Sonoco Announces Lower Third and Fourth Quarter Earnings Estimates

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HARTSVILLE, S.C., Sept. 12 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON), the global packaging company, today lowered its third quarter earnings guidance to $.31 to $.35 from $.40 to $.44 and its fourth quarter estimates from $.45 to $.49 to $.35 to $.39, excluding one-time charges, it was announced by Harris E. DeLoach, Jr., president and chief executive officer.

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"This reduction in our estimates for the third and fourth quarters principally reflects a delay in the recovery of increased costs for old corrugated containers (OCC), the Company's primary raw material," said DeLoach. He noted that sales for the third quarter are expected to be improved year-over-year in the industrial and consumer segments.

"Historically, the Company has at least fully recovered increased OCC costs through price increases for its paperboard-based converted products, principally engineered carriers (tubes and cores) serving the industrial sector. A six to eight week delay in recovery of each OCC price increase is normal, with the Company experiencing margin expansion when OCC prices begin to fall.

"While we expect a full recovery and a positive price/cost relationship in the fourth quarter, cost recovery during this cycle has been elongated. Normally, significant increases in OCC prices are driven by demand based on underlying general economic strength. In this cycle, however, significant general economic improvement was not the principal factor. Rather, OCC price increases were driven by a combination of short-term factors, including historically low customer inventories of OCC, a slack collection time of year, non-sustainable export activity and linerboard market improvement based substantially on low inventories rather than on demand from an improving economy. This environment caused a lengthier than normal price/cost recovery period," said DeLoach.

OCC prices began increasing in April 2002 when they rose from $35 to $45 per ton. In May, they increased to $60, in June to $90 and in July to $130, but then dropped to $100 in August and to $75 in September. In May, Sonoco announced paperboard price increases in the U.S. and Canada and price increases for its converted products (tubes and cores) in Europe and the U.S. and Canada. In June, the Company announced a paperboard price increase in Europe and in July announced a second price increase for tubes and cores in Europe and a second paperboard price increase in the U.S. and Canada.

Sonoco is fully integrated in its paper-based products. It maintains collection centers for OCC that it used to produce paperboard which is then converted to tubes and cores, as well as composite cans and protective packaging. The Company is also a net seller of OCC, which provides a partial offset to rising OCC prices.

DeLoach also noted that earnings results for the third and fourth quarters are expected to be negatively impacted by operating costs associated primarily with the start-up of significant new equipment in its flexible and metal ends businesses, plus continued economic softness in several business sectors.

"While somewhat bearish about an immediate improvement in the general economy, I am quite bullish about Sonoco's prospects. Our dividend yield is about 3.5% versus a national average of about l.5%; our free cash flow remains strong, estimated to be in the $150 million to $160 million range in 2002, before $27 million in pension and 401K contributions, and after an estimated $100 million in capital expenditures; and we expect to have realized some $44 million in cost savings over 2001 and 2002 from restructuring actions, with additional restructuring continuing.

"In addition, seven acquisitions made in 2001 should add about $250 million in annualized sales, with all acquisitions already accretive. And, some $60 million in new flexible contracts are ramping up.

"We believe we are well positioned to take advantage of additional consolidation activities and to benefit significantly from a general economic upturn, particularly in our industrial sector," stated DeLoach.

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.

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. Information about the Company is available on its web site at www.sonoco.com.

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