



## Sonoco Reports 12.8% Increase in Third Quarter Earnings

October 20, 1999

HARTSVILLE, S.C., Oct. 20 /PRNewswire/ -- Sonoco (NYSE: SON) today reported third quarter earnings per diluted share of \$.44, a 12.8% increase over \$.39 for the third quarter of last year, it was announced today by Peter C. Browning, president and chief executive officer.

Sales for the third quarter of 1999 were \$620.0 million, a 2.1% increase over \$607.0 million in the same quarter of 1998. Last year's third quarter included \$22.7 million in sales from divested units. Excluding those sales, third quarter 1999 sales increased 6.1% over the same period in 1998. Net income for the third quarter of 1999 was \$45.3 million, compared with \$39.7 million in the same period last year, a 13.9% increase.

For the first nine months of 1999, reported sales were \$1.8 billion versus \$1.9 billion in the same period last year. On a comparable basis, excluding results from divested units or now part of unconsolidated joint ventures (Harlands, intermediate bulk containers, cone operations and corrugated medium), sales for the first nine months of 1999 were \$1.8 billion, versus \$1.7 billion through 1998's third quarter, a 2.5% increase. Reported net income for the first nine months of 1999 was \$136.6 million, versus \$148.4 million in the same period last year. Reported net income for the first nine months included one-time gains on divested businesses of \$3.5 million and \$85.4 million for 1999 and 1998, respectively. Excluding these gains, net income was \$133.1 million in 1999, compared with \$133.6 million in 1998. Reported earnings per diluted share for the first nine months of 1999 were \$1.33, versus \$1.42 in 1998. On a comparable basis, excluding the above items and the extraordinary loss on the early extinguishment of debt in 1998, earnings per diluted share for 1999 to date were \$1.30, a 1.6% increase over \$1.28 in the same period last year.

"Strong productivity increases and volume improvement in most businesses globally more than offset an unfavorable price/cost ratio, reflecting increased raw material costs for the quarter, led primarily by higher recovered paper and resin costs.

"One of the company's key drivers of earnings growth, productivity in the third quarter equaled what was accomplished in the entire first half of the year. While productivity was weaker in the 1998 third quarter, we are pleased with our progress and expect strong productivity results in the fourth quarter as well.

"In August, the company initiated increased prices for its paper-based engineered carriers in the United States, Asia, Europe, Latin America, Canada and Mexico. As expected, we were not able to fully recover these cost increases during the third quarter; however, full recovery is anticipated in the fourth quarter," said Mr. Browning.

"We have seen a steady increase in demand for our engineered carriers since February of this year, even though our engineered carrier and recycled paperboard volume in the third quarter was impacted by natural disasters affecting customers along the east coast of the United States and in Turkey and Taiwan," explained Mr. Browning.

"Our global paper mill system is currently operating at or near capacity; the composite can business, where we are the global leader, continues to grow; we continue to be pleased with the growth of our flexible packaging business, which has recently doubled in size; designed interior packaging, one of the company's growth vehicles, continues to expand; and most of our other businesses are also improving. These factors plus a strong balance sheet, should result in another record year for 1999 and provide momentum as we enter the year 2000," concluded Mr. Browning.

### Segment Review

#### Consumer Packaging

The consumer packaging segment includes composite cans; flexible packaging (printed flexibles, bag and film products, container seals); and specialty packaging and services (folding cartons, covers and coasters, graphics management, packaging centers).

Third quarter 1999 sales for the consumer segment were \$279.6 million, compared with \$259.5 million in the same period last year, a 7.7% increase. Operating profit for this segment was \$34.7 million, compared with \$27.8 million in the third quarter of 1998, a 24.9% increase.

Sales for the consumer segment in the first nine months of 1999 were \$796.9 million, a 3.5% increase over \$770.2 million in the same period last year. Operating profit in this segment for the first nine months was \$102.9 million, a 13.1% increase over \$91.0 million in the same period last year.

The increase in third quarter sales in this segment resulted primarily from increased volume in composite cans, particularly in Europe and Latin America. The increase in operating profit primarily reflects improved productivity in the North American composite can operations and steadily improving profitability in our European and Latin American operations.

In the domestic composite can business, sales of cans for nuts, powdered beverages and refrigerated dough were strong, while sales volume declined in the snack and concentrate lines. The increase in dough sales reflects the purchase of the composite can operations of Crown, Cork & Seal in August. European composite can sales increased, reflecting the introduction of several new snack food products and continued growth of existing snack can products. Also, a new composite can plant in Mexico opened in the second quarter of 1999 to serve the powdered infant formula market.

#### Industrial Packaging

The industrial packaging segment includes engineered carriers/paper (paper and plastic tubes and cores, paper manufacturing and recovered paper operations) and protective packaging (designed interior packaging and protective reels).

Third quarter 1999 sales in the industrial packaging segment were \$340.5 million, a 4.8% increase over \$324.8 million in the same period last year. Operating profit in this segment was \$46.0 million, a 1.6% increase over \$45.3 million in the same period last year.

Sales for the first nine months of 1999 in this segment were \$986.7 million, a 1.7% increase over \$970.4 million in the same period last year. Operating profit for the first nine months of 1999 was \$137.5 million, a 7.6% decrease from \$148.7 million in the same period last year.

While volume was even in the domestic engineered carriers business during the third quarter of 1999, volume was strong in all our international engineered carrier operations, particularly Canada and Mexico. This segment also benefited from strong productivity improvement, partially driven by higher volume. In addition, the company's paper mills were running at or near capacity, but the lag time between OCC price increases and recovery through selling price increases put temporary pressure on operating margins in the segment.

#### Corporate

In September, Sonoco completed the purchase of the flexible packaging division of Graphic Packaging Corporation for approximately \$105 million in cash. The acquisition, which is expected to be earnings neutral for the first year, will double Sonoco's presence in the flexible packaging business, the fastest growing segment of the packaging industry. Graphic Packaging's and Sonoco's flexible businesses had 1998 sales of approximately \$120 million each.

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		NINE MONTHS ENDED	
	Sept. 26,	Sept. 27,	Sept. 26,	Sept. 27,
Sales	\$620,027	\$ 606,981	\$1,792,260	\$1,917,905
Cost of sales	476,069	467,703	1,368,603	1,475,327
Selling, general and administrative expenses	63,427	66,786	183,442	196,119
Gain on assets held for sale	--	--	(3,500)	(85,360)
Income before interest and taxes	80,531	72,492	243,715	331,819
Interest expense	12,914	13,256	37,230	40,490
Interest income	(1,310)	(1,511)	(4,040)	(4,282)
Income before income taxes	68,927	60,747	210,525	295,611
Provision for income taxes	25,542	22,647	78,708	139,747
Income before equity in earnings of affiliates/Minority interest in subsidiaries	43,385	38,100	131,817	155,864
Equity in earnings of affiliates/Minority interest in				

subsidiaries	1,882	1,639	4,761	4,311
Net income before extraordinary loss	45,267	39,739	136,578	160,175
Extraordinary loss	--	--	--	11,753
Net income	\$ 45,267	\$ 39,739	\$136,578	\$148,422
Average shares outstanding - diluted	102,899	103,147	102,853	104,764
Diluted earnings per share	\$ .44	\$ .39	\$ 1.33	\$ 1.42
Dividends per common share	\$ .19	\$ .18	\$ .56	\$ .524

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

	Sept. 26, 1999	Dec. 31, 1998
Assets		
Current Assets:		
Cash and cash equivalents	\$63,889	\$57,249
Receivables	390,247	352,147
Inventories	250,332	217,261
Prepaid expenses and deferred taxes	28,381	29,465
Net assets held for sale	-	5,294
	732,849	661,416
Property, plant and equipment, net	1,039,280	1,013,843
Cost in excess of fair value of assets purchased, net	252,419	170,361
Other assets	276,902	237,363
	\$2,301,450	\$2,082,983
Liabilities and Shareholders' Equity		
Current Liabilities:		
Payable to suppliers and others	\$337,797	\$323,685
Notes payable and current portion of long-term debt	78,204	96,806
Taxes on income	15,778	15,578
	431,779	436,069
Long-term debt	824,658	686,826
Postretirement benefits other than pensions	39,731	43,689
Deferred income taxes and other	124,397	94,807
Shareholders' equity	880,885	821,592
	\$2,301,450	\$2,082,983

FINANCIAL SEGMENT INFORMATION (Unaudited)  
(Dollars in thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
Net Sales				
Industrial Packaging	\$340,456	\$324,813	\$986,727	\$970,390
Consumer Packaging	279,571	259,494	796,860	770,211
Other*	--	22,674	8,673	177,304
Consolidated	\$620,027	\$606,981	\$1,792,260	\$1,917,905

Operating Profit				
Industrial Packaging	\$ 46,047	\$ 45,342	\$137,451	\$148,683
Consumer Packaging	34,677	27,769	102,881	90,963
Other*	(193)	(619)	(117)	6,813
Net gain on assets held for sale	--	--	3,500	85,360
Interest expense, net	(11,604)	(11,745)	(33,190)	(36,208)
Consolidated	\$ 68,927	\$ 60,747	\$ 210,525	\$ 295,611

\* Includes net sales and operating profits of divested businesses and entities previously consolidated which have been contributed to joint ventures and are no longer consolidated by Sonoco.

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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