# Sonoco Reports First Quarter Earnings

April 17, 2002

HARTSVILLE, S.C., April 17 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON) today reported first quarter 2002 earnings per diluted share, excluding one-time charges, of $.36, compared with $.39 for the first quarter of 2001 and in line with the Company's public guidance, it was announced by Harris E. DeLoach, Jr., president and chief executive officer.

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

Including one-time items, which are summarized in the Condensed Consolidated Statements of Income, earnings per diluted share for the first quarter 2002 were $.35 versus $.05 for the same period in 2001.

Sales for the first quarter of 2002 were $654.2 million, versus $632.8 million for the same period in 2001. Excluding one-time items, net income for the first quarter of 2002 was $34.4 million, versus $37.3 million in the first quarter of 2001. Including one-time items, net income for the first quarter of 2002 was $33.5 million, versus $4.7 million in first quarter of 2001.

Free cash flow (before funding benefit plans of $27 million and after capital expenditures of $23 million and dividends of $19.1 million) for the first quarter of 2002 was $23.9 million, versus $28 million in the first quarter of 2001.

"We continue to be adversely impacted by weak general economic conditions, principally affecting our industrial segment, resulting in soft, though slightly improving, engineered carriers and paper volumes. Also, lower average selling prices, which historically occur at this stage in the economic cycle, are becoming an increasingly negative factor in our integrated engineered carriers/paper operations. With significant economic recovery, volume and pricing should improve. On the upside of the cycle, costs for OCC (old corrugated containers), Sonoco's principal raw material, also historically increase. While we are beginning to see some limited signs of volume improvement, we do not anticipate significant general economic recovery before the second half of the year," said DeLoach.

Overall, volumes were up 3% - 4%; however, excluding the impact of 2001 acquisitions, volumes were down 5%.

DeLoach noted that lower volumes and higher raw material costs in wire and cable reels also contributed to lower earnings for the industrial segment, and that while lower selling prices for trade sales of recovered paper hurt first quarter sales results, these lower prices constituted favorable raw material costs for the Company's paper converting operations. He further said that prices for OCC, the primary component of Sonoco's recovered paper, had remained in the $35 to $40 per ton level for about a year. However, OCC prices have recently increased modestly by about $10 per ton. Meanwhile, the Company's protective packaging operations continued their healthy growth pattern.

"In our consumer segment, sales and profits were up in the first quarter, compared with the same period last year, the fourth consecutive year-over-year increase. This improvement primarily reflects the strong performance of Sonoco's growing steel easy-open closures business purchased in late 2001; continued growth in our packaging services business, which more than doubled its year-over-year earnings; and the continued ramp up in flexible packaging operations," stated DeLoach.

Reflecting on the outlook for the remainder of 2002, DeLoach made the following observations:

"Sonoco is well positioned to consolidate our served markets, which we will continue to pursue aggressively, and to benefit from an economic upturn.

"Our North American industrial volumes are showing some limited signs of improvement, and we expect our consumer segment to continue its year-over-year improvement.

"We anticipate strong cash flow for 2002 of $165+ million and expect to generate $800 million to $900 million over the next five years.

"During 2001, some $60 million in new flexible packaging contracts were obtained, with about one-third commencing in 2001, and the remainder expected to be phased in during 2002.

"We should also realize in 2002 the remaining $31 million out of the $48 million in annualized restructuring savings identified last year.

"And, last year's seven key acquisitions, all of which are accretive and ahead of their performance, should add about $.10 in additional EPS on an annualized basis this year.

"We will also experience increased expense of approximately $.035 per share per quarter in 2002 related to the impact of stock market performance on the value of investment earnings on assets in our pension and postretirement benefit plans. These charges reflect the vagaries of the stock market; however, our pension fund remains fully funded," explained DeLoach.

"Like everyone else, we also face the uncertainty of the general economy. While our crystal ball is certainly no better than anyone else's in that regard, we do not anticipate a significant improvement in the economy before the second half. Therefore, we believe our second quarter earnings, excluding any one-time items, should be in the $.38 to $.42 range.

"Despite economic uncertainties, I am quite bullish about the Company based on actions we have taken during this economic slowdown to provide our customers with better service and new or improved products while at the same time lowering our costs and enhancing our market positions.

"When the economic upturn occurs, our lower cost structure, increased productivity, top line growth and strong cash flow should position us well to produce double-digit returns for shareholders," 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).

First quarter 2002 sales for the consumer segment were $328.5 million, versus $300.9 million in the same period for 2001. Operating profit for this segment, excluding one-time charges, was $27.6 million, versus $26.5 million in the first quarter of 2001.

Volumes in the consumer segment were up approximately 3%; however, excluding the impact of 2001 acquisitions, volumes were approximately 5% below last year's first quarter.

The increase in first quarter sales was due primarily to higher revenues from packaging services, easy-open steel closures business acquired from Phoenix Packaging in 2001 and from new flexible packaging business. The increase in profits resulted primarily from the addition of Phoenix Packaging, now known as Sonoco Phoenix; savings from restructuring actions; increased productivity; and from additional business in packaging services.

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).

First quarter 2002 sales for the industrial segment were $325.7 million, versus $331.8 million in the same period for 2001. Operating profit for the industrial segment for the first quarter 2002 was $37 million, versus $45 million in the first quarter of 2001, excluding one-time transactions.

Volumes in the industrial segment were up approximately 4%; however, excluding the impact of 2001 acquisitions, volumes were approximately 5% lower than in last year's first quarter.

First quarter sales and operating profits in the industrial sector declined from last year's first quarter due primarily to lower volumes in the Company's engineered carriers and paper operations resulting from weak general economic conditions and does not reflect any significant net loss in market share. Sales were also negatively impacted by lower average prices. Operating profits benefited from savings effected by restructuring actions and other productivity improvement and cost savings initiatives. Profits were also enhanced by continued growth in protective packaging.

Corporate

Depreciation and amortization expense for the first quarter of 2002 was $38.4 million, compared with $39 million in 2001. Net interest for the quarter was $13.1 million, compared with $13.8 million in the first quarter of 2001.

Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Wednesday, April 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=4114. A replay will be available through Sonoco's Web site'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 more than 300 operations in 32 countries serving customers in some 85 nations. For more information on the company, visit our Web site at www.sonoco.com.

Forward-looking 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. The words "estimate," "project," "intend," "expect," "believe," "anticipate," and similar expressions identify forward-looking statements. 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 Web site or from the Company's investor relations department.

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

THREE MONTHS ENDED

| | March 31, 2002 | April 1, 2001 |
|---|---|---|
| Sales | $654,236 | $632,768 |
| Cost of sales | 519,027 | 495,481 |
| Selling, general and administrative expenses | 70,613 | 68,721 |
| Other expense | 1,439 | 44,283 |
| Income before interest and taxes | 63,157 | 24,283 |
| Interest expense | (13,507) | (14,226) |
| Interest income | 427 | 475 |
| Income before income taxes | 50,077 | 10,532 |
| Provision for income taxes | 18,007 | 7,107 |
| Income before equity in earnings of affiliates/ Minority interest in subsidiaries | 32,070 | 3,425 |
| Equity in earnings of affiliates/ Minority interest in subsidiaries | 1,412 | 1,235 |
| Affiliate restructuring | 65 | - |
| Net income | $33,547 | $4,660 |
| Average shares outstanding - diluted | 96,817 | 95,405 |
| Diluted earnings per share | $.35 | $.05 |
| Dividends per common share | $.20 | $.20 |

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

| | THREE MONTHS ENDED | |
|---|---|---|
| | March 31, 2002 | April 1, 2001 |
| Net income, excluding one-time items | $34,405 | $ 37,340 |
| Add (subtract) one-time items: Restructuring charges | (1,439) | (44,283) |
| Goodwill amortization | - | (2,949) |
| Total pre-tax one-time items | (1,439) | (47,232) |
| Tax impact of adjustments | 516 | 14,552 |
| Affiliate restructuring adjustment, net of tax | 65 | - |
| Net income as reported | $33,547 | $4,660 |

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

| | March 31, 2002 | December 31, 2001 |
|---|---|---|

| | | |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | $37,213 | $36,130 |
| Trade accounts receivables | 318,138 | 289,323 |
| Other receivables | 29,783 | 30,828 |
| Inventories | 252,990 | 261,721 |
| Prepaid expenses and deferred taxes | 42,326 | 47,167 |
| 680,450 | 665,169 | |
| Property, plant and equipment, net | 992,092 | 1,008,944 |
| Cost in excess of fair value of assets purchased, net | 347,178 | 348,846 |
| Other assets | 341,200 | 329,238 |
| | $ 2,360,920 | $ 2,352,197 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Payable to suppliers and others | $ 394,832 | $ 402,222 |
| Notes payable and current portion of long-term debt | 44,754 | 35,849 |
| Taxes on income | 22,936 | 22,199 |
| | 462,522 | 460,270 |
| Long-term debt | 880,238 | 885,961 |
| Postretirement benefits other than pensions | 27,225 | 32,231 |
| Deferred income taxes and other | 168,932 | 169,613 |
| Shareholders' equity | 822,003 | 804,122 |
| | $2,360,920 | $2,352,197 |

Prior years' data has been reclassified to conform to the current year presentation.

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

| | THREE MONTHS ENDED March 31, 2002 | April 1, 2001 |
|---|---|---|
| Net Sales | | |
| Industrial Packaging | $325,697 | $331,848 |
| Consumer Packaging | 328,539 | 300,920 |
| Consolidated | $654,236 | $632,768 |
| Operating Profit* | | |
| Industrial Packaging | $36,993 | $44,979 |
| Consumer Packaging | 27,603 | 26,536 |
| Restructuring charges | (1,439) | (44,283) |
| Goodwill amortization | - | (2,949) |
| Interest, net | (13,080) | (13,751) |
| Consolidated | $50,077 | $10,532 |

* For comparative purposes, 2001 operating profit for the industrial packaging segment and the consumer packaging segment have been restated to exclude goodwill amortization.

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