

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, 1999

☐ 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 1-11261

SONOCO PRODUCTS COMPANY

INCORPORATED UNDER THE LAWS
OF SOUTH CAROLINA

I.R.S. EMPLOYER IDENTIFICATION
NO. 57-0248420

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.
Series A Cumulative Preferred 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. ☒

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 5, 2000, was \$1,691,879,054. Registrant does not have any non-voting common stock outstanding.

As of March 5, 2000, there were 100,131,482 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, 1999, 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 19, 2000, are incorporated by reference in Part

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

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 following items from the 1999 Annual Report to Shareholders (the "1999 Annual Report") are incorporated herein by reference: Management's Discussion and Analysis on pages 25 - 33, and Notes 2 and 3 to the Consolidated Financial Statements on pages 38 - 39.
- (b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS - Note 18 to the Consolidated Financial Statements on page 45 of the 1999 Annual Report is incorporated herein by reference.
- (c) NARRATIVE DESCRIPTION OF BUSINESS - The operations reviews on pages 6 - 9 and Management's Discussion & Analysis on pages 25 - 33 of the 1999 Annual Report are incorporated herein by reference. As of December 31, 1999, the Company had approximately 17,500 employees.
- (d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES - Note 18 to the Consolidated Financial Statements on page 45 of the 1999 Annual Report is incorporated herein by reference.
- (e) EXECUTIVE OFFICERS OF THE REGISTRANT - Certain information with respect to persons who are, or may be deemed to be, executive officers of the Company is set forth under the caption "Executive Officers" on pages 50 - 51 of the 1999 Annual Report and is incorporated herein by reference.

ITEM 2 PROPERTIES - The information about properties owned and leased by the Company on page 30 of Management's Discussion & Analysis of the 1999 Annual Report is incorporated herein by reference.

ITEM 3 LEGAL PROCEEDINGS - Note 15 to the Consolidated Financial Statements on page 44 of the 1999 Annual Report is incorporated herein by reference.

In February 2000, Sonoco received a favorable ruling from the Denver District Court in a trade secrets case against a competitor and a former employee. The ruling awarded Sonoco approximately \$4.7 million in actual damages and \$2.3 million in punitive damages. The ruling has been appealed; accordingly, the award has not yet been reflected in Sonoco's financial statements.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDER - None.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - The following items from the 1999 Annual Report are herein incorporated by reference: the information relating to market price and cash dividends under Selected Quarterly Financial Data on page 24, and the information relating to cash dividends in the Management's Discussion & Analysis at the bottom right of page 29. The Company's common stock is traded on the New York Stock Exchange under the stock symbol "SON". At December 31, 1999, there were approximately 39,000 shareholder accounts.

ITEM 6 SELECTED FINANCIAL DATA - The Selected Eleven-Year Financial Data provided on pages 46 - 47 of the 1999 Annual Report are incorporated herein by reference.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART II (CONTINUED)

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Management's Discussion & Analysis on pages 25 - 33 of the 1999 Annual Report is incorporated herein by reference.

Subsequent to December 31, 1999, through March 23, 2000, the Company has repurchased 2,474,300 shares of the Company's common stock at a total cost of \$46,364,038.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - Pages 29 - 30 of Management's Discussion & Analysis of the 1999 Annual Report is incorporated herein by reference.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - The following items provided in the 1999 Annual Report are incorporated herein by reference: the Selected Quarterly Financial Data on page 24; the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 34 - 45; and the Report of Independent Certified Public Accountants on page 48.

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 5 - 9 and page 29, respectively, of the Company's definitive 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.

ITEM 11 EXECUTIVE COMPENSATION - Information with respect to the compensation of directors and certain executive officers as shown on pages 21 - 27 of the Company's definitive Proxy Statement 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", "Pension

Table", "Directors' Compensation", and "Compensation Committee Interlocks and Insider Participation", is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT - Information with respect to the beneficial ownership of the Company's Common Stock by management and others as shown on pages 13 - 15 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.

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 26 - 27; and "Transactions with Management" on page 27.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements: Consolidated Balance Sheets as of December 31, 1999 and 1998; Consolidated Statements of Operations for the years ended December 31, 1999, 1998 and 1997; Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1999, 1998 and 1997; and Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997.

2. Financial Statement Schedules: All 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

1 Underwriting Agreement (incorporated by reference to Form 8-K filed on November 17, 1999)

3-1 Articles of Incorporation (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)

3-2 By-Laws (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)

4 Instruments Defining the Rights of Securities Holders, including Indentures (incorporated by reference to the Registrant's Forms S-3 (File Numbers 33-40538, 33-50501, and 33-50503))

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 (incorporated by reference to the Registrant's Form S-8 dated June 7, 1995)

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)

- 10-4 Sonoco Products Company Employee Savings and Stock Ownership Plan (incorporated by reference to the Registrant's Form S-8 dated November 27, 1989)
- 10-5 Engraph, Inc. Retirement Plus Plan (incorporated by reference to the Registrant's Form S-8 dated November 22, 1993)
- 10-6 Sonoco Products Company Centennial Shares Plan (incorporated by reference to the Registrant's Form S-8 dated December 30, 1998)
- 12 Computation of Ratio of Earnings to Fixed Charges (incorporated by reference to Form 8-K filed on November 12, 1999)
- 13 1999 Annual Report to Shareholders (portions incorporated by reference)
- 21 Subsidiaries of the Registrant
- 23 Consent of Independent Accountants
- 27 Financial Data Schedule
- 99-1 Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 19, 2000 (previously filed)

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART IV (CONTINUED)

- ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K
- 99-2 Form 11-K Annual Report - 1991 Sonoco Products Company Key Employee Stock Option Plan
- (b) Reports on Form 8-K: Sonoco filed the following Reports on Form 8-K during the fourth quarter of 1999: Form 8-K relating to Item 7 of that form with respect to the Computation of Ratio of Earnings to Fixed Charges, filed on November 12, 1999; and Form 8-K relating to Item 7 of that form with respect to the Underwriting Agreement, filed on November 17, 1999.

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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 24th day of March 2000.

SONOCO PRODUCTS COMPANY

/s/ Peter C. Browning

Peter C. Browning
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 24th day of March 2000.

/s/ F. T. Hill, Jr.

F. T. Hill, Jr.
Vice President and
Chief Financial Officer

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SIGNATURES, CONTINUED

/s/ C. W. Coker

C. W. Coker

Director (Chairman)

/s/ P. C. Browning

P. C. Browning

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

Director

J. L. Coker
/s/ T. C. Coxe, III Director

T. C. Coxe, III
/s/ H. E. DeLoach, Jr. Director

H. E. DeLoach, Jr.
/s/ A. T. Dickson Director

A. T. Dickson
/s/ P. Fulton Director

P. Fulton
/s/ B. L. M. Kasriel Director

B. L. M. Kasriel
/s/ E. H. Lawton, Jr. Director

E. H. Lawton, Jr.
/s/ H. L. McColl, Jr. Director

H. L. McColl, Jr.
/s/ Dona Davis Young Director

Dona Davis Young
/s/ C. D. Spangler, Jr. Director

C. D. Spangler, Jr.

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SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number -----	Description -----
1	Underwriting Agreement (incorporated by reference to Form 8-K file on November 17, 1999)
3-1	Articles of Incorporation (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)
3-2	By-Laws (incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 27, 1999)
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filed)
- 99-2 Form 11-K Annual Report - 1991 Sonoco Products Company Key
Employee Stock Option Plan

INDUSTRIAL PACKAGING

[PHOTO]

SONOCO'S INDUSTRIAL PACKAGING SEGMENT ACCOUNTS FOR APPROXIMATELY 55% OF THE COMPANY'S SALES. THESE PRODUCTS INCLUDE HIGH PERFORMANCE PAPER AND PLASTIC-BASED ENGINEERED CARRIERS AND PAPERBOARD; WOOD, METAL AND COMPOSITE REELS FOR WIRE AND CABLE PACKAGING; AND DESIGNED INTERIOR PACKAGING.

ENGINEERED CARRIERS

Engineered carriers are tubes and cores made of fibre, injection molded and extruded plastic, or composite materials that are used by a wide range of industries to wind and transport their products. The major markets served by Sonoco are textiles, paper, film, foil, tape and coiled metals. These products are also used for non-winding applications such as construction molds and storage and shipping containers.

Sonoco is the world's largest producer of paperboard engineered carriers, operating some 112 manufacturing sites in North America, South America, Europe, Asia and Australia, with sales of approximately \$1.1 billion for tubes, cores and paperboard. While there is strong competition from regional and local manufacturers, the trend of global consolidation, where fewer customers demand fewer suppliers with uniform quality and capabilities around the world, leaves Sonoco well positioned to maintain and build upon its leadership position.

The Company's engineered carriers business also includes injection molded and extruded plastics operations generating some \$130 million in annual sales. In addition to engineered carriers and protective end walls, the 17 dedicated plastics plants produce products used in the wire and cable, automotive, plumbing, filtration, food and quick service restaurant markets.

TECHNOLOGY LEADER

Sonoco is recognized not only as a leading manufacturer of industrial packaging, but also as the technology leader, a necessity in a world pursuing ever-greater performance at the most competitive cost. Sonoco has an integrated network of global technology centers on four continents staffed by experts in materials science, packaging engineering and process improvement. Global collaboration among Sonoco's scientists, our customers and equipment manufacturers leverages these resources so that the best solutions are delivered to customers, whether it's a new yarn tube capable of winding at speeds of 8,000 meters per minute, a paper mill core that can accommodate rolls of paper weighing in excess of six tons, or a radial crush tester that allows film producers to match their carriers to the application with pinpoint accuracy. No other packaging company in the world adds as much value through technology as Sonoco does in the businesses in which it operates.

SUPPLY CHAIN MANAGEMENT

The Company is also adding value through its state-of-the-art order fulfillment center in Hartsville, S.C. The Company has implemented the latest e-Business technology needed to provide customers with cost savings and service-enhancing supply chain management capabilities.

[CHART]

NET SALES, INDUSTRIAL SEGMENT
(\$ in billions)

1999 sales were lower due to the disposition of the industrial container business in 1998 and the contribution of previously consolidated entities to joint ventures.

GEOGRAPHIC EXPANSION

To strengthen our ability to supply engineered carriers to global markets, the Company opened a number of new production facilities in 1999. These include a high-performance engineered carrier plant in Bursa, Turkey, for textile carriers and another in Poland at the request of a global paper customer. Sonoco has also committed to a new joint venture paper mill with an annual capacity of 12,000 tons in northern Greece to supply Turkish and French operations.

Customers respond positively to Sonoco's commitment to being the low-cost, high-value global supplier of engineered carriers. Unit volume growth was up approximately 6% over 1998, with demand increasing in all geographical areas.

Operating profit in our integrated engineered carriers and paperboard operations in 1999 was down slightly when compared with 1998. The year was adversely impacted by lingering effects of the Asian Flu in January and an increase in old corrugated container (OCC) prices. For the last six months of 1999, operating profit was up more than 15% over the same period in 1998, reflecting strengthening volumes and strong productivity improvement. The Company instituted price increases in North America, Europe, and Latin America to offset these higher raw materials costs. Due to the lag between the cost increases and selling price realization, the Company had a negative price/cost position for 1999. In 2000, we expect that selling price increases already implemented will recover most, if not all, of the cost increases.

PAPER OPERATIONS

Sonoco's paper operations are a key component of the Company's strategy of vertical integration in its paper packaging operations. One of the world's leading producers of recycled paperboard with 26 paper mills running 37 papermaking machines in 10 countries, the Company's annual global capacity has grown to nearly 1.6 million tons of paperboard. Of this, approximately 85% is used in Sonoco's own products. The remaining 15% is sold to converters for applications that include book covers, backing for tablets and pads, household filters, folding cartons and partitions, and specialty items such as game tickets, tags and candy board. The Company also produces approximately 185,000 tons of corrugating medium for Georgia-Pacific under a management fee arrangement.

Recovered paper is one of Sonoco's primary raw materials. Each year the Company collects some two million tons via its network of 44 recovered paper collection facilities around the world. Sonoco offers customized reclamation programs to customers, municipalities and private businesses generating large amounts of used paper. This valuable service stops millions of pounds of recoverable materials from being sent to landfills.

During 1999, the Company completed a major renovation of its Richmond, Va., paper mill which, after a difficult start-up, is now operating at capacity and principally supporting Sonoco's composite can operations. This has enabled the Company to supply significantly more of its composite can paperboard requirements internally.

The final component of Sonoco's vertical integration is adhesives manufacturing and machinery manufacturing. Both support the Company's paper converting businesses.

PROTECTIVE PACKAGING

DESIGNED INTERIOR PACKAGING

Sonoco's designed interior packaging products are used to secure and package major appliances such as dishwashers, washing machines and ranges for distribution. The primary product is Sonopost(R) corner posts, which uses Sonoco-made recycled paperboard as the principal raw material, making it a

lightweight, strong and cost-effective solution. The appeal of this packaging has earned Sonoco a major market share with Maytag and Whirlpool. Additionally, Sonoco has packaging engineers in both customers' facilities who assist in product design and inventory management. This business, which represents a significant growth opportunity, has three plants in the United States. A fourth plant opened in San Luis Potosi, Mexico, this year to supply a major customer's new operation.

OPERATING INCOME, INDUSTRIAL SEGMENT (\$ in millions)

1998 operating income excludes the gain on the sale of the industrial containers business and one-time charges. Reported operating income in 1998 was \$282.1 million.

WIRE AND CABLE REELS

Sonoco Baker Reels is the leading producer of nailed-wood, plywood and metal reels for the wire and cable industry in the United States. In 1999, the Company acquired Wood Composite Technology of Greensboro, Ga., a manufacturer of composite (wood and plastic) reels. Composite reels are lightweight, durable and reusable and provide a natural extension of our product line. The wire and cable reel operation serves customers from seven United States manufacturing sites and 28 warehouse locations.

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CONSUMER PACKAGING

Sonoco's consumer packaging businesses comprise approximately 45% of the Company's sales. These businesses include composite cans, flexible packaging, and speciality packaging and services.

COMPOSITE CANS

Sonoco is the world's leading producer and technological innovator of composite cans, delivering such consumer-preferred features as ease of opening and resealability, portability, durability, ease of handling and storage, extended shelf and pantry life, and an endless choice of sizes and shapes. Sonoco is also the market leader in fibre and plastic caulk cartridge packaging for the adhesive and sealant industry.

NUMEROUS OPTIONS FOR CUSTOMERS

Sonoco composite cans are spiral wound for strength and typically consist of four layers: two plies of 100% recycled paperboard, a protective liner with barrier qualities specific to the product, and a label.

Composite cans offer exceptional flexibility to meet customer needs, including a variety of opening systems, ranging from shaker tops for cleansers and grated cheeses, peelable membranes for snacks and shortenings to a peelable membrane with a one-way "freshness" valve for roasted coffee. The bottom of the package can be either metal or paper. Labels can be applied during or after winding as a convolute label. Customers can even self-apply their labels. The resealable overcaps can be pigmented and embossed for further differentiation.

Sonoco has 43 composite can plants in 13 countries on four continents, with additional locations currently planned.

Composite cans, referred to as paperboard canisters in Europe, generally contain more than 50% recycled content. They are used to package a wide range of products: snacks, refrigerated dough and pastries, powdered beverages, roasted coffee, nuts, candy, cookies and crackers, cereal, frozen concentrates, salt, cleansers, adhesives, and many others. In addition, this business makes

fibre and plastic cartridges for the adhesives, ink, petroleum and sealants markets.

Sonoco's global composite can and cartridge unit volume in 1999 increased over 10% from 1998 from gains in the snack, nut, cartridge and powdered beverage sectors, and the acquisition in August of Crown Cork & Seal's composite can assets. Also, new operations began in Delicias, Mexico, and in Kuala Lumpur, Malaysia. International unit volume increased sharply, although from a much smaller base than in North America, principally in Europe where leading snack manufacturers launched more than 10 new products in 1999. Demand for cans also increased in Latin America.

NEW PRODUCT INTRODUCTIONS

Sonoco enjoyed a number of successful, high profile launches in 1999: Mead Johnson Nutritional's Viactiv(R), Procter & Gamble's Pringles(TM) Twin Stack, and Minute Maid's new frozen concentrate package featuring the consumer-friendly Ring-Pull Mirastrap(R) opening system. Kellogg Company launched a new wholesome snack product, Snack `Ums(TM), for which Sonoco is providing three package sizes. Kellogg's selection of Sonoco's composite cans for this new product demonstrates the composite can's appeal to consumers.

Operating profits improved over a difficult 1998, reflecting increased volume, productivity improvement and fixed costs controls.

Growth Strategy

Sonoco's strategy for growth in the global composite can market includes the continuing introduction of new packaging innovations; responding

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to consumer needs for convenience; focusing on opportunities in snacks, powdered beverages and coffee; converting customers from other forms of packaging; and converting self-manufacturers. Special emphasis will also be placed on geographical expansion in Europe, Asia and Latin America, where market penetration is relatively low.

[BAR GRAPH]

NET SALES, CONSUMER SEGMENT
(\$ in billions)

1999 sales were higher due to the impact of acquisitions and volume increases, particularly in the European and Latin American composite can operations.

FLEXIBLE PACKAGING

Sonoco's flexible packaging operations include printed flexible packaging, high density film products and container seals.

PRINTED FLEXIBLE PACKAGING

With the acquisition of the flexible packaging division of Graphic Packaging Corporation, Sonoco should double the sales of printed flexibles from approximately \$125 million to \$250 million per year. Prior to the acquisition, the Company had three locations in the United States and was known primarily for rotogravure printing on paper, film and foil structures. Today, Sonoco operates nine plants in the United States and Canada, has more than doubled its capacity, and added flexo-graphic printing, multi-layer bag making and film blowing capabilities, while expanding its adhesion and extrusion lamination technology. Even though Sonoco already occupies a strong position in the cookie, cracker and confectionery markets and provides packaging to some of the

best known names in these businesses, the acquisition will significantly enhance its market presence and customer service. The acquisition also allows Sonoco to supply new markets such as beverage labels, coffee and personal care. This operation continues to provide liner and label materials to the Company's composite can business.

Previously, Sonoco had no flexible packaging manufacturing locations in Canada. There are now four: Terrebonne, Quebec; Toronto, Ontario; Vancouver, British Columbia; and Winnipeg, Manitoba. Sonoco's expanded North American presence should facilitate relationships with major customers on both sides of the border as these customers seek to consolidate their supplier base.

Sonoco has chosen printed flexible packaging as a major growth vehicle because its historical growth rate is well above the Gross Domestic Product (GDP) and is the fastest growing segment of the packaging industry. Printed flexible packaging complements the Company's composite can customer base; lends itself to globalization, a competency of Sonoco; and utilizes much of the same materials science expertise developed by Sonoco for its composite can and bag and film businesses.

HIGH DENSITY FILM PRODUCTS

Sonoco is the leading producer of high-density, high-molecular weight plastic carry-out grocery bags in the United States, with approximately 35% of the grocery bag market. This operation, with sales of over \$200 million and six plants in North America, also produces bags for high-volume retail stores, diversified retail businesses and convenience stores, along with agricultural films, a fast-growing market that is benefiting from Sonoco's materials science and product development capabilities. The Company introduced QuikStar(TM) produce bags in October, and a growing number of supermarkets throughout North America are converting to the pre-opened bags that are easier to use than traditional produce bags. The Company's high density film operation experienced an uneven year in 1999, with stronger performance in the first six months and greater pressures on margins in the second half.

CAPSEALS

Sonoco produces container seals used for food and non-food products as supplemental closures on bottles and jars. Based in the United Kingdom, this one-plant operation supplies customers around the world with sophisticated seals that provide product protection and preserve seal integrity, thus preventing illicit tampering and sampling. The Company also produces innovative holographic liners used to discourage counterfeiting, a growing problem around the world.

SPECIALTY PACKAGING AND SERVICES

PACKAGING SERVICES AND FOLDING CARTONS

For the past three years, Sonoco has managed Gillette's North American packaging operations for razors and blades. In 1998, Sonoco opened a dedicated 250,000-square-foot facility in Devens, Mass., to support this initiative. In addition to packaging services, Sonoco also supplies Gillette with folding cartons. Based on the continued success of the Gillette partnership, Sonoco is investigating similar relationships that would allow customers to leverage Sonoco's packaging supply chain expertise while permitting the customer to focus on their core strengths.

[BAR GRAPH]

OPERATING INCOME,
CONSUMER SEGMENT
(\$ in millions)

1999 excludes a gain on the sale of the labels operations in the United Kingdom. 1998 excludes a loss on the sale of the North American labels operation and one-time charges. 1997 excludes a pre-tax asset impairment charge of \$226.4 million. Reported results were \$148 million in 1999, \$106.3 million in 1998 and \$(101.8) million in 1997.

COASTERS AND GLASS COVER

Sonoco is the leading supplier of coasters and glass covers to the North American hospitality industry, restaurants, hospitals and other businesses using these specialized products. The business experienced increased sales and profits in 1999.

GRAPHICS MANAGEMENT

Based in the United Kingdom, Sonoco Trident opened a new operation, Sonoco Trident USA, in Charlotte, N.C. Trident helps major companies manage brands on a worldwide basis, specifically in the area of graphic reproduction, and provides similar assistance to other Sonoco divisions.

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SELECTED QUARTERLY

FINANCIAL DATA (UNAUDITED)

(Dollars in thousands except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999				
Net sales	\$ 560,479	\$ 611,754	\$ 620,027	\$ 754,474
Gross profit	134,577	145,122	143,958	169,472
Net income	43,947 (1)	47,364	45,267	51,227
Per common share				
Net income - basic	\$.43	\$.46	\$.44	\$.50
- diluted	.43	.46	.44	.50
Cash dividends - common	.18	.19	.19	.19
Market price - high	28.75	28.06	29.94	25.25
- low	22.69	22.88	22.31	21.06
1998				
Net sales(2)	\$ 673,315	\$ 637,609	\$ 606,981	\$ 640,012
Gross profit(2)	155,257	148,043	139,278	147,139
Net income	46,495	62,188 (3)	39,739	31,821 (4)
Per common share				
Net income - basic	\$.45	\$.60	\$.39	\$.31
- diluted	.43	.59	.39	.31
Cash dividends - common	.164	.18	.18	.18
Market price - high	37.67	38.92	31.00	30.38
- low	29.89	30.75	24.19	22.44

- (1) Includes a \$3.5 million after-tax gain from the sale of the labels and label machinery operations in the United Kingdom and the label machinery operation in the United States.
- (2) Net sales and gross profit in the second, third and fourth quarters of 1998 include operations subsequently divested.
- (3) Includes the gain on the sale of the fibre and plastic drum components of the industrial containers operation of \$40.3 million after tax, the additional loss on the sale of the North American labels operation of \$(13.7) million after tax, and the extraordinary loss from early extinguishment of debt of \$(11.8) million after tax.
- (4) Includes the gain on the sale of the intermediate bulk containers component of the industrial containers operation of \$15 million after tax, one-time charges related to workforce reductions and plant closings of \$(18.7) million after tax, and an asset impairment charge of \$(9.8) million after tax.

[GRAPH]

Market vs. Book Value
Per Common Share

The market price of the Company's stock was \$22.75 per share at the end of 1999 and the book value per common share increased to \$8.88.

[BAR GRAPH]

Cash Dividends
Declared-Common
(\$ in millions)

The quarterly dividend increased from \$.18 to \$.19 per share in the second quarter of 1999.

[BAR GRAPH]

Shareholders' Equity
(\$ in millions)

Shareholders' equity increased in 1999 due to Sonoco's strong earnings performance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

The first and second half of 1999 were markedly different in terms of earnings performance. On a comparable basis (excluding one-time gains and charges), the first six months saw a year-over-year earnings decrease of 6.5%, compared with a 13.4% increase in the second half of the year.

Consolidated net sales for 1999 were \$2.55 billion, compared with \$2.56 billion in 1998. Sales in 1998 included \$194.2 million from operations that were divested, contributed to joint ventures or are no longer consolidated by Sonoco. These transactions are described more fully below. Sales from continuing operations increased 7.4% to \$2.54 billion during 1999 from \$2.36 billion in 1998.

Net income in 1999 was \$187.8 million, compared with \$180.2 million in 1998. Earnings per diluted share were \$1.83 in 1999, compared with \$1.73 in 1998. Net income for 1999 included an after-tax gain of \$3.5 million from the sale of the label and label machinery operations in the United Kingdom and the United States. Net income for 1998 included net gains on the divestiture of operations totaling \$41.6 million after tax an extraordinary loss of \$11.8 million from the early extinguishment of debt, one-time after-tax charges of \$18.7 million for plant closings and workforce reductions and an after-tax asset impairment charge of \$9.8 million. These transactions are described more fully below. Net income for 1999 on a comparable basis increased 3% to \$184.3 million from 1998's comparable income of \$178.9 million. Earnings per diluted share for 1999 increased 4.5% to \$1.79 from \$1.72 in 1998 on a comparable basis.

TRANSACTIONS AFFECTING COMPARABILITY OF RESULTS 1999 TRANSACTIONS

During the first quarter of 1999, the Company completed the sale of its labels and label machinery operations in the United Kingdom and the United States. This sale resulted in the recognition of a \$3.5 million after-tax gain.

1998 TRANSACTIONS

In the second quarter of 1998, the Company completed the sales of its North American labels operations and the fibre and plastic drums portions of its industrial containers operation. The sale of the labels operation resulted in a non-cash pre-tax asset impairment charge of \$226.4 million in 1997 and an additional pre-tax charge of \$19.2 million upon the consummation of the sale in 1998. The sale of the fibre and plastic drums operations in the second quarter of 1998 resulted in a pre-tax gain of \$104.6 million. Also during the second quarter, the Company recorded an extraordinary loss of \$11.8 million (net of a \$7.5 million income tax benefit) from the early extinguishment of \$58.7 million of the Company's 9.2% debentures.

In July 1998, the Company renegotiated the terms of its corrugating medium supply agreement with Georgia-Pacific. Under the prior agreement, an equal profit sharing arrangement, results were consolidated. The new agreement provides for a

fixed fee arrangement, thus all sales and cost components are no longer consolidated in the Company's results. The new arrangement reduces the Company's earnings volatility due to this commodity grade of paper.

During the fourth quarter of 1998, Sonoco contributed its paper cone and open-end spinning paper tube operations to a global joint venture, Conitex-Sonoco, LLC, to serve the textile industry. An asset impairment charge of \$9.8 million after tax was recognized as a result of this transaction. Also during the fourth quarter of 1998, the Company recorded one-time after-tax charges of \$18.7 million resulting from five plant closings and workforce reductions in administrative areas. Additionally the Company sold the remaining portion of the industrial containers operations, intermediate bulk containers, resulting in a \$15 million pre-tax gain.

[CHART]

ASSETS BY CATEGORY (\$ in millions)

The increase in each of the asset categories is primarily due to acquisitions completed in 1999.

OPERATING RESULTS FROM CONTINUING OPERATIONS 1999 VERSUS 1998

Consolidated net sales increased \$174.3 million, or 7.4%, to \$2.54 billion from \$2.36 billion in 1998. Domestic sales in 1999 were \$1.87 billion, up 4%, and international sales were \$.67 billion, up 18.1%. The components of the sales change were:

(\$ in millions)

Volume/Mix	\$139
Acquisitions	72
Price	(8)
Exchange rates	(29)

Total sales increase	\$174
=====	

Selling prices did not recover the increased cost of raw materials resulting in a negative price/cost position of \$25 million in 1999. Largely in the fourth quarter, selling prices were increased to recover the higher material costs. Selling prices implemented in 1999 should offset most of the negative price/cost position in 2000, though there can be no assurance of such an offset.

Productivity improvements totaled \$45 million in 1999, more than fully offsetting the negative price/cost position and inflation in wages and benefits. Purchasing and logistics savings initiatives lowered the negative price/cost position by \$25.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As a percentage of sales, selling, general and administrative (SG&A) expenses were 10.2% in 1999 and 10.5% in 1998. The reduction was due in part to

the Company's having completed the implementation of financial and human resource systems and the centralization of the order fulfillment center and purchasing and logistics operations.

Investment returns achieved over the last few years have resulted in net pension income of \$2.7 million and \$2.3 million in 1999 and 1998, respectively. Favorable returns of this magnitude cannot be forecast into the future, thus pension costs may be higher in future periods. Total fixed costs were also lowered approximately \$2 million from plan design changes implemented in the fourth quarter of 1999 in the Company's retiree health plan.

Research and development costs charged to expense were \$12 million in 1999, compared with \$13.5 million in 1998. Significant projects in our industrial segment included the global production of engineered carriers for elastometric yarns, enhanced engineered carriers for winding printing grade paper, and reusable engineered carriers for sophisticated films. Significant projects in our consumer segment included new snack product composite cans in Europe, North America and Asia, as well as a powdered milk product composite can.

The effective tax rate for 1999 was 37.5%, compared with 38.5% in 1998. The lower tax rate in 1999 is the result of reduced state taxes and the ability to utilize net operating loss carryforwards in certain countries.

Net income in 1999 increased \$5.4 million, or 3%, to \$184.3 million from \$178.9 million in 1998. Earnings per diluted share for 1999 increased 4.5% to \$1.79 from \$1.72 in 1998. Earnings per share in 1999 benefited from lower average shares outstanding during the year. This is primarily the result of the repurchase of five million shares of common stock throughout 1998. During the fourth quarter of 1999, the Company also repurchased approximately 590,000 shares of common stock. In early 2000, the Board of Directors approved a new share repurchase program, allowing for the repurchase of up to five million shares. The Company plans to repurchase shares equal to options granted each year through stock option programs.

Capital expenditures in 1999 were \$135.7 million, compared with \$198.9 million in 1998. Capital spending levels in the Company's base businesses have historically been approximately \$100-\$125 million. Vision 2000, initiated in 1985 and focused on accelerating internal growth, increased that spending level to \$200 million for the periods 1996 to 1998. The increased spending during this period allowed the Company to rebuild and expand many plants, lines and operations throughout the world, resulting in higher productivity and output. 1999 spending is more reflective of historical spending levels. We expect capital spending to stay within the \$130-\$150 million range over a five-year planning horizon.

1999 ACQUISITIONS

In 1999, acquisition spending totaled \$184.4 million and investments in joint venture or affiliated companies totaled \$25.6 million in cash and \$9 million in contributed assets. Acquisitions in the industrial packaging segment included Wood Composite Technology, a manufacturer of reels, and engineered carrier operations in Brazil and Taiwan. Acquisitions in the consumer packaging segment included two composite can plants of Crown Cork & Seal, Inc., and the flexible packaging division of Graphic Packaging Corporation, which includes six manufacturing plants producing printed flexibles in the United States and Canada.

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.

INDUSTRIAL PACKAGING SEGMENT - The industrial packaging segment represents approximately 55% of the Company's sales and includes the following products:

paper and plastic engineered carriers, paper, recovered paper, designed interior packaging and protective reels. This segment also included fibre and plastic drums and intermediate bulk containers, which were sold in 1998.

Sonoco's paper operations include the Company's 26 paper mills, 37 paper machines and 44 collection facilities around the world. Annually, the paper mills have capacity to produce approximately 1.6 million tons of cylinder board, of which Sonoco uses almost 85% internally. The Company also produces approximately 185,000 tons of corrugating medium exclusively for Georgia-Pacific under a cost plus fixed management fee arrangement.

Results from continuing operations for this segment are presented below:

(\$ in millions)	1999	1998	% Change
Trade Sales	\$1,371.9	\$1,309.1	4.8%
Operating Profit	188.7	193.2	(2.3)%
Capital Spending	81.1	143.9	(43.6)%

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[CHART]

IDENTIFIABLE ASSETS,
INDUSTRIAL SEGMENT
(\$ in billions)

Identifiable assets decreased approximately \$33 million in 1999 due to foreign currency translation and reduced capital spending.

Trade sales in the industrial packaging segment increased \$62.8 million, or 4.8%, to \$1.37 billion in 1999. Domestic sales in 1999 were \$.88 billion, up 2.1%, and international sales were \$.49 billion, up 10%. Acquisitions increased sales in this segment by \$21 million in 1999.

Direct and indirect effects of depressed Asian economies impacted volume in engineered carriers in the first quarter of 1999. Each succeeding quarter's volume improved, culminating with record growth in the fourth quarter. New plants were opened in Turkey and Poland. Designed interior packaging volume grew 16% in 1999 as penetration of this product to appliance manufacturers continued to increase. A new plant was opened to supply the appliance industry in Mexico. Protective reels added a composite reel to its product offering and benefited from growth in the cable industry. Also during 1999, the Company completed a major renovation of its Richmond, Va., paper mill which, after a difficult start up, is now operating at capacity.

Selling prices were lower year-over-year for most products, but price increases implemented in the second half of 1999 resulted in higher selling prices in the fourth quarter.

Gross profit margins in this segment declined to 26.3% from 26.7% in 1998. The cost of recovered paper, a primary raw material in our paperboard operations, increased during the year. Selling price increases were announced in the third quarter to recover this cost. The lag between the cost increase and recovery through selling price increases resulted in a negative price/cost position of approximately \$21 million for the year. The North American engineered carrier and paperboard selling price realization was, by the end of the fourth quarter, sufficient to cover the ongoing cost increase. In other

countries, selling price increases were implemented later, and by the end of 1999, had not fully covered the ongoing recovered paper cost increase. Continued selling price realization is expected in these other countries, which the Company expects to eliminate the negative price/cost position in 2000.

Productivity improvements of \$31 million offset the negative price/cost position for the year.

Operating profit declined 2.3% to \$189 million from \$193 million in 1998. Continued price realization and strong volume resulted in a 15% gain in operating profit in the fourth quarter, compared with the same prior year quarter. Operating profit as a percent of sales declined for the year to 13.8% from 14.8% in 1998. Again, margins improved in the fourth quarter to 13.3%, compared with 13.1% in the prior year quarter.

Capital spending was \$81.1 million in 1999, compared with \$143.9 million in 1998. Depreciation, depletion and amortization was \$91.2 million in 1999, compared with \$98.3 million in 1998. Capital projects included a new designed interior packaging plant in Mexico, rebuild of a paper mill in Mexico, new plants in Brazil, Poland and Turkey, plant and paper mill expansions, and completion of the engineered carrier order fulfillment center. The decline in capital spending is in line with strategic plans to lower capital spending in this segment to more normal levels.

CONSUMER PACKAGING SEGMENT - The consumer packaging segment represents approximately 45% of the Company's sales and includes the following products and services: composite cans, printed flexibles, bag and film products, container seals, folding cartons, covers and coasters, graphics management and packaging services. This segment also included the North American labels operations sold in 1998 and the United Kingdom labels operations sold in 1999.

Results from continuing operations for this segment are presented below:

(\$ in millions)	1999	1998	% Change
-----	-----	-----	-----
Trade Sales	\$1,166.1	\$1,054.7	10.6%
Operating Profit	144.6	130.9	10.5%
Capital Spending	54.6	55.0	(.7)%

Trade sales in the consumer packaging segment increased \$111.5 million to \$1.17 billion in 1999 from \$1.05 billion in 1998. Domestic sales were \$.99 billion, up 5.7%, and international sales were \$.18 billion, up 49.4%. Acquisitions, including two composite can plants and six printed flexibles plants, increased sales by \$51 million for the year (primarily in the fourth quarter). Composite can unit volume increased in all geographies. North American unit volume was up 2.2% while Europe grew 35%. Cans for snacks, nuts, powdered infant formula and caulk continued to grow, while frozen concentrate declined. Global expansion continues with composite can start ups in Malaysia and Mexico in 1999 and a start up in Brazil in 2000. Volume in printed flexibles grew approximately 5% organically and by acquisition. The acquisition enhances the Company's capabilities in flexographic printing. Bag and film products increased unit volume by 3.5%. A new self-opening produce bag, continued growth of agricultural film and increased volume in convenience store bags complemented the mainstay grocery and retail bag operations.

AND ANALYSIS

[CHART]

IDENTIFIABLE ASSETS,
CONSUMER SEGMENT
(\$ in billions)

Identifiable assets increased in 1999 due to the completion of acquisitions in the Company's composite can and flexible packaging operations.

Selling prices declined less than 1% in this segment due to competitive factors. The bag and film operations accounted for most of the decline.

Gross profit margins declined to 19.1% from 19.3% in 1998. Bag and film operations experienced resin cost increases of 57% during the year creating a negative price/cost position of \$4 million for the year. In this segment, contribution from increased volume and productivity improvements lessened the profit shortfall for the year.

Higher volumes in composite cans, productivity gains and reduced fixed costs from plant consolidations in 1998 led to strong operating earnings growth. European composite can operation grew sales by 23% in 1999 and achieved significant improvement in profitability from that volume.

Higher volumes and \$35 million of sales from acquisitions resulted in record sales in printed flexibles in 1999. The acquisition delivered profits and synergies in line with expectations.

Operating profit increased 10.5% to \$144.6 million from the \$130.9 million in 1998. Operating profit as a percent of sales was 12.4% in both 1999 and 1998.

Capital spending was \$54.6 million in 1999, compared with \$55 million in 1998. Spending included composite can expansion in Mexico and the United Kingdom, the United States rollout of the ring pull MiraStrip(R) for concentrate cans, expansion of agricultural film lines and numerous productivity improvement projects. Depreciation, depletion and amortization in this segment was \$54.6 million in 1999, compared with \$47.3 million in 1998.

FINANCIAL STRATEGY AND POSITION, LIQUIDITY AND CAPITAL RESOURCES FINANCIAL STRATEGY

In 1999, our strategy for improving capital effectiveness is clearly beginning to pay off. Simply put, our strategy is to maximize cash and optimize use. While we have among the best returns on net assets and equity compared with our peer group, we are clearly aiming for higher performance. Capital spending for our operations has been lowered to more historical levels. In 1996 through 1998, we averaged capital spending of around \$200 million per year. In 1999, we spent \$136 million and expect over our five-year planning horizon to stay within the \$130-\$150 million range. Working capital management is improving, requiring less capital. The combination of lower capital required by our base businesses and reasonable earnings growth should improve returns on net assets in those businesses over the five-year horizon to first quartile levels among the S&P 400 industrials.

These changes will also result in free cash flow that can be redeployed to reduce debt, buy back stock, or make acquisitions. Acquisitions will be in targeted selected markets where we feel we can add value for our customers and build on core competencies we now have or are building. If we are able to make acquisitions in these targeted areas, our sales growth should rise to 10%-12% from a trend line rate (1990-1999) of approximately 7%. While most acquisitions are not large profit contributors initially, they do build a profit base to supplement our existing businesses. Thus, our goal for earnings growth over an economic cycle is to average 10+% per year. If acquisitions

cannot be found that fit strategically and financially, we have the option of share buybacks or debt reduction to increase shareholder value.

Capital effectiveness is embraced at all levels of our organization and momentum is building. In 2000, we expect to generate free cash flow (before acquisitions, stock buybacks or debt reductions) of about \$130 million. With additional debt capacity, still maintaining an "A" credit rating, the Company will have over \$250 million a year to continue to grow Sonoco.

Our financial strategy, maximize cash/optimize use, is and will remain focused on long-term shareholder value.

/s/ F. TRENT HILL, JR.

F. Trent Hill, Jr.
Vice President and Chief Financial Officer

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Strong cash flow from operations, a conservative balance sheet and solid interest coverage demonstrate the Company's continued financial strength. At December 31, 1999, the Company's long-term debt was rated "A" by Standard & Poor's (S&P) and "A2" by Moody's. Commercial paper was rated "A1" and "P1" by S&P and Moody's, respectively.

Cash flows from operations provided \$240 million in 1999, compared with \$227.8 million in 1998. Working capital increases in 1999 were more than offset by lower funding for several of the Company's benefit plans, principally due to investment returns over the past few years. Cash flows from operations after subtracting capital spending were \$104.3 million in 1999. These funds were used to pay dividends of \$76.4 million and to repurchase stock of \$13 million. The remaining cash flow from operations of \$14.9 million, coupled with proceeds from the sale of assets of \$52.6 million and net debt proceeds of \$118 million, were used to fund acquisitions

[CHART]

NET WORKING CAPITAL (\$ in millions)

Net working capital increased \$81.1 million in 1999 due primarily to acquisitions and base business growth. 1997 net working capital excludes net assets held for sale.

and additional contributions to joint ventures totaling \$210 million. Non-cash assets contributed to joint ventures during 1999 totaled \$9 million.

Current assets increased \$61.7 million in 1999 to \$723.1 million due primarily to higher working capital levels resulting from acquisitions and base business growth. Current assets decreased in 1998 primarily as a result of the sales of the North American labels and industrial containers operations, the net assets of which were classified as assets held for sale at December 31, 1997. As a result of the disposition in 1998, net working capital decreased to \$225.3 million at December 31, 1998, from \$438.9 million in 1997. The current ratio was 1.7 at December 31, 1999, and 1.5 for both December 31, 1998 and 1997 (excluding assets held for sale).

[CHART]

DEBT TO TOTAL CAPITAL RATIO

(%)

Debt to total capital ratio was 47.5% at December 31, 1999, up slightly from 46.7% at December 31, 1998. (The ratio adjusts debt levels for excess cash related to restricted-purpose bonds.)

Debt increased \$120.5 million to \$904.1 million at December 31, 1999, from \$783.6 million at December 31, 1998. Debt proceeds in 1999, combined with free cash flow, were used to fund acquisitions and additional contributions to joint ventures totaling \$210 million. During the fourth quarter of 1999, the Company replaced \$150 million of its variable-rate debt with five-year 7% bonds to maintain the Company's desired mix (50%/50%) of fixed to floating rate debt. Proceeds from the sale of assets during 1998 of \$296.8 million were used to repurchase stock amounting to \$169.1 million, to fund acquisitions totaling \$74.9 million and to pay down debt. In 1997, debt decreased \$96.7 million to \$796.4 million. Debt was reduced with proceeds from the sale of the screen print operations and free cash flow in 1997.

Interest expense in 1999 was \$52.5 million, compared with \$54.8 million and \$57.2 million in 1998 and 1997, respectively. At the beginning of the second quarter of 1998, Sonoco repurchased \$58.7 million of 9.2% bonds, which were due August 1, 2021. The repurchase lowered interest expense for a portion of 1998 and approximately \$2.3 million for all of 1999. Excluding one-time transactions, earnings before interest and taxes were 6.4 times interest expense in 1999, compared with 6.0 times and 6.1 times interest expense in 1998 and 1997, respectively. Earnings before interest, taxes, depreciation, depletion and amortization expense were 9.1 times interest in 1999, and 8.7 times interest in both 1998 and 1997. The Company's debt to total capital ratio was 47.5% at December 31, 1999, compared with 46.7% and 46.1% at the end of 1998 and 1997, respectively. The debt to total capital ratios have been adjusted to reduce debt by the amount of cash held related to the issuance of restricted purpose bonds.

[CHART]

TOTAL DEBT
(\$ in millions)

Total debt increased \$120.5 million in 1999 due primarily to business acquisitions.

Return on total equity was 21.9% in 1999, compared with 22.1% in 1998 and .3% in 1997. Excluding one-time transactions the return on total equity was 21.5% in 1999, 22% in 1998 and 19% in 1997.

As of December 31, 1999, cash and cash equivalents included \$2.8 million of proceeds from the issuance of two Industrial Revenue Bonds, held in trust until qualifying expenditures take place. As of December 31, 1998 and 1997, cash and cash equivalents included \$7.4 million and \$23.8 million of bond proceeds, respectively.

The Company has authorized a \$450 million commercial paper program and has fully committed banklines of credit supporting the program. These lines expire in 2001. As of December 31, 1999, the Company had registered for sale \$100 million of debt securities under a shelf registration with the Securities and Exchange Commission. This shelf registration was reduced from \$250 million during 1999 when the Company issued its five-year 7% bonds.

Shareholders' equity increased \$79.6 million from December 31, 1998, to \$901.2 million at December 31, 1999. The increase resulting from net income of \$187.8 million was reduced by the payment of \$76.4 million for common dividends and the repurchase of 598,463 shares of common stock totaling \$13 million during 1999. Shareholders' equity decreased \$27.2 million to \$821.6 million at December 31, 1998, from December 31, 1997. During 1998, the Company repurchased 5,179,541 shares of common stock at a total cost of \$169.1 million.

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 \$.75 in

1999, \$.704 in 1998 and \$.641 in 1997. In April 1998, the Board of Directors declared a 10% stock dividend payable to common shareholders and a quarterly dividend of \$.18 per share, representing a 10% increase over the same quarter in 1997.

As a result of operating globally, the Company is exposed to market risk from changes in foreign exchange rate fluctuations. The exposure is well diversified as our facilities are spread throughout the world, and we generally

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MANAGEMENT'S DISCUSSION
AND ANALYSIS

sell in the same country where we produce. 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 or to hedge firm commitments denominated in foreign currencies. As of December 31, 1999, the Company had no currency swap contracts outstanding. The notional value of such contracts was approximately \$19 million at December 31, 1998. 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 will 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.

[CHART]

CASH PROVIDED BY
OPERATIONS
(\$ in millions)

Cash provided from operations increased \$12.2 million in 1999.

The Company is a purchaser of commodities such as recovered paper and resins. These commodities are generally purchased at market prices that are established with the vendor as part of the purchase process. In general, the Company does not engage in material hedging of commodity prices due to a high correlation between the commodity cost and the ultimate selling price of its products. On occasion, the Company enters into commodity future or option contracts to reduce the effect of price fluctuations and to hedge currency fluctuations on pending equipment purchases.

Currencies of certain countries in which the Company operates devalued during 1999, including the Brazilian Real. The devaluation did not have a material adverse impact on the financial position, results of operations or cash flows as of December 31, 1999, 1998 or 1997.

The use of financial instruments to hedge foreign exchange, interest rate and commodity price risk was not material to the financial statements as a whole as of December 31, 1999, 1998 or 1997.

Except for the impact on raw material prices, inflation did not have a material effect on the Company's operations in 1999, 1998 or 1997.

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 located primarily in the northeastern United States and owned by third parties. These sites are believed to represent the Company's largest potential environmental liabilities.

The Company has accrued approximately \$4 million at December 31, 1999, with respect to these sites. Further details are provided in the Notes to the Consolidated Financial Statements.

The Company's main plant and corporate offices are located in Hartsville, S.C. There are 121 owned and 98 leased facilities used by operations in the industrial packaging segment and 29 owned and 37 leased facilities used by operations in the consumer packaging segment. Europe, the largest foreign geographic location, has 42 manufacturing locations. The Company believes that its properties are suitable and adequate for current needs and that the total productive capacity is adequately utilized.

The Company has resolved all issues with the Internal Revenue Service (IRS) for all years through 1992. In October 1999, the Company received a Revenue Agent Report from the IRS related to the years 1993 through 1995. The most significant issue pertains to the deductibility of Corporate Owned Life Insurance (COLI) loan interest. See Note 14 to the Consolidated Financial Statements for further details.

YEAR 2000 READINESS DISCLOSURE AND EURO COMPLIANCE

The Company adopted a Year 2000 Plan ("Plan") in May 1997 to identify and address the Company's various Year 2000 issues throughout its domestic and international operations, including financial and administrative systems, process control and operating systems and information systems infrastructure. The Plan was implemented on a company-wide basis under the direction of the Information Services Department in cooperation with senior management and with the review of the Board of Directors through its Audit Committee.

The Plan provides for six phases: (1) an inventory of all systems that might be affected by the Year 2000; (2) assessment of Year 2000 readiness of each application identified in the inventory; (3) planning for corrective action, which included reviewing and prioritizing the various corrective actions based on their relative impact on the Company's operations and profitability; (4) initiation of corrective actions to replace or repair systems that were not Year 2000 compliant; (5) testing the new, upgraded or repaired systems; and (6) implementation of tested systems and post-implementation support, including contingency plans for those systems most critical to the Company's ongoing operations and/or most at risk to fail.

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The Company developed contingency plans for its administrative and business functions, production facilities, and equipment. The contingency plans assume a worst-case scenario that included short-term power outages, short-term transportation and supply shortages, and short-term voice and data communication failures. Mitigation plans vary somewhat between business units, but share a common focus on safety, asset and revenue protection, and supply chain management.

As of December 31, 1999, the Company had completed all phases of the Plan and its information technology and production systems were ready for the Year 2000. As of the date of this report, the Company has not experienced any material Year 2000 issues with respect to its systems or its external relationships.

The Company estimates that the total cost of achieving Year 2000 compliance in substantially all of its information technology and production systems was approximately \$30 million, a portion of which was capitalized (new systems implemented) and will be amortized to earnings in future periods. The funds were spent primarily during the Plan's correction and implementation phases.

The Company's Year 2000 testing program included leap year scenarios. The Company does not foresee any significant compliance issues with its internal systems or external relationships with respect to the upcoming leap year date.

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies and the Euro and adopted the Euro as their common legal currency (the "Euro Conversion"). The impact of the Euro Conversion was not material to the Company in 1999. The Company is currently unsure of the future impact that the Euro Conversion will have, particularly as it relates to its European operations. However, the Company does not anticipate that the Euro Conversion will have a material adverse effect on its future business, financial condition, results of operations, or cash flows.

The estimates and conclusions herein contain forward-looking statements and are based on management's best estimates of future events. All statements made herein regarding our Year 2000 efforts are "Year 2000 Readiness Disclosures" made pursuant to the Year 2000 Information and Readiness Disclosure Act, and to the extent applicable, are entitled to the protections of such act.

RESULTS OF OPERATIONS 1998 VERSUS 1997

Consolidated net sales for 1998 decreased \$289.9 million, or 10.2%, to \$2.56 billion from \$2.85 billion in 1997. The sales decline is due entirely to the divestitures noted earlier. On a comparative basis, net sales increased \$18.7 million, or .7%, over 1997's comparative sales of \$2.54 billion. The increase in sales in 1998 is the result of volume gains in many of our consumer operations and sales totaling \$41 million from acquisitions completed in 1998. Lower average selling prices, primarily the result of declining commodity raw material costs, impacted sales in our recovered paper and plastic grocery bag operations by approximately \$20 million, partially offsetting the increased volume. In addition, foreign currencies declined against the United States dollar in 1998, decreasing sales by approximately \$17 million.

Gross profit margins increased in 1998 to 23.1% from 22.5% in 1997. On a comparative basis, gross profit margins declined slightly to 23.3% in 1998, compared with 23.5% in 1997. In the second half of 1997, recovered paper costs increased and, while selling prices were increased to reflect the higher cost, margin percentages declined.

Margins in 1998 were also negatively affected by several plant start ups and plant expansion costs. During 1998, we began a \$20 million rebuild and upgrade project at our Richmond, Va., paper mill. Problems in starting up the mill after the expansion resulted in a margin loss of approximately \$6 million in the second half of 1998.

Margins in 1998 were also affected by high depreciation and overhead costs as we expanded capacity at our Jackson, Tenn., composite can plant. This plant was expanded in 1998 to accommodate customer growth projections. While volume levels were greater than in 1997, they fell short of expectations, resulting in crewing levels and overhead being reduced.

Other start-up costs in 1998 included a new engineered carriers plant in Turkey and new composite can and protective packaging operations in Mexico.

We were able to offset many of these costs and maintain margins through productivity improvement efforts at all our locations.

AND ANALYSIS

Selling, General and Administrative (SG&A) expenses increased \$4.2 million to \$301.6 million in 1998. SG&A as a percentage of sales was 11.8% in 1998, compared with 10.4% in 1997. On a comparative basis, SG&A expenses were \$266.8 million, or relatively flat with 1997. As a percentage of sales, SG&A expenses were 10.4% in 1998, compared with 10.7% in 1997. Comparative SG&A expenses in 1998 included some excess administrative costs from the centralization of the industrial products order fulfillment center and purchasing and logistics operations.

The effective tax rate for 1998 was 45.3%, compared with 94.3% in 1997. The effective tax rate in 1997 was impacted by a deferred tax benefit of only \$51.9 million on the \$226.4 million asset impairment charge recorded in 1997. The 1998 effective tax rate includes additional taxes from the sale of the Company's industrial containers operation, offset partially by the ability to utilize more of the capital loss generated by the sale of the North American labels operation. On a comparative basis, the effective tax rate was 38.5% in 1998 and 38.6% in 1997.

Net income available to common shareholders in 1998 was \$180.2 million, compared with a loss of \$.4 million in 1997. On a comparative basis, net income available to common shareholders for 1998 was \$178.9 million, compared with \$174.1 million in 1997, an increase of 2.8%. Reported earnings in 1998 were \$1.73 per diluted share, compared with \$0.00 in the prior year. On a comparative basis, earnings per diluted share were \$1.72 and \$1.65 in 1998 and 1997, respectively.

Capital expenditures in 1998 were \$198.9 million, compared with \$230.7 million in 1997. Spending in 1998 included a paper machine rebuild and press upgrade projects, a new engineered carriers plant in Turkey, new designed interior packaging and composite can operations in Mexico, capacity expansion projects at several plant locations, and continued spending on new information systems, including a new purchasing system. Acquisition spending in 1998 totaled \$74.9 million, compared with \$17.6 million in 1997, as described in Note 2 to the Consolidated Financial Statements. Research and development costs charged to expense were \$13.5 million in 1998, compared with \$17.8 million in 1997.

INDUSTRIAL PACKAGING SEGMENT - Trade sales in this segment were \$1.43 billion in 1998, compared with \$1.59 billion in 1997. Year-over-year sales comparisons are affected by the operations sold in 1998 and the contract fee arrangement with Georgia-Pacific. On a comparative basis, sales increased \$44.3 million, or 3.2%, in 1998 to \$1.43 billion from \$1.38 billion in 1997. The acquisitions of Burk and LaRochette during 1998 increased sales by approximately \$36 million.

The cost of recovered paper declined in 1998 after a sharp run-up in the second half of 1997. Lower selling prices, resulting from the lower recovered paper costs, unfavorably impacted sales in this segment by approximately \$12 million. Excluding acquisitions, unit volume in our global engineered carriers operation was up approximately 3% over 1997. Paperboard volume was down slightly, primarily in Europe, due to competitive pressures and lower exports to Asia. Strong volume gains were experienced in the newer international businesses, such as those in Asia and Brazil. Some of the volume gains were offset by unfavorable exchange rates.

Operating profit for this segment was \$282.1 million in 1998, compared with \$217.8 million in 1997. Included in the 1998 results was a \$119.6 million gain on the sale of the industrial containers operation. One-time adjustments associated with plant closings, work force reductions and an asset impairment charge, totaling \$37.5 million, were also included in this segment in 1998. On a comparative basis, operating profits were \$200 million in 1998, compared with \$203.3 million in 1997.

Operating profit in the integrated engineered carrier/paper operations did benefit from higher volume, primarily the result of acquisitions and newer start-up operations, and from lower year-over-year recovered paper

costs. Problems in starting up the Richmond, Va., paper mill, after the expansion of that mill, resulted in higher costs of approximately \$6 million in the second half of 1998. In addition, higher administrative costs from systems implementations were largely offset by productivity initiatives totaling approximately \$20 million in 1998.

Sonoco's injection and extruded plastics product lines expanded during 1998 with the acquisition of the Burk plants in Germany. At the same time, the Company continued its consolidation of the molded plastics operations by closing its Greensboro, N.C., plant.

Designed interior packaging continued to grow, showing strong volume gains in 1998. This operation continued to build market share in appliance packaging.

Volume also increased in the wire and cable packaging operation as new housing starts continued to increase throughout most of the year. This operation also experienced lower lumber costs during 1998 that were largely offset by lower selling prices.

Capital spending in this segment during 1998 was \$143.9 million, compared with \$140.6 million in 1997. Spending included new start-up operations, projects to expand the capacity of paper machines and the production of engineered carriers. Spending continued in 1998 to upgrade the Company's information technology systems including start up of the implementation phase of a new purchasing system.

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CONSUMER PACKAGING SEGMENT - Trade sales in this segment were \$1.13 billion in 1998, compared with 1997 sales of \$1.26 billion. The divestiture of the North American labels operations reduced sales by \$102.6 million in 1998. On a comparative basis, trade sales of \$1.13 billion were 2.1% below 1997's sales (excluding divestitures) of \$1.16 billion. Unit volume gains in most of the Company's consumer packaging operations were offset by lower selling prices, primarily in the plastic grocery bag operations, reflecting the significant decline in resin costs in 1998. Volume in the domestic composite can operations was essentially unchanged from 1997, as volume gains in the snack segments were largely offset by lower volume in the frozen concentrate and refrigerated dough segments. Volume in international composite cans continued to expand, particularly in Europe, with significantly increased snack can sales. In addition, volume improved in the powdered drink markets in both Venezuela and Mexico. Late in 1998, installation of new composite can lines began in Malaysia and Mexico.

Unit volume was strong in our bag and film operations, increasing approximately 7.8% over 1997 average levels. Resin prices declined steadily throughout 1998, resulting in lower selling prices.

Sonoco's printed flexibles had record sales in 1998, as volume increased approximately 14% over 1997 levels. Part of the increase in volume reflects the internal production of liners for composite cans.

Operating profits in the consumer segment were \$106.3 million in 1998, compared with a loss of \$101.8 million in 1997. The 1998 and 1997 results include charges of \$19.2 million and \$226.4 million, respectively, related to the sale of the North American labels operations. 1998 profits include a \$3.9 million one-time charge related to plant closings and workforce reductions. On a comparative basis, profits in 1998 were \$129.4 million, an increase of 6.9% over 1997 profits of \$121.1 million. Lower raw material costs, particularly resin and paper, were largely offset by lower selling prices.

Volume gains in most of the consumer businesses, coupled with productivity improvement projects of approximately \$10 million, accounted for

most of the year-over-year increase in profitability.

Operating profits in composite cans were adversely impacted by the expansion of the Jackson, Tenn., facility. This plant doubled in size in 1998 to support customer projected demand. Volume, while up, did not meet the projections, resulting in crewing levels and overhead being reduced in the second half of 1998. We continued to consolidate the composite can operations during 1998, resulting in the closing of the Kansas City, Mo., and Plymouth, Wis., plants. In addition, we began the consolidation of the two locations in Orlando, Fla.

The Company's bag and film product lines improved in 1998. Sales prices declined reflecting lower resin costs, while unit volume increased in both the grocery and retail bag operations as well as the agricultural film business. In addition, the Hartsville, S.C., plant was expanded to produce the new QuikStar (R) produce bag.

Profits increased in printed flexibles in 1998 aided by volume growth of approximately 14% over the prior year. Manufacturing and purchasing initiatives contributed to the strong performance in this operation.

Capital spending in the consumer segment was \$55 million in 1998, compared with \$90.1 million in 1997. Spending for 1998 included capacity expansion projects at the Jackson, Tenn., composite can operation and at plastic bag operations in North Vernon, Ind., and Victoria, Texas. In addition, spending included the expansion of the Hartsville, S.C., bag and film operation to include the production of a new QuikStar produce bag and the start up of new composite can operations in Mexico and Malaysia.

FORWARD-LOOKING STATEMENTS

Statements included in Management's Discussion and Analysis of financial condition and results of operations 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. Forward-looking statements include statements regarding offsetting high raw material costs, adequacy of income tax provision, refinancing of debt, adequacy of cash flows, cost and effectiveness of Year 2000 measures, and financial strategies and the results 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 our future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. Such risks and uncertainties include, without limitation; availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; ability to maintain market share; pricing pressures and demand for products; continued strength of our paperboard-based engineered carrier and composite can operations; currency stability and the rate of growth in foreign markets; and actions of government agencies.

CONSOLIDATED

BALANCE SHEETS

(Dollars and shares in thousands)

Years ended December 31	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,515	\$ 57,249
Trade accounts receivable, net of allowances of \$6,969 in 1999 and \$5,420 in 1998	346,845	297,672
Other receivables	28,847	54,475
Inventories		
Finished and in process	94,133	93,829
Materials and supplies	154,231	123,432
Prepaid expenses	57,362	28,599
Deferred income taxes	5,148	866
Net assets held for sale		5,294
	723,081	661,416
PROPERTY, PLANT AND EQUIPMENT, NET	1,032,503	1,013,843
COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED, NET	254,580	170,361
OTHER ASSETS	286,856	237,363
	\$ 2,297,020	\$ 2,082,983
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payable to suppliers	\$ 192,859	\$ 174,218
Accrued expenses and other	116,652	131,570
Accrued wages and other compensation	22,523	17,897
Notes payable and current portion of long-term debt	84,597	96,806
Taxes on income		15,578
	416,631	436,069
LONG-TERM DEBT	819,540	686,826
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	36,278	43,689
DEFERRED INCOME TAXES AND OTHER	123,351	94,807
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Serial preferred stock, no par value		
Authorized 30,000 shares		
0 shares issued and outstanding as of December 31, 1999 and 1998, respectively		
Common shares, no par value		
Authorized 300,000 shares		
101,448 and 101,683 shares issued and outstanding as of		
December 31, 1999 and 1998, respectively	7,175	7,175
Capital in excess of stated value	427,591	431,465
Accumulated other comprehensive loss	(123,008)	(95,139)
Retained earnings	589,462	478,091
Total shareholders' equity	901,220	821,592
	\$ 2,297,020	\$ 2,082,983

The Notes beginning on page 38 are an integral part of these financial statements.

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

Years ended December 31	1999	1998	1997
Net sales	\$ 2,546,734	\$ 2,557,917	\$ 2,847,831
Cost of sales	1,953,605	1,968,200	2,208,092
Selling, general and administrative expenses	259,917	301,610	297,439
(Gain) loss on assets held for sale	(3,500)	(100,354)	226,358
Income before interest and taxes	336,712	388,461	115,942
Interest expense	52,466	54,779	57,194
Interest income	(5,314)	(5,916)	(4,971)
Income before income taxes	289,560	339,598	63,719
Provision for income taxes	108,585	153,989	60,111
Income before equity in earnings of affiliates/Minority interest in subsidiaries	180,975	185,609	3,608
Equity in earnings of affiliates/Minority interest in subsidiaries	6,830	6,387	(991)
Income before extraordinary loss	187,805	191,996	2,617
Extraordinary loss, net of income tax benefit		(11,753)	
Net income	187,805	180,243	2,617
Preferred dividends			(3,061)
Net income (loss) available to common shareholders	\$ 187,805	\$ 180,243	\$ (444)
Average common shares outstanding:			
Basic	101,886	102,632	100,981
Assuming conversion of preferred stock			3,923
Assuming exercise of options	894	1,643	2,446
Diluted	102,780	104,275	107,350

Per common share					
Basic					
Income before extraordinary loss	\$	1.84	\$	1.87	\$.00
Extraordinary loss, net of income tax benefit				(.11)	

Net income available to common shareholders	\$	1.84	\$	1.76	\$.00
=====					
Diluted					
Income before extraordinary loss	\$	1.83	\$	1.84	\$.00
Extraordinary loss, net of income tax benefit				(.11)	

Net income available to common shareholders	\$	1.83	\$	1.73	\$.00

Cash dividends-common	\$.75	\$.704	\$.641
=====					

The Notes beginning on page 38 are an integral part of these financial statements.

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CONSOLIDATED STATEMENTS

OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars and shares in thousands except per share data)

		Common Shares		Preferred Shares	
	Comprehensive Income (Loss)	Outstanding	Amount	Outstanding	Amount

JANUARY 1, 1997		98,850	\$ 7,175	2,395	\$ 119,756
Net income	\$ 2,617				
Other comprehensive loss, net of tax:					
Translation loss	(29,835)				
Minimum pension liability adjustment	(1,805)				
Other comprehensive loss	(31,640)				
Comprehensive loss	\$ (29,023)				
Cash dividends:					
Preferred					
Common, \$0.641 per share					
Issuance of shares under					
Stock option plan		913			
Employee stock ownership plan		210			
Preferred stock conversions		5,464		(2,395)	(119,756)
Shares repurchased		(20)			
Other					

December 31, 1997		105,417	7,175	0	0
Net income	180,243				
Other comprehensive loss, net of tax:					
Translation loss	(1,821)				
Minimum pension liability adjustment	(1,898)				
Other comprehensive loss	(3,719)				
Comprehensive income	\$ 176,524				
Cash dividends:					
Common, \$0.704 per share					
10% common stock dividend					
Issuance of shares under					
Stock option plan		1,378			
Employee stock ownership plan		68			
Shares repurchased		(5,180)			
Other					

DECEMBER 31, 1998		101,683	7,175	0	0
Net income	187,805				
Other comprehensive loss, net of tax:					
Translation loss	(30,654)				
Minimum pension liability adjustment	2,785				
Other comprehensive loss	(27,869)				
Comprehensive income	\$ 159,936				
Cash dividends:					
Common, \$0.75 per share					
Issuance of shares under					
Stock option plan		363			
Shares repurchased		(598)			
Other					

December 31, 1999		101,448	\$ 7,175	0	\$ 0

	Capital in Excess of Stated Value	Accumulated Other Comprehensive Loss	Retained Earnings
JANUARY 1, 1997	\$ 53,586	\$ (59,780)	\$ 799,876
Net income			2,671
Other comprehensive loss, net of tax:			
Translation loss			
Minimum pension liability adjustment			
Other comprehensive loss		(31,640)	
Comprehensive loss			
Cash dividends:			
Preferred			(3,061)
Common, \$0.641 per share			(64,639)
Issuance of shares under			
Stock option plan	13,436		
Employee stock ownership plan	5,675		
Preferred stock conversions	119,756		
Shares repurchased	(592)		
Other	6,410		
December 31, 1997	198,271	(91,420)	734,793
Net income			180,243
Other comprehensive loss, net of tax:			
Translation loss			
Minimum pension liability adjustment			
Other comprehensive loss		(3,719)	
Comprehensive income			
Cash dividends:			
Common, \$0.704 per share			(72,028)
10% common stock dividend	364,917		(364,917)
Issuance of shares under			
Stock option plan	25,067		
Employee stock ownership plan	2,362		
Shares repurchased	(169,080)		
Other	9,928		
DECEMBER 31, 1998	431,465	(95,139)	478,091
Net income			187,805
Other comprehensive loss, net of tax:			
Translation loss			
Minimum pension liability adjustment			
Other comprehensive loss		(27,869)	
Comprehensive income			
Cash dividends:			
Common, \$0.75 per share			(76,434)
Issuance of shares under			
Stock option plan	5,387		
Shares repurchased	(13,045)		
Other	3,784		
December 31, 1999	\$ 427,591	\$ (123,008)	\$ 589,462

The Notes beginning on page 38 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS
OF CASH FLOWS
(Dollars and shares in thousands)

Years ended December 31	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 187,805	\$ 180,243	\$ 2,617
Adjustments to reconcile net income to net cash provided by operating activities			
Extraordinary loss on debt retirement		11,753	
Depreciation, depletion and amortization	145,846	145,669	153,524

Equity in earnings of affiliates/Minority interest in subsidiaries	(6,830)	(6,387)	991
Cash dividends from affiliated companies	7,447	10,284	991
(Gain) loss on disposition of assets	(188)	6,168	4,642
(Gain) loss on assets held for sale	(3,500)	(100,354)	226,358
Deferred taxes	18,060	71,613	(48,357)
Changes in assets and liabilities, net of effects from acquisitions, dispositions, assets held for sale and foreign currency adjustments			
Receivables	(46,577)	3,637	(8,669)
Inventories	(15,283)	(2,321)	(1,463)
Prepaid expenses	(28,177)	(3,597)	(448)
Payables and taxes	(8,431)	(22,374)	(7,943)
Other assets and liabilities	(10,162)	(66,491)	(22,281)
Net cash provided by operating activities	240,010	227,843	299,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(135,728)	(198,880)	(230,651)
Cost of acquisitions, exclusive of cash	(184,399)	(74,911)	(17,647)
Proceeds from non-operating notes receivable	34,000		
Proceeds from the sale of assets	18,561	296,845	74,960
Investments in affiliates	(25,640)		
Other	(693)	(6,489)	(3,200)
Net cash (used) provided by investing activities	(293,899)	16,565	(176,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt	248,302	161,900	76,211
Principal repayment of debt	(192,136)	(248,811)	(72,095)
Net increase (decrease) in commercial paper borrowings	61,800	54,000	(95,391)
Cash dividends-common and preferred	(76,434)	(72,028)	(67,700)
Common and preferred shares acquired	(13,045)	(169,080)	(646)
Common shares issued	5,387	32,882	19,160
Net cash provided (used) by financing activities	33,874	(241,137)	(140,461)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(719)	378	(623)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,734)	3,649	(17,660)
Cash and cash equivalents at beginning of year	57,249	53,600	71,260
Cash and cash equivalents at end of year	\$ 36,515	\$ 57,249	\$ 53,600
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	\$ 51,145	\$ 55,084	\$ 54,739
Income taxes paid	\$ 119,916	\$ 95,278	\$ 92,240

Excluded from the Consolidated Statements of Cash Flows are the effects of certain non-cash activities. On June 10, 1998, the Company issued a 10% common stock dividend (\$364,917 fair value). In December 1998, the Company received an obligation for \$34,000 in conjunction with the sale of the intermediate bulk containers operation. During the third quarter of 1997, the Company converted to common stock substantially all of its outstanding shares of \$2.25 Series A Cumulative Convertible Preferred Stock issued in 1993 at a rate of 2.074 common shares per share of preferred stock. Debt obligations assumed by the Company in conjunction with acquisitions were approximately \$3,300 in 1999, \$6,400 in 1998 and \$9,900 in 1997.

The Notes beginning on page 38 are an integral part of these financial statements.

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

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 SUBSIDIARIES AFTER ELIMINATION OF INTERCOMPANY ACCOUNTS AND TRANSACTIONS. INVESTMENTS IN AFFILIATED COMPANIES IN WHICH THE COMPANY OWNS 20%-50% OF THE VOTING STOCK ARE INCLUDED ON THE EQUITY METHOD OF ACCOUNTING.

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.

2. ACQUISITIONS/DISPOSITIONS

Sonoco completed several acquisitions during 1999 with an aggregate cost of approximately \$184,400 in cash and the assumption of \$3,300 in debt. During the first quarter of 1999, Sonoco completed the acquisition of Wood Composite Technology, a manufacturer of composite (i.e. wood and plastic) reels serving the wire and cable markets. The acquisition is expected to add approximately \$10 million of sales annually to the Industrial Packaging segment. Sonoco also acquired engineered carrier operations in Brazil and Taiwan.

During the third quarter of 1999, Sonoco completed two acquisitions in the Consumer Packaging segment. In August, Sonoco completed the purchase of the composite can assets of Crown Cork & Seal, Inc. This acquisition consisted of two manufacturing facilities in the United States with annual sales of approximately \$32 million. In September, Sonoco completed the acquisition of the flexible packaging division of Graphic Packaging Corporation, a wholly owned subsidiary of ACX Technologies, Inc. Graphic's flexible packaging operations had 1998 sales of approximately \$120 million.

Also, in the first quarter of 1999, Sonoco completed the sale of its labels and label machinery operations in the United Kingdom and a label machinery operation in the United States. The completion of the sale of these operations resulted in the recognition of a \$3.5 million after-tax gain.

Sonoco completed several acquisitions during 1998 with an aggregate cost of approximately \$74,900 in cash and the assumption of \$6,400 in debt. Acquisitions included the Burk family of companies, producers of injection and extruded plastics products with three manufacturing facilities in Germany; the LaRochette group, consisting of four converting operations and a paper mill in France; and the remaining 50% share of its joint venture partner in Coretech-Sonoco, a manufacturer of engineered carriers, and Montreal Recycled Paperboard, a recycled paperboard manufacturer in Canada. In addition, the Company completed an agreement with Texpack to combine the paper cone operations of both companies into a global joint venture to serve the world's textile industry. The Company owns 30% of the joint venture named Conitex-Sonoco, LLC. The Company also completed the sale of its North American labels operations and its industrial containers operations.

In 1997, Sonoco completed acquisitions with an aggregate cost of approximately \$17,600 in cash and the assumption of \$9,900 in debt. Acquisitions included the Industrial Machine Company, a domestic producer of equipment and tooling primarily for the paper-converting and food processing industries, and Corepak LTD, an engineered carriers producer in England. Joint ventures were also formed in Brazil and Chile. The Brazilian joint venture, Sonoco For-Plas, is owned 51% by the Company. It is a major supplier of 'peel off' metal ends and plastic components such as overcaps for cans. The Chilean joint venture, a manufacturer of engineered carriers and composite cans, is also owned 51% by the Company. Sonoco contributed its fibre partitions operation into a joint venture with Rock-Tenn Company called RTS Packaging, owned 35% by Sonoco. The Company also completed the sale of its screen print operations acquired in the 1993 acquisition of Engraph, Inc.

In 1996, the Company completed acquisitions with an aggregate cost of approximately \$94,200 in cash and the assumption of \$11,600 in debt. Domestic acquisitions included a producer of moldwood plugs, Moldwood Products Company; a supplier of vapor barrier packaging materials, Hamilton Hybar, Inc.; a manufacturer of engineered carriers, Stonington Corporation; a niche producer of composite cans, Specialty Packaging; and two operations in the Company's wire and cable packaging operations. Significant international acquisitions included the Hongwen joint venture for paperboard production in China, an Indonesian joint venture for production of engineered carriers, and the purchase of two German paperboard can manufacturers.

During 1995, Sonoco acquired the remaining 50% interest in its CMB/Sonoco joint venture for composite can production in England and France. The Edinburgh plant was added to the flexible packaging operations, and Cricket Converters was added to the labels operations which were subsequently sold in the first quarter

of 1998. Also during 1995, Sonoco acquired a minority interest in Demolli Industria Cartaria SRL, and purchased three converting operations and a paper mill in Brazil, a small tube and paper manufacturer in France and three recovered paper collection plants in the United States.

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. The pro forma impact of these acquisitions in each year was immaterial.

3. ASSETS HELD FOR SALE

In the first quarter of 1999, Sonoco completed the sale of its labels and label machinery operations in the United Kingdom and a label machinery operation in the United States. The net assets of these operations, consisting primarily of property, plant and equipment, accounts receivable and inventories, net of liabilities, totaled approximately \$5,294 and were shown as net assets held for sale on the Consolidated Balance Sheet at December 31, 1998. The completion of the sale of these operations resulted in the recognition of a \$3,500 after-tax gain.

In 1998, the Company completed the sale of its industrial containers operations, part of the Company's Industrial Packaging segment, for cash proceeds of approximately \$218,400 resulting in a pre-tax gain of \$119,552 (\$55,252 after tax). Early in the second quarter of 1998, the Company completed the sale of its North American labels operations, part of the Company's Consumer Packaging segment, for net cash proceeds of approximately \$87,700. A pre-tax charge of \$19,198 (\$13,698 after tax) was recognized in 1998 upon the completion of the sale in addition to a pre-tax charge of \$226,358 (\$174,500 after tax) recorded in the fourth quarter of 1997.

The combined net sales of the above operations were \$8,700 in 1999, \$140,000 in 1998, and \$437,500 in 1997. Combined operating profits (losses) were \$(100), \$3,300, and \$13,600 in 1999, 1998 and 1997, respectively.

The decision to sell Sonoco's industrial containers and labels operations was based on management's conclusion that neither of these businesses fit the Company's long-term strategic objectives.

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, 1999 and 1998, outstanding checks of \$32,601 and \$33,227, respectively, were included in Payable to suppliers on the Consolidated Balance Sheets.

At December 31, 1999 and 1998, \$2,792 and \$7,409, respectively, of cash and cash equivalents represented proceeds from the issuance of Industrial Revenue Bonds (IRBs) and were restricted to funding qualified expenditures as provided for by the bonds.

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 21% of total inventories in 1999 and 31% in 1998. 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, the totals would have been higher by \$9,994 in 1999 and \$11,078 in 1998.

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. Equipment lives range from 3 to 11 years, buildings from 20 to 30 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 \$135,146 in 1999, \$136,170 in 1998, and \$136,925 in 1997.

Details of property, plant and equipment at December 31 are as follows:

	1999	1998
Land	\$ 36,656	\$ 35,372
Timber resources	34,022	33,714
Buildings	296,828	298,283
Machinery and equipment	1,614,283	1,433,531
Construction in progress	104,149	155,773
Accumulated depreciation and depletion	2,085,938 (1,053,435)	1,956,673 (942,830)
	\$ 1,032,503	\$1,013,843

Estimated costs for completion of authorized capital additions under construction totaled approximately \$103,000 at December 31, 1999.

Certain operating properties and equipment are leased under non-cancelable operating leases. Total rental expense under operating leases was approximately \$38,500 in 1999 and \$36,000 in both 1998 and 1997. Future minimum rentals under non-cancelable operating leases with terms of more than one year are as follows: 2000-\$21,300, 2001-\$16,900, 2002-\$13,300, 2003-\$10,300, 2004-\$9,600, and 2005 and thereafter-\$19,200.

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7. COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED

GOODWILL ARISING FROM BUSINESS ACQUISITIONS (\$110,000 IN 1999 AND \$35,000 IN 1998) IS AMORTIZED ON A STRAIGHT-LINE BASIS OVER PERIODS RANGING FROM 15 TO 40 YEARS. THE COMPANY EVALUATES, AT EACH BALANCE SHEET DATE, THE REALIZABILITY OF GOODWILL FOR EACH OPERATION HAVING A GOODWILL BALANCE. Amortization expense amounted to \$10,700 in 1999, \$9,499 in 1998, and \$16,599 in 1997. Accumulated amortization at December 31, 1999 and 1998 was \$58,934 and \$48,705, respectively.

8. INVESTMENT IN LIFE INSURANCE

Company-owned life insurance (COLI) policies are used by the Company to aid in the financing of employee benefits and are recorded net of policy loans in Other

Assets on the Consolidated Balance Sheets. The net pre-tax cost of COLI, including interest expense, was \$2,392 in 1999, \$4,195 in 1998, and \$4,477 in 1997 and is included in selling, general and administrative expenses. The related interest expense was \$17,108 in 1999, \$36,392 in 1998, and \$38,754 in 1997. Legislation was enacted in 1996 that began phasing out the tax deductibility of this interest loans. Accordingly, no deduction was taken in 1999 for interest on policy loans. See Note 14 for further details.

9. DEBT

Debt at December 31 was as follows:

	1999	1998
Commercial paper, average rate of 5.2% in 1999 and 5.4% in 1998	\$257,300	\$267,000
7.0% debentures due November 2004	149,905	
6.75% debentures due November 2010	99,847	99,819
5.875% debentures due November 2003	99,740	99,605
5.49% debentures due April 2000	75,000	75,000
9.2% debentures due August 2021	41,305	41,305
6.125% IRBs due June 2025	34,533	34,509
6.0% IRBs due April 2026	34,171	34,139
Foreign denominated debt, average rate of 7.7% in 1999 and 7.5% in 1998	87,643	106,626
Other notes	24,693	25,629
Total debt	904,137	783,632
Less current portion and short-term notes	84,597	96,806
Long-term debt	\$819,540	\$686,826

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 2001. It is management's intent to extend indefinitely the line of credit agreements supporting the commercial paper program. Accordingly, commercial paper borrowings are classified as long-term debt.

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 \$750,000 increased by 50% of net income after March 31, 1998, and decreased by stock purchases after January 1, 1998.

In addition to the committed availability under the commercial paper program, unused short-term lines of credit for general Company purposes at December 31, 1999, were approximately \$98,300 with interest at mutually agreed-upon rates. As of December 31, 1999, the Company had registered debt securities of \$100,000 remaining under shelf registrations with the Securities and Exchange Commission. In November 1999, the Company issued \$150,000 of 7% debentures due November 2004.

The approximate principal requirements of debt maturing in the next five years are: 2000-\$84,600, 2001-\$7,500, 2002-\$5,000, 2003-\$103,400, and 2004-\$153,600.

10. EXTRAORDINARY LOSS FROM EARLY EXTINGUISHMENT OF DEBT

In 1998, the Company tendered for any and all of its 9.20% debentures due August 1, 2021. The fixed spread offer to purchase the debentures resulted in an extraordinary charge against earnings in the second quarter of \$11,753 (after a \$7,514 income tax benefit), reflecting the tender of approximately \$58,700

principal amount of the \$100,000 issue.

11. FINANCIAL INSTRUMENTS

The Company enters into currency swaps and foreign exchange forward contracts to hedge a portion of the net investment in certain foreign subsidiaries. Gains and losses on such contracts are recognized as a component of accumulated other comprehensive income. As of December 31, 1999, the Company had no currency swap contracts outstanding. At December 31, 1998, the notional value of such contracts was approximately \$19,000. All financial instruments are executed with credit-worthy financial institutions: therefore, the Company considers the risk on non-performance on these instruments to be remote.

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. The carrying amount of cash and cash equivalents, short-term debt and long-term variable-rate debt approximates fair value. The fair value of long-term debt is based on quoted market prices or by discounting future cash flows using interest rates available to the Company for issues with similar terms and average maturities. Foreign currency agreements are valued based on termination values or quoted market prices of comparable instruments.

	December 31, 1999		December 31, 1998	
	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Long-term debt	\$(819,540)	\$(791,041)	\$(686,826)	\$(710,427)
Foreign currency agreements			(583)	(583)

On June 15, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). The effective date of FAS 133 has been deferred by FAS 137. FAS 133 is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000, and requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Company anticipates that, due to its limited use of derivative instruments, the adoption of FAS 133 will not have a significant effect on the Company's results of operations or its financial position.

12. STOCK PLANS

The Company has stock option plans under which common shares are reserved for sale to certain employees and non-employee 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 4,506,029 shares reserved for future grants at December 31, 1999.

On January 1, 2000, awards in the form of contingent share units were granted to key executives under a new long-term incentive plan. The vesting of the awards, which can range from 246,250 to 985,000 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 growth objectives are not met.

On December 31, 1998, the Company granted special one-time Centennial stock options of 100 shares to substantially all of its employees. These options may be exercised after two years at the closing price of the shares on December 31, 1998, and expire after six years. A total of 1,543,200 options were granted under the Centennial Share Program.

Since September 2, 1997, one-time awards of contingent share units have been granted to certain of the Company's executives from shares allocated in the 1991 Key Employee Stock Plan. These awards, consisting of performance-based restricted shares of common stock, have been granted to provide corporate and business unit managers with an additional compensation opportunity which is realized only if targeted creation of shareholder value is achieved. The vesting of the awards, which can range from 175,300 to 701,200 shares, is tied to growth in share price over the four-year period ending September 1, 2001. None of the stock units will vest if the minimum share price growth objective is not achieved. 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 in order for shares to be issued. Once vested, these awards do not expire. As of December 31, 1999, a total of 377,541 contingent shares granted under this plan remain outstanding, 314,072 of which are vested.

A summary of the status of the Company's stock option plans is presented below:

	Option Shares	Weighted- Average Exercise Price

1997		
Outstanding at beginning of year	6,703,239	\$18.46
Granted	1,343,330	\$24.13
Exercised	(929,845)	\$14.97
Canceled	(71,781)	\$22.83
Outstanding at end of year	7,044,943	\$19.98
Options exercisable at end of year	5,701,612	\$19.00

1998		
Granted	2,925,366	\$31.52
Exercised	(1,397,427)	\$20.91
Canceled	(23,605)	\$28.25
Outstanding at end of year	8,549,277	\$24.17
Options exercisable at end of year	5,623,911	\$20.38

1999		
Granted	1,341,031	\$28.00
Exercised	(395,298)	\$15.98
Canceled	(79,729)	\$29.45
Outstanding at end of year	9,415,281	\$25.01
Options exercisable at end of year	6,568,490	\$23.33
=====		

The weighted-average fair value of options granted was \$5.75, \$6.30, and \$4.84 in 1999, 1998 and 1997, respectively.

The following table summarizes information about stock options outstanding at December 31, 1999:

Options Outstanding			
Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted-Average Remaining Contractual Life	Weighted- Average Exercise Price
\$ 6.61-\$15.26	648,279	1.1 years	\$14.01
\$16.23-\$24.77	4,590,223	4.9 years	\$21.63
\$25.00-\$37.10	4,176,779	7.2 years	\$30.43

\$ 6.61-\$37.10	9,415,281	5.7 years	\$25.01
=====			

Options Exercisable		
Range of Exercise Prices	Number Exercisable at 12/31/99	Weighted- Average Exercise Price
\$ 6.61-\$15.26	648,279	\$14.01
\$16.23-\$24.77	4,576,409	\$21.63
\$25.00-\$37.10	1,343,802	\$33.63

\$ 6.61-\$37.10	6,568,490	\$23.33
=====		

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), the Company has chosen to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees," and

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related interpretations in accounting for its plans. Had compensation cost for the Company's plans been determined consistent with the fair market value provisions of FAS 123, the Company's net income and net income per common share, on a diluted basis, would have been reduced to the pro forma amounts indicated below:

	1999	1998	1997
Net income - as reported	\$187,805	\$180,243	\$ 2,617
Net income (loss) - pro forma	180,323	174,182	(1,327)
Earnings per share - as reported	1.83	1.73	
Earnings (loss) per share - pro forma	1.75	1.67	(0.04)
=====			

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	1999	1998	1997
Expected dividend yield	2.4%	2.3%	2.3%
Expected stock price volatility	20.3%	20.0%	15.3%
Risk-free interest rate	4.8%	5.4%	6.2%
Expected life of options	5 years	5 years	5 years

13. EMPLOYEE BENEFIT PLANS

The Company provides non-contributory defined benefit pension plans for substantially all its United States employees, as well as postretirement health care 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 the employees in the United Kingdom and Canada.

The components of net periodic benefit cost (income) include the following:

	1999	1998	1997
RETIREMENT PLANS			
Service cost	\$ 16,897	\$ 15,218	\$ 15,169
Interest cost	39,565	39,467	37,690
Expected return on plan assets	(61,257)	(57,715)	(48,465)
Amortization of net transition asset	(444)	(458)	(534)
Amortization of prior service cost	2,044	1,643	1,235
Amortization of net actuarial loss	461	423	485
Effect of curtailment		(870)	
Net periodic benefit (income) cost	\$ (2,734)	\$ (2,292)	\$ 5,580

RETIREE HEALTH AND LIFE INSURANCE PLANS

Service cost	\$ 3,775	\$ 2,894	\$ 3,831
Interest cost	8,372	7,946	8,663
Expected return on plan assets	(6,181)	(3,784)	(2,828)
Amortization of prior service cost	(5,633)	(4,807)	(5,495)
Amortization of net actuarial loss	1,257	66	708
Effect of curtailment		(2,039)	
Net periodic benefit cost	\$ 1,590	\$ 276	\$ 4,879
Other comprehensive (income) expense	\$ (2,785)	\$ 1,898	\$ 1,805

The following tables set forth the plans' obligations and assets at December 31:

	Retirement Plans		Retiree Health and Life Insurance Plans	
	1999	1998	1999	1998

CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at January 1	\$ 614,715	\$ 532,856	\$ 119,711	\$ 124,387
Service cost	16,897	15,218	3,775	2,894
Interest cost	39,565	39,467	8,372	7,946
Plan participant contributions	1,284	1,451		
Plan amendments	1,278	6,050	(25,354)	
Actuarial (gain) loss	(77,497)	52,975	6,783	(1,369)
Benefits paid	(31,925)	(28,369)	(10,032)	(9,246)
Other	(752)	(4,933)	(683)	(4,901)

Benefit obligation at December 31	\$ 563,565	\$ 614,715	\$ 102,572	\$ 119,711
=====				

CHANGE IN PLAN ASSETS

Fair value of plan assets at January 1	\$ 666,299	\$ 606,453	\$ 71,650	\$ 35,309
Actual return on plan assets	133,954	74,492	12,567	5,915
Company contributions	4,324	16,359	8,317	39,749
Plan participant contributions	1,284	1,451		
Benefits paid	(31,925)	(28,369)	(10,032)	(9,246)
Other	(1,900)	(4,087)	(119)	(77)

Fair value of plan assets at December 31	\$ 772,036	\$ 666,299	\$ 82,383	\$ 71,650
=====				

RECONCILIATION OF FUNDED STATUS, DECEMBER 31

Funded status of plan	\$ 208,471	\$ 51,584	\$ (20,189)	\$ (48,061)
Unrecognized net actuarial (gain) loss	(115,852)	33,017	10,370	11,110
Unrecognized prior service cost	13,204	14,313	(26,459)	(6,738)
Unrecognized net transition obligation	959	3		

Net amount recognized	\$ 106,782	\$ 98,917	\$ (36,278)	\$ (43,689)
=====				

	Retirement Plans	
	1999	1998

TOTAL RECOGNIZED AMOUNTS IN THE CONSOLIDATED BALANCE SHEETS		
Prepaid benefit cost	\$ 124,900	\$ 113,842

Accrued benefit liability	(25,822)	(26,193)
Intangible asset	3,578	4,357
Accumulated other comprehensive loss	4,126	6,911

Net amount recognized	\$ 106,782	\$ 98,917
=====		

The projected benefit obligation (PBO), accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$38,562, \$35,896 and \$10,074, respectively, as of December 31, 1999, and \$38,599, \$36,058 and \$9,865, respectively, as of December 31, 1998.

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The weighted-average discount rate used in determining the PBO was 7.75% in 1999, 6.75% in 1998 and 7.25% in 1997. The assumed compensation increase was 4.1% in 1999, and 4% in both 1998 and 1997. The expected long-term rate of return on plan assets was 9.5% for all years presented. The assumed health care cost trend rate was 5% in 1999 and continuing into the future. Increasing the assumed trend rate for health care costs by one percentage point would result in an increase in the accumulated post retirement benefit obligation (APBO) and total service and interest cost component of approximately \$2,484 and \$242, respectively. Decreasing the assumed trend rate for health care costs by one percentage point would result in a decrease in the APBO and total service and interest cost component of approximately \$3,035 and \$302, respectively.

The Company's Employee Savings and Stock Ownership Plan provides that all eligible employees may contribute 1% to 16% of their gross pay to the plan, subject to Internal Revenue Service regulations. The Company may make matching contributions in an amount to be determined annually by the Company's Board of Directors. The Company's contributions to the plan for 1999, 1998 and 1997, were \$7,405, \$6,536 and \$6,260, respectively.

14. 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 (benefit) for taxes on income for the years ending December 31 consists of the following:

	1999	1998	1997

Pre-tax income			
Domestic	\$ 269,204	\$ 324,185	\$ 27,281
Foreign	20,356	15,413	36,438

Total pre-tax income	\$ 289,560	\$ 339,598	\$ 63,719
=====			
Current			
Federal	\$ 68,927	\$ 55,737	\$ 79,827
State	5,700	16,765	13,650
Foreign	15,898	9,874	14,991

Total current	\$ 90,525	\$ 82,376	\$ 108,468
Deferred			
Federal	\$ 12,973	\$ 72,340	\$ (49,161)
State	2,410	889	502
Foreign	2,677	(1,616)	302
Total deferred	\$ 18,060	\$ 71,613	(48,357)
Total taxes	\$ 108,585	\$ 153,989	\$ 60,111

Cumulative deferred tax liabilities (assets) are comprised of the following at December 31:

	1999	1998
Depreciation	\$ 60,382	\$ 61,947
Employee benefits	46,602	38,504
Other	163	
Gross deferred tax liabilities	107,147	100,451
Retiree health benefits	(15,278)	(14,425)
Foreign loss carryforwards	(14,211)	(14,913)
Capital loss carryforwards	(14,416)	(17,730)
Employee benefits	(20,211)	(16,001)
Accrued liabilities and other	(996)	(19,663)
Gross deferred tax assets	(65,112)	(82,732)
Valuation allowance on deferred tax assets	38,918	45,174
Total deferred taxes, net	\$ 80,953	\$ 62,893

The net change in the valuation allowance for deferred tax assets is a net decrease of \$6,256 in 1999, compared with a net increase of \$23,265 in 1998. The decrease of \$6,256 is related to net operating loss carryforwards of foreign subsidiaries and capital loss carryforwards considered realizable.

Approximately \$39,000 of foreign subsidiary net operating loss carryforwards remain at December 31, 1999. Their use is limited to future taxable earnings of the respective foreign subsidiaries. Of these loss carryforwards, approximately \$22,000 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:

	1999		1998		1997	
Statutory tax rate	\$ 101,346	35.0%	\$ 118,859	35.0%	\$ 22,301	35.0%
State income taxes, net of federal tax benefit	5,272	1.8	12,146	3.6	1,623	2.5
Goodwill	1,166	.4	6,280	1.8	3,508	5.5
Asset impairment and dispositions	(1,225)	(.4)	15,552	4.6	38,913	61.1

Company-owned						
life insurance	837	.3	(3,471)	(1.0)	(4,908)	(7.7)
Other, net	1,189	.4	4,623	1.3	(1,326)	(2.1)

Total taxes	\$ 108,585	37.5%	\$ 153,989	45.3%	\$ 60,111	94.3%
=====						

Undistributed earnings of international subsidiaries totaled \$81,703 at December 31, 1999. There have been no United States income taxes provided on the undistributed earnings since the Company considers these earnings 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 was sold, these earnings could become subject to tax.

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(Dollars in thousands except per share data)

The Company has resolved all issues with the Internal Revenue Service (IRS) for all years through 1992. In October 1999, the Company received a Revenue Agent Report from the IRS related to the years 1993 through 1995. The most significant issue pertains to the deductibility of Corporate Owned Life Insurance (COLI) loan interest.

The Company has recorded deductions of approximately \$141 million cumulatively as a result of COLI interest deductions from 1993 through 1998. In December 1999, the Company made payments for potential additional tax and interest attributable to COLI interest deductions for taxable years ended 1993 through 1995 to avoid the potential assessment by the IRS of any additional above market rate interest on the contested amount of COLI interest deductions taken. Additionally, payments were made for taxable years ended 1996 through 1998 to stop the accrual of interest on potential contested amounts. Management believes that it has a meritorious position and will vigorously seek refunds, either administratively or through litigation, of all amounts paid plus interest. Management believes that its provision for income tax is adequate under the circumstances based on the specific facts of the Company's operations.

15. 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, located primarily in the northeastern United States, owned by third parties. These sites represent the Company's largest potential environmental liabilities. The Company has approximately \$4,000 accrued for these contingencies as of December 31, 1999 and 1998. Due to the complexity of determining cleanup 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 cleanup 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.

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.

16. SHAREHOLDERS' EQUITY

In 1999, the Company repurchased 598,463 shares of its common stock at a total cost of \$13,045, for an average price of \$21.80 per share. This completed stock repurchase programs previously authorized by the Company's Board of Directors. On February 2, 2000, 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.

In 1997, the Company converted all of its outstanding shares of \$2.25 Series A Cumulative Convertible Preferred Stock into shares of common stock.

17. COMPREHENSIVE INCOME

The following table summarizes the components of accumulated other comprehensive income and the changes in accumulated comprehensive income for the years ended December 31, 1999 and 1998:

	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance at January 1, 1998	\$ (86,407)	\$ (5,013)	\$ (91,420)
Change during 1998	(1,821)	(1,898)	(3,719)
Balance at December 31, 1998	(88,228)	(6,911)	(95,139)
Change during 1999	(30,654)	2,785	(27,869)
Balance at December 31, 1999	\$ (118,882)	\$ (4,126)	\$ (123,008)

18. 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: paper and plastic engineered carriers, paper, recovered paper, designed interior packaging and protective reels. This segment also included fibre and plastic drums and intermediate bulk containers, which were sold in 1998. The Consumer Packaging segment includes the following products and services: composite cans, printed flexibles, bag and film products, container seals, folding cartons, covers and coasters, graphics management and packaging services. This segment also included the North American labels operations sold in 1998 and the United Kingdom labels operations sold in 1999.

Years ended December 31	Industrial Packaging	Consumer Packaging	Corporate	Consolidated
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TOTAL REVENUE

1999	\$1,415,469	\$1,174,809		\$2,590,278
1998	1,466,133	1,134,003		2,600,136
1997	1,630,969	1,259,337		2,890,306
INTERSEGMENT SALES(1)				
1999	\$ 43,544			\$ 43,544
1998	41,121	1,098		42,219
1997	42,362	113		42,475
SALES TO UNAFFILIATED CUSTOMERS				
1999	\$1,371,925	\$1,174,809		\$2,546,734
1998	1,425,012	1,132,905		2,557,917
1997	1,588,607	1,259,224		2,847,831
OPERATING PROFIT(2)				
1999	\$ 188,704	\$ 148,008	\$ (47,152)	\$ 289,560
1998	282,114	106,347	(48,863)	339,598
1997	217,775	(101,833)	(52,223)	63,719
IDENTIFIABLE ASSETS(3)				
1999	\$1,208,056	\$ 706,052	\$ 382,912	\$2,297,020
1998	1,240,915	512,715	329,353	2,082,983
1997	1,228,796	717,172	213,964	2,159,932
DEPRECIATION, DEPLETION AND AMORTIZATION				
1999	\$ 91,235	\$ 54,611		\$ 145,846
1998	98,331	47,338		145,669
1997	93,336	60,188		153,524
CAPITAL EXPENDITURES				
1999	\$ 81,093	\$ 54,635		\$ 135,728
1998	143,852	55,028		198,880
1997	140,581	90,070		230,651

GEOGRAPHIC REGIONS

The sales to unaffiliated customers and long-lived assets by geographic region are as follows:

	1999	1998	1997

SALES TO UNAFFILIATED CUSTOMERS			
United States	\$1,881,472	\$1,959,117	\$2,245,772
Europe	313,457	304,435	287,467
Canada	162,574	119,930	121,227
All other	189,231	174,435	193,365

Total	\$2,546,734	\$2,557,917	\$2,847,831
=====			

LONG-LIVED ASSETS

United States	\$ 821,291	\$ 745,937	\$ 712,111
Europe	185,336	235,825	183,950
Canada	135,602	62,676	54,400
All other	144,854	139,766	133,178

Total	\$1,287,083	\$1,184,204	\$1,083,639
=====			

- (1) Intersegment sales are recorded at a market-related transfer price.
- (2) Industrial Packaging's 1998 results include a pre-tax gain of \$119,552 on the sale of the industrial containers operation and one-time, pre-tax charges of \$(37,480). Consumer Packaging's results include a pre-tax gain of \$3,500 in 1999 related to the sale of the label operation in the United Kingdom, and pre-tax charges of \$(19,198) in 1998 and \$(226,358) in 1997 related to the disposition of the North American labels operation and one-time, pre-tax charges of \$(3,856) in 1998. Interest income and interest expense are excluded from the operating profits 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, head-quarters facilities and prepaid expenses.

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SELECTED ELEVEN-YEAR
FINANCIAL DATA (UNAUDITED)
(Dollars and shares in thousands except per share data)

	1999	1998	1997	1996

OPERATING RESULTS				
Net sales	\$ 2,546,734	\$ 2,557,917	\$ 2,847,831	\$ 2,788,075
Cost of sales and operating expenses	2,213,522	2,269,810	2,505,531	2,458,710
Interest expense	52,466	54,779	57,194	55,481
Interest income	(5,314)	(5,916)	(4,971)	(6,191)
Unusual items(1)	(3,500)	(100,354)	226,358	

Income before income taxes	289,560	339,598	63,719	280,075
Provision for income taxes	108,585	153,989	60,111	107,433
Equity in earnings of affiliates/Minority interest	6,830	6,387	(991)	(1,771)

Income before cumulative effect of changes in accounting principles and extraordinary loss	187,805	191,996	2,617	170,871
Cumulative effect of changes in accounting principles (FAS 106 and FAS 109)				
Extraordinary loss, net of income tax benefit		(11,753)		

Net income	187,805	180,243	2,617	170,871
Preferred dividends			(3,061)	(7,196)

Net income (loss) available to common shareholders	\$ 187,805	\$ 180,243	\$ (444)	\$ 163,675
=====				
Per common share				
Net income available to common shareholders:				
Basic	1.84	1.76	.00	1.64
Diluted	1.83	1.73	.00	1.58
Cash dividends-common	.75	.704	.641	.586
Average common shares outstanding:				
Basic	101,886	102,632	100,981	99,564
Diluted	102,780	104,275	107,350	108,487
Actual common shares outstanding at December 31	101,448	101,683	105,417	98,850

FINANCIAL POSITION				
Net working capital	306,450	225,347	438,896	262,533
Property, plant and equipment, net	1,032,503	1,013,843	939,542	995,415
Total assets	2,297,020	2,082,983	2,159,932	2,365,896
Total debt	904,137	783,632	796,359	893,088
Shareholders' equity	901,220	821,592	848,819	920,613
Current ratio	1.7	1.5	2.0	1.6
Total debt to total capital(2)	47.5%	46.7%	46.1%	47.2%
Book value per common share	8.88	8.08	8.05	8.10

OTHER DATA				
Depreciation, depletion and amortization expense	145,846	145,669	153,524	142,927
Cash dividends declared-common	76,434	72,028	64,639	58,480
Market price per common share (ending)	22.75	29.63	31.54	23.53
Return on total equity (including preferred stock)	21.9%	22.0%	.3%	18.3%
Return on net sales	7.4%	7.0%	.0%	6.1%

- (1) 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 and 1991 were gains from the early repayment of a note in 1991. Also includes restructuring charges of \$42,000 pretax, or \$25,000 after tax, in 1992 and \$75,000 pretax, or \$54,650 after tax, in 1990.

(2) Debt levels for 1995 through 1999 have been adjusted for cash related to the issuance of restricted-purpose bonds.

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1995	1994	1993	1992	1991	1990	1989
\$2,706,173	\$2,300,127	\$1,947,224	\$1,838,026	\$1,697,058	\$1,669,142	\$1,655,830
2,396,284	2,055,734	1,734,980	1,641,075	1,528,543	1,481,271	1,470,877
44,004	35,861	31,154	30,364	28,186	28,073	29,440
(4,905)	(2,398)	(6,017)	(6,416)	(6,870)	(2,196)	(2,573)
		(5,800)	42,000	(8,525)	75,000	
270,790	210,930	192,907	131,003	155,724	86,994	158,086
106,640	82,500	75,200	51,800	63,600	43,934	60,906
369	1,419	1,127	2,048	2,681	7,308	6,381
164,519	129,849	118,834	81,251	94,805	50,368	103,561
			(37,892)			
164,519	129,849	118,834	43,359	94,805	50,368	103,561
(7,763)	(7,763)	(1,264)				
\$ 156,756	\$ 122,086	\$ 117,570	\$ 43,359	\$ 94,805	\$ 50,368	\$ 103,561
1.56	1.21	1.17	.43	.95	.50	1.02
1.49	1.19	1.08	.43	.95	.50	1.01
.524	.481	.459	.425	.398	.390	.351
100,253	100,590	100,849	100,176	99,682	100,610	101,402
110,111	109,420	109,711	101,112	100,225	101,078	102,301
100,229	100,379	101,001	100,651	99,897	99,446	101,009
229,328	222,068	209,932	152,478	163,860	184,066	193,035
865,629	763,109	737,154	614,018	580,787	562,591	494,290
2,098,157	1,821,414	1,696,349	1,241,783	1,135,940	1,113,594	995,132
686,792	547,380	515,826	316,010	283,199	312,120	255,286
918,749	832,218	788,364	561,890	562,306	512,828	511,574
1.5	1.6	1.7	1.5	1.6	1.7	2.1
39.6%	38.1%	38.0%	35.1%	30.6%	34.7%	30.4%
7.45	6.57	6.10	5.58	5.63	5.15	5.06
125,836	112,797	95,745	83,309	76,561	72,152	67,263
53,145	48,287	46,333	42,443	39,703	39,216	35,583
23.86	18.94	19.05	20.67	14.94	14.07	16.02
18.7%	16.0%	19.0%	13.7%	17.8%	9.6%	21.3%
6.1%	5.6%	6.1%	4.4%	5.6%	3.0%	6.3%

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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.

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 certified public accountants, have audited the financial statements, and their report is herein.

/s/ F. Trent Hill, Jr.

F. Trent Hill, Jr.
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND DIRECTORS
OF SONOCO PRODUCTS COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and cash flows (appearing on pages 34 through 45 of this report) present fairly, in all material respects, the consolidated financial position of Sonoco Products Company at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles in the United States. 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 generally accepted auditing standards in the United States, 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 the opinion expressed above.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Charlotte, North Carolina
January 26, 2000

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30 OFFICERS

EXECUTIVE OFFICERS

[PHOTO]	[PHOTO]	[PHOTO]	[PHOTO]
PETER C. BROWNING, 58 President & Chief Executive Officer. Previously President & Chief Operating Officer 1996-1998; Executive Vice President-Global Industrial Products/Paper 1993-1996. Prior experience: President, Chairman & CEO, National Gypsum 1990-1993; Continental Can 1966-1990 where he last served as Executive Vice President. Joined Sonoco in 1993.	JIM C. BOWEN, 49 Vice President & General Manager-Paper Division. Previously Vice President-Manufacturing North America, Paper since 1994-1997; Director of Manufacturing 1993-1994. Joined Sonoco in 1972.	BERNARD W. CAMPBELL, 50 Vice President-Information Services. Previously Staff Vice President-Information Services 1991-1996; Director-Corporate Information Services 1990-1991. Joined Sonoco in 1988.	ALLAN V. CECIL, 58 Vice President-Investor Relations & Corporate Affairs. Previously Vice President-Investor Relations & Corporate Communications 1996-1998. Prior experience: Vice President-Corporate Communications & Investor Relations, National Gypsum and Mesa Petroleum Co. Joined Sonoco in 1996.
[PHOTO]	[PHOTO]	[PHOTO]	[PHOTO]
HARRIS E. DELOACH, JR., 55 Sr. Executive Vice President responsible for Global Industrial Products/Paper/Sonoco Crellin & Asia. Previously Executive Vice President responsible for Industrial Products/Paper/molded and extruded plastics, 1998-1999; Executive Vice President responsible for High Density Film, Industrial Container, Fibre Partitions, Protective Packaging, Sonoco Crellin	CYNTHIA A. HARTLEY, 51 Vice President-Human Resources. Previously Vice President-Human Resources, National Gypsum Company and Dames & Moore and previous experience with Continental Can Company. Joined Sonoco in 1995.	F. TRENT HILL, JR., 47 Vice President & Chief Financial Officer. Previously Vice President-Finance 1994-1995; Vice President-Industrial Products, N.A. 1990-1994; Vice President-Finance 1987-1989. Joined Sonoco in 1979.	RONALD E. HOLLEY, 57 Vice President-Industrial Products, N.A. Previously Vice President-High Density Film Products 1993-1999; Vice President-Total Quality Management 1990-1993; Vice President-Industrial Products 1987-1990. Joined Sonoco in 1964.

& Baker Reels 1996-1998;
Group Vice President
1993-1996. Joined
Sonoco in 1985.

[PHOTO]
CHARLES J. HUPFER, 53
Vice President, Treasurer
& Corporate Secretary.
Previously Treasurer 1988-
1995; Director of Tax &
Audit 1985-1988;
Director-International
Finance & Accounting
1980-1985. Joined
Sonoco in 1975.

[PHOTO]
KEVIN P. MAHONEY, 44
Vice President-Corporate
Planning since February
2000. Previously Staff
Vice President-Corporate
Planning 1998-2000.
Joined Sonoco in 1987.

[PHOTO]
RAYMOND L. MCGOWAN, JR., 48
Group Vice President-Global
Consumer Products. Previously
Vice President & General
Manager-Global Consumer
Products 1998-1999; Vice
President-Consumer Products
1997-1998; Vice President &
General Manager-Consumer
Products, United States &
Canada 1994-1997. Joined
Sonoco in 1983.

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OFFICERS

EXECUTIVE OFFICERS (CONTINUED)

[PHOTO]
HARRY J. MORAN, 67
Executive Vice President
responsible for Flexible
Packaging, Folding Cartons,
Protective Packaging, Bags/
Film, Caps/Coasters, Container
Seals, Baker Reels, Graphic
Services, and the Pack Center.
Previously Executive Vice
President responsible for
Consumer Packaging 1996-
1998; Group Vice President-
Consumer Packaging 1993-
1996. Joined Sonoco in 1983.

[PHOTO]
CHARLES F. PATERNO, 43
Vice President-Industrial
Products/Paper, Europe.
Previously Division Vice
President-Industrial
Products/Paper, Europe
1996-1998; President-
Sonoco Limited 1994-1995.
Joined Sonoco in 1983.

[PHOTO]
J.C. RHODES, 61
Vice President-International
Operations-Latin America,
Australia & Director of
Operations-Asia. Previously
Division Vice President-
Operations Support
1996-1998. Joined
Sonoco in 1961.

[PHOTO]
EDDIE L. SMITH, 48
Vice President-General
Manager, Flexible Packaging.
Previously Division Vice
President-General Manager-
Flexible Packaging 1996-
1998; Division Vice
President-Consumer
Products, Europe 1994-1996.
Joined Sonoco in 1971.

[PHOTO]
PERRY D. SMITH, 49
Vice President & Managing
Director-Sonoco Asia, L.L.C.
Previously Managing
Director-Sonoco Asia, L.L.C.
1994-1996; Director-
Business Development,
Asia Pacific 1992-1994.
Joined Sonoco in 1988.

OFFICERS

DIVISION & STAFF OFFICERS

MICHAEL W. BULLINGTON, 52
Staff Vice President, Finance &
Administration-Consumer Products.
Joined Sonoco in 1983.

ROBERT J. GIANGIORGI, 57
Staff Vice President-International
Business Development, Consumer
Products. Joined Sonoco in 1983.

DANIEL G. HAUSE, 51
Division Vice President-
Manufacturing, Industrial Products.
Joined Sonoco in 1970.

CHARLES W. COKER, JR., 40
Staff Vice President-Corporate
Purchasing & Logistics. Joined
Sonoco in 1981.

DONALD M. GORE, 50
Division Vice President-Sales,
Industrial Products, N.A.
Joined Sonoco in 1972.

LINDA O. HILL, 51
Staff Vice President-Global
Technology. Joined Sonoco
in 1966.

H. WILLIAM FROEBER, 49
Division Vice President-Flexible
Packaging. Joined Sonoco in 1995.

JOHN M. GRUPS, 49
Division Vice President-Global
Operations, Consumer Products.
Joined Sonoco in 1976.

R. JIM HINES, 49
Division Vice President-Recovered
Paper. Joined Sonoco in 1980.

RODGER D. FULLER, 38
Division Vice President-
Consumer Products, Europe.
Joined Sonoco in 1985.

BEN L. HARRIS, JR., 49
Staff Vice President-Finance &
Administration, Global Industrial
Products/Paper. Joined Sonoco
in 1983.

JOHN D. HORTON, 57
Division Vice President-Sales &
Marketing, High Density Film.
Joined Sonoco in 1972.

LARRY O. GANTT, 62
Vice President-Operating
Excellence. Joined Sonoco
in 1963.

E.A. HARRIS, 54
Division Vice President-Industrial
Products/Paper, S.A. Joined
Sonoco in 1969.

LESLIE H. LAK, 51
Division Vice President, Molded
Plastics. Joined Sonoco in 1973.

JOSEPH A. LUCAS, 60
Division Vice President-Sales,
Consumer Products. Joined
Sonoco in 1998.

CHARLES W. REID, 61
Division Vice President & General
Manager-Sonoco Baker Reels.
Rejoined Sonoco in 1988.

JAMES H. SHELLEY, 56
Staff Vice President-Employee
Relations & Labor Counsel.
Joined Sonoco in 1969.

JAMES C. MILLER, 46
Staff Vice President-Engineering
& Technology, High Density Film.
Joined Sonoco in 1983.

FRANK J. POPELARS, 59
Staff Vice President-Corporate
Controller. Joined Sonoco in 1983.

James C. Yeager, 53
Division Vice President, Europe-
Molded Plastics & Industrial
Products. Joined Sonoco in 1973.

BRAD D. ROSS, 40
Division Vice President, Sales &
Marketing-Flexible Packaging.
Joined Sonoco in 1986.

M. JACK SANDERS, 46
Division Vice President & General
Manager, Protective Packaging.
Joined Sonoco in 1987.

DAVID THORNELY, 55
Managing Director-Sonoco
Australasia. Joined Sonoco
in 1991.

Rex E. Varn, 41
Division Vice President & General
Manager-High Density Film.
Joined Sonoco in 1980.

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, 1999 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. 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.
 - a. Harlands France SARL, 100%-owned French subsidiary.
 - b. SPC Resources, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, CONTINUED

- c. Sonoco International, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:
 1. Kemkin Holdings, Ltd., 100%-owned Gibraltar subsidiary.

2. Sonoco Netherlands Holding II BV, 100%-owned Dutch subsidiary.
3. Sonoco Limited, 100%-owned Canadian subsidiary.
4. Sonoco Luxembourg SARL, 100%-owned Luxembourg subsidiary.
 - a. NRO Sonoco, Inc., 100%-owned Canadian subsidiary.
 - b. Sonoco Products Company U.K. Unlimited, 100%-owned U.K. subsidiary.
 1. Sonoco UK Limited, 100%-owned U.K. subsidiary.
 2. Sonoco Consumer Products Limited, U.K., 100%-owned U.K. 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.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, CONTINUED

5. Sonoco CPD GmbH, 100%-owned German subsidiary.
6. Burk GmbH, 100% owned German subsidiary.
- e. Sonoco SARL, 100%-owned French subsidiary.
 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.

a. Sonoco IPD France SA., 100% owned
French subsidiary.

b. Sonoco Consumer Products S.A., 100%-owned
French subsidiary.

5. FCC Sonoco, 100%-owned French subsidiary.

6. Neunundzwanzigste Lydia Vermögensverwaltungs GmbH,
100%-owned Germany subsidiary.

7. Sonono Deutschland Vermögensverwaltungs GmbH & Co. KG,
100%-owned Germany subsidiary.

8. 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, 51%-owned Malaysian subsidiary.

b. Sonoco Taiwan Limited, 100%-owned Republic of China
subsidiary.

c. Sonoco Thailand Ltd., 70%-owned Thai subsidiary.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, CONTINUED

d. Sonoco Hongwen, L.L.C., 80%-owned limited liability
company.

e. Sonoco Products Malaysia, SDN BHD, 100%-owned Malaysian
subsidiary.

9. Sonoco Asia Management Company, L.L.C., 71%-owned limited
liability company.

10. Sonoco Participacoes Ltda., 100%-owned Brazilian subsidiary.

a. Sonoco For-Plas do Brazil Ltda., 51%-owned Brazilian
subsidiary.

11. Inversiones Sonoco do Chile Ltda, 100%-owned Chilean
subsidiary.

a. Sonoco de Chile, 70%-owned Chilean subsidiary.

12. Grupo Sonoco SA de CV, 100%-owned Mexican subsidiary.

4. Sonoco do Brazil Ltda., 100%-owned Brazilian subsidiary.

5. Timber Properties, Ltd., (B.V.I.), 100%-owned by Sonoco Products
Company.

6. Southern Plug & Manufacturing Co., Inc., 100%-owned domestic subsidiary, incorporated in the state of Louisiana.
7. Sonoco "SPG", Inc., 100%-owned domestic subsidiary, incorporated in the state of Wisconsin.
8. Sonoco Flexible Packaging Company, Inc., 100%-owned domestic subsidiary incorporated in the state of South Carolina.
 - a. Sonoco Flexible Packaging NC Corporation Inc., 100%-owned domestic subsidiary.
9. Sonoco Paperboard Group, L.L.C., 100%-owned limited liability company.
10. Sonoco Development, Inc., 100%-owned domestic subsidiary, incorporated in the state of South Carolina.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Sonoco Products Company on Forms S-8 (September 4, 1985, November 27, 1989, November 22, 1993, June 7, 1995, September 25, 1996 and December 30, 1998) and Forms S-3 (filed June 6, 1991, File No. 33-40538; filed October 4, 1993, File No. 33-50501 as amended; filed October 4, 1993, File No. 33-50503 as amended) of our report dated January 26, 2000 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 24, 2000

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF SONOCO PRODUCTS COMPANY FOR THE YEAR ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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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, 1999

SONOCO PRODUCTS COMPANY
1991 KEY EMPLOYEE STOCK PLAN

SONOCO PRODUCTS COMPANY
NORTH SECOND STREET
HARTSVILLE, SOUTH CAROLINA 29550

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.