



Sonoco Reports Third Quarter and Nine Months Results

October 17, 2001

HARTSVILLE, S.C., Oct. 17 /PRNewswire/ -- Sonoco (NYSE: SON) today reported earnings per diluted share, excluding one-time adjustments, of \$.41 for the third quarter of 2001, compared with \$.42 for the same period in 2000 and in line with previous Company guidance, it was announced by Harris E. DeLoach, Jr., president and chief executive officer.

(Photo: <http://www.newscom.com/cgi-bin/prnh/19991006/SNCLOGO>)

Sales for the third quarter of 2001 were \$649.3 million, versus \$677.5 million in the same period last year. Excluding one-time transactions, net income for the third quarter of 2001 was \$39.7 million, versus \$41.9 million in the third quarter of 2000. Including one-time transactions, net income for the third quarter 2001 was \$42.8 million, versus \$38.5 million in the third quarter of 2000. Including one-time adjustments, earnings per diluted share for the third quarter 2001 were \$.45. One-time items in the third quarter included a net gain of \$6.1 million from legal settlements. Free cash flow, after capital expenditures of \$20.3 million and dividends of \$19 million, for the third quarter of 2001 was \$88.6 million, versus \$52.8 million in the third quarter of last year.

For the first nine months of 2001, sales were \$1.93 billion, versus \$2.04 billion in the same period last year. The first quarter of 2000 included stronger volumes while the first nine months of 2000 reflected higher selling prices, primarily related to trade sales of recovered paper, compared with the first nine months of this year. Excluding one-time transactions, net income for the first nine months of 2001 was \$112.1 million, versus \$133.4 million in the same period last year. Including one-time transactions, net income for this year's first nine months was \$64.4 million, versus \$129.9 million in the first nine months of 2000. Free cash flow, after capital expenditures of \$74.3 million and dividends of \$57 million for this year's first nine months, was \$155.3 million, versus \$133.3 million in the same period of 2000. Free cash flow generated year-to-date was used to help fund approximately \$174 million in acquisitions.

"Sales and earnings continued to be adversely impacted by weak volume, reflecting recessionary-type general economic conditions, particularly in the nation's manufacturing sector. Company-wide volume decreases averaged approximately 4%, compared with the same period last year. This decrease resulted primarily from a 6% decline in the Company's industrial segment volume, principally in our North American engineered carriers/paper business," said DeLoach. He noted that volumes had weakened in Europe, though were still stronger than in North America. DeLoach also said that lower prices for trade sales of recovered paper had hurt third quarter results.

"Soft volumes in our engineered carriers/paper business are being driven by continuing weakness in all our industrial customer segments. We see no current signs of improvement, with volumes remaining relatively flat on a consecutive quarterly basis," stated DeLoach. "We have not yet seen any significant change since the September 11 tragedies," he added.

"For the second consecutive quarter, sales and profits improved in the Company's consumer segment. Increased sales in flexible packaging reflecting the initial impact of the previously announced \$60 million of new flexible business on an annual basis, continued increases in sales and profits from packaging services, improved profits in composite cans and in our high density film business plus the initial effect of the acquisition of Phoenix Packaging (makers of easy-open metal closures), all helped partially offset the decline in industrial volumes," stated DeLoach. He also said that the quarter was helped by the progressively positive effect from about \$10 million year-to-date of at least \$30 million expected in annualized savings from completed restructuring actions.

"While we expect these positive factors to continue in the fourth quarter, uncertainty about the general economy, the lack of any indications of improvement in industrial volumes and an apparent slowing in discretionary consumer spending for some snack-type food products cause us to estimate fourth quarter 2001 earnings per diluted share, excluding one-time items, to be in the range of \$.38 to \$.42. Last year's fourth quarter earnings were \$.47," he stated.

DeLoach said that the recently announced acquisitions of U.S. Paper Mills Corp.; Cumberland Wood Products; Phoenix Packaging Corp.; the Kaiping, China, converting facility; and the pending acquisitions of Hayes Manufacturing Group and the Hutchinson, Kan., paper mill should add approximately \$.10 in additional earnings per diluted share on an annualized basis to be phased in over the next twelve months. He noted that on an aggregate basis, the Company paid approximately one-time annual sales for these acquisitions.

"We believe these acquisitions, all of which to date have been in our larger, higher cash flow generating businesses, will further improve the Company's cost structure and ability to provide continuing strong cash flow. This will enhance additional growth, both internal and through acquisitions, in our smaller but higher growth rate packaging businesses, such as flexibles, protective and packaging services," DeLoach added. He noted that these acquisitions are expected to add approximately \$215 million in annual trade sales.

"The positive impact of these acquisitions, combined with the some \$30 million of annualized cost reductions already implemented (about one-half of which will be realized in the second half of this year, with the remainder benefiting our cost structure next year) plus additional less significant cost reductions expected in the fourth quarter of this year, will position Sonoco well for 2002," added DeLoach.

Segment Review

Consumer Packaging

The Consumer Packaging segment includes composite cans; flexible packaging (printed flexibles, high density bags and film products); and

packaging services and specialty products (supply chain management/e-marketplace, graphics management, folding cartons and paper glass covers and coasters).

Third quarter 2001 sales for the consumer segment were \$329.2 million, versus \$308.8 million in the same period last year, excluding divested operations. Operating profit for this segment, excluding divested operations, was \$29.8 million, versus \$25.8 million in the third quarter of 2000.

Sales for the first nine months in the consumer segment were \$952.3 million, versus \$921 million in the same period of 2000, excluding divested operations. Operating profit in this segment, excluding one-time charges and divested operations, was \$84.9 million, versus \$85.7 million in the same period last year.

The increase in third quarter sales was due primarily to higher revenues in packaging services and flexible packaging. The increase in profits resulted from higher sales and prices in flexible packaging; higher prices in composite cans; and a favorable cost/price relationship in high density film, along with overall higher productivity and lower fixed cost in the segment. Favorable comparisons are also expected in the consumer segment in the fourth quarter of this year.

Industrial Packaging

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

Third quarter 2001 sales for the industrial segment were \$320 million, versus \$362.5 million in the same period last year. Operating profit for the segment, excluding one-time transactions, was \$41.9 million, versus \$52.7 million in the same period last year.

Sales for the first nine months of 2001 in this segment were \$977.4 million, versus \$1.1 billion in 2000. Operating profit for the industrial segment in the first nine months of 2001 was \$124.8 million, excluding one-time transactions, versus \$162.1 million in the same period last year.

The decrease in third quarter sales and operating profits in the industrial sector was due primarily to lower volumes in the Company's engineered carriers and paper operations resulting from general economic conditions and does not reflect any net loss in market share. In addition, sales were negatively impacted by lower prices for outside sales of recovered paper. Higher year-over-year energy and benefit costs were more than offset by lower fixed cost due primarily to savings from restructuring and other cost savings programs.

Corporate

Net interest expense declined \$3.8 million quarter-over-quarter due to lower average debt levels and interest rates.

Depreciation and amortization expense for the third quarter of 2001 was \$39.8 million.

Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Wednesday, October 17 at 2:00 p.m. ET. The conference call can be accessed in a "listen only" mode via Internet <http://www.videonewswire.com/event.asp?id=1357>. A replay will be available through Sonoco's website's (www.sonoco.com) Investor Relations section for 90 days after the conference.

Sonoco, founded in 1899, is a \$2.7 billion manufacturer of industrial and consumer products and provider of packaging services, with 295 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; anticipated results of restructuring activities; ability to successfully integrate newly acquired businesses into the Company's 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		NINE MONTHS ENDED	
	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Sales	\$ 649,265	\$ 677,469	\$ 1,929,692	\$ 2,042,454
Cost of sales	514,009	529,972	1,520,792	1,588,414
Selling, general and administrative				

expenses	63,495	69,001	199,201	205,796
Other (income) expense*	(6,121)	5,499	46,207	5,499
Income before interest and taxes	77,882	72,997	163,492	242,745
Interest expense	(11,932)	(15,026)	(38,754)	(45,709)
Interest income	1,617	929	3,056	2,427
Income before income taxes	67,567	58,900	127,794	199,463
Provision for income taxes**	25,733	22,382	65,011	75,796
Income before equity in earnings of affiliates/Minority interest in subsidiaries	41,834	36,518	62,783	123,667
Equity in earnings of affiliates/Minority interest in subsidiaries	1,343	2,014	3,303	6,282
Affiliate restructuring	(353)	--	(1,658)	--
Net income	\$ 42,824	\$ 38,532	\$ 64,428	\$ 129,949
Average shares outstanding - diluted	95,994	99,630	95,705	100,150
Diluted earnings per share	\$.45	\$.39	\$.67	\$ 1.30
Dividends per common share	\$.20	\$.20	\$.60	\$.59

*2001 results include restructuring charges of \$111 and \$46,433 for the three months and nine months ended September 30, 2001, respectively. In addition, 2001 includes net gains from legal settlements and corporate-owned life insurance adjustments of \$6,232 and \$226 for the three and nine months ended September 30, 2001, respectively. 2000 results include executive severance agreement adjustments.

**Includes \$11,300 tax expense related to the surrender of corporate-owned life insurance policies for the nine months ended September 30, 2001.

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

	September 30, 2001	December 31, 2000
Assets		
Current Assets:		
Cash and cash equivalents	\$ 36,798	\$ 35,219
Trade Accounts receivables	326,444	329,467
Other receivables	27,309	26,875
Inventories	264,399	267,604
Prepaid expenses and deferred taxes	39,778	36,628
	694,728	695,793
Property, plant and equipment, net	997,853	973,470
Cost in excess of fair value of assets purchased, net	330,979	236,733
Other assets	300,793	306,615
	\$ 2,324,353	\$ 2,212,611
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	\$ 418,107	\$ 373,259
Notes payable and current portion of		

long-term debt	36,684	45,556
Taxes on income	57,581	18,265
	512,372	437,080
Long-term debt	831,708	812,085
Postretirement benefits other than pensions	34,930	27,611
Deferred income taxes and other	138,741	134,364
Shareholders' equity	806,602	801,471
	\$ 2,324,353	\$ 2,212,611

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Net Sales				
Industrial				
Packaging	\$ 320,046	\$ 362,452	\$ 977,357	\$ 1,103,103
Consumer Packaging	329,219	308,777	952,335	921,048
Other*	--	6,240	--	18,303
Total Consumer	329,219	315,017	952,335	939,351
Consolidated	\$ 649,265	\$ 677,469	\$ 1,929,692	\$ 2,042,454
Operating Profit				
Industrial				
Packaging	\$ 41,946	\$ 52,677	\$ 124,823	\$ 162,113
Consumer Packaging	29,815	25,754	84,876	85,653
Other*		65		478
One-time non-operational items**	6,121	(5,499)	(46,207)	(5,499)
Interest, net	(10,315)	(14,097)	(35,698)	(43,282)
Consolidated	\$ 67,567	\$ 58,900	\$ 127,794	\$ 199,463

* Includes net sales and operating profits of divested businesses.

** Includes restructuring charges, net gains from legal settlements and corporate-owned life insurance adjustments in 2001 and executive severance agreements in 2000.

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