



Sonoco Reports Fourth Quarter and Twelve Months Earnings

January 29, 2003

HARTSVILLE, S.C., Jan. 29 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON), the global packaging company, today reported earnings per diluted share for the fourth quarter 2002 of \$.36, versus \$.28 for the same period in 2001. Comparative (excluding one-time items and 2001 goodwill amortization) earnings per diluted share for the fourth quarter of 2002 were \$.38, versus \$.42 for the same period in 2001, it was announced by Harris E. DeLoach, Jr., president and chief executive officer. These results are in line with the Company's previous guidance.

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

Sales for the fourth quarter of 2002 were \$728.2 million, versus \$676.6 million for the same period in 2001. Net income for the fourth quarter of 2002 was \$34.8 million, versus \$27.2 million in the fourth quarter of 2001. Comparative net income for the fourth quarter of 2002 was \$36.8 million, versus \$40.1 million in the fourth quarter of 2001. In connection with the Company's previously announced restructuring actions, \$3 million (\$2 million after-tax) in charges were recorded during this year's fourth quarter, primarily severance costs related to the announced closings of certain composite can facilities. (See the Reconciliation of Comparative Net Income schedule following the Condensed Consolidated Statements of Income later in this release).

Free cash flow (which is defined as cash flow from operations before funding for benefit plans of \$76.1 million but after capital expenditures of \$40.1 million and dividends of \$20.2 million) for the fourth quarter of 2002 was \$72.7 million, versus \$46.3 million in the fourth quarter of 2001. As a result of declines in the market performance of U.S. pension plan assets, coupled with lower interest rates, the Company projected that U.S. pension liabilities would exceed U.S. pension fund assets for year-end accounting purposes. Consequently, the Company elected to fund its U.S. pension plan by approximately \$76 million late in the fourth quarter of 2002, leaving the plan in a slightly over-funded position at year end. There were no requirements under ERISA to fund the plan until 2004, and the Company views this additional funding as a pre-payment of future funding requirements.

For the twelve months ending December 31, 2002, earnings per diluted share were \$1.39, versus \$.96 for the full year 2001. Comparative earnings per diluted share for the full year 2002 were \$1.48, compared with \$1.65 for 2001. Sales for the full year 2002 were \$2.81 billion, versus \$2.61 billion in 2001. The increase primarily reflects the full-year impact of acquisitions made in 2001 and, to a lesser extent, additional volume in the consumer segment. Volume improvement in the industrial segment was largely offset by lower pricing. Net income for 2002 was \$135.3 million, versus \$91.6 million in 2001. Comparative net income for 2002 was \$143.3 million, versus \$157.7 million in 2001.

For the twelve months ending December 31, 2002, free cash flow (which is defined as cash flow from operations before funding benefit plans of \$119.4 million but after capital expenditures of \$124.2 million and dividends of \$79.8 million) was \$186.7 million, versus \$203.8 million in 2001.

"Sales for the fourth quarter increased 7.6 percent, compared with the same period last year, despite a continuing anemic general economy. The increase resulted primarily from the impact of acquisitions and volume increases in the engineered carriers and paper operations in the industrial segment, and from increased volumes in the consumer segment. Company-wide volumes were up 6.3 percent, compared with the same period in 2001," stated DeLoach.

He said that fourth quarter earnings were hurt by higher costs for old corrugated containers (OCC), the Company's primary raw material. OCC costs per ton in the United States increased significantly beginning in April 2002 from \$35 to a high in July of \$130. Due to a lack of underlying demand, OCC prices dropped to \$100 in August, to \$75 in September and to \$50 in December. As a result of the rapid decline in OCC prices, the Company was only able to implement one converted products (tubes and cores) price increase during the cycle that, coupled with the competitive market environment and inherent lag time in recovering higher costs, prevented the Company's selling price increases from being able to cover the net year-over-year change in OCC costs until late in the fourth quarter.

DeLoach also said that earnings results for the fourth quarter were adversely impacted by operating issues in flexible packaging and by continued weak volumes in several businesses related to the weak general economy. Results for the fourth quarter were also hurt by approximately \$.03 per share in higher pension and postretirement expense resulting primarily from the effect of lower investment earnings on assets in Sonoco's pension and postretirement benefit plans. This expense impacted earnings per diluted share by \$.13 for the full year. DeLoach said the Company expects 2003 earnings to be reduced by an incremental increase of approximately \$.22 per diluted share based on the value of pension and postretirement benefit assets as of year-end 2002. In addition, earnings results for the fourth quarter were positively affected by receipt of patent rights fees in the consumer segment.

"Our objective over the next four years is to grow annual sales to \$4 billion, with half generated through a more urgent sense of new product development, geographical expansions, enhanced customer service and overall added customer value that earns greater price consideration. The other half of our sales growth must come from acquisitions complimentary to our existing portfolio of businesses and technologies," stated DeLoach. He emphasized that while Sonoco's number of acquisitions declined from 2001, that is simply an issue of timing and that the Company remains aggressively engaged in seeking appropriate acquisitions.

"We expect to drive our growth through continued strong cash flow production near current levels and by maintaining our historically strong balance sheet. Free cash flow, after dividends and capital expenditures, should be in the range of \$140 million to \$160 million annually over the next four years. Our annual capital expenditures should range between \$125 million and \$150 million over the same period," DeLoach said.

"Our goal is to convert this sales growth into average annual double-digit total returns to shareholders," he stated. He noted that dividends have been

and will remain an important piece of the Company's total return equation. Sonoco has paid consecutive dividends since 1925, which have a current yield of approximately 3.5 percent and have grown at a 30-year compound average growth rate of over 10 percent.

DeLoach explained that to protect its cash flow, particularly in today's difficult pricing environment, the Company is committed to attaining low-cost producer status through continued productivity improvements, structural cost reductions and increased capital effectiveness. "We expect productivity improvements in 2003 between \$40 million and \$50 million, and since early 2001 to date, we have identified more than \$50 million of structural cost reductions, resulting in part from over 1,000 positions eliminated and 14 plants closed. During 2002, the Company improved its net working capital (defined as current assets less current liabilities) by \$30.5 million or 14.9 percent," added DeLoach.

"While the Company is exceptionally well positioned to benefit from a general economic recovery, we do not see evidence of significant economic improvement prior to the second half of 2003. Therefore, we expect first quarter earnings per share in the range of \$.30 to \$.34, including the impact of increased pension and postretirement expense," stated DeLoach.

Segment Review

Consumer Packaging

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

Fourth quarter 2002 sales for the consumer segment were \$368 million, versus \$344 million in the same period of 2001. Operating profit was \$28.9 million in the fourth quarter of 2002, compared with \$33.5 million in the same period of 2001. The fourth quarter of 2002 included fees received of \$2.3 million (\$1.5 million after tax) related to past use of patents. Future amounts to be recognized will not be significant on an annual basis.

"In the consumer sector, sales were up year-over-year in the fourth quarter, primarily reflecting increased volume in flexible packaging, steel easy-open closures and packaging services. Volumes in the consumer sector were up 7 percent, compared with last year's fourth quarter. Operating profits for the fourth quarter in the consumer sector declined from the same period in 2001 primarily because of the previously referenced operating issues in flexible packaging, increased pension expense, unfavorable mix of lower margin business in flexible packaging and higher raw material costs in composite cans and high density film operations," added DeLoach.

Industrial Packaging

The industrial packaging segment includes the following products and services: 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.

Fourth quarter 2002 sales for the industrial segment were \$360.2 million, versus \$332.6 million in the same period in 2001. Fourth quarter operating profit was \$36.4 million, compared with \$37.5 million in the same period of 2001.

"Fourth quarter sales in the industrial sector increased over the fourth quarter of 2001 primarily because of the impact of higher OCC prices on external sales of recovered paper and due to higher volumes in the Company's engineered carriers and paper operations, resulting from acquisitions and organic growth. Volumes in the industrial segment were up 5.5 percent over last year's fourth quarter. Operating profits were flat, reflecting the favorable impact of increased OCC prices on recovered paper sales, acquisitions and productivity improvements, offset by the unfavorable impact of higher OCC costs on Sonoco's engineered carriers and paper operations, continued weakness in the Company's molded plastics business, and higher pension cost," said DeLoach.

Corporate

Depreciation and amortization expense for the fourth quarter of 2002 was \$41.1 million, compared with \$42.7 million in 2001. Total debt decreased \$89.7 million to \$832.1 million at December 31, 2002, from \$921.8 million at year-end 2001. Net interest expense was \$12.9 million in the fourth quarter of 2002, versus \$12.7 million in the same period in 2001. Net interest expense was slightly higher in this year's fourth quarter as a result of lower interest income and a higher average interest rate, primarily associated with fixed rate debt securities issued in the fourth quarter of 2001, partially offset by lower average debt levels.

The effective tax rate for the three-month and twelve-month periods ending December 31, 2002, was 34.4 percent and 35.6 percent, compared with 37.4 percent and 47.2 percent, respectively, for the same periods last year. Excluding the impact of corporate-owned life insurance charges and certain non-deductible foreign restructuring charges, the 2001 effective tax rate would have been 37.5 percent for both periods. Additionally, the decrease in the effective tax rate for the fourth quarter and full year 2002, compared with the same periods in 2001, is partially due to nondeductible goodwill amortization no longer being reported as an expense under generally accepted accounting principles in the United States (U.S. GAAP).

Sonoco's historical emphasis on safety resulted in a record low total incident rate per 100 employees of 1.19, a 20 percent reduction from 2001. Fifty-three fewer employees were injured in 2002 than in 2001, which previously held the record for fewest injuries.

Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Wednesday, January 29, 2003, at 2:00 p.m. ET. The conference call can be accessed in a "listen only" mode via the Internet at <http://www.firstcallevnts.com/service/ajwz371873067gf12.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 \$2.8 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 about the Company, visit the Sonoco 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," "objective," "goal," and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs, adequacy of income tax provisions, refinancing of debt, adequacy of cash flows, effects of acquisitions and dispositions, and financial strategies and the results expected from them. Such forward-looking statements are based on current expectations, estimates and projections about our 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 our 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 our paperboard-based engineered carrier and composite can operations; anticipated results of restructuring activities; resolution of income tax contingencies; ability to successfully integrate newly acquired businesses into the Company's operations; currency stability and the rate of growth in foreign markets; actions of government agencies; and loss of consumer confidence and economic disruptions resulting from terrorist activities.

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		TWELVE MONTHS ENDED	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Sales	\$728,170	\$676,584	\$2,812,150	\$2,606,276
Cost of sales	591,610	541,054	2,259,790	2,061,846
Selling, general and administrative expenses	71,272	67,707	288,673	266,908
Other expense (income)	3,047	7,117	12,647	53,324
Income before interest and taxes	62,241	60,706	251,040	224,198
Interest expense	(13,428)	(13,463)	(54,196)	(52,217)
Interest income	511	744	1,649	3,800
Income before income taxes	49,324	47,987	198,493	175,781
Provision for income taxes	16,945	17,947	70,614	82,958
Income before equity in earnings of affiliates/ Minority interest in subsidiaries	32,379	30,040	127,879	92,823
Equity in earnings of affiliates/Minority interest in subsidiaries	2,459	2,074	7,372	5,377
Affiliate restructuring	--	(4,933)	65	(6,591)
Net income	\$ 34,838	\$ 27,181	\$ 135,316	\$ 91,609
Average shares outstanding - diluted	96,904	96,111	97,178	95,807
Diluted earnings per share	\$.36	\$.28	\$ 1.39	\$.96
Dividends per common share	\$.21	\$.20	\$.83	\$.80

Reconciliation of Comparative Net Income to Net Income as Reported
(Unaudited):

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Comparative net income	\$36,788	\$40,057	\$143,346	\$157,695
Add (subtract) adjustments:				
Restructuring charges	(3,047)	(7,117)	(12,647)	(53,550)
Net gains from legal settlements and Corporate-owned life insurance adjustments	--	--	--	226
Goodwill amortization	--	(3,123)	--	(12,061)

Total pre-tax adjustments	(3,047)	(10,240)	(12,647)	(65,385)
Tax impact of adjustments	1,097	2,297	4,552	17,185
Corporate-owned life insurance tax expense	--	--	--	(11,295)
Affiliate restructuring adjustment, net of tax	--	(4,933)	65	(6,591)
Net income as reported	\$34,838	\$27,181	\$135,316	\$ 91,609

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

	December 31, 2002	December 31, 2001
Assets		
Current Assets:		
Cash and cash equivalents	\$ 31,405	\$ 36,130
Trade accounts receivables	313,333	289,323
Other receivables	32,724	30,828
Inventories	244,554	261,721
Prepaid expenses and deferred taxes	40,155	47,167
	662,171	665,169
Property, plant and equipment, net	975,368	1,008,944
Cost in excess of fair value of assets purchased, net	359,418	348,846
Other assets	387,804	329,238
	\$2,384,761	\$2,352,197
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	\$ 448,153	\$ 402,222
Notes payable and current portion of long-term debt	33,947	35,849
Taxes on income	5,639	22,199
	487,739	460,270
Long-term debt	798,149	885,961
Postretirement benefits other than pensions	34,711	32,231
Deferred income taxes and other	192,925	169,613
Shareholders' equity	871,237	804,122
	\$2,384,761	\$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		TWELVE MONTHS ENDED	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Net Sales				
Industrial Packaging	\$ 360,156	\$ 332,600	\$1,407,682	\$1,309,957
Consumer Packaging	368,014	343,984	1,404,468	1,296,319
Consolidated	\$ 728,170	\$ 676,584	\$2,812,150	\$2,606,276
Operating Profit*				
Industrial Packaging	\$ 36,425	\$ 37,456	\$ 151,754	\$ 168,226
Consumer Packaging	28,863	33,490	111,933	121,357
Restructuring charges	(3,047)	(7,117)	(12,647)	(53,550)

Net gains from legal settlements and Corporate-owned life insurance adjustments	--	--	--	226
Goodwill amortization	--	(3,123)	--	(12,061)
Interest, net	(12,917)	(12,719)	(52,547)	(48,417)
Consolidated	\$ 49,324	\$ 47,987	\$ 198,493	\$ 175,781

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

SOURCE Sonoco