

## 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 2, 1995

Commission File No. 1-11261

SONOCO PRODUCTS COMPANY

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

Post Office Box 160

Hartsville, South Carolina 29551-0160

Telephone: 803-383-7000

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock at April 2, 1995:

Common stock, no par value:	86,782,177 *
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\* The Company's stock began trading on the New York Stock Exchange, Inc. on March 8, 1995.

## SONOCO PRODUCTS COMPANY

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

ASSETS -----	April 2, 1995 -----	December 31, 1994 -----
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 37,503	\$ 28,444
Trade accounts receivable, net of allowances	310,474	270,439
Other receivables	18,504	20,211
Inventories		
Finished and in process	98,688	86,238
Materials and supplies	127,978	121,424
Prepaid expenses	26,045	29,943
Deferred income taxes	13,694	14,012
	-----	-----
	632,886	570,711
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	789,608	763,109
<b>COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED, NET</b>	380,591	358,965
<b>OTHER ASSETS</b>	148,289	142,268
	-----	-----
<b>Total Assets</b>	<b>\$ 1,951,374</b>	<b>\$ 1,835,053</b>
	=====	=====
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> -----		
<b>CURRENT LIABILITIES</b>		
Payable to suppliers	\$ 172,969	\$ 158,098
Accrued expenses and other	87,296	72,345
Accrued wages and other compensation	15,700	30,855
Restructuring reserve	10,490	10,923
Notes payable and current portion of long-term debt	71,763	59,421
Taxes on income	38,873	17,001
	-----	-----
	397,091	348,643
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>	529,986	487,959
<b>POSTRETIREMENT BENEFITS OTHER THAN PENSIONS</b>	105,313	104,179
<b>DEFERRED INCOME TAXES AND OTHER</b>	65,528	62,054
<b>SHAREHOLDERS' EQUITY</b>		
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	62,264	60,908
Translation of foreign currencies	(44,422)	(46,252)
Retained earnings	720,724	697,299
Treasury shares at cost		
(1995 - 5,059 shares; 1994 - 4,933 shares)	(64,785)	(59,412)
	-----	-----
<b>Total shareholders' equity</b>	<b>853,456</b>	<b>832,218</b>
	-----	-----
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,951,374</b>	<b>\$ 1,835,053</b>
	=====	=====

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 2, 1995	April 3, 1994
Sales	\$645,142	\$537,372
Cost of sales	504,803	423,763
Selling, general and administrative expenses	70,030	59,287
Interest expense	9,776	8,648
Interest income	(495)	(319)
Income from operations before income taxes	61,028	45,993
Taxes on income	23,950	18,000
Income from operations before equity in earnings of affiliates	37,078	27,993
Equity in earnings of affiliates	459	107
Net income	37,537	28,100
Preferred dividends	(1,941)	(1,941)
Net income available to common shareholders	\$ 35,596 =====	\$ 26,159 =====
Earnings per common share:		
Assuming no dilution	\$.41	\$.30
Assuming full dilution	\$.39	\$.29
Dividends - common	\$.14	\$.135
Average common shares outstanding	86,841	87,178

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	April 2, 1995	April 3, 1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 37,537	\$ 28,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	31,024	27,603
Equity in earnings of affiliates	(459)	(107)
Deferred taxes	34	(75)
Loss on disposition of assets	121	674
Changes in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments:		
Accounts receivable	(28,523)	(20,316)
Inventories	(9,672)	(1,473)
Prepaid expenses	4,202	(1,199)
Payables and taxes	22,824	7,553
Other assets and liabilities	(6,972)	(7,245)
Net cash provided by operating activities	50,116	33,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(34,677)	(25,479)
Cost of acquisitions, exclusive of cash	(37,904)	
Proceeds from the sale of assets	304	1,636
Net cash used by investing activities	(72,277)	(23,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	61,312	39,018
Principal repayment of debt	(10,569)	(8,926)
Cash dividends	(14,092)	(13,618)
Treasury shares acquired	(8,398)	(17,813)
Treasury shares issued	2,426	1,533
Net cash provided by financing activities	30,679	194
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	541	(225)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,059	9,641
Cash and cash equivalents at beginning of period	28,444	25,858
Cash and cash equivalents at end of period	\$ 37,503	\$ 35,499

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 2, 1995	April 3, 1994
	-----	-----
Interest paid	\$8,872	\$ 8,577
Income taxes paid	1,593	3,628

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, 1994.

NOTE 2: DIVIDEND DECLARATIONS

On April 19, 1995, the Board of Directors declared a five percent common stock dividend for all shareholders of record May 19, to be distributed June 9. As a result of the stock dividend, the conversion price for holders of the Company's \$2.25 Series A Cumulative Convertible Preferred Stock will be adjusted accordingly.

At the April meeting, the Board also increased the regular quarterly common stock dividend from \$.14 to \$.15 per share, payable June 9 to shareholders of record May 19 on all shares outstanding after the stock dividend. The Board declared a dividend of \$.5625 per share on the \$2.25 Series A Cumulative Convertible Preferred Stock payable August 1, 1995, to shareholders of record as of July 14, 1995.

NOTE 3: ACQUISITIONS

In January 1995, 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. In March 1995, the Company completed the purchase of a flexible packaging plant in Edinburgh, Indiana, that was formerly owned by Hargro Flexible Packaging Corporation. The Edinburgh plant manufactures packaging for the confection, snack food and pharmaceutical markets and had sales of more than \$30 million in 1994. The pro forma impact of these acquisitions is not material.

## SONOCO PRODUCTS COMPANY

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

## FIRST QUARTER 1995 COMPARED WITH FIRST QUARTER 1994

## RESULTS OF OPERATIONS

Consolidated net sales for the first quarter of 1995 were \$645.1 million, a 20.1% increase over the \$537.4 million reported for the same period last year. Net income available to common shareholders was \$35.6 million compared with \$26.2 million in 1994's first quarter. Earnings per share (assuming no dilution) for the quarter were up 36.7% to \$.41 compared with \$.30 in the same quarter last year.

The 1995 results reflect increased volume in practically every business and the continuing realization of the benefits of over \$100 million in restructuring programs over the past few years. The continued increases in raw material costs remain a major factor affecting the Company's businesses. Generally, the Company has been able to recoup the cost increases through timely selling price increases. However, future quarterly increase percentage comparisons to prior year are not expected to be as strong as the first quarter due to the relatively weak first quarter of 1994 and the improved performance the Company experienced in the second half of last year.

## CONVERTED PRODUCTS SEGMENT

Trade sales for the converted products segment were \$475.9 million, a 12.9% increase over 1994's first-quarter sales of \$421.4 million. Operating profits were \$51.5 million compared with \$41.1 million in 1994. Volume continued to increase in all business lines in response to a strong United States economy. These businesses were able to keep up with the rapidly increasing raw material costs through timely price increases.

Volume in the tube and core business was very strong in the first quarter, reflecting increases in textile, film and paper markets. In addition, technology leadership led to share gains in the higher-end tube markets during the quarter. Higher volume has led to productivity gains in this group, which is continuing to benefit from the cost saving actions taken the last few years. Paperboard costs are continuing to increase and second quarter selling price increases are being implemented to offset the latest (April) paperboard cost increase.

The composite can business improved in the first quarter of 1995 due to volume and productivity increases. The primary volume increases were in the food and snack segments coupled with new product introductions that helped to increase overall unit growth.

Sales and profits were up in the industrial container business led by volume increases in both plastic drums and intermediate bulk containers. Price increases were required to keep pace with the rising cost of paperboard, steel and plastic resin. The volume increases, combined with capital and other productivity programs, resulted in improved earnings in the first quarter.



## SONOCO PRODUCTS COMPANY

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

## RESULTS OF OPERATIONS, CONTINUED

Engraph's sales and profits were also up for the quarter. In the label group, the extended-text label business was strong, particularly in the agricultural chemical business. The Morristown, Tennessee, operation of Morrill Press continued to increase its productivity levels and the screen process printing operations increased penetration of the beverage-bottler market. Business in the glass cover and coaster operations remained good and the paperboard carton business increased over the first quarter of last year. During the first quarter, Engraph acquired the Edinburgh, Indiana, plant of Hargro Flexible Packaging Corporation. This plant will add a third operation to Morrill Press. A new Cerutti press was part of the acquisition and is expected to be in operation by the end of September 1995.

Sales were up in the Crellin Molded and Extrusion Plastics operation with increased volume and sales prices. The increased sales prices were the result of higher resin costs. The Sebro operation, which serves the automotive industry, saw strong volume gains during the quarter. The Company's wire and cable reel operation, the Baker Division, increased volume over the first quarter of last year benefiting from the continuing expansion of cable television. In the protective packaging operations, fibre partitions and packaging forms increased sales and earnings on higher volumes. The group's new engineered cushion fibre product continued to experience start-up losses, but has now gained volume commitments that will fully utilize existing United States capacity.

The Company's plastic bag operations saw unit volume grow as it picked up some of the business resulting from a large competitor's exit from the high density plastic bag market. Price increases, resulting from increased resin costs, also boosted sales. The division is continuing an expansion program at three of its plants. The new capacity should be on line at two plants in June and the third plant in September. In May 1994, a plastic bag competitor filed a patent infringement suit against the Company. There has been no substantive development in this suit. The Company continues to aggressively defend its position and believes the lawsuit is without merit.

## PAPER SEGMENT

The Company's domestic paper mills operated at nearly 100% capacity during the first quarter of 1995 with total sales of \$105.6 million, up 48% from \$71.3 million in 1994. Operating profits were \$18.6 million, compared with \$13.7 million in 1994. Accounting for approximately one third of the quarter's profit increase was the improved pricing for corrugating medium that is produced as a joint venture with Georgia-Pacific. The division has also increased prices in response to the continuing increases in the cost of recovered paper grades, especially old corrugated containers (OCC) and old newspapers. Another significant factor in the performance of the paper segment has been the increased external sales of Sonoco's Paper Stock Dealer subsidiary. This group has benefited from the increased demand for recovered newsprint and other recovered grades of paper. The division has invested in programs to increase its access to recovered paper and expects to continue growing this portion of the business.

## SONOCO PRODUCTS COMPANY

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

## RESULTS OF OPERATIONS, CONTINUED

## INTERNATIONAL SEGMENT

The Company's international operations continued strong performance through the first quarter of 1995 with sales of \$125.6 million, up 40.5% from \$89.4 million in 1994. Operating profits were \$8.0 million, up 57.1% from \$5.1 million in 1994. This performance was led by the composite can business in Latin America and Europe, the tube, core and paperboard business in Asia, Canada, Mexico, Europe, Australia and New Zealand. The Company's molded plastics operations in the Netherlands and Germany experienced significant improvement in volume during the period. The 1995 results include the Harland acquisition, which was completed in June 1994, and the purchase of the remaining 50% of our composite can operations in Europe, which was acquired January 1, 1995.

## 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 \$17.1 million, up from \$13.9 million in 1994. Corporate interest expense increased in the first quarter of 1995, as compared to the first quarter of 1994, because of higher average borrowing costs and increased spending on acquisitions. General corporate expense in the quarter was also up because of increased costs, primarily associated with premiums for the company's broad-based, company-owned life insurance program. The tax benefit from this program is reflected in the Company's effective tax rate.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remained strong through the first quarter. The debt to capital percentage increased to 39.8% at April 2, 1995, from 38.1% at December 31, 1994. Debt increased primarily as a result of spending \$37.9 million on acquisitions and capital expenditures of \$34.7 million. Working capital increased to \$235.8 million at April 2, 1995, from \$222.1 million at December 31, 1994. Current assets and current liabilities increased primarily as a result of base business growth.

Subsequent to quarter end, the Company increased the amount available for issue under its commercial paper program from \$250 million to \$300 million and increased the fully committed bank lines of credit supporting the program by a like amount.

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.

## SONOCO PRODUCTS COMPANY

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

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

The Company's annual meeting was held on April 19, 1995. At this meeting the following matters were approved by the shareholders, as described in more detail in the Company's Proxy Statement:

- (1) Directors elected to three-year terms included Leo Benatar, P. C. Browning, F. L. H. Coker, T. C. Coxe, III, B. L. M. Kasriel, E. H. Lawton, Jr. and E. C. Wall, Jr.
- (2) Coopers & Lybrand, L.L.P., Certified Public Accountants, was re-elected as the independent auditors of the corporation.
- (3) Amendments to the 1991 Key Employee Stock Plan were approved with the following effects:
  - Extended the term of the Plan indefinitely unless terminated by the Board of Directors.
  - Increased the number of shares available for issuance. The amendments also cause the number of shares available for issuance to increase annually without further shareholder approval.
  - Imposed certain limits on the number of shares that can be granted as stock options, stock appreciation rights or stock grants.
  - Expanded the circumstances under which a grant under the Plan may be transferable.
  - Made other changes to the Plan for the purpose of clarifying various aspects of the Plan and removing certain restrictions.
- (4) The following Annual Incentive Compensation terms were approved:
  - 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 Executive Compensation Committee as participants for any fiscal year.
  - PERFORMANCE CRITERION: Performance goals shall be based on the Company's earnings per share from ongoing operations.
  - 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.

## SONOCO PRODUCTS COMPANY

## PART II. OTHER INFORMATION, CONTINUED

Item 6. Exhibits and Reports on Form 8-K	Page
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(a) Exhibit (11) - Computation of Earnings Per Share	14
Exhibit (27) - Financial Data Schedule	15
(b) There were no reports on Form 8-K filed by the Company for the three months ended April 2, 1995.	

## 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: May 15, 1995  
-----By: /s/ F. T. Hill, Jr.  
-----  
F. T. Hill, Jr.  
Chief Financial Officer

## EXHIBIT (11)

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

	Three Months Ended	
	April 2, 1995	April 3, 1994
-----		
PRIMARY EARNINGS*		
- - - - -		
Net income available to common shareholders	\$ 35,596	\$ 26,159
	=====	=====
Common shares		
Weighted average number of shares outstanding	86,841,446	87,177,770
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	1,290,960	1,269,834
	-----	-----
Weighted average number of shares outstanding as adjusted	88,132,406	88,447,604
	=====	=====
Primary earnings per common share	\$ .40	\$ .30
	=====	=====
ASSUMING FULL DILUTION		
- - - - -		
Net income available to common shareholders	\$ 35,596	\$ 26,159
Elimination of preferred dividends	1,941	1,941
	-----	-----
Fully diluted net income	\$ 37,537	\$ 28,100
	=====	=====
Common shares		
Weighted average number of shares outstanding	86,841,446	87,177,770
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	1,551,214	1,269,834
	-----	-----
Assuming conversion of preferred stock	6,814,785	6,814,785
	-----	-----
Weighted average number of shares outstanding as adjusted	95,207,445	95,262,389
	=====	=====
Earnings per common share assuming full dilution	\$ .39	\$ .29
	=====	=====

\* 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%.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF SONOCO PRODUCTS COMPANY FOR THE THREE MONTHS ENDED APRIL 2, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
U.S. Dollars

3-MOS	
	DEC-31-1995
	JAN-01-1995
	APR-02-1995
	1
	32,941
	4,562
	315,766
	(6,102)
	226,666
	632,886
	1,474,121
	(684,513)
	1,951,374
397,091	
	529,986
	7,175
0	
	172,500
	673,781
1,951,374	
	645,142
645,142	
	504,803
	0
	519
9,776	
	61,028
	23,950
37,537	
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	0
	0
	37,537
	\$.41
	\$.39