UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) of THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2002

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) of THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from ____________ to ______________

Commission file number 0-516

SONOCO PRODUCTS COMPANY

Incorporated under the laws of South Carolina	**I.R.S. Employer Identification No. 57-0248420**

One North Second Street
Post Office Box 160
Hartsville, South Carolina 29551-0160
Telephone: 843-383-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
No par value common stock	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the act). Yes ☒ No ☐

The aggregate market value of voting common stock held by nonaffiliates of the registrant (based on the New York Stock Exchange closing price) on June 30, 2002, which was the last business day of the registrant's most recently completed second fiscal quarter, was $2,552,805,014. The aggregate market value of voting common stock held by nonaffiliates of the registrant (based on the New York Stock Exchange closing price) on March 2, 2003, was $1,874,373,624. Registrant does not (and did not at June 30, 2002 or March 2, 2003) have any non-voting common stock outstanding.

As of March 2, 2003, there were 96,675,549 shares of no par value common stock outstanding.

Documents Incorporated by Reference

Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2002, are incorporated by reference in Parts I and II; portions of the Proxy Statement for the annual meeting of shareholders to be held on April 16, 2003, are incorporated by reference in Part III.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

Forward-Looking Statements

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "plan," "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.

These forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs, and 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. The 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 our 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; loss of consumer confidence; and economic disruptions resulting from terrorist activities.

We undertake no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this Annual Report on Form 10-K might not occur.

Part I

Item 1 Business

(a) **General development of business** — The Company is a South Carolina corporation founded in Hartsville, South Carolina in 1899 as the Southern Novelty Company. The name was subsequently changed to Sonoco Products Company (the "Company" or "Sonoco"). Sonoco is a manufacturer of industrial and consumer packaging products and provider of packaging services, with approximately 300 locations in 32 countries, serving customers in some 85 nations.

Acquisitions/dispositions/joint venture/restructuring — Notes 2 and 3 to the Consolidated Financial Statements on pages 43 and 44 of the 2002 Annual Report to Shareholders (the "2002 Annual Report") are incorporated herein by reference.

(b) **Financial information about industry segments** — Note 16 to the Consolidated Financial Statements on page 52 of the 2002 Annual Report is incorporated herein by reference.

(c) **Narrative description of business** —

Product distribution — Each of the Company's operating units has its own sales staff and maintains direct sales relationships with its customers. Some of the units have service staff at the manufacturing facility that interacts directly with the customers. The major businesses in the Industrial Packaging segment also have a customer service center located in Hartsville, South Carolina that is the main contact point between these business units and customers. Divisional sales personnel also provide sales management, marketing and product development assistance as needed. For those customers

Product distribution, continued

that buy from more than one business unit, the Company assigns a single representative or team of specialists to handle that customer's needs. Product distribution is normally directly from the manufacturing plant to the customer. There are cases where product is warehoused in a mutually advantageous location to be shipped to the customer as needed.

Industrial Packaging Segment

The Industrial Packaging segment accounted for approximately 50% of the Company's sales in 2002. Sonoco's engineered carriers (tubes and cores), along with the Company's integrated paper operations, is the largest revenue-producing business in the Company serving its markets through 111 converting facilities on five continents. Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging. This vertical integration strategy is backed by 31 paper mills with 43 paper machines in 13 countries. In 2002, Sonoco had the capacity to manufacture approximately two million tons of recycled paperboard. The products, services, and markets of the Industrial Packaging segment are as follows:

	Products and Services	**Markets**
Engineered Carriers	Paperboard tubes, cores, roll packaging, supply chain packaging services, molded plugs	Construction, film, flowable products, metal, paper mill, shipping and storage, tape and label, textiles, converters
Paper	Recycled paperboard, chipboard, tubeboard, lightweight corestock, boxboard, linerboard, specialty grades, beverage insulators	Converted paper products, spiral winders, beverage insulators, displays, gaming
Molded & Extruded Plastics	Injection molded and extrusion molded plastics	Textiles, wire and cable, fiber optics, plumbing, filtration, automotive, food services, medical, healthcare
Wire & Cable Reels	Baker™ steel, nailed wooden, plywood, recycled and poly-fiber reels	Wire and cable industry
Protective Packaging	Paperboard packaging forms and transparent unitizing film	Household appliances, consumer electronics, lawn and garden, furniture, office furnishing, kitchen and bath cabinets, automotive, and bulk packaging such as palletized consumer goods

Consumer Packaging Segment

The Consumer Packaging segment accounted for approximately 50% of the Company's sales in 2002. Sonoco's composite can business is the Company's second largest business. The operations consist of 37 can plants throughout the world. The products, services, and markets of the Consumer Packaging segment are as follows:

Consumer Packaging Segment, continued

	Products and Services	**Markets**
Rigid Packaging	Round and shaped composite paperboard cans, single wrap paperboard packs, fiber and plastic cartridges, rigid plastic containers	Food: snacks, nuts, cookies and crackers, confectionery, frozen concentrate, powdered beverage and infant formula, coffee, refrigerated dough, spices/seasonings, nutritional supplements, pet food and treats Nonfood: adhesives, caulks, powdered and tabbed cleansers, chemicals, lawn and garden, automotive, photography and cameras, pet litter additives and flea powders
Closures	Aluminum, steel and peelable membrane easy open closures for composite, metal and plastic containers	Canned processed foods, coffee, beverage, powdered beverages and infant formula, snacks, nuts, nutritional supplements, spices and seasonings, pet food and treats and nonfood products
Printed Flexible Packaging	Flexible packaging made from thin gauge, high-value-added rotogravure, flexographic and combination printed film including laminations	Beverage, coffee, confectionery, home and personal care, snacks, pet food
High Density Film	Plastic grocery bags, retail bags, T-shirt roll bags, agricultural film, quick service restaurant bags, produce bags	Supermarkets, high-volume retail outlets, convenience stores, agriculture, quick service restaurants
Packaging Services & Folding Cartons	Packaging supply-chain management services, point-of-purchase displays, blister packs, paperboard cartons and packaging	Personal care, beauty, health care, electronics, food, pharmaceuticals, hosiery, confectionery, printing products
Glass Covers & Coasters	Custom-printed Rixie™ coasters and Stancap™ glass covers	Hotels and resorts, casinos, country clubs, catering services, cruise lines, airlines, healthcare facilities, restaurants
Artwork Management	Branded artwork, online and offline prepress management services	Consumer products

Raw Materials — The principal raw materials used by the Company are recovered paper, paperboard, metal, and plastic resins. Recovered paper used in the manufacture of paperboard is purchased either directly from suppliers near manufacturing operations or through the Company's subsidiary, Paper Stock Dealers, Inc. Other raw materials are purchased from a number of outside sources. The Company considers the supply and availability of raw materials to be adequate to meet its needs.

Patents, Trademarks, and Related Contracts — Most inventions are made by members of Sonoco's research and engineering staff and have been, and continue to be, important to the Company's growth. Patents have been granted on many of these inventions in the United States and other countries. These patents are managed globally by a Sonoco intellectual capital management team through two of the Company's subsidiaries, Sonoco Development Inc. and SPC Resources, Inc. Some of these patents have been licensed to other manufacturers including Sonoco's associated companies. Sonoco also licenses a few patents from outside companies for business unit use. U.S. patents expire after 17 or 20 years depending on issue date. New patents replace many of the abandoned or expired patents. Most of Sonoco's products are marketed worldwide under trademarks such as the name SONOCO®, SONOTUBE®, QUIKMATE®, HELPMATE®, SAFE-TOP®, SEALED SAFE®, DURO® and DUROX®

Seasonality — Neither of the Company's segments are seasonal to any significant degree.

Dependence on Customers — In 2002, neither the Consumer nor the Industrial Packaging segment relied upon one single customer, or a few customers, the loss of any one or more of which would have a material adverse effect on the segment. On an aggregate basis, the five largest customers in the Industrial Packaging segment accounted for approximately 9% of segment sales while the five largest customers in the Consumer Packaging segment accounted for approximately 28% of segment sales. Sales to these customers are comprised of many different product lines and no single customer represents 10% of the consolidated revenue of the Company. Sonoco believes that the loss of any single customer would not have a material adverse effect on the Company.

Backlog — Most customer orders are manufactured with a lead time of three weeks or less. Therefore, the amount of backlog orders at December 31, 2002 and 2001 were not material. The Company expects all backlog orders at December 31, 2002 to be shipped during 2003.

Competition — The Company's products are sold in highly competitive market environments which include paper, textiles, films, food, chemicals, pharmaceuticals, packaging, oil, construction, and wire and cables. Within each of these markets, supply and demand are the major factors controlling the market environment. Additionally, and to a lesser degree, these markets are influenced by the overall rate of economic activity. Throughout the year, the Company remained highly competitive within each of the markets served. The Company manufactures and sells many of its products globally. Having operated internationally since 1923, the Company considers its ability to serve its customers worldwide in a timely, consistent and cost-effective manner a competitive advantage. The Company also believes its technological leadership, reputation for quality, and vertical integration have enabled it to coordinate its product development and global expansion with the rapidly changing needs of its major customers, who demand high-quality, state-of-the-art, environmentally compatible packaging. In addition, the Company is focusing on productivity improvements with the objective of being the low-cost producer in value-added niches of the packaging market. The Company continues to pursue several productivity initiatives aimed at reducing costs and improving processes using the latest in information technology.

Research and Development — Company-sponsored research and development expenses totaled $13.8 million in 2002, $12.9 million in 2001, and $12.4 million in 2000. Customer-sponsored research and development costs were not material for each of these periods. Significant projects in Sonoco's Industrial Packaging segment during 2002 included efforts to design new products for the construction industry and to enhance performance characteristics of the Company's engineered carriers in the textile, film, and paper packaging areas, as well as projects aimed at enhancing productivity. The Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging.

Compliance with Environmental Laws — Note 14 to the Consolidated Financial Statements on page 51 of the 2002 Annual Report is incorporated herein by reference.

Number of Employees — Sonoco had approximately 17,400 employees as of December 31, 2002.

(d) **Financial information about geographic areas** — Note 16 to the Consolidated Financial Statements on page 52 of the 2002 Annual Report and the information about market risk under the caption "Risk Management" on pages 33 and 34 of the 2002 Annual Report are incorporated herein by reference.

(e) **Available information** — The Company electronically files with the Securities and Exchange Commission (SEC) its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934. The SEC maintains a site on the internet, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Sonoco also makes these filings available free of charge through its internet site, www.sonoco.com, as soon as reasonably practical after electronic filing of such material with the SEC.

(f) **Executive Officers of the Registrant** — The executive officers of the Company are: Harris E. DeLoach, Jr., Jim C. Bowen, Allan V. Cecil, Cynthia A. Hartley, Ronald E. Holley, Charles J. Hupfer, Eddie L. Smith, and Charles L. Sullivan, Jr. Additional information about each of the executive officers, including their ages, positions and offices held with Sonoco, terms of office, and business experience for the past five years, is set forth in the 2002 Annual Report on page 58 under the caption "Corporate Officers" and is incorporated herein by reference.

Item 2 **Properties** — The Company's main plant and corporate offices are owned and operated in Hartsville, South Carolina. There are 126 owned and 115 leased facilities used by operations in the Industrial Packaging Segment and 33 owned and 32 leased facilities used by operations in the Consumer Packaging segment. Europe, the largest foreign geographic location, has 43 manufacturing locations.

Item 3 **Legal proceedings** — Note 14 to the Consolidated Financial Statements on page 51 of the 2002 Annual Report is incorporated herein by reference.

Item 4 **Submission of matters to a vote of security holders** — None.

Part II

Item 5 **Market for the registrant's common equity and related stockholder matters** — The information relating to market price and cash dividends under Selected Quarterly Financial Data on page 26 of the 2002 Annual Report is incorporated herein by reference. The Company's common stock is traded on the New York Stock Exchange under the stock symbol "SON". At December 31, 2002, there were approximately 50,000 shareholder accounts.

Item 6 **Selected financial data** — The Selected Eleven-Year Financial Data provided on pages 54 and 55 of the 2002 Annual Report are incorporated herein by reference.

Item 7 **Management's discussion and analysis of financial condition and results of operations** — Management's Discussion & Analysis of Operations and Financial Condition on pages 27 - 38 of the 2002 Annual Report is incorporated herein by reference.

Item 7A **Quantitative and qualitative disclosures about market risk** — The information set forth under the caption "Risk Management" on pages 33 and 34 of Management's Discussion & Analysis of Operations and Financial Condition of the 2002 Annual Report is incorporated herein by reference.

Item 8 **Financial statements and supplementary data** — The following items provided in the 2002 Annual Report are incorporated herein by reference: the Selected Quarterly Financial Data on page 26; the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 39 - 53; and the Report of Independent Accountants on page 56.

Item 9 **Changes in and disagreements with accountants on accounting and financial disclosure** — None.

Part III

Item 10 **Directors and executive officers of the registrant** — The sections entitled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" as shown on pages 7 - 12 and page 34, respectively, of the Company's definitive Proxy Statement for the Annual Meeting of Shareholders' to be held April 16, 2003 (the "Proxy Statement"), set forth information with respect to the directors of the Company and compliance with Section 16(a) of the Securities Exchange Act of 1934 and are incorporated herein by reference. Information about executive officers of the Company is set forth under Item 1 of this Report on Form 10-K.

Item 11 **Executive compensation** — Information with respect to the compensation of directors and certain executive officers as shown on pages 17 and 18 of the Company's definitive Proxy Statement under the captions "Directors' Compensation" and "Compensation Committee Interlocks and Insider Participation", and on pages 28 - 32 under the captions "Summary Compensation Table", "Long-Term Incentive Plans — Awards in Last Fiscal Year", "Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values", "Option Grants in Last Fiscal Year", and "Pension Plan Table", is incorporated herein by reference.

Item 12 **Security ownership of certain beneficial owners and management and related stockholder matters** — Information with respect to the beneficial ownership of the Company's Common Stock by management and others as shown on pages 20 - 22 of the Company's definitive Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" is incorporated herein by reference.

Equity Compensation Plan Information

The following table sets forth aggregated information about all of the Company's compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance as of December 31, 2002.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	8,731,243	$ 23.85	4,333,535
Equity compensation plans not approved by security holders[1]	945,100	$ 29.63	0
Total	9,676,343	$ 24.42	4,333,535

1 On December 31, 1998, the Company granted special one-time Centennial stock options of 100 shares to substantially all of its employees. These options are exercisable at the closing price of the shares on the date of grant and expire after six years.

Item 13 Certain relationships and related transactions — The following items contained in the Company's definitive Proxy Statement are incorporated herein by reference: the sections titled "Compensation Committee Interlocks and Insider Participation" on pages 17 and 18; and "Transactions with Management" on pages 18 and 19.

Item 14 Controls and Procedures

(a) Based on their evaluation of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-14(c) and 240.15d-14(c)) as of a date within 90 days prior to the filing of this annual report, the Company's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures was adequate.

(b) There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

See Certifications provided at the end of this 10-K pursuant to SEC Rules 13a-14, 15d-14, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

Part IV

Item 15 Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements: Consolidated Balance Sheets as of December 31, 2002 and 2001; and Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000.

2. Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule for each of the three years in the period ended December 31, 2002.

Schedule II — Valuation and Qualifying Accounts

All other schedules are omitted because they are not required, are not applicable or the required information is given in the financial statements or notes thereto.

3. Exhibits

3-1	Articles of Incorporation, as amended (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)
3-2	By-Laws, as amended
4	Instruments Defining the Rights of Securities Holders, including Indentures (incorporated by reference to the Registrant's Forms S-3 (File Numbers 33-40538, 33-50503, 333-12701 and 333-69388))
10-1	1983 Sonoco Products Company Key Employee Stock Option Plan (incorporated by reference to the Registrant's Form S-8 dated September 4, 1985)
10-2	1991 Sonoco Products Company Key Employee Stock Plan, as amended
10-3	Sonoco Products Company 1996 Non-Employee Directors' Stock Plan (incorporated by reference to the Registrant's Form S-8 dated September 25, 1996, file No. 333-12657)
10-4	Sonoco Savings Plan (incorporated by reference to the Registrant's Form S-8 filed October 28, 2002, File No. 333-100799)
10-5	Sonoco Products Company Centennial Shares Plan (incorporated by reference to the Registrant's Form S-8 filed December 30, 1998, file No. 333-69929)
10-6	Credit Agreement, dated as of July 10, 2002, among Sonoco Products Company, the several lenders from time to time party thereto and Bank of America, N.A., as agent (incorporated by reference to the Registrant's Form 10-Q for the quarter ending June 30, 2002)
10-7	Amendment dated November 1, 2002 to Credit Agreement dated as of July 10, 2002
10-8	Deferred Compensation Plan for Corporate Officers of Sonoco Products Company
10-9	Omnibus Benefit Restoration Plan of Sonoco Products Company
13	2002 Annual Report to Shareholders (portions incorporated by reference)
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
99-1	Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 16, 2003 (previously filed)
99-2	Form 11-K Annual Report — 1991 Sonoco Products Company Key Employee Stock Option Plan

Part IV (continued)

99-3 Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K: No current reports on Form 8-K were filed during the fourth quarter of 2002.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and Directors of
Sonoco Products Company

Our audits of the consolidated financial statements referred to in our report dated January 29, 2003 appearing in the 2002 Annual Report to Shareholders of Sonoco Products Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Charlotte, North Carolina
January 29, 2003

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
for the years ended 2002, 2001, and 2000
(Dollars in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions	Balance at end of Year
2002				
Allowance for Doubtful Accounts	$ 7,294	$ 6,057	$ 5,016(1)	$ 8,335
LIFO Reserve	$ 10,352		$ 68(2)	$ 10,284
Valuation Allowance on Deferred Tax Assets	$ 21,727	$14,004(4)		$ 35,731
2001				
Allowance for Doubtful Accounts	$ 5,714	$ 7,709	$6,129(1)	$ 7,294
LIFO Reserve	$ 9,447	$ 1,372	$ 467(2)	$ 10,352
Valuation Allowance on Deferred Tax Assets	$ 25,530		$3,803(3)	$21,727
2000				
Allowance for Doubtful Accounts	$ 6,969	$ 5,604	$6,859(1)	$ 5,714
LIFO Reserve	$ 9,994		$ 547(2)	$ 9,447
Valuation Allowance on Deferred Tax Assets	$ 27,937		$2,407(3)	$ 25,530

(1) Includes amounts written off and translation adjustments.

(2) Includes adjustments based on pricing and inventory levels.

(3) Includes foreign net operating loss utilization in 2001 and 2000.

(4) Increase related to net operating losses of foreign subsidiaries and additional capital losses for which no tax benefit can be realized.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 7th day of March 2003.

SONOCO PRODUCTS COMPANY

/s/ Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 7th day of March 2003.

/s/ C. J. Hupfer

C. J. Hupfer
Vice President and Chief Financial Officer
(principal financial and accounting officer)

<u>SIGNATURES</u>, Continued

/s/ C. W. Coker C. W. Coker	Director (Chairman)
/s/ H. E. DeLoach,Jr. H. E. DeLoach, Jr.	President, Chief Executive Officer and Director
/s/ C. J. Bradshaw C. J. Bradshaw	Director
/s/ R. J. Brown R. J. Brown	Director
/s/ F. L. H. Coker F. L. H. Coker	Director
/s/ J. L. Coker J. L. Coker	Director
/s/ A. T. Dickson A. T. Dickson	Director
/s/ C. C. Fort C. C. Fort	Director
/s/ P. Fulton P. Fulton	Director
/s/ B. L. M. Kasriel B. L. M. Kasriel	Director
/s/ E. H. Lawton, III E. H. Lawton, III	Director
/s/ H. L. McColl, Jr. H. L. McColl, Jr.	Director
/s/ J. H. Mullin, III J. H. Mullin, III	Director
T. E. Whiddon	Director
/s/ D. D. Young D. D. Young	Director

CERTIFICATIONS

I, Harris E. DeLoach, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonoco Products Company;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's independent accountants and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

/s/Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.
Chief Executive Officer

CERTIFICATIONS

I, Charles J. Hupfer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonoco Products Company;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's independent accountants and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

/s/Charles J. Hupfer

Charles J. Hupfer
Vice President and Chief Financial Officer
(principal financial and accounting officer)

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Description
3-1	Articles of Incorporation, as amended (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)
3-2	By-Laws, as amended
4	Instruments Defining the Rights of Securities Holders, including Indentures (incorporated by reference to the Registrant's Forms S-3 (File Numbers 33-40538, 33-50503, 333-12701 and 333-69388))
10-1	1983 Sonoco Products Company Key Employee Stock Option Plan (incorporated by reference to the Registrant's Form S-8 dated September 4, 1985)
10-2	1991 Sonoco Products Company Key Employee Stock Plan, as amended
10-3	Sonoco Products Company 1996 Non-Employee Directors' Stock Plan (incorporated by reference to the Registrant's Form S-8 dated September 25, 1996, file No. 333-12657)
10-4	Sonoco Savings Plan (incorporated by reference to the Registrant's Form S-8 filed October 28, 2002, File No. 333-100799)
10-5	Sonoco Products Company Centennial Shares Plan (incorporated by reference to the Registrant's Form S-8 filed December 30, 1998, file No. 333-69929)
10-6	Credit Agreement, dated as of July 10, 2002, among Sonoco Products Company, the several lenders from time to time party thereto and Bank of America, N.A., as agent (incorporated by reference to Registrant's Form 10-Q for the quarter ending June 30,2002)
10-7	Amendment dated November 1, 2002 to Credit Agreement dated as of July 10, 2002
10-8	Deferred Compensation Plan for Corporate Officers of Sonoco Products Company
10-9	Omnibus Benefit Restoration Plan of Sonoco Products Company
13	2002 Annual Report to Shareholders (portions incorporated by reference)
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
99-1	Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 16, 2003 (previously filed)
99-2	Form 11-K Annual Report — 1991 Sonoco Products Company Key Employee Stock Option Plan
99-3	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 3.2

BY-LAWS
SONOCO PRODUCTS COMPANY
HARTSVILLE, S.C.

(Incorporated under the laws of the
State of South Carolina)

Revised through February, 2003

ARTICLE I - OFFICE

1. THE PRINCIPAL OFFICE of the corporation shall be at Hartsville, Darlington County, South Carolina.

2. THE CORPORATION may also have offices at such other places as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II - SHAREHOLDERS' MEETINGS

1. THE PLACE OF ALL MEETINGS of shareholders shall be at Hartsville, Darlington County, State of South Carolina.

2. THE ANNUAL MEETING of the shareholders of the corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the third Wednesday of April at 11:00 A.M., or such other date as the Board of Directors may, in its discretion, choose.

3. SPECIAL MEETINGS OF SHAREHOLDERS for any purpose or purposes may be called by or at the direction of the Board of Directors, or by the Chairman of the Board of Directors, or by the President. Special meetings shall be called by the Chairman of the Board of Directors at the request of: (a) holders of Preferred Stock as may be provided in provisions of the Articles of Incorporation at the time in effect with respect to the rights, preferences, privileges, limitations and conditions affecting the capital stock of the corporation; or (b) shareholders to the extent required by applicable law. Business to be transacted at all special meetings shall be confined to the purpose or purposes stated in the notice of the meeting. The time, date and place of any special meeting shall be determined by the Chairman of the Board of Directors, except as otherwise required by the Articles of Incorporation.

4. NOTICE of the time, date and place of the annual meeting and any special meeting of shareholders shall be given by the corporation by transmitting written or printed notice of the same not less than twenty (20) days nor more than sixty (60) days prior to the meeting to each shareholder of record of the corporation entitled to notice of such meeting, addressed to the shareholder at such shareholder's address appearing on the stock transfer books of the corporation. Such notice may be amended or withdrawn after it is given in the discretion of the Chairman of the

Board of Directors.

NOTICE SHALL BE DEEMED TO HAVE BEEN GIVEN when actually received or when deposited with postage prepaid in the United States mail, addressed to the shareholder at the address appearing on the stock transfer books of the corporation.

A RECORD DATE may be set by the Board of Directors for a date which is not less than ten (10) nor more than seventy (70) days preceding the date of any meeting of the shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting or adjournment thereof.

5. A COMPLETE LIST OF SHAREHOLDERS ENTITLED TO NOTICE at the annual shareholders' meeting or any adjournment thereof, or any special meeting of the shareholders or adjournment thereof, shall be prepared by the corporation, such list to be arranged by voting group in alphabetical order with each shareholder's address appearing on the stock transfer books of the corporation, showing the number of voting shares held by each shareholder, subject to the provisions of the laws of the State of South Carolina.

6. THE VOTING AT ALL MEETINGS of the shareholders may be by voice vote, but any shareholder entitled to vote may demand a stock vote whereupon such stock vote shall be taken by ballot, each of which shall state the name of the shareholder voting and the number of shares voted by him; and if such ballots be cast by proxy, it shall also state the name of such proxy.

7. EVERY SHAREHOLDER HAVING THE RIGHT TO VOTE at any meeting of the shareholders shall be entitled to vote in person or by proxy. A proxy may be appointed either (a) by an instrument in writing subscribed by such shareholder, or (b) by any other means permitted under applicable law; provided, however, the Board of Directors shall have the authority, in its discretion, to prescribe or limit a particular method or methods by which appointment of a proxy must be made with respect to a vote on any matter. Unless otherwise provided in the Articles of Incorporation, each shareholder entitled to vote shall have one vote for each share of stock having voting power registered in his name on the books of the corporation as of the record date set by the Board of Directors.

NO PROXY SHALL BE VALID after the expiration of eleven (11) months from its execution.

8. A QUORUM as to any matter to come before any annual or special meeting of shareholders shall consist of shareholders representing, either in person or by proxy, a majority of shares of each voting group entitled to vote on such matter. A majority of the votes cast on such matter shall decide any question that may come before such meeting except as otherwise provided by law and except as otherwise may be provided by provisions of the Articles of Incorporation at the time in effect with respect to the rights, preferences, privileges, limitations and conditions affecting shares of the corporation.

9. IN THE ABSENCE OF A QUORUM at a properly called shareholders' meeting, such meeting may be adjourned from time to time by the Chairman as provided in Section 12 of this Article. If the meeting is adjourned for thirty (30) days or more, a notice of such adjournment shall be sent to all shareholders entitled to vote thereat stating the time and place of holding such adjourned meeting.

10. NO NOTICE OF ANY ADJOURNED MEETING for less than thirty (30) days need be given if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken.

11. RESOLUTIONS TO BE VOTED ON BY SHAREHOLDERS, other than resolutions proposed by the Board of Directors, shall be submitted to the Secretary of the corporation in writing not less than seventy-five (75) days prior to the meeting at which the vote is to occur. No resolution shall be considered at any meeting of shareholders unless such resolution is proposed by the Board of Directors or by a shareholder of record at the date of submission to the Secretary and on the record date for the meeting. The person presiding at the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall determine whether such notice has been duly given and shall direct that proposals and nominees not be considered if such notice has not been duly given.

12. THE PRESIDING OFFICER OF ALL SHAREHOLDERS' MEETINGS shall be the Chairman of the Board of Directors unless he or the Board of Directors shall designate some other person to preside at the meeting. The presiding officer may, in his discretion, adjourn any meeting to such later date and time as he shall state whether or not there is a quorum present at the time of such adjournment. The presiding officer shall determine the manner in which the meeting shall be conducted, including the order of business, and all rulings of the presiding officer shall be final and binding. The presiding officer may, in his discretion, designate various persons to perform tasks associated with the conduct of the meeting.

ARTICLE III - DIRECTORS

1. THE MANAGEMENT of all the affairs, property and the business of the corporation shall be vested in a Board of Directors. The number of directors of the corporation shall be (i) the number fixed from time to time by the Board of Directors, which number shall not be less than nine, plus (ii) any directors elected exclusively by the holders of Preferred Stock as provided in the corporation's Articles of Incorporation. Directors shall be shareholders, each owning not less than one hundred (100) shares of the voting stock of the corporation. The directors need not be residents of the State of South Carolina.

2. EXCEPT FOR ANY DIRECTOR elected exclusively by the holders of Preferred Stock, the Board of Directors shall be divided into three classes of as nearly equal size as possible in accordance with the provisions of the Articles of Incorporation.

3. ALL DIRECTORS SHALL SERVE until their successors shall have been duly elected and qualify or until their earlier resignation, retirement, removal from office, death or incapacity except as otherwise provided by provisions of the Articles of Incorporation with respect to the rights, preferences, privileges, limitations and conditions affecting the shares of the corporation. No reduction in the size of the Board of Directors shall have the effect of shortening the term of any director in office at the time.

4. ALL DIRECTORS OF AN EXPIRING CLASS shall be eligible for re-election to the Board of Directors.

5. ALL VACANCIES OCCURRING IN THE BOARD OF DIRECTORS whether caused by resignation, death, increase in number of directors, or otherwise may be filled by a majority vote of the remaining directors, even if such number would not constitute a quorum.

6. RETIREMENT OF DIRECTORS shall be automatic upon each reaching the age of seventy-two (72), and a special meeting of the Board of Directors may be called to fill the vacancy thus created by the retirement.

7. REMOVAL OF A DIRECTOR OR THE ENTIRE BOARD OF DIRECTORS for cause shall only be accomplished by a vote of the holders of at least a majority of the outstanding shares then entitled to vote at an election for such Directors, subject to the provisions of the laws of the State of South Carolina and the Articles of Incorporation. Directors may be removed only for cause as defined by the South Carolina Business Corporation Act.

8. A CHAIRMAN OF THE BOARD OF DIRECTORS may be elected by the Board of Directors from one of their number to serve for one year in the discretion of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the directors and perform the duties and have the powers set forth in these by-laws and shall have such additional duties and powers as may be specified by the Board of Directors.

9. REGULAR MEETINGS OF THE BOARD OF DIRECTORS shall be held quarterly and ten (10) days written notice shall be given prior to the meeting

date. The date of each quarterly meeting shall be decided upon by the Chairman of the Board of Directors or by the President or, in their absence, by any two Vice Presidents or by any two directors.

10. SPECIAL MEETINGS of the Board of Directors may be called at any time to be held at the principal office of the corporation at Hartsville, South Carolina or elsewhere by:

(a) The Chairman of the Board of Directors;
(b) The President;
(c) Unanimous written consent of all the members at any time and place without notice; or
(d) The presence of all members at such meeting.

Notice of all special meetings of the Board of Directors shall be given to each director at such director's address given to the Secretary for the purpose of giving notices, by telegram, telephone, facsimile, letter, or other reasonable means reasonably calculated to be received not less than twenty-four hours prior to the meeting. Notice of a meeting of the directors need not be given to any director who signs a waiver of notice either before or after the meeting.

11. NOTICE OF ADJOURNMENT OF A MEETING OF THE BOARD OF DIRECTORS need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

12. NEITHER THE BUSINESS TO BE TRANSACTED at nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice.

13. A QUORUM at any meeting of the Board of Directors shall consist of a majority of the total number of directors then in office, but less than a quorum may adjourn the meeting which may be held on a subsequent date without further notice if the time and place to which it is adjourned are fixed and announced at such meeting.

14. COMPENSATION shall be paid directors not otherwise currently employed by the corporation for their services in such form and in such amount as may be determined by Resolution of the Board of Directors. Directors may be paid differing amounts in recognition of the requirements of various assignments undertaken such as chairman or as members of committees.

ARTICLE IV - OFFICERS

1. THE OFFICERS OF THE CORPORATION shall consist of a President, one or more Vice Presidents, a Secretary and Treasurer who shall be appointed for one year by the directors at their first meeting after the annual meeting of shareholders and who shall hold office until their successors are appointed and qualify. The position of Vice President and Treasurer and/or Secretary and Treasurer and/or Vice President and Secretary may be united in one person. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers. The Board of Directors may alter or modify the duties of any officer set forth herein.

2. THE CHAIRMAN OF THE BOARD OF DIRECTORS may be designated by the Board of Directors as the Chief Executive Officer of the corporation and, in such case, the Chairman shall possess the same power as the President to sign all certificates, contracts and other instruments of the corporation which may be authorized by the Board of Directors and shall perform all such other duties as are incident to his office or are properly required of him by the Board of Directors. Otherwise, the Chairman of the Board of Directors shall not be an officer of the corporation.

3. THE PRESIDENT shall have general supervision of the affairs of the corporation, shall sign or countersign all certificates, contracts and other instruments of the corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and shareholders and shall perform all such other duties as are incident to his office or are properly required of him by the Board of Directors.

4. THE VICE PRESIDENTS, in the order designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President and the Chairman of the Board of Directors. Each Vice President shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors.

5. THE SECRETARY shall issue notices for all meetings, shall keep minutes of all meetings, shall have charge of the seal and corporate books, shall have responsibility to authenticate corporate documents, shall sign with the President such instruments that require his signature, shall make such reports and shall perform such other duties as are incident to his office or are properly required of him by the Board of Directors.

6. THE ASSISTANT SECRETARIES, in the order designated by the Board of Directors, shall in the absence or disability of the Secretary, or as delegated by the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors may prescribe.

7. THE TREASURER shall have custody of all funds and securities of the corporation and shall keep regular books of account. He shall disburse the funds of the corporation in payment of just demands against the corporation or as may be ordered by the Board of Directors, taking proper vouchers for disbursements, and shall render to the Board of Directors from time to time as may be required of him an account of all his transactions as Treasurer and of the financial condition of the corporation. He shall perform all duties incident to his office or which are properly required of him by the Board of Directors.

8. THE ASSISTANT TREASURERS, in the order designated by the Board of Directors, shall in the absence or disability of the Treasurer, or as delegated by the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors may prescribe.

9. IN THE CASE OF ABSENCE OR INABILITY TO ACT of any officer of the corporation or of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

10. VACANCIES in any office may be filled by the directors at any regular or special meeting.

11. THE SALARIES of all officers receiving both officer compensation and officer benefits shall be fixed by the Board of Directors.

ARTICLE V - SHARES

1. CERTIFICATES FOR SHARES, Common and Preferred, respectively, shall be issued in numerical order, and each shareholder shall be entitled to a certificate signed by the Chairman of the Board of Directors or by the President or any Vice President and by the Secretary or Treasurer of the corporation or bearing the facsimile signatures of such officers and bearing the corporate seal or a facsimile thereof. A record of such certificates issued shall be kept by the corporation or a designated transfer agent and/or registrar. No certificate

shall be issued covering or evidencing a fractional part of a share of either Common or Preferred shares but in lieu thereof the corporation may issue script in registered or bearer form over the manual or facsimile signature of an officer of the corporation or of its agents, exchangeable as therein provided for full shares, but such script shall not entitle the holder to any right of a shareholder except as therein provided. Such script may be issued subject to the condition that it shall become void if not exchanged for certificates representing full shares before a specified date or, subject to the condition that the shares for which such script is exchangeable, may be sold by the corporation and the proceeds thereof distributed to the holders of such script or subject to any other conditions which the Board of Directors may determine.

2. TRANSFERS OF SHARES shall be made only upon the transfer books of the corporation kept at the principal office of the corporation or by a transfer agent designated to transfer the Common or Preferred shares; and before a new certificate is issued, the old certificate must be surrendered for cancellation.

3. REGISTERED HOLDERS only shall be entitled to be treated by the corporation as holders in fact of the shares standing in their respective names at their respective addresses appearing in the stock transfer books of the corporation, and the corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any person, whether or not it shall have express or other notice thereof.

4. IN CASE OF LOSS OR DESTRUCTION BY A SHAREHOLDER of the original certificate, another may be issued in its place upon proof of such loss or destruction and upon the giving of a satisfactory bond of indemnity to the corporation and/or to the transfer agent of such shares, subject to the provisions of the laws of the State of South Carolina.

5. TRANSFER AGENTS OR REGISTRARS of the Common or Preferred shares of the corporation may from time to time be designated by the Board of Directors which may provide for their countersigning of share certificates.

ARTICLE VI - DIVIDENDS AND FINANCE

1. THE BOARD OF DIRECTORS MAY DECLARE and the corporation may pay dividends at such time as the Board of Directors may designate on its outstanding shares, in cash or property or from authorized but unissued shares and may declare stock splits, but no dividends or splits shall be declared that shall impair the capital stock of the corporation or violate any right, preference, privilege, limitation or condition affecting any class of shares of the corporation as fixed and determined by the shareholders or that shall violate any agreement or undertaking made by the corporation or that shall not conform to the laws of the State of South Carolina.

2. THE FUNDS of the corporation shall be deposited in the name of the corporation in such bank or banks or trust company or trust companies as the Board of Directors may designate and shall be drawn out by checks signed by any two officers or any two designated employees or by an officer together with a designated employee or by the use of facsimile signatures in lieu thereof.

3. THE FISCAL year of the corporation shall begin on the first day of January in each year unless otherwise provided by the Board of Directors.

ARTICLE VII - SEAL

1. THE CORPORATE SEAL shall consist of two concentric circles between which are written the words, "SONOCO PRODUCTS COMPANY, S.C.," and in the center of which is written "INCORPORATED 1899," and such seal is impressed on the margin hereof, has been and is hereby adopted as the corporate seal of the corporation. Failure to affix the seal to a document shall not in any way affect the validity of the document.

ARTICLE VIII - INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

1. Any present or former director, officer or employee of the corporation or any person who, at the request of the corporation, may have served as director or officer of another corporation in which it owns shares or of which it is a creditor shall be entitled to reimbursement of expenses and other liabilities to the maximum extent permitted by the laws of the State of South Carolina or by order of any Court having jurisdiction in any action or proceeding to which he is a party by reason of being or having been a director, officer or employee.

ARTICLE IX - AMENDMENTS

1. The By-Laws may be amended, repealed or altered, in whole or in part, or new By-Laws adopted, by a majority of the outstanding shares of the corporation entitled to vote at any annual meeting of the shareholders of the corporation or at any special meeting called for such purpose or, to the extent permitted by law, by a majority of the Board of Directors at any regular meeting or special meeting called for that purpose; PROVIDED, HOWEVER, that no such amendment, repeal, alteration or adoption shall violate any right, preference, privilege, limitation or condition

affecting any class of stock of the corporation as fixed and determined by shareholders or, acting under or pursuant to authority in the Articles of Incorporation, by the Board of Directors, or violate any agreement or understanding made by the corporation; and PROVIDED FURTHER that Article III, Sections 1, 2, 7, and Article IX, Section 1, of the By-Laws may not be amended, repealed or altered, in whole or in part, and no By-Law may be amended, repealed, altered or adopted which is inconsistent with any of such Sections or either Article 4 or Article 9 of the Articles of Incorporation, other than by an affirmative vote of shareholders sufficient to amend Articles 4 and 9 of the Articles of Incorporation of the corporation.

ARTICLE X - SUITS BY SHAREHOLDERS

1. No shareholder shall bring any action in law or in equity against the corporation, or any of its officers or directors which is based on any right of the shareholder as a shareholder except in compliance with the following conditions:

a. The shareholder shall have first presented the substance of the complaint to the corporation in writing in sufficient detail to permit the corporation to determine the validity of the complaint. Such complaint shall have been submitted to the Secretary of the corporation not less than 90 days prior to the commencement of a legal proceeding.

b. The legal proceeding shall be commenced and maintained in a court of competent jurisdiction in the State of South Carolina or in the United States District Court for the District of South Carolina.

ARTICLE XI - CONTROL SHARE ACQUISITIONS

1. Except as otherwise provided herein, terms in this Article shall have the meaning assigned to such terms in Article 1 of Chapter 2 of Title 35 of the Code of Laws of South Carolina, 1976, as amended (the "Control Share Acquisitions Act").

2. The corporation is authorized, but not required, to redeem control shares as provided in Section 35-2-110 of the Code of Laws of South Carolina, 1976, as amended. The fair value of such shares and the price at which they shall be redeemed shall be the lesser of the lowest price paid by the

holder of the shares being redeemed in the ninety days immediately preceding the date on which the control share acquisition occurred or the average closing price of the shares on the ten trading days immediately preceding the earlier of: (i) a public announcement of the acquiring person's acquisition of, or plan to acquire, shares; or (ii) ten days prior to the date on which the acquiring person would be required to file a Schedule 13D pursuant to Section 13(d) of the Securities Exchange Act of 1934. In the event that the corporation exercises its right to redeem control shares, it shall give written notice of such redemption to the record owner of such shares. Upon receipt of such notice, such shares shall be deemed to have been redeemed and the rights of the holder of such shares shall be limited to the right to receive payment for such shares. Payment

for shares redeemed shall be made within two business days after surrender to the corporation of the certificates for the shares redeemed.

3. For purposes of determining whether a control share acquisition has occurred, whether shares are control shares, what are interested shares and other rights with respect to control shares under the Control Share Acquisitions Act, all shares tendered in response to any tender offer or made subject to any option (other than an option granted by the corporation) shall be considered to be held by the members of a group with respect to a control share acquisition. Such group shall include all tendering shareholders and option granting shareholders as well as the persons to whom or for whose benefit the shares were tendered or optioned.

EXHIBIT 10.2

SONOCO PRODUCTS COMPANY
1991 KEY EMPLOYEE STOCK OPTION PLAN

1. PURPOSE. The Sonoco Products Company 1991 Key Employee Stock Plan (the "Plan") has been adopted by the Board of Directors (the "Board") to encourage and create significant ownership of the Common Stock ("Common Stock" or "Shares") of Sonoco Products Company (the "Company") by employees. Additional purposes of the Plan include generating a meaningful incentive to participants to make substantial contributions to the Company's future success, enhancing the Company's ability to attract and retain persons who will make such contributions, and ensuring that the Company can provide competitive compensation opportunities for its key personnel. By meeting these objectives, the Plan is intended to benefit the shareholders of the Company.

2. TERM. The Plan shall be effective as of February 6, 1991. The amendments to the Plan shall be effective when approved by shareholders and until terminated pursuant to Section 14.7.

3. COMMON SHARES AVAILABLE FOR ISSUANCE. Subject to adjustments contemplated by Section 5, 5,000,000 shares of Common Stock of the Company became available for issuance under the Plan on February 6, 1991. Beginning on January 1, 1995, and ending on January 1, 2005, the number of shares available for issuance under the Plan shall be increased on each January 1 by an amount equal to 1.2% of the number of shares of Common Stock issued on such day. Furthermore, the Committee may designate for issuance under the Plan any shares of Common Stock that are repurchased by the Company after April 19, 1995, and before April 19, 2005, (the "Repurchased Shares") on the open market or in private transactions in which the Company paid fair market value, so long as the aggregate price paid for the Repurchased Shares does not exceed the cumulative amount received in cash by the Company after April 19, 1995, for the exercise of options granted under the Plan or the 1983 Key Employee Stock Option Plan (the "Prior Plan"). Shares available for issuance under the Plan, which are not issued in a given year, will be carried forward and continue to be available in the succeeding year. Any shares issued under the Plan may be either authorized but unissued shares, or previously-issued shares reacquired by the Company.

4. SHARE USAGE. If grants made under the Plan expire or are canceled without the issuance of shares, the shares of stock covered by such grants shall remain available for issuance under the Plan. Further, any shares which are exchanged by a participant as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option granted under the Plan or the Prior Plan shall be added to the aggregate number of shares available for issuance for grants other than Incentive Stock Option grants. In instances where a Stock Appreciation Right (SAR) or a stock grant is settled in cash or any form other than shares, then the shares covered by these settlements shall not be deemed issued and shall remain available for issuance under the Plan. The payment in shares of dividends in conjunction with outstanding grants shall not be counted against the shares available for issuance.

5. ADJUSTMENTS AND REORGANIZATIONS. The Board may make such adjustments as it deems appropriate to meet the intent of the Plan in the event of changes that impact the Company's share price or share status, provided that any such actions are consistently and equitably applicable to all affected participants.

a. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting shares, such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change shall be made with respect to (i) aggregate number of shares that may be issued under the Plan; (ii) each outstanding grant made under the Plan; (iii) the price per share for any outstanding stock options, SARs and other rights granted under the Plan; and the limitations on share usage and allocation set forth in Section 9. In addition, any shares issued or settlement of grants by the Company through the assumption or substitution of outstanding grants or grant commitments from an acquired company or other entity shall not be counted against the limitations set forth in Section 3 and Section 9.

b. In the event that the Company is not the surviving company of a merger, consolidation or amalgamation with another company or in the event of a liquidation or reorganization of the Company, and in the absence of the surviving corporation's assumption of outstanding grants made under the Plan, the Board may provide for appropriate adjustments and settlements of such grants either at the time of grant or at a subsequent date.

6. PLAN ADMINISTRATION

6.1 THE COMMITTEE. A Committee (the "Committee") appointed by the Board shall be responsible for administering the Plan. The Committee shall be comprised of three or more members of the Board who qualify to administer the Plan as contemplated by Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule.

6.2 POWERS OF THE COMMITTEE. Subject only to the express restrictions and limitations otherwise set forth in the Plan, the Committee shall have sole, absolute and full authority and power to:

(a) Interpret the Plan and undertake such actions and make such determinations and decisions as it deems necessary and appropriate to carry out the Plan intent;

(b) Select individuals to receive grants;

(c) Determine the amount of shares to be covered by each grant;

(d) Decide the type grant or grants to be made to each participant and the terms and conditions applicable to each such grant;

(e) Award grants to individuals who are foreign nationals or employed outside the United States or both, on such terms and conditions (which may be different than specified by the Plan) which it deems are necessary to assure the viability of such grants in meeting the purposes of the Plan;

(f) Enter into grant agreements evidencing grants made under the Plan and their respective terms and conditions;

(g) Establish, amend and repeal rules and regulations relating to the Plan; and

(h) Amend the Plan to the extent permitted by Section 14.6.

6.3 DELEGATION OF AUTHORITY. The Committee may designate persons other than members of the Committee or the Board to carry out its responsibilities subject to such limitations, restrictions and conditions as it may prescribe, except that the Committee may not delegate its authority with regard to the awarding of grants to persons subject to Section 16 of the 1934 Act. Further, the Committee may not delegate its authority if such delegation would cause the Plan not to comply with the requirements of Rule 16b-3 or any successor rule under the 1934 Act.

6.4 DIVIDENDS AND DIVIDEND EQUIVALENTS. The Committee may provide that grants awarded under the Plan earn dividends or dividend equivalents. Such dividend equivalents may be paid currently or may be credited to a participant's account. In addition, dividends paid on outstanding grants or issued shares may be credited to a participant's account, including additional shares or share equivalents, rather than paid currently. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents.

6.5 DEFERRALS AND SETTLEMENTS. The Committee may require or permit participants to elect to defer the issuance of shares or the settlement of grants in cash under such rules and procedures as it may establish under the Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts or the payment or crediting of dividend equivalents on deferred settlements denominated in shares. The Committee may also require or permit grants to be settled in the form of other grant types.

6.6 DOCUMENTATION OF GRANTS. Grants under the Plan shall be evidenced by written agreements or such other appropriate documentation as the Committee shall prescribe. The Committee need not require the execution of any instrument or acknowledgment of notice of a grant under the Plan, in which case acceptance of such a grant by the respective participant will constitute agreement to the terms of the grant.

7. PLAN ELIGIBILITY. Any employee of the Company (including any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee) shall be eligible to be designated a participant under the Plan.

8. GRANT TYPES. Awards under the Plan may consist of single, combination, tandem or replacement grants of the following types.

8.1 STOCK OPTIONS. A stock option shall confer on a participant the right to purchase a specified number of shares from the Company subject to the terms and conditions of the stock option grant. A stock option may be in the form of an incentive stock option or any other option type. Any incentive stock option grant shall comply with the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, (the "Code"), and accordingly, the aggregate fair market value at the time of grant of the shares covered by incentive stock option grants exercisable by any one optionee in any calendar year shall not exceed $100,000 (or such other limit as may be required by the Code). The recipient of a stock option grant shall pay for the shares at the time of exercise in cash or such other form as the Committee may approve, including the transfer of shares (whether actual or constructive), valued at their fair market value on the date of exercise, or in a combination of payment forms.

8.2 STOCK APPRECIATION RIGHTS (SAR). A SAR grant shall confer on a participant the right to receive in shares, cash or a combination of both, up to the positive difference, if any, between the fair market value of a designated number of shares on the date the SARs are exercised and the designated price of the SARs contained in the terms and conditions of the grant. Shares issued in settlement of the exercise of SARs shall be valued at their fair market value on the date of the exercise of the SARs.

8.3 STOCK GRANTS. A stock grant shall confer on a participant the right to receive a specified number of shares, cash equal in value to a designated number of shares or a combination of both, subject to the terms and conditions of the grant, which may include forfeitability contingencies based on continued employment with the Company or the meeting of performance criteria or both. The performance criteria that may be used by the Committee in awarding contingent stock grants will consist of total shareholders' return, earnings growth, revenue growth, and/or profitability measured by return ratios. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based on absolute Company or business unit performance or based on comparative performance with other companies. A stock grant may be received by a participant as part of or in lieu of the participant's normal compensation or as part of or in lieu of a payment under another incentive compensation or employee benefit plan of the Company, subject to such rules and conditions as the Committee may establish for such grants.

8.4 DEFERRED COMPENSATION STOCK OPTIONS. The Committee may, at its sole discretion, require or permit that designated grants under the Plan be settled in the form of deferred compensation stock options. The Committee may also, at its sole discretion, require or permit eligible employees to receive deferred compensation stock options in lieu of a payment of normal compensation or a payment under another incentive compensation or employee benefit plan of the Company. The number of shares to be subject to such a grant shall be the quotient (rounded down to the nearest whole number) resulting from the following formula:

$$\frac{\text{Amount of Compensation to be Deferred}}{\text{Fair Market Value at Time of Grant - Option Price}} = \text{Number of Shares}$$

9. GRANT LIMITS. Subject to adjustments contemplated by Section 5, the following limitations on the usage of shares of Common Stock shall be effective for grants made after April 19, 1995:

9.1 STOCK OPTIONS AND SARS. Commencing with 1995, no individual may receive a stock option or SAR, or combination of both, in any one calendar year that covers more than 200,000 shares plus unused shares carried forward for up to five years commencing in 1995. The aggregate number of shares that may be covered by incentive stock options granted under the Plan cannot exceed 5,000,000 shares.

9.2 STOCK GRANTS. Commencing with 1995, no individual may receive a stock grant in any one calendar year that covers more than 100,000 shares plus unused shares carried forward for up to five years commencing in 1995. The aggregate number of shares that may be covered by stock grants made in any one calendar year shall not exceed 0.4% of the number of issued shares of Common Stock as of the first day of such calendar year commencing in 1995, plus any unused shares which were available for stock grants in any prior years commencing in 1995.

10. TRANSFERABILITY AND EXERCISABILITY

10.1 TRANSFERABILITY. Any grant under the Plan will be non-transferable and, accordingly, shall not be assignable, alienable, salable or otherwise transferable by the participant other than as provided in Section 10.2 or:

(a) By will or the laws of descent and distribution;

(b) Pursuant to a qualified domestic relations order, to the extent permitted by the Committee, either at the time of grant or subsequently; and

(c) By gift or other transfer to, either (i) a trust or estate in which the participant or such person's spouse, or other relative has a substantial interest, or (ii) the participant's spouse or other relative, to the extent permitted by the Committee, either at time of grant or subsequently, provided further that for any such transfer by a person subject to Section 16 of the 1934 Act, the Committee may require the shares covered by such grant to continue to be deemed beneficially owned.

10.2 THIRD PARTY EXERCISES. In the event that a participant terminates employment with the Company to assume a position with a governmental, charitable, educational or similar non-profit institution, the Committee may subsequently authorize a third party, including but not limited to a "blind" trust, to act on behalf of and for the benefit of the respective participant with respect to any outstanding grants held by the participant subsequent to such termination of employment. If permitted by the Committee, a participant may designate a beneficiary or beneficiaries to exercise the rights of the participant and receive any distributions under the Plan upon the death of the participant.

11. GRANT TERMS AND CONDITIONS. The Committee shall determine the provisions and duration of grants made under the Plan, including the purchase prices for all stock options, the established prices for all SARs, the consideration, if any, to be required from participants for all other grants and the conditions under which a participant will retain rights in the event of the participant's termination of employment while holding outstanding grants made under the Plan. However, any stock option (other than a deferred compensation grant made pursuant to Section 8.4) or SAR may not have an exercise or designated price of less than 100% of the fair market value of the covered shares on the date of grant, except that, in the case of a stock option or SAR granted retroactively in tandem with or as a substitution for another grant, the exercise or designated price may be

the same as the exercise or designated price of such other grant.

12. TAX WITHHOLDING. The Company shall have the right to deduct from any settlement of a grant made under the Plan, including the delivery or vesting of shares, a sufficient amount to cover withholding of any federal, state or local taxes required by law or to take such other action as may be necessary to satisfy any such withholding obligations. The Committee may permit shares to be used to satisfy required tax withholding and such shares shall be valued at their fair market value as of the settlement date of the applicable grant.

13. OTHER COMPANY BENEFIT AND COMPENSATION PROGRAMS. Unless otherwise determined by the Committee, settlements of grants received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit or severance program (or severance pay law of any country). The above notwithstanding, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

14. GENERAL. The following provisions are applicable to the Plan generally:

14.1 FUTURE RIGHTS. No person shall have any claim or rights to be awarded a grant under the Plan, and no participant shall have any rights under the Plan to be retained in the employ of the Company.

14.2 FAIR MARKET VALUE. The term "fair market value" as used in the Plan means the closing price of a share of Common Stock on the date of the applicable transaction or such other appropriate valuation method as the Committee may determine.

14.3 NO FRACTIONAL SHARES. No fractional shares shall be issued under the Plan and cash shall be paid in lieu of any fractional shares in settlement of grants awarded under the Plan.

14.4 UNFUNDED PLAN. Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of a grant awarded under the Plan, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of the Company.

14.5 SUCCESSORS AND ASSIGNS. The Plan shall be binding on all successors and assigns of a participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the participant's creditors.

14.6 PLAN AMENDMENT. The Committee may amend the Plan as it deems necessary or appropriate to better achieve the purposes of the Plan, except that no amendment without the approval of the Company's shareholders shall be made which would:

(a) Subject to adjustments contemplated by Section 5, increase the total number of shares available for issuance under Section 3 or the share limits set forth in Section 9; and

(b) Reduce the minimum exercise or designated price for any stock options or SARs granted under the Plan.

14.7 PLAN TERMINATION. The Board may terminate the Plan at any time. However, if so terminated, then-existing previously-awarded grants shall remain outstanding and in effect in accordance with their applicable terms and conditions.

14.8 GOVERNING LAW. The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be determined in accordance with the laws of the State of South Carolina and applicable federal law.

EXHIBIT 10.7

EXECUTION COPY

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of November 1, 2002, which amends the Credit Agreement referenced below, is by and among SONOCO PRODUCTS COMPANY, a South Carolina corporation (the "Borrower"), the several lenders identified on the signature pages hereto and BANK OF AMERICA, N.A., as administrative agent for the Lenders (the "Agent").

W I T N E S S E T H

WHEREAS, a $450,000,000 364-day revolving credit facility has been established in favor of the Borrower pursuant to the terms of that Credit Agreement dated as of July 10, 2002 (as amended and modified from time to time, the "Credit Agreement") among the Borrower, the Lenders from time to time party thereto (the "Lenders") and the Agent;

WHEREAS, the Borrower has requested certain amendments to the Credit Agreement; and

WHEREAS, the Required Lenders have agreed to the requested modifications on the terms and conditions set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement.

2. Amendments.

(a) Section 5.10 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

5.10 Minimum Book Net Worth.

The Borrower shall not permit Book Net Worth to be less than $698,700,000 (which represents approximately 85% of Book Net Worth as of March 31, 2002) as of the last day of any fiscal quarter (commencing with the fiscal quarter ending June 30, 2002); provided, however, (i) such amount shall be increased at the end of each fiscal quarter (commencing with the fiscal quarter ending June 30, 2002) by an amount equal to 25% of the Borrower and its Subsidiaries' net income for the fiscal quarter then ending (computed on a consolidated basis in accordance with GAAP and with no deduction for a net loss in any such fiscal quarter); (ii) such amount shall be decreased Dollar for Dollar by the aggregate cumulative amount of all payments made by the Borrower on and after July 10, 2002 for the redemption, retirement or other repurchase of any shares of the capital stock of the Borrower so long as the Borrower's Long-Term Debt is rated A- or higher by S&P and A3 or higher by Moody's at the time of such payments; and

(iii) for the purpose of calculating Book Net Worth with respect to this Section 5.10, the calculation shall exclude (i.e., there will be added back to Book Net Worth) any year-end non-cash adjustment (on an after-tax basis) to other comprehensive income to reflect any Additional Minimum Liability (as defined below). With respect to clause (ii) of the proviso in the immediately preceding sentence, if, as a result of the payments made by the Borrower for such redemption, retirement or other repurchase of any shares of the capital stock of the Borrower, the rating applicable to the Long-Term Debt of the Borrower is lowered by either S&P or Moody's below the applicable level set forth in the preceding sentence within forty-five (45) days of the last of such payments, then any reduction in the minimum Book Net Worth amount previously made pursuant to clause (ii) of this Section 5.10 in connection with such payments shall be reversed. For purposes hereof, "Additional Minimum Liability" means, as of any date, with respect to the Borrower's pension Plans, the sum of the absolute values of (x) the unfunded accumulated benefit obligation existing as of the end of the fiscal year then ending or the most recently ended fiscal year, as applicable, plus (y) the Borrower's prepaid pension asset position existing as of the end of the fiscal year then ending or the most recently ended fiscal year, as applicable.

(b) New Schedule I to Officer's Compliance Certificate. Schedule I to the Officer's Compliance Certificate attached as part of Schedule 5.1(c) of the Credit Agreement is hereby replaced with the new Schedule I to the Officer's Compliance Certificate attached hereto.

3. Conditions Precedent. This Amendment shall be effective as of the date first written above upon receipt by the Agent of each of the following in form and substance satisfactory to the Agent:

(a) counterparts of this Amendment duly executed by the Borrower, the Agent and the Required Lenders;

(b) payment by the Borrower to the Agent of all fees and expenses (including the fees and expenses of the Agent's legal counsel) owing in connection with this Amendment.

4. Representations and Warranties. The Borrower hereby represents and warrants that (a) it has the requisite corporate power and authority to execute, deliver and perform this Amendment, (b) it is duly authorized to, and has been authorized by all necessary corporate action to, execute, deliver and perform this Amendment, (c) the representations and warranties contained in Article IV of the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of such date (except for those which expressly relate to an earlier date, in which case they shall be true and correct as of such earlier date), and (d) after giving effect to this Amendment, no Default or Event of Default exists under the Credit Agreement on and as of the date hereof or will occur as a result of the transactions contemplated hereby.

5. No Other Changes. Except as expressly modified hereby, all of the terms and provisions of the Credit Agreement (including schedules and exhibits thereto) shall remain in full force and effect.

6. Costs and Expenses. The Borrower agrees to pay all reasonable costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of Moore & Van Allen, PLLC.

7. Counterparts; Facsimile. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and it shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart. Delivery of

an executed counterpart of this Amendment by telecopy by any party hereto shall be effective as such party's original executed counterpart and shall constitute a representation that such party's original executed counterpart will be delivered.

8. Governing Law. This Amendment shall be deemed to be a contract made under, and for all purposes shall be construed in accordance with, the laws of the State of North Carolina.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER: SONOCO PRODUCTS COMPANY,
a South Carolina corporation

By: /s/ Vicki B. Arthur
Name: Vicki B. Arthur
Title: Staff Vice-President and Treasurer

AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Mary Claire Carter
Name: Mary Claire Carter
Title: Vice President

LENDERS: BANK OF AMERICA, N.A.,
as a Lender and as Swing Line Lender

By: /s/ Thomas R. Sullivan
Name: Thomas R. Sullivan
Title: Vice President

LENDERS: BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: /s/ Lillian Kim
Name: Lillian Kim
Title: Vice President

LENDERS: DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Christian Dallwitz

Name: Christian Dallwitz
Title: Director

By: /s/ Michael C. Dietz

Name: Dr. Michael C. Dietz
Title: Director

LENDERS: SUNTRUST BANK

By: /s/ David W. Foster

Name: David W. Foster
Title: Director

LENDERS: WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Meg Beveridge

Name: Meg Beveridge
Title: Vice President

LENDERS: CITICORP USA, INC

By: /s/ Hilary Nickerson

Name: Hilary Nickerson
Title: Vice President

LENDERS: BANK OF MONTREAL

By: /s/ Shahrokh Z. Shah

Name: Shahrokh Z. Shah
Title: Vice President

LENDERS: CREDIT SUISSE FIRST BOSTON, ACTING THROUGH CAYMAN ISLANDS BRANCH

By: /s/ James P. Moran

Name: James P. Moran
Title: Director

By: /s/ Ian W. Nalift

Name: Ian W. Nalift
Title: Associate

LENDERS: BANCO BILBAO VIZCAYA ARGENTARIA S.A.

By: /s/ Salmatiano Machade

Name: Salmatiano Machade
Title: Vice President
Global Corporate Banking

By: /s/ Miguel A. Lara

Name: Miguel A. Lara
Title: Vice President
Global Corporate Banking

LENDERS: JP MORGAN CHASE BANK

By: /s/ Peter S. Predun

Name: Peter S. Predun
Title: Vice President

LENDERS: BANK OF NEW YORK

By: /s/ Ronald R. Reedy

Name: Ronald R. Reedy
Title: Vice President

LENDERS: STATE STREET BANK AND TRUST COMPANY

By: /s/ Elizabeth F. Ryan-Catalano

Name: Elizabeth F. Ryan-Catalano
Title: Assistant Vice President

Schedule I
to
Officer's Compliance Certificate

Fiscal Quarter Ending: __________, 20___.

A.	Minimum Book Net Worth		
	(i)	85% of Book Net Worth as of March 31, 2002	$ 698,700,000
	(ii)	25% of the Borrower's and its Subsidiaries' net income for each full fiscal quarter (commencing with the fiscal quarter ending June 30, 2002), computed on a consolidated basis in accordance with GAAP	$__________________
	(iii)	Aggregate cumulative amount of all payments made by the Borrower on and after July 10, 2002 for the redemption, retirement or other repurchase of any shares of the capital stock of the Borrower so long as the Borrower's Long-Term Debt is rated A- or higher by S&P and A3 or higher by Moody's at the time of such payment and for the period ending upon the earlier of forty-five (45) days after such payment or the date of delivery of this certificate	$__________________
	(iv)	Line A(i) plus Line A(ii) minus Line A(iii)	$__________________
B.	Actual Book Net Worth per Section 5.10		
	(i)	Book Net Worth as of the last day of such fiscal quarter	$__________________
	(ii)	Non-cash, tax-adjusted Additional Minimum Liability balance in other comprehensive income	$__________________
	(iii)	Line B(i) plus Line B(ii)	$__________________
Minimum Allowed:			

As of the last day of the fiscal quarter indicated above, Line B(iii) shall be greater than or equal to Line A(iv). The Borrower is in compliance with the foregoing minimum allowed Book Net Worth: yes ___ no___

EXHIBIT 10.8

DEFERRED COMPENSATION PLAN

FOR

CORPORATE OFFICERS OF

SONOCO PRODUCTS COMPANY

TABLE OF CONTENTS

ARTICLE I	STATEMENT OF PURPOSE	1
ARTICLE II	DEFINITIONS	2-3
ARTICLE III	ELIGIBILITY AND PARTICIPATION	4-5
ARTICLE IV	DEFERRED COMPENSATION ELECTIONS	6
ARTICLE V	CREDITS TO DEFERRAL ACCOUNTS	7-8
ARTICLE VI	ADMINISTRATIVE COMMITTEE	9
ARTICLE VII	AMENDMENT AND TERMINATION	10
ARTICLE VIII	MISCELLANEOUS	11-12
ARTICLE IX	CONSTRUCTION	13

SONOCO PRODUCTS COMPANY
DEFERRED COMPENSATION PLAN
FOR KEY EMPLOYEES

ARTICLE I

STATEMENT OF PURPOSE

The purpose of this plan is to provide key employees of Sonoco Products Company (the "Company") the opportunity to defer receipt of compensation earned as an employee to a date following termination of employment. This deferral opportunity is designed to help the Company to attract and retain outstanding individuals as employees of the Company through enhancement of the value of the compensation paid to such individuals.

ARTICLE II

DEFINITIONS

When used herein the following terms shall have the meanings indicated unless a different meaning is clearly required by the context.

1. "Company": Sonoco Products Company, a South Carolina Corporation, and its corporate successors.

2. "Committee": The Administrative Committee appointed by the Board of Directors of the Company to administer this plan.
3. "Key Employee": Any person who is serving as an officer of the Company.
4. "Participant": An employee or former employee who has deferred fees hereunder and has a credit balance in his deferred compensation account.
5. "Termination Date": The date of termination of an employee's service with the Company.
6. "Plan": The Deferred Compensation Plan for Key Employees of Sonoco Products Company as contained herein, and as may be amended from time to time hereafter.
7. "Plan Year": The period commencing January 1 and ending December 31.
8. "Stock EQuivalent Account": The account described in Article V.

9. "Interest Account": The account described in Article V.
10. "Compensation": Salary and incentive compensation earned from both the annual and long term plans.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

1. Key Employees of the Company are eligible to become participants in the plan, subject to approval of the Board of Directors.

2. An eligible Employee participates in the plan by irrevocably electing on an annual basis, in the manner specified herein, to defer future compensation at an annual rate for one (I) or four (4) consecutive calendar years.

3. An eligible Employee may elect to defer receipt of an annual minimum of $5,000 and an annual maximum of fifty (50) percent of the compensation (salary and incentive) earned during the year the deferral choice is made.

4. An eligible Employee becomes a Participant in the Plan upon the execution and delivery of a Deferred Compensation Agreement. Such Agreement must be executed in all cases on or before December 31 to defer compensation to be earned in succeeding calendar years.

(a) During the first year of the deferral period, the annual amount of compensation to be deferred shall be deferred from salary on a monthly basis ratably over the year. For subsequent years where a four year deferral is elected the annual amount of compensation to be deferred shall be deferred first from any incentive paid during such

year, and to the extent such incentive is insufficient to cover the annual amount to be deferred, amounts shall be deferred ratably from salary payments made during the remainder of the year.

(b) The Committee shall be vested with the authority to deny a participant the right to defer compensation pursuant to this Plan for any Plan Year, provided, however, that any such denial shall apply to all participants.

ARTICLE IV

DEFERRED COMPENSATION ELECTIONS

1. An officer electing to defer payment of compensation may elect deferral to be invested in the Interest Account or the Stock Equivalent Account.

2. Subject to such limitations as the Committee may impose, an officer electing to defer hereunder shall also elect a Fixed period commencing in the January following the ~ Termination Date over which the balance in his account shall be paid to him in annual installments and a Fixed Period (which may be a different period) over which the balance in his Account shall be paid to his Beneficiary or estate in annual installments in the event of his death before receiving such balance.

3. Any Fixed Period Election to defer compensation shall be irrevocable and may not be changed or modified thereafter by a Participant.

4. The fact that an officer has made a particular election with respect to a deferral shall not preclude such officer from making different elections with respect to new deferrals covering a future period of service.

ARTICLE V

CREDITS TO DEFERRAL ACCOUNTS

1. Deferred compensation shall be credited to the Stock Equivalent Account or the Interest Account of a Participant or a combination of these accounts, as the Participant may have elected, as follows:

   (a) The deferred incentive amount shall be credited to the Deferral account on the closing date of the Company's fiscal month in which the incentive was to be paid in cash.

   (b) The deferred salary shall be credited on the closing date of the Company's fiscal month in which the salary was to be paid in cash.

2. The compensation credited to a Stock Equivalent Account shall be converted on the closing date of each of the Company's fiscal months into Stock equivalents as though such compensation were applied to the purchase of common stock of the Company as follows:

   The Participant's Account shall be assigned Stock Equivalents which shall be the number of full and fractional (rounded to the nearest tenth) shares of the Company's common stock that could be purchased with the compensation credited to the Officer's Account, at the closing price of such common stock as quoted by the

National Market System of NASDAQ.

3. As of the record date for each dividend declared on the Company's common stock, each Officer's dividend shall be determined by multiplying the cash dividend per share by the number of full and fractional Stock Equivalents in the Officer's Stock Equivalent Account on the dividend record date. The resulting dividend amount will be converted into stock equivalents as though such fees were applied to the purchase of common stock of the Company.

4. The balance in the Interest Account will be credited with interest from the date the deferral is credited to the account until payment is complete, at a rate equal to the Merrill Lynch ten year high quality bond index for December 15 of each preceding year.

ARTICLE VI

ADMINISTRATIVE COMMITTEE

1. This plan shall be administered by the Compensation Committee of the Board of Directors.

2. The construction and interpretation by the Committee of any provision of this plan shall be final and conclusive.

3. The administration of this plan is delegated to the Vice President Human Resources who is responsible for executive compensation and benefits, or at his election, to the Director of Compensation and Benefits.

4. No member of the Committee shall be personally liable for any actions taken by the Committee unless the member's action involves willful misconduct.

ARTICLE VII

AMENDMENT AND TERMINATION

The Company reserves the right, at any time or from time to time, by action of its Board of Directors, to modify, amend or terminate in whole or in part any or all provisions of the plan, provided, however, that any such modification, amendment or termination shall not substantially and adversely affect the benefits then in effect.

ARTICLE VIII

MISCELLANEOUS

1. NON-ALIENATION OF BENEFITS. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under this Deferral shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefits. If the Participant or any beneficiary hereunder shall become bankrupt, or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right hereunder, then such right or benefit shall, in the discretion

of the Committee, cease and terminate, and in such event, the Committee may hold or apply the same or any part thereof for the benefit of the Participant or his beneficiary, spouse, children, or other dependents, or any of them in such manner and in such amounts and proportions as the Committee may deem proper.

2. NO TRUST CREATED. The obligations of the Company to make payments hereunder shall constitute a liability of the Company to a Participant. Such payments shall be made from the general funds of the Company, and the Company shall not be required to establish or maintain any special or separate fund, or purchase or acquire life insurance on a

Participant's life, or otherwise segregate assets to assure that payment shall be made, and neither a Participant, his estate nor Beneficiary shall have any interest in any particular asset of the Company by reason of its obligations hereunder. The Participant's rights to deferred amounts will be the same as an unsecured general creditor of the Company, and all property and rights to property, including rights as a beneficiary of a life insurance contract purchased with deferred amounts, and all income attributable to the deferred amounts and property will remain solely the property of the Company and will be subject to claims of general creditors of the Company. Nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Company and a Participant or any other person.

3. The effective date of this plan is January 1, 1991.

ARTICLE IX

CONSTRUCTION

1. GOVERNING LAW. This Plan shall be construed and governed in accordance with the laws of the State of South Carolina.

2. GENDER. The masculine gender, where appearing in the plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

3. HEADINGS, ETC. The cover page of this plan, the Table of Contents and all headings used in this plan are for the convenience of reference only and are not part of the substance of this plan.

EXHIBIT 10.9

OMNIBUS BENEFIT RESTORATION PLAN

OF

SONOCO PRODUCTS COMPANY

Amended and Restated
Effective January 1, 1994

OMNIBUS BENEFIT RESTORATION PLAN
OF
SONOCO PRODUCTS COMPANY

Introduction

Effective January 1, 1979, Sonoco Products Company (the Company) adopted the Supplemental Executive Retirement Plan of Sonoco Products Company (the SERP) to provide income replacement to selected executive employees in addition to their qualified retirement plan benefits. The SERP was amended from time to time to improve benefits and was amended and restated effective November 1, 1984.

The SERP is again amended and restated and is renamed the Omnibus Benefit Restoration Plan of Sonoco Products Company (the Plan), effective January 1, 1994. The purposes of the Plan are to (1) provide each eligible employee a benefit equal to the benefit that cannot be paid under the Retirement Plan of Sonoco Products Company because of limitations on benefits payable under qualified defined benefit retirement plans under the Internal Revenue Code (the Code), (2) provide each eligible employee the matching contribution that cannot be made under the Sonoco Products Company Employee Savings and Stock Ownership Plan because of limitations on annual contributions that can be made under qualified Code Section 401(k) and (m) plans, and (3) provide a method to pay eligible executives individually-negotiated retirement benefits under terms and conditions described in confidential individual participation agreements which form an integral part of this Plan.

The four type of benefits provided under this amended and restated Plan are termed: (1) the Executive Benefit (the 60-percent income replacement benefit); (2) the Excess Benefit; (3) the Excess ESSOP Benefit; and (4) benefits described in confidential individual Participation Agreements which form an integral part of the Plan.

The Company intends that the Plan be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management and highly compensated employees, within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974 (ERISA), commonly called a top-hat plan. The Company reserves the right to interpret and operate the Plan accordingly, and to amend the Plan as necessary to maintain its status as a top-hat plan as defined by any law issued under ERISA or the Code.

Provisions which apply only to specific groups of employees are set forth in Addenda to the Plan, which form an integral part of the Plan.

The rights to an Executive Benefit of any employee who terminated before the adoption date of this amended and restated Plan will be determined under the Plan as in effect on the date the employee terminated, without regard to the retroactive effective date.

Notwithstanding any other provision of this amended and restated Plan, no amended provision which would modify the Plan in any material respect will apply to any participant to whom Code Section 162(m) applies.

OMNIBUS BENEFIT RESTORATION PLAN
OF
SONOCO PRODUCTS COMPANY

Table of Contents

			Page
ARTICLE 1	DEFINITIONS		
1.1	Accrued Benefit		1
	(a)	Executive Benefit	1
	(b)	Excess Retirement Benefit	2
	(c)	Participation Agreement Benefit	2
	(d)	Excess ESSOP Benefit	2
1.2	Actuarial Equivalent		3
1.3	Benefit Commencement Date		3
1.4	Board		3
1.5	Code		3
1.6	Committee		3
1.7	Company		4
1.8	Compensation		4
1.9	Controlled Group		4
1.10	Delayed Retirement Date		4
1.11	Earliest Retirement Date		5
1.12	Earliest Retirement Age		5
1.13	Effective Date		5
1.14	Employee		5
1.15	Employer		5

1.16	Employment	5
1.17	Employment Date	6
1.18	ERISA	6
1.19	ESSOP	6
1.20	Excess ESSOP Account	6
1.21	Excess ESSOP Benefit	6
1.22	Excess Matching Contribution	6
1.23	Excess Retirement Benefit	6
1.24	Executive Benefit	7
1.25	Final Average Earnings	7
1.26	Executive Compensation Committee of the Board	7
1.27	Investment Council	7
1.28	Negotiated Benefit	7
1.29	Normal Retirement Age	7
1.30	Normal Retirement Date	8
1.31	Participant	8
1.32	Participation Agreement	8
1.33	Participation Agreement Benefits	8

1.34	Plan	8
1.35	Plan Administrator	8
1.36	Plan Year	8
1.37	Retirement Incentive Benefit	8
1.38	Retirement Plan	8
1.39	Retirement Plan Benefit	9
1.40	Social Security Benefit	9
1.41	Spouse	9
1.42	Termination Date	9
1.43	Years of Benefit Service (or Benefit Service)	10
1.44	Years of Vesting Service (or Vesting Service)	10
	(a) Excess Retirement Benefit and Excess ESSOP Benefit	10
	(b) Executive Benefit	11
ARTICLE 2	ELIGIBILITY	
2.1	Eligibility	12
	(a) Executive Benefit	12
	(b) Excess Retirement Benefit	12
	(c) Participation Agreement	13
	(d) Excess ESSOP Benefit	13
2.2	Participation Upon Reemployment	13
2.3	Forfeiture	13
2.4	Adoption of the Plan by a Controlled Group Member	14
	(a) Method of Adopting the Plan by a Controlled Group Member	14
	(b) Transmittal of Resolution	15
ARTICLE 3	AMOUNT AND PAYMENT DATE OF BENEFITS	
3.1	Amount of Benefits	16
	(a) Executive Benefit	16
	(b) Excess Retirement Benefit	17
	(c) Participation Agreement Benefit	17
	(d) Excess ESSOP Benefit	17
3.2	Benefit Commencement Date	17
3.3	Adjustment for Early Retirement	18

			Page
	(a)	Executive Benefit	18
	(b)	Excess Retirement Benefit	18
	(c)	Participation Agreement Benefit	19
3.4	Adjustment for Delayed Retirement		19
3.5	Termination of Employment or Participation		19
	(a)	Executive Benefit	19
	(b)	Excess Retirement Benefit	19
	(c)	Participation Agreement Benefit	20
	(d)	Excess ESSOP Benefit	20
3.6	Disability Retirement		21
	(a)	Eligibility	21
	(b)	Amount of Disability Retirement Benefit	21
	(c)	Benefit Commencement Date	21
	(d)	Recovery	22
3.7	Reemployment		23
	(a)	Reemployment Before Receipt of Benefits	23
	(b)	Reemployment After Receipt of Cash-Out	23
	(c)	Reemployment After Receipt of Monthly Payments	23
ARTICLE 4	FORM OF PAYMENT		
4.1	Form of Payment		24
	(a)	Executive Benefit	24
	(b)	Excess Retirement Benefit	24
	(c)	Participation Agreement Benefit	25
4.2	Form of Payment for the Excess ESSOP Benefit		25
4.3	Cash-Out of Small Benefits		25
4.4	Effect of Death on Forms of Payment		26
	(a)	Death of Spouse or Beneficiary Before Benefits Begin	26
	(b)	Death of Participant Before Benefits Begin	26
	(c)	Death of Spouse or Beneficiary After Benefits Begin	26
	(d)	Death of Participant After Benefits Begin	26
4.5	Designation of Beneficiaries		27
	(a)	Identity of Beneficiary	27
	(b)	Payment to Minor or Incompetent Beneficiaries	27
	(c)	Judicial Determination	27

			Page
4.6	Payment to the Participant's Representative		27
4.7	Unclaimed Benefits		28
4.8	Correction of Mistakes		28
ARTICLE 5	PRERETIREMENT DEATH BENEFITS		
5.1	Executive Benefit		30
	(a)	Coverage for Surviving Spouse Only	30
	(b)	Amount of Spouse's Preretirement Death Benefit	31
5.2	Excess Retirement Benefit		32
5.3	Participation Agreement Benefit		32
5.4	Excess ESSOP Benefit		33
ARTICLE 6	UNFUNDED TOP-HAT PLAN		
6.1	Securing Payment of the Plan Benefit		34
6.2	Assets Subject to General Creditors		34
6.3	No Participant Contributions		35

6.4	Exclusive Benefit	35
6.5	Taxation	35
ARTICLE 7	AMENDMENT AND TERMINATION	
7.1	Amendment	36
	(a) Procedure	36
	(b) Prohibited Amendments	36
	(c) Administrative Changes Without Plan Document	36
	(d) Limited to Active Participants	37
7.2	Termination of the Plan	37
ARTICLE 8	ADMINISTRATION	
8.1	Allocation of Fiduciary Responsibilities	38
	(a) The Board	38
	(b) The Company and the Employers	39
	(c) The Executive Compensation Committee of the Board	39
	(d) The Benefits Committee	39
	(e) The Investment Council	43

		Page
8.2	Expenses	46
8.3	Indemnification	47
8.4	Claims Procedure	47
ARTICLE 9	MISCELLANEOUS	
9.1	Headings	48
9.2	Construction	48
9.3	Severability	48
9.4	Nonalienation	48
9.5	No Employment Rights	49
9.6	No Enlargement of Rights	49
9.7	Withholding for Taxes	49
ADDENDUM A	Crellin Employees	
ADDENDUM B	Engraph Employees	

ARTICLE 1

Definitions

As used in the Plan, the following words and phrases and any derivatives thereof will have the meanings set forth below unless the context clearly indicates otherwise. Definitions of other words and phrases are set forth throughout the Plan. Section references indicate sections of the Plan unless otherwise stated. The masculine pronoun includes the feminine, and the singular number includes the plural and the plural the singular, whenever applicable.

1.1 Accrued Benefit.

(a) Executive Benefit. The 60-percent income replacement benefit which the Participant has earned as of the date of determination, prorated for Benefit Service and calculated under Subsection 3.1(a), on the basis of his Final Average Earnings and Years of Benefit Service, minus the offset for (1) his Retirement Plan Benefit that is payable as of his Normal Retirement Date as a 75 percent joint and survivor annuity under the Retirement Plan, and (2) 100 percent of his Social Security Benefit.

(b) Excess Retirement Benefit. As of the date of determination, an amount equal to the difference between the amount the Participant would have earned under the Retirement Plan in the absence of statutory restrictions, and the amount he has earned after applying those restrictions; provided

that this benefit will not be paid to any Participant who receives the Executive Benefit.

(c) Participation Agreement Benefit. An amount equal to the benefit that the Participant has earned as of the date of determination under his Participation Agreement, after applying any applicable offsets. The Participation Agreement may provide for the payment of one or both of the following types of benefits:

(1) Negotiated Benefits. One or more types of benefits which are in addition to any other Employer-provided qualified or nonqualified benefit to which the Participant is entitled or is expected to become entitled, the terms and conditions of which are described in his Participation Agreement.

(2) Retirement Incentive Benefit. A benefit designed as a retirement incentive, which is in addition to any other Employer-provided qualified or nonqualified benefit to which the Participant is entitled upon retirement, the terms and conditions of which are described in his Participation Agreement.

(d) Excess ESSOP Benefit. As of the date of determination, the balance of the Participant's Excess ESSOP Account, including his share of unallocated Excess Matching Contributions and gains/losses.

1.2 Actuarial Equivalent. A benefit of equal value computed on the basis of (a) the 1984 Unisex Pension Mortality Table, with no age setback for Participants and a three-year age setback for beneficiaries, and (b) interest at 9 percent compounded annually for forms of payment other than lump sum. The interest rate used to determine equivalent lump sum values will be the Company's discount rate used to compute FAS-87 costs under the Retirement Plan, as stated each year in the Company's annual report to shareholders.

1.3 Benefit Commencement Date. The first day of the first month for which a benefit is payable as an annuity to the Participant under Articles 3 and 4, or a death benefit is payable to the surviving Spouse or other beneficiary under Article 5. Unless otherwise negotiated, the Benefit Commencement Date for each benefit will be the same as the Benefit Commencement Date for the corollary benefit under the Retirement Plan. If the benefit is payable in a lump sum, the Benefit Commencement Date is the date when the payment is issued.

1.4 Board. The Board of Directors of the Company.

1.5 Code. The Internal Revenue Code of 1986 as amended from time to time, and regulations and rulings issued under the Code.

1.6 Committee. The Benefits Committee, which will serve as the Plan Administrator and will have primary responsibility for administering the Plan under Article 8.

1.7 Company. Sonoco Products Company, a corporation organized and existing under the laws of the State of South Carolina, or its successor or assign which adopts this Plan.

1.8 Compensation. The taxable earnings paid by the Employer to the Participant and reported on his Form W-2 for the calendar year, plus amounts deferred under Code Sections 401(k) and 125 pursuant to the Participant's salary reduction agreement; provided that if the Participant terminates before the end of a year, his Compensation will be annualized for his final year and he will receive credit for any bonus earned in his final year, annualized for the year. Compensation will exclude (1) severance pay, (2) reimbursement for moving expenses, (3) reimbursement for educational expenses, (4) automobile allowance, (5) tax counsel allowance, and (6) compensation related to the exercise of a stock option grant or other stock related compensation program. Compensation will not be subject to the $150,000 (indexed) limitation which applies to the Retirement Plan and to the ESSOP under Code Section 401(a)(17).

1.9 Controlled Group. For purposes of this Plan only, the Company and each entity that is directly or indirectly controlled by the Company, and any entity in which the Company has a significant equity interest, as determined by the Committee.

1.10 Delayed Retirement Date. The last day of the month in which the Participant actually retires after working past his Normal Retirement Date.

1.11 Earliest Retirement Age. The Participant's 55th birthday.

1.12 Earliest Retirement Date. The last day of the month in which the Participant reaches age 55. The Early Retirement Date of the Participant who retires before his Normal Retirement Date is the last day of the month in which he actually retires.

1.13 Effective Date. The Effective Date of the SERP (the predecessor to this Plan) was January 1, 1979. January 1, 1994 is the Effective Date of the Plan, as amended and restated to include (a) the Executive Benefit (the 60-percent income replacement benefit previously payable under the

SERP), (b) the Excess Benefit; (c) the Excess ESSOP Benefit; and (d) Participation Agreement Benefits. However, the Plan as previously in effect for Executive Benefits will continue to apply to any Participant who terminated before the date when this amended and restated Plan is adopted.

1.14 Employee. An individual who is regularly employed by an Employer.

1.15 Employer. The Company and each Controlled Group member which adopts this Plan in accordance with Section 2.4.

1.16 Employment. The period during which an Employee is regularly employed by an Employer.

1.17 Employment Date. The date on which the Employee first earned Compensation.

1.18 ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations and rulings issued under ERISA.

1.19 ESSOP. The Sonoco Products Company Employee Savings and Stock Ownership Plan, which is qualified for tax-exempt status under Code Section 401(a), 401(k), 401(m) and 501(a).

1.20 Excess ESSOP Account. The account which the Committee maintains for accounting purposes only to record the Participant's allocations of Excess Matching Contributions (if any) and gains/losses; provided that Plan assets (if any) will not be segregated among accounts, and each Participant will have only an unsecured contractual right against his Employer for the amount of his Excess ESSOP Benefit.

1.21 Excess ESSOP Benefit. See Subsection 1.1(d).

1.22 Excess Matching Contribution. The amount of Matching Contribution which the Employer cannot contribute to the ESSOP for the Participant for the Plan Year because of statutory limitations that apply to the ESSOP, i.e. Code Sections 401(a)(17), 401(k), 401(m) and/or 415.

1.23 Excess Retirement Benefit. See Subsection 1.1(b).

1.24 Executive Benefit. See Subsection 1.1(a).

1.25 Executive Compensation Committee of the Board. The Committee appointed by the Board to administer executive compensation, which will have responsibility for amending and terminating the Plan under Article 7.

1.26 Final Average Earnings. For purposes of the Executive Benefit, the Participant's average earned Compensation for the 3 calendar years during his Employment which produce the highest average. The Committee will calculate Compensation by annualizing the final year's pay if the Participant terminates before year-end, and by attributing bonuses, other incentive pay and deferred pay to the year when earned instead of the year when paid. If the Participant has fewer than 3 whole calendar years of Compensation, after annualizing his final year, the Committee will use the average of his actual whole and partial years.

1.27 Investment Council. The group of individuals appointed by the Board from time to time, who will have the investment powers and responsibilities described in Article 8.

1.28 Negotiated Benefit. See Subsection 1.1(c)(1).

1.29 Normal Retirement Age. The Participant's 65th birthday.

1.30 Normal Retirement Date. The last day of the month in which the Participant reaches age 65.

1.31 Participant. An Employee participating in the Plan under Section 2.1.

1.32 Participation Agreement. A confidential agreement which forms an integral part of this Plan, and which describes the terms and conditions of benefits that were individually negotiated between the Employer and the Participant.

1.33 Participation Agreement Benefits. See Subsection 1.1(c).

1.34 Plan. The Omnibus Benefit Restoration Plan of Sonoco Products Company, as amended from time to time.

1.35 Plan Administrator. The Committee.

1.36 Plan Year. The 12-month period beginning January 1 and ending December 31 of each year.

1.37 Retirement Incentive Benefit. See Subsection 1.1(c)(2).

1.38 Retirement Plan. The Retirement Plan of Sonoco Products Company, which is qualified for tax-exempt status under Code Sections 401(a) and 501(a), or other

similar qualified plan maintained by an Employer, excluding any plan with Code Section 401(k) and/or (m) features.

1.39 Retirement Plan Benefit. The monthly amount, or applicable Actuarial Equivalent benefit, which the Participant is entitled to receive under the Retirement Plan.

1.40 Social Security Benefit. The primary amount of Social Security benefits which the Participant would be entitled to receive at age 62 or later actual retirement age, based upon the Social Security Act as in effect on his Termination Date, assuming no increase in Compensation after the end of the calendar year that precedes his Termination Date.

1.41 Spouse. For purposes of the benefit described in Subsections 4.1(b) and (c), the Spouse will be the individual to whom the Participant is legally married on his Benefit Commencement Date. For purposes of the death benefit described in Subsection 4.1(a) and 5.1, the Spouse will be the individual to whom the Participant has been legally married throughout the one-year period ending on his date of death. In the event of a dispute, such status will be determined in accordance with the applicable laws of the Participant's state of domicile.

1.42 Termination Date. The earlier of (a) the date the Employee quits, retires, is discharged or dies; or (b) the first anniversary of the beginning date of a paid or unpaid absence for any reason other than resignation, retirement, discharge or death; provided that a Termination Date will not occur during an authorized leave of absence which is included in Vesting Service under the Retirement Plan; and provided further that the Termination Date of the Employee who quits, retires, is discharged or dies before the first anniversary of his absence (or the second anniversary for a parental leave) will be the date such event occurs. Accrual of Benefit Service and Vesting Service will cease on the Termination Date except as otherwise provided under the Retirement Plan.

1.43 Years of Benefit Service (or Benefit Service). For purposes of the Excess Retirement Benefit, Benefit Service includes the Participant's whole and partial Years of Benefit Service which he has earned under the Retirement Plan. For purposes of the Executive Benefit, Benefit Service includes the Participant's whole and partial Years of Benefit Service which he has earned under the Retirement Plan, except that credit begins on his Employment Date.

1.44 Years of Vesting Service (or Vesting Service).

(a) Excess Retirement Benefit and Excess ESSOP Benefit. For purposes of the Excess Retirement Benefit and the Excess ESSOP Benefit, Vesting Service includes the Participant's whole and partial Years of Vesting Service which he has earned under the Retirement Plan and the ESSOP, respectively, and will become vested as provided in Subsection 3.5(b) and (d), respectively.

(b) Executive Benefit. Each Participant in the Executive Benefit portion of the Plan as of the adoption date of the Plan will be fully vested in his Executive Benefit. Each other Participant will receive credit for his whole and partial Years of Vesting Service as defined in the Retirement Plan, except that credit begins on the date when he first becomes eligible for the Executive Benefit, and will become vested as provided in Subsection 3.5(a).

ARTICLE 2

Eligibility

2.1 Eligibility. Each Employee who was an active Participant in the Plan on December 31, 1993 will continue to participate after that date. After that date, each Employee will become a Participant under the various portions of the Plan as follows:

(a) Executive Benefit. Subject to the Board's approval, the Committee will determine the eligible status and the eligibility date of each Employee who becomes a Participant in the Executive Benefit portion of the Plan, and will maintain a list of Participants and their eligibility dates. Participants who are eligible for the Executive Benefit will not be eligible for the Excess Retirement Benefit.

(b) Excess Retirement Benefit. Subject to the Committee's approval, each active Participant in the Retirement Plan will begin to participate in the Excess Retirement Benefit portion of the Plan either on the date as of which his Retirement Plan Benefit becomes limited by the $150,000 (indexed) limitation on Compensation that can be considered under the Retirement Plan, and/or by the Code Section 415 limitations described in the Retirement Plan.

(c) Participation Agreement. Each Employee who executes a Participation Agreement with his Employer will become eligible for benefits under that specific Agreement as of the date stated therein.

(d) Excess ESSOP Benefit. Subject to the Committee's approval, each active participant in the ESSOP will begin to participate in the Excess ESSOP Benefit portion of this Plan as of the date when his matching contributions under the ESSOP becomes limited by the $150,000 (indexed) limitation on Compensation that can be considered under the ESSOP, by the dollar limit on elective deferrals, and/or by the Code Section 415 annual additions limitations described in the ESSOP.

2.2 Participation Upon Reemployment. In the event a Participant in any portion of the Plan terminates for any reason and resumes Employment, or terminates participation in the Plan, the Committee will determine whether and to what extent he will resume participating in the Plan, subject to the Board's or Committee's approval for reentry into the Executive Benefit and/or Participation Agreement portions of the Plan.

2.3 Forfeiture. Any Participant will forfeit his Executive Benefit (including all survivor benefits) in the event that within 3 years after his termination of Employment, he (a) enters into any activity which competes with any business conducted by any Controlled Group member in any geographic area where the Controlled Group member has established a place of business, unless he has the Committee's prior

written consent; (b) interferes with the relations between any Controlled Group member and any customer; or (c) engages in any activity which can reasonably be expected to result in any decrease of or loss in profits by any Controlled Group member.

2.4 Adoption of the Plan By a Controlled Group Member. A Controlled Group member may adopt the Plan by appropriate action of its board of directors or authorized officer(s) or representative(s), subject to approval of the Board.

(a) Method of Adopting the Plan by a Controlled Group Member. To adopt the Plan, the board of directors of the Controlled Group member must approve a resolution expressly adopting the Plan for the benefit of its eligible employees. In such resolution the Controlled Group member will delegate to the Company and its Board authority:

(1) to administer the Plan through the appointment of the members of the Committee and the Investment Council,

(2) to enter into an annuity or insurance contract, a rabbi trust, or other funding medium selected by the Investment Council, and

(3) to amend the Plan at any time and to take any other steps that the Company considers necessary or advisable in connection with the administration and implementation of the Plan.

(b) Transmittal of Resolution. The Employer will transmit a certified copy of such resolution to the Company's Board. The effective date of the Employer's adoption of the Plan will be stated in the resolution.

ARTICLE 3

Amount and Payment Date of Benefits

3.1 Amount of Benefits. The Participant will receive one or more of the following benefits to which he is entitled under applicable provisions of the Plan. The Participant who receives an Executive Benefit will not receive an Excess Retirement Benefit.

(a) Executive Benefit. The Executive Benefit will be a monthly benefit calculated as follows:

(1) 4 percent multiplied by the Participant's whole and partial Years of Benefit Service not in excess of 15 years, with the product (maximum of 60 percent) multiplied by his Final Average Earnings, and that product divided by 12, multiplied (if applicable) by

(2) the ratio (not greater than one) of the number of his whole and partial Years of Benefit Service earned as of his Termination Date, over the number he would have earned if he had continued Employment until his

Normal Retirement Date, with the product reduced by

(3) the sum of (A) his monthly Retirement Plan Benefit actually paid, and (B) his monthly Social Security Benefit.

Notwithstanding any other provision of this amended and restated Plan, no amended provision which would modify the Executive Benefit in any material respect will apply to any Participant to whom Code Section 162(m) applies. The Plan as it existed before this amendment and restatement will continue to apply to each such Participant in all material respects.

(b) Excess Retirement Benefit. The Excess Retirement Benefit will be a monthly benefit in an amount equal to the difference between the amount the Participant would have received under the Retirement Plan in the absence of statutory restrictions, and the amount he actually receives or is entitled to receive after applying those restrictions.

(c) Participation Agreement Benefit. The Participant Agreement Benefit will be the amount described in the Agreement.

(d) Excess ESSOP Benefit. The Excess ESSOP Benefit will be the Participant's Excess ESSOP Account balance, which will be paid as described in Section 4.2.

3.2 Benefit Commencement Date. Each monthly benefit will be payable on the first day of each month beginning on the Participant's Benefit Commencement Date under the Retirement Plan. Unless otherwise negotiated, the Participant

may not elect a Benefit Commencement Date for any benefit that is different from his Benefit Commencement Date under the Retirement Plan. Payments will continue according to the applicable form of payment, as described in Article 4.

3.3 Adjustment for Early Retirement. The Participant who retires before his 62nd birthday and elects to begin receiving his monthly benefits early, will receive his benefits adjusted as follows:

(a) Executive Benefit. The Participant will receive his Executive Benefit in a monthly amount calculated as described in Subsection 3.1(a), but with the Subsection 3.1(a)(1) portion of the benefit reduced for early payment by an amount equal to .25 percent for each month by which his Benefit Commencement Date precedes his 62nd birthday.

(b) Excess Retirement Benefit. The Participant will receive his Excess Retirement Benefit in a monthly amount calculated as described in Subsection 3.1(a), but with the Subsection 3.1(a)(1) portion of the benefit reduced for early payment by an amount equal to .3 percent for each month by which his Benefit Commencement Date precedes his 65th birthday.

(c) Participation Agreement Benefit. The Participant will receive his Participation Agreement Benefit adjusted for early payment to the extent provided in his Participation Agreement.

3.4 Adjustment for Delayed Retirement. The Participant who continues Employment after his Normal Retirement Date will continue to accrue Executive Benefits until he actually retires, under applicable provisions of the Plan.

3.5 Termination of Employment or Participation.

(a) Executive Benefit. Each Participant will become fully vested in the Executive Benefit portion of his Accrued Benefit as of the earlier of the date he completes 5 Years of Vesting Service, or reaches Early Retirement Age. The vested Participant who terminates Employment or participation before his Earliest Retirement Date will receive a deferred Executive Benefit beginning on his Normal Retirement Date unless he elects to receive payments beginning on an Early Retirement Date as reduced under Subsection 3.3(a). The Participant who terminates Employment or ceases to be eligible for the Executive Benefit before he becomes vested, will not receive any Executive Benefit.

(b) Excess Retirement Benefit. Each Participant will become fully vested in the Excess Retirement Benefit portion of his Accrued Benefit as of the earlier of the date he completes 5 Years of Vesting Service, or reaches

Early Retirement Age. The vested Participant who terminates Employment or participation before his Earliest Retirement Date will receive a deferred Excess Retirement Benefit beginning on his Normal Retirement Date unless he elects to receive payments beginning on an Early Retirement Date as reduced under Subsection 3.3(b). The Participant who terminates Employment or ceases to be eligible for the Excess Retirement Benefit before he becomes vested, will not receive any Excess Retirement Benefit.

(c) Participation Agreement Benefit. Unless otherwise negotiated and stated in his Participation Agreement, each Participant will become fully vested in the Participation Agreement Benefit portion of his Accrued Benefit as of the earlier of the date he completes 5 Years of Vesting Service, or reaches Early Retirement Age. The vested Participant who terminates Employment or participation before his Earliest Retirement Date will receive a deferred Participation Agreement Benefit beginning on his Normal Retirement Date unless he elects to receive payments beginning on an Early Retirement Date as reduced to the extent provided in his Participation Agreement. The Participant who terminates Employment or ceases to be eligible for the Participation Agreement Benefit before he becomes vested, will not receive any Participation Agreement Benefit.

(d) Excess ESSOP Benefit. The Participant will become vested in his Excess ESSOP Benefit under applicable provisions of the ESSOP.

3.6 Disability Retirement.

(a) Eligibility. The Participant in the Executive Benefit and/or Excess Retirement Benefit portions of the Plan, who incurs a total and permanent disability, will be entitled to the benefit described in this Section. To be treated as totally and permanently disabled under this Plan, the Participant must either (1) receive benefits under an Employer's long-term disability plan, (2) receive a written determination from the Social Security Administration that he is eligible to receive Social Security disability benefits, or (3) receive Workers' Compensation disability benefits due to an occupational illness or injury.

(b) Amount of Disability Retirement Benefit. The Participant who terminates Employment because of a disability and who is entitled to an Executive Benefit will receive a monthly benefit in an amount equal to 60 percent of his final pay as defined in his Employer's long-term disability plan, minus the amounts he receives as either long-term disability benefits provided by his Employer, his combined family Social Security disability benefits, and his Retirement Plan Benefit, or which he would be entitled to receive upon proper application.

(c) Benefit Commencement Date. The disability retirement benefit will be payable to the disabled Participant as of the first day of each month

beginning on the date when he begins to receive his Employer-provided long-term disability benefits. His disability benefit payments will continue until his Earliest Retirement Date, at which time his benefit will convert to a reduced early retirement benefit as described in Section 3.3.

(d) Recovery. The Committee will treat a Participant as having recovered as of the date when he ceases to be eligible for either long-term disability benefits under his Employers's plan, Social Security disability benefits, or Workers' Compensation disability benefits, as applicable. The disabled Participant who recovers, immediately notifies his Employer of his recovery, and resumes Employment within a reasonable period of time, or offers to resume active Employment but cannot because no suitable position is available, will receive a subsequent Executive Benefit calculated by taking into account his aggregated whole and partial Years of Benefit Service and offsetting the Actuarial Equivalent value of the disability benefits he previously received. The disabled Participant who recovers but fails to timely notify his Employer, or fails to resume active Employment if a suitable position is available and is offered to him, will be treated as if he had terminated Employment on his last day of active Employment and any subsequent Executive Benefit to which he is entitled will be calculated by offsetting the Actuarial Equivalent value of the disability benefits he previously received.

3.7 Reemployment.

(a) Reemployment Before Receipt of Benefits. The benefits payable to the vested Participant who terminates or retires and resumes Employment before he receives any benefit payments, will be based on his aggregated Compensation and all his whole and partial Years of Benefit Service and will begin after his subsequent retirement in accordance with applicable provisions of the Plan.

(b) Reemployment After Receipt of Cash-Out. The benefit payable to the Participant who (1) terminated or retired, (2) received a cash-out of his benefit, and (3) resumed Employment, will not receive credit for the whole and partial Years of Benefit Service for which he received the cash-out.

(c) Reemployment After Receipt of Monthly Payments. Unless otherwise negotiated, monthly Executive Benefit payments will be suspended immediately for the Participant who retired, began to receive monthly payments, and then resumed Employment. Upon his subsequent retirement, the Committee will recalculate his monthly benefit to include his most recent Compensation and his total Benefit Service earned during all periods of his Employment.

ARTICLE 4

Form of Payment

4.1 Form of Payment.

(a) Executive Benefit. The Participant who does not have a Spouse as of his Benefit Commencement Date will receive his Executive Benefit in the form of a single life annuity, with 10 years of payment guaranteed. The Participant who has a Spouse will receive his Executive Benefit in the form of a 75-percent joint and survivor annuity. If the Spouse is more than 10 years younger than the Participant, his monthly benefit will be reduced by 100 percent of the difference between the 10-year adjustment factor for the 75-percent annuity, and the adjustment factor for the 75-percent annuity based on the actual number of years that the Spouse is younger than the Participant. In the event the Participant elects the 100 percent joint and survivor annuity under the Retirement Plan and his Retirement Plan Benefit is reduced by the Code Section 415 limits, this Plan will reduce his Spouse's survivor benefit (if any is paid) by 25 percent of the Spouse's survivor benefit paid under the Retirement Plan.

(b) Excess Retirement Benefit. The Participant will receive his Excess Retirement Benefit in the same form as he receives his Retirement Plan Benefit. His Excess Retirement Benefit will be reduced by the same factors as in the Retirement Plan for early payment.

(c) Participation Agreement Benefit. The Participant will receive his Participation Agreement Benefit in the form specified in his Participation Agreement.

4.2 Form of Payment for the Excess ESSOP Benefit. The Participant may elect to receive his Excess ESSOP Benefit in either a single lump sum payment as of January 1 following his Termination Date, or in annual installments of 2 to 15 years beginning January 1 following his Termination Date. He must make his election at least one year before his Benefit Commencement Date.

4.3 Cash-Out of Small Benefits. If either the Executive Benefit, Excess Retirement Benefit, Participation Agreement Benefit, or Excess ESSOP Benefit has an Actuarial Equivalent lump sum value not greater than $3,500, the Committee may, in its discretion, make a single lump sum payment as soon as practicable after the Termination Date.

4.4 Effect of Death on Forms of Payment

(a) Death of Spouse or Beneficiary Before Benefits Begin. If the Participant's benefit is payable in any form with a survivor benefit and his Spouse or designated beneficiary dies before his Benefit Commencement Date, the survivor form of payment will not become effective, and he will instead receive his benefits as a single life annuity unless he properly elects another form before his Benefit Commencement Date.

(b) Death of Participant Before Benefits Begin. If the Participant's benefits are payable in any form with a survivor benefit and he dies before his Benefit Commencement Date, his Spouse or other beneficiary will not be entitled to any benefits under any such form. His surviving Spouse will be entitled only to the preretirement death benefit payable under Article 5.

(c) Death of Spouse or Beneficiary After Benefits Begin. If the Participant's benefit payments have begun in any form with a survivor benefit and his Spouse or other beneficiary dies before he does, he will continue to receive his benefit in the same form.

(d) Death of Participant After Benefits Begin. If the Participant dies after his benefits have begun, no death benefit will be payable except to the extent provided under the form of benefit he was receiving.

4.5 Designation of Beneficiaries.

(a) Identity of Beneficiary. The Participant's beneficiary for his Executive Benefit, Excess Retirement Benefit and/or Participation Agreement Benefit will be the same as his beneficiary for his Retirement Plan Benefit. For his Excess ESSOP Benefit, the Participant will designate one or more beneficiary(s) on a form provided by the Committee.

(b) Payment to Minor or Incompetent Beneficiaries. In the event the deceased Participant's beneficiary is a minor, or is legally incompetent, or cannot be located, the Committee will make payment to the court-appointed guardian or representative of such beneficiary, or to a trust established for the benefit of such beneficiary, as applicable.

(c) Judicial Determination. In the event the Committee considers it appropriate for any reason not to direct the payment of a deceased Participant's benefits as specified in this Section 4.4, the Committee may have a court of applicable jurisdiction determine to whom payments should be made, in which event all expenses incurred in obtaining the determination may be charged against the payee.

4.6 Payment to the Participant's Representative. If the Participant is incompetent to handle his affairs on his Benefit Commencement Date or thereafter, or cannot be located after reasonable effort, the Committee will make payments to his

court-appointed personal representative, or if none is appointed the Committee may in its discretion make payments to his next-of-kin; provided that the Committee may request a court of competent jurisdiction to determine the payee, in which event all expenses incurred in obtaining the determination may be charged against the payee.

4.7 Unclaimed Benefits. In the event the Committee cannot locate any person entitled to receive the Participant's vested benefits, with reasonable effort and after a period of five years, his interest will be cancelled but will be reinstated within 60 days after he is located.

4.8 Correction of Mistakes. In the event the Committee discovers that a mistake has been made in the calculation of the benefit amount payable to any Participant or beneficiary, it will correct the mistake as soon as practicable. If an overpayment in monthly payments has been made, the Committee will reduce future monthly benefit payments to the extent necessary to recover the overpayment within a reasonable period of time. If an overpayment has been made in a lump sum, the Committee will seek cash reimbursement. If an underpayment in monthly payments has been made, the Committee either will pay the amount of the underpayment in a single sum, or will increase future monthly benefit payments to the extent necessary to pay the underpayment within a reasonable period of time. If an underpayment has been made in a lump sum, the Committee will pay the amount of the underpayment in a single sum. However, if the Committee determines that the burden or expense of

seeking recovery of any overpayment would be greater than the potential recovery warrants, it may in its discretion forego recovery efforts.

ARTICLE 5

Preretirement Death Benefits

5.1 Executive Benefit. The surviving Spouse of the Participant is vested in his Executive Benefit and who dies before his Benefit Commencement Date, will receive the monthly death benefit described in this Section. However, to the extent that a different death benefit is provided under the Participant's Participation Agreement, that benefit will be paid.

(a) Coverage for Surviving Spouse Only. The death benefit coverage will become effective on the later of (1) the date the Participant becomes vested in his Executive Benefit, or (2) the first anniversary of his marriage. The coverage will remain in effect until the earlier of (1) the date the Participant becomes unmarried for any reason, (2) the Participant's date of death, or (3) the Benefit Commencement Date. Once commenced, the coverage will remain in effect whether or not the Participant continues in Employment or continues to participate in the Plan. The Participant who either does not have a surviving Spouse, or is not vested on his date of death, will not have any preretirement death benefit coverage under the Plan.

The Plan will provide the death benefit without any charge for the cost of coverage and without reduction in the benefit payable to the Participant or surviving Spouse to account for the cost of coverage.

(b) Amount of Spouse's Preretirement Death Benefit. If the vested preretirement death benefit described in this Subsection has an Actuarial Equivalent lump sum value not greater than $3,500, the Committee will pay the entire benefit to the surviving Spouse in a lump sum payment as soon after the Participant's death as practicable.

(1) Death While Actively Employed. If the vested Participant dies while in active Employment and has a surviving Spouse, the Plan will pay the following death benefit to the Spouse. The monthly death benefit will be an amount equal to 75 percent of the amount of the Participant's Executive Benefit, calculated by assuming that the Participant had 15 Years of Benefit Service, using his Final Average Earnings as of his date of death, and disregarding

the ratio in Subsection 3.1(a)(2), minus the sum of the preretirement death benefit payable under the Retirement Plan and the combined family Social Security benefit, with no reduction for early payment.

(2) Death After Termination Date and Before Benefit Commencement Date. If the vested Participant dies after his Termination Date and before his Benefit Commencement Date, and has a surviving Spouse, the Plan will pay the following death benefit to the Spouse. The monthly death benefit will be an amount equal to 75-percent

of the amount of the Participant's Executive Benefit that would have been payable to the Participant, based on his Final Average Earnings and Years of Benefit Service earned as of his Termination Date, minus the sum of the preretirement death benefit payable under the Retirement Plan and the combined family Social Security benefit. In the event the surviving Spouse elects to begin receiving benefits under the Retirement Plan before the date that would have been the Participant's Normal Retirement Date if he had survived, the amount of the Executive Benefit will be paid at the same time and will be reduced by .25 percent for each month by which the Spouse's Benefit Commencement Date precedes the date that would have been the Participant's Normal Retirement Date.

5.2 Excess Retirement Benefit. In the event the Participant has a vested Excess Retirement Benefit, dies before his Benefit Commencement Date, and has a surviving Spouse, the Plan will pay a death benefit to the Spouse. The death benefit will be an amount equal to the difference between the amount the surviving Spouse would have received under the Retirement Plan in the absence of statutory restrictions, and the amount the Spouse actually receives or is entitled to receive after applying the restrictions.

5.3 Participation Agreement Benefit. The death benefit payable under the Participation Agreement will be the amount described in the Agreement.

5.4 Excess ESSOP Benefit. Subject to the Participant's advance election, in the event he has an Excess ESSOP Account balance on his date of death, the Committee will pay (a) the entire balance in a lump sum, or (b) annual installments for 2 to 15 years, beginning as of January 1 following the Participant's date of death.

33

ARTICLE 6

Unfunded Top-Hat Plan

6.1 Securing Payment of Benefits. Because the Plan is a top-hat plan, it will be operated at all times as an unfunded plan as required under ERISA. However, the Company and each Employer reserve the right to take reasonable steps to secure the payment of all or part of the benefits payable under this Plan, to the greatest extent possible without compromising the unfunded status of the Plan. To the extent not provided under a rabbi trust, insurance contracts and/or other vehicles which the Company and/or any Employer may establish at any time to provide for the security of benefits, the Company and/or each Employer will pay benefits from its general treasury as they become due. The Company and/or each Employer may purchase insurance contracts and other investments in contemplation of benefits becoming payable in the future.

6.2 Assets Subject to General Creditors. In the event of the insolvency of any Employer, all assets of the Plan will be subject to the insolvent Employer's general judgment creditors to the extent that the claims are enforceable under state or federal law. Assets will be paid from each affected Employer's general treasury, or other funding vehicle if one exists, as directed by a valid order from a court having competent jurisdiction. If directed by such court, the Committee will suspend benefit payments as necessary to pay such judgment(s).

34

6.3 No Participant Contributions. Participants will neither be required nor permitted to make contributions to the Plan.

6.4 Exclusive Benefit. Although no Participant or beneficiary will have any preferred claim or beneficial ownership interest in any Plan assets, and any rights they have under the Plan will be mere unsecured contractual rights against the Employers, the Employers, and the trustee if the Company has established a rabbi trust, will use all Plan assets exclusively for the benefit of Participants and beneficiaries except to the extent that their general creditors have prior rights as described in Section 6.3.

6.5 Taxation. For each fiscal year, each Employer will be entitled to take an income tax deduction for benefits actually paid that year. Each Employer will pay annual income taxes on its pro rata share of the earnings from any rabbi trust or other funding vehicle that may be established under the Plan, except to the extent that earnings are exempt because of the nature of the investment, i.e., insurance contracts, tax-exempt bonds, etc.

35

ARTICLE 7

Amendment and Termination

7.1 Amendment.

(a) Procedure. The Company will have the right to amend the Plan from time to time. The Executive Compensation Committee of the Board will determine that an amendment is appropriate, and cause the amendment to be drafted. Each amendment must be approved by a majority of the Executive Compensation Committee members then in office. The Company's President, or officer designated by the President, will adopt each amendment by placing his signature thereon.

(b) Prohibited Amendments. No amendment will be permitted which would have the effect of reducing or eliminating any Participant's Accrued Benefit determined as of the effective date of the amendment.

(c) Administrative Changes Without Plan Amendment. The Executive Compensation Committee of the Board reserves authority to make administrative changes to this Plan document that do not alter the minimum qualification requirements, without written amendment to the Plan.

(d) Limited to Active Participants. Except as specifically stated in the amendment, no amendment will apply to any Participant whose Termination Date occurred before the effective date of the amendment.

7.2 Termination of the Plan. The Company expects this Plan to be continued indefinitely but necessarily reserves the right to terminate the Plan any time, subject to approval of the Executive Compensation Committee of the Board. Each Employer reserves the right to terminate its participation in the Plan at any time by appropriate action of its board of directors.

ARTICLE 8

Administration

8.1 Allocation of Fiduciary Responsibilities. The Plan fiduciaries will have the powers and duties described below, and may delegate their duties to the extent permitted under ERISA Section 402.

(a) The Board. The Board members' status as Plan fiduciaries, and their fiduciary duties, will be limited to (1) the adoption of a resolution that Employees holding certain job titles will serve as Benefits Committee members, and (2) the adoption of a resolution that Employees holding certain job titles will serve as Investment Council members. To the extent provided in the Board resolution, an Employee can serve both as a member of the Benefits Committee and as a member of the Investment Council.

(b) The Company and the Employers. The Company's and each Employer's status as a Plan fiduciary, and its fiduciary duties, will be limited to (1) making contributions (if any) to the Plan in the amounts determined by the Committee based on the recommendations of the enrolled actuary, and (2) executing documents by which the Plan is governed. Officers of the Company will act on its behalf as specified in the Company's by-laws, and officers of each Employer will act on its behalf as specified in the Employer's by-laws.

(c) The Executive Compensation Committee of the Board. The Executive Compensation Committee of the Board will be responsible for selecting the Employees who will be eligible to participate in the various portions of the Plan, and for amending and terminating the Plan under Article 7.

(d) The Benefits Committee. The Benefits Committee will serve as Plan Administrator.

(1) Appointment and Termination of Office. The Committee will consist of not less than 3 nor more than 7 individuals who, by authority of the Board resolution described in Subsection (a), will serve as such by virtue of their job titles. A Committee member will lose his status as such when he ceases to hold a job title by virtue of which he is a Committee member. A member may resign at any time by written resignation from his job title, submitted to the Company and to the Committee. The successor to such job title will also be the successor Committee member.

(2) Organization of Committee. The Committee will elect a Chairman from among its members, and will appoint a Secretary who may or may not be a Committee member. The Committee may appoint agents who may or may not be Committee members, as it considers necessary for the effective performance of its duties,

and may delegate to the agents nondiscretionary powers and duties as it considers expedient or appropriate. The Committee will fix the compensation of the agents. Employee Committee members will serve as such without additional compensation.

(3) Committee Meetings. The Committee will hold meetings at least annually. A majority of the members then in office will constitute a quorum. Each action of the Committee will be taken by a majority vote of all members then in office, provided that the Committee

will establish procedures for taking written votes without a meeting.

(4) Powers and Duties. The Committee will have primary responsibility for administering the Plan, except for the investment-related duties reserved by the Investment Council under Subsection (d). The Committee and the Company employees and other agents to whom it delegates nondiscretionary duties, will have all powers necessary to enable it to properly perform its duties, including but not limited to the following powers and duties:

(A) Governing Rules. The Committee will be responsible for adopting rules and regulations necessary for the performance of its duties under the Plan.

(B) Construction. The Committee will have the power to construe the Plan and to decide all questions arising under the Plan.

(C) Rights to Benefits. The Committee will have discretionary authority to determine the eligibility of Participants and beneficiaries to receive benefits and the amount of benefits to which any Participant or beneficiary may be entitled under the Plan, and will enforce the claims procedure described in Section 8.4.

(D) Employee Data. The Committee will request from the Company and the Employers complete information regarding the compensation and Employment of each Participant and other facts as it considers necessary from time to time, and will treat Company and Employer records as conclusive with respect to such information; the Committee will maintain records showing the fiscal operations of the Plan, and will keep in convenient form the data required for actuarial valuations.

(E) Payments. The Committee will direct the payment of benefits from the Company's general treasury, or from any annuity contract or trust, or may appoint a disbursing agent,

and will specify the payee, the amount and the conditions of each payment.

(F) Disclosure. The Committee will prepare and distribute to the Participants any plan summaries, notices and other information about the Plan in such manner as it deems proper and in compliance with applicable law.

(G) Application Forms. The Committee will provide forms for use by Participants in applying for benefits.

(H) Actuarial Determinations. The Committee will appoint an enrolled actuary to make annual actuarial valuations of the Plan's experience and liabilities, and to prepare actuarial statements. The Committee will notify the Employers of the amount of contributions determined to be necessary to provide benefits, based on the recommendations of the enrolled actuary.

(I) Agents. The Committee may delegate any of its administrative duties to Company employees and other agents, and may retain legal counsel, accountants, actuaries, consultants and such other agents as it considers necessary to properly administer the Plan.

(J) Reporting. The Committee will cause to be filed all reports required under ERISA and the Code.

(e) The Investment Council. The Investment Council will have primary responsibility for the investment of Plan assets, to the extent that Employers make contributions to fund future benefits.

(1) Appointment and Termination of Office. The Investment Council will consist of not less than 3 nor more than 7 individuals who, by authority of the Board resolution described in Subsection (a), will serve as such by virtue of their job titles. An Investment Council member will lose his status as such when he ceases to hold a job title by virtue of which he is an Investment Council member. A member may resign at any time by written resignation from his job title, submitted to the Company and to the Investment Council. The successor to such job title will also be the successor Investment Council member.

(2) Organization of Investment Council. The Investment Council will elect a Chairman from among its members, and will appoint a Secretary who may or may not be an Investment Council member. The Investment Council may appoint agents who may or may not be Investment Council members, as it considers

necessary for the effective performance of its duties, and may delegate to the agents nondiscretionary powers and duties as it considers expedient or appropriate. The Investment Council will fix the compensation of the agents. Employee Investment Council members will serve as such without additional compensation.

(3) Investment Council Meetings. The Investment Council will hold meetings at least annually. A majority of the members then in office will constitute a quorum. Each action of the Investment Council will be taken by a majority vote of all members then in office, provided that the Investment Council may establish procedures for taking written votes without a meeting.

(4) Powers and Duties. The Investment Council will have primary responsibility for investment of Plan assets, and all powers necessary to enable it to properly perform its duties, including but not limited to the following powers and duties:

(A) Appointment of Rabbi Trustee. The Investment Council will select and appoint the trustee for any rabbi or secular trust that it establishes under the Plan, and may remove and replace the trustee from time to time as it considers appropriate. The Council will determine the portion of Plan

assets to be invested by the trustee instead of the investment manager(s).

(B) Appointment of Investment Managers. The Investment Council may select and appoint one or more investment managers from time to time, and may remove any investment manager. The Council will determine the portion of Plan assets to be invested be each investment manager. To the extent it considers appropriate, the Council will direct the investment manager(s) regarding the allocation of assets among investment categories and the maintenance of asset balancing.

(C) Funding Policy. The Investment Council will maintain and execute a funding policy.

(D) Investment Policy. The Investment Council will maintain and execute written investment objectives and guidelines.

(E) Investment Categories. To the extent it does not delegate such authority to the trustee and/or the investment manager(s), the Investment Council will determine the portion of Plan assets to be invested in categories such as common and preferred stocks, bonds, mortgages, real estate, insurance contracts, etc., and may direct transfers of

Plan assets between investment categories and between the trustee and/or the investment managers accordingly.

(F) Investment Performance. The Investment Council will establish written procedures for reviewing and evaluating investment performance, and will regularly review and evaluate the performance of the investment manager(s) and the media in which Plan assets are invested.

(G) Records. The Investment Council will maintain records of investment and will keep in convenient form the investment data required for actuarial valuations and government reports.

(H) Agents. The Investment Council may delegate any of its nondiscretionary duties to Company employees and other agents, and may retain legal counsel, accountants, actuaries, consultants and such other agents as it considers necessary to properly administer the Plan.

8.2 Expenses. The Committee will determine, in its sole discretion, whether the expenses incurred in administering the Plan (and rabbi trust if any) will be paid by the Company (or by the trustee from the trust fund if any). Expenses include but are not limited to fees and charges of actuaries, attorneys, accountants, consul-

tants, investment managers, and any trustee. The trustee will pay from the trust fund all expenses directly incurred in connection with the investment of Plan assets.

8.3 Indemnification. The Company will indemnify and hold harmless the Committee and the Investment Council and each member and each person to whom the Committee and the Investment Council has delegated responsibility under this Article, from all joint and several liability for their acts and omissions and for the acts and omissions of their duly appointed agents in the administration of the Plan, except for their own breach of fiduciary duty and willful misconduct.

8.4 Claims Procedure. The Committee will furnish to each Participant, upon his retirement, information about the benefits to which he is entitled under the Plan. The Committee may require any person claiming benefits under the Plan to submit a written application, together with such documents, evidence, and information as it considers necessary to process the claim.

ARTICLE 9

Miscellaneous

9.1 Headings. The headings and subheadings in this Plan have been inserted for convenient reference, and to the extent any heading or subheading conflicts with the text, the text will govern.

9.2 Construction. The Plan will be construed in accordance with the laws of the State of South Carolina, except to the extent such laws are preempted by ERISA and the Code.

9.3 Severability. If any Section, Subsection, or provision of this Plan is held to be void, unlawful or unenforceable under any applicable State or federal law, that provision will be severed from the Plan, as amended if necessary, and the remainder of the Plan will continue in full force and effect.

9.4 Nonalienation. No benefits payable under the Plan will be subject to the claim or legal process of any creditor of any Participant or beneficiary, and no Participant or beneficiary will alienate, transfer, anticipate or assign any benefits under the Plan.

9.5 No Employment Rights. Participation in the Plan will not give any Employee the right to be retained in the employ of any Employer, or upon termination any right or interest in the Plan except as provided in the Plan.

9.6 No Enlargement of Rights. No person will have any right to or interest in any portion of the Plan except as specifically provided in the Plan.

9.7 Withholding for Taxes. Payments under the Plan will be subject to withholding for payroll taxes as required by law.

IN WITNESS WHEREOF, Sonoco Products Company has caused this amendment and restatement of Omnibus Benefit Restoration Plan of Sonoco Products Company to be executed by its duly authorized officer this ____ day of December, 1994, to be effective as of January 1, 1994, except that certain provisions are effective as of other dates stated within each such provision.

SONOCO PRODUCTS COMPANY

By:

Title:

ATTEST:

Secretary

Corporate Seal:

Sonoco 2002 Annual Report

Building for Sustainable Growth

SONOCO

Founded in 1899, Sonoco today serves industrial and consumer customers in 85 nations.

From our headquarters in Hartsville, South Carolina, United States, and from more than 300 manufacturing and sales locations in 32 countries, our approximately 17,400 employees produce packaging for a variety of industries and for many of the world's most recognized consumer brands.

Strategic Mission Statement

Sonoco intends to be the low-cost global leader in providing customer-preferred packaging solutions to selected value-added segments, where we expect to be either number one or two in market share.

Shareholder return, customer and employee satisfaction, commitment to excellence, integrity, environmental stewardship and a safe workplace will be the hallmarks of our culture.

Strategic Objective

To achieve average annual double-digit total return to shareholders, with returns on capital and equity in the top quartile of the Standard & Poor's (S&P) 500 Index.

About the Cover

Sonoco's strategy for achieving sustainable growth is cash flow driven and built on a foundation of 104 years of experience, consecutive dividends since 1925 and a solid balance sheet. The arrows revolve around photos of representative growth vehicles—Sonoco gives pet owners convenient package options for food and treats (upper left), protects appliances during handling and shipping (upper right), keeps candy fresh for consumer enjoyment (lower right) and Sonoco brings innovations to the market (lower left).

The Company's top line objective is to reach sales of $4 billion by 2006, with cash flow generated primarily by Sonoco's largest and oldest businesses—engineered carriers and composite cans, backed by Sonoco's integrated paper operations. Margins and cash flow are expected to be protected by manufacturing productivity, driven by Six Sigma and lean manufacturing methodologies, purchasing savings, and capital effectiveness.

Cash flow is expected to be used primarily to fund new product development, geographical expansion, acquisitions, dividends, debt reduction and, when appropriate, for stock repurchases.

The ultimate goal of Sonoco's cash flow-driven sustainable growth strategy is to achieve the Company's Strategic Objective.

Inside Front Cover Foldout	**Sonoco at a Glance** An overview of Sonoco's markets, products and operations.
1	**Financial Highlights** A synopsis of Sonoco's 2002 financial results.
2	**Letter to Shareholders** Sonoco's Chairman and Chief Executive Officer discuss the Company's performance in 2002 and strategy for building growth through 2006.
8	**Operations Review** A review of 2002 operations in each business, and innovations that will help drive $4 billion in sales by 2006.
25	**People, Culture and Values** A focus on the vital human elements of Sonoco.
26	**Financial Review** Details of Sonoco's financial results, including segment information.
57	**Board of Directors**
58	**Corporate Officers**
60	**Shareholder Information**
61	**Glossary of Terms**

Sonoco at a Glance

Industrial Packaging	Products and Services	Markets
Engineered Carriers *The world's largest producer of engineered carriers*	Paperboard tubes, cores, roll packaging, supply chain packaging services, molded plugs	Construction, film, flowable products, metal, paper mill, shipping and storage, tape and label, textiles, converters
Paper *A global manufacturer of uncoated paperboard for Sonoco's fiber-based packaging divisions and the external converting industry*	Recycled paperboard, chipboard, tubeboard, lightweight corestock, boxboard, linerboard, specialty grades, beverage insulators	Converted paper products, spiral winders, beverage insulators, displays, gaming
Molded & Extruded Plastics *A leading innovator of high-technology plastic products*	Injection molded and extrusion molded plastics	Textiles, wire and cable, fiber optics, plumbing, filtration, automotive, food services, medical, healthcare
Wire & Cable Reels *The leading producer of wooden, composite and metal reels in North America for the wire and cable industry*	Baker™ steel, nailed wooden, plywood, recycled and poly-fiber reels	Wire and cable manufacturers
Protective Packaging *A leading niche provider of custom designed, engineered protective packaging solutions*	Paperboard packaging forms and transparent unitizing film	Household appliances, consumer electronics, lawn and garden, furniture, office furnishings, kitchen and bath cabinets, automotive, and bulk packaging such as palletized consumer goods

Consumer Packaging

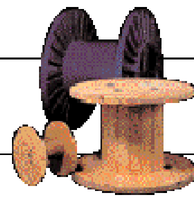
Rigid Packaging (Paper & Plastic) *The world's largest producer of composite cans and a leader in rigid paperboard and plastic containers*	Round and shaped composite paperboard cans, single wrap paperboard packs, fiber and plastic cartridges, rigid plastic containers	**Food:** snacks, nuts, cookies and crackers, confectionery, frozen concentrate, powdered beverage and infant formula, coffee, refrigerated dough, spices/seasonings, nutritional supplements, pet food and treats **Nonfood:** adhesives, caulks, powdered and tabbed cleansers, chemicals, lawn and garden, automotive, photography and cameras, pet litter additives and flea powders
Closures *A world leader in convenience closure technology and manufacturing*	Aluminum, steel and peelable membrane easy open closures for composite, metal and plastic containers	Canned processed foods, coffee, beverage, powdered beverages and infant formula, snacks, nuts, nutritional supplements, spices and seasonings, pet food and treats and nonfood products
Printed Flexible Packaging *A provider of innovative flexible packaging solutions*	Flexible packaging made from thin gauge, high-value-added rotogravure, flexographic and combination printed film including laminations	Beverage, coffee, confectionery, home and personal care, snacks, pet food
High Density Film *The leading producer of plastic grocery bags in the United States*	Plastic grocery bags, retail bags, T-shirt roll bags, agricultural film, quick service restaurant bags, produce bags	Supermarkets, high-volume retail outlets, convenience stores, agriculture, quick service restaurants
Packaging Services & Folding Cartons *A fee-for-service arrangement for supply chain management and a provider of a wide variety of folding cartons*	Packaging supply-chain management services, point-of-purchase displays, blister packs, paperboard cartons and packaging	Personal care, beauty, health care, electronics, food, pharmaceuticals, hosiery, confectionery, printing products
Glass Covers & Coasters *A leading supplier of paper amenities in North America*	Custom-printed Rixie™ coasters and Stancap™ glass covers	Hotels and resorts, casinos, country clubs, catering services, cruise lines, airlines, health-care facilities, restaurants
Artwork Management *State-of-the-art brand management solutions with turn-key service*	Brand artwork, online and offline prepress management services	Consumer products

Operations

111 manufacturing plants in North America, South America, Asia, Australia and Europe with approximately 5,870 employees

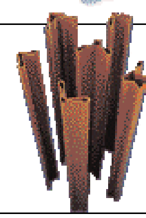
31 paper mills with 43 machines in 13 countries; 56 paper collection sites in 9 countries; 1 machine manufacturing plant; 1 forest operation and 2 adhesives plants in the United States with approximately 3,190 employees.

17 manufacturing plants in North America and Europe with approximately 860 employees



6 manufacturing plants in the United States; 20 distribution centers in the United States and Canada; 13 recycling centers in the United States with approximately 430 employees

5 manufacturing plants in the United States and Mexico with approximately 240 employees



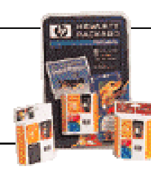
37 can plants in North and South America, Europe, Asia and Australia with approximately 2,340 employees

6 manufacturing plants in the United States with approximately 690 employees

9 manufacturing facilities in North America with approximately 1,140 employees

5 manufacturing plants in the United States with approximately 830 employees

4 plants in the United States and the United Kingdom with approximately 1,240 employees



2 manufacturing plants in the United States, with manufacturers representatives across the United States with approximately 60 employees

2 facilities in the United States and the United Kingdom with approximately 110 employees

Glossary of Terms

Composite can/Paperboard can
The composite or paperboard package is a container comprised of a body with two ends made from a variety of materials. The package can be produced in a variety of shapes and sizes. The container body is made from paper, various liner materials to achieve barrier requirements and a printed label for package graphics.

Corrugating medium
The paperboard used as the fluted middle portion of a corrugated box. It is normally produced as a single layer on a Fourdrinier machine using varying combinations of virgin fiber and recycled fiber.

Cylinder paperboard
The paperboard produced from recycled fibers on a cylinder machine consisting of multiple plies that are bonded together in the papermaking process.

End closure
A rigid metal, film, plastic or paper structure that is mechanically attached to the end of a package or laminated plastic film, foil or paper membrane heat sealed to the end of a rigid package.

Engineered carriers
Paper- or plastic-based tubes and cores used as carriers for such products as textiles, film, paper, tape, metals and others. Generally highly engineered to allow take-up of materials, such as those listed, at very high speeds.

Extrusion
A continuous process where plastic resin is melted using a screw and cylinder combination along with heat and pressure, and forced through a die to obtain a resultant profile shape.

Flexible packaging
Non-rigid packaging structures used to package and protect various food and nonfood products in the retail and industrial business forum. Snacks and frozen foods, medical appliances, beverages, pet food, etc. are a sampling of products packaged in this medium.

Injection molding
The process where plastic resin is melted and then forced into a mold containing single or multiple cavities. Once in the mold, the plastic is cooled to a shape reflecting the cavity.

Linerboard
Fourdrinier or cylinder paperboard manufactured for use as facing material when combining paperboard for conversion into corrugated or solid fiber boxes.

Membrane closure
A flexible material attached to the end of a rigid package with a peelable heat seal. This material can be a coax plastic film or a lamination of plastic film, foil and paper with a heat seal coating.

Packaging supply chain
The steps required to create and manufacture the packaging, package the product, distribute the packaged product and sell it in the stores, through point-of-purchase (POP) displays or other means.

Polyethylene
Plastic made from ethylene used in manufacturing plastic bag and agricultural films.

Recovered paper
Paper and paper by-products that have been separated, removed or diverted from solid waste disposal and are intended for sale, use, reuse or recycling, whether or not such paper requires subsequent separation and processing.

Spiral winding
The process used to manufacture spirally wound paper tubes. In this process, slit ribbons of paperboard, coated with adhesive, are wrapped in a helix around a fixed cylindrical mandrel at an angle that will yield a continuous product that can be cut to any desired length.

Other Terms

Brand
An identity of a product or service that is marketed to customers, satisfying both tangible needs and emotional desires.

Earnings per share (EPS) (basic)
Calculated by dividing the reported earnings available to common stockholders (net income) by the weighted number of average shares outstanding.

Earnings per share (EPS) (diluted)
Calculated by dividing the reported earnings available to common stockholders (net income) by the weighted number of average shares

outstanding, including the assumption of the exercise of all potentially dilutive securities such as stock options. Diluted EPS are always less than or equal to basic EPS.

Lean Manufacturing/Six Sigma
Lean manufacturing and Six Sigma are proven business/process improvement methodologies that incorporate tools, techniques and applications that enable companies to optimize business performance and exceed bottom line expectations. These two methodologies work synergistically to eliminate all non-value-added components of business processes while optimizing the value adding components.

Return on net assets
Tax-effected earnings before interest and taxes, plus equity in earnings of affiliates, divided by average total assets, minus average cash, minus average current liabilities, plus average short-term debt.

Return on total equity
Net income divided by average total equity.

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SONOCO®

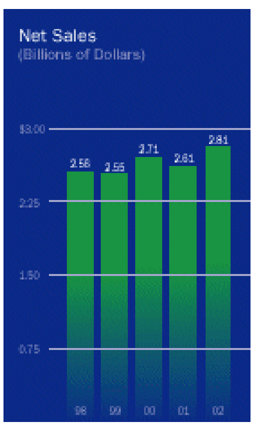
Financial Highlights

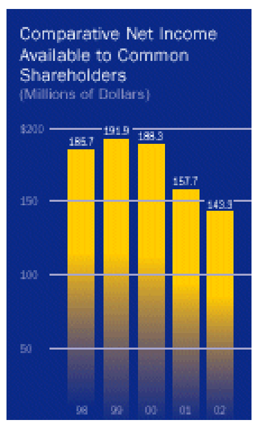
Sonoco Products Company and Subsidiaries

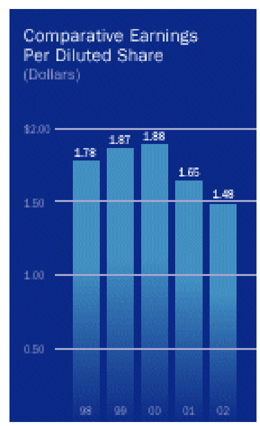
Comparative Highlights (Unaudited)
Years ended December 31

(Dollars in thousands except per share)	Actual 2002	Actual 2001	Comparative* 2002	Comparative* 2001	Comparative % Change
Net sales	**$2,812,150**	$2,606,276	**$2,812,150**	$2,606,276	7.9%
Gross profit	**552,360**	544,430	**552,360**	556,491	(.7)%
Net income	**135,316**	91,609	**143,346**	157,695	(9.1)%
Return on total equity	**16.0%**	11.5%	**16.9%**	19.8%	(14.6)%
Return on net assets	**8.9%**	6.4%	**9.4%**	10.2%	(7.8)%
Return on net sales	**4.8%**	3.5%	**5.1%**	6.1%	(16.4)%
Approximate number of employees	**17,400**	17,900			
Number of locations	**306**	317			
Approximate number of shareholder accounts	**50,000**	43,000			
Per common share:					
Net income					
– basic	**$ 1.40**	$ .96	**$ 1.49**	$ 1.65	(10.0)%
– diluted	**1.39**	.96	**1.48**	1.65	(10.4)%
Cash dividends – common	**.83**	.80	**.83**	.80	3.8)%
Ending common stock market price	**22.93**	26.58	**22.93**	26.58	(13.7)%
Book value per common share	**8.98**	8.40	**8.98**	8.40	6.9)%
Price/earnings ratio	**16.50**	27.69	**15.49**	16.11	(3.8)%

* *Comparative figures exclude restructuring charges in both years and, in 2001, exclude net gains from legal settlements, corporate-owned life insurance adjustments and the effect of not amortizing goodwill. See "Special Charges and One-time Items" on page 27 of Management's Discussion and Analysis for additional information.*

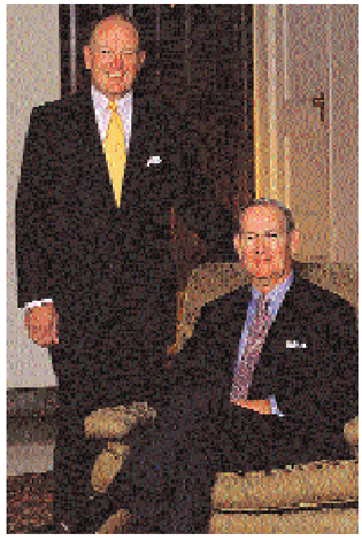






Reported net sales in 2002 were 7.9% greater than 2001, while earnings, on a comparative basis, were 9.1% lower than 2001. The higher sales were primarily due to acquisitions and organic growth, while the lower earnings were principally due to an unfavorable selling price/material cost relationship. Comparative results exclude restructuring charges, net gains from legal settlements, corporate-owned life insurance adjustments, gains/losses on sale of businesses and goodwill amortization.

To Our Shareholders



Harris E. DeLoach, Jr., President
and Chief Executive Officer (left),
and Charles W. Coker, Chairman

2002 was the third consecutive year that Sonoco's results have been negatively impacted by a severely depressed manufacturing economy. As it has done since the spring of 2000, the Company again focused on improving those areas that it can control. These include cost structure, productivity, capital effectiveness, innovation, consolidation and putting the right people into the right jobs. We believe Sonoco has significantly strengthened its ability to benefit when an economic recovery occurs, while also building for sustainable growth and shareholder return.

Accomplishments

The Company's accomplishments during 2002 include generating continued strong cash flow and maintaining a healthy balance sheet, thus further enhancing its ability to participate in industry consolidation opportunities. Our cash flow enabled us to pay dividends for the 78th consecutive year, with yields averaging between 3.5% and 4%; to reduce debt by $88 million; and prepay $119.4 million in future funding requirements for the Company's pension and postretirement plans. While increasing sales, we further reduced the Company's overall cost structure and increased productivity. In addition, the Company's historical emphasis on employee safety resulted in the safest year of its 104-year history.

Operating Issues

These advances were achieved despite lower average pricing combined with higher raw material costs, new equipment startup issues and increased pension and postretirement expense.

Company-wide volumes during 2002 were up over a weak 2001 by 8.1%, including acquisitions, and up 1.6%, excluding acquisitions. While all of our businesses were impacted by anemic general economic conditions, several of our businesses were particularly hard hit, most notably wire and cable reels which serve the fiber optic and telecommunications industries.

Cost increases for old corrugated containers (OCC), the Company's primary raw material, negatively impacted Sonoco during 2002. The increases were partially offset by higher selling prices on outside sales of OCC. Because of the competitive market environment and inherent lag time in recovering higher OCC costs, the Company was only able to implement one converted products price increase during the cycle. The price increase was sufficient to cover the increase in OCC costs in late 2002, compared with OCC costs in late 2001.

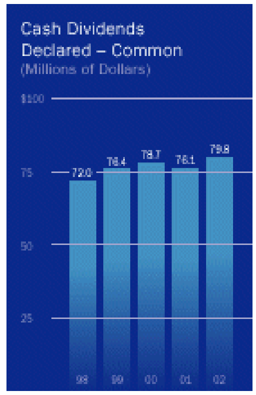
The Company experienced weak volumes and prices in much of Europe, with the notable exceptions of Turkey and Greece. Restructuring activities were implemented during the year in the United Kingdom, including one plant being closed and one downsized. Additional restructurings are expected in Europe.

Operating issues at two flexible packaging plants, principally related to start-ups of new equipment, adversely affected 2002 results. We have, however, seen recent month-over-month productivity improvements at these facilities and expect them to produce a positive impact on earnings beginning in the second quarter of 2003.

Earnings for 2002 also reflect approximately $.13 per diluted 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. The Company expects 2003 earnings to be reduced by an incremental increase of approximately $.19 per diluted share due to a further decline in the value of pension and postretirement assets during 2002, coupled with lower interest rates.

Summary of 2002 Results



Cash dividends paid to shareholders on each share of stock increased from $.80 in 2001 to $.83 in 2002.

For the twelve months ending December 31, 2002, earnings per diluted share were up 45%, versus 2001, while comparative (excluding restructuring charges in both years and, in 2001, excluding net gains from legal settlements, corporate-owned life insurance (COLI) adjustments and the effect of not amortizing goodwill) earnings per diluted share for the full year 2002 were down approximately 10%, versus 2001. Sales for 2002 increased 7.9% over 2001, primarily reflecting the full-year impact of acquisitions made in 2001. Sales for 2002 include an 8% volume increase in the consumer segment, with virtually all of the increase coming from metal ends. The 8.2% volume improvement for the industrial segment in 2002 was largely offset by lower pricing. Sonoco generated free cash flow during 2002 of $187.1 million, versus $203.8 million in 2001. We define free cash flow in 2002 as cash flow from operations ($271.5 million) adding back elective funding of pension and postretirement benefit plans ($119.4 million) less capital expenditures ($124 million) and dividends ($79.8 million).

The Company elected to fund its U.S. pension plan by $110 million during 2002, leaving the plan in a slightly over-funded position at year-end. The pre-funding is expected to reduce the 2003 pension expense by approximately $6 million after tax. There were no requirements under ERISA to fund the plan until 2004.

Corporate Governance

New legislation, regulations and standards aimed at strengthening corporate governance have been proposed and/or adopted by the U.S. Congress, the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Sonoco believes these changes will have a positive impact on investor confidence. The Company has implemented many of these changes, and many were already standard practice for our Company.

While our overall control measures have been sound, we have further strengthened certain control functions, such as requiring all of our general managers and controllers to certify each month that internal controls and financial statements for their divisions are in compliance with accounting and Company standards. We have also established a disclosure committee to raise issues that should be considered for disclosure in the Company’s SEC and external filings. We have initiated changes to our Board of Directors’ committee charters and governance guidelines, and we have examined the activities of our Board and its committees. We expect to comply fully with all new rules as they become effective.

Building for Sustainable Growth

To achieve sustainable growth, we intend to implement a cash flow-driven strategy over the next four years. We have set specific objectives, identified the issues we face and outlined the actions we believe are required for success. Our plan is built on a strong foundation of 104 years of experience and a solid balance sheet.

Objectives
$4 Billion Sales by 2006

The Company’s top line objective is to become a $4 billion global packaging company by 2006. We expect that about one-half of that growth will be generated organically, with the remainder to come from acquisitions.

Historically, about 55% of sales has been generated by our industrial segment and 45% by our consumer businesses. Although the ratio has recently been 50/50 due primarily to the manufacturing recession as well as recent acquisitions, our goal over the next four years is to reverse the ratio to 55% consumer and 45% industrial, which should help reduce earnings cyclicality.

Double-digit Shareholder Returns

Our goal is to convert these sales into average annual double-digit total returns to shareholders. While we have produced an approximate 12% average growth rate for total returns over the life of the Company, our cumulative total return over the last five years has fallen short of our objective, despite having outperformed the Dow Jones Packaging and Containers Index and closing the gap on the Dow Jones Industrial Average and S&P 500 indexes.

Our dividends have grown over the last five years at a compound average rate of about 5%, and at a 15-year rate of approximately 10%. However, our market value has suffered over the last five years from inconsistent earnings, reflecting in part the manufacturing recession experienced since early 2000; increased pension expense; and, most recently, a short-term spike in OCC prices.

Capital Effectiveness

Our objective is to be in the top quartile of the S&P 500 Index in returns on long-term capital and equity. We are a leader in the packaging industry and only a few percentage points out of the S&P top quartile.

Cash Flow

We expect cash flow to at least remain near current levels over the next four years. Free cash flow is expected to be in the annual range of $140 million to $160 million over the coming four years. Average annual capital expenditures are expected to remain in the $125 million to $150 million range over the period.

Balance Sheet

We remain committed to a strong credit rating that can provide ongoing leverage for consolidation opportunities. Presently, we have one of only two “A range” credit ratings in the packaging industry, and our debt to capital ratio at year-end was 44.5%.

Requirements for Success

In light of the prolonged general economic weakness, ongoing pricing pressures and an increasingly competitive global marketplace, business as usual is simply unacceptable if we are to meet our objectives. Following are the key issues and associated actions we believe are needed for success.

Execution

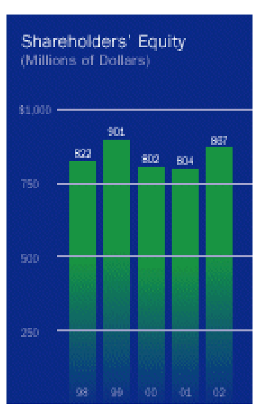
The primary requirement for achieving sustainable growth is having the right people in the right jobs. The best strategy is of little value if not effectively executed. We have made great progress in upgrading our top 150 management positions, and we are working on the next 500 positions. We believe Sonoco has its strongest team ever.

Urgency

We must manage with a much greater sense of urgency, accelerating the number of new products and the speed to market. That requires a greater tolerance for calculated risk. In most projects, expediency becomes more important than the last 10% of certainty.

Cost Structure

We must continually challenge the precept that we are the low-cost producer in all our businesses. Where that is not the case, we will determine why and strive to change it.



The increase in shareholders' equity in 2002 was due to net income of $135.3 million, $21.6 million of exercised stock options and foreign currency translation of $15.8 million, offset by dividends of $79.8 million and minimum pension liability adjustments of $30.9 million.

Reducing costs has both short- and long-term components. Looking into 2003, most staff groups are reducing their overall budgets below 2002, and we expect to reduce company-wide budgeted 2003 travel and supplies expenses below 2002.

To help provide longer-term competitive advantage, we are attacking inappropriate cost structures in each business. That means plant and personnel consolidations for some and expansion for others. The larger, more mature cash flow generating businesses simply cannot continue to support the same fixed costs as they did earlier in their life cycles.

We continue to emphasize productivity improvement through the use of Six Sigma and lean manufacturing methodologies. We expect productivity improvements in 2003 in the range of $40 million to $50 million. We are also placing greater emphasis on supply management—putting the same cost/value pressures on our suppliers that our customers are putting on us.

Since early 2001, we have identified $58 million of structural cost reductions. To date, we have realized about $47 million, and the remainder is expected to come in 2003. During this period, over 1,100 positions have been eliminated and 14 plants closed. Additional restructuring is expected in 2003.

Recovered Paper

Another issue that will require attention over the next four years is finding ways of reducing the short-term impact on earnings when OCC costs increase significantly. After years of fairly flat pricing, OCC has become more volatile since 1994. We believe this is a trend that will continue as Asia brings on more paper mill capacity and, consequently, increased demand for OCC. Sonoco's recovered paper operation not only protects our supply of raw material, but is also a net seller of OCC in the United States, helping moderate the cyclical impact of OCC prices on our paper and converting operations. Our objective is to emulate the benefits of our U.S. recovered paper operations in other global locations.

Growth Initiatives

Customer and Market Focus

To reach our objective of becoming a $4 billion company by 2006 requires a portfolio of products and services based on customer and market needs—not just on what we have historically offered. Further, we will serve our larger customers, particularly in the consumer sector, with "One Sonoco Face," rather than with multiple representatives from our different businesses. Our customers have embraced this "One Stop" approach. Our goal is not to be all things to all customers, but rather to offer a broad range of packaging options within the market niches in which we operate. We believe this will provide our customers with a differentiating market advantage.

Restructured and Expanded Portfolio

Over the next four years, our top line growth and cash flow are expected to come primarily from the seven businesses discussed below, representing a restructured and expanded portfolio of cash flow generators and higher growth rate businesses.

In the industrial segment, our market leading engineered carriers and paper operations are strong cash flow generators that can help fuel our newer and smaller, though faster growing businesses. Our mature businesses' top lines are expected to grow organically at about the industrial growth rate. However, our protective packaging business is expected to grow organically in the double-digit range.

Sonoco's consumer businesses have been expanded and restructured. They now include rigid paper and plastic packaging, composed of composite cans and selective injection molded, co-extrusion blow molded and thermoformed plastic products. Our global market-leading composite cans generate a strong cash flow and should grow at approximately the GDP rate.

Another of our consumer growth vehicles is flexible packaging, where we continue to see strong double-digit top line growth and expect increased earnings as new equipment start-ups improve.

The metal and plastic closure operation is now being operated as a standalone business because of its rapid and, we believe, sustainable growth. Steel easy-open closures have been growing in the high single-digit range over the last few years, and only about one-third of their potential market has been converted.

Another growing piece of our consumer segment is packaging services, providing packaging supply chain management for such customers as The Gillette Company and Hewlett-Packard. Over the next four years, we expect to continue opening new packaging services centers.

Acquisitions

We have completed several key acquisitions since 2001, adding some $260 million in sales. All are on track to meet or exceed our standard acquisition criteria that they must not be dilutive in the first year, and they must meet the cost of capital within three to five years. Despite adding only two smaller consolidation acquisitions in our wooden wire and cable reels business during 2002, the reduced number of acquisitions from 2001 is simply a timing issue. Our acquisition interest remains strong. We also continuously examine our non-core businesses to determine if their asset values could be more effectively deployed.

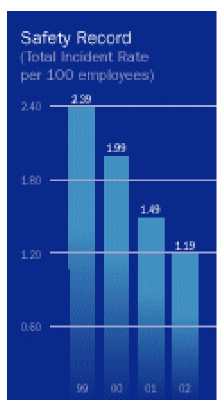
Organic Growth

Sonoco's organic growth will come geographically and from new products. Our non-North American sales comprise approximately 15% of the Company's total. We expect the percentage to increase as we continue to expand our presence in some 29 non-North American countries.

In Europe, we are the market leader in tubes and cores, with about a 20% share of this estimated $750 million market. We have most recently established operations in Turkey and Greece, principally serving the textile industry. We are a co-leader in the $200 million European composite can market, which is growing at about 4% annually, with a market share of about 30%. We are also considering an initial entry for our protective packaging business.

In Asia, we serve six countries with our engineered carriers and integrated paper operations. This is an estimated $292 million highly fragmented market, of which we are the leader with only about a 13% market share. In China, the largest market in the region, we have two engineered carriers facilities and a paper mill. Composite can sales in Asia also continue to grow. This is an approximate $40 million to $45 million market, of which we are the leader with about a 40% market share. There are considerable opportunities in the region for conversions from metal to paper-based packaging. We also intend to promote easy-open closures in our Asian markets and explore the possibilities in China for our protective packaging niches.

In Brazil, we have a 50+% share of the engineered carriers market, which is estimated at about 60,000 metric tons. We expect to begin production in late 2003 of steel easy-open closures in Brazil, which has an estimated market potential of about two billion easy-open closures. We also intend to ramp up our rigid paper and plastic container business in a market estimated to be about $920 million.



The number of injuries continues to be reduced annually through the Company's continuing focus on safety.

Innovation

One of the most important components of sustainable, profitable growth is innovation. Over the last two years, we have more than doubled our expenditures for new product and market development. Over that same period, we have initiated 610 new patent applications, including foreign applications, more than double those for the previous two years. New product development is made possible by Sonoco's cadre of materials scientists, engineers and chemists, who respond to customer and market needs for testing, consulting, raw material solutions and manufacturing support. The

Company's research and development network spans the globe, with several laboratories and pilot plants at the Company's headquarters and at other locations in the United States, Belgium and Singapore.

Outlook and Conclusions

The current operating environment remains difficult. While consumer and industrial volumes and sales were up year-over-year, industrial volumes on a quarter-over-quarter basis, excluding acquisitions, remain relatively flat, reflecting continued general economic softness. Discounting any significant general economic improvement, we expect 2003 earnings per diluted share of $1.46 to $1.50, which reflects higher pension costs of approximately $.19 per diluted share and does not include the impact of restructuring charges expected in 2003.

In such an environment, security of investment is important. And while historical performance is no guarantee of the future, we are a 104-year-old company with only one annual loss, and that was a few hundred dollars in 1925. We have an "A range" credit rating, one of only two in our packaging peer group, and we have paid consecutive dividends since 1925, which puts us among America's leaders.

Looking forward, our plans over the next four years should significantly strengthen the Company. We expect to reach some $4 billion in sales, including acquisitions. More importantly, we intend to produce average annual double-digit total returns, while also reaching the top quartile of the S&P 500 Index in returns on long-term capital and equity. While these are challenging goals, our business unit strategic plans meet the requirements for success.

Our dividend currently carries a yield of 3.5% to 4%. We produce strong cash flow that, combined with our balance sheet, positions us well for consolidation opportunities. We have significantly reduced our overall cost structure and continue to do so. Furthermore, our acquisitions since 2001 are adding about $.10 per diluted share annually as they finish phasing in during 2003. And, sales for our flexible packaging and closures businesses continue to grow.

We believe Sonoco is well positioned to benefit from an economic recovery and to successfully build sustainable growth that can provide shareholders with an opportunity for average annual double-digit total returns.

Sincerely,

Charles W. Coker
Chairman

Harris E. DeLoach, Jr.
President and Chief Executive Officer

March 7, 2003

Operations Review

The Company's operations consist of two business segments, industrial and consumer packaging. Greater intra- and inter-segment coordination between businesses is helping to increasingly present "One Sonoco Face" to customers buying more than one form of packaging. This move is in response to increasing customer demand for fewer suppliers who can meet their packaging needs—wherever they choose to do business—and to provide a single Sonoco representative or team of specialists, rather than multiple representatives for each of the Company's product and service offerings. This approach reduces sales costs for Sonoco and has been well received by many major consumer products customers who view it as a way to increase their purchasing productivity and effectiveness.

Sonoco lab specialist Jan Grady uses the ultrasonic technology of the Modulus Tester on paperboard to determine strength and stiffness for product developers who must understand the performance of this raw material. This equipment is one of only two instruments of its kind in use in the paper industry.

To protect the Company's cash flow, particularly in today's difficult pricing environment, Sonoco remains committed to becoming the absolute lowest-cost producer in all of its businesses. The Company expects to meet this objective through continued productivity improvements, structural cost reductions and increased capital effectiveness. Sonoco achieved productivity improvements of approximately $70 million in 2002, despite continued weak volume, consisting of approximately $39 million in manufacturing and approximately $31 million from purchasing initiatives that leverage Sonoco's global spending. The Company recently held a suppliers conference to seek even better alignment with suppliers and ways to mutually reduce costs.

Restructuring continued in 2002, including four additional plant closures and further consolidation of business unit and staff functions.

Sonoco provides shrink roll-fed labels for beverage customers like Kraft to give them a competitive edge through shelf appeal. The rotogravure printed full-body label provides shaped containers with a colorful 'billboard effect,' as well as tamper protection.

BASF, a global manufacturer of nylon apparel and carpet yarns, is now using Sonoco engineered carriers. BASF employee, Judy Haynie (above), is inspecting carpet yarn at its Anderson, S.C., plant.

The Sonoco sales team knew that there was an opportunity to improve tube performance during winding at BASF. In response, a Sonoco technical team used proprietary technology to build a strong value proposition. The winning multi-year proposal was both creative and proactive, leading to lowering the customer's overall systems costs.

Sonoco employs sophisticated research techniques and advanced manufacturing technologies to make engineered carriers with enhanced performance characteristics for the global textile industry.

Industrial Segment

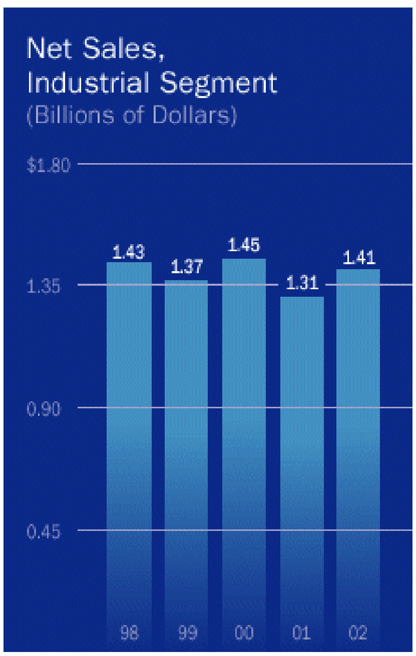
The industrial segment includes high-performance paper, plastic and composite engineered carriers; paperboard; wooden, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities.

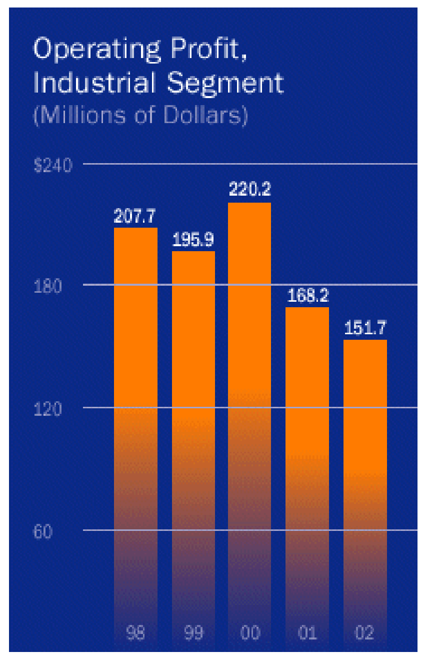
Sonoco's Industrial Packaging segment contributed sales of $1.41 billion in 2002, compared with $1.31 billion in 2001, and approximately 50% of the Company' s total sales. The sales increase in the segment, compared with 2001, primarily reflects the impact of higher old corrugated containers (OCC) prices on external sales of recovered paper and higher volumes in engineered carriers and paper resulting from acquisitions and organic growth. Operating profits for the industrial segment were $151.7 million, compared with $168.2 million in 2001. The decrease reflects the impact of higher OCC costs on Sonoco' s engineered carriers and paper operations, continued weakness in molded plastics and higher pension and postretirement expense.

Engineered Carriers

Sonoco's engineered carriers (tubes and cores), along with the Company' s integrated paper operations, remain the largest business in the Company. Sonoco is the world market leader in engineered carriers, serving such markets as paper, textiles, film, tape and metals from 111 converting facilities on five continents.

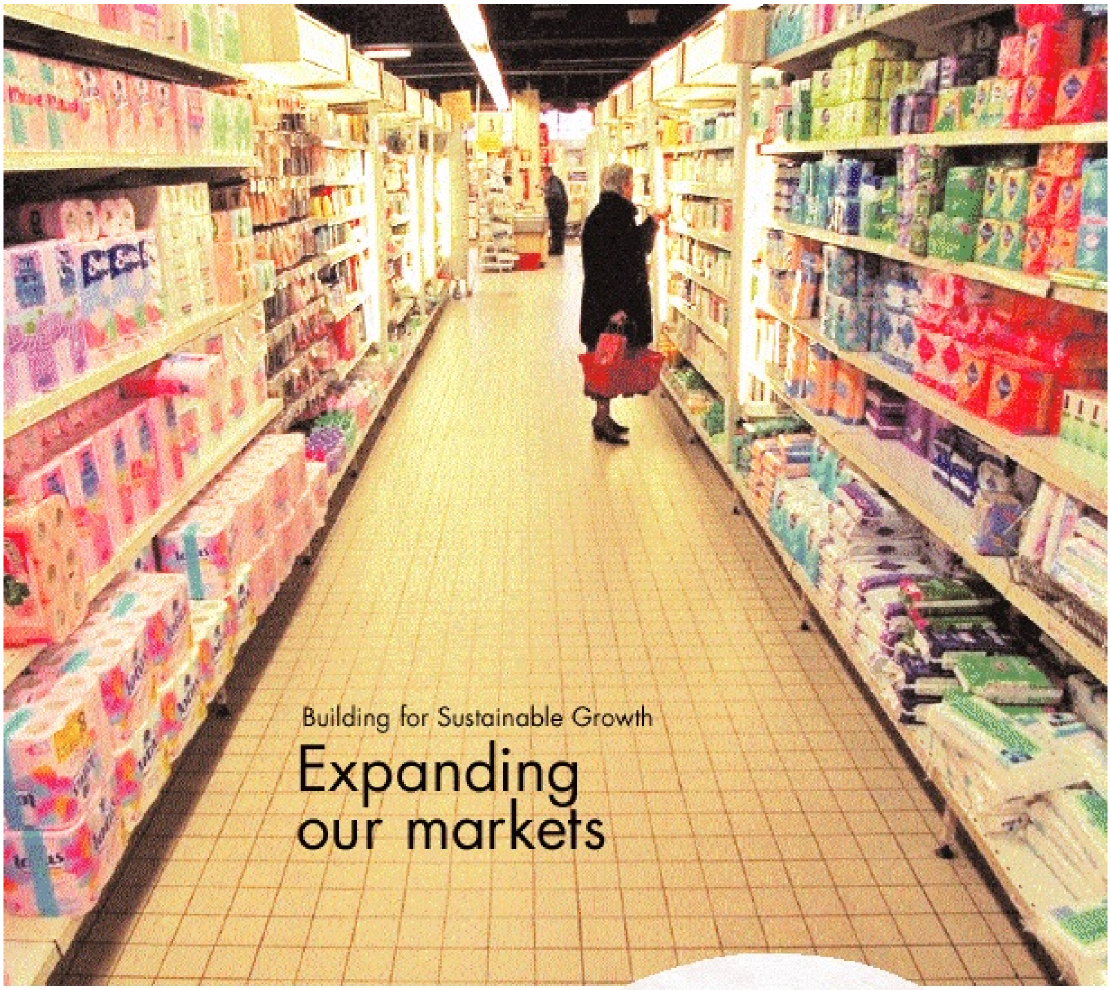
Operating Environment. Profits for engineered carriers were adversely impacted by the ongoing recession in the manufacturing sector of the U.S. economy, which continued to dampen demand. Profits were also hurt by approximately $21 million due to higher costs for OCC, the Company's primary raw material.





2002 sales were higher due to volume increases from acquisitions and organic growth. Operating profit, excluding restructuring charges, net gains from legal settlements, gains/losses on sale of businesses and goodwill amortization expense, decreased $16.5 million from 2001 to 2002 due primarily to an unfavorable selling price/material cost relationship.

The figures above exclude the impact of one-time charges and goodwill amortization expense. Reported operating profits were $145.3 million in 2002, $143.8 million in 2001, $212.6 million in 2000, $188.7 million in 1999 and $282.1 million in 1998.



Building for Sustainable Growth

Expanding our markets

Sonoco's expanded presence in the less cyclical, consumer-driven lightweight tissue and towel coreboard market continued to yield benefits in 2002. The Company manufactures paperboard that is used by customers to make tissue and towel cores. In 2001, the Company acquired the paper-making capacity of U.S. Paper Mills Corp. in DePere, Wis., and Menasha, Wis., as well as a 90,000-ton/year capacity paper mill in Hutchinson, Kan., to strengthen the Company's position in this market.

Sonoco's paper operations are a major contributor to the Company's strong cash flow generating capability, as well as a key part of the Company's vertical integration strategy.

OCC costs per ton in the United States increased significantly beginning in April 2002, from $35 to a high of $130 in July. Due to the lack of underlying demand, OCC prices began dropping rapidly—to $100 in August, to $75 in September and to $50 in December. As a result of the rapid decline of OCC prices and the competitive market environment, the Company was only able to implement one converted products price increase during the cycle. This price increase was sufficient to cover the increase in OCC costs in late 2002, compared with OCC costs in late 2001.

Historically, Sonoco has fully recovered increased OCC costs through price increases, with a normal six-to eight-week delay in recovery of each increase. During this cycle, however, the weak demand and rapid decrease in OCC price caused a longer than usual recovery period.

Actions to Reduce Cost Structure and Improve Quality. During 2002, there has been a focus on standardizing, rationalizing and optimizing the global engineered carriers plant network. This effort included closing a plant in Lincolnton, N.C., and a machinery manufacturing operation in Fenton, Mo.; the integration and rationalization of the U.S. Paper Mills Corp. and Hayes Manufacturing Group locations acquired in 2001; and the restructuring of Sonoco's U.K.-based tube and core business resulting from the acquisition in 2001 of Smurfit UK Limited's core and tube business, including the closure of the Leek Staffordshire plant and the downsizing of the Brechin, Scotland, plant. Sonoco also standardized product buildup procedures to streamline the integrated supply chain with the Company's paper operations. And, the integration of the textile tube converting facility in Kaiping, China, has progressed smoothly, with the facility achieving zero injuries during its first year with Sonoco.

Extended Product Line Innovation. Sonoco's well-known product brand, the Sonotube® fibre form, has been resurfaced to add new versions to the market—in Europe the Sonotube Premium™ fibre form and the Sonotube Finish Free™ fibre form in the United States. Sonoco is the industry leader in supplying fiber forms for poured concrete to the construction industry.

The new Sonotube Finish Free form imparts a smooth surface on poured concrete columns, thus reducing traditional column finishing costs up to 50%. The Sonotube Finish Free form is lined with Duraglas™ coating, a high-tech glass-like coating that imparts a near perfect surface onto the concrete. Builders and contractors can take advantage of the features of the new forms to create smooth columns at greatly reduced costs.

Organic Growth. Sonoco's strong technological abilities to generate additional value for customers led to Radici Spandex Corporation awarding all of its paperboard core and plastic tube business to Sonoco. Radici requested that Sonoco review how the tubes were running on Radici's winders to identify alternative surface materials and gain efficiencies. Sonoco tubes are used by Radici to wind elastomeric yarn, a fast growing segment in the textile industry. Sonoco's Global Technology Group, based in Hartsville, S.C., recommended material changes that improved friction properties of the tube and enhanced yarn transfer.

Sonoco expanded the geographic distribution of its Flow-Rite™ ink cartridge for commercial printing outside the United States last year. Commercial printers in Japan and Europe have adopted the more cost-effective ink dispensing system for their printing presses, with potential customers identified in Australia and Brazil.

The Sonoco sales teams have begun serving customers with "One Sonoco Face"; that is, using a single representative or team of specialists familiar with all the Company's consumer offerings, rather than using multiple representatives for each product and service. It is especially effective with customers buying more than one packaging format. The approach reduces sales costs for Sonoco and increases productivity for customers.

During 2002, Nestlé USA engaged Sonoco as its exclusive supplier for paperboard cans to package certain Nestlé products in the United States. As part of this agreement, the companies have developed complementary organizational structures that allow them to better respond to changing market needs.

In 2002, three of the Company's consumer businesses presented one face at the most prestigious trade industry event in North America, Pack Expo 2002. The groups prepared a joint display and greeted visitors with common product information. Resulting media coverage reflected the Company's unified image.

Paper Operations

Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging, including engineered carriers, composite cans and protective packaging. This vertical integration strategy is backed by 31 paper mills and 43 paper machines in 13 countries. In 2002, Sonoco's recycled paper manufacturing capacity was approximately two million tons.

Recovered Paper. Sonoco collects approximately three million tons of recovered paper that are generated through an extensive network of collection operations across North America and around the world and sells what is not used internally. While this vertically integrated supply base provides high-quality raw materials for Sonoco paper mills, a substantial quantity is sold on the open market.

Total paper volume for 2002 was flat with 2001, primarily reflecting continued general economic weakening. Trade sales of recovered paper were up $2.8 million for the year due to the higher OCC prices.

Acquisitions. The Kansas City, Mo., Topeka, Kan., and Manhattan, Kan., recovered paper operations acquired in 2002 have been fully integrated. Satellite operations were also added in Chesapeake, Va., and Richlands, N.C.

New Product Innovation. Sonoco's paper operations have been increasing outside sales to selected markets, such as the less cyclical, consumer-driven tissue and towel coreboard sector. Additionally, the business is the incubator for one of the Company's newest products, SONOBoard3D™ honeycomb fiberboard, which was introduced to the marketplace as a high-end panel product with attributes corresponding to engineered wood products (see photo, right). SONOBoard3D fiberboard is made completely from recovered paper. In a patented process, SONOBoard3D fiberboard sets itself apart from every other molded pulp technology as a lightweight, high-stiffness fiber panel with extraordinary design flexibility. This revolutionary product has been met with keen interest from bulk packagers, furniture manufacturers, large-scale display and store fixture builders, and military logistics planners.

Molded and Extruded Plastics

Sonoco's molded and extruded plastics operations supply customers in the textile, fiber optics, wire and cable, automotive, plumbing, filtration, food services, medical and healthcare markets. This business continued to experience significant market pressure from the decreasing demand in the wire and fiber optic cable industry, producing weak results in 2002.

New Product Innovation. Several new products were developed in 2002, including the patented film slidecutter that cuts food wrap film accurately, safely and without the problems of conventional metal serrated stationary blades. The slidecutter was developed for a major packaging film manufacturer for commercial application and lowered their cost by half. It is now available for the consumer market.

Wire and Cable Reels

Sonoco is the leading producer of wooden, composite and metal reels for the North American wire and cable industry. A decline in the fiber optic cable industry, as well as the cable TV industry, continued to impact this business, with volumes significantly lower in 2002. Industry consolidation continued as Sonoco acquired the Texas Reel Company's plywood reel operations in Sherman, Texas, and the Coonrod Reel Company's nailed wooden reel operation in Bonham, Texas.

Building for Sustainable Growth

Creative solutions leading to total systems cost savings

Mexican appliance manufacturer, Mabe, uses Sonoco's Sonoview™ packaging system for focused protection of its refrigerators—from the warehouse to a customer's home. Mabe transports its products to customers throughout Latin America, requiring a very durable protective package.

The Sonoview system combines the 100% recycled paperboard Sonopost® cornerposts with clear, unitizing film, thus allowing Mabe's material handlers to see the product inside the packaging. Product type, color and model, once obscured by packaging, is now in clear view. As a result, costly returns from customers can be reduced. Research has shown that products wrapped in a see-through package receive gentler treatment. Not only are they transported with greater care, but there's less damage from a misplaced boxcutter when removing the protective packaging.

Sonoview technology allows Mabe's warehouse employees to stack refrigerators four high, with greater security and without the risk of crushing. Sonopost cornerposts absorb impact and lock into the base and lid, securing the product inside. Sonoco's protective packaging system's advantages are its simplicity, durability and ease of disposability versus traditional alternatives.

Protective Packaging

Sonoco provides engineered protective packaging solutions, including Sonopost® corner posts, Sonobase™ carriers and Sonoview™ clear packaging for a total systems approach for product protection (see photo, left).

During the first 10 years of this business' life, Sonoco has been building upon its strong relationship with the large appliance industry, where it provides protective packaging solutions for white goods (washers, dryers, ranges) to companies like Whirlpool, Maytag, General Electric and Electrolux Home Products (Frigidaire). Approximately 50% of appliances sold in the United States are protected by Sonopost technology. The protective packaging business is an integral part of the Company's vertical integration strategy as one of the largest internal consumers of paper.

New Product Innovation. The Company expanded its protective packaging product line beyond the Sonopost corner posts to include Sonobase carriers and Sonoview clear packaging. Sonobase technology presents a growth opportunity with existing customers who can add an engineered multi-materials base to their package for enhanced performance and potentially reduced system costs. Sonoview technology (previously known as Clear-View™ packaging) was commercially launched during the year.

Customer and Market Focus. Sonoco is aggressively pursuing new markets for protective packaging, including:

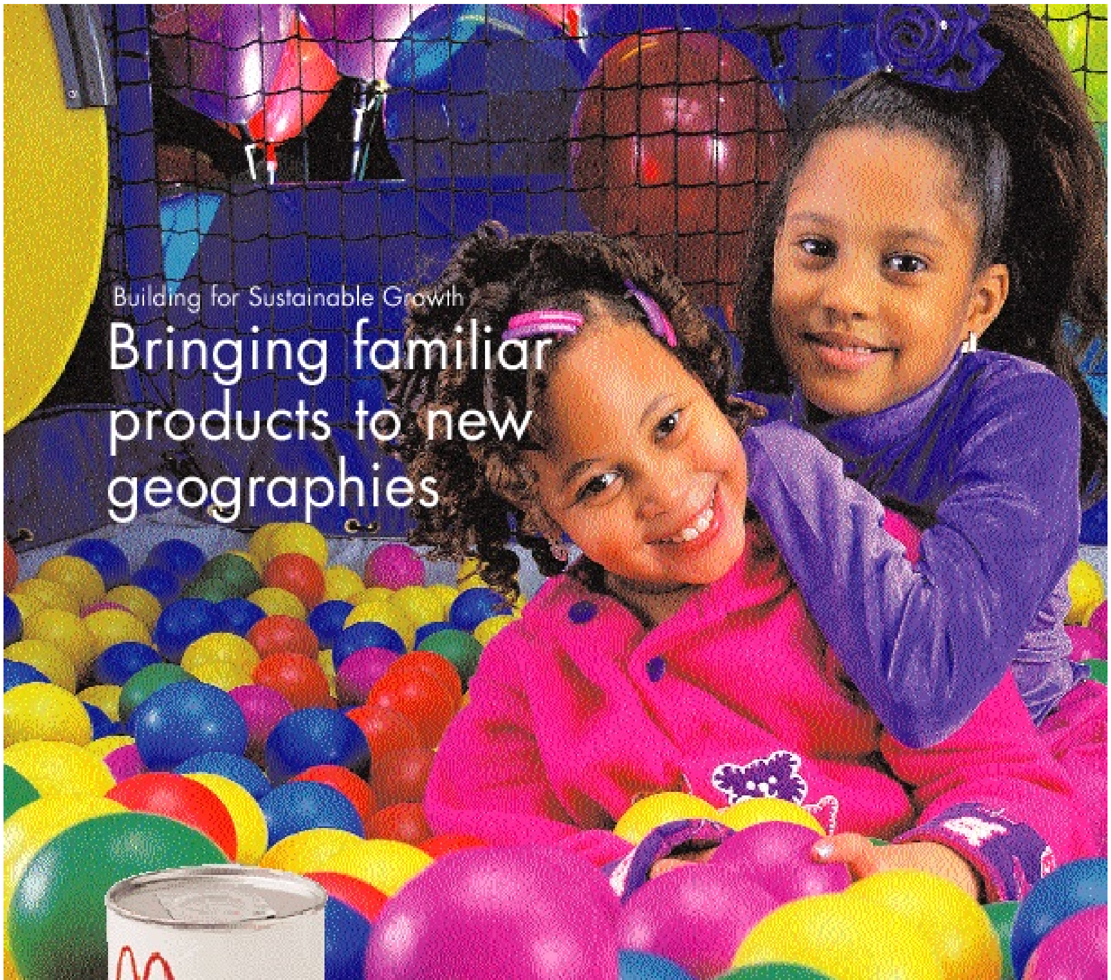
- Consumer products palletization (club stores, etc.),
- Produce (providing protection from field to store),
- Cabinets (kitchen and bath, office, etc.), and
- Bulk industrial applications.

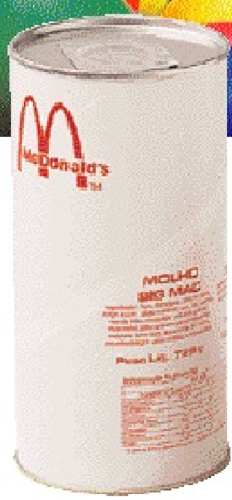
Geographical expansion beyond its current presence in the United States and Mexico is also a focus, potentially supplying the appliance markets in Europe, Brazil and China.

Due to the Company's strong customer relationships, three Sonoco engineers successfully completed Whirlpool's Operational Excellence training. The training is similar to Six Sigma black belt training with an emphasis on how to gather and analyze data using statistical tools and critical thinking skills.

Building for Sustainable Growth

Bringing familiar products to new geographies





Composite cans have been used in the United States since the 1960s for many well-known products and brands. Now, the package, with its unique characteristics, is gaining popularity in other countries for many different products:

- A composite dispensing cartridge for sandwich sauces—McDonald's, Brazil
- A Twister-Pak™ twistable composite can for Weetos cereal—Weetabix, United Kingdom
- A paper-bottom composite can for oats—Quaker Oats, Mexico
- The first composite can for cereal in Malaysia—Family Cereal Sdn. Bhd., West Malaysia
- A composite can with unique Halloween character dispensing lids for mini cookies—Grupo Bimbo, Mexico

Consumer Segment

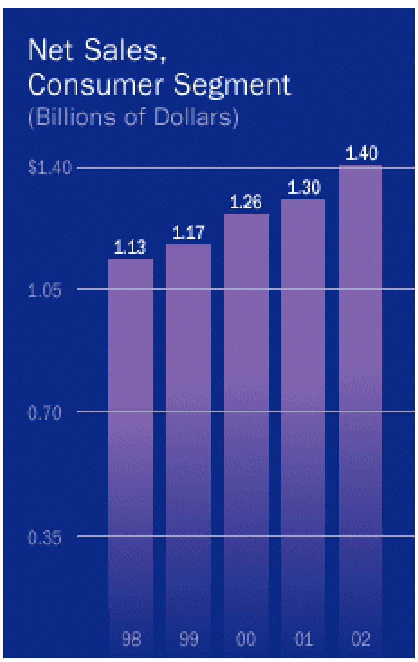
The Consumer Packaging segment includes round and shaped rigid packaging (both paper and plastic), printed flexible packaging, metal and plastic ends and closures, high density film products, specialty packaging and packaging services.

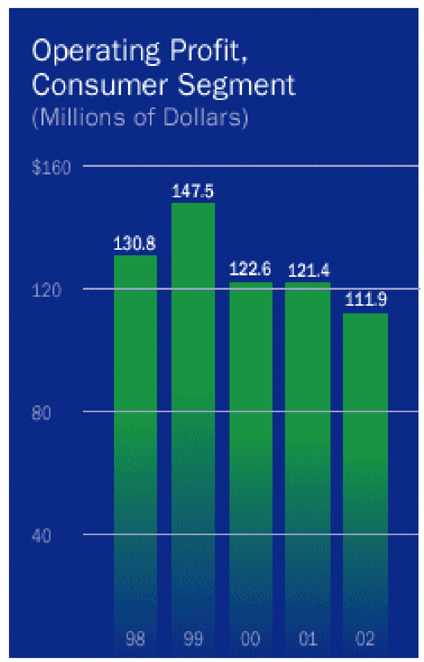
Sonoco's Consumer Packaging segment produced sales of $1.40 billion in 2002, compared with $1.30 billion in 2001, or approximately 50% of the Company' s total sales in 2002. The increased sales resulted primarily from additional volume in flexible packaging, steel easy-open closures and packaging services. Operating profits for the consumer segment were $111.9 million, versus $121.4 million in 2001. Operating profits declined primarily because of new equipment start-ups in flexible packaging, increased pension expense and higher raw material costs in composite cans and the high density film operations.

Consumer lifestyles continue to influence Sonoco's customers' product mix and packaging formats. Easy to open and reclose, portable, ready to heat and eat, fun and convenience are all considerations when packaging consumer goods. Sonoco's broad portfolio of consumer packaging gives customers options to best meet consumer demands.

Recent industry reports show that consumer appetites are shifting over time, and the desire for more healthy products, "comfort" foods and home-cooking ingredients increased during 2002. For instance:

- Ready-to-drink juices like Minute Maid Coolers® in a shaped, stand-up pouch made by Sonoco give consumers desired convenience.
- The desire for light, nutritious meals has driven consumers toward canned soups with easy-open closures. Sonoco Phoenix is supplying an increasing number of easy-open ends for this food category and sees significant potential for further conversion.
- During times of economic and global political crisis, retailers historically see a spike in sales of comfort food such as salted snacks. A reported increase in snack food sales this year is also associated with American consumers adding snacks as a standard "fourth" meal of the day. Sonoco provides a wide variety of packaging for salted snacks, confectioneries and cookies, crackers and biscuits.





2002 sales were higher due to the impact of acquisitions completed during 2001 and organic growth. Operating profit in 2002, excluding restructuring charges, gains/losses on sale of businesses, and goodwill amortization expense decreased from 2001 due principally to negative price cost relationships in the high density film business and higher pension and postretirement expenses.

The figures above exclude the impact of one-time charges and goodwill amortization expense. Reported operating profits were $105.9 million in 2002, $91 million in 2001, $119.3 million in 2000, $148 million in 1999 and $106.3 million in 1998.

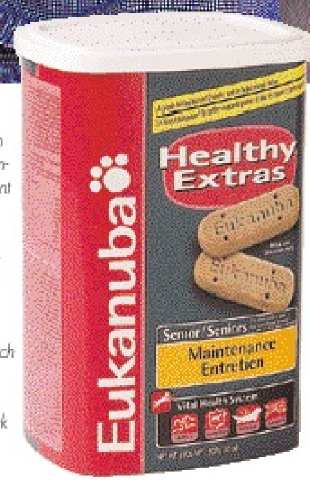
Building for Sustainable Growth

Making the packages that pet owners need

Pet owners are faced with an increasing number of choices on the pet food aisles and in pet stores. Foods are more segmented with special formulations, and the need for convenience continues to drive new packages. In 2001 alone, pet lovers around the world spent some $27.5 billion on pet foods, treats and litter products. Of this, $11.8 billion was spent in the United States.

In the midst of this pet product boom, Sonoco is supporting pet food and treat makers with packaging that helps make their brands more appealing to pet owners. Sonoco's pet packaging portfolio includes rigid packaging, such as composite cans and Linearpak® shaped cans; flexible packaging solutions; a range of steel, aluminum and peelable membrane easy-open ends for processed and non-processed pet foods; a variety of specialty dispensing features, such as shake and pour rotor-tops; as well as new exclusive technology, such as the SonoWrap™ single-wrap pack and Sonotort™ retort pouches.

The Iams Company packages its Eukanuba® brand dog biscuits in Sonoco's Linearpak cans for pet owners in North America, Europe and Asia.



Rigid Packaging

Sonoco's rigid packaging portfolio includes round and shaped composite paperboard cans, single- wrap paperboard packs, fiber and plastic cartridges and rigid plastic containers, serving a wide variety of food, beverage and nonfood markets.

Sonoco's global market-leading composite can business is the Company's second largest business and generator of cash flow. In 2002, volumes were down year-over-year in composite cans. Costs increased for OCC, which is the primary raw material for the composite can's paperboard body. These factors dampened operating profits for the composite can sector.

Appropriate Cost Structure. As market conditions have changed for customers, Sonoco made plans to close three composite can plants in 2003 to maintain an appropriate cost structure and continue providing customers with the highest level of quality, service and innovation.

Customer and Market Focus. Sonoco secured a three-year agreement with Nestlé USA as its exclusive supplier for paperboard cans used to package certain Nestlé products in the United States. Sonoco provides a range of packaging solutions to Nestlé for its powdered beverage products, including Nestlé® Nesquik™, Nestlé Carnation® Hot Cocoa Mix and Nestlé Carnation® Coffeemate®. Competition between premium ready-to-drink beverages and drink mixes is fierce, driving powdered beverage companies to introduce new flavors and other product lines to boost sales. These tactics often require stand-out graphics and proprietary packages from Sonoco to draw attention on store shelves.

Multiple Packaging Formats. Sonoco leveraged its broad consumer packaging portfolio to provide a total packaging solution to long-time composite can customer, Nutcracker Brands, of Billerica, Mass. For the 2002 holiday season, Nutcracker quickly needed a new multi-format promotional gift pack and turned to Sonoco for a solution. The Company's sales team delivered a secondary package of a bright red, litho-printed folding carton with a convenient, integrated carrying handle and window from its folding carton operation in Charlotte, N.C., along with two Sonoco composite cans filled with nuts featuring the easy-open Ultra-Seal® peelable membrane top and bright red plastic overcaps. Sonoco's approach provided Nutcracker with a greatly simplified solution with accelerated execution.

New Product Launch. In 2002, Sonoco introduced a new rigid packaging format for customers, officially launching the SonoWrap™ single-wrap pack during North America's largest and most prestigious packaging trade event, Pack Expo 2002. This positions Sonoco as the first to market with a highbarrier, cost-competitive, shaped paperboard package. SonoWrap packs give customers a cost-efficient, customizable shaped package.

Product Innovation. Sonoco added rigid plastic containers to its broad portfolio of consumer packaging offerings as part of the Company's focus on developing new products to meet market needs. These offerings include co-extrusion blow molding (see photo, right), thermoforming and injection molding technologies for specific niche markets. These capabilities were added because Sonoco's consumer product customers and prospects demand more packaging options. Sonoco believes there is a strong global market opportunity for rigid packaging—paper and plastic—in snacks, cookies and crackers, and pet treats. For example, Sonoco has begun producing an injection molded, microwavable cup for noodles being marketed by Nissin Foods in Brazil.

Easy-open Closures

With the acquisition of Phoenix Packaging in late 2001, Sonoco established an extensive portfolio of closure options, including membrane (peelable), steel and aluminum easy-open ends for metal, composite and plastic containers. This portfolio gives Sonoco the ability to respond to the growing consumer demand for package convenience. From soup to nuts to fruit punches to dietary supplements, consumers are trading in their can openers for the ease of easy-open ends.

Building for Sustainable Growth

Giving consumers new options

Kraft converted to Sonoco's Valved Ultra-Seal® membrane closure for its Maxwell House® brand ground roasted coffees. As the first major North American coffee producer to convert, Kraft introduced its new Fresh Seal™ can with the easy-open top to consumers in July 2002.

The Valved Ultra-Seal closure features a one-way freshness valve that eliminates the need for Kraft to vacuum pack the coffee. Instead, the can is nitrogen-flushed so the closure can be seamed on the can immediately after filling. The one-way valve allows the carbon dioxide to escape after seaming without allowing oxygen into the package. The result is flavorful, aromatic coffee for consumers as well as a far more convenient opening feature. Sonoco also provided Kraft with technical support as it changed equipment and filling techniques.

Restructured Portfolio of Business. Sonoco has long been a provider of membrane and aluminum easy-open ends, and steel ends through the Phoenix acquisition more than doubled its manufacturing capacity.

The Company has integrated its four existing easy-open ends production plants in the United States with Phoenix's original two plants, along with research and development facilities and a global distribution network. Sonoco also operates a joint venture in Brazil, Sonoco For-Plas, Ltd., that manufactures membrane ends. Easy-open end customers span North America, Europe, Latin America, South America and Asia.

Organic Growth. Already the world's fourth largest convenience closure manufacturer, Sonoco Phoenix plans to double its business by 2007. Additional manufacturing lines have been purchased and are planned to be operational in late 2003 to support this business's global growth strategy. The Company anticipates key conversions to easy-open closures during the next several years, especially in the seafood, pet food and soup categories. A significant conversion occurred in the coffee market, with Kraft converting to Sonoco's Valved Ultra-Seal® closure for its Maxwell House® brand ground roasted coffee in metal cans (see photo, left).

New Product Launch. Sonoco Phoenix introduced a new 401 full-panel, easy-open closure for processed foods made from double reduced (DR) steel, making it the only company capable of producing this closure. These ends are manufactured from much harder, thinner-gauge steel, which significantly reduces the force needed to open the can. The consumer experiences a smoother opening action, yet the package maintains the integrity needed during the rigors of processing.

Flexible Packaging

Flexible packaging is one of Sonoco's newest and fastest growing businesses. The balance of the $60 million in new contracts awarded in 2001 was fully realized during 2002. However, operating issues related to the start-up of new equipment negatively affected earnings for the consumer segment overall.

Customer and Market Focus. Sonoco added new production equipment in the Fulton, N.Y., plant to serve consumer products companies, including Kraft, Nabisco, Wrigley and Nestlé.

Sonoco continues to serve the confectionery market, providing a constant cache of new packaging for candy bars and gum to support customers' marketing and sales campaigns, especially seasonal and special event promotions.

Sonoco continued to grow its presence in the shrink multi-pack film market for the bundling of bottles and cans. Consumer products companies are converting more and more from other multi-pack formats because print registered shrink multi-pack film offers several advantages: gloss and clarity; a distinctive shape as well as a tight, stackable and secure bundle; and the ability to be used in virtually any type of merchandising display. In addition, it helps deter unwanted sampling by consumers. Sonoco is one of only four packaging companies in North America that understands the complexities of high-speed shrink wrapping equipment and is capable of producing flexographic. Sonoco is the only supplier in North America of rotogravure shrink multi-pack film.

New Product Innovations. Beverage bottle labels are a significant part of the flexible packaging portfolio, and this year Sonoco engineers recommended a new technology to Coca-Cola Limited for linking Coke® with the hit movie, "Harry Potter and the Chamber of Secrets™." The roll-fed label surrounded two-liter bottles of Coke and featured a question about Harry Potter. To find the answer, consumers must buy the bottle of Coke, and refrigeration reveals the answer on the label. This “magic” is due to temperature sensitive thermochromatic inks used on the eight-color flexo-printed OPP laminated film. While the ink appears traditional as it is applied, it changes based on environmental temperatures.

Sonotort® retort pouches in which the product can be cooked for distribution, are one of the newest packaging innovations for processed foods, as a fresh alternative to metal cans. Sonoco has brought three retort pouches from the lab to its portfolio: a foil-based 4-ply, a foil-based 3-ply and a clear foil-free structure. The 3-ply foil-free microwavable pouch uses a clear barrier film so consumers can see the product. Sonotort retort pouches offer consumers a new level of convenience for all types of food.

Packaging Services

The Company’s packaging services business includes three packaging centers, two for The Gillette Company and one for Hewlett-Packard, where Sonoco manages their packaging supply chain requirements on a fee-for-service basis. Packaging services is one of Sonoco’s highest sales growth businesses.

Sonoco also provides artwork management services through Sonoco Trident in the United Kingdom and the United States. Major consumer products companies use this service to help protect brand integrity in their packaging. Customers also use the Company’s point-of-purchase (POP) business to design, source, pack out and ship POP displays.

As part of its packaging services offering, Sonoco produces folding cartons from its plant in Charlotte, N.C., primarily serving healthcare, beauty and personal care customers.

Customer and Market Focus. Sonoco built upon its existing relationship supplying flexible packaging and printed folding cartons to Lance, Inc. by providing support for a new POP promotion. Lance planned a new promotion aimed at national club stores for its popular sandwich cookies and crackers, and turned to Sonoco for a comprehensive solution. During the concept phase, Sonoco prepared for Lance a 3-D digital mock-up of the display that showed exactly how the final POP display would look on the selling floor.

Sonoco supplied Lance with the printed film for the individual six packs of cookies and crackers, the clear overwrap, the four-color process printed sandwich trays for the multi-packs, and the corrugated pallet designed to contain and stabilize the individual sandwich trays. Sonoco’s unique pallet design provided exceptional merchandising flexibility, since it can be used as a center aisle or end cap floor display or on the shelf. Sonoco also oversaw the pack out of the displays. This comprehensive solution is part of the Company’s ongoing effort to provide more of its customers’ packaging supply chain needs.

High Density Film Products

Sonoco’s high density film business is the leading producer of plastic grocery bags in the United States and offers an array of retail, convenience store, fast food and easy-open produce bags. The Company also produces agricultural mulch film to enhance crop growth.

This business enjoyed strong productivity improvement in 2002, due to significant automation and a plant closure, with its volume consolidated into the business’s other five plants.

Specialty Businesses

Sonoco is the North American market leader supplying paper coasters and glass covers to the hospitality, restaurant and healthcare industries. Volume in this business was down in 2002, reflecting the negative impact of general economic conditions on the hotel and dining industry.

People, Culture and Values

Safety

The foundation of Sonoco's culture lies in the safety of its employees. Safety comes first at Sonoco— no exceptions for anyone at anytime. 2002 was the safest in the Company's 104-year history. Sonoco's record is world class, with a Total Incident Rate (TIR) of 1.19 (annualized number of reportable injuries per 100 full-time employees), a 20% improvement over 2001, which had been the previous record year. Most importantly, 53 fewer people were injured in 2002 than in 2001. Within the Sonoco culture, only a zero TIR record will ever be considered acceptable.

Corporate Citizenship

For the third consecutive year, Sonoco was named by *Business Ethics* magazine as one of the 100 Best Corporate Citizens. Selections are made based on service to seven stakeholder groups, including shareholders, employees, community, environment, overseas stakeholders, minorities and women and customers. Sonoco was also named by *Computerworld* magazine as one of the Best Places to Work in IT (Information Technology) – U.S. for the fourth year.

Sonoco is a sponsoring company of the inaugural Forum for Corporate Conscience scheduled to be held in March 2003 in Charlotte, N.C. This three-day conference will bring together CEOs of for-profit and non-profit organizations from across the nation, including Sonoco President and Chief Executive Officer Harris DeLoach. These leaders will examine their roles in providing values-based leadership within their organizations and communities.

Community Support

Sonoco and its employees have historically provided community support with the goal of improving the quality of life in their neighborhoods. The Company contributes approximately 1% of its consolidated pretax income in the areas of education, health and welfare, arts and the environment. The Company also offers a program of matching employee gifts to colleges and universities. The Company's philanthropic, community, employee and general citizenship activities and policies are reviewed by the Employee/Public Responsibility Committee of Sonoco's Board of Directors.

Selected Quarterly Financial Data (Unaudited)

Sonoco Products Company and Subsidiaries

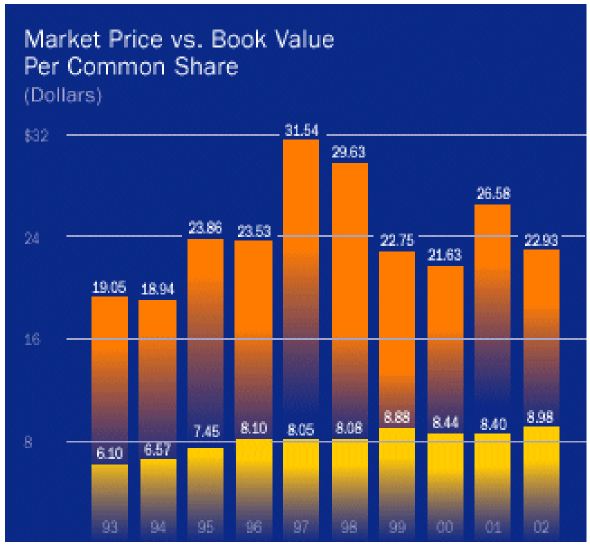
(Dollars in thousands except per share data)		First Quarter [1]	Second Quarter [2]	Third Quarter [3]	Fourth Quarter [4]
2002					
Net sales		**$ 654,236**	**$ 712,354**	**$ 717,390**	**$ 728,170**
Gross profit		**135,209**	**145,290**	**135,301**	**136,560**
Net income		**33,547**	**37,727**	**29,204**	**34,838**
Per common share					
Net income	-basic	**$ .35**	**$ .39**	**$ .30**	**$ .36**
	-diluted	**.35**	**.39**	**.30**	**.36**
Cash dividends	-common	**.20**	**.21**	**.21**	**.21**
Market price	-high	**29.40**	**29.70**	**27.58**	**25.47**
	-low	**24.84**	**26.43**	**20.87**	**19.81**
2001					
Net sales		$ 632,768	$ 647,659	$ 649,265	$ 676,584
Gross profit		137,287	136,357	135,256	135,530
Net income		4,660	16,944	42,824	27,181
Per common share					
Net income	-basic	$ .05	$ .18	$ .45	$ .28
	-diluted	.05	.18	.45	.28
Cash dividends	-common	.20	.20	.20	.20
Market price	-high	24.64	25.79	26.25	26.58
	-low	19.69	21.30	20.55	23.19

[1] In 2002, includes restructuring charges of approximately $1.4 million ($.9 million after tax) and $.1 million income ($.1 million after tax) from the reversal of restructuring charges related to an affiliate accounted for on the equity method of accounting. In 2001, includes restructuring charges of approximately $44.3 million ($30.8 million after tax).

[2] In 2002, includes restructuring charges of approximately $1.7 million ($1.1 million after tax). In 2001, includes restructuring charges of approximately $2 million ($1.3 million after tax), $6 million after-tax expense related to the surrendering of corporate-owned life insurance (COLI) and $11.3 million of additional tax expense, and $2 million ($1.3 million after tax) of restructuring charges of an affiliate accounted for on the equity method of accounting.

[3] In 2002, includes restructuring charges of approximately $6.4 million ($4.1 million after tax). In 2001, includes net gains of $6.2 million ($3.4 million after tax) from legal settlements and COLI, and $.5 million ($.4 million after tax) of restructuring charges related to an affiliate accounted for on the equity method of accounting.

[4] In 2002, includes restructuring charges of approximately $3 million ($2 million after tax). In 2001, includes restructuring charges of approximately $7.1 million ($4.5 million after tax) and $7.5 million expense ($4.9 million after tax) associated with restructuring charges related to an affiliate accounted for on the equity method of accounting.



The market price of the Company's stock decreased to $22.93 per share at the end of 2002, while the book value per common share increased to $8.98.

Management's Discussion and Analysis of Operations and Financial Condition

Overview

Despite a challenging economic environment in 2002, Sonoco continued to pursue its strategic and financial goals. Sales increased by approximately $200 million, an 8% growth rate over 2001, resulting from the full-year impact of sales from seven key acquisitions completed in 2001 in addition to organic growth. Free cash flow in 2002 (defined as cash flow from operations of $271.5 million adding back funding of benefit plans of $119.4 million less capital expenditures of $124 million and dividends of $79.8 million) was $187.1 million, compared with $203.8 million in 2001, signifying continued cash flow strength and effective management of the Company's working capital. To help sustain strong cash flow, the Company continues to aggressively manage costs through productivity initiatives, restructuring actions and increased capital effectiveness.

Special Charges and One-time Items
2002 Transactions

During 2002, the Company recognized restructuring charges, net of adjustments, of $12.6 million pretax or $8.1 million after tax, primarily related to four plant closings in the United States in the Consumer Packaging segment, and severance costs associated with plant consolidations in Europe, in addition to one plant closing in the United States in the Industrial Packaging segment. The restructuring charges consisted of severance and termination benefits of $10.5 million, asset impairment charges of $.4 million and other exit costs of $1.7 million, consisting of building lease termination charges and other miscellaneous costs. The objective of these restructuring actions, in addition to previous actions in 2001, was to realign and centralize a number of staff functions and to eliminate excess plant capacity, thereby removing approximately $58 million of annualized costs from the Company's cost structure, of which approximately $47 million was realized in 2002. With the exception of ongoing pension subsidies and certain building lease termination expenses, costs associated with the restructuring actions are expected to be paid by the end of the fourth quarter 2003 using cash generated from operations. The Company anticipates that it will take additional restructuring actions and record additional restructuring charges during 2003.

Accounting Changes

Under the guidelines of Statement of Financial Accounting Standards No. 142, 'Goodwill and Other Intangible Assets' (FAS 142), purchased goodwill and intangibles with indefinite lives are no longer amortized in 2002. For comparative purposes, in Management's Discussion and Analysis, operating profits have been adjusted to exclude goodwill amortization of $12.1 million in 2001 ($4.1 million in the Consumer Packaging segment and $8 million in the Industrial Packaging segment) and $10.9 million in 2000 ($4.4 million in the Consumer Packaging segment and $6.5 million in the Industrial Packaging segment).

2001 Transactions

During 2001, restructuring charges of $53.6 million pretax or $36.6 million after tax were recorded as a result of two restructuring plans announced during the year. The restructuring charges associated with these plans consisted of severance and termination benefits of $27.3 million, asset impairment charges of $16.9 million and other exit costs of $9.4 million, consisting of building lease termination expenses of $7.7 million and other miscellaneous charges of $1.7 million.

In connection with the Company's restructuring actions, asset impairment charges of $16.9 million were recognized related to the write-off/down of assets associated with 13 plant closings and nine plant locations identified for other restructuring actions. Impaired assets were written down to the lower of carrying amount or fair value, less costs to sell, if applicable. The Company recognized write-offs/downs of impaired facilities and equipment of $15.7 million and write-offs/downs related to facilities and equipment held for disposal of $1.2 million.

During 2001, affiliates accounted for under the equity method of accounting recorded restructuring charges of $10 million pretax or $6.6 million after tax. These costs included the closing of two plants and other miscellaneous restructuring activities. The affiliate restructuring charges are included in "Equity in earnings (loss) of affiliates/ minority interest in subsidiaries" in the Company's Consolidated Statements of Income.

In the second quarter of 2001, the Company surrendered its corporate-owned life insurance (COLI) policies as a result of the settlement with the Internal Revenue Service (IRS) over deductibility of COLI loan interest. The surrender of these policies resulted in additional income taxes of $11.3 million and other costs of $7 million. Other costs are included in "Other expense, net" in the Company's Consolidated Statements of Income. Additionally during 2001, the Company recognized a gain on net legal settlements of $7.3 million.

2000 Transactions

During the third quarter of 2000, the Company's chief executive officer elected to take early retirement, and the group vice president for Global Consumer Products resigned. The Company incurred a related one-time charge of $5.5 million pretax or $3.4 million on an after-tax basis.

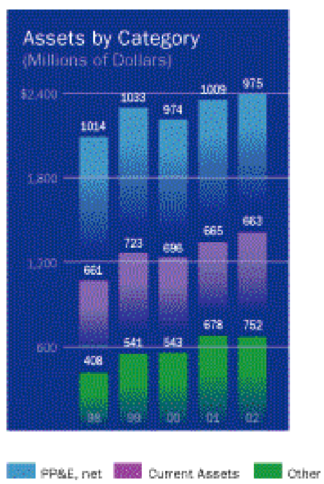
During the fourth quarter of 2000, the Company divested two operations in Europe, the largest of which was the container seals operation in the United Kingdom. These transactions generated cash of $17 million and resulted in a net gain of $5.2 million on both a pretax and after-tax basis as a result of utilizing capital loss carryforwards on these transactions. Also during the fourth quarter of 2000, the Company closed two engineered carriers plants and recognized asset impairment charges. These actions totaled $5.2 million pretax or $3.2 million on an after-tax basis. Additionally, in the fourth quarter, the Company recognized additional tax expense of $12 million associated with the IRS's position on COLI.

Acquisitions

During the fourth quarter of 2002, the Company completed the purchase of Texas Reel Company's plywood reel operations in Sherman, Texas, and Coonrod Reel Company's nailed wooden reel operation in Bonham, Texas. The purchases included equipment, inventory and intangible assets. Annual sales from these acquisitions are expected to be approximately $10 million. In addition, during the second quarter of 2002, the Company purchased a small paper recycling operation in Kansas City, Mo., and Topeka, Kan., and a small recovered paper trucking operation in Manhattan, Kan. These purchases are part of the Industrial Packaging segment (see Note 2 to the Consolidated Financial Statements).

During 2001, the Company made several acquisitions. Those in the Company's Industrial Packaging segment included U.S. Paper Mills Corp., a lightweight paperboard and tube operation with operations in DePere, Wis. and Menasha, Wis.; Cumberland Wood Products, Inc., a plywood reel operation in Helenwood, Tenn.; a paper-based textile tube converting facility in Kaiping, China; a unit of Smurfit UK Limited, a paper-based core and tube operation in the United Kingdom; a paper mill in Hutchinson, Kan.; a paper-based core and tube facility in Sint-Denijs, Belgium; and an engineered carriers operation in Cartersville, Ga.

Acquisitions in the Company's Consumer Packaging segment included assets of a packaging services operation in Hemel Hempstead, England, and the acquisition of Phoenix Packaging Corporation, a steel easy-open closure operation in North Canton, Ohio.



The increase in other assets is primarily due to pension funding made during 2002.

In 2001, the Company also acquired Hayes Manufacturing Group, Inc., a manufacturer of paper-based tubes, cores and composite cans headquartered in Neenah, Wis. Approximately 80% of this operation is included in the Industrial Packaging segment and 20% in the Consumer Packaging segment.

During 2000, the Company purchased in the consumer segment the Australian composite can business of Amcor Packaging, as well as a small graphics business in the United Kingdom.

Financial Measures

Although the Company prepares its Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States (US GAAP), the Company has historically used certain financial measures that are not defined by US GAAP to evaluate its business. The Company believes that the presentation and discussion of these financial measures in Management's Discussion and Analysis enhances the understanding of the Company's results for the periods presented.

The Company uses comparative net income and financial ratios based on comparative net income, as key measures for evaluating trends in its businesses. Comparative net income is defined as net income as reported on a US GAAP basis excluding the impact of one-time items, restructuring charges, and, in years prior to 2002, goodwill amortization expense. Such adjustments are made to remove the effects of one-time and other transactions that can distort the trend in underlying operational results.

The Company uses free cash flow as a key measure of evaluating net cash generated from routine business activity. Free cash flow is defined as cash flow from operations less capital expenditures and dividends. However, due to the significant discretionary pension fund contributions made in 2002, the Company has also excluded this item from free cash flow in 2002 and 2001 as it believes that this provides a better evaluation of the net cash generated from routine business activity. Although pension funding is a use of cash, the timing of funding can be discretionary. Dividends and capital spending are considered to be a more routine use of cash and therefore are reflected as a reduction in the free cash flow calculation.

The SEC recently issued rules effective for filings for periods ending after March 28, 2003, that specify that only non-recurring, infrequent or unusual items can be considered for determining comparative net income and free cash flow. For example, charges, such as restructuring, if recurring, will generally not be an adjustment for purposes of calculating comparative net income.

Results of Operations 2002 versus 2001

Operating Revenue

Consolidated net sales for 2002 were \$2.81 billion, versus \$2.61 billion in 2001, an increase of \$206 million.

The components of the sales change were:

($ in millions)	
Increase in volume	$ 211
Increase in contract service revenue	25
Selling price	(27)
Other	(3)
Total sales increase	$206

The higher sales, compared with the same period in 2001, were due primarily to increased volume, principally as a result of the seven key acquisitions made during 2001; new flexible packaging business; and increased volumes in the engineered carriers/paper operations. These higher sales volumes were, however, partially offset by lower volume in the Company's molded plastics operations, cable and wire reels business, and composite can operations. Higher contract service revenue in the packaging services business also contributed to the increase in sales. In addition, lower average selling prices of approximately $49 million, primarily in the engineered carriers and high density film businesses, were partially offset by approximately $22 million in higher selling prices for recovered paper sold externally. Domestic sales were $2 billion, up 7.6% over 2001, and international sales were $.8 billion, up 8.8% over 2001. The impact on both sales and operating profit from foreign exchange rate movement was not significant in 2002.

Operating Profits

Operating profits (income before income taxes) for 2002 of $198.5 million were $22.7 million, or 12.9% higher than 2001 operating profits of $175.8 million. Excluding special charges, the effect of not amortizing goodwill and other one-time items described on page 27 of Management's Discussion and Analysis, operating profits would have declined approximately 12.5% in 2002.

($ in millions)	2002	2001	% Change
Industrial Packaging	**$151.7**	$ 168.2	(9.8)%
Consumer Packaging	**111.9**	121.4	(7.8)%
	263.6	289.6	(9.0)%
Special charges and one-time items	**(12.6)**	(53.3)	76.4%
Goodwill amortization		(12.1)	100%
Interest expense, net	**(52.5)**	(48.4)	(8.5)%
Consolidated operating profit	**$198.5**	$ 175.8	12.9%

Operating profits were impacted by higher volume driven principally by the effect of 2001 acquisitions. In addition, operating profits were impacted by lower average selling prices of approximately $49 million primarily in the engineered carriers and high density film businesses, partially offset by higher selling prices of approximately $22 million for recovered paper sold externally. Higher raw material costs for old corrugated containers (OCC) were partially offset by lower resin costs in the high density film business. Gross profit as a percentage of net sales was 19.6% in 2002, compared with 20.9% in 2001. The decrease in 2002 is primarily related to the negative selling price/material cost relationship previously discussed.

Selling, general and administrative expenses as a percentage of sales remained flat with 2001 at approximately 10% of sales. In 2002, the Company continued to focus on controlling fixed cost spending. This focus was supported by the Company's restructuring actions during the year.

Investment returns earned on assets held by the Company's benefit plans are used to lower the Company's cost of providing pension and postretirement benefits. During 2002, the Company experienced higher year-over-year expense of approximately $23 million pretax, primarily related to the impact of stock market performance on investment earnings of assets in U.S. pension and postretirement plans. The market value of U.S. benefit plan assets declined approximately 7% in 2001 and another 9% in 2002. As a result of declines in the market performance of U.S. pension fund assets, coupled with lower interest rates, 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. The Company contributed a total of $110 million to the U.S. pension plan during 2002. There were no requirements under ERISA to fund the plan until 2004 at the earliest, and the Company views this additional funding as a prepayment of future funding requirements. As a result of declines in the market performance of foreign pension fund assets, coupled with lower interest rates, the Company was required to record an additional minimum pension liability of approximately $31 million after tax (see Note 17 to the Consolidated Financial Statements). The Company revised its 2003 pension and postretirement benefit plan assumption for asset rate of return to 8.75% from 9.5% in 2002. The Company expects 2003 earnings to be reduced by an incremental increase of approximately $.19 per diluted share based on the value of pension and postretirement benefit plan assets as of year-end 2002.

Research and development costs charged to expense were $13.8 million and $12.9 million in 2002 and 2001, respectively. Significant projects in the Industrial Packaging segment included efforts to design new products for the construction industry and to enhance performance characteristics of the Company's engineered carriers in the textile, film and paper packaging areas, as well as projects aimed at productivity enhancements. The Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging. Expenditures in this area are expected to increase in 2003.

Net interest expense increased $4.1 million over 2001. The increase was primarily driven by higher interest rates associated with fixed rate debt securities issued in the fourth quarter of 2001 partially offset by lower average debt levels in 2002.

The effective tax rate for 2002 was 35.6%, compared with 47.2% in 2001. In 2001, excluding the impact of one-time additional COLI charges and certain non-deductible restructuring charges, the effective tax rate would have been 37.5%. The drop in the effective tax rate, from 37.5% in 2001 to 35.6% in 2002, is partially due to non-deductible goodwill amortization no longer being reported as an expense in 2002 under FAS 142. In addition, the Company's 401(k) plan participants are now given the right to elect to receive cash dividends on Company stock in the plan that results in the tax deductibility of the related dividends paid by the Company. The examination by the IRS of the Company's federal tax returns for the years 1996 through 1998 concluded in 2002. There was no material impact to the Company's Consolidated Financial Statements.

Equity in earnings (loss) of affiliates/minority interest in subsidiaries increased in 2002 to $7.4 million from $(1.2) million in 2001 primarily due to restructuring charges recorded by affiliates in 2001 of $6.6 million after tax.

Net income for 2002 was $135.3 million, versus $91.6 million in 2001. Comparative (excluding restructuring charges in both years and, in 2001, excluding net gains from legal settlements, COLI adjustments and the effect of not amortizing goodwill) net income would have been $143.3 million in 2002, compared with $157.7 million in 2001. Earnings per diluted share in 2002 were $1.39 per share, compared with $.96 in 2001. Comparative earnings per diluted share would have been $1.48 in 2002, compared with $1.65 in 2001.

The following table is a reconciliation of net income as reported, to comparative net income:

($ in millions)	2002	2001
Net income as reported	**$135.3**	$ 91.6
Add (subtract) one-time adjustments:		
Net gains from legal settlements and COLI adjustments		(.2)
Goodwill amortization		12.1
Total one-time adjustments		11.9
Restructuring charges	**12.6**	53.6
Total pretax adjustments	**12.6**	65.5
Tax impact of adjustments above	**(4.5)**	(17.3)
Additional COLI tax expense		11.3
Affiliate restructuring, net of tax	**(.1)**	6.6
Comparative net income	**$ 143.3**	$157.7
Reported net income per common share:		
Basic	**$ 1.40**	$ .96
Diluted	**$ 1.39**	$ .96
Comparative net income per common share:		
Basic	**$ 1.49**	$ 1.65
Diluted	**$ 1.48**	$ 1.65

Operating Segments

Sonoco reports results in two segments, Industrial Packaging and Consumer Packaging. International results are reflected in the appropriate segment based on the products produced. Operating profit is defined as revenue less operating costs, with all corporate costs (excluding interest and income taxes) allocated to the two segments. For purposes of Management's Discussion and Analysis, previously described special charges and one-time items, are excluded from the segments' operating profits. For further information about special charges and one-time items by segment, see Note 16 to the Consolidated Financial Statements.

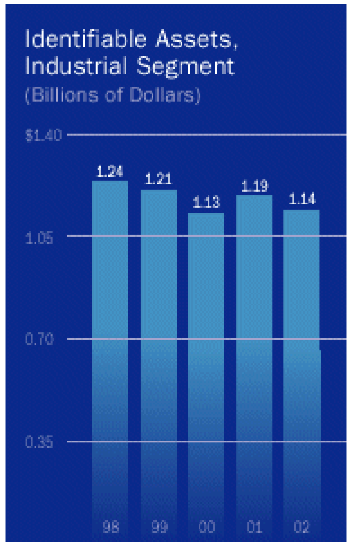
Industrial Packaging Segment-This segment represented approximately 50% of the Company's sales in 2002 and includes the following products: high-performance paper, plastic and composite engineered carriers; paperboard; wooden, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities.

Sonoco's paper operations include the Company's 31 papermills, 43 paper machines and 56 collection facilities around the world. The paper mills have annual capacity to produce approximately two million tons of recycled paperboard, of which Sonoco uses approximately 70% internally. The Company also produces approximately 170,000 tons annually of corrugating medium exclusively for Georgia-Pacific under a cost plus fixed management fee arrangement.

Results for this segment are presented below:

($ in millions)	2002	2001	% Change

Trade sales	**$1,407.7**	$1,310.0	7.5%
Operating profit	**151.7**	168.2	(9.8)%
Capital spending	**60.8**	57.5	5.7%



Identifiable assets remained relatively constant in 2002.

Trade sales in the Industrial Packaging segment increased $97.7 million, or 7.5%, to $1.41 billion in 2002. Domestic sales were up $60.5 million, or 7.3%, and international sales were up $37.2 million, or 7.9%. Operating profits decreased 9.8% to $151.7 million in 2002.

The higher sales, compared with 2001, were primarily due to increased volume of approximately $107 million, driven principally by the effect of 2001 acquisitions and increased volume in the engineered carriers/paper operations, partially offset by lower volume in the Company’s cable and wire reels business, and molded plastics operations. Net volume increases were partially offset by the impact of lower average selling prices of approximately $8 million.

Earnings in this segment were impacted by a decline in the Company's price/cost relationship of approximately $31 million, primarily associated with lower average selling prices and higher raw material costs for OCC, partially offset by external sales of recovered paper. Historically, Sonoco has fully recovered increased OCC costs through price increases, with a normal six-to-eight week delay in recovery of each increase. During this cycle, however, the weak demand and rapid decrease in OCC price caused a longer than usual recovery period. OCC costs per ton in the United States increased significantly beginning in April 2002 from $35 to a high in July of $130, then dropped to $100 in August, to $75 in September and to $50 in December. Although the timing of OCC movements was not the same, similar trends were noted in OCC markets globally. To recover higher OCC costs, the Company implemented price increases in the second and third quarters of 2002 in paperboard and converted products (tubes and cores) in the United States, Canada and Europe. However, as a result of the rapid decline of OCC prices and the competitive market environment, the Company was only able to implement one converted products price increase during the cycle. This price increase was sufficient to cover the increase in OCC costs in late 2002, compared with OCC costs in late 2001. OCC prices continue to be volatile and could continue to be a major factor in segment earnings throughout 2003.

Earnings were positively impacted by on-going productivity initiatives that resulted in reduced costs of approximately $23 million, and higher volume in engineered carriers, principally as a result of acquisitions completed in 2001, which were offset by lower volume in the Company's cable and wire reels business and molded plastics operations. Also, pension and postretirement expense was approximately $14 million (pretax) higher in 2002 over the prior year.

Capital spending was $60.8 million in 2002, compared with $57.5 million in 2001. Depreciation, depletion and amortization expense was $93 million in 2002, compared with $94 million in 2001. Significant capital spending included the rebuilding of several paper mills, primarily in the United States, Canada and Europe.

Restructuring Activities-Industrial Packaging Segment. During 2002, the segment recorded total restructuring charges of $6.4 million, mainly attributed to the closing of a plant location in the United States and severance costs associated with plant consolidations in Europe.

Consumer Packaging Segment- This segment represented approximately 50% of the Company's sales in 2002 and 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.

Results for this segment are presented below:

($ in millions)	2002	2001	% Change
Trade sales	**$1,404.5**	$1,296.3	8.3%
Operating profit	**111.9**	121.4	(7.8)%
Capital spending	**63.2**	44.5	42.1%

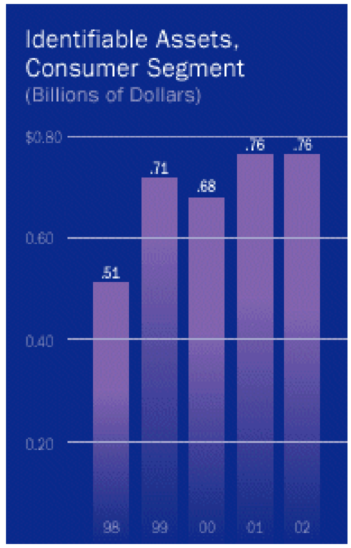
Trade sales in the Consumer Packaging segment increased $108.2 million to $1.40 billion in 2002 from $1.30 billion in 2001. Domestic sales were $1.1 billion, up 7.3% from 2001, and international sales were $.3 billion, up 12.1% from 2001. Operating profit of $111.9 million in 2002 was 7.8% below 2001.

The increase in sales was due primarily to increased volume of approximately $104 million, driven by additional easy-open steel closures revenue at Sonoco Phoenix, which was acquired in 2001, and new flexible packaging business, partially offset by decreased volume in composite cans. Sales in 2002 were also positively impacted by higher packaging services revenue of approximately $25 million. Lower selling prices, primarily in the Company's high density film business partially offset the higher sales volume and higher packaging services revenue. Packaging services is expected to continue to grow in the coming years.

Profits in this segment decreased because of negative price cost relationships of approximately $11 million primarily in the high density film business, new equipment start-up costs in flexible packaging and higher pension and postretirement expense of approximately $9 million pretax. Some of the negative impact was offset by productivity initiatives yielding approximately $16 million in year-over-year savings and earnings associated with acquisitions completed in 2001.

The uncertainty in the global oil market could continue to destabilize the resin market in 2003 which could increase the costs to the high density film and other businesses using resin as a primary raw material.

Capital spending in the consumer segment was $63.2 million in 2002, compared with $44.5 million in 2001. Depreciation, depletion and amortization expense in this segment was $66.3 million in 2002, compared with $64.6 million in 2001. Significant spending included numerous productivity enhancement and consolidation projects in the United States. Additionally, the flexible packaging business continued to invest in a state-of-the-art flexographic press to support continued growth in the confectionary market.



Identifiable assets remained constant in 2002.

Management's Discussion and Analysis of Operations and Financial Condition (continued)

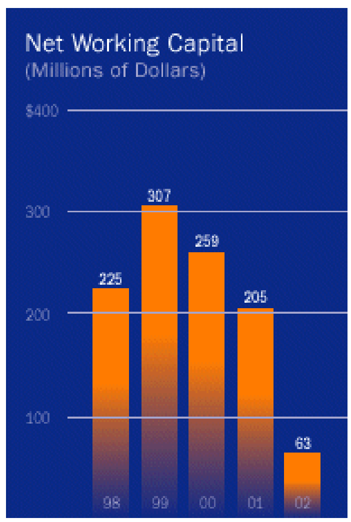
Restructuring Activities-Consumer Packaging Segment. During 2002, the segment recorded total restructuring charges of $6 million, primarily associated with severance costs related to four plant closings in the United States.

In addition, 2002 restructuring charges in Corporate totaled approximately $.2 million.

Financial Position, Liquidity and Capital Resources

Cash flows from operations totaled $271.5 million in 2002, compared with $364.3 million in 2001. The decrease was primarily due to cash funding of the Company's pension and postretirement benefit plans of $119.4 million (included in "Other assets and liabilities" on the Company's Consolidated Statements of Cash Flows). Free cash flow (defined as cash flow from operations of $271.5 million adding back funding for benefit plans of $119.4 million less capital expenditures of $124 million and dividends of $79.8 million) was $187.1 million. Cash flows from investing activities decreased from $371.9 million in 2001 to $124.4 million in 2002 as a result of fewer acquisitions in 2002. Net cash used in financing activities increased in 2002, primarily due to lower debt proceeds, net of the decrease in the repayment of commercial paper borrowings, as compared with 2001. The Company expects internally generated cash flows to be sufficient to meet operating and normal capital expenditure requirements on a short-term and long-term basis.

Current assets remained relatively unchanged, decreasing $1.9 million in 2002 to $663.3 million. In 2001, current assets decreased $30.6 million to $665.2 million primarily due to lower trade accounts receivable balances. Current liabilities increased $139.8 million to $600 million in 2002 primarily due to increased current debt maturities. The Company has $100 million of 5.875% bonds maturing in November 2003. The bonds are expected to be refinanced with floating rate debt in order to bring the Company's fixed rate/floating rate ratio closer to its 50/50 target. In 2001, current liabilities increased $23.2 million mainly due to higher accrued expenses. The current ratio was 1.1 at the end of 2002, compared with 1.4 and 1.6 at the end of 2001 and 2000, respectively.



Net working capital decreased $141.7 million in 2002 primarily due to the reclassification into current liabilities of bonds totaling $100 million reaching maturity in 2003, along with increased accounts payable.

Capital expenditures in 2002 were $124 million, compared with $102 million in 2001 and $117.2 million in 2000. Capital expenditures in 2003 are expected to be in the $125 million to $150 million range.

The following table summarizes contractual obligations at December 31, 2002:

Contractual Obligations

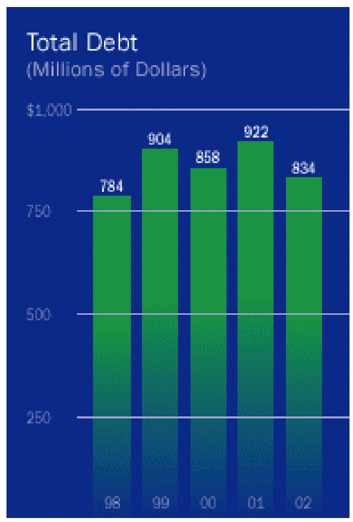
		Payments Due By Period			
($ in millions)	Total	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years
Debt obligations	$ 834	$ 135	$156	$ 3	$ 540
Operating leases	91	22	31	19	19

Purchase obligations *	180	14	25	23	118
Total contractual obligations	$1,105	$ 171	$212	$45	$ 677

* Includes long-term contractual commitments only. Does not include short-term obligations for the purchase of goods and services used in the ordinary course of business.

At December 31, 2002, the Company had third party debt guarantees, not included in the Company's Consolidated Financial Statements, of approximately $5 million related to debt of independent contractors supporting the Company's forest operations and debt of equity affiliates. The Company had fully committed bank lines of credit in the amount of $450 million during 2002 and 2001. The credit is undrawn, but provides back-up credit for commercial paper, short-term borrowings under uncommitted facilities and future liquidity needs. The credit agreement matures in July 2003 unless the Company exercises a one-year, term-out option on any outstanding borrowings under the agreement. The Company intends to enter into a similar agreement when it expires. The agreement provides for an increase in interest rates if the Company's credit rating falls, but the agreement does not terminate. None of the Company's material credit arrangements contain rating-based default provisions.

Debt decreased $88 million to $833.8 million at December 31, 2002, from $921.8 million at December 31, 2001. The decrease was due to cash flow from operations in excess of needs for capital expenditures, dividends and pension fund contributions.



Total debt decreased $88 million during 2002, as free cash flow was used to lower debt levels.

During the fourth quarter 2001, the Company issued debt securities ("Notes") of $250 million pursuant to shelf registrations with the Securities and Exchange Commission. The Notes bear interest at 6.5% per year, payable semiannually on May 15 and November 15, and will mature on November 15, 2013. The Company used the net proceeds from the sales of the Notes to pay down maturing commercial paper.

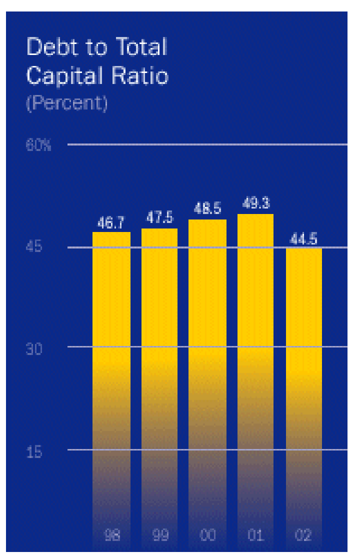
In 2002, the Company maintained its "A range" credit rating. On July 12, 2001, Standard & Poor's announced the reduction of the Company's long-term debt rating from "A" to "A minus" and the commercial paper rating from "A-1" to "A-2" with a stable outlook. On August 13, 2001, Moody's changed the ratings outlook for the Company's "A-2" long-term debt ratings and Prime-1 short-term ratings for commercial paper to negative from stable. Both agencies cited that the rating revisions were due to expected increased leverage in the near term as a result of the 2001 acquisitions.

Interest expense was $54.2 million in 2002, compared with $52.2 million in 2001 and $59.6 million in 2000. The increase in 2002, compared with 2001, was due mainly to higher average interest rates as the Company repaid $250 million of commercial paper through the issuance of 6.5% debt securities in the fourth quarter of 2001. This increase was partially offset by lower average debt balances, lower commercial paper rates and the amortization associated with the 2002 interest rate swap termination discussed under the Risk Management section of Management's Discussion and Analysis. The decrease in 2001, compared with 2000 interest expense, was due to lower commercial paper rates. Average rates in 2001 fell to 4.1% from 6.3% and resulted in interest savings of approximately $6 million. The remaining decrease was due to slightly lower average debt balances.

On a comparative net income basis, earnings before interest and taxes would have been 4.9 times interest expense in 2002, compared with 5.6 times and 5.8 times in 2001 and 2000, respectively. On a comparative net income basis, earnings before interest, taxes, depreciation, depletion and amortization expense were 7.8 times interest in 2002, 8.4 times in 2001 and 8.1 times in 2000. The Company's debt to total capital ratio was 44.5% at December 31, 2002, compared with 49.3% and 48.5% at the end of 2001 and 2000, respectively. Return on total equity was 16% in 2002, compared with 11.5% in 2001 and 19.1% in 2000. On a comparative basis, the return on total equity would have been 16.9% in 2002, 19.8% in 2001 and 21.7% in 2000.

Shareholders' equity increased $63.3 million from December 31, 2001, to $867.4 million at December 31, 2002. The change resulted mainly from net income of $135.3 million, capital generated by exercised stock options of $21.6 million and foreign currency translation of $15.8 million, reduced by dividends of $79.8 million and minimum pension liability adjustments of $30.9 million. Shareholders' equity increased $2.7 million from December 31, 2000, to $804.1 million at December 31, 2001. The change resulted primarily from net income of $91.6 million and $14 million of exercised stock options, reduced by dividends of $76.1 million, minimum pension liability adjustments of $15.9 million and foreign currency translation of $8.8 million. The Company made no repurchases of its common stock in 2002. In 2001, the Company repurchased 92,960 shares of common stock pursuant to authorizations by the Company's Board of Directors. At December 31, 2002 and 2001, the Company had remaining authorizations to repurchase approximately 5,300,000 shares of common stock. The Company does not intend to repurchase a significant number of shares in 2003.

Although the ultimate determination of whether to pay dividends is within the sole discretion of the Board of Directors, the Company plans to increase dividends as earnings grow. Dividends per common share were $.83 in 2002, $.80 in 2001 and $.79 in 2000.



The debt to total capital ratio was 44.5% at December 31, 2002,down from 49.3% at December 31,2001.

Risk Management

As a result of operating globally, the Company is exposed to market risk from changes in foreign exchange rates. The exposure is well diversified as the Company's facilities are spread throughout the world, and the Company generally sells in the same country where it produces. The Company monitors these exposures and may use traditional currency swaps and forward foreign exchange contracts to hedge a portion of the net investment in foreign subsidiaries, foreign currency assets and liabilities, or forecasted transactions denominated in foreign currencies.

The Company is exposed to interest rate fluctuations as a result of using debt as a source of financing its operations. When necessary, the Company expects to use traditional, unleveraged interest rate swaps to manage its mix of fixed and variable rate debt to ensure that exposure to interest rate movements is maintained within established ranges. During the first quarter of 2002, the Company entered into a swap to match the terms of a $150 million 7% bond maturing in 2004. The swap qualified as a fair value hedge under Financial Accounting Standard No. 133, 'Accounting for Derivative Instruments and Hedging Activities' (FAS 133), and swapped fixed interest for floating. During the third quarter of 2002, the Company terminated this agreement and received $3.4 million in cash from the termination, including $.7 million of interest earned up to termination of this derivative instrument. In accordance with FAS 133, the 7% bonds and related interest rate swap were marked to fair market value through the date of this swap termination. Interest expense will be lowered by future amortization of the gain associated with this swap termination until the related bonds mature on November 15, 2004. At December 31, 2002, the deferred gain related to this swap termination was approximately $2.2 million. During 2001, the Company did not have any interest swaps outstanding.

The Company is a purchaser of commodities such as recovered paper, resin and energy. In general, the Company does not engage in material hedging of commodity prices because there is usually a high correlation between the commodity cost and the ultimate selling price of its products. These commodities are generally purchased at market or fixed prices that are established with the vendor as part of the purchase process for quantities expected to be consumed in the ordinary course of business. On occasion, where the correlation between selling price and commodity price is less direct, the Company may enter into commodity futures or swaps to reduce the effect of price fluctuations.

At the end of 2002, the Company had commodity swaps outstanding to fix the costs of a portion of raw materials for 2003 and 2004. The swaps qualify as cash flow hedges under FAS 133. The fair market value of these commodity swaps at December 31, 2002 and 2001, was not material to the Consolidated Financial Statements.

FAS 133 requires that derivatives be marked to fair value quarterly and recorded on the balance sheet. The Company uses published market prices or estimated values based on current price quotes and a discounted cash flow model to estimate the fair market value of the swaps.

The use of financial instruments to hedge foreign exchange, interest rate and commodity price risk was not material to the Consolidated Financial Statements as a whole as of December 31, 2002, 2001 or 2000.

Except for the impact on energy and raw material prices, inflation did not have a material effect on the Company's operations in 2002, 2001 or 2000.

The Company is subject to various federal, state and local environmental laws and regulations concerning, among other matters, wastewater effluent and air emissions. Compliance costs have not been significant due to the nature of the materials and processes used in manufacturing operations. Such laws also make generators of hazardous wastes and their legal successors financially responsible for the cleanup of sites contaminated by those wastes. The Company has been named a potentially responsible party at several environmentally contaminated sites owned by third parties. These regulatory actions and a small number of private party lawsuits are believed to represent the Company's largest potential environmental liabilities. During 2002, litigation involving several sites was concluded, resulting in lower estimated future liabilities. Accordingly, the Company has accrued approximately $4.4 million at December 31, 2002, compared with approximately $7.2 million at December 31, 2001, with respect to these sites (see Note 14 to the Consolidated Financial Statements).

The Company's main plant and corporate offices are located in Hartsville, S.C. There are 126 owned and 115 leased facilities used by operations in the Industrial Packaging segment and 33 owned and 32 leased facilities used by operations in the Consumer Packaging segment. Europe, the largest foreign geographic location, has 43 manufacturing locations.

Critical Accounting Policies and Estimates

The Company's analysis and discussion of its financial condition and results of operations are based upon its Consolidated Financial Statements that have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis, including but not limited to those related to inventories, bad debts, derivatives, income taxes, intangible assets, restructuring, pension and other postretirement benefits, environmental liabilities, and contingencies and litigation. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates. The impact and any associated risks related to estimates, assumptions and accounting policies are discussed in Management's Discussion and Analysis, as well as in the Notes to the Consolidated Financial Statements, if applicable, where such estimates, assumptions and accounting policies affect the Company's reported and expected financial results.

The Company believes the following accounting policies are critical to its business operations and the understanding of results of operations and affect the more significant judgments and estimates used in the preparation of its Consolidated Financial Statements:

Allowance for Doubtful Accounts – The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. Additional allowances may be required if the financial condition of the Company's customers deteriorates.

Revenue Recognition – In accordance with US GAAP, the Company records revenue when title and risk of ownership pass to the customer. Certain judgments,

such as provisions for estimates of sales returns and allowances, may affect the application of the Company's revenue policy and, therefore, the results of operations in its Consolidated Financial Statements.

Impairment of Long-lived and Intangible Assets – The Company periodically reviews long-lived and intangible assets used in operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived and intangible assets and possible impairment expense in the Company's Consolidated Financial Statements.

Impairment of Goodwill – The Company reviews goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assumptions and estimates used in the determination of impairment losses may effect the carrying value and possible impairment expense in the Company's Consolidated Financial Statements.

Income Taxes – The Company records an income tax valuation allowance when the realization of certain deferred tax assets, net operating losses and capital loss carryforwards is not likely. These deferred tax assets represent expenses recognized for financial reporting purposes, which will result in tax deductions over varying future periods. Certain judgments, assumptions and estimates may affect the carrying value of the valuation allowance and deferred income tax expense in the Company's Consolidated Financial Statements. Additionally, the Company periodically reviews assumptions and estimates of the Company's probable tax obligations using historical experience in tax jurisdictions and informed judgments.

Stock Compensation Plans – The Company records compensation expense associated with performance-based stock compensation plans using vesting assumptions that are derived from performance measures as defined in the plans. In 2002, performance measures consisted of Earnings per Share and Return on Net Assets Employed. Certain judgments, assumptions and estimates in connection with the achievement of these performance measures may affect the carrying value of accrued compensation expense and performance-based stock compensation expense in the Company's Consolidated Financial Statements.

Pension and Postretirement Benefit Plans – The Company has significant pension and postretirement benefit costs and credits that are developed from actuarial valuations. The actuarial valuations employ key assumptions that are particularly important when determining the Company's projected liabilities for pension and other postretirement benefits. Payments related to these benefits will be made over a long period of time and the projected liability will be affected by assumptions regarding inflation, investment returns, market interest rates, changes in the number of plan participants and changes in the benefit obligations and laws and regulations pertaining to benefit obligations. The Company annually reevaluates assumptions used in projecting the pension and postretirement liabilities and associated expense. These judgments, assumptions and estimates may affect the carrying value of pension and postretirement plan assets and liabilities and pension and postretirement plan expenses in the Company's Consolidated Financial Statements.

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, 'Accounting for Asset Retirement Obligations' (FAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS 143 is required to be adopted for fiscal years beginning after June 15, 2002. The Company does not expect the adoption of FAS 143 to have a material effect on its financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, 'Accounting for Costs Associated with Exit or Disposal Activities' (FAS 146), which nullifies Emerging Issues Task Force Issue No. 94-3 (Issue 94-3), 'Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).' FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined was recognized at the date of an entity's commitment to an exit plan. The provisions of FAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company has not yet applied the provisions of FAS 146, but does not expect the adoption of FAS 146 to have a material effect on its financial statements except for the timing of the recognition of costs associated with future exit or disposal activities.

As of June 30, 2002, the Company adopted Statement of Financial Accounting Standards No. 145, 'Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections' (FAS 145). This statement rescinds Statement of Financial Accounting Standards No. 4, 'Reporting Gains and Losses from Extinguishment of Debt,' No. 64, 'Extinguishments of Debt Made to Satisfy Sinking-fund Requirements,' and No. 44, 'Accounting for Intangible Assets of Motor Carriers.' FAS 145 also amends Statement of Financial Accounting Standards No. 13, 'Accounting for Leases' to eliminate an inconsistency between required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. FAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of FAS 145 did not have a material effect on the Company's financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, 'Accounting for

Stock-based Compensation—Transition and Disclosure' (FAS 148), which amends Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-based Compensation' (FAS 123), to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FAS 148 amends the disclosure requirements of FAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of FAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. The Company has implemented the disclosure provisions of FAS 148 beginning with the December 31, 2002, Consolidated Financial Statements. The Company currently uses the intrinsic value method as prescribed in Accounting Principles Board (APB) Opinion 25, 'Accounting for Stock Issued to Employees,' and its related interpretations and the Company does not anticipate implementing a change to the fair value-based method of accounting for stock-based compensation in the foreseeable future.

In November 2002, the FASB approved FASB Interpretation No. 45 (FIN 45), 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others.' FIN 45 elaborates on the existing disclosure requirements for most guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has adopted the disclosure provisions of this interpretation as of December 31, 2002. The Company does not expect the initial recognition and measurement provisions for guarantees issued or modified after December 31, 2002, to have a material impact on the Consolidated Financial Statements.

Results of Operations 2001 versus 2000

Consolidated net sales for 2001 were $2.61 billion, versus $2.71 billion in 2000, a decrease of $105 million.

The components of the sales change were:

($ in millions)	
Decrease in volume	$(118)
Acquisitions completed in 2001's third and fourth quarters	64
New contract service revenue	44
Foreign currency translation	(41)
Selling price/other	(30)
Dispositions	(24)
Total sales decrease	$(105)

Sales for 2001 were adversely affected by lower volume, principally in many of the industrial businesses and the composite can operations. Acquisitions, coupled with the new business in the Company's packaging services operations, offset most of the volume shortfall in the base businesses. Selling prices were below the year 2000, primarily due to lower pricing on external sales of recovered paper. In addition, pricing in some of the industrial businesses was reduced in the second half of 2001, as the global economy continued to weaken. Exchange rates resulting from a strong U.S. dollar during 2001 also lowered sales. The earnings impact from exchange movement was not significant. Domestic sales were $1.88 billion, down 5% over 2000, and international sales were $728.7 million, flat with 2000.

Operating Profits

Operating profits for 2001 of $175.8 million were $94.8 million, or 35% below 2000 operating profits of $270.6 million. Excluding special charges, the effect of not amortizing goodwill and other one-time items described on page 27 of the Management's Discussion and Analysis, operating profits would have declined approximately 16% in 2001.

($ in millions)	**2001**	**2000**	**% Change**
Industrial Packaging	**$ 168.2**	$ 220.2	(23.6)%
Consumer Packaging	**121.4**	122.6	(1.0)%
	289.6	342.8	(15.5)%
Special charges and one-time items	**(53.3)**	(5.5)	(100+)%
Goodwill amortization	**(12.1)**	(10.9)	(11.0)%
Interest expense, net	**(48.4)**	(55.8)	13.2)%
Consolidated operating profit	**$ 175.8**	$ 270.6	(35.0)%

The decline in operating profits was primarily due to lower volume, principally in the industrial businesses and composite can operations. The relationship of selling prices to material cost was favorable when compared with 2000, primarily due to lower recovered paper cost used in many of the Company's products. This favorable benefit was offset by higher year-over-year pension and energy costs totaling approximately $30 million. Gross profit as a percentage of net sales was 20.9% in 2001, compared with 22.3% in 2000.

Selling, general and administrative expenses of $266.9 million were down $5.2 million from 2000. Despite lower sales in 2001, selling, general and administrative expenses as a percentage of sales remained flat with 2000, at approximately 10%. This was due to a major focus on reducing fixed cost spending levels. This focus was heightened with the Company's restructuring actions in 2000 and during 2001 as sales volumes continued to soften.

During 2001, the Company experienced higher pension and postretirement benefit expense of approximately $23 million, primarily related to the impact of stock market performance on investment earnings of assets in pension and postretirement plans. Investment earnings on benefit plan assets declined approximately 6% in 2000 and another 7% in 2001.

Research and development costs charged to expense were $12.9 million and $12.4 million in 2001 and 2000, respectively. Significant projects in our Industrial Packaging segment included efforts designed to enhance performance characteristics of our engineered carriers in the textile, film and paper packaging areas, as well as projects aimed at productivity enhancements. Our Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging.

Interest expense was lower due to a decrease in commercial paper rates and slightly lower average debt balances.

The effective tax rate for 2001 was 47.2%, compared with 41.4% in 2000. Excluding the impact of one-time additional COLI charges and certain non-deductible restructuring charges, the effective tax rate for 2001 would have been 37.5%. This compares with 37.7% in 2000, excluding the additional tax provision on COLI and certain one-time transactions.

Net income for 2001 was $91.6 million, versus $166.3 million in 2000. Comparative (excluding the effect of not amortizing goodwill in both years, restructuring charges and one-time adjustments) net income would have been $157.7 million in 2001, compared with $188.3 million in 2000. Earnings per diluted share in 2001 were $.96 per share, compared with $1.66 in 2000. Comparative earnings per diluted share were $1.65 in 2001 and $1.88 in 2000.

The following table is a reconciliation of net income as reported to comparative net income:

($in millions)	2001	2000
Net income as reported	**$ 91.6**	$166.3
Add (subtract) one-time adjustments:		
Gain on sale of divested businesses (2000) and net legal settlements (2001)	**(7.2)**	(5.2)
Executive severance agreements		5.5
COLI	**7.0**	
Goodwill amortization	**12.1**	10.9
Total one-time adjustments	**11.9**	11.2
Restructuring charges	**53.6**	5.2
Total pretax adjustments	**65.5**	16.4
Tax impact of adjustments above	**(17.3)**	(6.4)
Additional COLI tax expense	**11.3**	12.0
Affiliate restructuring, net of tax	**6.6**	
Comparative net income	**$157.7**	$188.3

Industrial Packaging Segment – Results for this segment are presented below:

($in millions)	2001	2000	% Change
Trade sales	**$1,310.0**	$1,450.8	(9.7)%
Operating profit	**168.2**	220.2	(23.6)%
Capital spending	**57.5**	67.4	(14.7)%

Trade sales in the Industrial Packaging segment decreased $140.8 million, or 9.7%, to $1.31 billion in 2001. Domestic sales were down $110.5 million, or 11.7%, and international sales were down $30.3 million, or 6%. Operating profits decreased 23.6% to $168.2 million in 2001. Sales and operating profits increased $32.8 million and $4.5 million, respectively, as a result of acquisitions made in 2001.

The lower sales and profits in this segment resulted primarily from decreased volume in most of the industrial businesses. This volume decrease was a result of the adverse impact of continuing general weakness in the industrial sector of the United States economy. These conditions began affecting the industrial sector of Sonoco in the second quarter of 2000 and intensified significantly until the spring of 2001. However, these sequential declines in volume stabilized shortly thereafter and remained fairly flat until December 2001, when volumes across most businesses weakened further as customers took downtime and sold from inventories. Lower selling prices on external sales of recovered paper reduced sales by $39 million in 2001, compared with 2000. However, operating profits benefited from a favorable relationship of selling prices to material costs for most of 2001. Average recovered paper costs, a primary raw material, began to drop from a high in the second quarter of 2000, falling more than 50% by the end of the third quarter of 2000. Recovered paper costs essentially stabilized in the fourth quarter of 2000, at approximately $65/ton on a delivered basis, and remained at that level throughout 2001. OCC, a primary grade of recovered paper, was trading at approximately $40 per ton in the United States in December 2001. As a result, the Company experienced lower year-over-year material costs for much of 2001. This favorable benefit began to lessen in the third quarter of 2001 as the year-over-year costs equalized, and there was virtually no favorable impact during the fourth quarter of 2001. Softening prices, higher benefit costs and energy costs more than offset the full-year favorable impact of lower material costs in this segment.

Capital spending was $57.5 million in 2001, compared with $67.4 million in 2000. Depreciation, depletion and amortization expense was $94 million in 2001, compared with $92.8 million in 2000. Significant capital spending included the rebuilding of several paper mills, particularly in the United States, Canada, Brazil, Mexico and Europe.

Restructuring Activities – Industrial Packaging Segment. During 2001, the segment recorded total restructuring charges of $23.6 million. These restructuring charges were mainly attributed to a reduction in force and eight plant closings. Asset impairment charges related to the restructuring included write-offs/downs of impaired facilities and equipment of $5.5 million and write-offs/downs related to facilities and equipment held for disposal of $1.2 million. As of December 31, 2001, all remaining assets impacted by restructuring were not held for sale and were anticipated to be abandoned or scrapped.

Consumer Packaging Segment – Results for this segment are presented below:

($in millions)	2001	2000	% Change
Trade sales	**$1,296.3**	$1,260.7	2.8)%
Operating profit	**121.4**	122.6	(1.0)%
Capital spending	**44.5**	49.7	(10.6)%

Trade sales in the Consumer Packaging segment increased $35.6 million to $1.30 billion in 2001 from $1.26 billion in 2000. Domestic sales were $1.05 billion, up 1.8%, and inter-national sales were $250 million, up 7.23% from 2000. Operating profit of $121.4 million in 2001 was slightly below 2000.

Sales and operating profits increased $31.1 million and $14 million, respectively, as a result of acquisitions made in 2001. Higher packaging services revenue, including revenue from new contracts with The Gillette Company and the Hewlett-Packard Company, coupled with higher selling prices, were partially offset by lower volume, principally in composite cans. Operating profit benefited from the higher selling prices during 2001, primarily in the composite can and the flexible packaging operations. Material costs were below 2000 as a result of lower resin cost in the high density film products operation. This segment also experienced higher benefit costs that were offset by higher productivity and lower fixed costs from restructuring actions taken during the year.

Capital spending in the consumer segment was $44.5 million in 2001, compared with $49.7 million in 2000. Depreciation, depletion and amortization expense in this segment was $64.6 million in 2001, compared with $58 million in 2000. Significant spending included numerous productivity enhancement projects, particularly in the United States, Mexico and Canada, and consolidation projects in the United States. Additionally during 2001, the flexible packaging business invested in a state-of-the-art flexographic press to support continued growth in the confectionery market.

Restructuring Activities – Consumer Packaging Segment. During 2001, the segment recorded total restructuring charges of $26.4 million. These restructuring charges were mainly attributed to a reduction in force and asset impairment charges associated with the closing of five facilities. Asset impairment charges related to the restructuring included write-offs/downs of impaired facilities and equipment of $10.2 million.

Restructuring Activities – Corporate. During 2001, the Company recorded restructuring charges at Corporate of $3.6 million comprised primarily of severance and termination charges.

Forward-looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report, 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," "plan," "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 that are 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 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 our paperboard-based engineered carriers 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; loss of consumer confidence; and economic disruptions resulting from terrorist activities.

Consolidated Balance Sheets

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands) At December 31	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	**$ 31,405**	$ 36,130
Trade accounts receivable, net of allowances of $8,335 in 2002 and $7,294 in 2001	**314,429**	289,323
Other receivables	**32,724**	30,828
Inventories		
Finished and in process	**118,512**	116,879
Materials and supplies	**126,042**	144,842
Prepaid expenses	**23,726**	32,088
Deferred income taxes	**16,429**	15,079
	663,267	665,169
Property, Plant and Equipment, Net	**975,368**	1,008,944
Goodwill	**359,418**	348,846
Other Assets	**392,041**	329,238
Total Assets	**$2,390,094**	$2,352,197
Liabilities and Shareholders' Equity		
Current Liabilities		
Payable to suppliers	**$ 248,640**	$ 211,452
Accrued expenses and other	**186,232**	170,053
Accrued wages and other compensation	**25,016**	20,717
Notes payable and current portion of long-term debt	**134,500**	35,849
Taxes on income	**5,639**	22,199
	600,027	460,270
Long-term Debt	**699,346**	885,961
Postretirement Benefits Other Than Pensions	**33,400**	32,231
Deferred Income Taxes and Other	**189,896**	169,613
Commitments and Contingencies		
Shareholders' Equity		
Serial preferred stock, no par value Authorized 30,000 shares 0 shares issued and outstanding as of December 31, 2002 and 2001		
Common shares, no par value Authorized 300,000 shares 96,640 and 95,713 shares outstanding of which 96,380 and 95,453 are issued as of December 31, 2002 and 2001, respectively	**7,175**	7,175
Capital in excess of stated value	**324,295**	302,345
Accumulated other comprehensive loss	**(212,164)**	(197,969)
Retained earnings	**748,119**	692,571
Total Shareholders' Equity	**867,425**	804,122
Total Liabilities and Shareholders' Equity	**$2,390,094**	$2,352,197

The Notes beginning on page 43 are an integral part of these financial statements.

Consolidated Statements of Income

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands except per share data) Years ended December 31	2002	2001	2000
Net sales	**$2,812,150**	$2,606,276	$2,711,493
Cost of sales	**2,259,790**	2,061,846	2,107,395
Selling, general and administrative expenses	**288,673**	266,908	272,150
Other expense, net	**12,647**	53,324	5,543
Income before interest and taxes	**251,040**	224,198	326,405
Interest expense	**54,196**	52,217	59,604
Interest income	**(1,649)**	(3,800)	(3,794)
Income before income taxes	**198,493**	175,781	270,595
Provision for income taxes	**70,614**	82,958	111,999
Income before equity in earnings of affiliates/minority interest in subsidiaries	**127,879**	92,823	158,596
Equity in earnings (loss) of affiliates/minority interest in subsidiaries	**7,437**	(1,214)	7,702
Net income	**$ 135,316**	$ 91,609	$ 166,298
Average common shares outstanding:			
Basic	**96,373**	95,370	99,725
Assuming exercise of options	**805**	437	175
Diluted	**97,178**	95,807	99,900
Per common share			
Net income			
Basic	**$ 1.40**	$ .96	$ 1.67
Diluted	**$ 1.39**	$ .96	$ 1.66
Cash dividends – common	**$ .83**	$ .80	$ .79

The Notes beginning on page 43 are an integral part of these financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands)	Comprehensive Income (Loss)	Common Shares Outstanding	Common Shares Amount	Capital in Excess of Stated Value	Accumulated Other Comprehensive Loss	Retained Earnings
January 1, 2000		101,448	$7,175	$ 427,591	$ (123,008)	$589,462
Net income	$ 166,298					166,298
Other comprehensive loss:						
Translation loss	(49,933)					
Minimum pension liability adjustment, net of tax	538					
Other comprehensive loss	(49,395)				(49,395)	
Comprehensive income	$ 116,903					
Cash dividends						(78,718)
Exercise of stock options		366		4,932		
Shares repurchased		(7,133)		(138,012)		
Other		325		(4,854)		
December 31, 2000		95,006	7,175	289,657	(172,403)	677,042
Net income	$ 91,609					91,609
Other comprehensive loss:						
Translation loss	(8,827)					
Minimum pension liability adjustment, net of tax	(15,914)					
Other	(825)					
Other comprehensive loss	(25,566)				(25,566)	
Comprehensive income	$ 66,043					
Cash dividends						(76,080)
Exercise of stock options		800		14,043		
Shares repurchased		(93)		(2,055)		
Other				700		
December 31, 2001		95,713	7,175	302,345	(197,969)	692,571
Net income	$ 135,316					135,316
Other comprehensive loss:						
Translation gain	15,833					
Minimum pension liability adjustment, net of tax	(30,921)					
Other	893					
Other comprehensive loss	(14,195)				(14,195)	
Comprehensive income	$ 121,121					
Cash dividends						(79,768)
Exercise of stock options		927		21,618		
Other				332		
December 31, 2002		96,640	$7,175	$ 324,295	$ (212,164)	$ 748,119

The Notes beginning on page 43 are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Sonoco Products Company and Subsidiaries

(Dollars in thousands) Years ended December 31	2002	2001	2000
Cash Flows from Operating Activities			
Net income	**$ 135,316**	$ 91,609	$ 166,298
Adjustments to reconcile net income to net cash provided by operating activities			
Restructuring reserve (noncash)	**360**	16,919	3,967
Depreciation, depletion and amortization	**159,256**	158,574	150,816
Equity in (earnings) loss of affiliates/minority interest in subsidiaries	**(7,437)**	1,214	(7,702)
Cash dividends from affiliated companies	**3,626**	7,925	5,017
Loss on disposition of assets	**100**	7,116	4,989
Gain on assets held for sale			(5,277)
Deferred taxes	**27,956**	22,005	20,182
Changes in assets and liabilities, net of effects from acquisitions, dispositions, assets held for sale and foreign currency adjustments			
Receivables	**(22,214)**	57,255	3,960
Inventories	**19,307**	23,438	(24,413)
Prepaid expenses	**8,281**	(2,870)	28,621
Payables and taxes	**49,788**	(20,301)	70,058
Other assets and liabilities	**(102,894)**	1,457	(54,066)
Net cash provided by operating activities	**271,445**	364,341	362,450
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	**(123,959)**	(101,983)	(117,151)
Cost of acquisitions, exclusive of cash	**(8,500)**	(273,187)	(5,670)
Proceeds from the sale of assets	**8,036**	6,902	21,466
Investments in affiliates		(3,600)	
Net cash used by investing activities	**(124,423)**	(371,868)	(101,355)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	**11,620**	259,224	17,055
Principal repayment of debt	**(9,991)**	(24,476)	(128,182)
Net (decrease) increase in commercial paper borrowings	**(92,500)**	(174,000)	74,700
Net (decrease) increase in bank overdrafts	**(2,924)**	11,560	(12,692)
Cash dividends – common	**(79,768)**	(76,080)	(78,718)
Common shares acquired		(2,055)	(138,012)
Common shares issued	**21,618**	14,043	4,932
Net cash (used) provided by financing activities	**(151,945)**	8,216	(260,917)
Effects of Exchange Rate Changes on Cash	**198**	222	(1,474)
(Decrease) Increase in Cash and Cash Equivalents	**(4,725)**	911	(1,296)
Cash and cash equivalents at beginning of year	**36,130**	35,219	36,515
Cash and cash equivalents at end of year	$ **31,405**	$ 36,130	$ 35,219
Supplemental Cash Flow Disclosures			
Interest paid	$ **44,823**	$ 50,551	$ 59,029
Income taxes paid, net of refunds	$ **44,682**	$ 49,035	$ 83,464

The Notes beginning on page 43 are an integral part of these financial statements.

The following notes are an integral part of the Consolidated Financial Statements. The accounting principles followed by the Company appear in bold type.

1. Basis of Presentation

The Consolidated Financial Statements include the accounts of Sonoco and its majority-owned subsidiaries (the Company or Sonoco) after elimination of intercompany accounts and transactions. Investments in affiliated companies in which the Company owns 20% to 50% and is able to exercise significant influence, but not control, are accounted for by the equity method of accounting (equity investments). Income applicable to equity investments is reflected as "Equity in earnings (loss) of affiliates/minority interest in subsidiaries" in the Consolidated Statements of Income.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company records revenue when title and risk of ownership pass to the customer. The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. Shipping costs are deducted from net sales in the Consolidated Statements of Income. Shipping costs amounted to $89,239 in 2002, $87,024 in 2001, and $82,671 in 2000. Handling costs are included in cost of sales.

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

2. Acquisitions/Dispositions/Joint Ventures

The Company completed three acquisitions during 2002 with an aggregate cost of approximately $8,500 in cash. In connection with these acquisitions, the Company recorded fair value of identified intangibles of $6,025, goodwill of $1,725, and other net tangible assets of $750. Acquisitions included certain assets from Republic Paperboard Company, LLC and the related Republic Resource Control, LLC; Texas Reel Company's plywood reel operations in Sherman, Texas; and Coonrod Reel Company's nailed wooden reel operation in Bonham, Texas. All of these acquisitions were in the Company's Industrial Packaging segment.

Pro forma information is not provided for 2002 acquisitions as the impact of these acquisitions is immaterial to the results of the Company.

The Company completed 10 acquisitions during 2001 with an aggregate cost of approximately $273,000 in cash. In connection with these acquisitions, the Company recorded approximate fair value of identified intangibles of $27,000, goodwill of $138,000 and other net tangible assets of $108,000. Acquisitions in the Company's Industrial Packaging segment included a lightweight paperboard company with operations in DePere, Wis., and Menasha, Wis.; a plywood reel operation in Helenwood, Tenn.; a paper-based textile tube converting facility in Kaiping, China; a paper-based core and tube operation in the United Kingdom; a paper-based core and tube facility in Sint-Denijs, Belgium; an engineered carriers operation in Cartersville, Ga.; and a paper mill in Hutchinson, Kan. Acquisitions in the Company's Consumer Packaging segment included assets of a packaging services operation in Hemel Hempstead, England, and a steel easy-open closure operation headquartered in North Canton, Ohio. The Company also acquired a manufacturer of paper-based tubes, cores and composite cans headquartered in Neenah, Wis. Approximately 80% of this operation is included in the Industrial Packaging segment and 20% in the Consumer Packaging segment.

During 2001, the Company formed a joint venture with Dyecor Limited, a privately held company in the United Kingdom. The Company's contribution to the joint venture was not material.

The Company completed two acquisitions during 2000 with an aggregate cost of approximately $5,700 in cash. Acquisitions included an Australian composite can business and a small graphics business in the United Kingdom. Both of these acquisitions were in the Company's Consumer Packaging segment. In December 2000, the Company completed the sale of its Capseals unit, makers of container seals, in the United Kingdom. Sales of divested businesses in 2000 resulted in the recognition of a net after-tax gain of $5,277.

The Company has accounted for all of its acquisitions as purchases and, accordingly, has included their results of operations in consolidated net income from the date of acquisition.

Notes to Consolidated Financial Statements (Dollars in thousands except per share data)

3. Restructuring Programs

The Company records restructuring charges in accordance with the provisions of SEC Staff Accounting Bulletin No. 100 "Restructuring and Impairment Charges" and Emerging Issues Task Force No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity."

During 2002, the Company recognized restructuring charges, net of adjustments, of $12,647 ($8,095 after tax), primarily related to four U.S. plant closings in the Consumer Packaging segment, one U.S. plant closing in the Industrial Packaging segment and severance costs associated with plant consolidations in Europe. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $10,532, asset impairment charges of $360 and other exit costs of $1,755, consisting of building lease termination charges and other miscellaneous costs. During 2001, the Company recognized restructuring charges, net of adjustments, of $53,551 ($36,616 after tax) as a result of restructuring actions announced during the year. The 2001 restructuring charges consisted of severance and termination benefits of $27,265, asset impairment charges of $16,919 and other exit costs of $9,367 (consisting of building lease termination charges of $7,715 and other miscellaneous charges of $1,652). The 2002 and 2001 restructuring plans include a global reduction of 506 salaried positions (255 in the U.S.) and 844 hourly positions (647 in the U.S.), including the closure of 17 plant locations. As of December 31, 2002, 14 plant locations had been closed, and approximately 1,123 employees had been terminated (423 salaried and 700 hourly). During 2000, restructuring charges of $5,226 ($3,240 after tax) were recorded associated with termination benefits of $1,259 and asset impairment charges of $3,967 related to the closure of four plant locations.

Affiliates of the Company accounted for under the equity method of accounting recorded restructuring charges of $9,986 ($6,591 after tax) during 2001. These charges included the closing of two plant locations and other miscellaneous restructuring activities and are included in "Equity in earnings (loss) of affiliates/minority interest in subsidiaries" in the Consolidated Statements of Income.

The following table sets forth the activity in the restructuring accrual included in "Accrued expenses and other" on the Consolidated Balance Sheets. Restructuring charges are included in "Other expense, net" in the Consolidated Statements of Income.

	Severance and Termination Benefits	Asset Impairment	Other Exit Costs	Total
Liability, December 31, 2000	$ 1,100			$ 1,100
2001 Charges	30,614	$ 17,889	$13,682	62,185
Cash payments	(14,431)		(3,143)	(17,574)
Asset impairment (noncash)		(16,919)		(16,919)
Reclassifications to pension liability	(5,180)			(5,180)
Adjustments	(3,349)	(970)	(4,315)	(8,634)
Liability, December 31, 2001	8,754		6,224	14,978
2002 Charges	11,032	383	1,885	13,300
Cash payments	(6,848)		(2,765)	(9,613)
Asset impairment (noncash)		(360)		(360)
Reclassifications to pension liability	(3,276)			(3,276)
Adjustments	(500)	(23)	(130)	(653)
Liability, December 31, 2002	$ 9,162	$	$ 5,214	$ 14,376

The Company expects to pay the remaining restructuring costs, with the exception of on-going pension subsidies and certain building lease termination expenses, by the end of 2003 using cash generated from operations. The Company anticipates that it will take additional restructuring actions and record additional restructuring charges during 2003.

During 2002, the Company recognized write-offs of impaired equipment in the Industrial Packaging segment of $299 attributed to the closing of a plant location. Additionally, the Company recognized net-write-offs of impaired equipment in the Consumer Packaging segment of $61 related to adjustments to previously recorded impaired equipment charges.

Asset impairment charges included in the 2001 restructuring charges resulted from the write-off/down of assets associated with 13 plant location closings and nine other plant locations impacted by the restructuring. Impaired assets were written down to the lower of carrying amount or fair value, less estimated costs to sell, if applicable, and are summarized by segment as follows:

	Consumer Segment	Industrial Segment	Total

Write-off/down:			
Impaired facilities	$ 2,588	$ 429	$ 3,017
Impaired equipment	7,639	5,049	12,688
Facilities held for disposal		285	285
Equipment held for disposal		929	929
Total	$10,227	$6,692	$16,919

The effect of suspending depreciation on assets held for disposition was not material to the Consolidated Statement of Income for the years ended December 31, 2002 and 2001.

4. Cash and Cash Equivalents

Cash equivalents are composed of highly liquid investments with an original maturity of three months or less and are recorded at market. At December 31, 2002 and 2001, outstanding checks of $30,033 and $32,897 respectively, were included in “Payable to suppliers” on the Consolidated Balance Sheets. In addition, outstanding payroll checks of $890 and $950 in 2002 and 2001, respectively, were included in “Accrued wages and other compensation” on the Consolidated Balance Sheets.

5. Inventories

Inventories are stated at the lower of cost or market.

The last-in, first-out (LIFO) method was used to determine costs of approximately 26% and 20% of total inventories at December 31, 2002 and 2001, respectively. The remaining inventories are determined on the first-in, first-out (FIFO) method.

If the FIFO method of accounting had been used for all inventories, total inventory would have been higher by $10,284 in 2002 and $10,352 in 2001.

6. Property, Plant and Equipment

Plant assets represent the original cost of land, buildings and equipment less depreciation computed under the straight-line method over the estimated useful life of the asset and are reviewed for impairment whenever events indicate the carrying value may not be recoverable.

Equipment lives range from 3 to 11 years, buildings from 15 to 40 years.

Timber resources are stated at cost. Depletion is charged to operations based on the number of units of timber cut during the year.

Depreciation and depletion expense amounted to $155,543 in 2002, $146,020 in 2001 and $138,648 in 2000. Details at December 31 are as follows:

	2002	2001
Land	**$ 44,285**	$ 44,190
Timber resources	**35,672**	35,183
Buildings	**335,450**	324,996
Machinery and equipment	**1,833,141**	1,753,916
Construction in progress	**62,722**	72,460
	2,311,270	2,230,745
Accumulated depreciation and depletion	**(1,335,902)**	(1,221,801)
Property, plant and equipment, net	**$ 975,368**	$ 1,008,944

Estimated costs for completion of authorized capital additions under construction totaled approximately $49,674 at December 31, 2002.

Certain properties and equipment are leased under noncancelable operating leases. Future minimum rentals under noncancelable operating leases with terms of more than one year are as follows: 2003 – $22,300, 2004 – $17,500, 2005 – $13,400, 2006 – $10,400, 2007 – $8,900, and 2008 and thereafter – $19,000. Total rental expense under operating leases was approximately $33,600 in 2002, $38,990 in 2001 and $37,600 in 2000.

Research and development costs charged to expense were $13,800 in 2002, $12,900 in 2001 and $12,400 in 2000.

7. Goodwill and Intangible Assets

Goodwill

During the first quarter of 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ‘Goodwill and Other Intangible Assets’ (FAS 142). **Under FAS 142, purchased goodwill and intangible assets with indefinite lives are not amortized but instead tested for impairment at least annually.** In connection with the adoption of FAS 142, the Company reclassified goodwill to intangible assets of $10,867 as of December 31, 2001. The Company completed its transitional goodwill impairment testing required by FAS 142 during the second quarter of 2002 and its annual goodwill impairment testing required by FAS 142 during the third quarter. Based on this impairment testing, no adjustment to the recorded goodwill balance was necessary.

The following table sets forth the reconciliation of net income and earnings per share information for the years ended December 31, 2002, 2001 and 2000, adjusted for the non-amortization provisions of FAS 142:

	2002	2001	2000
Reported net income	**$135,316**	$ 91,609	$166,298
Add: Goodwill amortization, after tax		9,094	8,606
Adjusted net income	**$135,316**	$100,703	$174,904

	2002	2001	2000
Reported basic earnings per share	**$ 1.40**	$ .96	$1.67
Adjusted basic earnings per share	**1.40**	1.06	1.75
Reported diluted earnings per share	**1.39**	.96	1.66
Adjusted diluted earnings per share	**1.39**	1.05	1.75

The changes in the carrying amount of goodwill for the year ended December 31, 2002, are as follows:

	Consumer Segment	Industrial Segment	Total
Balance as of January 1, 2002	$ 148,151	$200,695	$348,846
Goodwill purchase price adjustments	(212)	4,988	4,776
Goodwill on 2002 acquisitions		1,725	1,725
Goodwill written off related to plant closures		(478)	(478)
Foreign currency translation	154	4,395	4,549
Balance as of December 31, 2002	$148,093	$211,325	$ 359,418

Notes to Consolidated Financial Statements (Dollars in thousands except per share data)

Intangible Assets

	2002	2001
Amortizable intangibles – Gross cost		
Patents	$ 3,268	$ 3,268
Customer lists	37,025	31,000
Land use rights	5,873	5,873
Supply agreements	4,261	4,261
Other	3,185	3,168
Total gross cost	53,612	47,570
Accumulated amortization		
Patents	(2,285)	(2,024)
Customer lists	(2,354)	(450)
Land use rights	(1,782)	(1,674)
Supply agreements	(2,609)	(1,787)
Other	(1,744)	(1,126)
Total accumulated amortization	$(10,774)	$ (7,061)
Net amortizable intangibles	$ 42,838	$ 40,509

The approximate amortization expense for the next five years is $4,271 in 2003, $3,924 in 2004, $3,116 in 2005, $2,826 in 2006, and $2,522 in 2007.

As discussed in Note 2, the Company recorded $6,025 of identifiable intangible assets related to the fair value of customer lists, in connection with a 2002 acquisition. These customer lists will be amortized over a period of 15 years and will have no residual value at the end of the amortization period.

The Company has no identified intangibles with indefinite lives. Intangible assets are included in “Other Assets” on the Company’s Consolidated Balance Sheets.

8. Debt

Debt at December 31 was as follows:

	2002	2001
Commercial paper, average rate of 1.76% in 2002 and 4.07% in 2001	$ 65,500	$ 158,000
6.5% debentures due November 2013	248,745	248,570
7.0% debentures due November 2004	149,977	149,965
6.75% debentures due November 2010	99,863	99,847
5.875% debentures due November 2003	99,945	99,874
9.2% debentures due August 2021	41,305	41,305
6.125% IRBs due June 2025	34,603	34,580
6.0% IRBs due April 2026	34,265	34,233
Foreign denominated debt, average rate of 8.9% in 2002 and 11.5% in 2001	40,363	34,599
Other notes	19,280	20,837
Total debt	833,846	921,810
Less current portion and short-term notes	134,500	35,849
Long-term debt	$699,346	$885,961

The Company has authorized a commercial paper program totaling $450,000 and has fully committed bank lines of credit supporting the program by a like amount. These bank lines expire in the year 2003 but may be extended by the Company into 2004 under a term-out option. Accordingly, commercial paper borrowings are classified as long-term debt. It is management’s intent to indefinitely maintain line of credit agreements supporting the commercial paper program. Additionally, the Company has $100 million of 5.875% bonds maturing in 2003. The bonds are expected to be refinanced through the commercial paper program which carries floating interest rates rather than fixed interest rates.

Certain of the Company's debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenant currently requires that net worth at the end of each fiscal quarter be greater than $698,700 increased by 25% of net income after March 31, 2002, and decreased by stock purchases after July 10, 2002. Based on this calculation, the Company was $143 million above the minimum level of $724 million required under this covenant. On November 1, 2002, the Company amended its U.S. commercial paper backup credit agreement to exclude from the above net worth covenant any charge to shareholders' equity arising from minimum pension liability adjustments for its U.S. defined benefit pension plan. At December 31, 2002, no such charge existed.

In addition to the committed availability under the commercial paper program, unused short-term lines of credit for general Company purposes at December 31, 2002, were approximately $101,990, with interest at mutually agreed-upon rates.

The approximate principal requirements of debt maturing in the next five years are: 2003 – $134,500, 2004 – $153,515, 2005 – $2,293, 2006 – $1,655, and 2007 – $1,449.

9. Investment in Life Insurance

Prior to 2002, corporate-owned life insurance (COLI) policies were used by the Company to aid in the financing of employee benefits and were recorded net of policy loans in "Other Assets" on the Consolidated Balance Sheets. The net pretax cost of COLI, including interest expense and excluding 2001 policy surrender charges of $7,026, was $1,397 in 2001 and $1,615 in 2000 and is included in "Selling, general and administrative expenses" in the Company's Consolidated Statements of Income.

The related COLI interest expense was $3,043 in 2001 and $10,058 in 2000. Legislation was enacted in 1996 that began phasing out the tax deductibility of this interest. Accordingly, no deduction was taken in 2001 or 2000 for interest on policy loans. In April 2001, the Company surrendered its COLI policies as a result of a settlement with the IRS over deductibility of COLI loan interest. The surrender of these policies resulted in additional income taxes of $11,295 and other costs of $7,026 in 2001. Other costs are included in "Other expense, net" in the Company's 2001 Consolidated Statements of Income.

10. Financial Instruments

The following table sets forth the carrying amounts and fair values of the Company's significant financial instruments where the carrying amount differs from the fair value.

	December 31, 2002		December 31, 2001	
	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Long-term debt	$699,346	$772,071	$885,961	$882,554

The fair value of short-term debt and long-term variable-rate debt is based on quoted market prices or by discounted future cash flows using interest rates available to the Company for issues with similar terms and average maturities.

The Company adopted Financial Accounting Standard No. 133, 'Accounting for Derivative Instruments and Hedging Activities' (FAS 133), and related amendments at the beginning of 2001. This Statement requires that all derivatives be recognized as assets or liabilities in the balance sheet and measured at fair value. Changes in the fair value of derivatives are recognized in either Net Income or in Other Comprehensive Income, depending on the designated purpose of the derivative. The cumulative effect of adopting this Statement at the beginning of 2001 was not significant.

The Company uses derivatives from time to time to manage the cost of certain raw materials, to mitigate exposure to foreign currency fluctuation, and to manage its exposure to fixed and variable interest rates within acceptable limits. The Company purchases commodities such as recovered paper, resins, metal and energy generally at market or fixed prices that are established with the vendor as part of the purchase process for quantities expected to be consumed in the ordinary course of business. The Company may enter into commodity futures or swaps to reduce the effect of price fluctuation. In addition, the Company may use foreign currency forward contracts and other risk management instruments to manage exposure to changes in foreign currency cash flows and the translation of monetary assets and liabilities on the Company's financial statements. The Company uses published market prices or estimated values based on current price quotes and a discounted cash flow model to estimate the fair market value of the derivatives.

In 2002, the Company entered into cash flow hedges to mitigate exposure to commodity and foreign exchange risks in 2002 and 2003. The fair market value of these derivatives as of December 31, 2002, was $289 after tax and will be reclassified to income in the same periods the forecasted purchases or payments affect earnings. Based on the amount of derivative gain in other comprehensive income, $258 after tax will be reclassified into income in 2003. As a result of the high correlation between the hedge instruments and the underlying transactions, ineffectiveness did not have a material impact on the Company or on its Consolidated Statement of Income for the years ended December 31, 2002 and 2001.

11. Stock Plans

The Company has stock option plans under which common shares are reserved for sale to certain employees and nonemployee directors. Options granted under the plans were at the market value of the shares at the date of grant. Options are generally exercisable one year after the date of grant and expire 10 years after the date of grant. There were 4,333,535 shares reserved for future grants at December 31, 2002.

On December 31, 1998, the Company granted special one-time Centennial stock options of 100 shares to substantially all of its employees. These options are exercisable at the closing price of the shares on December 31, 1998, and expire after six years. A total of 945,100 options granted under the Centennial Share Program were outstanding at December 31, 2002.

A summary of the status of the Company's stock option plans is presented below:

	Option Shares	Weighted-Average Price
2000		
Outstanding at beginning of year	9,415,281	$ 25.01
Granted	1,559,324	$ 19.70
Exercised	(441,679)	$ 19.42
Canceled	(577,083)	$ 27.16
Outstanding at end of year	9,955,843	$ 24.31
Options exercisable at end of year	8,408,319	$ 25.15
2001		
Granted	1,748,603	$ 23.83
Exercised	(832,498)	$ 17.16
Canceled	(381,976)	$ 28.81

Outstanding at end of year	10,489,972	$ 24.63
Options exercisable at end of year	8,712,119	$ 24.87
2002		
Granted	1,511,474	$ 25.25
Exercised	(945,321)	$ 19.14
Canceled	(180,499)	$ 29.21
Outstanding at end of year	10,875,626	$ 25.12
Options exercisable at end of year	9,415,202	$ 25.10

The weighted-average fair value of options granted was $6.62, $6.43 and $5.45 in 2002, 2001 and 2000, respectively.

Notes to Consolidated Financial Statements (Dollars in thousands except per share data)

The following tables summarize information about stock options outstanding and stock options exercisable at December 31, 2002:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$17.25-$23.75	2,731,712	4.1 years	$ 19.89
$23.80-$25.00	3,358,611	5.8 years	$ 24.08
$25.13-$37.10	4,785,303	6.8 years	$28.83
$17.25-$37.10	10,875,626	5.8 years	$ 25.12

	Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Exercise Price
$17.25-$23.75	2,727,047	$ 19.88
$23.80-$25.00	3,342,177	$ 24.08
$25.13-$37.10	3,345,978	$ 30.40
$17.25-$37.10	9,415,202	$ 25.10

During the years ended December 31, 2002, 2001 and 2000, the Company granted awards in the form of contingent share units to certain of its executives. The vesting of the awards, which can range from 227,268 to 852,636 shares, is tied to growth in earnings and improved capital effectiveness over a three-year period. None of the stock units will vest if the minimum objectives are not achieved and as of December 31, 2002, no stock units under this plan were vested.

Since 1994, the Company has granted one-time awards of contingent shares to certain of the Company's executives. These awards vest over a five-year period with one-third vesting on the third, fourth and fifth anniversaries of the grant. An executive must be actively employed by the Company on the vesting date for shares to be issued. Once vested, these awards do not expire. As of December 31, 2002, a total of 399,205 contingent shares granted under this plan remain outstanding, 261,142 of which are vested.

For the years ended December 31, 2002, 2001 and 2000, the Company recognized compensation expense of $1,063, $1,137 and $558, respectively, related to grants of awards.

As permitted by Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-based Compensation' (FAS 123), the Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, 'Accounting for Stock Issued to Employees,' and its related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for performance stock options is recorded based on the quoted market price of the Company's stock at the end of the period.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation.

	2002	2001	2000
Net income, as reported	**$ 135,316**	$ 91,609	$166,298
Add: Stock-based employee compensation cost, net of related tax effects included in net income, as reported	**680**	711	348
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(7,103)**	(7,653)	(7,946)

Pro forma net income	**$128,893**	$84,667	$ 158,700
Earnings per share:			
Basic – as reported	**$ 1.40**	$ .96	$ 1.67
Basic – pro forma	**1.34**	.89	1.59
Diluted – as reported	**$ 1.39**	$ .96	$ 1.66
Diluted – pro forma	**1.33**	.88	1.59

During 2002, the Company reviewed it option-pricing methodology used for fair value disclosure purposes. As a result, the Company selected the binomial option-pricing model, which is considered to be a more appropriate pricing methodology for dividend paying stock, and revised certain assumptions. Therefore, the Company has restated pro forma results for 2001 and 2000 using the binomial method. Other than the compensation expense resulting from the awarding of contingent shares noted above, no other stock based employee compensation cost is reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of the grant.

The fair value of each option grant is estimated on the date of the grant using the binomial option pricing model with the following assumptions:

	2002	2001	2000
Expected dividend yield	**3.4%**	3.2%	2.9%
Expected stock price volatility	**34.9%**	35.4%	33.2%
Risk-free interest rate	**4.3%**	4.9%	6.6%
Expected life of options	**4.2 years**	4.0 years	3.8 years

12. Employee Benefit Plans

The Company provides non-contributory defined benefit pension plans for substantially all its United States and Mexico employees, as well as postretirement healthcare and life insurance benefits to the majority of its retirees and their eligible dependents in the United States and Canada. The Company also sponsors contributory pension plans covering the majority of its employees in the United Kingdom and Canada.

The components of net periodic benefit cost include the following:

	2002	2001	2000
Retirement Plans			
Service cost	**$ 18,296**	$ 15,054	$ 13,713
Interest cost	**48,210**	44,523	42,315
Expected return on plan assets	**(59,443)**	(62,748)	(69,361)
Amortization of net transition (asset) obligation	**552**	(302)	(384)
Amortization of prior service cost	**1,674**	1,576	1,635
Amortization of net actuarial (gain) loss	**8,674**	504	(3,335)
Special termination benefit cost	**3,276**	5,180	979
Acquisitions		48	
Effect of curtailment			348
Net periodic benefit cost (income)	**$ 21,239**	$ 3,835	$ (14,090)
Retiree Health and Life Insurance Plans			
Service cost	**$ 4,177**	$ 3,746	$ 2,928
Interest cost	**11,559**	9,438	8,155
Expected return on plan assets	**(5,552)**	(6,248)	(7,180)
Amortization of prior service cost	**(6,990)**	(5,949)	(6,130)
Amortization of net actuarial loss	**7,693**	4,139	1,595
Special termination benefit cost			41
Net periodic benefit cost (income)	**$ 10,887**	$ 5,126	$ (591)

The following tables set forth the plans' obligations and assets at December 31:

	Retirement Plans		Retiree Health and Life Insurance Plans	
	2002	2001	2002	2001
Change in Benefit Obligation				
Benefit obligation at January 1	**$ 678,822**	$ 610,875	**$ 161,251**	$133,349
Service cost	**18,296**	15,054	**4,177**	3,746
Interest cost	**48,210**	44,523	**11,559**	9,438
Plan participant contributions	**1,049**	1,066	**1,469**	
Plan amendments	**1,798**	359	**(8,544)**	742
Actuarial loss	**75,178**	29,344	**21,915**	23,012
Benefits paid	**(44,342)**	(36,185)	**(16,822)**	(9,799)
Special termination benefit cost	**3,276**	5,180		
Acquisitions		5,316		3,569
Other		3,290		(2,806)
Benefit obligation at December 31	**$ 782,287**	$678,822	**$ 175,005**	$ 161,251
Change in Plan Assets				
Fair value of plan assets at January 1	**$ 629,188**	$693,749	**$ 62,214**	$ 75,596
Actual return on plan assets	**(50,446)**	(52,110)	**(5,775)**	(4,604)

Company contributions	**115,082**	19,250	**9,728**	1,228
Plan participant contributions	**1,049**	1,066	**1,469**	
Benefits paid	**(44,342)**	(36,185)	**(16,822)**	(9,799)
Acquisitions		**6,467**		
Other	**(1,859)**	(3,049)	**(238)**	(207)
Fair value of plan assets at December 31	**$ 648,672**	$629,188	**$ 50,576**	$ 62,214
Reconciliation of Funded Status, December 31				
Funded status of plan	**$(133,615)**	$ (49,634)	**$(124,429)**	$ (99,037)
Unrecognized net actuarial loss	**342,887**	163,652	**113,586**	87,501
Unrecognized prior service cost	**9,820**	9,663	**(22,557)**	**(20,695)**
Unrecognized net transition obligation	**6,421**	6,579		
Net amount recognized	**$ 225,513**	$ 130,260	**$ (33,400)**	$ (32,231)

	Retirement Plans	
	2002	**2001**
Total Recognized Amounts in the Consolidated Balance Sheets		
Prepaid benefit cost included in Other Assets	**$ 244,240**	$153,469
Accrued benefit liability	**(98,432)**	(54,606)
Intangible asset	**6,734**	2,727
Accumulated other comprehensive loss	**72,971**	28,670
Net amount recognized	**$225,513**	$130,260

Notes to Consolidated Financial Statements (Dollars in thousands except per share data)

The projected benefit obligation (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $237,330, $227,417 and $127,982, respectively, as of December 31, 2002, and $160,280, $156,382 and $103,194, respectively, as of December 31, 2001.

The following table sets forth the major actuarial assumptions used in determining the PBO, ABO and net periodic benefit cost (income).

Years ended December 31	U.S	Foreign Plans
Retirement Plans and Retiree Health and Life Insurance Plans:		
Discount Rate		
2002	**6.75%**	**5.00-7.00%**
2001	7.25%	6.25-7.00%
2000	7.50%	6.45-7.00%
Rate of Return		
2002	**9.50%**	**5.50-8.50%**
2001	9.50%	8.00-8.50%
2000	9.50%	8.00-8.50%
Rate of Compensation Increase		
2002	**4.10%**	**1.50-5.00%**
2001	4.10%	3.50-5.00%
2000	4.10%	3.50-5.00%
Retiree Health and Life Insurance Plans:		
Medical Trend Rate		
2002	**11% to 6%**	**5.00-7.00%**
2001	12% to 6%	5.00-7.00%
2000	5.00%	5.00-7.00%

The U.S. Retiree Health and Life Insurance Plan makes up 99% of the Retiree Health liability. Therefore, the following information relates to the U.S. plan only. Increasing the assumed trend rate for healthcare costs by one percentage point would increase the accumulated postretirement benefit obligation (APBO) and total service and interest cost component approximately $1,083 and $89, respectively. Decreasing the assumed trend rate for healthcare costs by one percentage point would decrease the APBO and total service and interest cost component approximately $1,009 and $82, respectively. Based on amendments to the U.S. plan approved in 2002, cost increases borne by the Company will be limited to the Urban CPI beginning in 2003.

The Company also sponsors the Sonoco Savings Plan for its U.S. employees, a defined contribution retirement plan (formerly the Sonoco Employee Savings and Stock Ownership Plan). Beginning in 2002, the Company adopted the IRS “Safe Harbor” matching contributions and vesting provisions which provide 100% Company matching on the first 3% of pretax contributions, 50% Company matching on the next 2% of pretax contributions and 100% immediate vesting. The plan also provides for contributions of 1% to 20% of gross pay beginning in 2002. For 2001, the plan provided that all eligible employees may contribute 1% to 16% of their gross pay, subject to regulations of the IRS, with 50% vesting after one year and 100% vesting after two years. In 2001, the Company made matching contributions of 50% on the first 6% of pretax and/or after-tax contributions as approved by the Company’s Board of Directors. The Company’s contributions to the plan for 2002, 2001 and 2000 were approximately $11,000, $8,500 and $8,400, respectively.

13. Income Taxes

The Company provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting requirements and tax laws. Assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The provision for taxes on income for the years ended December 31 consists of the following:

	2002	2001	2000
Pretax income			
Domestic	$163,680	$127,544	$206,928
Foreign	34,813	48,237	63,667
Total pretax income	$198,493	$175,781	$270,595
Current			
Federal	$ 23,757	$ 40,664	$ 64,321
State	2,617	4,177	11,485

Foreign	16,284	16,112	16,011
Total current	$ 42,658	$ 60,953	$ 91,817
Deferred			
Federal	$ 20,851	$ 19,064	$ 14,512
State	4,594	2,056	4,079
Foreign	2,511	885	1,591
Total deferred	$ 27,956	$ 22,005	$ 20,182
Total taxes	$ 70,614	$ 82,958	$ 111,999

Cumulative deferred tax liabilities (assets) are comprised of the following at December 31:

	2002	2001
Depreciation	$ 97,298	$ 92,136
Employee benefits	102,466	71,619
Other	11,322	13,655
Gross deferred tax liabilities	211,086	177,410
Retiree health benefits	(17,314)	(11,466)
Foreign loss carryforwards	(8,959)	(7,293)
Capital loss carryforwards	(23,295)	(11,349)
Employee benefits	(39,576)	(27,315)
Accrued liabilities and other	(34,655)	(32,546)
Gross deferred tax assets	(123,799)	(89,969)
Valuation allowance on deferred tax assets	35,731	21,727
Total deferred taxes, net	$ 123,018	$109,168

The change in the valuation allowance for deferred tax assets is a net increase of $14,004 in 2002, compared with a net decrease of $3,803 in 2001. A net increase of $2,365 is related to net operating losses of foreign subsidiaries for which their use is limited to future taxable earnings. The remaining increase in the allowance of $11,639 resulted from a change in tax law that increased the Company's capital loss from a 1998 transaction. However, the Company had no capital gains to offset the additional capital loss which required the Company to increase the valuation allowance.

Approximately $29,000 of foreign subsidiary net operating loss carryforwards remain at December 31, 2002. Their use is limited to future taxable earnings of the respective foreign subsidiaries. Of these loss carryforwards, approximately $12,000 have no expiration date. The remaining loss carryforwards expire at various dates in the future.

A reconciliation of the United States federal statutory tax rate to the actual consolidated tax expense is as follows:

	2002		2001		2000	
Statutory tax rate	$69,472	35.0%	$61,523	35.0%	$ 94,708	35.0%
State income taxes, net of federal tax benefit	4,989	2.5	4,096	2.3	6,672	2.5
COLI			14,613	8.3	12,565	4.6
Other, net	(3,847)	(1.9)	2,726	1.6	(1,946)	(.7)
Total taxes	$ 70,614	35.6%	$82,958	47.2%	$111,999	41.4%

Undistributed earnings of international subsidiaries totaled $111,654 at December 31, 2002. Deferred taxes have been provided on the undistributed earnings, except for amounts that the Company considers to be indefinitely reinvested to finance international growth and expansion. If such amounts were remitted, loaned to the Company or the stock in the foreign subsidiaries sold, these earnings could become subject to tax.

At December 31, 2002, the Company had a capital loss carryforward of approximately $66,700 for income tax purposes that expires in the year ending December 31, 2003. The carryforward results from losses incurred on stock divestitures in prior years. For financial reporting purposes, a valuation allowance was provided for the full amount of the deferred tax benefit related to this carryforward.

The Company has resolved all issues with the IRS for all years through 1998. The Company believes that it has made adequate provision for income taxes with respect to open years.

14. Commitments and Contingencies

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings.

The Company has been named as a potentially responsible party at several environmentally contaminated sites owned by third parties. These regulatory actions and a small number of private party lawsuits represent the Company’s largest potential environmental liabilities. The Company accrued $4,391 and $7,220 as of December 31, 2002 and 2001, respectively, related to environmental contingencies. During 2002, litigation involving several sites was concluded, resulting in lower estimated future liabilities. However, due to the complexity of determining clean-up costs associated with the sites, a reliable estimate of the ultimate cost to the Company cannot be determined. Furthermore, all of the sites are also the responsibility of other parties. The Company’s liability, if any, is shared with such other parties, but the Company’s share has not been finally determined in most cases. In some cases, the Company has cost-sharing agreements with other potentially responsible parties with respect to a particular site. Such agreements relate to the sharing of legal defense costs or clean-up costs, or both. The Company has assumed, for purposes of estimating amounts to be accrued, that the other parties to such cost-sharing agreements will perform as agreed. It appears that final resolution of some of the sites is years away. Accordingly, a reliable estimate of the ultimate cost to the Company with respect to such sites cannot be determined. **Costs, however, are accrued as necessary, once reasonable estimates are determined. Accrued amounts are not discounted.** Although the level of future expenditures for legal and environmental matters is impossible to determine with any degree of probability, it is management’s opinion that such costs, when finally determined, will not have an adverse material effect on the consolidated financial position of the Company.

15. Shareholders’ Equity

Stock Repurchases

On February 7, 2001, the Board of Directors approved a new stock repurchase program authorizing the repurchase of up to 5,000,000 shares of the Company’s common stock. No shares were repurchased under this program in 2002 and 2001. Under previous authorizations, the Company repurchased 92,960 shares of its common stock in 2001 at a total cost of $2,055, with an average price of $22.11 per share. In 2000, the Company repurchased 7,133,200 shares of its common stock at a total cost of $138,012, with an average price of $19.35 per share. At December 31, 2002, the Company had authorizations to repurchase approximately 5,300,000 shares of common stock.

Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	2002	2001	2000
Numerator:			
Net income	$ 135,316	$ 91,609	$ 166,298
Denominator:			
Average common shares outstanding	96,373,000	95,370,000	99,725,000
Dilutive effect of employee stock options	805,000	437,000	175,000
Diluted outstanding shares	97,178,000	95,807,000	99,900,000
Net income per common share			
Basic	$ 1.40	$ .96	$ 1.67
Diluted	$ 1.39	$ .96	$ 1.66

Notes to Consolidated Financial Statements (Dollars in thousands except per share data)

Stock options to purchase approximately 6,716,000, 3,605,000 and 7,287,000 shares for 2002, 2001 and 2000, respectively, were not dilutive and therefore were not included in the computations of diluted income per common share amounts. No adjustments were made to reported net income in the computation of earnings per share.

16. Financial Reporting for Business Segments

Sonoco reports its results in two primary segments, Industrial Packaging and Consumer Packaging. The Industrial Packaging segment includes the following products: 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. The Consumer Packaging segment includes the following products: 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.

Years ended December 31	Industrial Packaging	Consumer Packaging	Corporate	Consolidated
Total Revenue				
2002	**$ 1,462,684**	**$ 1,404,468**		**$ 2,867,152**
2001	1,348,010	1,296,319		2,644,329
2000	1,492,772	1,260,692		2,753,464
Intersegment Sales [1]				
2002	**$ 55,002**			**$ 55,002**
2001	38,053			38,053
2000	41,971			41,971
Sales to Unaffiliated Customers				
2002	**$ 1,407,682**	**$ 1,404,468**		**$ 2,812,150**
2001	1,309,957	1,296,319		2,606,276
2000	1,450,801	1,260,692		2,711,493
Operating Profit [2]				
2002	**$ 145,350**	**$ 105,885**	**$ (52,742)**	**$ 198,493**
2001	143,805	90,967	(58,991)	175,781
2000	212,560	119,344	(61,309)	270,595
Identifiable Assets [3]				
2002	**$ 1,138,495**	**$ 761,192**	**$ 490,407**	**$ 2,390,094**
2001	1,191,569	762,728	397,900	2,352,197
2000	1,126,079	675,708	410,824	2,212,611
Depreciation, Depletion and Amortization				
2002	**$ 92,980**	**$ 66,276**		**$ 159,256**
2001	93,998	64,576		158,574
2000	92,799	58,017		150,816
Capital Expenditures				
2002	**$ 60,790**	**$ 63,169**		**$ 123,959**
2001	57,527	44,456		101,983
2000	67,426	49,725		117,151

1 Intersegment sales are recorded at a market-related transfer price.

2 Industrial Packaging's 2002, 2001 and 2000 operating profits include restructuring charges of $(6,420), $(23,603) and $(1,155), respectively; 2001 and 2000 include goodwill amortization expenses of $(7,974) and $(6,510), respectively; 2001 includes a gain on net legal settlements of $7,252. Consumer Packaging's 2002, 2001 and 2000 operating profits include restructuring charges of $(6,031), $(26,399) and $(4,071), respectively; 2001 and 2000 include goodwill amortization expenses of $(4,087) and $(4,353), respectively; 2000 includes gains on the sales of divested businesses of $5,182. Corporate's 2002 and 2001 operating profits include restructuring charges of $(196) and $(3,549), respectively; 2001 includes a $(7,026) COLI adjustment; 2000 operating profit includes a $(5,499) executive severance charge. Interest expense and interest income are excluded from operating profit by segment and are shown under Corporate.

3 Identifiable assets are those assets used by each segment in its operations. Corporate assets consist primarily of cash and cash equivalents, investments in affiliates, headquarters facilities and prepaid expenses.

Geographic Regions

Sales to unaffiliated customers and long-lived assets by geographic region are as follows:

	2002	2001	2000
Sales to Unaffiliated Customers United States	$ 2,019,504	$1,877,589	$1,981,178
Europe	333,943	300,541	298,419
Canada	233,569	207,802	215,226
All other	225,134	220,344	216,670
Total	$ 2,812,150	$2,606,276	$2,711,493
Net PPE, Goodwill and Intangibles			
United States	$ 960,273	$ 987,510	$ 797,325
Europe	178,086	170,764	159,778
Canada	134,190	128,846	129,373
All other	105,075	111,179	126,999
Total	$1,377,624	$1,398,299	$1,213,475

Sales are attributed to countries/regions based upon the plant location from which products are shipped. Long-lived assets are comprised of property, plant and equipment, goodwill, and intangible assets (see Notes 6 and 7 to the Consolidated Financial Statements).

17. Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) and the changes in accumulated comprehensive income (loss), net of tax as applicable, for the years ended December 31, 2002 and 2001:

	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Other	Accumulated Other Comprehensive Loss
Balance at January 1, 2001	$ (168,815)	$ (3,588)		$ (172,403)
Change during 2001	(8,827)	(15,914)	$(825)	(25,566)
Balance at December 31, 2001	$(177,642)	$ (19,502)	$(825)	$ (197,969)
Change during 2002	15,833	(30,921)	893	(14,195)
Balance at December 31, 2002	$ (161,809)	$(50,423)	$ 68	$ (212,164)

The cumulative tax benefit of the Minimum Pension Liability Adjustments was $22,548 and $9,168 in 2002 and 2001, respectively. Additionally, the tax liability of Other items was $148 in 2002 and the tax benefit in 2001 was $496.

18. New Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, ‘Accounting for Asset Retirement Obligations’ (FAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS 143 is required to be adopted for fiscal years beginning after June 15, 2002. The Company does not expect the adoption of FAS 143 to have a material effect on its financial statements.

As of June 30, 2002, the Company adopted Statement of Financial Accounting Standards No. 145, ‘Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections’ (FAS 145). This statement rescinds Statement of Financial Accounting Standards No. 4, ‘Reporting Gains and Losses from Extinguishment of Debt,’ No. 64, ‘Extinguishments of Debt Made to Satisfy Sinking-fund Requirements,’ and No. 44, ‘Accounting for Intangible Assets of Motor Carriers.’ FAS 145 also amends Statement of Financial Accounting Standards No. 13, ‘Accounting for Leases’ to eliminate an inconsistency between required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. FAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of FAS 145 did not have a material effect on the Company’s financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, ‘Accounting for Costs Associated with Exit or Disposal Activities’ (FAS 146), which nullifies Emerging Issues Task Force Issue No. 94-3 (Issue 94-3), ‘Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).’ FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity’s commitment to an exit plan. The provisions of FAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company has not yet applied the provisions of FAS 146, but does not expect the adoption of FAS 146 to have a material effect on its financial statements except for the timing of the recognition of costs associated with future exit or disposal activities.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, ‘Accounting for Stock-based Compensation —Transition and Disclosure’ (FAS 148), which amends Statement of Financial Accounting Standards No. 123, ‘Accounting for Stock-based Compensation’ (FAS 123), to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, FAS 148 amends the disclosure requirements of FAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of FAS 148 are effective for financial statements for fiscal years ending after December 15, 2002. The Company has implemented the disclosure provisions of FAS 148 beginning with the Consolidated Financial Statements dated December 31, 2002.

In November 2002, the FASB approved FASB Interpretation No. 45 (FIN 45), ‘Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others.’ FIN 45 elaborates on the existing disclosure requirements for most guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has adopted the disclosure provisions of this interpretation as of December 31, 2002. The Company does not expect the initial recognition and measurement provisions for guarantees issued or modified after December 31, 2002, to have a material impact on the Consolidated Financial Statements.

Selected Eleven-Year Financial Data (Unaudited)
(Dollars and shares in thousands except per share data)

Years ended December 31	2002	2001	2000	1999
Operating Results				
Net sales	**$2,812,150**	$2,606,276	$2,711,493	$2,546,734
Cost of sales and operating expenses	**2,548,463**	2,328,754	2,379,545	2,213,522
Interest expense	**54,196**	52,217	59,604	52,466
Interest income	**(1,649)**	(3,800)	(3,794)	(5,314)
Unusual items [1]	**12,647**	53,324	5,543	(3,500)
Income before income taxes	**198,493**	175,781	270,595	289,560
Provision for income taxes [3]	**70,614**	82,958	111,999	108,585
Equity in earnings of affiliates/Minority interest [4]	**7,437**	(1,214)	7,702	6,830
Income before cumulative effect of changes in accounting principles and extraordinary loss	**135,316**	91,609	166,298	187,805
Cumulative effect of changes in accounting principles (FAS 106 and FAS 109)				
Extraordinary loss, net of income tax benefit				
Net income	**135,316**	91,609	166,298	187,805
Preferred dividends				
Net income (loss) available to common shareholders	**$ 135,316**	$ 91,609	$ 166,298	$ 187,805
Per common share				
Net income available to common shareholders:				
Basic	**$ 1.40**	$ .96	$ 1.67	$ 1.84
Diluted	**1.39**	.96	1.66	1.83
Cash dividends – common	**.83**	.80	.79	.75
Average common shares outstanding:				
Basic	**96,373**	95,370	99,725	101,886
Diluted	**97,178**	95,807	99,900	102,780
Actual common shares outstanding at December 31	**96,640**	95,713	95,006	101,448
Financial Position				
Net working capital	**$ 63,240**	$ 204,899	$ 258,713	$ 306,450
Property, plant and equipment, net	**975,368**	1,008,944	973,470	1,032,503
Total assets	**2,390,094**	2,352,197	2,212,611	2,297,020
Total debt	**833,846**	921,810	857,641	904,137
Shareholders' equity	**867,425**	804,122	801,471	901,220
Current ratio	**1.1**	1.4	1.6	1.7
Total debt to total capital [2]	**44.5%**	49.3%	48.5%	47.5%
Book value per common share	**$ 8.98**	$ 8.40	$ 8.44	$ 8.88
Other Data				
Depreciation, depletion and amortization expense	**$ 159,256**	$ 158,574	$ 150,816	$ 145,846
Cash dividends declared – common	**79,768**	76,080	78,718	76,434
Market price per common share (ending)	**22.93**	26.58	21.63	22.75
Return on total equity (including preferred stock) [1]	**16.0%**	11.5%	19.1%	21.9%
Return on net sales [1]	**4.8%**	3.5%	6.1%	7.4%

1 2002 data reflects net charges of $12,647 pretax, or $8,095 after tax for restructuring costs. 2001 data reflects net one-time charges of

$53,324 pretax, or $50,403 after tax, for the net gain from legal settlements, corporate-owned-life insurance (COLI) and restructuring costs. 2000 data reflects net one-time charges of $5,543 pretax, or $1,372 after tax, for the net gain on the sales of divested businesses, restructuring costs and executive severance charges. 1999 data reflects the gain on the sale of divested businesses of $(3,500). 1998 data reflects the net gain on the sale of divested businesses of $(100,354) pretax, or $(41,554) after tax. 1997 data reflects the asset impairment charge of $226,358 pretax, or $174,500 after tax. Included in 1993 were gains from the early repayment of a note. Also includes restructuring charges of $42,000 pretax, or $25,000 after tax, in 1992.

2 Debt levels for 1995 through 2000 have been adjusted for cash related to the issuance of restricted-purpose bonds.

3 The provision for income taxes in 2001 and 2000 include $14,613 and $12,000, respectively, related to COLI.

4 2001 includes restructuring charges of $9,986, pretax, and $6,591 after tax.

1998	1997	1996	1995	1994	1993	1992
$ 2,557,917	$2,847,831	$2,788,075	$ 2,706,173	$2,300,127	$1,947,224	$1,838,026
2,269,810	2,505,531	2,458,710	2,396,284	2,055,734	1,734,980	1,641,075
54,779	57,194	55,481	44,004	35,861	31,154	30,364
(5,916)	(4,971)	(6,191)	(4,905)	(2,398)	(6,017)	(6,416)
(100,354)	226,358				(5,800)	42,000
339,598	63,719	280,075	270,790	210,930	192,907	131,003
153,989	60,111	107,433	106,640	82,500	75,200	51,800
6,387	(991)	(1,771)	369	1,419	1,127	2,048
191,996	2,617	170,871	164,519	129,849	118,834	81,251
						(37,892)
(11,753)						
180,243	2,617	170,871	164,519	129,849	118,834	43,359
	(3,061)	(7,196)	(7,763)	(7,763)	(1,264)	
$ 180,243	(444)	$ 163,675	$ 156,756	$ 122,086	$ 117,570	$ 43,359
$ 1.76	$ .00	$ 1.64	$ 1.56	$ 1.21	$ 1.17	$ .43
1.73	.00	1.58	1.49	1.19	1.08	.43
.704	.641	.586	.524	.481	.459	.425
102,632	100,981	99,564	100,253	100,590	100,849	100,176
104,275	107,350	108,487	110,111	109,420	109,711	101,112
101,683	105,417	98,850	100,229	100,379	101,001	100,651
$ 225,347	$ 438,896	$ 262,533	$ 229,328	$ 222,068	$ 209,932	$ 152,478
1,013,843	939,542	995,415	865,629	763,109	737,154	614,018
2,082,983	2,159,932	2,365,896	2,098,157	1,821,414	1,696,349	1,241,783
783,632	796,359	893,088	686,792	547,380	515,826	316,010
821,592	848,819	920,613	918,749	832,218	788,364	561,890
1.5	2.0	1.6	1.5	1.6	1.7	1.5
46.7%	46.1%	47.2%	39.6%	38.1%	38.0%	35.1%
$ 8.08	$ 8.05	$ 8.10	$ 7.45	$ 6.57	$ 6.10	$ 5.58
$ 145,669	$ 153,524	$ 142,927	$ 125,836	$ 112,797	$ 95,745	$ 83,309
72,028	64,639	58,480	53,145	48,287	46,333	42,443
29.63	31.54	23.53	23.86	18.94	19.05	20.67
22.0%	.3%	18.3%	18.7%	16.0%	19.0%	13.7%
7.0%	.0%	6.1%	6.1%	5.6%	6.1%	4.4%

Report of Management

The management of Sonoco Products Company is responsible for the integrity and objectivity of the financial statements and other financial information included in this annual report. These statements have been prepared in conformity with generally accepted accounting principles in the United States of America.

Sonoco's accounting systems are supported by internal control systems augmented by written policies, internal audits and the selection and training of qualified personnel.

The Board of Directors, through its Audit Committee consisting of outside directors, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. This committee meets periodically with management, the internal auditors and the independent accountants to assure each is carrying out its responsibilities.

PricewaterhouseCoopers LLP, independent accountants, have audited the financial statements, and their report is included herein.

Charles J. Hupfer
Chief Financial Officer

Report of Independent Accountants

To the Shareholders and Directors of
Sonoco Products Company:

In our opinion, the accompanying Consolidated Balance Sheets and the related Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows (appearing on pages 39 through 53 of this report) present fairly, in all material respects, the consolidated financial position of Sonoco Products Company at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Charlotte, North Carolina
January 29, 2003

Board of Directors

Seated (L-R): Caleb Fort, Bob Brown, Ed Lawton, Hugh McColl, Dona Young, Fitz Coker and Charlie Coker. Standing (L-R): John Mullin, Alan Dickson, Bernard Kasriel, James Coker, Tom Whiddon, Paul Fulton, Charlie Bradshaw and Harris DeLoach.

Charles W. Coker, 69
Chairman of the Board since 1990. Formerly Chairman and Chief Executive Officer 1990-1998. Served on Board since 1962. Member of the Executive Committee.

Charles J. Bradshaw, 66
Chief Executive Officer, Team Sports Entertainment, Inc. (automotive racing league holding company) and its wholly owned subsidiary, TRAC (Team Racing Auto Circuit) (national motor sports league), Charlotte, N.C., since 2002. Served on Board since 1986. Member of the Audit and Compensation Committees.

Robert J. Brown, 68
Founder, Chairman and Chief Executive Officer, B&C Associates (management consulting, marketing research and public relations firm), High Point, N.C., since 1973. Served on Board since 1993. Member of the Audit and Employee/ Public Responsibility Committees.

Fitz L.H. Coker, 67
Retired. Formerly Sr. Vice President 1976-1979. Served on Board since 1964. Member of the Employee/Public Responsibility Committee.

James L. Coker, 62
President, JLC Enterprises (private investments), Stonington, Conn., since 1979. Served on Board since 1969. Member of the Employee/ Public Responsibility and Audit Committees.

Harris E. DeLoach, Jr., 58
President and Chief Executive Officer since 2000. Served on Board since 1998. Member of the Executive Committee.

Alan T. Dickson, 71
Chairman, Ruddick Corporation (a diversified holding company), Charlotte, N.C., since 1994. Served on Board since 1981. Member of the Compensation, Corporate Governance and Executive Committees.

Caleb C. Fort, 41
Principal and Co-Chairman, The Merit Group, Inc. (suppliers to the paint and wallcovering industry), Spartanburg, S.C., since 1998. Served on the Board since 2001. Member of the Employee/Public Responsibility Committee.

Paul Fulton, 68
Chairman, Bassett Furniture Industries, Inc., Bassett, Va., since 2000. Formerly Dean, Kenan-Flagler Business School, University of North Carolina, Chapel Hill, N.C., 1994- 1997. Served on Board since 1989. Member of the Audit, Compensation and Corporate Governance Committees.

Bernard L.M. Kasriel, 56
Vice Chairman and Chief Operating Officer, Lafarge (a construction materials group), Paris, France, since 1995. Served on Board since 1995. Member of the Audit, Compensation and Corporate Governance Committees.

Edgar H. Lawton, III, 42
President and Treasurer, Hartsville Oil Mill (a vegetable oils processor), Darlington, S.C., since 2000. Served on Board since July 2001. Member of the Audit Committee.

Hugh L. McColl, Jr., 67
Chairman, McColl Brothers Lockwood (private bankers), Charlotte, N.C., since 2001. Formerly Chairman and Chief Executive Officer, Bank of America Corporation, Charlotte, N.C., 1998-2001. Served on Board since 1972. Member of the Compensation and Executive

Committees.

John H. Mullin, III, 61
Chairman, Ridgeway Farm LLC, Brookneal, Va. (a privately held timber and farming business), since 1989. Formerly Managing Director of Dillon Reed and Co., Inc. Served on Board since July 2002. Member of the Compensation Committee.

Thomas E. Whiddon, 50
Retired. Formerly Executive Vice President-Logistics and Technology, Lowe’s Companies, Inc. (a home improvement retailer), North Wilkesboro, N.C., 2000-March 2003. Served on Board since February 2001. Member of Audit and Employee/Public Responsibility Committees.

Dona Davis Young, 49
President and Chief Executive Officer, The Phoenix Companies, Inc. (a provider of wealth management products and services to individuals and institutions) and Phoenix Life Insurance Company, Hartford, Conn., since 2003. Served on Board since 1995. Member of the Employee/Public Responsibility, Compensation and Corporate Governance Committees.

Corporate Officers

Seated (L-R): Charlie Hupfer, Cindy Hartley and Harris DeLoach.
Standing (L-R): Charles Sullivan, Ronnie Holley, Allan Cecil, Eddie Smith and Jim Bowen.

Executive Committee

Harris E. DeLoach, Jr., 58
President & Chief Executive Officer since 2000. Previously Chief Operating Officer April-July 2000; Sr. Executive Vice President 1999-2000; Sr. Executive Vice President, Global Industrial Products/Paper/Molded Plastics 1999; Executive Vice President, High Density Film, Industrial Container, Fibre Partitions, Protective Packaging, Sonoco Crellin & Baker Reels 1996-1998. Joined Sonoco in 1985.

Jim C. Bowen, 52
Sr. Vice President, Global Paper Operations since 2000. Previously Vice President/ General Manager-Paper 1997-2000; Vice President, Manufacturing-N.A., Paper 1994-1997; Director of Manufacturing 1993-1994. Joined Sonoco in 1972.

Allan V. Cecil, 61
Vice President, Investor Relations & Corporate Affairs since 1998. Previously Vice President, Investor Relations & Corporate Communications 1996-1998. Prior experience: Vice President, Corporate Communications & Investor Relations, National Gypsum Company and Mesa Petroleum Co. Joined Sonoco in 1996.

Cynthia A. Hartley, 54
Sr. Vice President, Human Resources since 2002. Previously Vice President, Human Resources 1995-2002. Prior experience: Vice President, Human Resources, National Gypsum Company and Dames & Moore and Continental Can Company. Joined Sonoco in 1995.

Ronald E. Holley, 60
Sr. Vice President, Global Industrial Products since 2002. Previously Vice President, Industrial Products-N.A. 1999-2000; Vice President, High Density Film 1993-1999; Vice President, Total Quality Management 1990-1993. Joined Sonoco in 1964.

Charles J. Hupfer, 56
Chief Financial Officer, Vice President & Corporate Secretary since 2002. Previously Vice President, Treasurer & Corporate Secretary 1995-2002; Treasurer 1988-1995. Joined Sonoco in 1975.

Eddie L. Smith, 51
Vice President, Customer & Business Development since 2002. Previously Vice President, Flexible Packaging 1998-2002; Division Vice President/General Manager, Flexible Packaging 1996-1998; Division Vice President, Consumer Products-Europe 1994-1996. Joined Sonoco in 1971.

Charles L. Sullivan, Jr., 59
Sr. Vice President, Global Consumer Products since 2000. Previously Regional Director, Cargill Asia/Pacific in 2000 and President, Cargill's Salt Division 1995-2000. Joined Sonoco in 2000.

Corporate Officers

Vicki B. Arthur, 45
Treasurer & Staff Vice President since 2002. Previously Staff Vice President & Corporate Controller 2001; Manager, Corporate Reporting 1997-2001. Joined Sonoco in 1984.

Bernard W. Campbell, 53
Vice President, Information Services since 1996. Previously Staff Vice President, Information Services 1991-1996; Director, Corporate Information Services 1990-1991. Joined Sonoco in 1988.

Kevin P. Mahoney, 47
Vice President, Corporate Planning since 2002. Previously Staff Vice President, Corporate Planning 1996-2000. Joined Sonoco in 1987.

J.C. Rhodes, 64
Vice President, International Operations-Latin America, Australia & Director of Operations, Asia since 1998. Previously Division Vice President, Operations Support 1996-1998. Joined Sonoco in 1961.

M. Jack Sanders, 49
Vice President, Industrial Products-N.A. since 2001. Previously Division Vice President/General Manager, Protective Packaging 1998-2001; General Manager, Protective Packaging 1991-1998. Joined Sonoco in 1987.

Division & Staff Officers

Kevin E. Bryans, 45
Division Vice President/Managing Director, Industrial Products/Paper-Sonoco Asia. Joined Sonoco in 1981.

Michael W. Bullington, 55
Staff Vice President/Global Controller, Consumer Products. Joined Sonoco in 1983.

Charles W. Coker, Jr., 43
Division Vice President/General Manager, Protective Packaging. Joined Sonoco in 1981.

Thomas L. Coker, 38
Division Vice President/General Manager, Flexible Packaging. Joined Sonoco in 1987.

Rodger D. Fuller, 41
Division Vice President, Consumer Products-N.A. Joined Sonoco in 1985.

Terry Gerhardt, Ph.D., 52
Staff Vice President, Corporate Technology. Joined Sonoco in 1985.

Donald M. Gore, 53
Division Vice President, Sales, Industrial Products-N.A. Joined Sonoco in 1972.

John M. Grups, 52
Division Vice President, Global Operations, Consumer Products. Joined Sonoco in 1976.

James A. Harrell, III, 41
Division Vice President, Industrial Products/Paper-Europe. Joined Sonoco in 1985.

E.A. Harris, 56
Division Vice President, Industrial Products/Paper-S.A. & General Manager, Consumer Products-S.A. Joined Sonoco in 1969.

Daniel G. Hause, 54
Division Vice President, Manufacturing-Global Industrial Products. Joined Sonoco in 1970.

Linda O. Hill, 54
Staff Vice President, Global Technology. Joined Sonoco in 1966.

R. Jim Hines, 52
Division Vice President, Recovered Paper. Joined Sonoco in 1980.

Patrick B. Keese, 39
Division Vice President, Consumer Products-Europe. Joined Sonoco in 1986.

Richard W. Maloney, Jr., 51
Staff Vice President, Human Resources-Consumer Products. Joined Sonoco in 1992.

Kenneth B. Mason, 51

Staff Vice President, Human Resources-Industrial Products. Joined Sonoco in 1980.

James C. Miller, 50
Staff Vice President, Engineering & Technology-High Density Film. Joined Sonoco in 1983.

Marty F. Pignone, 46
Division Vice President, Paper-N.A. Joined Sonoco in 1997.

Robert L. Puechl, 47
Division Vice President, Molded Plastics. Joined Sonoco in 1986.

Charles W. Reid, 64
Division Vice President/General Manager, Sonoco Baker Reels. Rejoined Sonoco in 1988.

Brad D. Ross, 43
Division Vice President/General Manager, Packaging Services. Joined Sonoco in 1986.

Barry L. Saunders, 43
Staff Vice President & Corporate Controller. Joined Sonoco in 1989.

James H. Shelley, 59
Staff Vice President, Employee Relations & Labor Counsel. Joined Sonoco in 1969.

Terry E. Sueltman, 56
Staff Vice President, Corporate Supply Management. Joined Sonoco in 2001.

David Thornely, 58
Managing Director, Sonoco Australasia. Joined Sonoco in 1991.

Rex E. Varn, 44
Division Vice President/General Manager, High Density Film. Joined Sonoco in 1980.

Shareholder Information

Annual Meeting of Sonoco Shareholders
Sonoco's Annual Meeting of Shareholders will be held at 11:00 a.m., Wednesday, April 16, 2003, at the following location:
The Center Theater
212 North Fifth Street
Hartsville, SC

Corporate Offices
1 North Second Street
Hartsville, SC 29550-3305
+843/383-7000
Toll-free: 800/377-2692
Fax: +843/383-7008
Internet: www.sonoco.com

Shareholder Services
Sonoco – B01
1 North Second Street
Hartsville, SC 29550-3305V
+843/383-7864
Fax: +843/383-7066

Investor Relations & Corporate Affairs
Sonoco – A46
1 North Second Street
Hartsville, SC 29550-3305
+843/383-7635
Fax: +843/383-7478

Legal Counsel
Haynsworth Sinkler Boyd, P.A.
P.O. Box 11889
Columbia, SC 29211-1889

Independent Accountants
PricewaterhouseCoopers LLP
Hearst Tower
214 North Tryon Street, Suite 3600
Charlotte, NC 28202-2137

Sonoco Stock
Sonoco common stock is traded on the New York Stock Exchange and is identified by the ticker symbol SON.

Share Account Services
For more information on any of the following services contact:
EquiServe Trust Company, N.A.
P.O. Box 43012
Providence, RI 02940-3012
Toll-free: 800/633-4236
Outside the U.S.: +816/843-4293
Internet: www.equiserve.com

Direct Investment
Dividend Reinvestment
Direct Deposit of Dividends
Transfer Agent
Internet Account Access
Electronic Delivery of Financial Information to Shareholders
Stock Transfers

Web Site
www.sonoco.com
Sonoco provides a variety of information about its businesses, products and markets on its Web site. The site also includes information on investor relations, which features news releases and presentations to securities analysts; current and past copies of Sonoco annual reports; proxy statements; various SEC filings such as Form 10-K, Form 10-Q and Form 8-K; upcoming events; safety performance and much more.

Form 10-K Available

A copy of the Company's annual report on Form 10-K, as filed with the United States Securities and Exchange Commission, is available free to shareholders by calling +843/383-7794, making a request through the Company's Web site or writing to:

Sonoco – A09
Corporate Communications
1 North Second Street
Hartsville, SC 29550-3305

Logos/Trademarks

The owner of Sonoco's registered logo and other Company trademarks is:

SPC Resources, Inc.
125 West Home Avenue
Hartsville, SC 29550-4123

Equal Opportunity

Sonoco believes that a diverse workforce is required to compete successfully in today's global marketplace. The Company provides equal employment opportunities in its global operations without regard to race, color, age, gender, religion, national origin or physical disability.

EXHIBIT 21

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries of Sonoco Products Company, pursuant to Item 601(21) of Regulation S-K, as of December 31, 2002 are:

1. Paper Stock Dealers, Inc., 100%-owned domestic subsidiary, incorporated in the State of North Carolina.
2. Sonoco-Crellin Holdings, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
   a. Sonoco-Crellin International, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:
      1. Sonoco-Crellin, Inc., 100%-owned domestic subsidiary, incorporated in the State of New York.
         a. Crellin Europe B.V., 100%-owned Dutch subsidiary.
            1. Crellin B.V., 100%-owned Dutch subsidiary.
      2. Sebro Plastics, Inc., 100%-owned domestic subsidiary, incorporated in the State of Michigan.
         a. Convex Mold, Inc., 100%-owned domestic subsidiary, incorporated in the State of Michigan.
      3. Injecto Mold, 100%-owned domestic subsidiary, incorporated in the State of Illinois.
3. SPC Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
   a. SPC Capital Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
      1. Sonoco Machinery Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
   b. SPC Resources, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.
   c. Sonoco International, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, Continued

1. Sonoco Luxembourg SARL, 100%-owned Luxembourg subsidiary.
    a. Sonoco Netherlands Holding II BV, 100%-owned Dutch subsidiary.
        1. Sonoco Canada Corporation, 100%-owned Canadian subsidiary.
    b. Sonoco International Holdings GmbH, 100%-owned Swiss subsidiary.
        1. NRO Sonoco, Inc., 100%-owned Canadian subsidiary.
        2. Sonoco Europe S.A., 100%-owned Belgium subsidiary.
    c. Sonoco Netherlands Holdings I BV, 100%-owned Dutch subsidiary.
        1. Sonoco Norge AS, 100%-owned Norwegian subsidiary.
        2. Sonoco Ambalaj San ve Tic. AS, 100%-owned Turkish subsidiary.
    d. Sonoco Deutschland Holdings GmbH, 100%-owned German subsidiary.
        1. Sonoco Deutschland GmbH, 100%-owned German subsidiary.
        2. Sonoco Plastics GmbH, 100%-owned German subsidiary.
        3. Sonoco IPD GmbH, 100%-owned German subsidiary.
            a. Sonoco OPV Hulsen GmbH, 100%-owned German partnership.
        4. Sonoco Caprex AG, 72%-owned Swiss subsidiary.
        5. Sonoco CPD GmbH, 100%-owned German subsidiary.
        6. ING. Klaus Burk GmbH, 100% owned German subsidiary.
    e. Sonoco SARL, 100%-owned French subsidiary.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, Continued

1. Sonoco Holding France, 100%-owned French subsidiary.
    a. Sonoco L’homme S.A., 100%-owned French subsidiary.
        1. Sonoco Eurocore, S.A., 100%-owned Belgian subsidiary.
        2. Sonoco Paper France S.A., 100% owned French subsidiary.
        3. Sonoco IPD France SA., 100% owned French subsidiary.
    b. Sonoco Consumer Products S.A., 99%-owned French subsidiary.

f. Sonoco Netherlands Holding III BV, 100%-owned Dutch subsidiary.
    1. Grupo Sonoco SA de CV, 100%-owned Mexican subsidiary.
        a. Sonoco de Mexico S.A. de C.V., 100%-owned Mexican subsidiary.
        b. Manufacuras Sonoco S.A. de C.V., 100%-owned Mexican subsidiary

2. Sonoco Luxembourg (No. 2) SARL, 100%-owned Luxembourg subsidiary.
    a. Sonoco Holdings (UK), Ltd., 100%-owned U.K. subsidiary.
        1. Sonoco Milnrow, 100%-owned U.K. subsidiary.
            a. Sonoco Products Co. UK Unlimited, 100%-owned U.K. subsidiary.
                1. Sonoco Ltd., 100%-owned U.K. subsidiary.

3. Beteiligungen Sonoco Deutschland GmbH, 100%-owned Germany subsidiary.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

<u>SUBSIDIARIES OF THE REGISTRANT</u>, Continued

4. Sonoco Asia, L.L.C., 76%-owned limited liability company.
    a. Sonoco Singapore Pte, Ltd., 100%-owned Singapore subsidiary.
        1. Sonoco Holdings SDN BHD, 100%-owned Malaysian subsidiary.
        2. Sonoco Malaysia, 100%-owned Malaysian subsidiary.
    b. Sonoco Taiwan Limited, 100%-owned Republic of China subsidiary.
    c. Sonoco Thailand Ltd., 70%-owned Thai subsidiary.
    d. Sonoco Hongwen, L.L.C., 80%-owned limited liability company.
    e. Sonoco Products Malaysia, SDN BHD, 100%-owned Malaysian subsidiary.
5. Sonoco Asia Management Company, L.L.C., 71%-owned limited liability company.
6. Sonoco Australia Pty., Ltd., 100%-owned Australian subsidiary.
7. Sonoco New Zealand, 100%-owned New Zealand subsidiary.
8. Sonoco Participacoes Ltda., 100%-owned Brazilian subsidiary.
    a. Sonoco For-Plas do Brazil Ltda., 51%-owned Brazilian subsidiary.
9. Inversiones Sonoco do Chile Ltda, 100%-owned Chilean subsidiary.
    a. Sonoco do Chile, 70%-owned Chilean subsidiary.

4. Sonoco do Brazil Ltda., 100%-owned Brazilian subsidiary.
5. Southern Plug & Manufacturing Co., Inc., 100%-owned domestic subsidiary, incorporated in the state of Louisiana.
6. Sonoco “SPG”, Inc., 100%-owned domestic subsidiary, incorporated in the state of Wisconsin.
7. Sonoco Flexible Packaging Company, Inc., 100%-owned domestic subsidiary incorporated in the state of South Carolina.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, Continued

8. Sonoco Paperboard Group, L.L.C., 100%-owned limited liability company.

9. Sonoco Development, Inc., 100%-owned domestic subsidiary incorporated in the state of South Carolina.

10. Georgia Paper Tube, Inc., 100%-owned domestic subsidiary incorporated in the state of Georgia.

11. Sonoco Hutchinson LLC, 100%-owned domestic subsidiary incorporated in the state of South Carolina.

12. Hayes Manufacturing Group, Inc., 100%-owned domestic subsidiary incorporated in the state of Wisconsin.

13. Sonoco Phoenix, Inc., 100%-owned domestic subsidiary incorporated in the state of Ohio.

14. Sonoco U.S. Mills, Inc., 100%-owned domestic subsidiary incorporated in the state of Wisconsin.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 of Sonoco Products Company (filed September 4, 1985; February 6, 1992, File No. 33-45594; June 7, 1995, File No. 33-60039; September 25, 1996, File No. 333-12657; December 30, 1998, File No. 333-69929; October 28, 2002, File No. 333-100799; and October 28, 2002, File No. 333-100798) of our report dated January 29, 2003, relating to the financial statements of Sonoco Products Company, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 29, 2003 relating to the financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 7, 2003

EXHIBIT 99-2

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

SONOCO PRODUCTS COMPANY
1991 KEY EMPLOYEE STOCK PLAN

SONOCO PRODUCTS COMPANY
ONE NORTH SECOND STREET
POST OFFICE BOX 160
HARTSVILLE, SOUTH CAROLINA 29551-0160

EXHIBIT 99-2

The Consolidated Financial Statements and Notes to Consolidated Financial Statements of Sonoco Products Company represent the financial statements of the 1991 Key Employee Stock Option Plan and are incorporated herein by reference in this Form 11-K Annual Report.

EXHIBIT 99-3

Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

The undersigned, who are the chief executive officer and the chief financial officer of Sonoco Products Company, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-K for the year ended December 31, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

March 7, 2003

/s/Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.
Chief Executive Officer

/s/Charles J. Hupfer

Charles J. Hupfer
Chief Financial Officer