



Sonoco (NYSE: SON) Reports Second Quarter and First Half Earnings

July 21, 1999

HARTSVILLE, S.C., July 21 /PRNewswire/ -- Sonoco reported comparable earnings per diluted share of \$.46 for the second quarter of 1999, compared with \$.45 per diluted share for the second quarter of 1998, it was announced today by Peter C. Browning, president and chief executive officer of this global packaging manufacturer. Comparable results for 1998 exclude divested business units, a net gain from the sale of the Company's Industrial Container and North American labels businesses sold during the second quarter of 1998, and the extraordinary loss on the early extinguishment of its 9.2% bonds. Reported second quarter earnings per diluted share were \$.46, versus \$.59 for the same period last year that included a \$26.6 million after-tax gain on the sale of divested assets and an \$11.8 million extraordinary loss.

On a comparable basis, second quarter sales for 1999 were \$610.0 million, compared with \$602.9 million in the same quarter of 1998. Reported sales for the second quarter of 1999 were \$611.8 million, versus \$637.6 million for the second quarter of 1998. On a comparable basis, income available to common shareholders for the second quarter of 1999 was \$47.4 million, compared with \$47.4 million in the same period of last year. Reported income available to common shareholders in the second quarter of 1999 was \$47.4 million, versus \$62.2 million in the same period of 1998, including the non-operating items noted above.

For the first six months of 1999, sales, on a comparable basis, were \$1.16 billion, even with \$1.16 billion in the first half of 1998. Reported sales for the first six months of 1999 were \$1.17 billion, versus \$1.31 billion in the first half of 1998. On a comparable basis, income available to common shareholders for the first six months of 1999 was \$87.1 million, compared with \$93.9 million in 1998's first half. Reported income available to common shareholders for the first half of 1999 was \$91.3 million, versus \$108.7 million in the first half of last year. On a comparable basis, earnings per diluted share for the first six months of 1999 were \$.85, compared with \$.88 for the same period in 1998. Reported earnings per diluted share in the first half of 1999 were \$.89, versus \$1.02 in the first half of 1998.

"Volumes improved in virtually all of our businesses globally, including our paper operations that are currently operating near capacity. The profit impact from volume gains was more than offset, however, by an unfavorable price/cost ratio reflecting increasing raw material costs during the quarter, including recovered paper (OCC) costs. In response, we announced last week a 7-1/2% - 9% increase in U.S. prices for its paper-based engineered carriers, as well as price increases for Asia, Europe, Latin America, Canada and Mexico," said Mr. Browning. The Company has not announced a general price increase for its engineered carriers since August 1997.

"Historically, full implementation of our price increases for engineered carriers lags increased paper prices. Therefore, we would not expect a positive impact from our price increase in the third quarter. This is a market characteristic that we have successfully managed through our 100-year history and expect to do so again," stated Mr. Browning.

"We have seen a steady, month-over-month increase in demand for our engineered carriers since February of this year. This trend, coupled with improved productivity in our global paper mill system, which is expected to be running at capacity during the remainder of the year; continued strength in our composite can business; continuing growth in flexible packaging; and improvement in most of our other businesses, should result in another record year for 1999," added Mr. Browning.

Financial information by segment reflects results from on-going operations with results from divested units and gains and losses on the disposition of these units, reflected separately. Results by segment are discussed below on an on-going basis only.

Segment Review

Consumer Packaging

The consumer packaging segment includes composite cans; high density film products; co-extruded, laminated flexible packaging; capseals; packaging services; folding cartons and plastic and fibre cartridges.

Second quarter sales for the consumer segment, on a comparable basis, were \$271.6 million, compared with \$259.9 million in the same period last year. Operating profit for this segment was \$36.5 million, including a \$1.4 million gain on the sale of real estate, compared with \$32.6 million in the second quarter of 1998.

First half sales for the consumer segment, on a comparable basis, were \$517.3 million, compared with \$510.7 million in the same period of 1998. Operating profit in this segment for the first six months was \$68.2 million, compared with \$63.2 million in the same period last year.

The increase in second quarter sales in this segment resulted primarily from increased volume in flexible packaging operations and the European composite can operations. The Company's co-extruded, laminated flexible packaging operations saw increases in internal sales to the Company's consumer products businesses, as well as from new confectionery product introductions by a major customer. New introductions in the snack food market in Europe helped boost composite can volume. The increase in operating profit reflects improved productivity in the domestic composite can, high density film and flexible packaging operations, plus the gain from the sale of real estate.

In the domestic composite can operations, sales for nuts and powdered beverages lines were strong, while sales volume declined in the snack, dough and concentrate lines during the quarter. The rate of sales decline in frozen concentrates lessened, reflecting the conversion of a previous self-manufacturer. The Company opened a new composite can plant in Mexico during the second quarter, primarily to serve the powdered infant formula market.

Industrial Packaging

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

Comparable second quarter sales in the industrial packaging segment were \$338.4 million, compared with \$343.0 million in the second quarter of last year. Operating profits in this segment were \$48.0 million, including a \$2.4 million charge related to the shutdown of a paper mill in England and associated redundancies, compared with \$54.0 million in the same period of 1998. Excluding the charge, second quarter 1999 operating profits in the segment would have been down 6.7 percent rather than 11.2 percent.

Comparable sales for the first half of 1999 in this segment were \$646.3 million, compared with \$645.6 million in the same period of 1998. Comparable operating profit for the industrial segment for the first half of 1999 was \$91.4 million, compared with \$103.3 million in the first six months of 1998.

While volume was up in the Company's engineered carrier business and paper mills were operating at higher rates for the quarter, raw materials prices increased during the quarter, putting pressure on operating margins.

Corporate

During the second quarter, Sonoco announced an agreement to purchase all of the composite can assets of Crown, Cork and Seal Company, Inc. Crown Cork & Seal's composite can business had 1998 sales of approximately \$32 million. The all-cash purchase, which is subject to regulatory approval, is expected to close in the third quarter of 1999.

Sonoco, founded in 1899, is a \$2.6 billion manufacturer of industrial and consumer packaging products with approximately 275 operations in 32 countries serving customers in some 85 nations.

Cautionary Statements

Statements included herein that are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. 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		SIX MONTHS ENDED	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
Sales	\$ 611,754	\$ 637,609	\$ 1,172,233	\$ 1,310,924
Cost of sales	466,632	489,708	892,534	1,007,766
Selling, general and administrative expenses	60,745	61,854	120,015	129,191
Gain on assets held for sale	--	(85,360)	(3,500)	(85,360)
Income before interest and taxes	84,377	171,407	163,184	259,327
Interest expense	11,846	12,878	24,316	27,234
Interest income	(1,692)	(1,963)	(2,730)	(2,771)
Income before income taxes	74,223	160,492	141,598	234,864
Provision for income taxes	28,575	88,095	53,166	117,100
Income before equity in earnings of affiliates/ Minority interest in subsidiaries	45,648	72,397	88,432	117,764
Equity in earnings of affiliates/				

Minority interest in subsidiaries	1,716	1,544	2,879	2,672
Net income before extraordinary loss	47,364	73,941	91,311	120,436
Extraordinary loss	--	11,753	--	11,753
Net income available to common shareholders	\$ 47,364	\$ 62,188	\$ 91,311	\$ 108,683
Average shares outstanding - diluted	102,842	106,287	102,829	106,614
Diluted earnings per share	\$.46	\$.59	\$.89	\$ 1.02
Dividends per common share	\$.19	\$.18	\$.37	\$.34

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

	June 27, 1999	Dec. 31, 1998
Assets		
Current Assets:		
Cash and cash equivalents	\$ 44,845	\$ 57,249
Receivables	368,404	352,147
Inventories	229,968	217,261
Prepaid expenses and deferred taxes	30,738	29,465
Net assets held for sale	--	5,294
	673,955	661,416
Property, plant and equipment, net	995,550	1,013,843
Cost in excess of fair value of assets purchased, net	172,141	170,361
Other assets	259,554	237,363
	\$ 2,101,200	\$ 2,082,983
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	\$ 304,808	\$ 323,685
Notes payable and current portion of long-term debt	76,123	96,806
Taxes on income	2,772	15,578
	383,703	436,069
Long-term debt	699,184	686,826
Postretirement benefits other than pensions	41,074	43,689
Deferred income taxes and other	121,889	94,807
Shareholders' equity	855,350	821,592
	\$ 2,101,200	\$ 2,082,983

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
Net Sales				
Industrial Packaging	\$ 338,381	\$ 343,002	\$ 646,271	\$ 645,577
Consumer Packaging	271,613	259,858	517,289	510,717

Net sales from on-going businesses	609,994	602,860	1,163,560	1,156,294
Divested businesses	1,760	34,749	8,673	154,630
Consolidated	\$ 611,754	\$ 637,609	\$1,172,233	\$1,310,294
Operating Profit				
Industrial Packaging	\$ 47,969	\$ 53,993	\$ 91,404	\$ 103,341
Consumer Packaging	36,460	32,550	68,204	63,194
*Operating profit from on-going businesses	84,429	86,543	159,608	166,535
Divested businesses	(52)	(496)	76	7,432
Gain on assets held for sale		85,360	3,500	85,360
Interest, net	(10,154)	(10,915)	(21,586)	(24,463)
Consolidated	\$ 74,223	\$ 160,492	\$ 141,598	\$ 234,864

* Excludes divested business units from net sales and operating profit in 1999 and 1998 and excludes the 1999 and 1998 gains on assets held for sale.

SOURCE Sonoco

Web site: <http://www.sonoco.com>

Company News On-Call: <http://www.prnewswire.com/comp/805487.html> or fax, 800-758-5804, ext. 805487

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