



## Sonoco Reports Third Quarter and Nine Months Results

October 17, 2003

HARTSVILLE, S.C., Oct. 17 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON), the global packaging company, today reported earnings per diluted share for the third quarter of 2003 of \$.14, versus \$.30 for the same period in 2002. Earnings for the third quarter of 2003 included restructuring charges of \$.16 per share, compared with restructuring charges of \$.04 per share in the third quarter of 2002, it was announced by Harris E. DeLoach, Jr., president and chief executive officer.

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

In September 2003, Sonoco announced that it has entered into a definitive agreement to sell its High Density Film business. Operating results of this business have been presented for all periods as "Income from discontinued operations (net of income taxes)" in the accompanying Condensed Consolidated Statements of Income. Assets and associated liabilities are shown as "Assets held for sale" and "Liabilities associated with assets held for sale," respectively, in the Condensed Consolidated Balance Sheets. The pending sale is expected to be completed in the fourth quarter of 2003.

Sales from continuing operations for the third quarter of 2003 were \$688.1 million, versus \$686.8 million for the same period in 2002. Net income from continuing operations for the third quarter of 2003 was \$10.4 million, versus \$27 million in the third quarter of 2002. Net income from continuing operations for the third quarter of 2003 included restructuring charges of approximately \$24.2 million (\$15.6 million after tax) in connection with the Company's previously announced restructuring actions, compared with restructuring charges of \$6.3 million (\$4 million after tax) during the same period in 2002.

"Earnings results for the third quarter were negatively impacted principally by restructuring charges. During the quarter, the Company announced the reduction of approximately 340 global salaried positions and the closure of five plants expected to result in annual savings of approximately \$43 million (pretax). The Company recorded restructuring charges of approximately \$24 million (pretax) during the quarter and expects to recognize an additional cost of approximately \$17 million (pretax) in the future associated with these actions. This restructuring is part of the Company's previously announced plans to reduce its overall cost structure by an additional \$60 million (pretax) per year which has now been modified to a target of \$54 million (pretax) as a result of the expected disposition of the High Density Film business. The Company expects to announce in the fourth quarter and throughout 2004, the closing of an additional 10 to 15 plants targeted to achieve savings of approximately \$11 million (pretax) in annualized fixed cost reductions. The costs associated with the future plant closings have not yet been determined.

Also, as anticipated and previously disclosed, higher pension and postretirement costs negatively impacted the third quarter by approximately \$.04 per share, compared with the same period in 2002.

"Sales for the third quarter were basically flat, compared with the same period last year, primarily reflecting lower volumes in most of the Company's businesses, offset partially by the favorable impact of foreign exchange rates," said DeLoach.

"Third quarter volumes were down company wide by approximately two percent, versus the same period last year. Volume declines in the Company's industrial segment resulted principally from decreased demand in Sonoco's cable and wire reels business, molded plastics operations and engineered carriers and paper operations. In the consumer segment, volumes declined in the rigid paper and plastic packaging, flexible packaging and packaging services businesses," stated DeLoach.

Cash generated from operations for the third quarter was \$121.1 million, compared with \$99 million for the same period in 2002. Third quarter 2003 cash generated from operations, which included the impact of funding benefit plans of \$1.3 million, was used to reduce debt by approximately \$59.9 million, to fund capital expenditures of \$28.8 million and to pay dividends of \$20.3 million.

As a part of the routine review for asset impairment, the Company has identified a possible impairment on approximately \$20 million of operational assets in Asia and is in the process of performing an analysis to determine whether the assets are impaired and, if so, to what extent. If the Company concludes that assets are impaired, it will record an impairment provision for the excess of book value over estimated fair value of the assets. The provision, if any, would be recorded in the third quarter 2003, if known before the financial statements are filed with the SEC; otherwise, it would be recorded in the fourth quarter 2003. If fully impaired, the after-tax and after minority interest charge would be approximately \$.08 per diluted share.

For the first nine months of 2003, sales from continuing operations were \$2.03 billion, versus \$2 billion in the same period last year. Net income from continuing operations for the first nine months of 2003 was \$59.1 million, versus \$95 million in the same period of last year. Net income from continuing operations for the first nine months of 2003 included charges related to restructuring actions of \$33.1 million (\$24.1 million after tax), compared with restructuring charges of \$7.5 million (\$4.7 million after tax) during the same period in 2002.

Also for the first nine months of 2003, cash generated from operations was \$205.6 million, compared with \$214.3 million for the same period in 2002. Cash generated from operations in the first nine months of 2003, which included the impact of funding benefit plans of \$4.3 million, was used to reduce debt by approximately \$71.6 million, to fund capital expenditures of \$81.6 million and to pay dividends of \$60.8 million.

DeLoach said that in the industrial segment, Sonoco does not yet see evidence of any significant change in demand for its engineered carriers and paper markets. He noted, however, that in Sonoco's consumer segment, the Company is increasing the number of new products in its pipeline to meet customer demand, including several expected to be introduced into the market prior to year end. For example, the Company anticipates introducing the first hermetic single-wrap composite package in North America in the snack food, powdered beverage and pet food markets. Sonoco also expects

to introduce its new flexible retortable, stand-up pouch for pet food, and to expand the number of applications for its new multi-layer, high-barrier and aseptic plastic bottle, which was recently introduced regionally with a soy-based nutraceutical drink.

"In addition to further reductions in our overall cost structure, continued productivity improvements and new product development, we have reached an agreement to sell our High Density Film business which we believe will reduce our exposure to the more cyclical high density resin markets and permit us to redeploy the value of those assets into our higher growth rate core businesses. Overall, we believe we have significantly improved our already strong position to benefit from any upturn in general economic conditions that impacts the markets we serve. Based on our expectation of completing the sale of the High Density Film business in the fourth quarter, we expect our fourth quarter earnings per diluted share to be in the range of \$.80 to \$.84, including an estimated gain on disposition of the High Density Film business of \$.52 per diluted share, but not including the impact of future restructuring charges which cannot be estimated for the quarter at this time and the impact of asset impairment charges, if any, as previously discussed," DeLoach concluded.

## 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; specialty packaging; and packaging services.

Third quarter 2003 sales for the consumer segment were \$308.6 million, versus \$313.4 million in the same period for 2002. Operating profit for this segment was \$19.8 million, versus \$23.2 million in the third quarter of 2002.

Sales in the consumer segment were down year-over-year in the third quarter, primarily due to lower volumes in rigid paper and plastic packaging and flexible packaging, partially offset by higher average prices and favorable foreign exchange.

Volumes in the consumer sector were down approximately four percent, compared with last year's third quarter. Operating profit for the third quarter in the consumer segment declined from the same period last year primarily because of lower volume and increased materials costs and pension and postretirement expense, partially offset by higher average selling prices and lower costs resulting from productivity initiatives.

### Industrial Packaging

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

Third quarter 2003 sales for the industrial segment were \$379.5 million, versus \$373.4 million in the same period in 2002. Operating profit for the industrial segment for the third quarter 2003 was \$29 million, versus \$36.6 million in the third quarter of 2002.

"Third quarter sales in the industrial segment increased slightly, compared with the same period last year, as the favorable impact of foreign exchange more than offset the impact of lower volume in most of the businesses in the segment and the impact of lower selling prices in recovered paper operations, driven primarily by lower old corrugated containers prices.

"Volumes in the industrial segment were down approximately one percent over last year's third quarter. Operating profit for the segment declined, driven principally by decreased volume and higher energy and pension and postretirement costs," said DeLoach.

## Corporate

Depreciation and amortization expense for the third quarter of 2003 was \$40.8 million, compared with \$39.1 million in 2002. Net interest expense for the third quarter decreased \$1.1 million, compared with the same period in 2002 primarily due to lower average debt levels and interest rates.

The effective tax rate for the nine months ending September 28, 2003, was 38.5 percent, compared with 36 percent for the same period last year. Excluding the impact of certain non-deductible foreign restructuring charges in 2003, the effective tax rate would have been 35.2 percent.

## Conference Call

Sonoco will host its regular quarterly conference call concerning current earnings results on Friday, October 17 at 10:00 a.m. EDT. Please note this is a change from our historical reporting date and teleconference time. The conference call can be accessed in a "listen only" mode via the Internet at [www.firstcallevents.com/service/ajwz389264574qf12.html](http://www.firstcallevents.com/service/ajwz389264574qf12.html). A replay will be available through the Investor Information section of the Sonoco Web site at [www.sonoco.com](http://www.sonoco.com) for six months after the conference.

Sonoco, founded in 1899, is a global 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](http://www.sonoco.com).

## Forward-looking Statements and Other Information

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, adequacy of provisions for environmental liabilities and financial strategies and the results expected from them, and producing improvements in earnings. 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; fluctuations in obligations and earnings of pension and postretirement benefit plans;

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; use of financial instruments to hedge foreign exchange, interest rate and commodity price risk; actions of government agencies; and loss of consumer confidence and economic disruptions resulting from terrorist activities.

Information about the Company's use of non-GAAP financial measures, why management believes presentation of non-GAAP financial measures provides useful information to investors about the Company's financial condition and results of operations, and the purposes for which management uses non-GAAP financial measures is included in the Company's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission. 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 Web site, the Company's investor relations department and the Company's Web site, [www.sonoco.com](http://www.sonoco.com).

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
Sales	\$688,077	\$686,798	\$2,028,121	\$2,001,506
Cost of sales	567,662	558,558	1,660,030	1,607,210
Selling, general and administrative expenses	71,610	68,496	210,294	206,666
Restructuring	24,171	6,327	33,136	7,465
Income before interest and taxes	24,634	53,417	124,661	180,165
Interest expense	(13,141)	(14,106)	(39,850)	(40,767)
Interest income	630	453	1,586	1,138
Income before income taxes	12,123	39,764	86,397	140,536
Provision for income taxes	4,267	14,315	33,223	50,561
Income before equity in earnings of affiliates/Minority interest in subsidiaries	7,856	25,449	53,174	89,975
Equity in earnings of affiliates/ Minority interest in subsidiaries	2,487	1,521	5,811	4,913
Affiliate/Minority interest restructuring	72	--	72	65
Net income from continuing operations	10,415	26,970	59,057	94,953
Income from discontinued operations (net of income taxes)	3,285	2,234	6,472	5,525
Net Income	\$13,700	\$29,204	\$65,529	\$100,478
Average shares outstanding - diluted	97,226	97,205	97,047	97,267
Diluted earnings per share	\$.14	\$.30	\$.68	\$1.03
Dividends per common share	\$.21	\$.21	\$.63	\$.62

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)

	September 28, 2003	December 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	\$37,629	\$31,405
Trade accounts receivables	338,148	314,429
Other receivables	40,103	32,724
Inventories	246,988	244,554
Assets held for sale	75,630	--
Prepaid expenses and deferred taxes	56,962	40,155
	795,460	663,267
Property, plant and equipment, net	905,754	975,368
Goodwill	373,515	359,418
Other assets	418,572	438,386
	\$2,493,301	\$2,436,439
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	\$422,665	\$418,457
Notes payable and current portion of long-term debt	136,433	134,500
Liabilities associated with assets held for sale	20,176	--
Taxes on income	25,061	5,639
	604,335	558,596
Long-term debt	639,496	699,346
Pension and other postretirement benefits	136,943	121,176
Deferred income taxes and other	199,371	189,896
Shareholders' equity	913,156	867,425
	\$2,493,301	\$2,436,439

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

FINANCIAL SEGMENT INFORMATION (Unaudited)  
(Dollars in thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
Net Sales				
Industrial Packaging	\$379,482	\$373,439	\$1,118,051	\$1,090,049
Consumer Packaging	308,595	313,359	910,070	911,457
Net Sales	\$688,077	\$686,798	\$2,028,121	\$2,001,506
Income before Income Taxes				
Operating Profit -				
Industrial Packaging	\$28,972	\$36,563	\$92,350	\$115,344
Operating Profit -				
Consumer Packaging	19,833	23,181	65,447	72,286
Restructuring	(24,171)	(6,327)	(33,136)	(7,465)
Interest, net	(12,511)	(13,653)	(38,264)	(39,629)
Income before Income Taxes	\$12,123	\$39,764	\$86,397	\$140,536

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

Does not include the operating results of the High Density Film business, which are shown on the Condensed Consolidated Statements of Income as "Income from discontinued operations (net of income taxes)."

SOURCE Sonoco