Sonoco Reports Fourth Quarter and Twelve Months Earnings

January 30, 2002

HARTSVILLE, S.C., Jan. 30 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON) today reported fourth quarter earnings per diluted share, excluding one-time items, of $.38, compared with $.47 for the same period in 2000, it was announced by Harris E. DeLoach, Jr., president and chief executive officer. These results were within the Company's previously announced guidelines. Including one-time items, which are summarized in a note to the Condensed Consolidated Statements of Operations, earnings per diluted share for the fourth quarter 2001 were $.28, versus $.37 for the same period in 2000.

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Sales for the fourth quarter of 2001 were $676.6 million, versus $669 million for the same period in 2000. Excluding one-time items, net income for the fourth quarter of 2001 was $36.5 million, versus $46.3 million in the fourth quarter of 2000. Including one-time transactions, net income for the fourth quarter of 2001 was $27.2 million, versus $36.3 million in the fourth quarter of 2000.

Free cash flow, after capital expenditures of $27.5 million and dividends of $19.1 million, for the fourth quarter of 2001 was $31.1 million, versus $33.3 million in the fourth quarter of 2000. These funds were primarily used for acquisitions completed during the quarter.

For the twelve months ending December 31, 2001, earnings per diluted share, excluding one-time transactions, were $1.55, versus $1.80 in 2000. Including one-time transactions, earnings per diluted share in 2001 were $.96, versus $1.66 in 2000. Sales for 2001 were $2.61 billion, versus $2.71 billion in 2000. The first quarter of 2000 included stronger volumes, while the full year 2000 also had higher selling prices, primarily related to trade sales of recovered paper, compared with 2001. Excluding one-time transactions, net income for the year 2001 was $148.6 million, versus $179.7 million for 2000. Including one-time transactions, net income for the full year 2001 was $91.6 million, versus $166.3 million in 2000. Free cash flow for the full year 2001, after capital expenditures of $101.8 million and dividends of $76.1 million, was $186.4 million, versus $166.6 million for the year 2000. Free cash flow generated during 2001 was used to help fund the cash purchase of seven key acquisitions amounting to approximately $260 million.

"In our industrial segment, sales and earnings continued to be hurt by weak volumes resulting primarily from the general economic recession and lower average prices. These conditions actually began affecting the industrial sector of Sonoco in the second quarter of 2000 and intensified significantly in late spring of 2001. However, our volume decline stabilized shortly thereafter and remained fairly flat until December, when volumes across most of our businesses weakened further. Company-wide volume decreases in the fourth quarter averaged approximately 5 percent, compared with the same period in 2000. The fourth quarter decrease resulted primarily from a 7 percent volume decline in the Company's industrial segment, principally in our engineered carriers/paper business, as many industrial customers took downtime and reduced inventories prior to year-end. Our paper operations experienced 456 machine days of downtime in the fourth quarter, including 279 days in December alone, the most severe curtailment in at least a decade," stated DeLoach.

"Should volumes improve early in the first quarter, it will be difficult to determine whether it is a result of inventory replenishment or a true beginning of a general economic improvement. While we have seen improvement over December levels, we have not seen significant improvement in the early weeks of January over those in October and November," said DeLoach. He observed that volumes and prices had also weakened in Europe during the fourth quarter but were still somewhat stronger than in North America.

DeLoach said that lower volumes in protective reels, primarily reflecting over-capacity in the fiber optics industry, and continued lower prices for trade sales of recovered paper also hurt fourth quarter results. He noted that prices for OCC (old corrugated containers), the Company's principal raw material, have remained near the $40 per ton level for about 11 months.

"In our consumer sector, sales and operating profits improved year-over- year for the third consecutive quarter, helped primarily by good performance from the acquisition of Phoenix Packaging in the third quarter of 2001 plus several new business initiatives, including the association with Hewlett-Packard to manage its inkjet printer products packaging center, the new strategic supplier alliance agreement with Kraft Foods North America and the initial impact of some $60 million in new flexible packaging contracts," stated DeLoach.

"Also helping offset the recession-driven industrial volume declines was some $17 million of savings from restructuring actions in 2001. An additional $31 million in annualized restructuring savings will be phased in during 2002," added DeLoach.

Commenting on the outlook for 2002, DeLoach said that he expected continued strong free cash flow. The Company anticipates generating approximately $800 million to $900 million of free cash flow over the next five years.

"We plan to continue to utilize our cash flow to seek additional acquisition opportunities in our five growth businesses -- global engineered carriers/paper, global composite cans, flexible packaging, protective packaging and packaging services," said DeLoach.

"In 2001, Sonoco made seven key acquisitions that should add approximately $250 million in annual sales. All have been accretive in the first year and should meet our cost of capital within the next five years, the same criteria we will apply to future acquisitions. Based on current economic conditions, we expect these seven acquisitions to add about $.10 in additional annualized earnings per share in 2002," he stated. "Of course, we also plan to use our cash flow to continue paying dividends, which we have done since 1925; to maintain our "A" credit rating; and to repurchase stock, when

appropriate," added DeLoach.

"While we expect all these factors to benefit our 2002 performance, we are mindful that we face the uncertainties of a continuing recession. We will also experience increased expense of approximately $.03 per share each quarter related to the impact of stock market performance on the value of investment earnings on assets in our pension and postretirement benefit plans," explained DeLoach.

"In light of continuing weak business conditions in our industrial sector and no tangible evidence of a quick general economic turnaround, we are lowering our previous guidance for first quarter earnings per share to $.34 to $.38, which includes the impact of the required elimination of goodwill amortization and increased pension and postretirement expense. We are still evaluating the full implication of adopting the new accounting standards on Goodwill and Other Intangible Assets and will be disclosing any impact from adoption in 2002. This is not expected to affect our earnings guidance," he stated.

"I am bullish about our ability to benefit significantly when a general economic recovery occurs. Our strong cash flow and "A" credit rating will permit us to continue to take advantage of further consolidation opportunities. My confidence is bolstered by our $48 million in annualized restructuring savings and continuing efforts in 2002 to ensure that cost structure is in line with our sales and earnings performance; the additional sales and earnings expected from the seven principal acquisitions in 2001; the full impact of our new flexible packaging contracts; and our intensified focus on determining and meeting customer and market needs with new products and services developed with increased funding for research and development. These factors, coupled with historically low inventories in much of our industrial customer base, positions Sonoco well to profit from improved economic conditions," concluded 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).

Fourth quarter 2001 sales for the consumer segment were $344 million, versus $314.4 million in the same period for 2000, excluding divested operations. Operating profit for this segment, excluding one-time charges and divested operations, was $32.5 million, versus $31.8 million in the fourth quarter of 2000.

Sales for the full year 2001 in the consumer segment were $1.30 billion, versus $1.24 billion in 2000, excluding divested operations. Operating profit for the full year 2001, excluding one-time charges and divested operations, was $117.4 million, versus $117.3 million in 2000.

The increase in fourth quarter sales was due primarily to higher revenues from packaging services and the acquisition of Phoenix Packaging Corp. The increase in profits resulted primarily from the addition of Phoenix Packaging, savings from restructuring actions and higher productivity in all operations.

Acquisitions made during 2001 in the Consumer Segment included Phoenix Packaging Corp, which manufactures easy-open steel closures, and the composite can business of Hayes Manufacturing Group.

Industrial Packaging

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

Fourth quarter 2001 sales for the industrial segment were $332.6 million, versus $347.7 million in the same period in the year 2000. Operating profit for the segment, excluding one-time transactions, was $35.3 million, versus $51.6 million in fourth quarter of 2000.

Sales for the full year 2001 in this segment were $1.31 billion, versus $1.45 billion in 2000. Operating profit for the industrial segment for the full year 2001 was $160.2 million, versus $213.7 million in 2000, excluding one-time transactions.

The decrease in fourth 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 recessionary general economic conditions and does not reflect any significant net loss in market share. Sales were also negatively impacted by lower prices. Operating profits benefited from savings from restructuring actions and other productivity improvement and cost-savings initiatives. Sales and earnings in this segment benefited from several acquisitions completed in the fourth quarter.

During 2001, Sonoco completed the following acquisitions within the Industrial Segment: US Paper Mills Corp and a paper mill in Hutchinson, Kan., both of which primarily produce lightweight paperboard that is used in composite cans, tubes and cores and for producing tissue and towel coreboard; Hayes Manufacturing Group, a converting plant in Kaiping, China, and the United Kingdom based tube and core converting business of Smurfit UK Limited, all producers of paper-based tubes and cores; and Cumberland Wood Products, makers of wooden wire and cable reels.

Corporate

Depreciation and amortization expense for the fourth quarter of 2001 was $42.7 million and $158.6 million for the full year 2001. Net interest for the quarter was $12.7 million, compared with $12.5 million reported in the fourth quarter of 2000. Higher debt levels resulting from acquisition spending were offset by lower average interest rates.

Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Wednesday, January 30 at 2:00 p.m. ET. The conference call can be accessed in a "listen only" mode via the internet at http://www/videonewswire.com/event.asp?id+2842. A replay will be available through Sonoco's website's (www.sonoco.com) Investor Information section for 90 days after the conference.

Sonoco, founded in 1899, is a $2.6 billion manufacturer of industrial and consumer products and provider of packaging services, with approximately 300 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		TWELVE MONTHS ENDED	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
Sales	$676,584	$669,039	$2,606,276	$2,711,493
Cost of sales	541,054	518,981	2,061,846	2,107,395
Selling, general and administrative expenses	67,707	66,354	266,908	272,150
Other expense*	7,117	44	53,324	5,543
Income before interest and taxes	60,706	83,660	224,198	326,405
Interest expense	(13,463)	(13,895)	(52,217)	(59,604)
Interest income	744	1,367	3,800	3,794
Income before income taxes	47,987	71,132	175,781	270,595
Provision for income taxes*	17,947	36,203	82,958	111,999
Income before equity in earnings of affiliates/ Minority interest in subsidiaries	30,040	34,929	92,823	158,596
Equity in earnings of affiliates/Minority interest in subsidiaries	2,074	1,420	5,377	7,702
Affiliate restructuring	(4,933)	--	(6,591)	--
Net income	$27,181	$36,349	$91,609	$166,298
Average shares outstanding - diluted	96,111	99,144	95,807	99,900
Diluted earnings per share	$.28	$.37	$.96	$ 1.66
Dividends per common share	$.20	$.20	$.80	$.79

*Reconciliation of Net income, excluding one-time items to Net income as reported (unaudited):

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	December 31,	December 31,	December 31,	December 31,

	2001	2000	2001	2000
Net income, excluding one-time items	$36,550	$46,312	$148,603	$179,670
Add (subtract) one-time items:				
Restructuring charges	(7,117)	(5,226)	(53,550)	(5,226)
Gain on sale of divested businesses and net legal settlement	--	5,182	7,252	5,182
Executive severance agreements	--	--	--	(5,499)
Corporate-owned life insurance adjustments	--	--	(7,026)	--
Total pre-tax one-time items	(7,117)	(44)	(53,324)	(5,543)
Tax impact of adjustments	2,681	2,081	14,216	4,171
Corporate-owned life insurance tax expense	--	(12,000)	(11,295)	(12,000)
Affiliate restructuring, net of tax	(4,933)	--	(6,591)	--
Net income as reported	$27,181	$36,349	$ 91,609	$166,298

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

	December 31, 2001	December 31, 2000
Assets		
Current Assets:		
Cash and cash equivalents	$36,130	$35,219
Trade Accounts receivables	289,323	329,467
Other receivables	30,828	26,875
Inventories	261,721	267,604
Prepaid expenses and deferred taxes	47,167	36,628
	665,169	695,793
Property, plant and equipment, net	1,006,981	973,470
Cost in excess of fair value of assets purchased, net	359,713	236,733
Other assets	318,371	306,615
	$2,350,234	$2,212,611
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	$400,259	$373,259
Notes payable and current portion of long-term debt	35,849	45,556
Taxes on income	22,199	18,265
	458,307	437,080
Long-term debt	885,961	812,085
Postretirement benefits other than pensions	33,224	27,611
Deferred income taxes and other	168,620	134,364
Shareholders' equity	804,122	801,471
	$2,350,234	$2,212,611

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000

Net Sales				
Industrial Packaging	$332,600	$347,698	$1,309,957	$1,450,801
Consumer Packaging	343,984	314,438	1,296,319	1,235,486
Other*	--	6,903	--	25,206
Total Consumer	343,984	321,341	1,296,319	1,260,692
Consolidated	$676,584	$669,039	$2,606,276	$2,711,493
Operating Profit				
Industrial Packaging	$35,338	$51,602	$160,161	$213,715
Consumer Packaging	32,485	31,798	117,361	117,305
Restructuring Charges**	(7,117)	(5,226)	(53,550)	(5,226)
Other***	--	5,486	226	611
Interest, net	(12,719)	(12,528)	(48,417)	(55,810)
Consolidated	$47,987	$71,132	$175,781	$270,595

* Includes net sales of divested businesses.

** Restructuring charges in the industrial segment were ($4,193) and ($1,155) for the three months ended December 31, 2001 and 2000, respectively and ($25,554) and ($1,155) for the 12 months ended December 31, 2001 and 2000, respectively. Restructuring charges for the consumer segment were ($2,924) and ($4,071) for the three months ended December 31, 2001 and 2000, respectively and ($27,796) and ($4,071) for the 12 months ended December 31, 2001 and 2000, respectively.

*** Includes operating profit for divested businesses, net gains from legal settlements and corporate-owned life insurance adjustments in 2001 and executive severance agreements in 2000.

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