UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.
20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-516

SONOCO PRODUCTS COMPANY

INCORPORATED UNDER THE LAWS OF SOUTH CAROLINA	I.R.S. EMPLOYER IDENTIFICATION NO. 57-0248420

ONE NORTH SECOND STREET
POST OFFICE BOX 160
HARTSVILLE, SOUTH CAROLINA 29551-0160

TELEPHONE: 843-383-7000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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 3, 2002, was $2,486,491,459. Registrant does not have any non-voting common stock outstanding.

As of March 3, 2002, there were 95,964,277 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, 2001, 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 17, 2002, are incorporated by reference in Part III.

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes and incorporates by reference "forward-looking statements" within the meaning of the securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "anticipate" and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs, adequacy of income tax provisions, refinancing of debt, adequacy of cash flows, effects of acquisitions and dispositions, and financial strategies and the results expected from them.

These forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs, and assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies, and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include without limitation: availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; ability to maintain market share; pricing pressures and demand for products; continued strength of our paperboard-based engineered carrier and composite can operations; anticipated results of restructuring activities; ability to successfully integrate newly acquired businesses into our operations; currency stability and the rate of growth in foreign markets; actions of government agencies; and loss of consumer confidence and economic disruptions resulting from terrorist activities.

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

PART I

ITEM 1 BUSINESS

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

Acquisitions/dispositions/joint venture - Notes 2 and 3 to the Consolidated Financial Statements on pages 40 and 41 of the 2001 Annual Report to Shareholders (the "2001 Annual Report") is incorporated herein by reference.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS - Note 17 to the Consolidated Financial Statements on page 49 of the 2001 Annual Report is incorporated herein by reference.

(c) NARRATIVE DESCRIPTION OF BUSINESS -

Industrial Packaging Segment

The Industrial Packaging segment, which represented 50% of the Company's sales in 2001, includes the following products:

high-performance paper, plastic and composite engineered carriers; paperboard; wood, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities. Sonoco's engineered carriers (tubes and cores), along with the Company's integrated paper operations is the largest revenue-producing business in the Company. Sonoco is a market leader in engineered

carriers, serving such markets as paper, textiles, film, tape and metals from 115 converting facilities on five continents.

Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging, including engineered carriers, composite cans and protective packaging. This vertical integration strategy is backed by 31 paper mills with 43 machines in 13 countries. In 2001, Sonoco's paper manufacturing capacity was 2 million tons.

Sonoco's molded and extruded plastics operations supply customers in the textile, fiber optics, wire and cable, automotive, plumbing, filtration, food services, medical and healthcare markets.

The Company is a leading producer of wood, composite and metal reels for the United States wire and cable industry.

Historically, Sonoco's protective packaging business has served the white goods industry (washers, dryers, ranges, etc.) with custom designed paper-based corner posts and plastic bases. New developments in this business include packaging that allows the product inside the packaging to be seen from the outside, helping in warehouse identification and observation of any damage before delivery.

Consumer Packaging Segment

The Consumer Packaging segment, which represented 50% of the Company's sales in 2001, includes the following products and services: round and shaped composite cans, printed flexible packaging, metal and plastic ends and closures, high density film products, specialty packaging and packaging services. Sonoco's composite can business is the Company's second largest revenue-producing business, surpassed only by the engineered carriers/paper operations, with 32 can plants, 8 can/metal end plants, 5 metal end plants, and 3 plastic plants throughout the world. The composite can operation serves such markets as snacks, confectionery, frozen concentrate, adhesives, and automotive.

Flexible packaging is one of Sonoco's newer businesses serving such markets as beverage, coffee, confectionery, home and personal care, and snacks. This business continues to grow, with new contracts in the confectionery market, utilizing rotogravure and flexographic printing capabilities.

The Company's packaging services business doubled its sales in 2001 over 2000 by expanding existing business and securing new contracts. In late 2000, Sonoco received a five-year contract covering its management of The Gillette Company's packaging supply chain razor and blade packaging center in North America and Europe. Also, in 2001 the Company began managing the Hewlett-Packard Company's Americas Product Completion Center in Chester, VA. This facility packages Hewlett-Packard's inkjet printer products.

Sonoco's high density film business is a leading producer of plastic grocery bags in the United States and offers an array of retail, convenience store, fast food and easy-open produce bags. The Company also produces agricultural mulch film used for growth enhancement of high value crops.

Sonoco is a market leader in supplying paper coasters and glass covers to the North American hospitality, restaurant and healthcare industries. The Company produces folding cartons from one plant location, primarily serving health, beauty and personal care customers as part of the Company's supply chain management strategy. Sonoco Trident, with operations based in the United Kingdom and the United States, provides a branded artwork and reprographics management service to help customers protect brand integrity in their packaging.

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

Patents, Trademarks, and Related Contracts - Most inventions are made by members of Sonoco's research and engineering staff and have been, and continue to be, important to the Company's growth. Patents have been granted on many of these inventions in the United States and other countries. These patents are being globally managed by a Sonoco intellectual asset management team. Some of these patents have been licensed to other manufacturers including Sonoco's associated companies. A few patents are also licensed-in from outside companies for Sonoco's business unit use. U.S. patents expire after 17 or 20 years depending on issue date. New patents replace many of the abandoned or expired patents. Sonoco also manages the abandonment of patents that no longer present value to its business. Most of Sonoco's products are marketed worldwide under trademarks such as the name SONOCO(R). Subsidiaries and divisions of Sonoco frequently use their own trademarks such as SONOTUBE(R), QUIKMATE(R), HELPMATE(R), SAFE-TOP(R), SEALED SAFE(R), DURO(R) and DUROX(R).

Seasonality - None of the Company's segments are seasonal to any significant degree.

Dependence on Customers - None of the Company's segments relied upon one single customer or a few customers, the loss of any one or more of which would have a material adverse effect on the segment. In 2001, on an aggregate basis, the five largest customers in the Industrial Packaging segment accounted for approximately 9% of segment sales and the five largest customers in the Consumer Packaging segment accounted for approximately 25% of segment sales. There are many different product lines represented by sales to these customers. In addition, no one customer represents 10% of the consolidated revenue of the Company and the loss of any customer would not have a material adverse effect.

Backlog - Most customer orders are manufactured with a lead time of three weeks or less. Therefore, the amount of backlog orders at December 31, 2001 and 2000 were not material. The Company expects all backlog orders at December 31, 2001 to be shipped during 2002.

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

Research and Development - Total company-sponsored research and development costs were $14 million in 2001 and 2000 and $12 million in 1999. Customer-sponsored research and development costs were not material for each of these periods. Significant projects in Sonoco's Industrial Packaging segment included efforts designed to enhance performance characteristics of the Company's engineered carriers in the textile, film, and paper packaging areas, as well as projects aimed at productivity enhancements. The Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging.

Compliance with Environmental Laws - Note 14 to the Consolidated Financial Statements on pages 47-48 of the 2001 Annual Report is incorporated herein by reference.

Number of Employees - As of December 31, 2001, the Company had approximately 17,900 employees.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS - Note 17 to the Consolidated Financial Statements on page 49 of the 2001 Annual Report and the information about market risk under the caption "Risk Management" on pages 30-31 of the 2001 Annual Report are incorporated herein by reference.

(e) EXECUTIVE OFFICERS OF THE REGISTRANT - The executive officers of the Company are: Harris E. DeLoach, Jr., Jim C. Bowen, Allan V. Cecil, Cynthia A. Hartley, Ronald E. Holley, Harry J. Moran, Eddie L. Smith, Charles L. Sullivan, Jr., Bernard W. Campbell, Larry O. Gantt, Charles J. Hupfer, Kevin P. Mahoney, Charles F. Paterno, J.C. Rhodes, and M. Jack Sanders. Information about the ages, positions and offices held with Sonoco, terms of office, and business experience for the past five years of each of such executive officers is set forth in the 2001 Annual Report on pages 54 and 55 under the captions "Executive Committee - Officers" and "Officers", and is incorporated herein by reference.

Charles L. Sullivan, Jr., Sr. Vice President-Global Consumer Products, was previously Regional Director for Cargill Asia/Pacific in 2000 and President of Cargill's Salt Division from 1995-2000.

ITEM 2 PROPERTIES - The Company's main plant and corporate offices are owned and operated in Hartsville, South Carolina. There are 130 owned and 119 leased facilities used by operations in the Industrial Packaging Segment and 34 owned and 34 leased facilities used by operations in the Consumer Packaging segment. Europe, the largest foreign geographic location, has 41 manufacturing locations.

ITEM 3 LEGAL PROCEEDINGS - Note 14 to the Consolidated Financial Statements on pages 47 - 48 of the 2001 Annual Report is incorporated herein by reference.

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

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - The information relating to market price and cash dividends under Selected Quarterly Financial Data on page 24 of the 2001 Annual Report is incorporated herein by reference. The Company's common stock is traded on the New York Stock Exchange under the stock symbol "SON". At December 31, 2001, there were approximately 43,000 shareholder accounts.

PART II (CONTINUED)

ITEM 6 SELECTED FINANCIAL DATA - The Selected Eleven-Year Financial Data provided on pages 50 - 51 of the 2001 Annual Report are incorporated herein by reference.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Management's Discussion & Analysis of Operations and Financial Condition on pages 25 - 35 of the 2001 Annual Report is incorporated herein by reference.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - The information set forth under the caption "Risk Management" on pages 30 -31 of Management's Discussion & Analysis of Operations and Financial Condition of the 2001 Annual Report is incorporated herein by reference.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - The following items provided in the 2001 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 36 - 49; and the Report of Independent Accountants on page 52.

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 - 10 and page 30, 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. Information about executive officers of the Company is set forth under Item 1(e) of this Report on Form 10-K.

ITEM 11 EXECUTIVE COMPENSATION - Information with respect to the compensation of directors and certain executive officers as shown on pages 22 - 28 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 14 - 16 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 27-28; and "Transactions with Management" on pages 28 - 29.

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, 2001 and 2000; Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999; Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999; and Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999.

2. Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule for each of the three years in the period ended December 31, 2001.

Schedule II - Valuation and Qualifying Accounts

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

3. Exhibits

3-1	Articles of Incorporation (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	Sonoco Products Company Centennial Shares Plan (incorporated by reference to the Registrant's Form S-8 dated December 30, 1998)
10-6	Agreement and Mutual Release between Registrant and Peter C. Browning, dated July 21, 2000 (incorporated by reference to the Registrant's Form 10-Q for the quarter ended October 1, 2000)
10-7	Credit Agreement, dated as of July 17, 2001, among Sonoco Products Company, the several lenders from time to time party thereto and Bank of America, N.A., as agent (incorporated by reference to Registrant's Form S-3, commission file no. 333-69388)
10-8	Separation Agreement between Registrant and F. Trent Hill, Jr., dated March 12, 2002
13	2001 Annual Report to Shareholders (portions incorporated by reference)
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

PART IV (CONTINUED)

99-1 Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 17, 2002 (previously filed)

99-2 Form 11-K Annual Report - 1991 Sonoco Products Company Key Employee Stock Option Plan

(b) Reports on Form 8-K: Form 8-K filed October 30, 2001, relating to Item 5 of that form with respect to other events.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and Directors of
Sonoco Products Company

Our audits of the consolidated financial statements referred to in our report dated January 31, 2002 appearing in the 2001 Annual Report to Shareholders of Sonoco Products Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Charlotte, North Carolina
January 31, 2002

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED 2001, 2000, AND 1999
(DOLLARS IN THOUSANDS)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions	Balance at end of Year
2001				
Allowance for Doubtful Accounts	$ 5,714	$ 7,709	$ 6,129(1)	$ 7,294
LIFO Reserve	$ 9,447	$ 1,372	$ 467(2)	$10,352

Valuation Allowance on Deferred Tax Assets	$25,530		$ 3,803(3)	$21,727
2000				
Allowance for Doubtful Accounts	$ 6,969	$ 5,604	$ 6,859(1)	$ 5,714
LIFO Reserve	$ 9,994		$ 547(2)	$ 9,447
Valuation Allowance on Deferred Tax Assets	$27,937		$ 2,407(3)	$25,530
1999				
Allowance for Doubtful Accounts	$ 5,420	$ 5,902	$ 4,353(1)	$ 6,969
LIFO Reserve	$11,078	$ 3,359	$ 4,443(2)	$ 9,994
Valuation Allowance on Deferred Tax Assets	$45,174		$17,237(3)	$27,937

(1) Includes amounts written off and translation adjustments.
(2) Includes adjustments based on pricing and inventory levels.
(3) Includes foreign net operating loss utilization in 2001 and 2000. 1999 includes capital loss reclassifications and foreign net operating loss utilization.

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 28th day of March 2002.

SONOCO PRODUCTS COMPANY

/s/ Harris E. DeLoach, Jr.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 28th day of March 2002.

/s/ C. J. Hupfer

C. J. Hupfer
Vice President, Treasurer, Corporate
Secretary and Chief Financial Officer

SIGNATURES, CONTINUED

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

B. L. M. Kasriel

/s/ E. H. Lawton, III ------------------------------------ E. H. Lawton, Jr.	Director
/s/ H. L. McColl, Jr. ------------------------------------ H. L. McColl, Jr.	Director
/s/ T. E. Whiddon ------------------------------------ T. E. Whiddon	Director
/s/ D. D. Young ------------------------------------ D. D. Young	Director

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

EXHIBIT INDEX

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SEPARATION AGREEMENT, RELEASE

AND COVENANT NOT TO SUE

THIS Agreement made this _____ day of _________ 2002 by and between SONOCO PRODUCTS COMPANY, a South Carolina Corporation ("Sonoco"), doing business in the State of South Carolina and F. Trent Hill, Jr. ("HILL")

WITNESSETH

WHEREAS, HILL was employed by Sonoco on March 1, 1979, most recently at its location in Hartsville, SC , and

WHEREAS, Sonoco and HILL have agreed to end this employment relationship effective February 11, 2002, and

WHEREAS, Sonoco and HILL have agreed to certain items as a severance package as contained herein:

NOW, THEREFORE, in consideration of the mutual covenants stated herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. HILL will receive the equivalent of 18 months salary less all applicable deductions. This payment includes the 2 weeks standard severance as provided by company policy. Severance will be paid in two equal installments of $244,917. The first payment will be made on or about January 31, 2004, and the second payment will be made on or about January 31, 2005.

2. Pursuant to Sonoco's vacation pay policy, HILL will receive payment for any unused 2002 vacation.

3. Pursuant to Sonoco's benefit policy, HILL's group insurance coverage, (medical and dental) will continue on the same fee-sharing basis as active employees until August 31, 2003, or until he is eligible for insurance coverage with another employer, whichever occurs first. This coverage is provided in lieu of COBRA benefits.

4. HILL has earned a fully vested SERP benefit, calculated at approximately $180,000 as of February 28, 2002. HILL may begin drawing an unreduced SERP benefit at age 62. Should he wish to begin drawing this SERP benefit at age 55, it is subject to a 3% per year early commencement reduction. This SERP benefit will be offset by HILL's Sonoco Pension Plan benefit, and at age 62 by his Social Security Benefit.

5. HILL has the option of taking over the Officer Split Dollar Life Insurance Policy(ies) or canceling. If he takes over the policy(ies), he will be required to reimburse Sonoco for any accumulated premiums paid by the company. Sonoco will pay the premiums for the current plan year (2002). HILL will have two years to reimburse Sonoco for all premiums paid by the Company. The first payment will be due on the first anniversary of his separation, and will be one-half of the amount owed. The balance is due and payable on the second anniversary of his separation. If HILL cancels the policy(ies), he will have no further obligations to Sonoco for this coverage.

6. HILL must exercise all vested stock options within 90 days of separation.

7. As previously elected, fully vested deferred restricted stock units (approximately 14,127 shares) will be distributed in January 2003. All unvested restricted stock units will be cancelled.

8. Sonoco agrees to provide outplacement services through the Charlotte office of Drake, Beam, Morin.

9. The parties agree that Sonoco has no prior legal obligation to make the additional payments which are exchanged for the promises herein.

10. The Employee Agreement signed by HILL shall remain in effect.

11. HILL agrees that he will not, at any time in the future, seek reinstatement or reemployment with Sonoco or any of its subsidiaries or affiliated companies in any position or capacity whatsoever.

12. HILL shall not, for a period of two years following his last day of employment with Sonoco enter into any employment relationship wherein his duties would present a likelihood of disclosure or use of Confidential Information belonging to Sonoco or

which would otherwise violate Sonoco's obligations of secrecy owed to a third party. While the period of this covenant against employment under the circumstances specified in this paragraph shall expire after two years, HILL acknowledges that his general obligation to refrain from actually using or disclosing Confidential Information shall continue beyond this term and specifically until the information shall become public through no fault on his part. Further, HILL will not during the noncompetition period directly or indirectly disturb, entice or hire away or in any other manner persuade any present or future employee, service provider, agent, director, officer or employee of the Company to terminate, discontinue, withdraw, curtail or cancel its relationship with the Company.

13. Sonoco and HILL acknowledge that all of the terms and conditions of this Agreement are confidential and shall not be disclosed to any persons other than immediate family or his attorney. HILL agrees that if he does not maintain the confidentiality of this Agreement, he will repay all of the monetary consideration furnished by Sonoco pursuant to this Agreement.

14. HILL shall not make any public statements, encourage others to make statements or release information intended to disparage or defame any of the Sonoco Parties (as defined in Section 16). The Company shall not make public statements, encourage others to make statements or release information intended to disparage or defame HILL's reputation. Notwithstanding the foregoing, nothing in this Section 15 shall prohibit any person from making such statements when required by order of a court or other body having jurisdiction. Except to the extent consistent with the press release to be issued by the Company in connection with HILL's termination of employment or with the prior written consent of the Company, HILL will not make any direct or indirect written or oral statements to the press, television, radio or other media concerning any matters pertaining to the business and affairs of the Company or any Sonoco Party or pertaining to any matters related to HILL's employment or separation from employment with the Company.

15. In consideration of Sonoco's agreement to provide HILL with the payments and benefits listed in this Agreement, HILL waives, releases and forever discharges Sonoco Parties, including but not limited to Sonoco predecessors, successors, assigns,

officers, directors, shareholders, parent companies, subsidiaries, affiliates, agents, employees and representatives from any and all claims, demands, damages, liabilities, and/or causes of action of any nature whatsoever, known or unknown, that HILL has or may have against Sonoco, arising out of, relating to or resulting from his employment with Sonoco, the termination of that employment and/or any events occurring prior to the signing of this Separation Agreement, Release and Covenant Not to Sue. HILL further agrees not to bring, continue or maintain any legal proceedings of any nature whatsoever against Sonoco before any court, administrative agency, arbitrator or any other tribunal or forum by reason of any such claims, demands, damages, liabilities and/or causes of action, including but not limited to Title VII of the Civil Rights Act of 1964 as amended, the Age Discrimination In Employment Act, as amended, the Americans with Disabilities Act of 1990, and/or other federal or state statutes having to do with discrimination of any nature. HILL agrees that if he violates this covenant by suing Sonoco, or those associated with Sonoco, he will pay all costs and expenses incurred by Sonoco's defense of such a suit, including reasonable attorney's fees. HILL certifies that he has been informed by Sonoco, through the terms of this Agreement, that he was advised to review and discuss the terms of this Agreement with an attorney of his choice prior to signing said Agreement. Furthermore HILL certifies that Sonoco has notified him that he has 21 days from his receipt of this Agreement in which to execute said Agreement. In addition, HILL has been informed that the Agreement may be revoked by him for a period of seven days after its execution.

16. This instrument contains the entire Agreement between the parties hereto with respect to the subject matter and no amendment or other modification of this Agreement shall be valid or binding on any party unless in writing and signed by the party against whom enforcement is sought.

17. The parties agree that the provisions of this Agreement shall be deemed severable and that the invalidity of unenforceability of any portion or any provision shall not affect the validity or enforceability of the other portions or provisions. Such provisions shall be appropriately limited and given effect to the extent that they may be enforceable.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina and rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of their respective heirs, successors, assigns and legal representatives.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and the year first written above.

Sonoco Products Company

by:

---------------------------- ----------------------------------
(Witness)

---------------------------- ----------------------------------
F. Trent Hill, Jr. (Witness)

Comparative Highlights (Unaudited)
Years ended December 31

(Dollars in thousands except per share)	Actual 2001	Actual 2000	Comparative(*) 2001	Comparative(*) 2000	Comparative % Change
Net sales	$2,606,276	$2,711,493	$2,606,276	$2,711,493	(3.9)%
Gross profit	544,430	604,098	544,430	604,098	(9.9)%
Net income	91,609	166,298	148,603	179,670	(17.3)%
Return on total equity	11.5%	19.1%	18.6%	20.7%	(10.1)%
Return on net assets	6.4%	10.7%	9.7%	11.6%	(16.4)%
Return on net sales	3.5%	6.1%	5.7%	6.6%	(13.6)%
Number of employees	17,900	17,450			
Number of locations	317	295			
Number of shareholder accounts	43,000	45,200			
Per common share:					
Net income - basic	$ .96	$ 1.67	$ 1.56	$ 1.80	(13.5)%
- diluted	.96	1.66	1.55	1.80	(13.8)%
Cash dividends - common	.80	.79			1.3%
Ending common stock market price	26.58	21.63			22.9%
Book value per common share	8.40	8.44			(0.5)%
Price/earnings ratio	27.69	13.03	17.15	12.02	42.7%

(*) The 2000 comparative figures exclude from actual results the net gain on the sales of divested businesses and executive severance charges. The 2001 comparative figures exclude from actual results proceeds from legal settlements. The 2001 and 2000 comparative figures also exclude restructuring charges and additional income taxes and other charges related to corporate-owned life insurance. See page 25 of Management's Discussion and Analysis for additional information.

[GRAPH]

Net Sales
(Billions of Dollars)

[GRAPH]

Comparative Net Income
Available to Common
Shareholders
(Millions of Dollars)

[GRAPH]

Comparative Earnings
Per Diluted Share
(Dollars)

Reported net sales and earnings, on a comparative basis, in 2001 were 3.9% and 17.3%, respectively, lower than 2000. The lower sales and earnings were primarily due to lower volume, principally in the engineered carriers business. Comparative results exclude the impact of one-time transactions.

Letter to Shareholders

DEAR FELLOW SHAREHOLDER:

During 2001, Sonoco created significant current and potential value for the Company and its shareholders, despite operating in one of the most difficult general economic environments in its history.

Our strategic objective remains unchanged - to achieve average annual double-digit total return to shareholders, with returns on capital and equity in the top quartile of the Standard & Poor's (S&P) 500 Index. We are pleased that Sonoco's total return to shareholders (stock price plus dividends) increased by 27% between year-ends 2000 and 2001, following three consecutive years of annual declines. Also, our returns on capital and equity are the highest in the packaging industry and only a few percentage points below the top quartile of companies in the S&P 500 Index.

The increase in total shareholder return for 2001 reflects in large part confidence by investors in Sonoco's future growth. Much of this confidence undoubtedly is based on the Company's record in 2001 of acting and delivering on its intentions, made possible primarily because of enhanced execution and greater personal accountability.

WHAT WE SAID AND WHAT WE DID

What we said: "You cannot have an effective operating performance without a consistently improving safety record."

What we did: Reduced our reportable injuries per 100 full-time employees in 2001 to 1.49, the lowest level in Sonoco's history. We believe that people build businesses and that while our safety performance is truly world class, only a zero injury work environment is acceptable.

What we said: "Excess costs are not acceptable - we are targeting $25 million to $30 million of annualized reductions."

What we did: Identified $48 million in structural cost reductions. In 2001, $17 million was realized, and another $31 million in restructuring savings will be phased in during 2002. Approximately 830 positions were eliminated in 2001 and, of the 13 plant closings announced, 11 plants were closed by year-end. Additional restructuring actions are expected during 2002.

What we said: "We will generate approximately $170 million of free cash flow after capital expenditures and dividends in 2001."

What we did: Generated $186.3 million in free cash flow in 2001 after capital expenditures of $102 million and dividends of $76.1 million. We expect to generate $800 million to $900 million in free cash flow over the next five years.

What we said: "We must find ways to grow the top line, including making acquisitions in our existing businesses. These acquisitions cannot be dilutive to earnings."

What we did: Completed seven key acquisitions in 2001 at a cost of approximately $260 million. They should add about $250 million in annualized sales. All are accretive and together are expected to add some $.10 per share in annualized earnings during 2002.

What we said: "We will meet our quarterly earnings estimates more consistently."

What we did: Delivered earnings per share within the Company's publicly announced estimates for the last six consecutive quarters.

What we said: "A primary key to success is putting the right people in the right jobs."

What we did: Made changes in 14 of the top operating and staff positions in the Company. Those transitions have gone well, and we are seeing renewed emphasis within our operations being placed on personal accountability and execution of strategy.

We have also made significant changes to our incentive program. Stock options are no longer viewed as entitlements at Sonoco. The number of stock options awarded, if any, to eligible employees is now based on performance.

OPERATING ISSUES

In most years, accomplishments such as those just outlined would have been accompanied by strong operating and financial results. That was not the case in 2001. Paradoxically, these advancements were achieved despite weak volumes and accompanying declines in sales and earnings, resulting principally because of the recessionary economy.

The most adverse impact was on the Company's industrial packaging segment, which began experiencing the effects of an economic slowdown in the spring of 2000.

These conditions intensified significantly in late spring of 2001. However, our volume decline stabilized shortly thereafter and remained fairly flat until December, when volume weakened further. For example, in December 2001, our paper operations experienced the most severe curtailment of machine days in at least two decades.

In our consumer segment, however, we enjoyed improved year-over-year sales and operating profits in each of the last three quarters in 2001, driven principally by new business initiatives and acquisitions.

SUMMARY OF 2001 RESULTS

Despite stronger performance in our consumer segment during the last nine months of 2001, the severity of the general economic recession on our industrial customers drove Company-wide volumes down about 4%, not including acquisitions, and 2%, including acquisitions made primarily in the third and fourth quarters of 2001. Excluding one-time transactions in both years, our earnings per diluted share decreased 13.8% in 2001, compared with 2000. Including one-time transactions, earnings per diluted share in 2001 were down 42.2% from 2000. Sales for 2001 were off 3.9%, compared with the previous year. Acquisitions contributed approximately $64 million (2.5%) and $106 million (3.9%) in sales for 2001 and 2000, respectively. The Company generated free cash flow of $186.3 million, up 11.8% over $166.6 million in 2000.

[PHOTO]

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

STRATEGY FOR GROWTH

While we are pleased that Sonoco's total return to shareholders increased significantly in 2001 despite a down year in sales and earnings, we understand that to sustain average annual double-digit total returns requires greater consistency of sales and earnings growth than we have produced in recent years.

Over its almost 103-year history, the Company has periodically re-examined and then reinvigorated its growth by raising the competitive bar. In today's global economy, these efforts must be and are a continuous process at Sonoco.

We certainly do not believe we are smarter than everyone else or that we have a secret for quick and extraordinary profit generation. We are, however, committed to providing a fair return to our shareholders by using our technological expertise to continuously improve existing product and service offerings as well as to develop new ones - all driven by customer and market needs. We shall do so organically and through acquisitions.

The state of the Company is sound. Our balance sheet is strong. We have paid consecutive dividends since 1925 and plan to continue doing so. We believe our greatest asset is our people, and that people truly do build businesses. And, yes, we believe in conducting our business with the same integrity that has been the Company's historical hallmark.

To some, this description of who we are may seem old fashioned. But make no mistake; Sonoco is not an old fashioned company when it comes to technology and a commitment to growth. We will not be satisfied with less than being our customers' preferred supplier, providing shareholders with average annual double-digit total returns and achieving returns on capital and equity in the top quartile of the S&P 500 Index.

CASH FLOW DRIVEN

Our growth strategy is cash flow driven, most of which will be produced by our two global market-leading businesses - engineered carriers and composite cans, backed by our integrated paper operations. These businesses have healthy margins resulting from the vertical integration with paper and a strong global market presence.

[GRAPH]

Cash Dividends
Declared - Common
(Millions of Dollars)

Cash dividends paid to shareholders on each share of stock increased from $.79 in 2000 to $.80 in 2001. The total number of shares on which dividends were paid decreased because of share repurchases made in December 2000.

Profits in these businesses are strengthened by ongoing productivity improvement led by aggressive Six Sigma and Lean Manufacturing initiatives and by purchasing and capital effectiveness measures. These efforts are expected to more than offset inflation factors. Also, Sonoco's historical ability to maintain a neutral to positive price/cost relationship, bolstered by its vertical integration, provides added margin stability.

The cash flow from these businesses is then used not only to fund organic and acquisition growth for engineered carriers, composite cans and paper but also for our smaller but faster growth rate businesses, such as flexible packaging, protective packaging and packaging services. In addition, of course, cash flow is used to continue paying dividends; for reducing debt; and for stock buybacks, when appropriate.

EXECUTING THE STRATEGY

We believe our basic growth strategy is sound. The key to success, however, lies in our execution and degree of personal accountability. This

puts action into what otherwise is just words. We cannot control the vagaries of the general economy; therefore, we must concentrate on those things that we can influence. We are focusing our efforts in five primary areas of opportunity.

FIRST, WE MUST CONTINUE TO FOCUS ON OUR COST STRUCTURE to ensure that it is in line with current and foreseeable sales and earnings performance. Our costs remain too high. Therefore, we will further intensify our attention to manufacturing productivity, purchasing and logistics, and additional organizational restructuring designed for today's highly competitive pricing environment. Most importantly, these structures require the right people in the right jobs. There is no room for mediocrity. In that regard, a greater emphasis will be placed on performance-based compensation linked directly to Sonoco's growth objectives.

SECOND, WE WILL PLACE EVEN GREATER EMPHASIS ON CAPITAL EFFECTIVENESS, including better control of working capital. Underperforming businesses whose returns are not consistently meeting or exceeding our cost of capital will receive greater attention and must develop credible plans to enhance performance. Each of our business units will be expected to grow its earnings before interest and taxes at a minimum average annual rate of 10%. Some of our businesses have the opportunity to grow, and must grow, at an even higher rate for us to meet our total return objective.

[GRAPH]

The increase in shareholders' equity in 2001 was due to net income of $91.6 million and $14 million exercised stock options, offset by dividends of $76.1 million, minimum pension liability adjustments of $15.9 million and foreign currency translation of $8.8 million.

THIRD, WE WILL EVEN MORE AGGRESSIVELY ENHANCE OUR POSITION IN THE MARKETS WE SERVE. As has been our history, we will be a fair and responsible competitor, but we will not be satisfied with the status quo.

To that end, our vision is to substantively change the way the world sees packaging. Consumers have opinions about the value of many products, which may involve packaging characteristics; however, they are unlikely to consciously think of packaging in terms of the value they perceive. On the other hand, manufacturers and distributors, though more aware, sometimes view packaging as a necessity or cost of bringing products to market rather than an opportunity to increase market demand and improve productivity. We believe Sonoco's sales and earnings growth and competitive leadership can be significantly enhanced by successfully changing these views. Sonoco will do that by more aggressively identifying and creating solutions to consumer packaging issues and working with customers to raise consumer awareness of the ensuing value. We believe that by bringing to bear our packaging technology leadership and expertise as a global supply chain partner, Sonoco can make packaging a greater source of competitive advantage for customers.

FOURTH, OUR SALES GROWTH IS CRITICAL to sustainable earnings and double-digit returns to our shareholders. We will pursue top line growth organically and through acquisitions.

- ACQUISITIONS - Our criteria for acquisitions are threefold: they must be accretive to earnings in the first year, they must complement our existing business technologies and expertise, and they must return our cost of capital within five years. Acquisitions that do not meet all these criteria are unlikely candidates for consideration.

  While the current recessionary economy has negatively affected many of our markets, it has also created an environment conducive to acquiring companies at reasonable prices. In 2001, we made seven key acquisitions. In the industrial segment, we purchased U.S. Paper Mills Corp. and a paper mill in Hutchinson, Kansas, both of which primarily produce lightweight paperboard used in composite cans, tubes and cores, and for producing tissue and towel core-board. Additionally, in paper-based tubes and cores, we acquired Hayes Manufacturing Group; a converting plant in Kaiping, China; and the United Kingdom-based tube and core converting business of Smurfit UK Limited. Finally, we acquired Cumberland Wood Products, makers of wooden wire and cable reels.

In the consumer segment, we acquired Phoenix Packaging Corp., manufacturers of steel easy-open closures, and the composite can business of Hayes Manufacturing Group.

- RESEARCH AND DEVELOPMENT - Greater emphasis will be placed on research and development needed to protect and enhance existing products and services as well as bringing new ones to market. Expenditures in this area in 2001 were $14 million, and in 2002 are expected to increase. Furthermore, we filed applications for 222 new patents in 2001, which was double the number filed in 2000. We expect to continue making additions at a similar pace to this significant part of the Company's asset base.

- MARKET AND CUSTOMER FOCUS - Our organization is becoming even more market and customer focused. Through improved market research, we are doing a better job of determining what our current and potential customers and markets want and need and then delivering the appropriate products and services. For example, we have determined that many customers served by more than one of our businesses prefer to deal with "One Sonoco Face" rather than the traditional multiple account representatives. Our ultimate goal must and will be customer satisfaction, regardless of which products and services the customer desires and needs.

AND FIFTH, WE MUST NEVER LOSE SIGHT OF THE VALUE OUR PEOPLE BRING to customers, shareholders, the Company and the communities in which we reside. We believe that people build businesses. We have a great Sonoco family, which is becoming more diverse as we operate in 32 countries. Our growing diversity is a strength. Regardless of geographical, ethnic or religious differences, we continue to maintain our almost 103-year-old culture of emphasizing personal safety and treating each other with respect and appreciation. Such an environment creates a more rewarding and fun place to work, and one that will invariably be more productive.

OUTLOOK AND CONCLUSION

The year 2002 will present many challenges as we face continuing general economic uncertainties, particularly their impact on our industrial segment. We will also experience increased expense of approximately $.03 per share each quarter related to the impact of stock market performance on investment earnings of assets in our pension and postretirement benefit plans. In light of continuing weak business conditions, we have estimated first quarter and full year 2002 earnings per share, excluding one-time transactions, in the

range of $.34 to $.38 and $1.68 to $1.72, respectively. These estimates include the impact of the required elimination of goodwill amortization and increased pension and postretirement medical expense.

Despite difficult general economic conditions, we are "bullish" about Sonoco's ability to benefit significantly when economic recovery occurs. Meanwhile, we believe the current economic environment will continue to present additional consolidation opportunities. We will use our substantial free cash flow, expected to be approximately $140 million in 2002 and $800 million to $900 million over the next five years, plus our strong credit rating, to seek further opportunities. In that regard, our intent over time is to reverse the weighting of sales in our business segments, which for some time has been in the range of 55% industrial and 45% consumer based. In 2001, this ratio was temporarily skewed by the economy's adverse impact on our industrial segment, resulting in a 50/50 relationship. Our objective is to reduce cyclicality in our earnings stream.

Assuming no significant change in current economic conditions, we expect the seven key acquisitions made in 2001 to add approximately $250 million in annual sales and $.10 in additional annualized earnings per share in 2002.

Our confidence is further buoyed by the expected full-year impact in 2002 of the $48 million in annualized restructuring savings and the continuing efforts to ensure that our overall cost structure is appropriate for our sales and earnings performance; by the full-year impact of our $60 million in new flexible packaging contracts; and by our increased focus on determining customer and market needs and developing appropriate new offerings.

These factors, coupled with historically low inventories in much of our industrial customer base, bode well for Sonoco when the economy improves. Meanwhile, we continue to be well positioned as an effective agent in consolidating the markets we serve.

We believe our operating strategy can and will deliver our objective of average annual double-digit total returns to shareholders. We have made great strides at reducing our cost structure and increasing top line growth capability. These efforts will continue. The key to success, however, is consistent execution by the right people in the right jobs incented to benefit on the same basis as shareholders.

We thank our employees for their dedication and perseverance in a difficult economic environment. And, we thank our shareholders for your trust - a responsibility we do not take lightly.

Sincerely,

/s/ Charles W. Coker

Charles W. Coker
Chairman

/s/ Harris E. DeLoach, Jr.

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

March 11, 2002

Operations Review

The Company's operations consist of two business segments, industrial and consumer packaging. Within those segments, Sonoco is progressively creating greater synergies and coordination between businesses to enhance its offerings to customers and to more fully leverage the Company's resources to help ensure an appropriate cost structure.

Productivity and quality improvement, coupled with increased capital effectiveness and appropriate restructuring actions, are keys to an improved cost structure. Since beginning an intensified focus on productivity in 1997, Sonoco has realized approximately $269 million in productivity improvements from manufacturing, purchasing, logistics and administrative functions.

Although productivity improvements in 2001 decreased to $47 million from $55 million in 2000, due principally to the 4% Company-wide reduction in volumes (excluding acquisitions), the Company continued to advance its productivity improvement capability. Fifty-two Six Sigma black belts (certified productivity experts) completed their first projects, bringing the total completed projects since 1998 to 122. Twenty-seven additional projects are underway.

The Company continues to centralize and leverage its procurement and logistics expenditures. Sonoco sponsored its second supplier conference in 2001, meeting with 88 of its top suppliers to discuss ways of jointly working to remove supply chain costs. Significant restructuring efforts were also accomplished in 2001, resulting in some $48 million of cost reductions, with $17 million realized in 2001 and another $31 million to be phased in during 2002. The savings were accomplished from plant closings, position reductions and consolidations of business unit and staff functions. For example, this year Sonoco consolidated its accounting functions and established a financial shared services organization. The primary focus of this reorganization is to lower costs and improve efficiency in transaction processing such as invoice payment, payroll, cash collection and general accounting.

During 2001, Sonoco made significant upgrades to the content, function and e-commerce features of its Web site, www.sonoco.com, to enhance the ability of customers, shareholders and others to conduct business and communicate with the Company. In a complementary effort, the Company upgraded its employee intranet, the Employee Connection, to facilitate improved communications within the global Sonoco family.

INDUSTRIAL SEGMENT

Sonoco's industrial packaging segment produced approximately 50% of the Company's total sales in 2001, compared with 54% in 2000. The reduction is a result primarily of decreases in volumes and lower recovered paper prices in the industrial segment in 2001, reflecting the impact of the recessionary economy and distorting the more traditional 55% weighting of the industrial sector as a percentage of total Company sales.

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

ENGINEERED CARRIERS

Sonoco's engineered carriers (tubes and cores), along with the Company's integrated paper operations remains the largest business in the Company. Sonoco is the global market leader in engineered carriers, serving such markets as paper, textiles, film, tape and metals from 115 converting facilities on five continents.

A marketing paradigm shift is underway by Sonoco's engineered carriers team. Team members are developing a new framework for thinking about the business - a more entrepreneurial strategy for seeking new markets and developing new packaging solutions. They are calling this effort "T3," representing take-up, transfer and transport, which describes the functions needed by their markets rather than specific products and services. Following are examples of this new approach:

- In a dramatic departure from Sonoco's traditional use for paperboard tubes and molded plastics, the Company launched the Flow-Rite(TM) Ink Dispensing Cartridge to open a new market in the high-speed printing industry, helping high volume commercial printing customers reduce costs and improve productivity.

- The Company formed a joint venture that will produce shipping containers for medical samples using Sonoco's tube technology along with absorbent materials expertise from Dyecor Limited, a British firm.

- In its line of paperboard tubes and cores, Sonoco technicians developed a new series of performance-enhanced paper mill cores with world-class features to help customers increase their productivity by adding more paper to each carrier and to operate at faster speeds.

- To serve its X-ray film customers, the Company introduced a new model in a series of high-performance fiber, plastic and composite film cores. The new cores help companies maximize the usable film per roll, protect sensitive films from initial production to conversion and realize more yield, less waste and lower costs.

[GRAPH] [GRAPH]

2001 sales were lower due to decreased volume in the engineered carriers and paper businesses. Operating profit, excluding one-time charges, decreased $53.5 million from 2000 to 2001 primarily due to lower volume. One-time charges that were incurred in 2001, 2000 and 1998 are excluded above. Reported operating profits were $143.8 million in 2001, $212.6 million in 2000 and $282.1 million in 1998.

[PHOTO]

MAKING PRINTING MORE EFFICIENT.

Heidelberg, a name synonymous with printing equipment excellence, worked with Sonoco's engineered carriers group to create a more cost-effective ink cartridge for commercial printing. The Sonoco members of the team brought expertise in materials science, spiral winding techniques, plastic parts production and packaging design to meet strict printing performance requirements. Now, Sonoco's paperboard cartridges with plastic end-caps transfer ink into Heidelberg's printing presses easier and with less waste, helping Heidelberg's customers run a more efficient printing system.

[PHOTO]

OUR PEOPLE TURN
RECOVERED PAPER TO PROFIT.

As one of the world's largest consumers of recovered paper, Sonoco principally uses old corrugated containers plus newsprint, and office paper collected from municipalities and private sources across North America, Europe, Asia and South America. This recovered paper fiber serves as raw material for nearly all of the paper-based products manufactured by Sonoco, including the latest x-ray film core held by Sonoco's Winfred Fleming (left). Recovering paper is good business - it conserves limited natural resources such as trees, water and energy; decreases our reliance on landfills; and relieves businesses and municipalities of the rising cost of waste management.

As the Company serves its global markets, several advances were made around the world:

- Sonoco technicians in Europe developed a new core for the construction industry that reduces moisture penetration inside the core by using a special adhesive and specific paper qualities. The core is currently in use in The Netherlands.

- As Turkey becomes a major location for the textile industry, the Company's tube and core plant there has experienced significant growth in 2001.

- Sonoco acquired a tube plant in Belgium, primarily supporting the textile market in the Benelux region, located near the Company's Marquette paper mill in France.

- An example of the Company's response to customer needs is its creation of a Web-based purchasing catalog for a major European textile customer, Nylstar. The catalog is part of Nylstar's e-procurement initiative and is launched from within Nylstar's SAP system for quicker and easier purchasing online.

- Part of the Company's effort to get closer to customers is through the development of a sales force automation tool in Europe. Every sales manager in Europe has been trained on the interactive databases that are filled with important sales data and vital customer information to help manage customer relationships and communicate more effectively.

The following acquisitions made during 2001 add significant cash flow capacity for the global market-leading engineered carriers business:

- Hayes Manufacturing Group, Neenah, Wis. - As the largest nonintegrated recycled tube and core converter in the United States, this acquisition has been successfully completed, and is expected to be accretive to earnings in 2002. Hayes adds to Sonoco's market position in the upper Midwest and consumes over 50,000 tons of paperboard annually, including some 24,000 tons from U.S. Paper Mills Corp., which Sonoco also acquired in 2001.

- A textile tube converting facility in Kaiping, China - Sonoco will lease the equipment and building. This acquisition gives the Company an entry into Southern China that complements Sonoco's existing paper mill and tube and core converting operations near Shanghai.

- The United Kingdom-based core and tube converting business of Smurfit UK Limited - This acquisition added three converting facilities to the Company's four already held tube converting facilities and paper mill in the United Kingdom.

PAPER OPERATIONS

Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging, including engineered carriers, composite cans and protective packaging. This vertical integration strategy is backed by 31 paper mills with 43 machines in 13 countries. In 2001,Sonoco's recycled paper manufacturing capacity was 2 million tons.

[PHOTO]

Just what the doctor ordered:
break-through technology.

Thousands of medical samples are transported daily from doctors' offices to laboratories. To protect samples during transportation, doctors and patients will now be able to entrust the Medicor(TM) system with this responsibility. It's a break-through to prevent break-throughs. The Medicor system is a new, patent-pending system for diagnostic and infectious sample transport, meeting government regulations to provide superior protection in transit, as well as rapid internal absorbency, containing the sample in the event of an accidental spill to protect anyone that handles it. This unique packaging system is based on Sonoco's more than 100-year-old paper tube technology, combined with absorbent materials expertise from Dyecor Limited, Sonoco's joint venture partner in the United Kingdom.

We make sure consumers don't get what they don't want.

As a long-term supplier to such customers in the white goods industry as Whirlpool, Maytag and GE, Sonoco is entrusted with product protection, testing and packaging supply chain management, with the Company's own engineers working onsite at several customers' facilities. From the warehouse to the consumers' laundry room, Sonoco prevents damage with its patented paperboard-based protective packaging, known as Sonopost(TM) corner posts and cross bracing. Sonoco produces protective packaging in the United States and Mexico.

[PHOTOS]

Like engineered carriers, the Company's paper operations have seen volumes drop in 2001, reflecting the depressed general economy. The Company's paper operations were also hurt by continued low prices for trade sales of recovered paper.

The Company's paper mill in Greece that was opened in 2000 continues to improve its profitability, serving Sonoco's converting operations in Turkey and Greece, as well as customers in the Balkan market.

Sonoco's paper operations, a major contributor to the Company's strong cash flow generating capability, made the following key acquisitions in 2001 that add flexibility to the overall mill system for enhanced productivity and provide needed lightweight paperboard capacity:

- U.S. Paper Mills Corp., DePere, Wis. - This acquisition makes Sonoco the North American market leader in the less cyclical, consumer-driven lightweight tissue and towel coreboard market.

Lightweight paperboard is also used for composite cans and outerplies of tubes and cores. This acquisition added two Fourdrinier machines and one cylinder machine plus three tube and core converting facilities.

- A 90,000-ton capacity paper mill in Hutchinson, Kansas - This mill provides needed light-weight paperboard capacity for Midwest and West Coast markets and also further strengthens Sonoco's position in the lightweight tissue and towel coreboard market.

MOLDED AND EXTRUDED PLASTICS

Sonoco's molded and extruded plastics operations supply customers in the textile, fiber optics, wire and cable, automotive, plumbing, filtration, food services, medical and healthcare markets.

WIRE AND CABLE REELS

Sonoco is the leading producer of wood, composite and metal reels for the United States' wire and cable industry. During 2001, this business suffered from significantly lower volumes, reflecting the general economy and over-capacity in the fiber optics industry.

Sonoco also took advantage of current market conditions to further consolidate this industry by acquiring Cumberland Wood Products, Helenwood, Tenn., a producer of wood wire and cable reels.

PROTECTIVE PACKAGING

Historically, Sonoco's protective packaging business has served the white goods industry (washers, dryers, ranges) with custom designed paper-based corner posts and plastic bases. The Company has strong relation-ships with such customers as Whirlpool, Maytag and GE. Sonoco maintains engineers at several customer locations. The year 2001 saw several significant developments in this business, including:

- The Company was designated a "preferred supplier" by Maytag. Sonoco currently provides Sonopost(TM) paper-based corner posts for Maytag's household appliances.

- Sonoco expanded operations into Mexico, principally producing paper-based protective posts for ranges. Approximately 90% of ranges sold in the United States are protected by Sonopost corner posts.

[PHOTO]

Giving the customer what they want.

Many customers do not want the inefficiency of dealing with multiple representatives from the same supplier. What they need is streamlined packaging design, development and purchasing. It's this market reality that drove Sonoco to create a single sales interface, or team approach, in the consumer packaging segment. The "Kraft Sales Team," created in 2001, is an example of how effective this approach can be. The members of the team are (front, L-R): Lea Wayne and Joanne Penaluna, (back, L-R) Russell Grissett, Bob Hebert and Michelle Haggard. Not pictured: Bob Biasi, Diann Bryan, Dick Jaisle, John Prizzi, Debbie Robbins and Tom Setty. Together they provide printed flexible packaging, composite cans, closure options and new packaging ideas to Kraft Foods North America. The relationship between Sonoco and Kraft is due in large part to the Company's new "One Sonoco Face" approach.

Easy does it.

Health conscious adults looking for nutritional products, such as Ensure(R), can find them under a convenient ring pull lid. Sonoco Phoenix, a wholly owned subsidiary, provides these easy-open metal ends as a certified supplier to Ross Products, a division of Abbott Laboratories and a world leader in adult nutritionals. Ensure is just one of Ross' products packaged with an easy-open end. Phoenix Packaging Corp. enjoyed a long-standing relationship with Ross, and with Sonoco's recent acquisition of Phoenix, the Company looks forward to working with Ross to meet global market needs.

[PHOTO]

- The Company expects to introduce during 2002 its new Clear-View(TM) packaging that allows the product inside the packaging to be seen from the outside, helping in warehouse identification and observation of any damage before delivery.

- Sonoco is now providing paper-based protective corner posts and cross bracing for packaging lawn and garden products for customers such as Sears, Honda and Weber.

CONSUMER SEGMENT

Sonoco's consumer packaging segment produced approximately 50% of the Company's total sales in 2001, compared with 46% in 2000. The increase primarily reflects the reduction in industrial segment sales, which were negatively impacted by the ongoing recessionary economy and does not reflect a permanent change in the ratio of consumer and industrial sales.

The consumer packaging segment, which has recorded year-over-year increased sales and operating profits for three consecutive quarters, includes round and shaped composite cans, printed flexible packaging, metal and plastic ends and closures, high density film products, specialty packaging and packaging services.

More than ever, consumer products companies are using packaging to add value by meeting consumer demand for products that are portable and easy to open and reclose. Not only must packages help differentiate by appearance but through performance as well.

A supermarket purchase decision is reported to take just seven seconds, and 70% of such decisions take place at the point of sale. Consumer products companies look to Sonoco for packaging that helps make the sale in addition to providing necessary product protection.

Examples of Sonoco's stable of such products include: a Pringles(R) can, an Oreo(R) Chocolate Sandwich Cookie bag, Minute Maid(R) Premium Orange Juice frozen concentrate with Sonoco's patented Ring-Pull

[GRAPH] [GRAPH]

2001 sales were higher due to the impact of acquisitions completed during the year. Operating profit in 2001, excluding one-time charges, was flat with 2000 due principally to lower overall volume that was offset by higher prices, lower resin costs and productivity improvements. The figures above exclude the impact of one-time charges in 2001, 2000, 1999, 1998 and 1997. Reported results in these years were $91 million, $119.3 million, $148 million, $106.3 million and

$(101.8) million, respectively.

[PHOTO]

Never miss that once-in-a-lifetime photo.

Now you'll never miss a "Kodak moment," even if you find yourself without a camera. KODAK MAX One-Time-Use Cameras are sold through vending machines. The creative team of Sonoco and e-Vend.net(*) developed a new vending method starting with a Sonoco composite can as the basic container, an easy-open aluminum ring-pull end and, of course, the camera inside. The vending machines are conveniently located at airports, hospitals, ski resorts and tourist attractions - even at the 2002 Olympic Winter Games in Salt Lake City, Utah.

Flavor and convenience in a pouch.

It's new. It's different. It's a uniquely shaped, ready-to-serve flexible pouch for a liquid beverage. That's what The Minute Maid Company took to market with Sonoco's help. Hand-held food is one of the fastest growing categories,(**) with stand-up pouches forecast to grow 17% globally per year for the next five years.(***) Sonoco sees significant growth for the pouch in bringing a variety of food products to market - such as baked goods, candy, coffee, cereals, dried fruits, soups and pet food.

[PHOTO]

(*) e-Vend.net is a strategic alliance that includes Eastman Kodak Company, Maytag Corporation and Maytag's Dixie-Narco vending machine division

(**) September 2001, Food & Drug Packaging magazine

(***) Packaging Strategies magazine study, "Stand-Up Pouches Continuing Global Markets, Economics, and Technologies: 2001-2006"

Mirastrip(TM), Pillsbury(R) Grands!(R) Biscuits cans that easily open, the "no can opener required" ring pull on Campbell's(R) Ready to Serve Classics soup cans and Target's plastic merchandise bag with handles that make it so easy to carry.

At Sonoco's pilot plants and Packaging Development Center in Hartsville, S.C., technicians view packaging from a total systems approach to meet specific customer and market needs related to closure options, barriers, shelf life, liners, enhanced graphics and colors, sizes and shapes.

Continuing consolidation in the consumer products industry calls for new and innovative approaches to customer service. Large multinational consumer product companies want full service from suppliers, bringing to bear all areas of packaging expertise. In response, Sonoco has initiated the team concept to account management for such customers. Also, the Company's composite can and flexible packaging businesses have combined their service efforts for a number of customers rather than the historical method of multiple account representatives by product line, a trend expected to continue. This "One Sonoco Face" approach is proving successful. For example, it was responsible in large part for the Company's relationship with Kraft Foods North America, which has already resulted in some $20 million of new business.

COMPOSITE CANS

Sonoco's composite can business is its second largest generator of cash flow. During 2001, the Company took important actions to ensure increased profitable growth in this market-leading business. Significant changes were made in customer service by focusing on the 34 largest accounts that contribute 72% of sales, as well as restructuring the composite can sales force to utilize the team approach. Also, a greater customer and market oriented approach to new product and service development has been initiated, seeking to tap unmet packaging needs of the Company's global customer base. For example, Sonoco will introduce the Sono-Wrap(TM) package later in 2002, the first hermetic single-wrap composite package in North America. The Sono-Wrap package combines high-performance protection and customer-pleasing features such as ease of opening, at a competitive price. This new product is expected to develop additional markets not requiring the same properties of traditional composite cans.

Another example of exploring new market needs suitable for composite cans is the vending machine can for KODAK One-Time-Use-Cameras and film. This non-traditional use of composite cans has met with excellent consumer acceptance.

Geographical growth continues to be a major opportunity for composite cans, with an estimated $200 million market in Europe, where Sonoco has about a 50% share; an existing $50 million market in Asia, where Sonoco has a 50% share; and in Brazil, where Sonoco has begun producing easyopen ends. Other examples of geographical growth include:

- Composite cans are popular around the world. In Australia, Nestle Australia is using a Twister-Pak(TM) canister to differentiate its Nestle Nesquick(R) vanilla powdered milk flavoring from other products targeted to children. The can's twistable rings add play value to the package, making it attractive to children. The can is sized for small hands to grasp and is easy to open and close.

[PHOTO]

Sono-Wrap packages are customizable by size, shape and taper.

[PHOTO]

Packaging great taste that wins smiles.

It's a hard candy in a soft package. Creme Savers(R), the premium hard candy from LifeSavers Co., can be found on grocery, drugstore and clubstore shelves in three sizes of flexible packages filled with individual pillow pack candy wrappers, and in a 10-piece roll. The customer required unique graphics and high-quality color for the package. Sonoco met these needs through a combination of superior materials science and printing technology, experienced prepress and production technicians, and through its joint venture with cylinder supplier, Keating Gravure. Candy connoisseurs now enjoy the results every day.

[PHOTO]

Here's a bright idea.

When The Proctor & Gamble Company called Sonoco to work on packaging Crest Whitestrips(TM) Dental Whitening System, the Company smiled at the chance to give consumers another at-home dental hygiene option. Sonoco's experience in developing award-winning rotogravure printed flexible packaging led to an eye-catching, sevencolor, printed film structure that serves as the individual product wrapper. In addition, product filling speeds were achieved that were 20% faster than the goal P&G set. It's what a billion dollar brand like Crest(R) needed. Within eight weeks of identifying the need, P&G placed its first order with Sonoco to get the product to market around the United States. Crest Whitestrips' customers have been smiling brighter ever since.

- In Mexico, the country's top baked goods company, Gamesa, introduced a line of mini cookies in Sonoco's Linearpak(TM) shaped canisters. In addition, Mexico's Grupo Bimbo's Marinela(R) Mini Cookies are offered in a composite can topped by a unique plastic dispensing system featuring the stars of Nickelodeon's hit children's animated televisions series, Rugrats(TM). Also, food service company Dimat converted a number of powdered beverage products from metal cans to Sonoco composite cans.

- For the past several years, European snack producers have turned to Sonoco cans for differentiation and added convenience. Compaxo Fijne Vleeswaren BV, a top Dutch meat processing company, tapped Sonoco to supply a snack can for its Cervo Dry Sausages.

- As the popularity of Sonoco's snack cans has grown in Europe, so has its presence in the Middle East. In 2001, the Company began shipping its paperboard cans to Egypt, Oman and Lebanon. Sonoco's cans provide an excellent export package. Exceptional moisture and oxygen barriers serve as the perfect foil against fluctuating temperatures and humidity.

The following important acquisitions were made in composite cans during 2001:

- Hayes Manufacturing Group - Principally a producer of tubes and cores, this acquisition also included some composite can operations.

- Phoenix Packaging Corp., North Canton, Ohio - Sonoco acquired this leading manufacturer of steel easy-open closures in North America. The easy-open closures market has grown at a compound annual rate of 9% since 1999. Only about one-third of the potential easy-open market has been converted to date. This acquisition, which was immediately accretive, augments Sonoco's already held aluminum, plastic and foil closures business. The addition of steel easy-open closures gives the Company a full range of closure offerings. Also, the acquisition is expected to add steel buying leverage and enhance conversion opportunities to composite cans from other packages.

FLEXIBLE PACKAGING

Flexible packaging is Sonoco's newest and fastest growing business. During 2001, some $60 million in new contracts were acquired, with about one-third commencing in 2001 and the remainder expected to be phased in during 2002.

Over half of the new contracts reflect Sonoco's growing position in the confectionery market, utilizing rotogravure and flexographic printing capabilities. For example, the Company expanded its supply to Cadbury by providing award-winning packaging for its new Mr. Big Vince Carter collector series candy bars, marketed in Canada.

The Company's broad converting capabilities allow it to serve all of the beverage sub-segments such as labels, pouches, shrink sleeve and shrink multipack overwraps. These capabilities, along with the Company's "One Sonoco Face" approach, helped secure a contract to supply The Minute Maid Company with a flexible pouch design for a new ready-to-drink beverage. This new contract also builds upon Minute Maid's long-time customer relationship with Sonoco for composite cans and flexible labels for its frozen concentrated beverages.

To support new beverage bottle label contracts, Sonoco purchased the flexible packaging assets from Pac One. The equipment includes three flexographic presses and an offline solventless laminator which will be used to support this market throughout North America.

[PHOTOS]

Sonoco manages Hewlett-Packard's packaging supply chain seamlessly.

To get there 'just in time' may sound like you're rushing, but in fact, it's just what the Hewlett-Packard Company wants from Sonoco. In Chester, Va., Sonoco provides supply chain management services to HP for its inkjet printer products, supplying its North and South American markets. High-value printer products used in HP's inkjet printers are supplied to stores such as WalMart, Target, Office Depot and Staples `just in time' to meet carefully forecast consumer demand and to support precisely managed inventory controls, courtesy of Sonoco.

[PHOTO]

Garden growth.

Produce growers dream of bigger, more aromatic strawberries that taste better and can be ripened at a more controlled rate. That is precisely what red plastic mulch can provide. Research has shown that Sonoco's red mulch - an innovation made from plastic film - enhances strawberry crop yield up to 15%. It also improves the berries' aroma and flavor, a key to customer satisfaction. The secret is the photosynthesis: the red color of the mulch enhances nature's dynamic growth process between the sun and the strawberry plants, so the berries grow bigger and better. The mulch also comes in black and other colors designed to maximize quality and production of other crops.

In addition to growth in pouches and beverage bottle labels, Sonoco worked with its long-time customer, Coca-Cola Enterprises, to develop a reverse printed flexo shrink film overwrap for Coke's six packs of 500ml bottles and 12-ounce cans of carbonated soft drinks and Dasani(R) water. Supporting this development effort, the Company's technology team worked closely with Coke to launch its new bottling facility in Canada.

During 2001, Sonoco filed over 20 records of inventions and patent applications in its flexible packaging business. The Company has commercialized such packaging solutions as Tattoo-it and inkjet printing for the confectionery market, microwaveable packaging for the cookie and cracker market, and stand-up pouches for hot filled juices.

PACKAGING SERVICES

The Company's packaging services business doubled its sales in 2001 over 2000 by expanding existing business and securing new contracts.

In January 2001, Sonoco extended its management of The Gillette Company's packaging supply chain to include its razor and blade packaging center in Europe in addition to Gillette's North American razor and blade packaging center. In late 2000, Sonoco received a new five-year contract covering both operations. Sonoco operates this service on a fee basis; plus, the Company is compensated for productivity increases that Sonoco is able to effect for Gillette.

In 2001, the Company began managing the Hewlett-Packard Company's Americas Product Completion Center in Chester, Va. This facility packages HP's inkjet printer products. This agreement also operates on a fee basis plus compensation for productivity increases developed by Sonoco.

HIGH DENSITY FILM

Sonoco's high density film business is the leading producer of plastic grocery bags in the United States and offers an array of retail, convenience store, fast food and easy-open produce bags. The Company also produces agricultural mulch film used for growth enhancement of high value crops. With prices for a major raw material, resin, declining somewhat in 2001 after some 18 months of increases, profitability for this business has improved significantly and is again providing returns in excess of the Company's cost of capital, as it has done historically.

Sonoco rolled out the QuikStar(TM) easy-open produce bag, sold not only in the Company's traditional plastic bag markets in the United States, but also in Canada.

SPECIALTY BUSINESSES

Sonoco is the North American market leader supplying paper coasters and glass covers to the hospitality, restaurant and healthcare industries. Volume in this business was negatively impacted by decreased travel due to the difficult economic environment and the terrorist acts of September 11, 2001.

Sonoco produces folding cartons from one plant in Charlotte, N.C., primarily serving health, beauty and personal care customers as part of the Company's supply chain management strategy.

Sonoco Trident, with operations based in the United Kingdom and the United States, provides a branded artwork and reprographics management service to help customers protect brand integrity in their packaging.

[PHOTO]

We are bringing fresh flavor to some global products.

In today's fast-paced world, Sonoco offers new packaging solutions to preserve coffee's flavor and aroma while making it easier to get coffee from the can to the cup. The Company is now providing canisters and closure options for Gala

Coffee & Tea Limited, the largest producer of roasted and ground coffee in the United Kingdom. Sonoco engineers and scientists, like Faye Marshburn (right), developed a new patented packaging format: a Valve-Pak(TM) paperboard can with labels litho-printed in six colors plus lacquer, and an opening system including a Sealed-Safe(R) peelable foil membrane with a one-way degassing valve (allowing the coffee to be packed immediately after roasting, preserving the just-roasted flavor and aroma). It's a combination of Sonoco's composite cans, easy-opening closures and flexible packaging that meets consumer-friendly requirements, including great tasting, aromatic coffee.

People, Culture and Values

SAFETY IS A CORE VALUE

The safety of Sonoco's employees is a cultural cornerstone. The Company has no higher priority, because Sonoco believes that people build businesses.

During 2001, Sonoco achieved a Total Incident Rate or TIR of 1.49 (annualized number of reportable injuries per 100 full-time employees), a 25% improvement over 2000 and the best safety record in the Company's history. Similar reductions were made in disabling injuries, lost workdays and injury-related costs. In addition, 149 Sonoco operations completed the year injury-free.

[GRAPH]

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

SONOCO SUPPORTS ITS COMMUNITIES

Sonoco remains committed to active community support, helping to ensure a better quality of life for its employees and neighbors. The Company contributed approximately 1% of its consolidated pretax income in the areas of education, health and welfare, arts and the environment. The Company also offers a program of matching employee gifts to colleges and universities.

Sonoco and its employees are active in supporting The United Way in local communities. The Company encourages its employees to be involved in their communities by volunteering their time and resources.

While Sonoco historically concentrates its giving locally and regionally, following the tragedies of September 11, 2001, the Company, on behalf of all its employees in 32 countries, donated $100,000 to The September 11th Fund. This fund was established to benefit the surviving victims and their families of the tragic events of that day.

Sonoco was named one of the 100 best corporate citizens by Business Ethics magazine in 2001. The list recognizes public companies that best serve various stakeholders, including stockholders, employees, customers, the community and the environment.

ENVIRONMENTAL CONCERNS ARE INTEGRAL TO BUSINESS

Sonoco has a long history of championing recycling and reclamation. In 2001, the Company collected more than 2.5 million tons of recovered fiber. Sonoco uses this recovered fiber as its primary raw material to manufacture paperboard for many of its industrial and consumer packaging products and sells the remainder on the open market.

The concept of corporate sustainability is of increasing importance to investors who have found that companies that integrate economic, environmental and social growth opportunities into their operating strategy most often outperform their competitors. Because of its historical record in these areas, Sonoco was again named to the Dow Jones Sustainability Group Index.

Selected Quarterly Financial Data (Unaudited)

Sonoco Products Company and Subsidiaries

(Dollars in thousands except per share data)	First Quarter(1)	Second Quarter(2)	Third Quarter(3)	Fourth Quarter(4)
2001				
NET SALES	$632,768	$647,659	$649,265	$676,584
GROSS PROFIT	137,287	136,357	135,256	135,530
NET INCOME	4,660	16,944	42,824	27,181
PER COMMON SHARE				
NET INCOME - BASIC	$ .05	$ .18	$ .45	$ .28
- DILUTED	.05	.18	.45	.28
CASH DIVIDENDS - COMMON	.20	.20	.20	.20
MARKET PRICE - HIGH	24.64	25.79	26.25	26.58
- LOW	19.69	21.30	20.55	23.19
2000				
Net sales	$676,299	$688,686	$677,469	$669,039
Gross profit	151,661	154,882	147,497	150,058
Net income	45,017	46,400	38,532	36,349
Per common share				
Net income - basic	$ .45	$ .47	$ .39	$ .37
- diluted	.45	.47	.39	.37
Cash dividends - common	.19	.20	.20	.20
Market price - high	23.00	22.88	21.81	22.69
- low	17.75	19.75	16.88	17.00

(1) In 2001, includes restructuring charges of approximately $44.3 million ($30.8 million after tax).

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

(3) In 2001, includes net gains of $6.2 million ($3.4 million after tax) from legal settlements and COLI, and $.5 million ($.4 million after tax) of restructuring charges related to an affiliate accounted for on the equity method of accounting. In 2000, includes an executive severance charge of approximately $5.5 million ($3.4 million after tax).

(4) In 2001, includes restructuring charges of approximately $7.1 million ($4.5 million after tax) and $7.5 million expense ($4.9 after tax) relating to restructuring charges related to an affiliate accounted for on the equity method of accounting. In 2000, includes a net gain on the sales of divested businesses of $5.2 million (pretax and after tax), restructuring charges of $5.2 million ($3.2 million after tax), and an income tax charge of $12 million relating to COLI.

[GRAPH]

The market price of the Company's stock increased to $26.58 per share at the end of 2001 while the book value per common share remained fairly flat.

Management's Discussion and Analysis of Operations and Financial Condition

OVERVIEW

Sonoco continued to make progress toward achieving its strategic and financial goals despite adverse economic conditions in 2001. Free cash flow, after capital expenditures of $102 million and dividends of $76.1 million was over $186 million, compared with $167 million in 2000, a $19 million improvement signifying effective management of the Company's cash flow. In line with our strategic goal to grow the top line, free cash flow was used to help fund acquisitions, with an aggregate cost of $273 million while maintaining a strong credit rating. In addition, the Company continues to aggressively manage costs as evidenced by productivity and restructuring initiatives during the year. Our financial strategy continues to be to achieve average annual double-digit total returns to shareholders, with returns on capital and equity in the top quartile of the Standard & Poor's (S&P) 500 Index.

SPECIAL CHARGES AND ONE-TIME ITEMS

2001 TRANSACTIONS

During 2001, restructuring charges of $53.6 million pretax or $36.6 million after tax were recorded as a result of two restructuring plans announced during the year. The restructuring charges associated with these plans consisted of severance and termination benefits of $27.3 million, asset impairment charges of $16.9 million and other exit costs of $9.4 million, consisting of building lease termination expenses of $7.7 million and other miscellaneous charges of $1.7 million. The objective of these restructuring actions is to realign and centralize a number of staff functions and to permanently remove approximately $48 million of annualized costs from the Company's cost structure, of which approximately $17 million was realized in 2001. With the exception of ongoing pension subsidies and certain building lease termination expenses, costs associated with the restructuring actions are expected to be paid by the end of the fourth quarter 2002 using cash generated from operations. The Company anticipates recording additional restructuring charges during the first quarter of 2002.

In connection with the Company's restructuring actions, asset impairment charges of $16.9 million were recognized related to the write-off/down of assets associated with 13 plant closings and nine plant locations identified for other restructuring actions. Impaired assets were written down to the lower of carrying amount or fair value, less costs to sell, if applicable. The Company recognized write-offs/downs of impaired facilities and equipment of $15.7 million and write-offs/downs related to facilities and equipment held for disposal of $1.2 million. As of December 31, 2001, all remaining assets impacted by restructuring are not held for sale and are anticipated to be abandoned or scrapped by the end of 2002. The effect of suspending depreciation on assets held for disposition was not material to the Consolidated Statements of Income for the year ended December 31, 2001 (see Note 3 to the Consolidated Financial Statements).

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

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

Additionally during 2001, the Company recognized a gain on net legal settlements of $7.3 million.

2000 TRANSACTIONS

During the third quarter of 2000, the Company's chief executive officer elected to take early retirement, and the group vice president for Global Consumer Products resigned. The Company incurred a related one-time charge of $5.5 million pretax or $3.4 million on an after-tax basis. During the fourth quarter of 2000, the Company divested two operations in Europe, the largest of which was the container seals operation in the United Kingdom. These transactions generated cash of $17 million and resulted in a net gain of $5.2 million on both a pretax and after-tax basis as a result of utilizing capital loss carryforwards on these transactions. Also during the fourth quarter, the Company closed two engineered carrier plants and recognized asset impairment charges. These actions totaled $5.2 million pretax or $3.2 million on an after-tax basis. Additionally, in the fourth quarter, Sonoco recognized additional tax expense of $12 million associated with the IRS's position on COLI. This issue had widespread implications to numerous companies and pertained to the disallowance of previously deducted COLI loan interest.

ACQUISITIONS

During 2001, the Company made several acquisitions. Acquisitions in the Company's Industrial Packaging segment included U.S. Paper Mills Corporation, a lightweight paper-board operation; Cumberland Wood Products, Inc., a plywood reel operation in Helenwood, Tennessee; a paper-based textile tube converting facility in Kaiping, China; a unit of Smurfit UK Limited, a paper-based core and tube facility in the United Kingdom; a paper mill in Hutchinson, Kansas; a paper-based core and tube facility in Sint-Denijs, Belgium; and an engineered carrier operation in Cartersville, Georgia. Acquisitions in the Company's Consumer Packaging segment included assets of a packaging services operation in Hemel Hempstead, England; and Phoenix Packaging Corporation, a steel easy-open closure operation in North Canton, Ohio. The Company also acquired Hayes Manufacturing Group, Inc., a manufacturer of paper-based tubes, cores and composite cans headquartered in Neenah, Wisconsin. Approximately 80% of this operation is included in the Industrial Packaging segment and 20% in the Consumer Packaging segment. During 2000, the Company purchased the Australian composite can business of Amcor Packaging, as well as a small graphics business in the United Kingdom (see Note 2 to the Consolidated Financial Statements).

RESULTS OF OPERATIONS 2001 VERSUS 2000

OPERATING REVENUE

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

The components of the sales change were:

($ in millions)	
Decrease in volume	$(118)
Acquisitions completed in 2001's third and fourth quarters	64

New contract service revenue	44
Foreign currency translation	(41)
Selling price/other	(30)
Dispositions	(24)
Total sales decrease	$(105)

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

OPERATING PROFITS

Operating profits for 2001 of $175.8 million were $94.8 million, or 35% below 2000 operating profits of $270.6 million. Excluding special charges and other one-time items described on page 25 of the Management's Discussion and Analysis, operating profits would have declined approximately 17% in 2001.

($ in millions)	2001	2000	% Change
Industrial packaging	$160.2	$213.7	(25.1)%
Consumer packaging	117.3	118.2	(.7)%
	277.5	331.9	(16.4)%
Special charges and one-time items	(53.3)	(5.5)	(100+)%
Interest expense, net	(48.4)	(55.8)	13.2%
Consolidated operating profit	$175.8	$270.6	(35.0)%

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

[GRAPH]

The decrease in current assets is primarily due to lower trade accounts receivable balances. The increase in net PP&E is primarily due to acquisitions completed in 2001.

Selling, general and administrative expenses of $266.9 million were down $5.2 million from 2000. Despite lower sales in 2001, selling, general and administrative expenses as a percentage of sales remained flat with 2000, at approximately 10% of sales. This was due to a major focus on reducing fixed-cost spending levels. This focus was heightened with the Company's restructuring actions in 2000 and during 2001 as sales volumes continued to soften. Costs are expected to be further reduced in 2002 when a full year's benefit is realized from these restructuring actions.

Investment returns earned on assets held by the Company's benefit plans are used to lower the Company's cost of providing pension and postretirement benefits. During 2001, the Company experienced higher expense of approximately $23 million primarily related to the impact of stock market performance on investment earnings of assets in pension and postretirement plans. Investment earnings on benefit plan assets declined approximately 6% in 2000 and another 7% in 2001. The impact of this decline, coupled with lowering the discount rate on plan obligations, will increase domestic benefit plan expense in 2002 approximately $21 million pretax or $13 million on an after-tax basis. The Company recently made contributions totaling $42 million to these plans, which approximates the benefits expected to be paid from the plan in 2002.

Research and development costs charged to expense were $14 million in 2001 and 2000. Expenditures in this area are expected to increase in 2002. Significant projects in our Industrial Packaging segment included efforts designed to enhance performance characteristics of our engineered carriers in the textile, film and paper packaging areas, as well as projects aimed at productivity enhancements. Our Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging.

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

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

Net income for 2001 was $91.6 million, versus $166.3 million in 2000. Excluding one-time transactions in both years, net income would have been $148.6 million in 2001, compared with $179.7 million in 2000. Earnings per diluted share in 2001 were $.96 per share, compared with $1.66 in 2000. Excluding one-time transactions in both years, earnings per diluted share would have been $1.55 in 2001, compared with $1.80 in 2000.

The following table is a reconciliation of net income, excluding one-time items, to net income as reported:

($ in millions)	2001	2000
Net income, excluding one-time items	$148.6	$179.7
Add (subtract) one-time items:		
Restructuring charges	(53.6)	(5.2)
Gain on sale of divested businesses (2000) and net legal settlements (2001)	7.3	5.2
Executive severance agreements		(5.5)
COLI	(7.0)	
Total pretax one-time items	(53.3)	(5.5)
Tax impact of adjustments above	14.2	4.1
Additional COLI tax expense	(11.3)	(12.0)
Affiliate restructuring, net of tax	(6.6)	
Net income as reported	$ 91.6	$166.3

Capital expenditures in 2001 were $102 million, compared with $117.2 million in 2000.

OPERATING SEGMENTS

Sonoco reports results in two segments, Industrial Packaging and Consumer Packaging. International results are reflected in the appropriate segment based on the products produced. Operating profit is defined as revenue less operating costs, with all corporate costs (excluding interest and income taxes) allocated to the two segments. For purposes of the Management's Discussion and Analysis, previously described one-time charges and gains, except as discussed under the captions "Restructuring Activities," are excluded from the segment tables and the discussions that follow. For further information about one-time charges and gains by segment see Note 17 to the Consolidated Financial Statements.

INDUSTRIAL PACKAGING SEGMENT - The Industrial Packaging segment represented approximately 50% of the Company's sales in 2001 and includes the following products: high-performance paper, plastic and composite engineered carriers; paperboard; wood, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities.

Sonoco's paper operations include the Company's 31 paper mills, 43 paper machines and 51 collection facilities around the world. Annually, the paper mills have capacity to produce approximately 2 million tons of recycled paperboard, of which Sonoco uses almost

[GRAPH]

Identifiable assets increased approximately $65 million due to acquisitions completed during 2001.

70% internally. The Company also produces approximately 170,000 tons of corrugating medium exclusively for Georgia-Pacific under a cost plus fixed management fee arrangement.

Results for this segment are presented below:

($ in millions)	2001	2000	% Change
Trade sales	$1,310.0	$1,450.8	(9.7)%
Operating profit	160.2	213.7	(25.1)%
Capital spending	57.5	67.4	(14.7)%

Trade sales in the Industrial Packaging segment decreased $140.8 million, or 9.7%, to $1.31 billion in 2001. Domestic sales were down $110.5 million, or 11.7%,and international sales were down $30.3 million, or 6%. Operating profits decreased 25% to $160.2 million in 2001. Sales and operating profits increased $32.8 million and $4.5 million, respectively, as a result of acquisitions made in 2001.

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

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

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

CONSUMER PACKAGING SEGMENT - The Consumer Packaging segment represents approximately 50% of the Company's sales and includes the following products and services: round and shaped composite cans, printed flexible packaging, metal and plastic ends and closures, high density film products, specialty packaging and packaging services.

Results for this segment are presented below:

($ in millions)	2001	2000	% Change
Trade sales	$1,296.3	$1,260.7	2.8%
Operating profit	117.3	118.2	(.7)%
Capital spending	44.5	49.7	(10.6)%

Trade sales in the Consumer Packaging segment increased $35.6 million to $1.30 billion in 2001 from $1.26 billion in 2000. Domestic sales were $1.05 billion, up 1.8%, and international sales were $250 million, up 7.23% from 2000. Operating profit of $117.3 million in 2001 was slightly below 2000.

Sales and operating profits increased $31.1 million and $14 million, respectively, as a result of acquisitions made in 2001. Higher packaging services revenue, including revenue from new contracts with The Gillette Company and the Hewlett-Packard Company, coupled with higher selling prices, were partially offset

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Identifiable assets increased approximately $87 million due to acquisitions completed during 2001.

by lower volume, principally in composite cans. Operating profit benefited from the higher selling prices during 2001, primarily in the composite can and the flexible packaging operations. Material costs were below 2000 as a result of lower resin cost in the high density film products operation. This segment also experienced higher benefit costs that were offset by higher productivity and lower fixed costs from restructuring actions taken during the year.

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

RESTRUCTURING ACTIVITIES - CONSUMER PACKAGING SEGMENT. During 2001, the segment recorded total restructuring charges of $26.4 million. These restructuring charges were mainly attributed to a reduction in force and asset impairment charges associated with the closing of five facilities. Asset impairment charges related to the restructuring included write-offs/downs of impaired facilities and equipment of $10.2 million.

RESTRUCTURING ACTIVITIES - CORPORATE

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

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations totaled $364.3 million in 2001, compared with $362.5 million in 2000. This increase in operating cash flow over 2000 was achieved through the Company's continued efforts to reduce working capital and maximize cash flow. Free cash flow, after capital expenditures of $102 million and dividends of $76.1 million, was $186.3 million. These funds were used to help finance acquisitions of $273.2 million. The Company expects internally generated cash flows to be sufficient to meet operating and normal capital expenditure requirements both on a short-term and long-term basis.

Current assets decreased $30.6 million in 2001 to $665.2 million primarily due to lower trade accounts receivable balances. Also, in 2000,current assets decreased $27.3 million to $695.8 million. The current ratio was 1.4 at the end of 2001, compared with 1.6 and 1.7 at the end of 2000 and 1999,respectively.

The following table summarizes contractual obligations and commercial commitments at December 31, 2001:

Payments Due by Period

($ in millions) CONTRACTUAL OBLIGATIONS	Total	Less than 1 year	1-3 years	After 3 years
Long-term debt	$ 922	$ 36	$ 260	$ 626
Operating leases	88	22	42	24
Total contractual cash obligations	$1,010	$ 58	$ 302	$ 650

($ in millions) OTHER COMMERCIAL COMMITMENTS	Total Amounts Committed	Commitment Expiration (Less Than 1 Year)
Standby letters of credit	$ 52	$ 52
Debt guarantees	1	1
Total commercial commitments	$ 53	$ 53

The Company had fully committed bank lines of credit in the amount of $450 million during 2001 and 2000. The credit is generally undrawn, but provides back-up credit for commercial paper, short-term borrowing under uncommitted facilities and future liquidity needs. The credit agreement matures in July 2002 unless the Company exercises a one-year, term-out option on any outstanding borrowings under the agreement. The Company intends to enter into a similar agreement when it expires. The agreement provides for an increase in interest rates if the Company's credit rating falls, but the agreement does not terminate. None of the Company's material credit arrangements contain rating-based default provisions, nor does the Company have any material off-balance sheet arrangements.

Debt increased $64.2 million to $921.8 million at December 31, 2001, from $857.6 million at December 31, 2000. During the fourth quarter 2001, the Company issued debt securities ("Notes") of $250 million pursuant to shelf registrations with the Securities and Exchange Commission. The Notes bear interest at 6.50% per year, payable semi-annually on May 15 and November 15, and will mature on November 15, 2013. The Company used the net proceeds from the sales of the Notes to pay down maturing commercial paper. In April 2000, $75 million of 5.49% bonds matured. The Company issued commercial paper to repay the bonds and maintain fixed to floating

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Total debt increased $64.2 million
in 2001 from business acquisitions.

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The debt to total capital ratio was 49.3% at December 31, 2001, up slightly from 48.5% at December 31, 2000.

rate debt in the desired range (around 50/50).

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

Interest expense was $52.2 million in 2001, compared with $59.6 million in 2000 and $52.5 million in 1999. The decrease in 2001, compared with 2000 interest expense, was due mainly to lower commercial paper rates. Average rates fell to 4.1% from 6.3% and resulted in interest savings of approximately $6 million. The remaining decrease was due to slightly lower average debt balances. Almost $3 million of the increase in 2000 was due to an increase of 1% in average commercial paper interest rates. Another $3 million increase was due to increased average debt levels in 2000 resulting from acquisitions in late 1999. The remaining increase was due to our policy to borrow locally in countries with devaluing currencies. The local borrowing serves as a natural hedge of local monetary assets but may carry higher interest costs. Excluding one-time transactions, earnings before interest and taxes would have been 5.3 times interest expense in 2001, compared with 5.6 times and 6.4 times in 2000 and 1999, respectively.

Earnings before interest, taxes, depreciation, depletion and amortization expense were 8.4 times interest in 2001, 8.1 times in 2000 and 9.1 times in 1999. The Company's debt to total capital ratio was 49.3% at December 31, 2001, compared with 48.5% and 47.5% at the end of 2000 and 1999, respectively. Return on total equity was 11.5% in 2001, compared with 19.1% in 2000 and 21.9% in 1999. Excluding one-time transactions, the return on total equity would have been 18.6% in 2001, 20.7% in 2000 and 21.5% in 1999.

Shareholders' equity increased $2.7 million from December 31, 2000, to $804.1 million at December 31, 2001. The change resulted mainly from net income of $91.6 million and approximately $14 million of exercised stock options, reduced by dividends of $76.1 million, minimum pension liability adjustments of $15.9 million, and foreign currency translation of $8.8 million. Shareholders' equity decreased $99.7 million from December 31, 1999, to $801.5 million at December 31, 2000. The change resulted primarily from net income of $166.3 million reduced by the repurchase of 7.1 million shares of common stock for $138 million, dividends of $78.7 million and foreign currency translation of $49.9 million. In 2001, the Company repurchased 92,960 shares of common stock pursuant to authorizations by the Company's Board of Directors. At December 31, 2001, the Company had remaining authorizations to repurchase approximately 5,300,000 shares of common stock. The Company does not intend to repurchase significant shares in 2002.

Dividends per common share were $.80 in 2001, $.79 in 2000 and $.75 in 1999. In April 2001, the Company's Board of Directors voted to maintain, rather than increase, the current quarterly dividend of $.20 per share with the stated intent to consider an increase later in 2001 should general economic conditions improve. Dividends declared through the first quarter 2002 have remained at $.20 per share. 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 justify.

RISK MANAGEMENT

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 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, foreign currency assets and liabilities, or forecasted transactions denominated in foreign currencies.

The Company is exposed to interest rate fluctuations as a result

[GRAPH]

Net working capital decreased $53.8 million in 2001 primarily due to increased accrued expenses and lower accounts receivable balances. (1997 net working capital excludes net assets held for sale.)

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. During 2001, the Company did not have any interest swaps outstanding. In February 2002, the Company entered into a swap to match the terms of our $150 million bond maturing in 2004. The swap qualifies as a fair value hedge under Financial Accounting Standard No. 133, `Accounting for Derivative Instruments and Hedging Activities' (FAS 133), and swaps fixed interest for floating.

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

At the end of 2001, the Company had commodity swaps outstanding to lock in the costs of a portion of raw materials for 2002 and 2003. The swaps qualify as cash flow hedges under FAS 133. The fair market value of these swaps at year-end was a liability of $1.3 million.

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

The use of financial instruments to hedge foreign exchange, interest rate and commodity price risk was not material to the financial statements as a whole as of December 31, 2001, 2000 or 1999.

Except for the impact on energy and raw material prices, inflation did not have a material effect on the Company's operations in 2001, 2000 or 1999.

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 $7.2 million at December 31, 2001, with respect to these sites (see Note 14 to the Consolidated Financial Statements).

The Company's main plant and corporate offices are located in Hartsville, South Carolina. There are 130 owned and 119 leased facilities used by operations in the Industrial Packaging segment and 34 owned and 34 leased facilities used by operations in the Consumer Packaging segment. Europe, the largest foreign geographic location, has 41 manufacturing locations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS - The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. Additional allowances may be required if the financial condition of the Company's customers deteriorates.

REVENUE RECOGNITION - In accordance with US GAAP, the Company records revenue when title and risk of ownership pass to the customer. Certain judgments, such as provisions for estimates of sales returns and allowances, may affect the application of the Company's revenue policy and, therefore, the results of operations in its consolidated financial statements.

IMPAIRMENT OF LONG-LIVED ASSETS - The Company periodically reviews long-lived assets used in operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived assets and possible impairment expense in the Company's consolidated financial statements.

ACQUIRED GOODWILL AND OTHER INTANGIBLE ASSETS - The determination of the value of goodwill and other intangible assets in connection with business acquisitions requires the use of estimates and assumptions that affect the carrying value and the amount of future period amortization expense and possible impairment expense in the Company's consolidated financial statements.

INCOME TAXES - The Company records an income tax valuation allowance when the realization of certain deferred tax assets, net operating losses and capital loss carryforwards is not likely. These deferred tax items represent expenses recognized for financial reporting purposes, which will result in tax deductions over varying future periods. Certain judgments, assumptions and estimates may affect the carrying value of the valuation allowance and deferred income tax expense in the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, `Business Combinations' (FAS 141), and Statement of Financial Accounting Standards No. 142, `Goodwill and Other Intangible Assets' (FAS 142). FAS 141 supercedes Accounting Principles Board Opinion (APB) No. 16, `Business Combinations.' The provisions of FAS 141 (1) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill and (3) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. FAS 141 also requires that, upon adoption of FAS 142, the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. FAS 142 supercedes APB 17,`Intangible Assets,' and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of FAS 142 (1) prohibit the amortization of goodwill and indefinite-lived intangible assets, (2) require that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (3) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill and (4) remove the 40-year limitation on the amortization period of intangible assets that have finite lives.

The provisions of FAS 141 and FAS 142 also apply to equity-method investments made both before and after June 30, 2001. FAS 141 requires that the unamortized deferred credit related to an excess over cost arising from an investment that was accounted for using the equity method (equity-method negative goodwill), and that was acquired prior to July 1, 2001, must be written-off immediately and recognized as the cumulative effect of a change in accounting principle. Equity-method negative goodwill arising from equity investments made after June 30, 2001, must be written-off immediately and recorded as an extraordinary gain, instead of being deferred and amortized. FAS 142 prohibits amortization of the excess of cost over the underlying equity in the net assets of an equity-method investee that is recognized as goodwill.

The provisions of FAS 142 will be adopted by the Company on January 1, 2002. The Company is in the process of preparing for its adoption of FAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to these reporting units. In connection with the adoption of FAS 142, the Company expects to reclassify goodwill of approximately $10 million to intangible assets. The Company does not expect to reclassify any intangible assets to goodwill. In addition, the Company expects that it will no longer record approximately $11 million annually of amortization relating to its existing goodwill and indefinite-lived intangibles, as adjusted for the reclassifications referred to above. The Company is also in the process of evaluating the useful lives of its existing intangible assets and anticipates that changes in the useful lives will not have a material impact on the results of its operations.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The second step of the goodwill impairment test measures the amount of the impairment loss (also measured as of the beginning of the fiscal year in year of

transition), if any, and must be completed by the end of the company's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process that compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year, and pursuant to the requirements of FAS 142 will be completed during the first quarter of 2002. Any impairment loss resulting from the transitional impairment tests in 2002 will be reflected as the cumulative effect of a change in accounting principle. The Company has not yet determined what effect these impairment tests, or what additional effects the adoption of FAS 141 and FAS 142, will have on its financial statements.

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

Also in August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, `Accounting for the Impairment or Disposal of Long-Lived Assets' (FAS 144), which supersedes FASB Statement No. 121, `Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.' This new statement also supersedes certain aspects of APB 30 `Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions,' with regard to reporting the effects of a disposal of a segment of a business. FAS 144 will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions may qualify for discontinued operations treatment. The provisions of this statement are required to be applied for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company does not expect the adoption of FAS 144 to have a material effect on its financial statements.

RESULTS OF OPERATIONS 2000 VERSUS 1999

Consolidated net sales increased $164.8 million, or 6.5%, in 2000 to $2.71 billion from $2.55 billion in 1999. This increase in sales compared with a 7.4% increase during 1999 on sales from continuing operations. The higher sales in 2000 resulted from higher year-over-year selling prices to offset rising material costs (principally in the Industrial Packaging segment) and the impact of acquisitions. Domestic sales were $1.98 billion, up 5.3% over 1999, and international sales were $730.3 million, up 9.8% over 1999. The components of the sales change were:

($ in millions)	
Selling price	$ 124
Foreign currency translation	(41)
Volume/mix	(15)
Acquisitions, net of dispositions	97
Total sales increase	$ 165

As 1999 ended, raw material cost increases had not been fully recovered through higher selling prices. Selling prices were increased in the fourth quarter of 1999 in almost all operations and again during the first half of 2000, resulting in favorable year-over-year pricing of $124 million. Exchange rates lowered sales by $41 million in 2000, driven primarily by the weakening Euro relative to the U.S. dollar. Acquisitions made in 2000 and in the third quarter of 1999, net of dispositions, added $97 million of sales during 2000.

Operating profits were as follows:

($ in millions)	2000	1999	% Change
Industrial packaging	$213.7	$188.7	13.3%
Consumer packaging	118.2	144.5	(18.2)%
	331.9	333.2	(.4)%
Special charges and one-time items	(5.5)	3.5	(100.0+)%
Interest, net	(55.8)	(47.1)	(18.4)%
Consolidated	$270.6	$289.6	(6.5)%

The full year realization of higher selling prices in 2000 and falling material costs in the second half of 2000 increased operating profits by approximately $33 million. Raw material costs, principally recovered paper and resin, steadily increased throughout most of the first half of 2000. Selling prices were increased during the second quarter of 2000 to recover the higher raw material costs. Late in the second quarter, as volume began to slow, recovered paper cost and other commodity material costs dropped. Raw material costs declined throughout the third quarter and volume softened. Raw material costs remained at this low level throughout the fourth quarter, while volume slowed in both the industrial and consumer businesses.

Manufacturing productivity increased profits by almost $30 million during 2000; however, the improvement was less than expected due to lower volume. Purchasing and logistics initiatives lowered costs by approximately $25 million, helping to mitigate higher energy costs of $10 million and inflationary increases experienced during 2000.

Gross profit as a percentage of sales was 22.3% in 2000, compared with 23.3% in 1999. An unfavorable year-over-year mix of products sold of approximately $24 million negatively impacted gross profit as a percentage of sales.

Selling, general and administrative expenses as a percentage of sales were 10% in 2000, compared with 10.2% for 1999. A major focus of the Company was to maintain or lower fixed-cost spending levels.

Investment returns earned on assets held by the Company's benefit plans were used to lower the Company's cost of providing pension and postretirement benefits. As a result of higher than expected investment returns on plan assets, the Company benefited from a decrease of approximately $9.1 million in plan expense in 2000, compared with 1999. Additionally, as a result of the significant increase in the market value of plan assets, Statement of Financial Accounting Standard No. 87, `Employers' Accounting for Pensions,' required the additional amortization of a $3.8 million gain in 2000.

Research and development costs charged to expense were $14 million in 2000, compared with $12 million in 1999. Significant projects in the Industrial Packaging segment included efforts designed to enhance performance characteristics of our engineered carriers in the textile, film and paper packaging areas as well as projects aimed at productivity enhancements. The Consumer Packaging segment continued to invest in new materials technology and new process technology for a range of packaging options, including composite cans and other forms of shaped packaging.

The effective tax rate for 2000 was 41.4%, compared with 37.5% in 1999. Excluding the additional tax provision on COLI and other one-time transactions, the effective tax rate for 2000 would have been 37.7%.

Net income in 2000 was $166.3 million, compared with $187.8 million in 1999. Excluding one-time transactions in both years, net income would have been $179.7 million in 2000, compared with $184.3 million in 1999. Earnings per diluted share in 2000 were $1.66 per share, compared with $1.83 in 1999. Excluding one-time transactions in both years, earnings per diluted share would have been $1.80 in 2000, compared with $1.79 in 1999. The Company repurchased 7.1 million shares of its common stock during 2000, a significant portion of which (4.7 million shares) was repurchased late in the fourth quarter of 2000.

Capital expenditures in 2000 were $117.1 million, compared with $135.7 million in 1999.

INDUSTRIAL PACKAGING SEGMENT - Results from continuing operations for this segment are presented below:

($ in millions)	2000	1999	% Change
Trade sales	$1,450.8	$1,371.9	5.7%
Operating profit	213.7	188.7	13.3%
Capital spending	67.4	81.1	(16.9)%

Trade sales in the Industrial Packaging segment increased $78.9 million, or 5.7%, to $1.45 billion in 2000. Domestic sales were up $57 million, or 6.4%, and international sales were up $22 million, or 4.5%. Selling prices were increased in almost all operations beginning in the third quarter of 1999 and throughout the first few months of 2000 to recover rising raw material costs. Higher year-over-year selling prices, amounting to approximately 7%, increased sales and operating profits by $96 million.

Operating profits increased 13.3% to $213.7 million in 2000. Raw material costs, principally recovered paper, steadily increased during the first five months of 2000. In May, we began to experience a slowdown in the economy. As the economy slowed, recovered paper costs in the United States weakened in line with falling volumes. At December 31, 2000, recovered paper costs were down almost $30/ton, or 30% below December 1999 levels. Europe and Asia experienced a similar trend with recovered paper although the timing was somewhat behind that of the United States. In the fourth quarter and into January 2001, recovered paper costs stabilized around $65/ton domestically but continued to drop in Europe. In spite of all the ups and downs in recovered paper, the Industrial Packaging segment's operating profits benefited approximately $38 million from higher selling prices relative to material costs for the year.

Unit volumes in the Industrial Packaging segment increased in the first half of 2000. As the economy slowed in the second half of the year, so did unit volume. For the year, the segment's unit volume was flat with 1999. The impact of an unfavorable mix of products sold and higher energy costs was offset by productivity improvements in this segment of $20 million.

Capital spending was $67.4 million in 2000, compared with $81.1 million in 1999. Depreciation, depletion and amortization expense was $92.8 million in 2000, compared with $91.2 million in 1999. Capital projects included the rebuilding of several paper mills in the United States, Canada and France; expansion of industrial product plants in the United States and Spain; the completion of the new industrial product plant in Poland; and construction of a paper mill in Greece with our joint venture partner.

RESTRUCTURING ACTIVITIES - INDUSTRIAL PACKAGING SEGMENT During 2000, two engineered carrier plants were closed in contemplation of the Company's larger consolidation and restructuring program announced January 30, 2001. Costs recorded were mainly attributed to a reduction in force.

CONSUMER PACKAGING SEGMENT - Results from continuing operations for this segment are presented below:

($ in millions)	2000	1999	% Change
Trade sales	$1,260.7	$1,166.1	8.1%
Operating profit	118.2	144.5	(18.2)%
Capital spending	49.7	54.6	(9.0)%

Trade sales in the Consumer Packaging segment increased $94.6 million to $1.26 billion in 2000 from $1.17 billion in 1999. Domestic sales were $1.02 billion, up 3%, and international sales were $.24 billion, up 35% from 1999. Operating profit of $118.2 million was 18.2% behind 1999's $144.5 million.

Acquisitions made in 2000 and during the third quarter of 1999, net of dispositions, increased sales by $97 million. These acquisitions included three composite can plants and six printed flexible packaging plants.

Sales prices were increased to pass through higher raw material costs, principally paper and resin, increasing sales and profits by approximately $28 million. The slowing economy and operational issues in certain composite can and flexible packaging operations impacted unit volume in the Consumer Packaging segment. Composite can volume, excluding the impact of acquisitions, was below 1999 levels. We continued to see significant progress being made in the supply chain management of many major manufacturers of consumer products. This lowered the overall volume of products they required as they continued to lower inventories throughout the year. In addition, several of the major consumer products companies underwent reorganization and management changes in 2000 similar to Sonoco, which resulted in disruption to their business and, accordingly, Sonoco's.

The flexible packaging operation, coupled with the 1999 acquisition of Graphic Packaging, experienced good volume growth during 2000. Additional contracts were awarded to the flexible packaging operation during 2000 that benefited 2001 and will benefit 2002 operations. Operating problems at two of the flexible packaging plants lowered overall profitability for this business. The high density film products operation's sales and profits were below 1999. Lower unit volume and an inability to fully recover resin increases were the key drivers. As a result, the Company purchased some of its resin requirements from suppliers in Asia, which lowered overall cost.

Productivity improvements totaling $10.5 million in this segment helped to offset inflationary increases and higher energy costs.

Sonoco continued to grow its consumer services business during 2000 by signing a new five-year contract with The Gillette Company to operate both their United States and European packaging centers for razors and blades. This contract was incremental to the existing contract with Gillette in the United States.

Capital spending in the consumer segment was $49.7 million in 2000, compared with $54.6 million in 1999. Depreciation, depletion and amortization expense in this segment was $58 million in 2000, compared with $54.6 million in 1999. Spending included: expansions of composite can facilities in Brazil, Mexico, the United Kingdom and the United States; printed flexible expansion in Canada; and numerous productivity enhancement projects.

RESTRUCTURING ACTIVITIES - CONSUMER PACKAGING SEGMENT During 2000, the consumer segment recorded asset impairment charges associated with the elimination of a can line in Europe.

FORWARD-LOOKING STATEMENTS

Statements included in Management's Discussion and Analysis of Operations and Financial Condition, and elsewhere in this report, that are not historical in nature are intended to be, and are hereby identified as "forward-looking statements" for purposes of the safe harbor provided by section 21E of the Securities Exchange Act of 1934, as amended. The words "estimate," "project," "intend," "expect," "believe," "anticipate," and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs, adequacy of income tax provision, refinancing of debt, adequacy of cash flows, effects of acquisitions and dispositions, and financial strategies and the results that are expected from them. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies, and objectives concerning 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; anticipated results of restructuring activities; ability to successfully integrate newly acquired businesses into the Company's operations; currency stability and the rate of growth in foreign markets; actions of government agencies; loss of consumer confidence; and economic disruptions resulting from terrorist activities.

Consolidated Balance Sheets

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands) At December 31	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 36,130	$ 35,219
Trade accounts receivable,net of allowances of $7,294 in 2001 and $5,714 in 2000	289,323	329,467
Other receivables	30,828	26,875
Inventories		
Finished and in process	116,879	108,887

Materials and supplies	144,842	158,717
Prepaid expenses	32,088	28,206
Deferred income taxes	15,079	8,422
	665,169	695,793
PROPERTY,PLANT AND EQUIPMENT,NET	1,008,944	973,470
COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED, NET	359,713	236,733
OTHER ASSETS	318,371	306,615
TOTAL ASSETS	$ 2,352,197	$ 2,212,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payable to suppliers	$ 211,452	$ 227,408
Accrued expenses and other	170,053	121,655
Accrued wages and other compensation	20,717	24,196
Notes payable and current portion of long-term debt	35,849	45,556
Taxes on income	22,199	18,265
	460,270	437,080
LONG-TERM DEBT	885,961	812,085
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	32,231	27,571
DEFERRED INCOME TAXES AND OTHER	169,613	134,404
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Serial preferred stock,no par value		
Authorized 30,000 shares		
0 shares issued and outstanding as of December 31,2001 and 2000		
Common shares,no par value		
Authorized 300,000 shares		
95,713 and 95,006 shares outstanding of which 95,453 and 94,681 are issued as of December 31,2001 and 2000,respectively	7,175	7,175
Capital in excess of stated value	302,345	289,657
Accumulated other comprehensive loss	(197,969)	(172,403)
Retained earnings	692,571	677,042
TOTAL SHAREHOLDERS' EQUITY	804,122	801,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,352,197	$ 2,212,611

The Notes beginning on page 40 are an integral part of these financial statements.

Consolidated Statements of Income

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands except per share data) Years ended December 31	2001	2000	1999
Net sales	$ 2,606,276	$ 2,711,493	$ 2,546,734
Cost of sales	2,061,846	2,107,395	1,953,605
Selling,general and administrative expenses	266,908	272,150	259,917
Other (income) expense,net*	53,324	5,543	(3,500)
Income before interest and taxes	224,198	326,405	336,712
Interest expense	52,217	59,604	52,466
Interest income	(3,800)	(3,794)	(5,314)
Income before income taxes	175,781	270,595	289,560
Provision for income taxes	82,958	111,999	108,585
Income before equity in earnings of affiliates/minority interest in subsidiaries	92,823	158,596	180,975
Equity in (loss) earnings of affiliates/minority interest in subsidiaries	(1,214)	7,702	6,830
Net income	$ 91,609	$ 166,298	$ 187,805
Average common shares outstanding:			
Basic	95,370	99,725	101,886
Assuming exercise of options	437	175	894
Diluted	95,807	99,900	102,780
Per common share			
Net income			
Basic	$ .96	$ 1.67	$ 1.84
Diluted	$ .96	$ 1.66	$ 1.83
Cash dividends - common	$ .80	$ .79	$ .75

* 2001 results include restructuring charges,net gains from legal settlements and corporate-owned life insurance adjustments. 2000 results include restructuring charges and executive severance charges and 1999 results include the net gain on the sale of divested businesses.

The Notes beginning on page 40 are an integral part of these financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands except per share data)	COMPREHENSIVE INCOME (LOSS)	COMMON SHARES Outstanding	COMMON SHARES Amount	Capital in Excess of Stated Value	Accumulated Other Comprehensive Loss	Retained Earnings
JANUARY 1,1999		101,683	$7,175	$431,465	$ (95,139)	$478,091
Net income	$ 187,805					187,805
Other comprehensive loss:						
Translation loss	(30,654)					
Minimum pension liability adjustment, net of tax	2,785					
Other comprehensive loss	(27,869)				(27,869)	
Comprehensive income	$ 159,936					
Cash dividends						(76,434)
Exercise of stock options		363		5,387		
Shares repurchased		(598)		(13,045)		
Other				3,784		
DECEMBER 31,1999		101,448	7,175	427,591	(123,008)	589,462
Net income	$ 166,298					166,298
Other comprehensive loss:						
Translation loss	(49,933)					
Minimum pension liability adjustment, net of tax	538					
Other comprehensive loss	(49,395)				(49,395)	
Comprehensive income	$ 116,903					
Cash dividends						(78,718)
Exercise of stock options		366		4,932		
Shares repurchased		(7,133)		(138,012)		
Other		325		(4,854)		
DECEMBER 31,2000		95,006	7,175	289,657	(172,403)	677,042
Net income	$ 91,609					91,609
Other comprehensive loss:						
Translation loss	(8,827)					
Minimum pension liability adjustment, net of tax	(15,914)					
Other	(825)					
Other comprehensive loss	(25,566)				(25,566)	
Comprehensive income	$ 66,043					
Cash dividend						(76,080)
Exercise of stock options		800		14,043		
Shares repurchased		(93)		(2,055)		
Other				700		
DECEMBER 31,2001		95,713	$7,175	$302,345	$(197,969)	$692,571

The Notes beginning on page 40 are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Sonoco Products Company and Subsidiaries

(Dollars and shares in thousands) Years ended December 31	2001	2000	1999

CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 91,609	$ 166,298	$ 187,805
Adjustments to reconcile net income to net cash provided by operating activities			
Restructuring reserve (noncash)	16,919	3,967	
Depreciation,depletion and amortization	158,574	150,816	145,846
Equity in loss (earnings) of affiliates/minority interest in subsidiaries	1,214	(7,702)	(6,830)
Cash dividends from affiliated companies	7,925	5,017	7,447
Loss (gain) on disposition of assets	7,116	4,989	(188)
Gain on assets held for sale		(5,277)	(3,500)
Deferred taxes	22,005	20,182	18,060
Changes in assets and liabilities,net of effects from acquisitions, dispositions,assets held for sale and foreign currency adjustments			
Receivables	57,255	3,960	(46,577)
Inventories	23,438	(24,413)	(15,283)
Prepaid expenses	(2,870)	28,621	(28,177)
Payables and taxes	(20,301)	70,058	(10,183)
Other assets and liabilities	1,457	(54,066)	(10,162)
Net cash provided by operating activities	364,341	362,450	238,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment	(101,983)	(117,151)	(135,728)
Cost of acquisitions,exclusive of cash	(273,187)	(5,670)	(184,399)
Proceeds from non-operating notes receivable			34,000
Proceeds from the sale of assets	6,902	21,466	18,561
Investments in affiliates	(3,600)		(25,640)
Other			(693)
Net cash used by investing activities	(371,868)	(101,355)	(293,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt	259,224	17,055	248,302
Principal repayment of debt	(24,476)	(128,182)	(192,136)
Net (decrease) increase in commercial paper borrowings	(174,000)	74,700	61,800
Net increase (decrease) in bank overdrafts	11,560	(12,692)	1,752
Cash dividends - common	(76,080)	(78,718)	(76,434)
Common shares acquired	(2,055)	(138,012)	(13,045)
Common shares issued	14,043	4,932	5,387
Net cash provided (used) by financing activities	8,216	(260,917)	35,626
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	222	(1,474)	(719)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	911	(1,296)	(20,734)
Cash and cash equivalents at beginning of year	35,219	36,515	57,249
Cash and cash equivalents at end of year	$ 36,130	$ 35,219	$ 36,515
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	$ 50,551	$ 59,029	$ 51,145
Income taxes paid,net of refunds	$ 49,035	$ 83,464	$ 119,916

Excluded from the Consolidated Statements of Cash Flows are the effects of certain noncash activities. Debt obligations assumed by the Company in conjunction with acquisitions were approximately $3,300 in 1999.

The Notes beginning on page 40 are an integral part of these financial statements.

Notes to Consolidated Financial Statements
(Dollars in thousands except per share data)

Sonoco Products Company and Subsidiaries

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 (THE COMPANY OR SONOCO) AFTER ELIMINATION OF INTERCOMPANY ACCOUNTS AND TRANSACTIONS. INVESTMENTS IN AFFILIATED COMPANIES IN WHICH THE COMPANY OWNS 20% TO 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.

THE COMPANY RECORDS REVENUE WHEN TITLE AND RISK OF OWNERSHIP PASS TO THE CUSTOMER. SHIPPING COSTS ARE DEDUCTED FROM NET SALES IN THE CONSOLIDATED STATEMENTS OF INCOME. Shipping costs amounted to $87,024 in 2001, $82,671 in 2000, and $79,620 in 1999. HANDLING COSTS ARE INCLUDED IN COST OF SALES.

PRIOR YEARS' DATA HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR PRESENTATION.

2. ACQUISITIONS/DISPOSITIONS/JOINT VENTURE

Sonoco completed 10 acquisitions during 2001 with an aggregate cost of approximately $273,000 in cash. In connection with these acquisitions, the Company recorded approximate fair value of identified intangibles of $27,000, goodwill of $138,000 and other net tangible assets of $108,000. Acquisitions in the Company's Industrial Packaging segment included a lightweight paperboard operation; a plywood reel operation in Helenwood, Tennessee; a paper-based textile tube converting facility in Kaiping, China; a paper-based core and tube facility in the United Kingdom; a paper-based core and tube facility in Sint-Denijs, Belgium; an engineered carrier operation in Cartersville, Georgia; and a paper mill in Hutchinson, Kansas. Acquisitions in the Company's Consumer Packaging segment included assets of a packaging services operation in Hemel Hempstead, England; and a steel easy-open closure operation in North Canton, Ohio. The Company also acquired a manufacturer of paper-based tubes, cores and composite cans headquartered in Neenah, Wisconsin. Approximately 80% of this operation is included in the Industrial Packaging segment and 20% in the Consumer Packaging segment.

The following unaudited pro-forma information provides consolidated results as if the acquisitions during the second, third and fourth quarters of 2001 occurred on January 1, 2000. This unaudited pro-forma information does not include the effect of synergies that the Company expects to realize upon integration of these acquisitions.

PRO FORMA (unaudited)	2001	2000
Net sales	$2,776,000	$2,944,000
Net income	96,000	169,000
Earnings per share - basic	1.01	1.70
Earnings per share - diluted	1.01	1.69

During 2001, the Company also signed an agreement to form a joint venture with Dyecor Limited, a privately held company in the United Kingdom. The Company's contribution to the joint venture was not material.

Sonoco completed two acquisitions during 2000 with an aggregate cost of approximately $5,700 in cash. Acquisitions included an Australian composite can business and a small graphics business in the United Kingdom. Both of these acquisitions were in the Company's Consumer Packaging segment. In December 2000, the Company completed the sale of its Capseals unit, makers of container seals, in the United Kingdom. Sales of divested businesses in 2000 resulted in the recognition of a net after-tax gain of $5,277.

Sonoco completed several acquisitions during 1999, with an aggregate cost of approximately $184,400 in cash and the assumption of $3,300 in debt. Acquisitions in the Company's Industrial Packaging segment included engineered carrier operations in Brazil and Taiwan and Wood Composite Technology, a manufacturer of composite (i.e., wood and plastic) reels serving the wire and cable markets. The Company also completed two acquisitions in the Consumer Packaging segment during 1999. In August, Sonoco acquired the composite can assets of Crown Cork & Seal, Inc. In September, Sonoco acquired the flexible packaging division of Graphic Packaging Corporation. The Company sold its labels and label machinery operations in the United Kingdom and a label machinery operation in the United States resulting in the recognition of a $3,500 after-tax gain. Net sales and combined operating losses of these operations were $8,700 and $100 in 1999, respectively.

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 the 2000 and 1999 acquisitions was immaterial.

3. RESTRUCTURING PROGRAMS

Restructuring charges of $53,551 ($36,616 after tax) were recorded as a result of restructuring actions announced during 2001. Restructuring charges were determined in accordance with the provisions of SEC Staff Accounting Bulletin

No. 100 "Restructuring and Impairment Charges" and Emerging Issues Task Force No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." The restructuring charges, net of adjustments, consisted of severance and termination benefits of $27,265, asset impairment charges of $16,919, and other exit costs of $9,367 (consisting of building lease termination charges of $7,715 and other miscellaneous charges of $1,652). The restructuring plan, as revised during the year, included a global reduction of 364 salaried positions (230 in the United States) and 626 hourly positions (437 in the United States), including the closure of 13 plant locations (nine in the United States). As of December 31, 2001, 11 plant locations have been closed, and 828 employees have been terminated (306 salaried and 522 hourly).

During the fourth quarter of 2000, restructuring charges of $5,226 ($3,240 after tax) were recorded associated with termination benefits of $1,259 and asset impairment charges of $3,967 related to the closure of four plant locations.

The following table sets forth the activity in the restructuring accrual included in "Accrued expenses and other" on the Consolidated Balance Sheet. Restructuring charges are included in "Other (income) expense, net" in the Consolidated Statements of Income.

	Severance and Termination Benefits	Asset Impairment	Other Exit Costs	Total
2000 Charges	$ 1,259	$ 3,967		$ 5,226
Cash payments	(159)			(159)
Asset impairment (noncash)		(3,967)		(3,967)
Liability, December 31, 2000	1,100			1,100
2001 Charges	30,614	17,889	$13,682	62,185
Cash payments	(14,431)		(3,143)	(17,574)
Asset impairment (noncash)		(16,919)		(16,919)
Reclassifications to pension liability	(5,180)			(5,180)
Adjustments	(3,349)	(970)	(4,315)	(8,634)
Liability December 31, 2001	$ 8,754	$	$ 6,224	$ 14,978

The Company expects to pay the remaining restructuring costs, with the exception of on-going pension subsidies and certain building lease termination expenses, by the end of 2002 using cash generated from operations. Additional restructuring charges are anticipated during the first quarter of 2002.

Affiliates of the Company accounted for under the equity method of accounting recorded restructuring charges of $9,986 ($6,591 after tax) during 2001. These charges include the closing of two plant locations and other miscellaneous restructuring activities and are included in "Equity in (loss) earnings of affiliates/minority interest in subsidiaries" in the Consolidated Statements of Income.

Asset impairment charges included in the above noted 2001 restructuring charges resulted from the write-off/down of assets associated with 13 plant location closings, and nine other plant locations impacted by the restructuring. Impaired assets were written down to the lower of carrying amount or fair value, less estimated costs to sell, if applicable, and are summarized by segment as follows:

	Consumer Segment	Industrial Segment	Total
Write-off/down:			
Impaired facilities	$ 2,588	$ 429	$ 3,017
Impaired equipment	7,639	5,049	12,688
Facilities held for disposal		285	285
Equipment held for disposal		929	929
Total	$10,227	$6,692	$16,919

As of December 31, 2001, all impaired assets are not held for sale and are anticipated to be abandoned or scrapped by the end of 2002. The effect of suspending depreciation on assets held for disposition was not material to the Consolidated Statement of Income for the year ended December 31, 2001.

4. CASH AND CASH EQUIVALENTS

CASH EQUIVALENTS ARE COMPOSED OF HIGHLY LIQUID INVESTMENTS WITH AN ORIGINAL MATURITY OF THREE MONTHS OR LESS AND ARE RECORDED AT MARKET. At December 31, 2001 and 2000, outstanding checks of $32,897 and $20,780, respectively, were included in "Payable to suppliers" on the Consolidated Balance Sheets.

5. INVENTORIES

INVENTORIES ARE STATED AT THE LOWER OF COST OR MARKET.

The last-in, first-out (LIFO) method was used to determine costs of approximately 20% and 21% of total inventories at December 31, 2001 and 2000, respectively. The remaining inventories are determined on the first-in, first-out (FIFO) method.

If the FIFO method of accounting had been used for all inventories, the totals would have been higher by $10,352 in 2001 and $9,447 in 2000.

6. PROPERTY, PLANT AND EQUIPMENT

PLANT ASSETS REPRESENT THE ORIGINAL COST OF LAND, BUILDINGS AND EQUIPMENT LESS DEPRECIATION COMPUTED UNDER THE STRAIGHT-LINE METHOD OVER THE ESTIMATED USEFUL LIFE OF THE ASSET, AND ARE REVIEWED FOR IMPAIRMENT WHENEVER EVENTS INDICATE THE CARRYING VALUE MAY NOT BE RECOVERABLE.

(Dollars in thousands except per share data)

Equipment lives range from 3 to 11 years, buildings from 15 to 40 years.

TIMBER RESOURCES ARE STATED AT COST. DEPLETION IS CHARGED TO OPERATIONS BASED ON THE NUMBER OF UNITS OF TIMBER CUT DURING THE YEAR.

Depreciation and depletion expense amounted to $146,020 in 2001, $138,648 in 2000, and $135,146 in 1999. Details at December 31 are as follows:

	2001	2000
Land	$ 44,190	$ 37,910
Timber resources	35,183	34,780
Buildings	324,996	307,496
Machinery and equipment	1,753,916	1,633,705
Construction in progress	72,460	83,125
	2,230,745	2,097,016
Accumulated depreciation and depletion	(1,221,801)	(1,123,546)
Property, plant and equipment, net	$ 1,008,944	$ 973,470

Estimated costs for completion of authorized capital additions under construction totaled approximately $52,738 at December 31, 2001.

Certain properties and equipment are leased under non-cancelable operating leases. Total rental expense under operating leases was approximately $38,990 in 2001, $37,600 in 2000, and $38,500 in 1999. Future minimum rentals under non-cancelable operating leases with terms of more than one year are as follows: 2002-$22,000, 2003-$17,400, 2004-$14,100, 2005-$10,600, 2006-$8,200, and 2007 and thereafter-$15,400.

Research and development costs charged to expense were $14 million in both 2001 and 2000, and $12 million in 1999.

7. COST IN EXCESS OF FAIR VALUE OF ASSETS PURCHASED

Goodwill arising from business acquisitions was $138,000 in 2001, $3,800 in 2000 and $110,000 in 1999. Goodwill arising from business acquisitions through June 30, 2001, was amortized on a straight-line basis over periods ranging from 15 to 40 years. Goodwill arising from business acquisitions after June 30, 2001, ($129,068) was not amortized, in accordance with Statement of Financial Accounting Standards No. 142, `Goodwill and Other Intangible Assets' (FAS 142). THE COMPANY EVALUATES, AT EACH BALANCE SHEET DATE, THE RECOVERABILITY OF GOODWILL FOR EACH OPERATION HAVING A GOODWILL BALANCE. Amortization expense amounted to $12,554 in 2001, $12,168 in 2000, and $10,700 in 1999. Accumulated amortization at December 31, 2001, 2000 and 1999 was $75,894, $66,370 and

$58,934, respectively.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, `Business Combinations' (FAS 141), and FAS 142. FAS 141 supercedes Accounting Principles Board Opinion (APB) No. 16, `Business Combinations.' The provisions of FAS 141 (1) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill and (3) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. FAS 141 also requires that, upon adoption of FAS 142, the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. FAS 142 supercedes APB 17, `Intangible Assets,' and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of FAS 142 (1) prohibit the amortization of goodwill and indefinite-lived intangible assets, (2) require that goodwill and indefinite lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (3) require that reporting units be identified for the purpose of assessing potential future impairments of goodwill and (4) remove the 40-year limitation on the amortization period of intangible assets that have finite lives.

The provisions of FAS 141 and FAS 142 also apply to equity-method investments made both before and after June 30, 2001. FAS 141 requires that the unamortized deferred credit related to an excess over cost arising from an investment that was accounted for using the equity method (equity-method negative goodwill), and that was acquired prior to July 1, 2001, must be written-off immediately and recognized as the cumulative effect of a change in accounting principle. Equity-method negative goodwill arising from equity investments made after June 30, 2001, must be written-off immediately and recorded as an extraordinary gain, instead of being deferred and amortized. FAS 142 prohibits amortization of the excess of cost over the underlying equity in the net assets of an equity-method investee that is recognized as goodwill.

The provisions of FAS 142 will be adopted by the Company on January 1, 2002. The Company is in the process of preparing for its adoption of FAS 142 and is making the determinations as to what its reporting units are and what amounts of goodwill, intangible assets, other assets, and liabilities should be allocated to these reporting units. In connection with the adoption of FAS 142, the Company expects to reclassify goodwill of approximately $10,000 to intangible assets. The Company does not expect to reclassify any intangible assets to goodwill. In addition, the Company expects that it will no longer record approximately $11,000 annually of amortization relating to its existing goodwill and

indefinite-lived intangibles, as adjusted for the reclassifications referred to above. The Company is also in the process of evaluating the useful lives of its existing intangible assets and anticipates that changes in the useful lives will not have a material impact on the results of its operations.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be measured as of the beginning of the fiscal year. However, a company has six months from the date of adoption to complete the first step. The second step of the goodwill impairment test measures the amount of the impairment loss (also measured as of the beginning of the fiscal year in year of transition), if any, and must be completed by the end of the Company's fiscal year. Intangible assets deemed to have an indefinite life will be tested for impairment using a one-step process that compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year, and pursuant to the requirements of FAS 142 will be completed during the first quarter of 2002. Any impairment loss resulting from the transitional impairment tests in 2002 will be reflected as the cumulative effect of a change in accounting principle. The Company has not yet determined what effect these impairment tests, or what additional effects the adoption of FAS 141 and FAS 142, will have on its financial statements.

8. INVESTMENT IN LIFE INSURANCE

Corporate-owned life insurance (COLI) policies were used by the Company to aid in the financing of employee benefits and were recorded net of policy loans in "Other Assets" on the Consolidated Balance Sheets. The net pretax cost of COLI, including interest expense and excluding 2001 policy surrender charges of $7,026, was $1,397 in 2001, $1,615 in 2000, and $2,392 in 1999 and is included in "Selling, general and administrative expenses" in the Company's Consolidated Statements of Income.

The related COLI interest expense was $3,043 in 2001, $10,058 in 2000, and $17,108 in 1999. Legislation was enacted in 1996 that began phasing out the tax deductibility of this interest. Accordingly, no deduction was taken in 2001, 2000 or 1999 for interest on policy loans. In April 2001, the Company surrendered its COLI policies as a result of a settlement with the Internal Revenue Service over deductibility of COLI loan interest. The surrender of these policies resulted in additional income taxes of $11,295 and other costs of $7,026. Other costs are included in "Other (income) expense, net" in the Company's Consolidated Statements of Income. See Note 13 for further details.

9. DEBT

Debt at December 31 was as follows:

	2001	2000
Commercial paper, average rate of 4.07% in 2001 and 6.3% in 2000	$158,000	$332,000
6.5% debentures due November 2013	248,570	
7.0% debentures due November 2004	149,965	149,935
6.75% debentures due November 2010	99,847	99,861
5.875% debentures due November 2003	99,874	99,807
9.2% debentures due August 2021	41,305	41,305
6.125% IRBs due June 2025	34,580	34,556
6.0% IRBs due April 2026	34,233	34,202
Foreign denominated debt, average rate of 11.5% in 2001 and 10% in 2000	34,599	45,411
Other notes	20,837	20,564
Total debt	921,810	857,641
Less current portion and short-term notes	35,849	45,556
Long-term debt	$885,961	$812,085

The Company has authorized a commercial paper program totaling

(Dollars in thousands except per share data)

$450,000 and has fully committed bank lines of credit supporting the program by a like amount. These bank lines expire in the year 2002 but may be extended into 2003 under a term-out option. It is management's intent to maintain indefinitely 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 $695,000 increased by 25% of net income after June 30, 2001, and decreased by stock purchases after July 18, 2001.

In addition to the committed availability under the commercial paper program, unused short-term lines of credit for general Company purposes at December 31, 2001, were approximately $192,811 with interest at mutually agreed-upon rates.

The approximate principal requirements of debt maturing in the next five years are: 2002-$35,849, 2003-$103,358, 2004-$153,659, 2005-$2,666, and 2006-$2,196.

10. FINANCIAL INSTRUMENTS

The following table sets forth the carrying amounts and fair values of the Company's significant financial instruments where the carrying amount differs from the fair value. 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 discounted future cash flows using interest rates available to the Company for issues with similar terms and average maturities.

	DECEMBER 31, 2001		December 31, 2000	
	CARRYING AMOUNT OF LIABILITY	FAIR VALUE OF LIABILITY	Carrying Amount of Liability	Fair Value of Liability
Long-term debt	$885,961	$882,554	$812,085	$798,949

As of January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, `Accounting for Derivative Instruments and Hedging Activities' (FAS 133), as amended by FAS 137 and FAS 138. The standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as assets or liabilities in the Company's balance sheet and measurement of those instruments at fair value. The Statement requires that changes in a derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement or to be deferred in accumulated other comprehensive income (loss), a component of shareholders' equity, until the hedged item is recognized in results of operations. The Company uses published market prices or estimated values based on current price quotes and a discounted cash flow model to estimate the fair market value of the swaps.

The Company uses derivatives from time to time to manage the cost of certain raw materials, to mitigate exposure to foreign currency fluctuation, and to manage its exposure to fixed and variable interest rates within acceptable limits. The Company purchases commodities such as recovered paper, resins, metal, and energy generally at market or fixed prices that are established with the vendor as part of the purchase process for quantities expected to be consumed in the ordinary course of business. The Company may enter into commodity futures or swaps to reduce the effect of price fluctuations. In addition, the Company uses foreign currency forward contracts and other risk management instruments, including contractual provisions, to manage exposure to changes in foreign currency cash flows and the translation of monetary assets and liabilities on the Company's financial statements.

In 2001, the Company entered into cash flow hedges to mitigate exposure to commodity and foreign exchange risks in 2001 through mid 2003. The fair market value of these derivatives as of December 31, 2001 was $825 after tax and will be reclassified to expense in the same periods the forecasted purchases or payments affect earnings. Based on the current amount of the derivative loss in other comprehensive loss, $667 after tax will be reclassified to expense in 2002. As a result of the high correlation between the hedged instruments and the underlying transactions, ineffectiveness did not have a material impact on the Company or on its Consolidated Statement of Income for the year ended December 31, 2001.

11. STOCK PLANS

The Company has stock option plans under which common shares are reserved for sale to certain employees and nonemployee directors. Options granted under the plans were at the market value of the shares at the date of grant. Options are generally exercisable one year after the date of grant and expire 10 years after the date of grant. There were 4,522,436 shares reserved for future grants at December 31, 2001.

On December 31, 1998, the Company granted special one-time Centennial stock options of 100 shares to substantially all of its employees. These options are exercisable at the closing price of the shares on December 31, 1998, and expire after six years. A total of 1,035,800 options granted under the Centennial Share Program were outstanding at December 31, 2001.

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

	Option Shares	Weighted-Average Price
1999		
Outstanding at beginning of year	8,549,277	$24.17
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
2000		
Granted	1,559,324	$19.70
Exercised	(441,679)	$19.42
Canceled	(577,083)	$27.16
Outstanding at end of year	9,955,843	$24.31
Options exercisable at end of year	8,408,319	$25.15
2001		
Granted	1,748,603	$23.83
Exercised	(832,498)	$17.16
Canceled	(381,976)	$28.81

Outstanding at end of year	10,489,972	$24.63
Options exercisable at end of year	8,712,119	$24.87

The weighted-average fair value of options granted was $4.79, $4.77 and $5.75 in 2001, 2000 and 1999, respectively.

The following tables summarize information about stock options outstanding and stock options exercisable at December 31,2001:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$14.59-$21.88	3,388,174	4.5 years	$19.75
$22.01-$24.95	3,625,725	6.7 years	$24.07
$25.00-$37.10	3,476,073	7.1 years	$31.85
$14.59-$37.10	10,489,972	6.1 years	$24.63

	Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Exercise Price
$14.59-$21.88	3,378,924	$19.74
$22.01-$24.95	1,930,880	$24.29
$25.00-$37.10	3,402,315	$30.50
$14.59-$37.10	8,712,119	$24.87

On December 31,2001, 2000, and 1999, the Company granted awards in the form of contingent share units to certain of its executives. The vesting of the awards, which can range from 247,000 to 989,000 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 objectives are 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, 2001, a total of 418,307 contingent shares granted under this plan remain outstanding, 260,451 of which are vested. For the years ended December 31, 2001, 2000 and 1999, the Company recognized compensation expense of $1,137, $558 and $644, respectively, related to grants of these awards.

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 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:

	2001	2000	1999
Net income - as reported	$91,609	$166,298	$187,805
Net income - pro forma	86,349	159,302	180,323
Earnings per share - as reported	.96	1.66	1.83
Earnings per share - pro forma	.90	1.59	1.75

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:

	2001	2000	1999
Expected dividend yield	2.6%	2.5%	2.4%
Expected stock price volatility	20.3%	21.0%	20.3%
Risk-free interest rate	4.9%	6.6%	4.8%
Expected life of options	5 YEARS	5 years	5 years

12. EMPLOYEE BENEFIT PLANS

The Company provides non-contributory defined benefit pension plans for substantially all its United States employees, as well as postretirement healthcare and life insurance benefits to the majority of its retirees,and their eligible dependents, in the United States and Canada.

The Company also sponsors contributory pension plans covering the majority of the employees in the United Kingdom and Canada.

The components of net periodic benefit cost include the following:

	2001	2000	1999
RETIREMENT PLANS			
Service cost	$ 14,965	$ 13,713	$ 16,897
Interest cost	44,429	42,315	39,565
Expected return on plan assets	(62,748)	(69,361)	(61,257)
Amortization of net transition asset	(435)	(384)	(444)
Amortization of prior service cost	1,576	1,635	2,044
Amortization of net actuarial (gain) loss	504	(3,335)	461
Special termination			

(Dollars in thousands except per share data)

benefit cost	5,180	979	
Acquisitions	48		
Effect of curtailment		348	
Net periodic benefit cost (income)	$ 3,519	$(14,090)	$ (2,734)
RETIREE HEALTH AND LIFE INSURANCE PLANS			
Service cost	$ 3,746	$ 2,928	$ 3,775
Interest cost	9,438	8,155	8,372
Expected return on plan assets	(6,248)	(7,180)	(6,181)
Amortization of prior service cost	(5,949)	(6,130)	(5,633)
Amortization of net actuarial loss	4,139	1,595	1,257
Special termination benefit cost		41	
Net periodic benefit cost (income)	$ 5,126	$ (591)	$ 1,590

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

	Retirement Plans		Retiree Health and Life Insurance Plans	
	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at January 1	$ 609,164	$ 563,565	$ 133,349	$ 102,572
Service cost	14,965	13,713	3,746	2,928
Interest cost	44,429	42,315	9,438	8,155
Plan participant contributions	1,066	954		
Plan amendments	359	753	742	(7,057)
Actuarial loss	29,433	24,142	23,012	37,031
Benefits paid	(36,185)	(36,932)	(9,799)	(10,743)
Special termination benefit cost	5,180			
Acquisitions	5,316		3,569	
Other	3,290	654	(2,806)	463
Benefit obligation at December 31	$ 677,017	$ 609,164	$ 161,251	$ 133,349
CHANGE IN PLAN ASSETS				
Fair value of plan assets at January 1	$ 693,749	$ 772,036	$ 75,596	$ 82,383
Actual return on plan assets	(52,011)	(43,883)	(4,604)	(4,380)
Company contributions	18,912	4,564	1,228	8,539
Plan participant contributions	1,066	954		
Benefits paid	(36,185)	(36,932)	(9,799)	(10,743)
Acquisitions	6,467			
Other	(3,049)	(2,990)	(207)	(203)
Fair value of plan assets at				

December 31	$ 628,949	$ 693,749	$ 62,214	$ 75,596
RECONCILIATION OF FUNDED STATUS, DECEMBER 31				
Funded status of plan	$ (48,068)	$ 84,585	$ (99,037)	$ (57,753)
Unrecognized net actuarial loss	163,787	23,248	87,501	57,568
Unrecognized prior service cost	9,663	10,959	(20,695)	(27,386)
Unrecognized net transition obligation	4,971	3,939		
Net amount recognized	$ 130,353	$ 122,731	$ (32,231)	$ (27,571)

	Retirement Plans 2001	2000
TOTAL RECOGNIZED AMOUNTS IN THE CONSOLIDATED BALANCE SHEETS		
Prepaid benefit cost included in other assets	$ 153,461	$ 147,728
Accrued benefit liability	(54,505)	(33,645)
Intangible asset	2,727	2,889
Accumulated other comprehensive loss	28,670	5,759
Net amount recognized	$ 130,353	$ 122,731

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 $53,897, $51,067 and $7,366, respectively, as of December 31, 2001, and $43,598, $41,014 and $7,369, respectively, as of December 31, 2000.

The weighted-average discount rate used in determining the PBO was 7.25% in 2001, 7.5% in 2000 and 7.75% in 1999. The assumed compensation increase was 4.1% for all years presented. The expected long-term rate of return on plan assets was 9.5% for all years presented. For purposes of the Retiree Health and Life Insurance Plans, the assumed healthcare cost trend rates were 12% beginning in 2001 and declining to 6% in 2008 and continuing into the future. Effective in 2003, the Company has amended its plans such that cost increases borne by the Company are limited to the Urban CPI. Increasing the assumed trend rate for healthcare costs by one percentage point would result in an increase in the accumulated postretirement benefit obligation (APBO) and total service and interest cost component of approximately $1,700 and $143, respectively. Decreasing the assumed trend rate for healthcare costs by one percentage point would result in a decrease in the APBO and total service and interest cost component of approximately $2,551 and $208, respectively.

The Company also sponsors the Sonoco Savings Plan, a defined contribution retirement plan (formerly the Sonoco Employee Savings and Stock Ownership Plan). The plan provides that all eligible employees may contribute 1% to 16% of their gross pay, subject to regulations of the Internal Revenue Service, with 50% vesting after one year and 100% vesting after two years. In 2001, the Company made matching contributions of 50% on the first 6% of pretax and/or after-tax contributions as approved by the Company's Board of Directors. Beginning in 2002, the Company adopted the Internal Revenue Service "Safe Harbor" matching contributions and vesting provisions which provide 100% Company matching on the first 3% of pretax contributions, 50% Company matching on the next 2% of pretax contributions, and 100% immediate vesting. The plan also provides for contributions of 1% to 20% of gross pay beginning in 2002. The Company's contributions to the plan for 2001, 2000 and 1999 were $8,688, $7,734 and $7,191, respectively.

13. INCOME TAXES

THE COMPANY PROVIDES FOR INCOME TAXES USING THE LIABILITY METHOD. UNDER THIS METHOD, DEFERRED TAX ASSETS AND LIABILITIES ARE DETERMINED BASED ON DIFFERENCES BETWEEN FINANCIAL REPORTING REQUIREMENTS AND TAX LAWS. ASSETS AND LIABILITIES ARE MEASURED USING THE ENACTED TAX RATES AND LAWS THAT WILL BE IN EFFECT WHEN THE DIFFERENCES ARE EXPECTED TO REVERSE.

The provision for taxes on income for the years ended December 31 consists of the following:

	2001	2000	1999
Pretax income			
Domestic	$ 127,544	$ 206,928	$ 269,204
Foreign	48,237	63,667	20,356
Total pretax income	$ 175,781	$ 270,595	$ 289,560
Current			
Federal	$ 40,664	$ 64,321	$ 68,927
State	4,177	11,485	5,700
Foreign	16,112	16,011	15,898
Total current	$ 60,953	$ 91,817	$ 90,525
Deferred			
Federal	$ 19,064	$ 14,512	$ 12,973
State	2,056	4,079	2,410
Foreign	885	1,591	2,677
Total deferred	$ 22,005	$ 20,182	$ 18,060
Total taxes	$ 82,958	$ 111,999	$ 108,585

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

	2001	2000
Depreciation	$ 82,593	$ 64,141
Employee benefits	66,637	48,998
Other	25,699	35,752
Gross deferred tax liabilities	174,929	148,891
Retiree health benefits	(11,466)	(14,100)
Foreign loss carryforwards	(7,293)	(10,397)
Capital loss carryforwards	(11,160)	(11,160)
Employee benefits	(26,899)	(24,599)
Accrued liabilities and other	(30,670)	(15,201)
Gross deferred tax assets	(87,488)	(75,457)

Valuation allowance on deferred tax assets	21,727	25,530
Total deferred taxes, net	$ 109,168	$ 98,964

The net change in the valuation allowance for deferred tax assets is a net decrease of $3,803 in 2001, compared with a net decrease of $2,407 in 2000. The decrease of $3,803 is related primarily to realization of net operating loss carryforwards of foreign subsidiaries.

Approximately $25,000 of foreign subsidiary net operating loss carryforwards remain at December 31,2001. Their use is limited to future taxable earnings of the respective foreign subsidiaries. Of these loss carryforwards, approximately $13,000 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:

	2001		2000		1999	
Statutory tax rate	$61,523	35.0%	$ 94,708	35.0%	$101,346	35.0%
State income taxes, net of federal tax benefit	4,096	2.3	6,672	2.5	5,272	1.8
Goodwill	1,508	.9	1,960	.7	1,166	.4
Asset impairment and dispositions			500	.2	(1,225)	(.4)
COLI	14,613	8.3	12,565	4.6	837	.3
Other, net	1,218	.7	(4,406)	(1.6)	1,189	.4
Total taxes	$ 82,958	47.2%	$ 111,999	41.4%	$ 108,585	37.5%

Undistributed earnings of international subsidiaries totaled $121,779 at December 31, 2001. Deferred taxes have been provided on the undistributed earnings, except for amounts that the Company considers to be indefinitely reinvested to finance international growth and expansion. If such amounts were remitted, loaned to the Company or the stock in the foreign subsidiaries sold, these earnings could become subject to tax.

At December 31, 2001, the Company had a capital loss carryforward of approximately $32,000 for income tax purposes that expires in the year ending December 31, 2003. The carryforward results from losses incurred on stock divestitures in prior years. For financial reporting purposes, a valuation allowance was provided for the full amount of the deferred tax benefit related to this carryforward.

During 2001, the Company reached a settlement with the Internal Revenue Service (IRS) regarding its examination for the years 1993 through 1995 and, the deductibility of interest arising from Corporate-Owned Life Insurance (COLI) for the years 1993 through 1998. Furthermore, the Company reached agreement with the IRS regarding the taxation arising from the surrender in 2001 of the COLI policies. The Company recorded $14,613 of additional income tax in 2001 related to COLI, $11,295 of which was related to the surrender of these policies. Currently, the Company's federal tax returns for the years 1996 through 1998 are under examination. The Company believes it has made adequate provisions for income taxes that may become payable with respect to these years.

14. COMMITMENTS AND CONTINGENCIES

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings.

Notes to Consolidated Financial Statements
(Dollars in thousands except per share data)

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 accrued approximately $7,220 and $4,000 as of December 31, 2001 and 2000, respectively, related to these contingencies. Due to the complexity of determining clean-up costs associated with the sites, a reliable estimate of the ultimate cost to the Company cannot be determined. Furthermore, all of the sites are also the responsibility of other parties. The Company's liability, if any, is shared with such other parties, but the Company's share has not been finally determined in most cases. In some cases, the Company has cost-sharing agreements with other potentially responsible parties with respect to a particular site. Such agreements relate to the sharing of legal defense costs or clean-up costs, or both. The Company has assumed, for purposes of estimating amounts to be accrued, that the other parties to such cost-sharing agreements will perform as agreed. It appears that final resolution of some of the sites is years away. Accordingly, a reliable estimate of the ultimate cost to the Company with respect to such sites cannot be determined. COSTS, HOWEVER, ARE ACCRUED AS NECESSARY ONCE REASONABLE ESTIMATES ARE DETERMINED. ACCRUED AMOUNTS ARE NOT DISCOUNTED. Although the level of future expenditures for legal and environmental matters is impossible to determine with any degree of probability, it is management's opinion that such costs, when finally determined, will not have an adverse material effect on the consolidated financial position of the Company.

15. SHAREHOLDERS' EQUITY

STOCK REPURCHASES

On February 7, 2001, the Board of Directors approved a new stock repurchase program authorizing the repurchase of up to 5,000,000 shares of the Company's common stock. No shares were repurchased under this program in 2001. Under previous authorizations, the Company repurchased 92,400 shares in the second quarter of 2001 and 560 shares in the fourth quarter of 2001, for a total of 92,960 shares repurchased in 2001. The total cost of the shares repurchased in 2001 was $2,055 for an average price of $22.11 per share. In 2000, the Company repurchased 7,133,200 shares of its common stock at a total cost of $138,012, for an average price of $19.35 per share. 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. At December 31, 2001, the Company had authorizations to repurchase approximately 5,300,000 shares of common stock.

EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	2001	2000	1999
Numerator:			
Net income	$ 91,609	$ 166,298	$ 187,805
Denominator:			
Average common shares outstanding	95,370	99,725	101,886
Dilutive effect of employee stock options	437	175	894
Diluted outstanding shares	95,807	99,900	102,780
Net income per common share			

Basic	$ .96	$ 1.67	$ 1.84
Diluted	$ .96	$ 1.66	$ 1.83

Stock options to purchase approximately 3,605, 7,287 and 3,426 shares for 2001, 2000 and 1999, respectively, were not dilutive and therefore were not included in the computations of diluted income per common share amounts. No adjustments were made to reported net income in the computation of earnings per share.

16. COMPREHENSIVE INCOME

The following table summarizes the components of accumulated other comprehensive income (loss) and the changes in accumulated comprehensive income (loss), net of tax, for the years ended December 31, 2001 and 2000:

	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Other	Accumulated Other Comprehensive Loss
Balance at January 1, 2000	$ (118,882)	$ (4,126)		$ (123,008)
Change during 2000	(49,933)	538		(49,395)
Balance at December 31, 2000	(168,815)	(3,588)		(172,403)
Change during 2001	(8,827)	(15,914)	$ (825)	(25,566)
Balance at December 31, 2001	$ (177,642)	$ (19,502)	$ (825)	$ (197,969)

The cumulative tax benefit of the Minimum Pension Liability Adjustments was $9,168 and $2,171 in 2001 and 2000, respectively. Additionally, the tax benefit of Other items was $496 in 2001.

17. FINANCIAL REPORTING FOR BUSINESS SEGMENTS

Sonoco reports its results in two primary segments, Industrial Packaging and Consumer Packaging. The Industrial Packaging segment includes the following products: high performance paper, plastic and composite engineered carriers; paperboard; wood, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities. The Consumer Packaging segment includes the following products: round and shaped composite cans, printed flexible packaging and high density film products. This segment also includes specialty packaging and packaging services; and the United Kingdom labels operation sold in 1999.

Years ended December 31	Industrial Packaging	Consumer Packaging	Corporate	Consolidated
TOTAL REVENUE				
2001	$1,733,203	$1,329,950		$3,063,153
2000	1,492,772	1,260,692		2,753,464
1999	1,415,469	1,174,809		2,590,278
INTERSEGMENT SALES(1)				
2001	$ 38,053			$ 38,053
2000	41,971			41,971
1999	43,544			43,544
SALES TO UNAFFILIATED CUSTOMERS				
2001	$1,309,957	$1,296,319		$2,606,276
2000	1,450,801	1,260,692		2,711,493
1999	1,371,925	1,174,809		2,546,734
OPERATING PROFIT(2)				
2001	$ 143,805	$ 90,967	$(58,991)	$ 175,781
2000	212,560	119,344	(61,309)	270,595
1999	188,704	148,008	(47,152)	289,560
IDENTIFIABLE ASSETS(3)				
2001	$1,191,569	$ 762,728	$397,900	$2,352,197
2000	1,126,079	675,708	410,824	2,212,611

1999	1,208,056	706,052	382,912	2,297,020
DEPRECIATION, DEPLETION AND AMORTIZATION				
2001	$ 93,998	$ 64,576		$ 158,574
2000	92,799	58,017		150,816
1999	91,235	54,611		145,846
CAPITAL EXPENDITURES				
2001	$ 57,527	$ 44,456		$ 101,983
2000	67,426	49,725		117,151
1999	81,093	54,635		135,728

(1) Intersegment sales are recorded at a market-related transfer price.

(2) Industrial Packaging's 2001 and 2000 operating profit include restructuring charges of $(23,603) and $(1,155), respectively; 2001 includes a gain on net legal settlements of $7,252. Consumer Packaging's 2001 and 2000 operating profit include restructuring charges of $(26,399) and $(4,071), respectively; 2000 and 1999 include gains on the sales of divested businesses of $5,182 and $3,500, respectively. Interest expense and interest income are excluded from operating profit by segment and are shown under Corporate. Corporate's 2001 operating profit include a $(7,026) corporate-owned life insurance adjustment and a $(3,549) restructuring charge; 2000 operating profit includes a $(5,499) executive severance charge.

(3) Identifiable assets are those assets used by each segment in its operations. Corporate assets consist primarily of cash and cash equivalents, investments in affiliates, headquarters facilities and prepaid expenses.

GEOGRAPHIC REGIONS

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

	2001	2000	1999
SALES TO UNAFFILIATED CUSTOMERS			
United States	$ 1,877,589	$ 1,981,178	$ 1,881,472
Europe	300,541	298,419	313,457
Canada	207,802	215,226	162,574
All other	220,344	216,670	189,231
Total	$ 2,606,276	$ 2,711,493	$ 2,546,734
LONG-LIVED ASSETS			
United States	$ 957,868	$ 794,053	$ 821,291
Europe	170,764	159,778	185,336
Canada	128,846	129,373	135,602
All other	111,179	126,999	144,854
Total	$ 1,368,657	$ 1,210,203	$ 1,287,083

18. NEW ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (FAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FAS 143 is required to be adopted for fiscal years beginning after June 15, 2002. The Company has not yet determined what effect, if any, this statement will have on its financial statements.

Also in August 2001, the FASB issued Statement of Financial Accounting

Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (FAS 144), which supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This new statement also supersedes certain aspects of APB 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business. FAS 144 will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions may qualify for discontinued operations treatment. The provisions of this statement are required to be applied for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company does not expect the adoption of FAS 144 to have a material effect on its financial statements.

See Note 7 for disclosures regarding the adoptions of FAS 141 and FAS 142.

Selected Eleven-Year Financial Data (Unaudited)
(Dollars and shares in thousands except per share data)

Years ended December 31	2001	2000	1999	1998	1997
OPERATING RESULTS					
Net sales	$2,606,276	$2,711,493	$2,546,734	$2,557,917	$2,847,831
Cost of sales and operating expenses	2,328,754	2,379,545	2,213,522	2,269,810	2,505,531
Interest expense	52,217	59,604	52,466	54,779	57,194
Interest income	(3,800)	(3,794)	(5,314)	(5,916)	(4,971)
Unusual items(1)	53,324	5,543	(3,500)	(100,354)	226,358
Income before income taxes	175,781	270,595	289,560	339,598	63,719
Provision for income taxes(3)	82,958	111,999	108,585	153,989	60,111
Equity in earnings of affiliates/ Minority interest(4)	(1,214)	7,702	6,830	6,387	(991)
Income before cumulative effect of changes in accounting principles and extraordinary loss	91,609	166,298	187,805	191,996	2,617
Cumulative effect of changes in accounting principles (FAS 106 and FAS 109)					
Extraordinary loss, net of income tax benefit				(11,753)	
Net income	91,609	166,298	187,805	180,243	2,617
Preferred dividends					(3,061)
Net income (loss) available to common shareholders	$ 91,609	$ 166,298	$ 187,805	$ 180,243	$ (444)
Per common share					
Net income available to common shareholders:					
Basic	.96	1.67	1.84	1.76	.00
Diluted	.96	1.66	1.83	1.73	.00
Cash dividends - common	.80	.79	.75	.704	.641
Average common shares outstanding:					
Basic	95,370	99,725	101,886	102,632	100,981
Diluted	95,807	99,900	102,780	104,275	107,350
Actual common shares outstanding at December 31	95,713	95,006	101,448	101,683	105,417
FINANCIAL POSITION					
Net working capital	204,899	258,713	306,450	225,347	438,896
Property, plant and equipment, net	1,008,944	973,470	1,032,503	1,013,843	939,542
Total assets	2,352,197	2,212,611	2,297,020	2,082,983	2,159,932
Total debt	921,810	857,641	904,137	783,632	796,359
Shareholders' equity	804,122	801,471	901,220	821,592	848,819
Current ratio	1.4	1.6	1.7	1.5	2.0
Total debt to total capital(2)	49.3%	48.5%	47.5%	46.7%	46.1%
Book value per common share	8.40	8.44	8.88	8.08	8.05
OTHER DATA					
Depreciation, depletion and amortization expense	158,574	150,816	145,846	145,669	153,524
Cash dividends declared-common	76,080	78,718	76,434	72,028	64,639
Market price per common share (ending)	26.58	21.63	22.75	29.63	31.54
Return on total equity (including preferred stock)(1)	11.5%	19.1%	21.9%	22.0%	.3%
Return on net sales(1)	3.5%	6.1%	7.4%	7.0%	.0%

Years ended December 31	1996	1995	1994	1993	1992	1991

OPERATING RESULTS						
Net sales	$2,788,075	$2,706,173	$2,300,127	$1,947,224	$1,838,026	$1,697,058
Cost of sales and operating expenses	2,458,710	2,396,284	2,055,734	1,734,980	1,641,075	1,528,543
Interest expense	55,481	44,004	35,861	31,154	30,364	28,186
Interest income	(6,191)	(4,905)	(2,398)	(6,017)	(6,416)	(6,870)
Unusual items(1)				(5,800)	42,000	(8,525)
Income before income taxes	280,075	270,790	210,930	192,907	131,003	155,724
Provision for income taxes(3)	107,433	106,640	82,500	75,200	51,800	63,600
Equity in earnings of affiliates/ Minority interest(4)	(1,771)	369	1,419	1,127	2,048	2,681
Income before cumulative effect of changes in accounting principles and extraordinary loss	170,871	164,519	129,849	118,834	81,251	94,805
Cumulative effect of changes in accounting principles (FAS 106 and FAS 109)					(37,892)	
Extraordinary loss, net of income tax benefit						
Net income	170,871	164,519	129,849	118,834	43,359	94,805
Preferred dividends	(7,196)	(7,763)	(7,763)	(1,264)		
Net income (loss) available to common shareholders	$ 163,675	$ 156,756	$ 122,086	$ 117,570	$ 43,359	$ 94,805
Per common share						
Net income available to common shareholders:						
Basic	1.64	1.56	1.21	1.17	.43	.95
Diluted	1.58	1.49	1.19	1.08	.43	.95
Cash dividends - common	.586	.524	.481	.459	.425	.398
Average common shares outstanding:						
Basic	99,564	100,253	100,590	100,849	100,176	99,682
Diluted	108,487	110,111	109,420	109,711	101,112	100,225
Actual common shares outstanding at December 31	98,850	100,229	100,379	101,001	100,651	99,897
FINANCIAL POSITION						
Net working capital	262,533	229,328	222,068	209,932	152,478	163,860
Property, plant and equipment, net	995,415	865,629	763,109	737,154	614,018	580,787
Total assets	2,365,896	2,098,157	1,821,414	1,696,349	1,241,783	1,135,940
Total debt	893,088	686,792	547,380	515,826	316,010	283,199
Shareholders' equity	920,613	918,749	832,218	788,364	561,890	562,306
Current ratio	1.6	1.5	1.6	1.7	1.5	1.6
Total debt to total capital(2)	47.2%	39.6%	38.1%	38.0%	35.1%	30.6%
Book value per common share	8.10	7.45	6.57	6.10	5.58	5.63
OTHER DATA						
Depreciation, depletion and amortization expense	142,927	125,836	112,797	95,745	83,309	76,561
Cash dividends declared-common	58,480	53,145	48,287	46,333	42,443	39,703
Market price per common share (ending)	23.53	23.86	18.94	19.05	20.67	14.94
Return on total equity (including preferred stock)(1)	18.3%	18.7%	16.0%	19.0%	13.7%	17.8%
Return on net sales(1)	6.1%	6.1%	5.6%	6.1%	4.4%	5.6%

(1) 2001 data reflects net one-time charges of $53,324 pretax, or $50,403 after tax, for the net gain from legal settlements, corporate-owned-life insurance (COLI) and restructuring costs. 2000 data reflects net one-time charges of $5,543 pretax, or $1,372 after tax, for the net gain on the sales of divested businesses, restructuring costs and executive severance charges. 1999 data reflects the gain on the sale of divested businesses of $(3,500). 1998 data reflects the net gain on the sale of divested businesses of $(100,354) pretax, or $(41,554) after tax. 1997 data reflects the asset impairment charge of $226,358 pretax, or $174,500 after tax. Included in 1993 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.

(2) Debt levels for 1995 through 2000 have been adjusted for cash related to the issuance of restricted-purpose bonds.

(3) The provision for income taxes in 2001 and 2000 include $14,613 and $12,000, respectively, related to COLI.

(4) 2001 includes restructuring charges of $9,986, pretax, and $6,591 after tax.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Directors of
Sonoco Products Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareholders' equity and cash flows (appearing on pages 36 through 49 of this report) present fairly, in all material respects, the consolidated financial position of Sonoco Products Company at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Charlotte, North Carolina
January 31, 2002

[PHOTO]

Seated (L-R): Charlie Coker, Caleb Fort, Ed Lawton, Thomas Whiddon, Bob Brown, Dona Young and Fitz Coker. Standing (L-R): Alan Dickson, Charlie Bradshaw, Harris DeLoach, Paul Fulton, Hugh McColl, Tom Coxe, Bernard Kasriel and James Coker.

REPORT OF MANAGEMENT

The management of Sonoco Products Company is responsible for the integrity and objectivity of the financial statements and other financial information included in this annual report. These statements have been prepared in conformity with generally accepted accounting principles in the United States of America.

Sonoco's accounting systems are supported by internal control systems augmented by written policies, internal audits and the selection and training of qualified personnel.

The Board of Directors, through its Audit Committee consisting of outside directors, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. This committee meets periodically with management, the internal auditors and the independent accountants to assure each is carrying out its responsibilities.

PricewaterhouseCoopers LLP, independent accountants, have audited the financial statements, and their report is herein.

/s/ Charles J. Hupfer

Charles J. Hupfer
Vice President, Treasurer, Corporate Secretary
and Chief Financial Officer

BOARD OF DIRECTORS

CHARLES W. COKER, 68
Chairman of the Board since 1990. Formerly Chairman & Chief Executive Officer 1990-1998. Served on Board since 1962.

CHARLES J. BRADSHAW, 65
President & Director, Bradshaw Investments, Inc. (private investments), Georgetown, S.C., since 1986. Served on Board since 1986. Member of the Audit & Compensation Committees.

ROBERT J. BROWN, 67
Founder, Chairman & Chief Executive Officer of B&C Associates (a public relations and marketing research firm), High Point, N.C., since 1973. Served on Board since 1993. Member of the Audit & Employee/Public Responsibility Committees.

FITZ L.H. COKER, 66
Retired, formerly Sr. Vice President 1976-1979. Served on Board since 1964. Member of the Employee/Public Responsibility Committee.

JAMES L. COKER, 61
President, JLC Enterprises (private investments), Stonington, Conn., since 1979. Served on Board since 1969. Member of the Employee/Public Responsibility & Audit Committees.

THOMAS C. COXE, III, 71
Retired, formerly Sr. Executive Vice President 1993-1996. Served on Board since 1982. Member of the Employee/Public Responsibility & Corporate Governance Committees.

HARRIS E. DELOACH, JR., 57
President & Chief Executive Officer since 2000. Served on Board since 1998.

ALAN T. DICKSON, 70
Chairman, Ruddick Corporation (a diversified holding company), Charlotte, N.C., since 1994. Served on Board since 1981. Member of the Compensation, Corporate Governance & Executive Committees.

CALEB C. FORT, 40
Principal & Co-Chairman, The Merit Group, Inc. (supplier to the paint and wallcovering industries), Spartanburg, S.C., since 1990. Served on the Board since July 2001. Member of Employee/Public Responsibility Committee.

PAUL FULTON, 67
Chairman, Bassett Furniture Industries, Bassett, Va., since 2000. Formerly Dean, Kenan-Flagler Business School, University of N.C., Chapel Hill, N.C., 1993-1997. Served on Board since 1989. Member of the Compensation, Audit & Corporate Governance Committees.

BERNARD L.M. KASRIEL, 55
Vice Chairman & Chief Operating Officer, Lafarge (a construction materials group), Paris, France, since 1995. Served on Board since 1995. Member of the Audit, Corporate Governance & Compensation Committees.

EDGAR H. LAWTON, III, 41
President & Treasurer, Hartsville Oil Mill (a vegetable oil processor), Darlington, S.C., since 2000. Served on Board since July 2001. Member of the Audit Committee.

HUGH L. MCCOLL, JR., 66

Chairman, McColl Brothers Lockwood (private bankers), Charlotte, N.C., since 2001. Formerly Chairman & Chief Executive Officer, Bank of America Corporation, Charlotte, N.C., 1983-2001. Served on Board since 1972. Member of the Compensation & Executive Committees.

THOMAS E. WHIDDON, 49
Executive Vice President-Logistics and Technology, Lowe's Companies, Inc., North Wilkesboro, N.C., since 2000. Served on Board since February 2001. Member of Audit & Employee/Public Responsibility Committees.

DONA DAVIS YOUNG, 48
President & Chief Operating Officer, The Phoenix Companies, Inc., Hartford, Conn., since 2001. Served on Board since 1995. Member of the Employee/Public Responsibility, Compensation & Corporate Governance Committees.

[PHOTO[

EXECUTIVE COMMITTEE

Officers

HARRIS E. DELOACH, JR., 57
President & Chief Executive Officer since 2000. Previously Sr. Executive Vice President & Chief Operating Officer 1999-2000; Sr. Executive Vice President-Global Industrial Products/Paper/Molded Plastics 1999; Executive Vice President-High Density Film, Industrial Container, Fibre Partitions, Protective Packaging, Sonoco Crellin & Baker Reels 1996-1999. Joined Sonoco in 1985.

JIM C. BOWEN, 51
Sr. Vice President-Global Paper Operations. Previously Vice President & General Manager, Paper; Vice President-Manufacturing North America, Paper 1994-1997; Director of Manufacturing 1993-1994. Joined Sonoco in 1972.

ALLAN V. CECIL, 60
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.

CYNTHIA A. HARTLEY, 53
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.

RONALD E. HOLLEY, 59
Sr. Vice President-Global Industrial Products. Previously Vice President-Industrial Products, N.A. 1999-2000; Vice President-High Density Film Products 1993-1999; Vice President-Total Quality Management 1990-1993; Joined Sonoco in 1964.

HARRY J. MORAN, 69
Executive Vice President responsible for Folding Cartons, Protective Packaging, High Density/Film, Coasters and Glass Covers, Wire and Cable Reels, Graphics Management, and Packaging Services. Previously Executive Vice President-Consumer Packaging 1996-1998; Group Vice President-Consumer Packaging 1993-1996. Joined Sonoco in 1983.

EDDIE L. SMITH, 50
Vice President-Flexible Packaging. Previously Division Vice President/General Manager-Flexible Packaging 1996-1998; Division Vice President-Consumer

Products, Europe 1994-1996. Joined Sonoco in 1971.

CHARLES L. SULLIVAN, JR., 58
Sr. Vice President-Global Consumer Products. Previously Regional Director for Cargill Asia/Pacific. Joined Sonoco in 2000.

[PHOTO]

Seated (L-R): Charles Sullivan, Harris DeLoach, Allan Cecil and Eddie Smith. Standing (L-R): Harry Moran, Cindy Hartley, Jim Bowen and Ronnie Holley.

OFFICERS

Corporate

BERNARD W. CAMPBELL, 52
Vice President-Information Services. Previously Staff Vice President-Information Services 1991-1996; Director-Corporate Information Services 1990-1991. Joined Sonoco in 1988.

LARRY O. GANTT, 64
Vice President-Operating Excellence. Previously Staff Vice President-Operating Excellence 1997-2000; Division Vice President-Global Operations, Consumer Products 1994-1997; Division Vice President-Manufacturing, Consumer Products. Joined Sonoco in 1963.

CHARLES J. HUPFER, 55
Vice President-Treasurer, Corporate Secretary &Chief Financial Officer. Previously Treasurer 1988-1995; Director of Tax & Audit 1985-1988; Director-International Finance & Accounting 1980-1985. Joined Sonoco in 1975.

KEVIN P. MAHONEY, 46
Vice President-Corporate Planning. Previously Staff Vice President-Corporate Planning 1996-2000. Joined Sonoco in 1987.

CHARLES F. PATERNO, 45
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.

J.C. RHODES, 63
Vice President-International Operations-Latin America, Australia & Director of Operations-Asia. Previously Division Vice President-Operations Support 1996-1998. Joined Sonoco in 1961.

M. JACK SANDERS, 48
Vice President-Industrial Products, N.A. Previously Division Vice President/General Manager, Protective Packaging 1998-2001; General Manager-Protective Packaging 1991-1998. Joined Sonoco in 1987.

Division & Staff

JAMES A. ALBRIGHT, PHD, 57

Staff Vice President-Technology, Global Consumer Products. Joined Sonoco in 1992.

VICKI B. ARTHUR, 44
Staff Vice President-Corporate Controller. Joined Sonoco in 1984.

KEVIN E. BRYANS, 44
Division Vice President/Managing Director-Industrial Products/Paper, Sonoco Asia. Joined Sonoco in 1981.

MICHAEL W. BULLINGTON, 54
Staff Vice President-Global Controller, Consumer Products. Joined Sonoco in 1983.

CHARLES W. COKER, JR., 42
Division Vice President/General Manager-Protective Packaging. Joined Sonoco in 1981.

THOMAS L. COKER, 37
Division Vice President-Consumer Products, Europe. Joined Sonoco in 1987.

H. WILLIAM FROEBER, 51
Division Vice President-Flexible Packaging. Joined Sonoco in 1995.

RODGER D. FULLER, 40
Division Vice President-Consumer Products, N.A. Joined Sonoco in 1985.

TERRY GERHARDT, PHD, 51
Staff Vice President-Corporate Technology. Joined Sonoco in 1985.

DONALD M. GORE, 52
Division Vice President-Sales, Industrial Products, N.A. Joined Sonoco in 1972.

JOHN M. GRUPS, 51
Division Vice President-Global Operations, Consumer Products. Joined Sonoco in 1976.

E.A. HARRIS, 55
Division Vice President-Industrial Products/Paper, S.A./General Manager-Consumer Products, S.A. Joined Sonoco in 1969.

DANIEL G. HAUSE, 53
Division Vice President-Manufacturing, Industrial Products. Joined Sonoco in 1970.

LINDA O. HILL, 53
Staff Vice President-Global Technology. Joined Sonoco in 1966.

R. JIM HINES, 51
Division Vice President-Recovered Paper. Joined Sonoco in 1980.

JOHN D. HORTON, 59
Division Vice President-Sales & Marketing, High Density Film. Joined Sonoco in 1972.

LESLIE H. LAK, 53
Division Vice President-Molded Plastics. Joined Sonoco in 1973.

JOSEPH A. LUCAS, 62
Division Vice President-Sales, Consumer Products. Joined Sonoco in 1998.

KENNETH B. MASON, 50
Staff Vice President-Human Resources, Industrial Products. Joined Sonoco in 1980.

JAMES C. MILLER, 49
Staff Vice President-Engineering & Technology, High Density Film. Joined Sonoco in 1983.

MARTY F. PIGNONE, 45
Division Vice President-Paper, N.A. Joined Sonoco in 1997.

ROBERT L. PUECHL, 46
Division Vice President-Manufacturing, High Density Film. Joined Sonoco in 1986.

CHARLES W. REID, 63
Division Vice President/General Manager, Sonoco Baker Reels. Rejoined Sonoco in 1988.

BRAD D. ROSS, 42
Division Vice President/General Manager, Packaging Services. Joined Sonoco in 1986.

BARRY L. SAUNDERS, 42
Staff Vice President-Global Controller, Industrial Products. Joined Sonoco in 1989.

JAMES H. SHELLEY, 58
Staff Vice President-Employee Relations & Labor Counsel. Joined Sonoco in 1969.

TERRY E. SUELTMAN, 55
Staff Vice President-Corporate Purchasing & Logistics. Joined Sonoco in 2001.

DAVID THORNELY, 57
Managing Director-Sonoco Australasia. Joined Sonoco in 1991.

REX E. VARN, 43
Division Vice President/General Manager-High Density Film. Joined Sonoco in 1980.

SHAREHOLDER INFORMATION

SONOCO STOCK
Sonoco stock is traded on the New York Stock Exchange - Symbol:SON

CORPORATE OFFICES
North Second Street
Hartsville, SC 29550-3305
+843-383-7000
Fax: +843-383-7008
Web site:www.sonoco.com

INDEPENDENT ACCOUNTANTS
PricewaterhouseCoopers LLP
Bank of America Corporate Center
1000 North Tryon Street
Suite 5400
Charlotte, NC 28202-4015

LEGAL COUNSEL
Haynsworth Sinkler Boyd, P.A.
P.O. Box 11889
Columbia, SC 29211-1889

SHAREHOLDER SERVICES
Sonoco - B01
North Second Street
Hartsville, SC 29550-3305
+843-383-7864

INVESTOR RELATIONS
& CORPORATE AFFAIRS
Sonoco - A46
North Second Street
Hartsville, SC 29550-3305
+843-383-7635
Fax: +843-383-7478

ANNUAL MEETING
OF SONOCO SHAREHOLDERS
The annual meeting of shareholders will be held at 11:00 a.m., Wednesday, April 17, 2002, at:
Center Theater
212 North Fifth Street
Hartsville, SC 29550

SONOCO NEWS RELEASES
Recent news releases are available on our Web site at www.sonoco.com.

FORM 10-K AVAILABLE
A copy of the Company's annual report on Form 10-K filed with the Securities & Exchange Commission may be obtained by shareholders without charge after April 1, 2002, by writing to:
Sonoco - A09
Corporate Communications
North Second Street
Hartsville, SC 29550-3305

SHARE ACCOUNT SERVICES
Direct Investment
Dividend Reinvestment
Direct Deposit of Dividends
Transfer Agent
Internet Account Access
Electronic Delivery of Financial Information to Shareholders
For more information on any of these services contact:
EquiServe-WSS
P.O. Box 43012
Providence, RI 02940-3012
1-800-633-4236
Web site:www.equiserve.com

STOCK TRANSFERS
Requests should be sent to:
EquiServe-WSS
P.O. Box 43012
Providence, RI 02940-3012

LOGOS/TRADEMARKS
The owner of Sonoco's registered logo and other Company trademarks is:
SPC Resources, Inc.
1403 Foulk Road, Suite 102
Foulkstone Place
Wilmington, DE 19803-2788

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, 2001 are:

1. Paper Stock Dealers, Inc., 100%-owned domestic subsidiary, incorporated in the State of North Carolina.

2. Sonoco-Crellin Holdings, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

    a. Sonoco-Crellin International, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware, holder of securities in:

        1. Sonoco-Crellin, Inc., 100%-owned domestic subsidiary, incorporated in the State of New York.

            a. Crellin Europe B.V., 100%-owned Dutch subsidiary.

                1. Crellin B.V., 100%-owned Dutch subsidiary.

        2. Sebro Plastics, Inc., 100%-owned domestic subsidiary, incorporated in the State of Michigan.

            a. Convex Mold, Inc., 100%-owned domestic subsidiary, incorporated in the State of Michigan.

        3. Injecto Mold, 100%-owned domestic subsidiary, incorporated in the State of Illinois.

3. SPC Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

    a. SPC Capital Management, Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

        1. Sonoco Machinery Inc., 100%-owned domestic subsidiary, incorporated in the State of Delaware.

            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 Luxembourg SARL, 100%-owned Luxembourg subsidiary.

a. Sonoco Netherlands Holding II BV, 100%-owned Dutch subsidiary.

1. Sonoco Limited, 100%-owned Canadian subsidiary.

b. Sonoco International Holdings GmbH, 100%-owned Swiss subsidiary.

1. NRO Sonoco, Inc., 100%-owned Canadian subsidiary.

2. Sonoco Europe S.A., 100%-owned Belgium subsidiary.

c. Sonoco Netherlands Holdings I BV, 100%-owned Dutch subsidiary.

1. Sonoco Norge AS, 100%-owned Norwegian subsidiary.

2. Sonoco Ambalaj San ve Tic. AS, 100%-owned Turkish subsidiary.

d. Sonoco Deutschland Holdings GmbH, 100%-owned German subsidiary.

1. Sonoco Deutschland GmbH, 100%-owned German subsidiary.

2. Sonoco Plastics GmbH, 100%-owned German subsidiary.

3. Sonoco IPD GmbH, 100%-owned German subsidiary.

a. Sonoco OPV Hulsen GmbH, 100%-owned German partnership.

4. Sonoco Caprex AG, 72%-owned Swiss subsidiary.

5. Sonoco CPD GmbH, 100%-owned German subsidiary.

6. ING. Klaus Burk GmbH, 100% owned German subsidiary.

e. Sonoco SARL, 100%-owned French subsidiary.

1. Sonoco Holding France, 100%-owned French subsidiary.

a. Sonoco L'homme S.A., 100%-owned French subsidiary.

1. Sonoco Eurocore, S.A., 100%-owned Belgian subsidiary.

2. Sonoco Paper France S.A., 100% owned French subsidiary.

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

b. Sonoco Consumer Products S.A., 99%-owned French subsidiary.

f. Sonoco Netherlands Holding III BV, 100%-owned Dutch subsidiary.

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

a. Sonoco de Mexico S.A. de C.V., 100%-owned Mexican subsidiary.

b. Manufacuras Sonoco S.A. de C.V., 100%-owned Mexican subsidiary

3. Sonoco Luxembourg (No. 2) SARL, 100%-owned Luxembourg subsidiary.

a. Sonoco Holdings (UK), Ltd., 100%-owned U.K. subsidiary.

1. Sonoco Milnrow, 100%-owned U.K. subsidiary.

a. Sonoco Products Co. UK Unlimited, 100%-owned U.K. subsidiary.

1. Sonoco Ltd. (UK), 100%-owned U.K. subsidiary.

a. Friarsgate Studio Limited, 100%-owned U.K. subsidiary.

4. Beteiligungen Sonoco Deutschland GmbH, 100%-owned Germany subsidiary.

5. Sonoco Deutschland Vermogensverwaltungs GmbH & Co. KG, 100%-owned Germany subsidiary.

6. 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.

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

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

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

8. Sonoco Australia Pty., Ltd., 100%-owned Australian subsidiary.

9. Sonoco New Zealand, 100%-owned New Zealand subsidiary.

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 do Chile, 70%-owned Chilean subsidiary.

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

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT, CONTINUED

5. Southern Plug & Manufacturing Co., Inc., 100%-owned domestic subsidiary, incorporated in the state of Louisiana.

6. Sonoco "SPG", Inc., 100%-owned domestic subsidiary, incorporated in the state of Wisconsin.

7. Sonoco Flexible Packaging Company, Inc., 100%-owned domestic subsidiary incorporated in the state of South Carolina.

8. Sonoco Paperboard Group, L.L.C., 100%-owned limited liability company.

9. Sonoco Development, Inc., 100%-owned domestic subsidiary incorporated in the state of South Carolina.

10. Georgia Paper Tube, Inc., 100%-owned domestic subsidiary incorporated in the state of Georgia.

11. Sonoco Hutchinson LLC, 100%-owned domestic subsidiary incorporated in the state of South Carolina.

12. Hayes Manufacturing Group, Inc., 100%-owned domestic subsidiary incorporated in the state of Wisconsin.

13. Phoenix Packaging Corporation, 100%-owned domestic subsidiary incorporated in the state of Ohio.

14. Sonoco U.S. Mills, Inc., 100%-owned domestic subsidiary incorporated in the state of Wisconsin.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (filed September 4, 1985, November 27, 1989, 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; filed October 25, 2001, File No. 333-69388 as amended) of Sonoco Products Company of our report dated January 31, 2002, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 31, 2002 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 28, 2002

EXHIBIT 99-2

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

SONOCO PRODUCTS COMPANY
1991 KEY EMPLOYEE STOCK PLAN

SONOCO PRODUCTS COMPANY
ONE NORTH SECOND STREET
POST OFFICE BOX 160
HARTSVILLE, SOUTH CAROLINA 29551-0160

EXHIBIT 99-2

The Consolidated Financial Statements and Notes to Consolidated Financial Statements of Sonoco Products Company represent the financial statements of the 1991 Key Employee Stock Option Plan and are incorporated herein by reference in this Form 11-K Annual Report.