Sonoco Reports Second Quarter and First Half Earnings Results

July 17, 2002

HARTSVILLE, S.C., July 17 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON) today reported earnings per diluted share, excluding one-time charges, of $.40 for the second quarter of 2002, compared with $.40 for the same period in 2001 and in line with the Company's 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 a schedule following the Condensed Consolidated Statements of Income, earnings per diluted share for the second quarter 2002 were $.39, versus $.18 for the same period in 2001.

Sales for the second quarter of 2002 were $712.4 million, versus $647.7 million for the same period in 2001. Excluding one-time items, net income for the second quarter of 2002 was $38.8 million, versus $38.7 million in the second quarter of 2001. Including one-time items, net income for the second quarter of 2002 was $37.7 million, versus $16.9 million in the second quarter of 2001. In connection with the Company's previously announced restructuring actions, $1.7 million ($1.1 million after tax) in charges were recorded during this year's second quarter, compared with $2 million ($1.3 million after tax) in last year's second quarter. (See the reconciliation of comparative net income to net income as reported on page 5).

Free cash flow (before funding for benefit plans of $4 million and after capital expenditures of $29 million and dividends of $20.2 million) for the second quarter of 2002 was $31.1 million, versus $38.7 million in the second quarter of 2001.

For the first six months of 2002, sales were $1.37 billion, versus $1.28 billion in the same period last year. Excluding one-time items, net income for the first half of 2002 was $73.2 million, versus $76.1 million for the first six months in 2001. Including one-time items, net income for the first six months of 2002 was $71.3 million, versus $21.6 million in the same period of last year.

Also for the first six months of 2002, free cash flow (before funding benefit plans of $31 million and after capital expenditures of $51.9 million and dividends of $39.3 million) was $55 million, versus $66.7 million for the same period in 2001.

"Despite continuing weak general economic conditions, sales were up 10 percent during the second quarter, compared with the same period last year, driven principally by acquisitions and increased volumes in the industrial and consumer segments. Company-wide volumes, including the impact of acquisitions completed in 2001, were up 12.7 percent, compared with the same period last year.

"Meanwhile, the Company's price/cost relationship declined further in the second quarter, principally reflecting the partial impact of approximately $30 per ton in average price increases during the quarter for OCC (old corrugated containers), Sonoco's principal raw material for its paperboard that is used primarily for conversion into engineered carriers in its industrial sector. These increases in OCC cost came on the heels of already weakening converted product pricing. In response to increases in general operating costs and increased raw material costs, the Company is aggressively instituting price increases in paperboard and converted products in the United States, Canada and Europe. Although the Company will not realize the full impact of its price increases until later this year, when fully implemented, the increases should at least offset the higher OCC costs," said DeLoach. He also noted that Sonoco's recovered paper operations, which are net sellers of OCC, experienced a significant increase in sales and earnings during the second quarter.

Results for the second quarter were negatively impacted by approximately $.02 per share (expected to total approximately $.13 for the full year) in expense related primarily to the effect of stock market performance on the value of investment earnings on assets in Sonoco's pension and postretirement benefit plans.

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

Looking forward to the last half of 2002, DeLoach said that anticipated earnings improvement from the strong sales growth in flexible packaging and continued growth in steel easy-open closures should lead to stronger earnings in the consumer segment. He also noted that increased new product development in all areas of the consumer segment is progressing rapidly.

"Based on current OCC prices and the price increases instituted by Sonoco to date, our price/cost relationship should begin to improve. Because the full impact of price increases will not be realized for the entire third quarter, earnings for the third quarter, excluding any one-time items, are expected in the $.40 to $.44 range. With the implementation of the selling price increases, continued focus on our cost structure and the anticipated volume gains as the general economy improves, Sonoco should be well positioned for a stronger fourth quarter in the range of $.45 to $.49," said DeLoach.

"We expect to generate approximately $150 million - $160 million in cash flow for 2002 and sustain significant levels over the next five years. Along with our strong balance sheet, this will allow us to continue to pursue consolidation opportunities that meet our criteria, pay down debt or repurchase stock when appropriate.

"In conclusion, although uncertainties continue about the timing and degree of general economic recovery, we remain quite bullish about the Company's positioning for growth as economic improvement occurs," stated DeLoach.

Segment Review

Consumer Packaging

The consumer packaging segment includes the following products and services: round and shaped composite cans, printed flexible packaging, metal and plastic ends and closures, high density film products, specialty packaging and packaging services.

Second quarter 2002 sales for the consumer segment were $349.6 million, versus $322.2 million in the same period for 2001. Operating profit for this segment, excluding one-time charges, was $28.7 million, versus $30.3 million in the second quarter of 2001.

Volumes in the consumer segment were up 10.9 percent, including the impact of acquisitions completed in 2001, compared with last year's second quarter.

"In the consumer sector, sales were up year-over-year in the second quarter, primarily reflecting the phasing in of some $60 million in new contracts secured during 2001 in our flexible packaging business and continued growth of our steel easy-open closures business purchased in late 2001," stated DeLoach. He said that earnings for the quarter in the consumer sector were off slightly from last year due primarily to costs associated with increased research and development spending, decreased composite can sales in certain snack food products, frozen concentrate and refrigerated dough and increased resin prices.

Industrial Packaging

The industrial packaging segment includes the following products: high performance paper, plastic and composite engineered carriers; paperboard; wood, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities.

Second quarter 2002 sales for the industrial segment were $362.8 million, versus $325.5 million in the same period for 2001. Operating profit for the industrial segment for the second quarter 2002 was $41.8 million, versus $42.1 million in the second quarter of 2001, excluding one-time transactions.

Volumes in the industrial segment were up 14.5 percent, including the impact of acquisitions completed in 2001, over last year's second quarter.

Second quarter sales in the industrial sector increased from last year's second quarter due primarily to higher volumes in the Company's engineered carriers and paper operations, reflecting modest but improving demand across most customer sectors; the positive impact of higher OCC prices on external sales of the Company's recovered paper business; and the partial impact of price increases implemented late during the second quarter. Although operating profits were slightly lower, primarily resulting from the negative impact of higher raw material (OCC) prices and the inherent lag time in recovering those costs through price increases, operating profits were enhanced by the stronger volume in the second quarter.

Corporate

Depreciation and amortization expense for the second quarter of 2002 was $40.6 million, compared with $37 million in 2001. Net interest for the quarter was $12.9 million, compared with $11.6 million in the second quarter of 2001.

In July 2002, the Company renewed its $450 million backstop credit line for commercial paper, short-term borrowing under uncommitted facilities and future liquidity needs. The credit agreement matures in July 2003 unless the Company exercises a one-year term-out option.

Operating results in the second quarter 2002 included net gains from building sales offset by costs associated with a plant shutdown.

Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Wednesday, July 17 at 2:00 p.m. ET. The conference call can be accessed in a "listen only" mode via Internet at http//www.firstcallevents.com/service/ajwz361908979gf12.html. 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 website 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		SIX MONTHS ENDED	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Sales	$712,354	$647,659	$1,366,590	$1,280,427
Cost of sales	567,064	511,302	1,086,091	1,006,783
Selling, general and administrative expenses	74,842	66,985	145,455	135,706
Other expense	1,715	8,045	3,154	52,328
Income before interest and taxes	68,733	61,327	131,890	85,610
Interest expense	(13,154)	(12,596)	(26,661)	(26,822)
Interest income	258	964	685	1,439
Income before income taxes	55,837	49,695	105,914	60,227
Provision for income taxes	20,090	32,171	38,097	39,278
Income before equity in earnings of affiliates/Minority interest in subsidiaries	35,747	17,524	67,817	20,949
Equity in earnings of affiliates/Minority interest in subsidiaries	1,980	726	3,392	1,961
Affiliate restructuring	--	(1,306)	65	(1,306)
Net income	$37,727	$16,944	$71,274	$21,604
Average shares outstanding - diluted	97,775	95,716	97,298	95,560
Diluted earnings per share	$.39	$.18	$.73	$.23
Dividends per common share	$.21	$.20	$.41	$.40

Reconciliation of comparative net income to net income as reported (Unaudited):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Comparative net income	$38,824	$38,712	$73,228	$76,077
Add (subtract) adjustments:				
Restructuring charges	(1,715)	(2,041)	(3,154)	(46,324)
Corporate-owned life insurance adjustments	--	(6,004)	--	(6,004)
Adjustments to other expense	(1,715)	(8,045)	(3,154)	(52,328)
Goodwill amortization	--	(3,019)	--	(6,014)
Total pre-tax adjustments	(1,715)	(11,064)	(3,154)	(58,342)
Tax impact of adjustments	618	1,898	1,135	16,471
Corporate-owned life insurance tax expense	--	(11,296)	--	(11,296)
Affiliate restructuring adjustment, net of tax	--	(1,306)	65	(1,306)

Net income as reported	$37,727	$16,944	$71,274	$21,604

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

	June 30, 2002	December 31, 2001
Current Assets:		
Cash and cash equivalents	$40,326	$36,130
Trade Accounts receivables	337,349	289,323
Other receivables	33,143	30,828
Inventories	252,246	261,721
Prepaid expenses and deferred taxes	49,624	47,167
	712,688	665,169
Property, plant and equipment, net	982,921	1,008,944
Cost in excess of fair value of assets purchased, net	352,796	348,846
Other assets	345,048	329,238
	$2,393,453	$2,352,197
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	$425,312	$402,222
Notes payable and current portion of long-term debt	42,662	35,849
Taxes on income	12,446	22,199
	480,420	460,270
Long-term debt	847,255	885,961
Postretirement benefits other than pensions	30,511	32,231
Deferred income taxes and other	169,937	169,613
Shareholders' equity	865,330	804,122
	$2,393,453	$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		SIX MONTHS ENDED	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Net Sales				
Industrial Packaging	$362,802	$325,463	$688,499	$657,311
Consumer Packaging	349,552	322,196	678,091	623,116
Consolidated	$712,354	$647,659	$1,366,590	$1,280,427
Operating Profit*				
Industrial Packaging	$41,775	$42,062	$ 78,768	$87,153
Consumer Packaging	28,673	30,329	56,276	56,799
Restructuring charges	(1,715)	(2,041)	(3,154)	(46,324)
Goodwill amortization	--	(3,019)	--	(6,014)
Corporate-owned life insurance adjustments	--	(6,004)	--	(6,004)
Interest, net	(12,896)	(11,632)	(25,976)	(25,383)
Consolidated	$55,837	$49,695	$105,914	$60,227

*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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