the converted products segment were \$365.2 million, a 28.6% increase over 1993's first-quarter sales of \$284.1 million. Operating profits were \$35.6 million compared with \$29.7 million in 1993. The increase in sales and profits for this segment reflects the year-to-year impact of the acquisitions of Engraph and Crellin, as well as increased demand in some traditional product lines.

Volume has remained strong in the consumer operations. The composite can operations continued the good performance of recent quarters with strong volume in nuts, snacks and juice concentrates, offsetting shortfalls in the powdered beverages and shortening markets. Sales of caulking cartridges, which are tied closely to housing construction, remained strong.

Engraph, Sonoco's newest acquisition and a producer of pressure-sensitive labels and coupons, screen process printing, flexible packaging and paperboard cartons and specialties, had a good first quarter with increased business in the health-care and personal-care markets in both labels and cartons. The coupon business has been down since the loss of significant volume in the tobacco industry. Engraph has been slowly replacing the tobacco coupon business with increased sales in beverage coupons and extended text labels.

Volume was up in the tube and core business, reflecting increased demand for paper mill cores, textile tubes and tape cores. Volume was off in textile cones. Sales of packaging forms increased with the addition of several major appliance manufacturers as customers. Fibre drum volume declined as sales shifted in part to plastic drums and intermediate bulk containers, which both had volume increases during the quarter.

Crellin, a manufacturer of injection molded plastic products, experienced good growth in most product segments during the quarter, especially textiles, wire, filtration and automotive.

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 \$71.3 million compared with \$72.1 million in 1993. Operating profits were \$13.7 million, down from \$14.8 million in 1993. The decline in sales and profits is primarily the result of lower selling prices in specialty paperboard grades. A corrugating medium price increase was implemented late in 1993, but prices in the first quarter of 1994 were still below first quarter 1993 levels. Another corrugating medium industry price increase is scheduled for May and should result in improvement in this segment. Volume was up in cylinder board as internal sales increased with the improving business in the converting operations.

International Segment

Sales in the international segment were \$89.4 million, down from \$97.1 million in 1993. The decrease in sales is due to the disposition of several business units during 1993, as well as the stronger dollar. Sales from ongoing operations were ahead of the prior year because of acquisitions and growth in several geographic areas. Sales were down in international paper operations due to the closing of two paper mills and lower selling prices. Operating profits for the international segment were \$5.1 million compared with \$3.1 million in 1993. Profits were down in the paper operations, but they were offset by improved profits in the converting operations in certain geographic areas. Despite the profit increase, European operations continue to be negatively affected by the consolidation and restructuring of several operations. Significant effort is being focused on operating efficiencies, and there should be additional profit improvement as consolidation results begin to take effect later this year. Also, a major portion of the increase is due to the elimination of the one-month reporting lag in late 1993.

Miscellaneous Segment

Trade sales for the miscellaneous segment were \$56.2 million compared with \$57 million in 1993. Operating profits were \$5.5 million, down from \$7.5 million reported last year. Lower selling prices for plastic grocery bags were a factor in the decline of sales and profits in the miscellaneous segment. Volume was up slightly in this segment with the plastic bag plants operating at near-capacity levels.

Sonoco's Baker Division, which manufactures reels for the wire and cable industry, showed a good increase in sales as the CATV business and home construction have been very strong.

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

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Operations (unaudited), continued  
-----Results of Operations, continued  
-----

## Corporate

Interest income, interest expense and unallocated corporate expenses are excluded from the operating profits by segment and are captured in the corporate segment. Total expenses, net of income, for the corporate segment were \$13.9 million, up from \$10.8 million in 1993. Corporate interest expense increased, reflecting 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.

Liquidity and Capital Resources  
-----

The Company's financial position remained strong through the first quarter. The debt to capital percentage increased to 39.5% at April 3, 1994, from 38% at December 31, 1993. Debt increased primarily as a result of purchasing \$17.8 million of the Company's common shares during the first quarter of 1994.

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, as well as the funds needed for the pending acquisition of M. Harland & Son Limited described in Note 3.

## SONOCO PRODUCTS COMPANY

## PART II. OTHER INFORMATION

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

The Company's annual meeting was held on April 20, 1994. At this meeting the following matters were approved by the shareholders:

- (1) Directors elected to three-year terms included C. W. Coker, A. T. Dickson, R. E. Elberson, J. C. Fort, and R. C. King, Jr. Elected to a one-year term was Leo Benatar.
- (2) Coopers & Lybrand, Certified Public Accountants, was re-elected as the independent auditors of the corporation.
- (3) The shareholders of the Company also approved amendments to the Company's Restated Articles of Incorporation and By Laws to the following effect:
  - Deletes the present fifteen person maximum number of directors the Company can have,
  - Gives the directors the ability to set the size of the Board of Directors, as well as to create and fill vacancies on the Board of Directors,
  - Requires that nominations for directors to be elected at any Annual Meeting of Shareholders, other than incumbent directors, be made in writing at least sixty days prior to the Annual Meeting, and
  - Recognizes that the holders of the Company's \$2.25 Cumulative Convertible Preferred Stock have been given the right to elect two directors during any period in which payment of dividends on the Preferred Stock is in arrears, and makes it clear that any such directors are in addition to the directors elected by the Common Shareholders.

Item 6. Exhibits and Reports on Form 8-K -----	Page ----
(a) Exhibit (11) - Computation of Earnings Per Share	13
(b) There were no reports on Form 8-K filed by the Company for the three months ended April 3, 1994.	

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

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(Registrant)

Date: May 13, 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	
	April 3, 1994 (A)	April 4, 1993
Primary earnings		
-----		
Net income available to common shareholders	\$ 26,159 =====	\$ 26,908 =====
Common shares		
Weighted average number of shares outstanding	87,177,770	87,196,164
Assuming exercise of options (at average price) reduced by the number of shares which could have been purchased with proceeds from exercise of such options	1,269,834 -----	1,019,981 -----
Weighted average number of shares outstanding as adjusted	88,447,604 =====	88,216,145 =====
Primary earnings per common share	\$.30 =====	\$.31 =====
Assuming full dilution		
-----		
Net income available to common shareholders	\$26,159 =====	\$26,908 =====
Common shares		
Weighted average number of shares outstanding	87,177,770	87,196,164
Assuming exercise of options (at the higher of the end-of-period price or the average) reduced by the number of shares which could have been purchased with proceeds from exercise of such options	1,269,834 -----	1,019,981 -----
Weighted average number of shares outstanding as adjusted	88,447,604 =====	88,216,145 =====
Earnings per common share assuming full dilution	\$.30 =====	\$.31 =====

(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 first quarter 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%.