Sonoco Reports Fourth Quarter Earnings Even With Last Year And Record 12 Months

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HARTSVILLE, S.C., Jan. 27 /PRNewswire/ -- Excluding one-time transactions, Sonoco (NYSE: SON) reported earnings per diluted share of $.44 for the fourth quarter of 1998, compared with $.44 in 1997, meeting previously announced Company expectations, it was announced today by Peter C. Browning, president and chief executive officer. Including one-time gains, charges and dispositions, fourth quarter earnings per diluted share were $.31, versus a loss of $1.20 for the same period last year.

On a comparable basis, excluding divested businesses, sales for the 1998 fourth quarter were $640.0 million, versus $638.2 million in the fourth quarter of 1997 from ongoing operations. Reported sales for the fourth quarter were $640.0 million, versus $736.4 million in the fourth quarter of 1997. On a comparable basis, net income for the 1998 fourth quarter was $45.3 million, versus $47.9 million in the same period of 1997. Reported net income for the fourth quarter 1998 was $31.8 million, versus a loss of $126.6 million for the same period in 1997.

For the full year 1998 on a comparable basis, excluding one-time transactions, the Company reported record earnings per diluted share of $1.72, versus $1.65 in 1997. Including one-time transactions, the Company reported record earnings per diluted share of $1.73, versus $.00 in 1997. On a comparable basis, the Company had 1998 sales of $2.6 billion, versus $2.5 billion in 1997. Reported sales for 1998 were $2.6 billion, versus $2.8 billion in 1997. On a comparable basis, net income for 1998, before preferred dividends, was $178.9 million, versus $177.1 million in 1997. Reported net income for 1998 before preferred dividends was $180.2 million, versus $2.6 million in 1997.

A supplemental schedule is attached restating segmental sales and earnings to exclude all one-time gains and losses, one-time adjustments and divestitures. All numbers will be discussed on a comparable basis for the balance of this release.

Segment Review

Consumer Packaging

The consumer packaging segment includes composite cans; plastic and fibre cartridges; capseals; high density film; packaging services; folding cartons; and flexible packaging.

Fourth quarter sales for the consumer packaging segment were $292.9 million, compared with $292.6 million for the same period in 1997. Operating profits for this segment during the fourth quarter were $38.2 million, compared with $33.3 million in the fourth quarter of 1997.

Positive volume trends returned to the Company's global consumer-based composite can business in the fourth quarter, up 4.0 % over the same period in 1997, primarily reflecting improvement in the frozen concentrate and snack food sectors. The composite can business also enjoyed improved operations at its Jackson, Tenn. facilities, and converted another major self-manufacturer of composite cans during the fourth quarter.

"As anticipated, our composite can business in the consumer segment is seeing improved results in virtually all of its markets following several quarters of having been adversely affected by a convergence of operating anomalies," said Browning. "Our consumer segment also is being helped by continuing growth in our flexible packaging operations, improved results in our high density film business, and improved productivity measures" he added.

Industrial Packaging

The industrial packaging segment includes tubes; cores; cones; molded plugs and related products and services; injection molded and extruded plastics; paper manufacturing; recovered paper operations; protective packaging; reels for wire and cable packaging; adhesives; converting machinery; and forest products.

Fourth quarter sales for the industrial segment were $347.1 million, compared with $345.6 million in the fourth quarter of 1997. Operating profit in this segment for the fourth quarter 1998 was $44.7 million, compared with $55.0 million in the same period of 1997.

Volume in the Company's global-based engineered carriers business (tubes, cores and cones) was even year-over-year for the fourth quarter, reflecting the general slowing of global industrial production and the direct and indirect effects of Asia on European and domestic demand.

Paperboard volume for the fourth quarter 1998 was up slightly over the same period in 1997, primarily reflecting additional production from the Richmond, Va., paper mill that has been undergoing a major rebuild program.

Earnings from the global engineered carriers and paperboard operations were adversely impacted in the fourth quarter by lower prices for converted products, less favorable product mix, and lower profits in the Company's recovered paper operations, compared with 1997's exceptionally strong fourth quarter. Segment results were also hurt by inefficiencies associated with the Richmond paper mill startup.

"Our engineered carriers business in the industrial sector reflects the slowing of the overall industrial economy which continues to be impacted domestically and in Europe by Asian economic issues. This year's first quarter should see improved year-over-year comparisons for our recovered paper operations following particularly difficult 1998 fourth quarter comparisons. The sector should also benefit in the first quarter from improved production and margins at our Richmond, Virginia, paper mill. Nonetheless, the 1999 first quarter is expected to be our most difficult quarterly comparison during 1999," Browning stated.

Corporate

Results for the fourth quarter 1998 included the previously announced one- time charges of $.18 per diluted share related to reductions in administrative costs and plant closings, and an asset impairment charge related to the Conitex-Sonoco joint venture in the global cone market of $.10 per diluted share. Partially offsetting these charges was a gain of $.15 per diluted share from completion of the previously announced sale of the intermediate bulk container portion of its industrial containers business to Greif Bros. Corporation. Sonoco previously completed in March 1998 the sale of the fibre and plastic drum portion of its industrial container business to Greif Bros. At that time, the Company received most of the approximate $218 million all- cash proceeds from the fully completed sale. During the year 1998, the Company repurchased approximately 5.2 million shares of Sonoco stock. No shares were repurchased during the fourth quarter. The Company has approximately 600,000 shares remaining under previous stock repurchase authorizations. "The Company has taken a number of actions during 1998 as part of its four- point strategy to strengthen its ability to generate sustainable earnings growth through the year 2000 and beyond by growing its top line, improving productivity, enhancing capital effectiveness and capitalizing on its historical strengths related to people, culture and values," said Browning. He cited such examples as ten new plant openings, including five in the United States and five internationally; new acquisitions in Germany, France and Canada; completion of a paper supply agreement in the United Kingdom; and commencement of the global paper cone and open-end spinning carrier joint venture with Conitex. Other actions included five plant closings and 640 position reductions, or 4% of the Company's total workforce; stock repurchases and debt extinguishments; operational structural changes, including the sales of its North American labels and fibre and plastic drum businesses; an agreement to supply corrugating medium to Georgia-Pacific on a fixed fee basis rather than the previous more volatile equity arrangement; and the sale of a nonpackaging-related saw mill business.

Mr. Browning also highlighted productivity improvements that totaled $30 million during 1998 and pointed out that Sonoco recently announced a 100-share option, or equivalent, program for its 16,500 global employees in celebration of the Company's 100th anniversary intended to incent all employees on the same basis as shareholders.

"While we expect 1999 earnings to increase 5% to 10%, reflecting current uncertainties related to global and domestic general economic conditions, we believe the initiatives cited above and others to follow will position the Company for long-term, sustainable growth," concluded Browning.

Sonoco, founded in 1899, is a $2.5 billion manufacturer of industrial and consumer packaging products with approximately 275 operations in 32 countries serving customers in some 85 nations.

Statements included herein that are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on current expectations, estimates and projections about the company's industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies and objectives concerning the company's future financial and operating performance.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. Such risks and uncertainties include, without limitation: availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; ability to maintain market share; pricing pressures and demand for products; continued strength of the company's paperboard-based tube, core and composite can operations; and currency stability and the rate of growth in foreign markets. Additional information concerning some of the factors that could cause materially different results is included in the company's reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Such reports are available from the Securities and Exchange Commission's public reference facilities and its internet website or from the company's investor relations department.

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

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1998	Dec. 31, 1997
Net sales	$640,012	$736,428	$2,557,917	$2,847,831
Cost of sales	492,873	568,213	1,968,200	2,208,092
Selling, general and administrative expenses	105,491	76,921	301,610	297,439
(Gain)loss on sale of divested assets, net	(14,994)	226,358	(100,354)	226,358
Income (loss) before interest and taxes	56,642	(135,064)	388,461	115,942
Interest expense	14,289	14,774	54,779	57,194
Interest income	(1,634)	(1,634)	(5,916)	(4,971)
Income (loss) before income taxes	43,987	(148,204)	339,598	63,719
Provision (benefit) for income taxes	14,242	(21,754)	153,989	60,111
Income (loss) before equity in earnings of affiliates/ Minority interest in				

subsidiaries	29,745	(126,450)	185,609	3,608
Equity in earnings of affiliates/Minority interest in subsidiaries	2,076	(105)	6,387	(991)
Net income (loss) before extraordinary loss	31,821	(126,555)	191,996	2,617
Extraordinary loss	--	--	(11,753)	--
Net income (loss)	31,821	(126,555)	180,243	2,617
Preferred dividends	--	--	--	(3,061)
Net income (loss) available to common shareholders	$ 31,821	$(126,555)	$ 180,243	$ (444)
Average common shares outstanding *	102,829	105,320	104,275	107,350
Diluted earnings per share*	$ 0.31	$ (1.20)	$ 1.73	$ 0.00
Dividends per common share*	$ 0.18	$ 0.164	$ 0.704	$ 0.641

*Prior year's figures have been restated to reflect the 10% stock dividend paid on June 10, 1998.

FINANCIAL SEGMENT INFORMATION (Unaudited)
(Dollars in thousands)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1998	Dec. 31, 1997
Net Sales				
Industrial Packaging	$347,096	$ 409,821	$1,425,012	$1,588,607
Consumer Packaging	292,916	326,607	1,132,905	1,259,224
Consolidated	$640,012	$ 736,428	$2,557,917	$2,847,831
Operating Profit				
Industrial Packaging	$ 7,266	$ 57,091	$ 162,560	$ 217,775
Consumer Packaging	34,382	34,203	125,547	124,525
Gain(loss) on sale of divested assets, net	14,994	(226,358)	100,354	(226,358)
Interest, net	(12,655)	(13,140)	(48,863)	(52,223)
Consolidated	$ 43,987	$(148,204)	$ 339,598	$ 63,719

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands)

	Dec. 31, 1998	Dec. 31, 1997
Assets		
Current Assets:		
Cash and cash equivalents	$ 57,249	$ 53,600
Trade receivables	297,670	289,991
Other receivables	54,396	12,463
Inventories	216,894	210,098
Prepaid expenses and deferred taxes	29,465	88,306
Net assets held for sale	5,294	218,582
	660,968	873,040
Property, plant and equipment, net	1,013,843	939,542

Cost in excess of fair value of assets purchased, net	170,361	144,097
Other assets	237,809	203,253
	$ 2,082,981	$2,159,932

Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	$ 323,683	$ 290,606
Notes payable and current portion of long-term debt	96,806	99,690
Taxes on income	15,578	43,848
	436,067	434,144
Long-term debt	686,826	696,669
Postretirement benefits other than pensions	43,689	83,161
Deferred income taxes and other	94,807	97,139
Shareholders' equity	821,592	848,819
	$ 2,082,981	$2,159,932

SUPPLEMENTARY COMPARATIVE FINANCIAL DATA (Unaudited)
(Dollars in thousands)

FOR COMPARATIVE PURPOSES ONLY*

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	Dec. 31, 1998	Dec. 31, 1997	Dec. 31, 1998	Dec. 31, 1997
Net Sales				
Industrial Packaging	$347,096	$345,596	$1,425,012	$1,381,355
Consumer Packaging	292,916	292,607	1,132,905	1,157,834
Consolidated	$640,012	$638,203	$2,557,917	$2,539,189
Operating Profit				
Industrial Packaging	$ 44,748	$ 55,036	$ 200,042	$ 203,289
Consumer Packaging	38,238	33,252	129,403	121,109
Interest, net	(12,655)	(13,140)	(48,863)	(52,223)
Consolidated	$ 70,331	$ 75,148	$ 280,582	$ 272,175

* Fourth quarter and year-to-date results exclude the impact of previously announced one-time charges related to headcount reductions and asset write- offs as a result of five plant closings and workforce reductions in administrative areas. The total pretax cost of these actions was $30.4 million ($18.7 million after-tax). Also excluded is an $10.9 million pretax asset impairment charge resulting from the December 7 formation of a joint venture in the paper cone business.

In the second quarter of 1998, the Company completed the sale of the fibre and plastic drums portion of the Industrial Packaging segment's industrial containers operations resulting in a one-time pretax gain of $104.6 million. Also in the second quarter of 1998, the Company completed the sale of the North American labels operation resulting in an additional pretax charge of $19.2 million. In the fourth quarter, the Company sold the remaining portion of the industrial container business, intermediate bulk containers, resulting in a $15 million gain. These gains are also excluded from the pro forma numbers above. Fourth quarter and year-to-date 1997 exclude the impact of the $226.4 million pretax ($174.5 million after-tax) asset impairment charge related to the sale of the Company's North American labels operations. The sale was completed early in the second quarter of 1998.

For comparative purposes, sales and operating profits in 1997 have also been adjusted to reflect operations sold or contributed to joint ventures. These operations include: the North America labels and Industrial Containers business; the fibre partitions operations which became a part of a joint venture with Rock-Tenn in the third quarter of 1997; and the Hamilton Hybar operations that were sold to the Cascades Sonoco joint venture in May. Also excluded from 1997 results are sales from the corrugating medium machine in Hartsville. Beginning in August 1998, the Company began operating that machine on a fixed management fee basis and no sales are reported under this new arrangement.

Although, not reflected in the segment data above, the comparable fourth quarter 1998 earnings of $.44 per diluted share and full year earnings of $1.72 per diluted share reported in this release, also exclude the extraordinary loss of $11.8 million after-tax from the early redemption of debentures.
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Company News On-Call: http: //www.prnewswire.com/comp/805487.html or fax, 800-758-5804, ext. 805487
CONTACT: Allan V. Cecil, Vice President, Sonoco, 843-383-7524