Sonoco Reports Fourth Quarter and Record 12 Months Earnings

January 31, 2001

HARTSVILLE, S.C., Jan. 31 /PRNewswire/ -- Sonoco (NYSE: SON) today reported earnings per diluted share, excluding one-time transactions*, of $.47 for the fourth quarter of 2000, compared with $.50 in 1999, it was announced by Harris E. DeLoach, Jr., president and chief executive officer. Including one-time transactions, earnings per diluted share for the fourth quarter 2000 were $.37 versus $.50 in the same period in 1999. The average number of diluted shares outstanding in the fourth quarter of 2000 were 99,144,000, compared with 102,559,000 in the fourth quarter of 1999.

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Sales for the fourth quarter of 2000 were $669 million, compared with $754.5 million in the same period last year, reflecting four to six fewer billing days in the fourth quarter of 2000, depending on the specific business, and a company-wide decrease in volume of approximately 8%. Net income, excluding one-time transactions, for the fourth quarter of 2000 was $46.3 million, compared with $51.2 million in 1999, and also reflects the fewer billing days and decreased volume. Including one-time transactions, net income for the fourth quarter 2000 was $36.3 million, versus $51.2 million in 1999.

For the full year 2000, earnings per diluted share were $1.80, compared with $1.79 in 1999, excluding one-time transactions in both years. Including one-time transactions, earnings per diluted share in 2000 were $1.66, versus $1.83 in 1999. The Company had sales of $2.71 billion in 2000, compared with $2.55 billion in 1999. Year-over-year sales increased by $96 million from acquisitions (net of dispositions), but were lowered by approximately $40 million from the translation of international sales (principally in Europe) into U.S. dollars. Excluding one-time charges, net income for 2000 was $179.7 million, compared with $184.3 million in 1999.

*One-time transactions in 2000 include a fourth quarter $5.2 million net gain (pre and after-tax) on the sales of divested businesses and $5.2 million in restructuring charges ($3.2 million after-tax), also in the fourth quarter. The Company also incurred $12 million of additional income taxes relating to corporate-owned life insurance. In the third quarter of 2000, approximately $5.5 million ($3.4 million after-tax) of charges were incurred related to the previously disclosed executive severance. One-time transactions in 1999 include the first quarter gain of $3.5 million (pre and after-tax) from the sale of the Company's labels business in the United Kingdom.

Cash flow from operations for the full year 2000 was $363 million. Free cash flow (after capital expenditures of $117 million and dividends of $79 million) was $167 million. The free cash flow was used primarily to repurchase stock during the first and fourth quarters of 2000 totaling $138 million and to pay down debt.

"Our fourth quarter 2000 earnings per diluted share, excluding one-time transactions, were above our previously announced estimate of $.42 to $.46. This estimate was based on the fact that we would have four to six fewer billing days in the 2000 fourth quarter than in the record 1999 fourth quarter and our concern about the impact of a slowing economy on volumes," said DeLoach.

"The slowing economy and resulting 8% decrease in overall volume, along with a $5 million increase in energy costs, significantly negated the positive impact of lower recovered paper cost in the fourth quarter of 2000," stated DeLoach.

"In anticipation of the slowing economy and to achieve a consistent low- cost structure suitable for good and bad economic climates, we have taken steps to permanently reduce costs on an annualized basis by a minimum of $25 - $30 million through a number of restructuring initiatives," said DeLoach.

"The restructuring, which began in the fourth quarter of 2000 and resulted in a one-time charge of $5.2 million ($3.2 million after-tax) in that quarter, will be primarily implemented in the first quarter of 2001. We expect to realize about half of the anticipated annualized savings in 2001. Two hundred and thirty-five salaried positions, including 169 in the United States, and 252 hourly positions, 126 in the United States, will be eliminated globally. The Company has announced its intent to close five plants in the United States, including Shepherd, Mich.; Jacksonville, Fla.; Spokane, Wash.; Benicia, Calif.; and Jeffersonville, Ind., plus five plants internationally. We expect that one-time charges related to the restructuring will be approximately $30 million ($21 million after-tax) in the first quarter 2001.

"We are not just reducing positions. We are realigning our organizational structure around the globe to enhance customer service and increase cost effectiveness, and taking such actions as consolidating former staff functions in our larger divisions into two global functional groups: Consumer and Industrial," stated DeLoach.

"We believe that these actions, coupled with continued strong free cash flow, expected to be approximately $150 million, excluding restructuring

charges, in 2001; improved profits anticipated from composite cans and high density film; benefits beginning from new contracts for flexible packaging; and continued productivity improvements should enable us to return to low double-digit growth as the economy recovers," said DeLoach.

"In light of expected continuing softness in volumes, at least through the first half of 2001, we expect first quarter earnings per diluted share, excluding restructuring costs, in the range of $.35 to $.40 per share. The range for 2001 includes approximately $.02 (per quarter) for lower year-over- year investment earnings in our pension plan. This compares with first quarter earnings in 2000 of $.45, or $.43 excluding the aforementioned higher pension income in 2000. We expect a stronger second half in 2001 as more benefits from the restructuring and new flexible packaging contracts impact earnings and the likelihood that volumes will improve," concluded DeLoach.

Segment Review

Consumer Packaging

The Consumer Packaging segment includes composite cans; flexible packaging (printed flexibles and high density bag and film products); and packaging services and specialty products (e-marketplace/supply chain management, graphics management, folding cartons, and paper glass covers and coasters).

Fourth quarter 2000 sales for the consumer segment were $321.3 million, versus $369.3 million in the same period last year. Operating profit for this segment was $32.1 million, versus $41.8 million in the fourth quarter of 1999.

Full year 2000 sales from ongoing operations in the consumer segment were $1.3 billion, versus $1.2 billion in 1999. Operating profit in this segment for the full year 2000 was $118.2 million, versus $144.7 million in 1999.

The decrease in fourth quarter sales was due primarily to lower volumes in composite cans, principally in snack foods; high density film products; and in flexible packaging. The decrease in operating profit was due primarily to the $14 million negative impact of lower volume and a less favorable mix in composite cans, high density film products and flexible packaging.

Industrial Packaging

The industrial packaging segment includes engineered carriers (paper and plastic tubes and cores, paper manufacturing and recovered paper operations) and protective packaging (designed interior packaging and protective reels).

Fourth quarter 2000 sales for the industrial segment were $347.7 million, versus $385.2 million in the same period last year. Operating profit for the segment was $51.6 million, versus $51.2 million in the fourth quarter of 1999.

Full year 2000 sales from ongoing operations in the industrial segment were $1.5 billion, versus $1.4 billion in 1999. Operating profit in the industrial segment for the full year 2000 was $213.7 million, versus $188.7 million in 1999.

The decrease in fourth quarter sales in the industrial segment was due primarily to lower volume in the Company's engineered carriers and paper operations. The decrease reflected the slowing in the general economy and does not reflect any significant loss of market share. The increase in profit for the segment resulted from lower recovered paper cost which offset the negative effects of the decline in volume and higher energy costs.

Corporate

Net interest expense declined $1.4 million quarter over quarter due to lower average debt levels.

Depreciation and amortization expense for the fourth quarter of 2000 was $35.8 million and for the full year 2000 was $150.8 million.

As previously disclosed, Sonoco received a Revenue Agent Report from the Internal Revenue Service (IRS) related to the years 1993 through 1995. The most significant issue pertains to the disallowance of previously deducted Corporate Owned Life Insurance (COLI) loan interest. In January 2000, Sonoco filed a letter of protest with the Appeals Division of the IRS disputing the agent's position. In October 2000, management learned that in another case, a US District Court upheld the IRS's position that interest related to loans on COLI policies was not deductible for income tax purposes. This issue has wide spread implications to numerous corporations, including Sonoco, and its ultimate resolution is unknown. Given the unfavorable rulings in the two cases that have been litigated, the Company recorded an additional $12 million of income tax expense in the fourth quarter of 2000. Management believes that the existing accruals are adequate to address the potential negative impact; however, we continue to monitor the issue and to reevaluate the adequacy of our accruals as the situation develops.

Our pension and post-retirement investment performance has exceeded our expected return of 9.5% over the past decade leading to $7 million of pension income in 1999. The 1999 pension asset increase became the base for pension income or expense in 2000. As we previously disclosed, pension income in 2000 increased $11 million to $18 million. This performance moved our returns out of the top side of the corridor where amortization of assets above the corridor is required. Based on the lower investment returns in 2000, which become the base for 2001, pension income will decline by $12 million due to investment losses of approximately 7% (most of which occurred in the fourth quarter of 2000), which is in line with total returns for the market. Our pension plan is now back in the corridor so the volatility experienced should lessen in future years. This $12 million negative will be reported in earnings in 2001. The change simply reflects the ups and downs of the stock market in 1999 and 2000.

C. D. Spangler, Jr., Charlotte, N.C., has resigned from the Company's Board of Directors for personal reasons. His vacancy is expected to be filled by the Board of Directors at its next regular meeting on February 7.

Conference Call

Sonoco will host its regular quarterly conference call concerning current quarter earnings results on Wednesday, January 31, at 2:00 p.m. EST. The conference call can be accessed in a "listen only" mode via Internet at http://www.videonewswire.com/SONOCO/01/31/01/. A replay will be available through Sonoco's web site (www.sonoco.com) Investor Information section for 90 days after the conference.

Sonoco, founded in 1899, is a $2.7 billion manufacturer of industrial and consumer packaging products and provider of packaging services, with 275 operations in 33 countries serving customers in some 85 nations.

Cautionary Statements

Statements included herein that are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on current expectations, estimates and projections about the company's industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies and objectives concerning the company's future financial and operating performance.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. Such risks and uncertainties include, without limitation: availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; ability to maintain market share; pricing pressures and demand for products; continued strength of the company's paperboard-based tube, core and composite can operations; currency stability and the rate of growth in foreign markets; and actions of government agencies. Additional information concerning some of the factors that could cause materially different results is included in the company's reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Such reports are available from the Securities and Exchange Commission's public reference facilities and its Internet website or from the Company's investor relations department.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars and shares in thousands except per share)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Sales	$669,039	$754,474	$2,711,493	$2,546,734
Cost of sales	518,981	585,002	2,107,395	1,953,605
Selling, general and administrative expenses	66,354	76,475	272,150	259,917
One-time non-operational items*	44	--	5,543	(3,500)
Income before interest and taxes	83,660	92,997	326,405	336,712
Interest expense	(13,895)	(15,236)	(59,604)	(52,466)
Interest income	1,367	1,274	3,794	5,314
Income before income taxes	71,132	79,035	270,595	289,560
Provision for income taxes**	36,203	29,877	111,999	108,585
Income before equity in earnings of affiliates/ Minority interest in subsidiaries	34,929	49,158	158,596	180,975
Equity in earnings of affiliates/Minority interest in subsidiaries	1,420	2,069	7,702	6,830
Net income	$36,349	$51,227	$ 166,298	$ 187,805
Average shares outstanding - diluted	99,144	102,559	99,900	102,780
Diluted earnings per share	$.37	$.50	$1.66	$1.83
Dividends per common share	$.20	$.19	$.79	$.75

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	Dec. 31, 2000	Dec. 31, 1999
Assets		
Current Assets:		

Cash and cash equivalents	$35,219	$36,515
Trade Accounts receivables	329,467	346,845
Other receivables	26,875	28,847
Inventories	267,604	248,364
Prepaid expenses and deferred taxes	36,628	62,510
	695,793	723,081
Property, plant and equipment, net	973,470	1,032,503
Cost in excess of fair value of assets purchased, net	236,733	254,580
Other assets	306,615	286,856
	$ 2,212,611	$ 2,297,020
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	$ 373,259	$ 332,034
Notes payable and current portion of long-term debt	45,556	84,597
Taxes on income	18,265	--
	437,080	416,631
Long-term debt	812,085	819,540
Postretirement benefits other than pensions	27,611	36,278
Deferred income taxes and other	136,535	123,351
Shareholders' equity	799,300	901,220
	$2,212,611	$2,297,020

* Includes executive severance charges and restructuring costs in 2000 and net gains on sales of divested businesses in 2000 and 1999.
** Includes a $12 million charge in the fourth quarter 2000 for Corporate-owned life insurance.

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Net Sales				
Industrial Packaging	$ 347,698	$ 385,198	$ 1,450,801	$1,371,925
Consumer Packaging	321,341	369,276	1,260,692	1,166,136
Other*	--	--	--	8,673
Consolidated	$669,039	$754,474	$2,711,493	$2,546,734
Operating Profit				
Industrial Packaging	$ 51,602	$ 51,253	$ 213,715	$ 188,704
Consumer Packaging	32,102	41,784	118,233	144,665
Other*	--	(40)	--	(157)
Gain on sale of divested business	5,182	--	5,182	3,500
Restructuring Charges	(5,226)	--	(5,226)	--
Executive Severance Charge	--	--	(5,499)	--
Interest, net	(12,528)	(13,962)	(55,810)	(47,152)
Consolidated	$71,132	$79,035	$270,595	$289,560

*Includes net sales and operating profits of divested businesses.

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CONTACT: Allan V. Cecil, Vice President of Sonoco, 843-383-7524, or allan.cecil@sonoco.com
CAPTION: CHF012 HARRIS E. DELOACH OF SONOCO Harris E. DeLoach, Jr., 55, President and Chief Executive Officer, Sonoco.

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