



Sonoco CEO Outlines Strategy to Achieve Continued Double-Digit Total Returns and Announces 2005 Earnings Expectations

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NEW YORK, Dec 03, 2004 /PRNewswire-FirstCall via Comtex/ -- Sonoco (NYSE: SON) President and Chief Executive Officer, Harris E. DeLoach, Jr., today outlined the Company's strategy for providing sustainable double-digit total returns to shareholders at Sonoco's annual meeting in New York City with the investment community.

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

DeLoach said Sonoco expects to report earnings per diluted share for 2005 of \$1.75 to \$1.79, excluding the impact of future restructuring charges which cannot be estimated at this time. The estimated earnings range for 2005, which does not assume any significant change in general economic conditions that might impact the Company's operating results, would constitute a 12.2 to 14.7 percent increase over First Call's estimated 2004 earnings per diluted share of \$1.56.

Sonoco previously estimated its fourth quarter 2004 earnings per diluted share at \$.40 to \$.43, excluding any restructuring charges that cannot be estimated at this time, but including the ongoing favorable impact of the Medicare Prescription Drug legislation, which will amount to \$.02 per diluted share in the fourth quarter. "We expect earnings for the fourth quarter of 2004 to be in or at the top end of the range of its estimated earnings," said DeLoach.

CHANGES SINCE 2003

DeLoach said that since last year's meeting in New York, a number of important changes have occurred in the Company's geographical presence, portfolio and operating environment.

He noted that Sonoco has increased the number of countries in which it operates from 32 last December to 36 presently, including the addition of Sweden, Finland, Russia and Estonia, all resulting from Sonoco's new joint venture with Ahlstrom Corporation of Finland. "Our strategy is not expansion for the sake of expansion, but rather to respond to the needs of our customers and the global marketplace," said DeLoach.

He said that the Company's portfolio had changed, reflecting the divestiture in 2003 of Sonoco's High Density Film business. "This reduces our exposure to the highly cyclical high-density resin markets," added DeLoach.

"We have also seen some dramatic changes in our operating environment between 2003 and 2004. While volumes remained depressed last year, reflecting the impact of the general economic recession on the manufacturing sector, we have seen company-wide volumes increase in 2004 by 6.2 percent in the second quarter and 15 percent in the third quarter, compared with the same periods of 2003. Even excluding the impact of our CorrFlex acquisition, volumes increased 3.7 percent and 8 percent in the second and third quarters, respectively," said DeLoach.

He stated that in 2003, the Company experienced increased pricing pressure, a negative price/cost relationship, start-up costs in the Company's flexible packaging business, and increased general operating costs for raw materials, energy, and healthcare. Pension and post-retirement expense alone has negatively impacted earnings by a cumulative \$.50 per diluted share from 2000 through 2003.

"This year, we have continued to see increased costs for raw materials, primarily for old corrugated containers (OCC), the Company's primary raw material, and surcharges for steel. However, we have been able to nearly offset higher OCC costs through price increases for our tubes and cores and for trade sales of recovered paper. We expect to begin recovering increased steel costs beginning in January 2005 through contractual pass through provisions," explained DeLoach.

He noted that while energy costs have continued to increase in 2004, the Company is effectively hedging the majority of its natural gas requirements through rolling purchases of natural gas futures contracts. He said that the Company was not attempting to "outguess the market but rather to provide certainty of costs."

"As for pension and post-retirement expenses, our U.S. pension plan is fully funded. We use market-based asset valuations rather than smoothing assets like many of our peers. Consequently, we have no significant overhang looming as others might. We expect to contribute about \$25 million annually to our plans, which is about our average annual pension payment," stated DeLoach.

DeLoach pointed out that over the last few years, Sonoco had experienced operating issues in its flexible packaging business principally associated with the start-up of new equipment and the transfer of business between locations. He said that these operating issues are substantially behind the Company and that today flexible packaging sales, earnings and margins are improving and are expected to continue to do so.

He also said that while the Company's EBIT margins were down to flat during 2003, margins have improved in the second and third quarters of 2004 and are expected to continue progressing.

In a final comparison between 2003 and 2004, DeLoach noted that total productivity improvements in 2003 reached \$55 million, despite flat volume growth, and are expected to improve further for 2004.

GROWTH STRATEGY

"Our primary objective is to achieve average annual double-digit total returns for our shareholders. To meet this objective, we will build on a foundation of 104 years experience, an A-range credit rating, and consecutive quarterly dividends paid since 1925.

"We will grow our top line through acquisitions and joint ventures, new product development and geographical expansion. While we previously set in 2002 internal sales guidelines of about \$4 billion by 2006, we will likely be slightly short of that level because of the subsequent sale of our High Density Film business. However, we will continue to manage toward that objective," stated DeLoach.

ACQUISITIONS AND JOINT VENTURES

DeLoach said that the Company's criteria for acquisitions is stringent -- they should not be dilutive in their first year, they should meet Sonoco's cost of capital in the first three to four years and they should be complementary to the Company's existing businesses and technologies.

DeLoach cited the purchase of CorrFlex in May as an example of the Company's use of acquisitions for growth. "CorrFlex is one of the largest point-of-purchase and fulfillment companies, with sales of about \$190 million in 2003. The integration of CorrFlex into Sonoco has been excellent and, as expected, will be modestly accretive this year," said DeLoach. He noted that point-of-purchase is a fast growing packaging segment driven by its ability to cost effectively put consumer companies' products face-to-face with consumers in the retail environment, the time when an estimated 75 percent of buying decisions are made.

CONSUMER MARKET STRATEGY

"This acquisition further enhances our strategy of being a total solutions provider to consumer products companies. Sonoco's offerings across the packaging supply chain for consumer products companies include research, development and testing services through our consumer packaging development center. We can produce the needed package and pack it with our customer's product at the center, which includes a food fill capability. The customer is provided everything needed for fast-track market testing.

"Next, we offer brand artwork management on a global basis through our Trident subsidiary. This proprietary system helps ensure consistent reproduction of our customers' artwork, regardless of the medium used.

"We also can help ensure the highest quality printing on our customers' packaging by providing laser enhanced printing cylinders through our Keating joint venture in the U.S. and Canada.

"Sonoco also offers a full range of consumer packaging, including rigid paper and plastic, flexible packaging metal and plastic closures, and point-of-purchase displays and fulfillment services.

"And, we can provide customized packing, purchasing, inventory control and delivery of our customers' packaged products to wherever they choose," explained DeLoach.

JOINT VENTURES

"We view joint ventures much the same as acquisitions in terms of being growth vehicles. For example, we completed in November an agreement with Ahlstrom Corporation of Finland to combine our respective European paper-based tube/core and coreboard operations into a joint venture that operates as Sonoco Alcore. Sonoco holds a 64.5 percent interest and manages the venture. After an initial two and one-half year standstill agreement, Ahlstrom can 'put' its shares to Sonoco for purchase over the next three and one-half years. During the seventh year, Sonoco has the right to 'call' Ahlstrom's shares.

"This joint venture gives Sonoco access to the Scandinavian markets, where we currently have limited exposure, as well as in Eastern Europe.

"Earlier this year, we also entered into a new agreement with the majority shareholders of our joint venture partner Demolli, the largest tube and core manufacturer in Italy. Sonoco currently owns 25 percent of this joint venture. However, under this new agreement, Demolli will be able to exercise a 'put' option to require Sonoco to buy the remaining shares in Demolli that we do not currently own at any time through December 2006. And, Sonoco has a 'call' option to purchase the remaining shares from December 2006 through December 2009," said DeLoach.

GEOGRAPHICAL EXPANSION

"An important organic tool for driving sales growth is geographical expansion. In Mexico, we opened a new protective packaging facility at Saltillo to serve Mabe, a leading appliance manufacturer in Mexico. In Resende, Brazil, we opened a new steel easy-open closures operation for export globally as well as to serve the Brazilian market.

"In China, Sonoco is completing a new tube and core plant in Wujiang, a growing textile area. We recently acquired Ahlstrom Corporation's tube and core plant in Shouguang. And, we recently announced the purchase of a tube and core plant in Pinghu, one of the larger tube and core plants in China. With these additions, Sonoco will have five converting facilities and a paper mill in China, making us the largest tube and core producer in that country.

"Sonoco has opened a Pack Center for Procter & Gamble's European baby care division in Germany where we are initially packing point-of-sale displays. We have also opened a temporary Pack Center for Gillette in Poland, with the permanent site scheduled for completion in the second quarter of 2005. And, in Turkey, Sonoco is currently ramping up production at a second tube and core facility to serve this growing market," said DeLoach.

"We are also growing our top line through new product and market development. Since 2001, we have doubled our expenditures annually in this area and more than tripled the number of new patent applications during this period," stated DeLoach. He then discussed a number of examples of recent product developments and introductions.

In composite cans, he noted a tall taper version of Sonoco's SonoWrap(TM) single-wrap package produced for Percol Tea in the United Kingdom, a Sonoco LinearPak(R) for Flipz(R) chocolate-covered pretzels and a new contour rigid paper can that promises market differentiation and consumer appeal. In addition to new technologies, Sonoco's composite cans currently enjoy a significant cost advantage over all-metal containers.

DeLoach also discussed examples of new applications for Sonoco Phoenix's easy-open closures serving a variety of markets, including pet food, infant formula, soup and meat. He also introduced a new easy-open closure that can be opened by pulling the easy-open pull top closure or by using a can opener for certain customers who might have difficulty with pull-top closures.

A number of recent flexible packaging applications were introduced, including a retortable pouch in which the contents can be cooked by the manufacturer in the pouch rather than before packing, stand-up pouches for nuts and coffee, shrink-wrapped fruit drinks bundled with Sonoco's printed flexible packaging film and a stand-up pouch for Nabisco's Mini Oreo cookies. DeLoach said that several new flexible packaging introductions were anticipated in the next few months, including some "exciting new technology in the world of cookies."

Also, shown were examples of Sonoco's rigid plastic offerings, including a new co-extruded, blow-molded bottle for nutritional beverages for which the Company has just opened a new plant in California and is preparing to open another shortly in the Midwest; examples of thermoformed containers for snacks and nuts; a one-piece injection molded squeeze tube for household caulks and adhesives; and a new self-heating cup for anytime, anywhere consumption of coffee, tea, hot chocolate, etc. The touch of a button begins a simple thermal reaction that heats the contents in just minutes. Sonoco teamed with OnTech Delaware to produce this soon-to-be commercial package.

Finally, DeLoach discussed samples of Sonoco CorrFlex's point-of-purchase capabilities, ranging from design, manufacture, assembly and distribution to an array of fulfillment services.

CONCLUSIONS

"I am truly bullish about Sonoco's prospects. We have reduced our overall cost structure by \$115 million since 2001 and reduced our exposure to the cyclical high-density resin markets with the sale of High Density Film. We have successfully implemented important price increases, demonstrating our ability to recover higher raw material and general operating costs. We expect to generate average annual cash flow from operations of about \$300 million over the next several years, and volumes are improving in virtually all of our businesses, as are margins. Our top line growth vehicles have good traction, with aggressive new product development, geographical expansion and integration of new acquisitions and joint ventures underway.

"Further, these factors are topped off by dividend yields more than 60% higher than the S&P average, and we have paid consecutive quarterly dividends since 1925.

"In conclusion, we believe we are well positioned to continue benefiting from an improved general economic environment."

Sonoco, founded in 1899, is a global manufacturer of industrial and consumer products and provider of packaging services, with more than 300 operations in 36 countries serving customers in some 85 nations.

An archive of the meeting presentation will be available Friday afternoon, December 3, 2004, at Sonoco's Web site at <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 the investing community 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 2003 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, <http://www.sonoco.com>.

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