

■ ELEVEN DECADES OF PACKAGING LEADERSHIP

2008 ANNUAL REPORT





## 1. RIGID PAPER PACKAGING

The world's largest producer of composite cans and a leader in rigid paperboard containers

**Products and Services:** Round and shaped composite paperboard cans, paperboard pails, single-wrap paperboard packages, fiber cartridges

**Markets:** **Food:** Powdered beverages and infant formulas, cereal, coffee, snacks, nuts, cookies and crackers, confectionery, frozen concentrates, refrigerated dough, spices/seasonings, nutritional supplements, pet foods **Nonfood:** Adhesives, caulks, cleansers, chemicals, lawn and garden, automotive, pet products



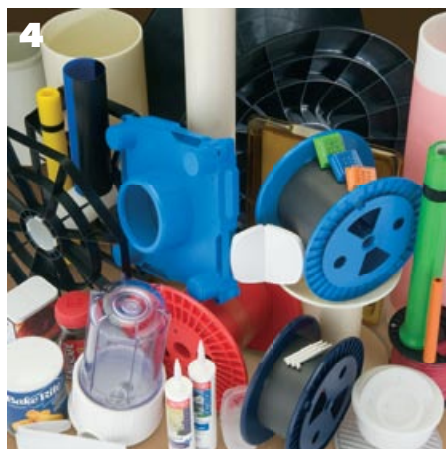
## 2. BLOW-MOLDED PLASTIC

A leading manufacturer of extrusion blow-molded plastic containers

**Products and Services:** Monolayer and multilayer bottles and jars

**Markets:** **Food:** Noncarbonated, high-barrier beverages/ready-to-drink products, condiments

**Nonfood:** Health and beauty, household chemicals, pharmaceuticals, automotive, adhesives and specialty products



## 3. THERMOFORMED PLASTIC

A global manufacturer of consumer and institutional thermoformed packaging

**Products and Services:** Monolayer, coated and barrier and non-barrier laminated tubs, cups, consumer and institutional trays

**Markets:** Processed foods, sauces and dips, pet foods, snacks and nuts, fresh-cut produce, desserts

## 4. MOLDED AND EXTRUDED PLASTIC

A leading innovative solutions provider of engineered plastic products

**Products and Services:** Product design, tool design and fabrication; manufacturing in both injection molding and extrusion technologies

**Markets:** **Consumer:** Food, food service, medical devices and disposables **Industrial:** Textiles, wire and cable, fiber optics, filtration and automotive

## 5. ENDS AND CLOSURES

A world leader in convenience closure technology and manufacturing

**Products and Services:** Aluminum, steel and peelable membrane easy-open closures for composite, metal and plastic containers

**Markets:** Pet food, vegetable, fruit, seafood, poultry, soup and pasta, dairy, powdered infant formula, coffee

## 6. PRINTED FLEXIBLE PACKAGING

A provider of printed high-barrier, high-performance innovative flexible packaging solutions

**Products and Services:** Flexible packaging made from thin-gauge, high-value-added rotogravure, flexographic and combination printed film including high-performance laminations, rotogravure cylinder engraving

**Markets:** Confectionery and gum, hard-baked goods, coffee, processed foods, beverages, snack foods, pet foods, home and personal care



## 7. TUBES AND CORES

The world's largest producer of tubes and cores

**Products and Services:** Paperboard tubes, cores, roll packaging, molded plugs, pallet components, concrete forms, void forms, rotary die boards

**Markets:** Construction, film, flowable products, metal, paper mill, shipping and storage, tape and label, textiles, converters



Founded in 1899, Sonoco today serves industrial and consumer customers in 85 nations. From our headquarters in Hartsville, S.C., and from about 300 manufacturing and sales locations in 35 countries, our approximately 17,500 employees produce packaging for a variety of industries and for many of the world's most recognized brands.



## 8. PAPER

A global manufacturer of uncoated recycled paperboard for Sonoco's fiber-based packaging divisions and the external converting industry

**Products and Services:** Recycled paperboard, chipboard, tubeboard, lightweight corstock, boxboard, linerboard, specialty grades, recovered paper

**Markets:** Converted paper products, spiral winders, beverage insulators

## 9. SONOCO RECYCLING

One of the largest packaging recyclers annually collecting, processing and selling more than 3 million tons of old corrugated containers, paper, plastic, metal, glass and other recyclable materials

## 10. SERVICE CENTERS

Provider of fee-for-service arrangements for supply chain management

**Services:** Packaging supply chain management, including custom packing, fulfillment, primary package filling, scalable service centers, global brand artwork management

**Markets:** Personal care, baby care, beauty, health-care, food, electronics, hosiery, pharmaceuticals, office supplies, toys

## 11. POINT-OF-PURCHASE (P-O-P)

A leading provider of P-O-P displays, including fulfillment operations, for a "one-stop" display needs solution

**Products and Services:** Designing, manufacturing, assembling, packing and distributing temporary, semi-permanent and permanent P-O-P displays, as well as contract packaging, co-packing and fulfillment services

**Markets:** Automotive, beverages, confectionery, electronics, cosmetics, food, fragrances, healthcare, home and garden, liquor, medical, office supply, over-the-counter drugs, personal care, sporting goods, tobacco



## 12. WIRE AND CABLE REELS

The leading producer of wooden, composite and metal reels in North America for the wire and cable industry

**Products and Services:** Steel, nailed wooden, plywood, recycled and poly-fiber reels

**Markets:** Wire and cable manufacturers



## 13. PROTECTIVE PACKAGING

A leading provider of custom-designed and engineered protective packaging solutions

**Products and Services:** Proprietary Sonopost® technology, Sonobase® carriers and Sonopop® systems (sold by Sonoco CorrFlex), concept, design, testing and manufacturing of multimaterial total solutions packaging, on-site engineering, ISTA- and Sears-certified engineering and testing facilities, contract testing facilities

**Markets:** Household appliances, heating and air conditioning, office furnishings, automotive, fitness equipment, lawn and garden, promotional and palletized distribution

## 14. PAPERBOARD SPECIALTIES

A leading supplier of paper amenities for food service, hospitality and beverage markets in North America

**Products and Services:** Custom-printed Stancap® glass covers, Rixie™ coasters, other paper amenities

**Markets:** Hotels and resorts, food and beverage, healthcare facilities, catering services, transportation, advertising

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### ABOUT THE COVER

Sonoco has been a packaging leader for nearly eleven decades. Throughout its long history, the Company has been successful weathering the tough times. Sonoco's ability to succeed can be traced to the simple belief that "People Build Businesses." From the handful of individuals who manufactured paper cones in a run-down warehouse 110 years ago to the approximately 17,500 people Sonoco employs today, a determination and commitment to excellence have always existed that have driven the Company to succeed.

Today, Sonoco is a \$4.1 billion corporation that provides innovative packaging solutions and services for many of the largest consumer and industrial product companies in the world. The Company has achieved this level of success by developing a sustainable culture that is focused on shareholder return, customer and employee satisfaction, commitment to excellence, integrity, and environmental and community stewardship.

### On the cover

The graphic on the cover depicts Sonoco's strong mix of global businesses, products and services. The upper left portion illustrates the statue in front of the Company's headquarters in Hartsville, S.C., that was dedicated to workers of Sonoco at its 100<sup>th</sup> anniversary celebration. The artwork, which was commissioned by Sonoco to commemorate its 110-year anniversary, was created by nationally known illustrator Boris Lyubner, whose distinct style has been captured in work for such notable clients as AT&T, Ernst & Young, Merrill Lynch and many others.

### FORWARD-LOOKING STATEMENTS

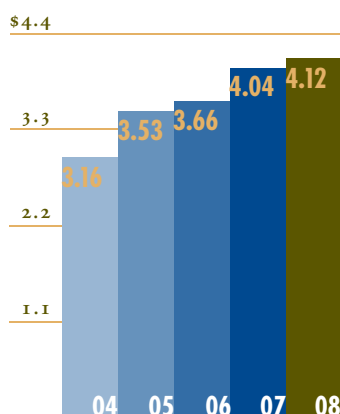
Statements included in this *2008 Annual Report* that are not historical in nature, are intended to be, and are hereby identified as "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Additional information about "forward-looking statements" is available in the enclosed Form 10-K on page 2 or on the Company's Web site at [www.sonoco.com](http://www.sonoco.com).

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## ■ FINANCIAL HIGHLIGHTS

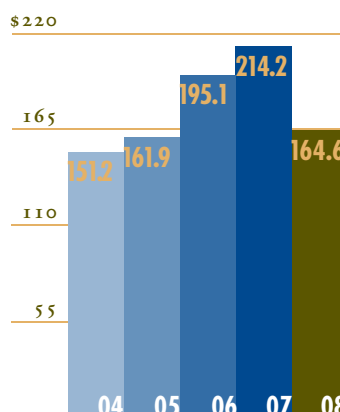
### NET SALES

(BILLIONS OF DOLLARS)



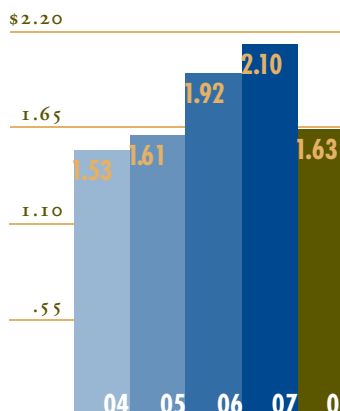
### NET INCOME FROM CONTINUING OPERATIONS

(MILLIONS OF DOLLARS)



### NET INCOME FROM CONTINUING OPERATIONS PER DILUTED SHARE

(DOLLARS PER SHARE)



### COMPARATIVE HIGHLIGHTS *unaudited*

(dollars and shares in thousands except per share data)		
Years ended December 31		
	2008	2007
Net sales	\$4,122,385	\$4,039,992
Gross profit <sup>1</sup>	724,030	753,794
Net income	164,608	214,156
Return on total equity	11.7%	16.4%
Return on net assets <sup>2</sup>	8.2%	10.7%
Return on net sales	4.0%	5.3%
Approximate number of employees	17,500	18,600
Approximate number of shareholder accounts	42,000	38,000
Per common share:		
Net income – basic	\$ 1.64	\$ 2.13
– diluted	1.63	2.10
Cash dividends – common	1.07	1.02
Ending common stock market price	23.16	32.68
Price/earnings ratio	14.2	15.6

<sup>1</sup> Gross profit: Net sales minus cost of sales

<sup>2</sup> Return on net assets: Net income plus after-tax net interest, divided by the net of average total assets, minus average cash, minus average current liabilities, plus average short-term debt

### STRATEGIC MISSION STATEMENT

Sonoco intends to be the low-cost global leader in providing customer-preferred packaging solutions to selected value-added segments where the Company expects to be either number one or two in market share. Shareholder return, customer and employee satisfaction, commitment to excellence, integrity, environmental stewardship and a safe workplace will be the hallmarks of our culture.

### STRATEGIC OBJECTIVE

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 500 Index.



### FOR NEARLY ELEVEN DECADES, SONOCO HAS BEEN A PACKAGING LEADER.

From our humble beginnings producing paper cones for yarn winding machines to designing and manufacturing today's most innovative packaging for many of the largest consumer and industrial product companies in the world, Sonoco has developed a sustainable culture that is

focused on shareholder return, customer and employee satisfaction, commitment to excellence, integrity, and environmental and community stewardship.

Since 1899, Southern Novelty Company, now Sonoco, has grown sales at an annual compound rate of 12.2% and base earnings at 11.4%. Since 2003, our sales have grown at an annual compound rate of about 8.4%, and base earnings per diluted share have grown at an annual rate of 11.5%. (Information about base earnings and base earnings per diluted share along with reconciliations to the most closely applicable GAAP financial measure is provided on page 29 of this report.)

Throughout our history, Sonoco has been successful by weathering the tough times. Last year proved to be a difficult year for the Company as inflation in raw material and energy costs along with a severe deepening of the global recession impacted consumers, our customers, and therefore, many of our businesses. In order to offset the weakening economy during the year, we took aggressive steps to reduce costs throughout all of our businesses.

Yet despite the stiff headwinds in 2008, our Company produced record sales and our second-best base earnings performance. Our strategy to grow our businesses serving consumer markets paid strong dividends during the year as our Consumer Packaging segment, which

serves a larger percentage of food-related markets, achieved record sales and operating income, with sales increasing 9% and operating income growing 25%.

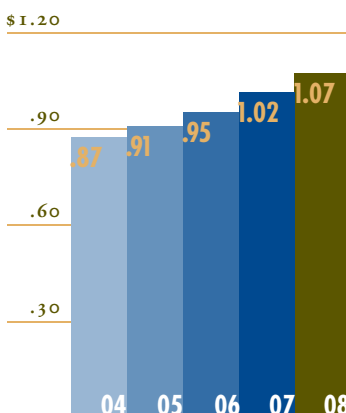
Our Company continued to generate strong operating cash flow in 2008 which we used to fund capital projects to expand our businesses, reward our shareholders with generous cash dividends for the 84<sup>th</sup> consecutive year and strengthen our balance sheet by reducing total debt to one of the lowest levels in more than a decade.

### SUMMARY OF 2008 RESULTS

Sonoco achieved record sales of \$4.12 billion, up 2% from 2007. Raw material and energy costs rose dramatically in the first half of 2008 and, in the second half, the global recession, intensified by the onset of the credit crisis, led to a steep reversal in those same costs and a sharp decline in sales volume.

The weakened economy affected our Company's industrial-related businesses more than our consumer businesses. Volume declines in our Tubes and Cores/Paper segment resulted in sales declining \$37 million from the prior year. In the Consumer Packaging segment, where volume declines were modest, price increases to offset higher material costs and acquisitions led to an increase in sales of \$132 million. Year-to-year sales in the Packaging Services segment were essentially flat, and lower volume in the businesses comprising All Other Sonoco resulted in reduced sales of \$11 million.

### CASH DIVIDENDS PAID TO SHAREHOLDERS (DOLLARS PER SHARE)



Net income was \$164.6 million (\$1.63 per diluted share), compared with \$214.2 million (\$2.10 per diluted share) for 2007. Net income for 2008 was negatively impacted by restructuring and noncash asset impairment charges totaling \$30.8 million and a noncash financial asset impairment charge of \$31.0 million, both net of tax. Net income in 2007 included similar restructuring charges totaling \$25.3 million and an increase in environmental reserves of



\$14.8 million, both net of tax. Net income in 2007 benefited from a lower effective tax rate primarily due to the release of some tax reserves and foreign tax rate reductions.

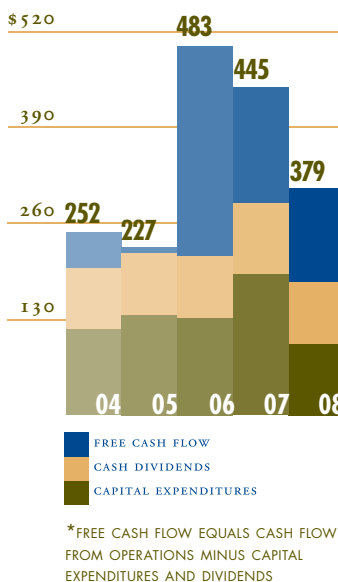
Full-year base earnings were \$226.4 million (\$2.24 per diluted share) in 2008, compared with a record \$242.4 million (\$2.38 per diluted share) in 2007. The negative impacts of lower volume, particularly in the second half of the year, higher raw material, energy, freight and other costs and a higher effective tax rate on base earnings more than offset higher selling prices and productivity improvements. Productivity gains were strong, but fell short of recent levels due to the inefficiencies associated with lower capacity utilization.

For the year, cash generated from operations was \$379.4 million, compared with \$445.1 million for 2007. Although down 15% from the prior year, due primarily to changes in working capital and the timing of certain year-end payments, this year's cash flow from operations ranks as the third highest in Company history. Cash flow from operating activities was used to fund capital expenditures of \$123.1 million, pay down debt by \$153 million and return value to shareholders through cash dividends of \$106.6 million, up nearly 4% from 2007.

At year-end, total debt was \$690 million, compared with \$850 million at the end of 2007, and the Company has no significant debt refinancing requirements until November 2010. We have a strong liquidity position and cash on hand increased more than \$30 million during the year to \$101.7 million at year-end. The Company operates a \$500 million commercial paper program with \$95 million outstanding at

### CASH FLOW FROM OPERATIONS/FREE CASH FLOW\*

(MILLIONS OF DOLLARS)



the end of 2008. Our commercial paper program is fully supported by a bank credit facility provided by a syndicate of lenders that is committed until May 2011.

### CONSUMER MARKET STRATEGY

Our strategy to rebalance our business mix toward consumer markets, which historically have been less sensitive to economic downturns and provide more opportunities for growth, proved very effective in 2008. Sales generated by our diverse consumer packaging and services businesses grew to 54% of the Company's total sales this year as we moved closer to our goal of shifting our sales mix to approximately 60% consumer and 40% industrial by 2012.

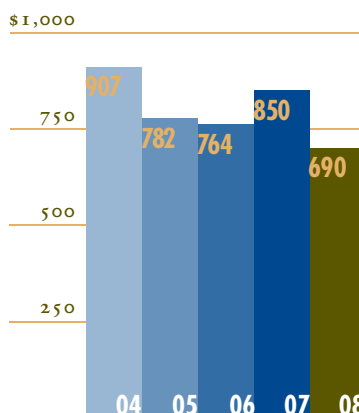
To achieve our consumer growth strategy, we are focused on improving our total solutions offering to consumer product companies by providing a full range of packaging and supply chain products and services. A key element of our total solutions strategy is to provide one face of senior account leadership to coordinate all aspects of our relationship with our largest consumer product customers and to promote cross-selling of our diverse product and service offerings. Since launching this focus on "big companies and big brands" in 2005, we have expanded it to include six of our largest consumer product customers.

Combined, these customers account for approximately 40% of all consumer-related sales and about 20% of Sonoco's total annual sales. Annual sales growth with these top six "corporate account" customers has averaged approximately 10% since we started this program and customer satisfaction scores have increased substantially.

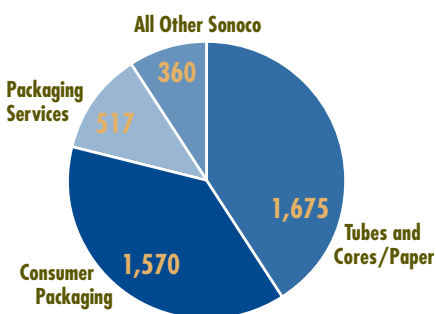
New product and market development activity continues to drive organic sales

### TOTAL DEBT

(MILLIONS OF DOLLARS)



## SALES BY OPERATING SEGMENT (MILLIONS OF DOLLARS)



growth. From virtually no sales of new products just a few years ago, we generated sales of more than \$100 million over each of the past three years, reaching a record \$137 million in total new product sales in 2008. A record \$117 million in new consumer-related product sales was achieved this year, up more than 50% from 2007. A number of our recent innovations in rigid paper, rigid plastic, flexible packaging, ends and closures, and packaging services are featured throughout this report.

While approximately 82% of our consumer packaging and services sales currently occur in North America, we are pursuing a number of new international expansion opportunities. Since 2006, we have opened or expanded three contract packaging centers in Poland, including a new center that is beginning operations in the first quarter of 2009. Also, during 2008, we expanded rigid paper packaging operations in Asia and South America, and expect further growth in 2009 to meet our customers' requests to convert to our more sustainable and cost-effective packaging.

### INDUSTRIAL MARKET STRATEGY

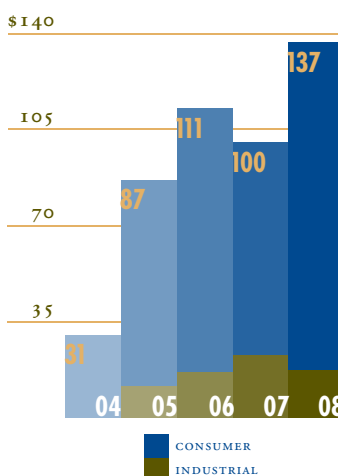
Sonoco is a vertically integrated, global supplier of industrial packaging products and services, including: sophisticated tubes and cores that can be wound with paper, plastic film, textiles, metal, tape and other materials; uncoated recycled paperboard; protective packaging; wire and cable reels; and full-service commercial and residential recycling operations. These businesses faced a significant decline in sales volumes during 2008 due to the dramatic slowdown in global economic activity. We do not expect a "snap back" in sales volume from these businesses in 2009 and are focused on leveraging our vertically integrated operations to protect market share in these base converting businesses.

To grow sales in our industrial businesses we are pursuing opportunities in emerging markets in South America, Eastern Europe and Asia, where a number of key basic industries are concentrating production. In addition, we are creating new growth platforms in markets that leverage our

existing technology and infrastructure.

Finally, we are striving to maximize operating cash flow through prudent price management, reducing structural costs and aggressively managing the "guts" of these businesses. To better align our manufacturing capacity to match market conditions and to ensure we have an affordable and appropriate ongoing fixed cost structure, we made the difficult decision in December 2008 to close 15 plants globally and eliminate approximately 700 positions. These plant closings are primarily focused on reducing our industrial manufacturing footprint where we have seen the biggest declines in volumes, although some consumer manufacturing facilities were also impacted. We expect the realignment to achieve significant savings when fully implemented throughout 2009. Decisions that impact jobs and ultimately people are difficult to make and we regret that they are necessary. Therefore, the steps we take today will make our Company even stronger once market conditions improve.

## NEW PRODUCT SALES (MILLIONS OF DOLLARS)

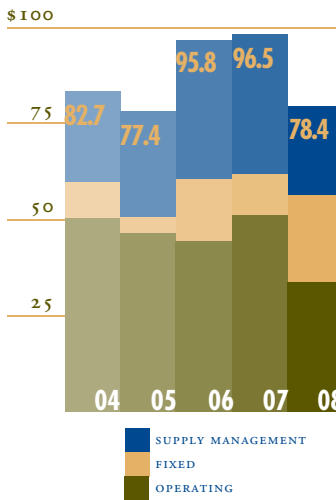


### PENSION IMPACT AND OUTLOOK

As financial markets deteriorated during the second half of 2008, the performance of our retirement benefit plans assets declined. As a result, the aggregate unfunded position of the Company's various benefit plans increased by \$318 million. While the change in the funded status did not impact 2008 earnings, it did result in a reduction to shareholders' equity of approximately \$200 million, net of tax. Reduced investment gains due to lower asset levels, together



**TOTAL PRODUCTIVITY**  
(MILLIONS OF DOLLARS)



with the amortization of losses on plan assets, will result in a year-over-year increase in 2009 pension and postretirement benefit plan expenses of approximately \$59 million, or \$.35 per diluted share. Cash contributions to these plans in 2009 are expected to total approximately \$20 million. We intend to fund our pension plans to the full extent necessary to provide the benefits promised to our retirees as well as employees who retire in the future. That said, we are implementing certain changes that should moderately reduce the volatility of long-term funding exposure and expenses.

We are bracing for the economic weakness experienced in late 2008 to continue well into 2009. Under these conditions, many of our businesses, particularly those focused on industrial markets, will likely see annual sales volumes well below 2008 levels. Nonetheless, we expect that productivity improvements, our recent restructuring actions and other cost control measures will aid 2009 results and leave the Company well positioned for an eventual economic turnaround.

Because of our financial position and diverse global product and service offerings, we expect that we will be able to hold, and in some cases expand, market share across many of our businesses in 2009. We will look to leverage our financial strength, which is proving to be an important differentiation from competing suppliers, many of whom do not have the wherewithal to reliably meet customer needs. While we are currently holding on to free cash to further improve our balance sheet, we believe 2009 will present some targeted opportunities to grow our business.

**ELEVEN DECADES OF PACKAGING LEADERSHIP**

The graphic you see on the cover and throughout this report depicts our strong mix of global businesses, products and services. The upper left portion of the graphic illustrates the statue we have in front of our Hartsville headquarters that was dedi-

cated to workers of Sonoco at our 100<sup>th</sup> anniversary. Our culture of “People Build Businesses” has never been more important, especially as we face challenging economic times.

Entering our 110<sup>th</sup> year in 2009, we are focused on again improving those areas we can control. These include cost structure, productivity, capital effectiveness, innovation, safety and putting the right people into the right jobs to better meet the needs of our customers. We are more

confident than ever that our strategy is sound. We believe that our broad base of packaging offerings, the most extensive in the global packaging industry, will provide exceptional value to our customers and, over time, solid returns to our shareholders.

We have faced many challenges throughout our long history and have always responded decisively in ways that have helped us emerge a stronger, more competitive and successful company. Thank you for continued support and confidence in our stewardship of your investment.

Sincerely,

Harris E. DeLoach Jr.

Chairman, President and Chief Executive Officer

March 6, 2009

## ■ ELEVEN DECADES OF PACKAGING LEADERSHIP



### VISION

When Sonoco was founded, there was little in Hartsville, S.C., that would have given any indication of the future that lay ahead. With a population of approximately 300, mostly farmers, the idea that 110 years later it would be home to a multibillion dollar corporation seemed unfathomable.

But when a wounded and crippled Major James Lide Coker returned to Hartsville following the Civil War, he was determined to find ways to mend the ravaged economy and eliminate the abject poverty of his community. Major Coker thus became a driving force for a number of new businesses in Hartsville, including Sonoco. Founded on May 10, 1899, as the Southern Novelty Company, Sonoco was formed to manufacture paper cones for yarn winding machines. With Major Coker as president, the little Company enjoyed a first-year net income of \$2,000 from sales of \$17,000.

The 1920s represented a decade of significant milestones in Sonoco's history. The first occurred when the Company began manufacturing spiral tubes. Some of the first tubes made were used as packaging for ice cream. Another turning point came in 1923 with the construction of a second paper machine in Hartsville, which resulted in rapidly growing production capabilities for Sonoco's tubes and cores business. It also was in 1923 that the Company began its international activities by entering into a joint venture with a company in Romiley, England, U.K., thus leading to the production of Sonoco-type cones and tubes overseas. Having expanded from one main plant in Hartsville to operations in New Jersey and North Carolina, Sonoco was a firmly established company by 1930 and continued to fare well during the Great Depression. From 1930 to 1960, Sonoco began to significantly expand by building and acquiring operations



■ The Southern Novelty Company was created as a way to use the paper Major James Lide Coker produced in his paper mill. Left: Cone-shaped paper yarn carriers were the Company's first product. In the 1920s, the Company, operating as Sonoco Products Company, began making spiral tubes, which today are used in various consumer packaging and industrial applications. Below: Sonotube® concrete forms are used primarily for concrete columns and foundations.



across the country and further establishing international operations in Canada (1933), Mexico (1950) and Australia (1953).

### GROWTH

Sonoco's strategy to grow and diversify its products and services through the years has helped position it today as one of the largest diversified global packaging companies. While Sonoco has always succeeded in expanding its business through organic growth, strategic acquisitions also have played key roles in the Company's evolution. One of the more significant acquisitions during the Company's first 50 years occurred with the purchase of the Hartsville-based Carolina Fiber Company, which had been Sonoco's very first paper supplier. Since that time, the Company's industrial product businesses have grown and diversified through a series of acquisitions that consolidated the tube and core industry primarily in North America and Europe.



■ Through the years, Sonoco has built a diverse line of consumer packaging products that distinguishes the Company from its competitors. Left: The addition of Pringles® in 1975 helped make Sonoco an industry leader for composite cans. Below and right: Innovations in capabilities for Sonoco's Flexible Packaging and Rigid Plastic divisions have helped push consumer demand for products such as Kraft Foods' Nabisco® brand cookies and Dove® shampoos and moisturizers.



In the decade of the 1980s, Sonoco made two significant acquisitions that established it as the leader in the production of spiral wound composite cans. Today, composite cans are Sonoco's largest selling consumer package and are used in a variety of food and nonfood products around the world. Other acquisitions continued to evolve Sonoco's consumer packaging business, including the 1993 purchase of Crellin Holding, Inc., an international manufacturer of molded plastics; the 1993 acquisition of Engraph, Inc., which led to the formation of the Company's Flexible Packaging division; the 2001 acquisition of Phoenix Packaging Corporation, which made Sonoco a leading independent producer of ends and closures; the 2004 acquisition of CorrFlex Graphics' point-of-purchase display and fulfillment business; and the 2007 purchase of Matrix Packaging, Inc., a Canada-based manufacturer of custom-designed blow-molded rigid plastic containers and plastic injected-molded products.

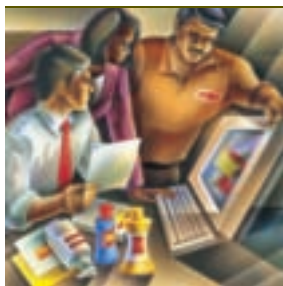
## PEOPLE

Sonoco's culture has always been centered on the belief that "People Build Businesses." Eleven decades ago, a handful of men began producing paper cones in an old warehouse using hand-operated, foot-powered machines very similar to sewing machines. Over time, and through their determination and commitment to excellence, Sonoco's people

perfected the technique to a point that an expanding industry adopted it as a standard.

The small, single-product company with such meager beginnings has emerged today as one of the most successful packaging companies in the world, providing packaging and recycling solutions to some of the world's most recognizable brands. A \$4.1 billion company with about 300 facilities in 35 countries, Sonoco employs more than 17,500 people around the world who share the same determination and commitment to excellence that built the foundation for the Company's success 11 decades ago.





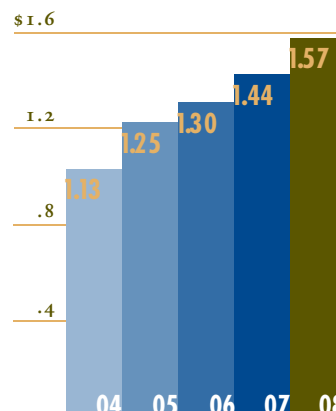
## WITH 61 PLANTS OPERATING IN NORTH AMERICA, SOUTH AMERICA, EUROPE AND ASIA,

Sonoco's Consumer Packaging segment provides packaging for many of the world's best-known brands of consumer food and nonfood products. In 2008, this segment generated approximately 38% of Sonoco's net sales. In addition to being the largest global producer of round and shaped paperboard composite cans, this segment manufactures single-wrap paperboard packages; fiber and plastic cartridges; and thermoformed, extruded and blow-molded rigid plastic containers. This segment also provides consumer product companies with flexible packaging using thin-gauge, high-quality rotogravure, flexographic and combination printed film, including lamination and cutting-edge rotogravure cylinder engraving as well as aluminum, steel, plastic and peelable membrane easy-open ends and closures for composite, metal and plastic containers.

Sales for the Consumer Packaging segment increased to \$1.57 billion, up 9.2%, compared with \$1.44 billion in 2007. Increased sales in this segment came from the full-year impact of the May 2007 acquisition of Matrix Packaging, along with higher selling prices, which were implemented to help offset higher raw material, energy, freight and other costs, and the favorable impact of foreign currency translation. These positive factors were partially offset by lower volume in flexible packaging, closures and rigid plastic packaging. Overall segment volumes, excluding the impact of acquisitions, were down less than 1% due to the positive effects of increased demand for composite cans in North America. Domestic sales were approximately \$1.18 billion, up 15% from 2007, while international sales were approximately \$390 million, down 5.2% from 2007. The decline in international sales reflects the shutdown of a metal ends plant in Brazil at the end of 2007 and the subsequent transfer of a majority of its business into the United States during the year.

Segment operating profits increased 24.7% in 2008 to \$130.4 million, compared with \$104.5 million in 2007. The increase in segment operating profit was primarily due to productivity improvements and purchasing initiatives along with the full-year impact of the Matrix Packaging acquisition. The productivity and purchasing gains were partially offset by the small overall decline in volumes and an unfavorable shift in the mix of business. In 2008, selling price increases helped offset increased costs of raw material, freight, energy and labor.

**NET SALES  
CONSUMER PACKAGING**  
(BILLIONS OF DOLLARS)



## RIGID PAPER PACKAGING

Increased consumer demand for basic food products along with continued customer demand to convert metal containers to more cost-effective Sonoco rigid paper packaging resulted in an approximately 5% gain in rigid paper packaging unit sales during 2008. Rigid paper packaging is Sonoco's second largest revenue-producing group of products, accounting for 17% of consolidated net sales last year. In North America, the Company produced a record of more than 4.5 billion units.

Due to economic pressures in 2008, consumers prepared more meals at home, resulting in robust demand for Sonoco composite containers. For example, unit sales for snack foods increased by approximately 8%, while refrigerated dough containers increased by more than 4% and juice concentrate can sales were at their highest unit volume in eight years. Composite cans used for packaging powdered infant formula also increased by approximately 9%, which more than

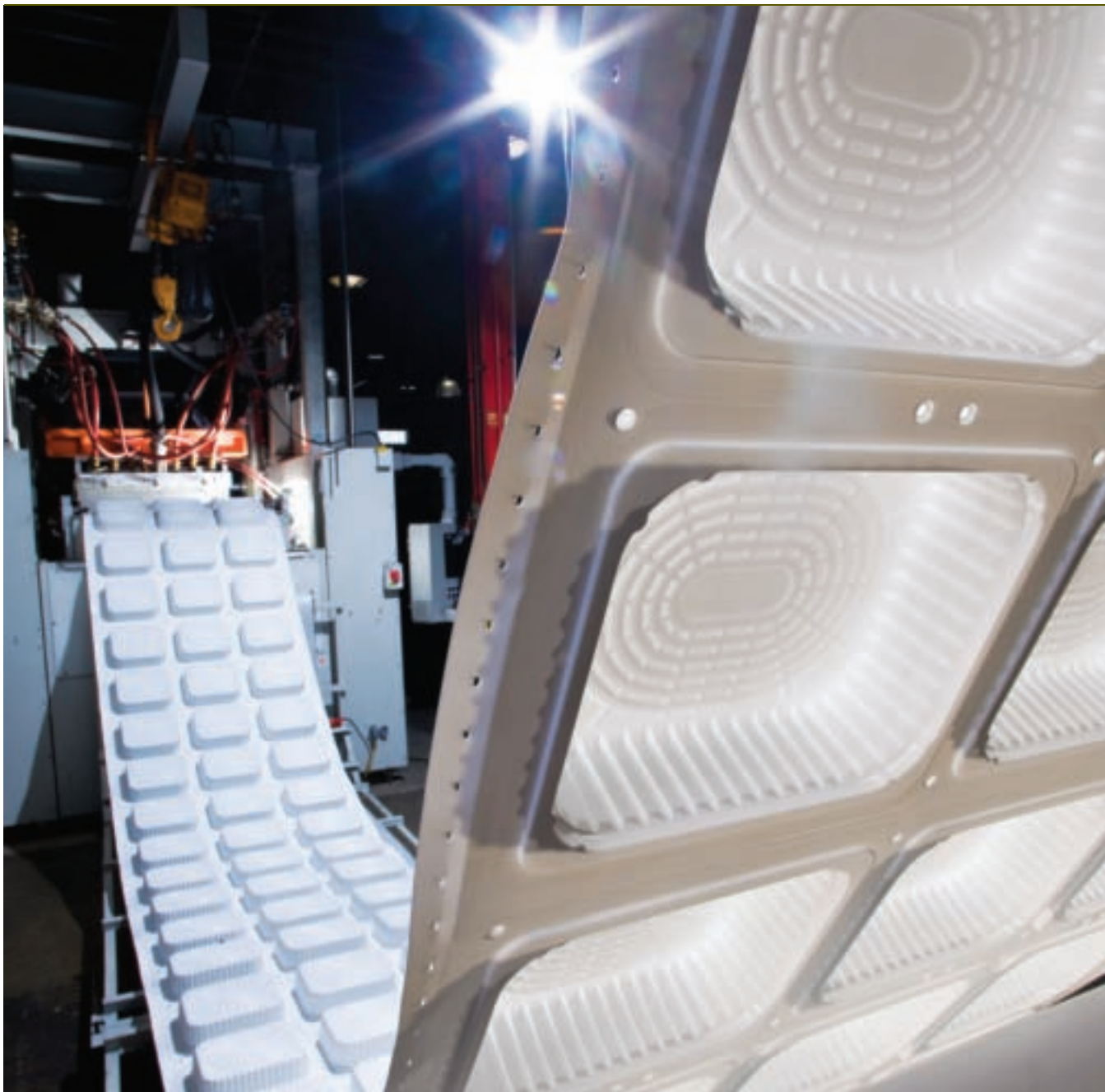




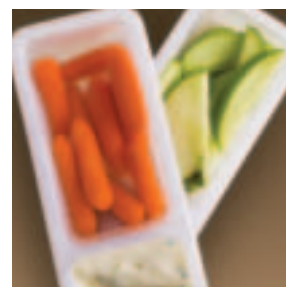
■ Left: Consumer complaints about traditional, hard-to-open cereal packages led to the development of Sonoco's award-winning Linearpak® container for Target's Archer Farms® cereal. Above: The unique shape and gently rounded corners of the Archer Farms package allows Sonoco to use the latest printing technologies to create vibrant graphics that flow seamlessly around the container. Right: Kraft Foods was drawn to the Sonoco composite container for its improved packaging sustainability.





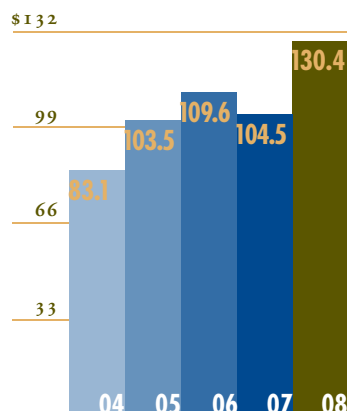


■ Above: In 2008, Sonoco increased production activities at its Franklin Park, Ill., facility as demand grew for thermoformed trays to serve the fast-growing, fresh-cut vegetable and fruit market. Above right: Sonoco's ends and closures business serves about 20% of the North American easy-opening end market. Sonoco is expanding its manufacturing capacity to meet growing demand. Below right: Sonoco expects composite can sales for powdered infant formula to grow because of global conversions from metal.





## OPERATING PROFIT CONSUMER PACKAGING (MILLIONS OF DOLLARS)



offset significant declines in fiber and plastic caulk cartridge sales as a result of slowing housing construction.

### RIGID PAPER DEVELOPMENTS

Sonoco's sleek-shaped Linearpak® container made headlines in 2008 by winning numerous awards for its uniquely designed container for Target's Archer Farms® cereal. Sonoco and Target were recognized with the Package of the Year award in

the Food Category by *Food and Beverage* magazine, received the prestigious AmeriStar Award from the Institute of Packaging Professionals and picked up *PL Buyer* magazine's Private Label Packaging Award. All 18 varieties of Target's Archer Farms cereals are packaged in this first-of-its-kind container that eliminates the hard-to-open bag typical of traditional cereal packaging.

As metal prices escalated during 2008, more consumer product companies pressed for conversion into Sonoco's composite container because of its improved packaging sustainability. An example of this trend was Kraft Foods, which chose to package its Yuban® and Nabob coffee brands in Sonoco's 11-ounce and 33-ounce composite cans. These new containers are made with Sonoco's recycled paperboard that has more than 50% recycled materials and has received certification from the Rainforest Alliance through its Smartwood Program.

Also in 2008, Sonoco continued to convert powdered infant formula or PIF products from metal to composite cans, including one of the largest private label manufacturers in the United States. In addition, the Company successfully made composite can conversions of PIF brands in Mexico, Brazil and the United Kingdom and has established a global PIF project team that is targeting further growth throughout South America, Europe, Asia and other emerging markets.



### ENDS AND CLOSURES

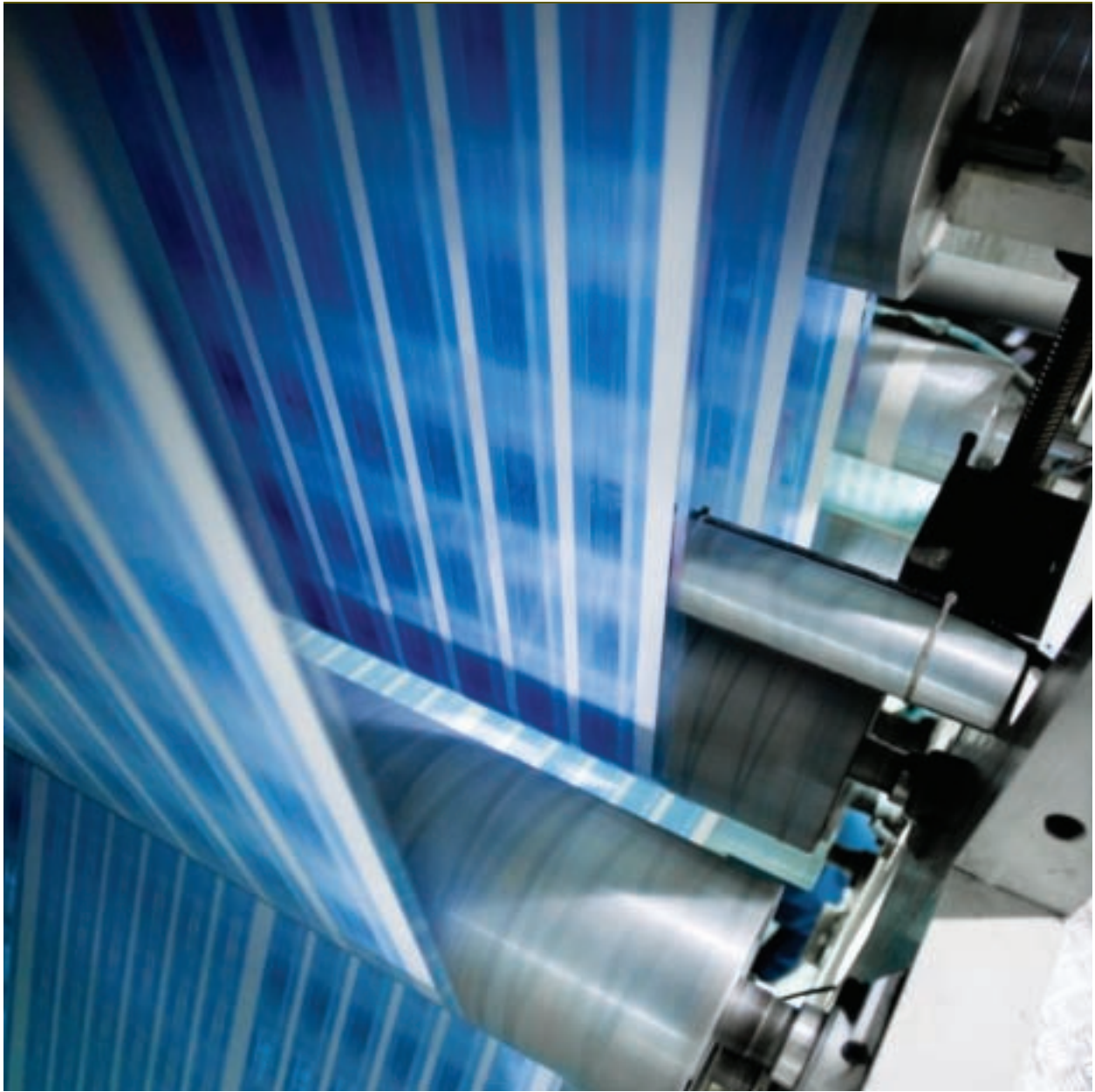
Sonoco is one of the largest independent manufacturers of easy-open ends and provides global distribution of convenience closures for metal, composite and plastic packaging. During 2008, Sonoco produced more than 10 billion units due to increased demand for processed and nonprocessed foods.

The Company significantly increased its domestic production capability in 2008 by moving two high-speed, easy-open lines from a closed facility in Brazil to its Canton, Ohio, operations. In addition, two recently acquired high-speed membrane lines were installed at the Company's Wausau, Wis., plant. New production capacity and technology improvements are planned in 2009 to meet growing international demand.

### PRODUCT AND TECHNOLOGY DEVELOPMENTS

During 2008, Sonoco's proprietary Ultrapeel™ retortable membrane end was selected by the Flexible Packaging Association for its Highest Achievement Award in Technical Innovations. The new peelable end is the first retortable membrane end produced for the U.S. market and was introduced in Campbell Soup's popular Soup at Hand® product during the year.





■ Left: Sonoco's innovative laser-scoring technology was used to create an easy-to-open and close package for Cadbury Adams' Trident® sugarless gum. Above: Sonoco's sophisticated rotogravure printing technology provides value-added shelf presence for customers. Above right: A compound is applied for an air-tight seal on ends and closures in North Canton, Ohio. Right: Sonoco offers a comprehensive portfolio of ends and closures in varying styles and diameters.



### RIGID PLASTIC PACKAGING

Sonoco's rigid plastic packaging operations are focused on three technology platforms including extrusion and injection stretch blow-molding, thermoforming and injection-molding. During 2008, the Company ramped up blow-molding operations at plants in Columbus, Ohio, and St. Louis, Mo. The 121,000 square-foot manufacturing plant in Ohio is producing sophisticated multilayer, high-barrier retortable plastic bottles for Abbott Nutrition's Ensure® nutritional drink. The Missouri plant began operations in mid-2008 to produce extruded blow-molded bottles for Procter & Gamble's Febreze® freshener. Additional products and production capacity are planned for the two plants during 2009.

### RIGID PLASTIC PACKAGING DEVELOPMENTS

Acquired in 2007, Sonoco's Matrix Packaging subsidiary is a leading North American manufacturer of innovative, custom-designed blow-molded rigid plastic containers. During 2008, the Company introduced several new packaging solutions, including bottles for Living Essential's 5-Hour Energy® nutritional drink and bottles used in CandleLamp tabletop light and heat products for the hospitality industry. During 2009, Matrix will begin production of newly designed injection stretch blow-molded bottles for Signature Collection fragrances from Bath & Body Works.



Designs to better control moisture and extend shelf life were a focal point for Sonoco's thermoforming business in 2008. New production capacity was added at the Company's Franklin Park, Ill., plant to produce uniquely designed trays to serve the fast-growing, fresh-cut vegetable and fruit market.

### FLEXIBLE PACKAGING

Sonoco's Flexible Packaging division experienced a significant operational and financial turnaround in 2008 by improving productivity and product quality. The business is growing sales by concentrating on providing new technology innovations, including easy-opening and reclose features, laser scoring, cold-sealing and high-impact rotogravure and flexographic printing. The Company also operates a fully automated rotogravure cylinder engraving operation, including North America's only laser-engraving capability, as well as flexographic plating and prepress graphics operations.

### FLEXIBLE PACKAGING DEVELOPMENTS

Sonoco is focusing on increasing flexible packaging sales in the fast-growing flexible packaging hard-baked goods and confectionery markets. Much of the Company's continued growth in 2008 came from extensions of the Company's award-winning Smartseal™ easy-open and reclosable packaging for Kraft Foods' Nabisco® cookies. Today, this packaging has been extended to nearly all of Nabisco's Oreos®, Newtons® and Chips Ahoy® cookies.

The Company also is devoting significant research and development to deliver new sustainable packaging solutions for its customers without sacrificing performance or aesthetics. To that end, the Company developed a leaner and more sustainable package for PJ's Coffee that features vivid illustrations of New Orleans' landmarks brought to life with Sonoco's laser-engraved, seven-color rotogravure printing and matte finish.

Sonoco is supplying PJ's Coffee with one-pound bags comprised of a three-layer structure of polyester, foil and a polyethylene sealant. The structure yields a bag that is produced using 10% fewer materials and 15% less energy, while generating 10% less carbon emissions compared to a traditional four-ply structure.





### THE TUBES AND CORES/PAPER SEGMENT ACCOUNTED FOR APPROXIMATELY 41% of the

Company's net sales in 2008. Products and services in this segment include paperboard tubes, cores, roll packaging, molded plugs, pallet components, concrete forms, void forms, rotary die boards, recycled paperboard, chipboard, tubeboard, corestock, boxboard, linerboard, recovered materials and recycling services.

Sales for the Tubes and Cores/Paper segment were \$1.67 billion, down 2.2%, compared with \$1.71 billion in 2007. The decrease in sales was due to volume shortfalls throughout the segment and the closure of a paper mill in China. The volume shortfalls were partially offset by the effect of favorable exchange rates and increased selling prices for converted products, which were implemented to offset higher raw material, energy, freight and other costs. The impact of lower volumes, the majority of which occurred during the fourth quarter, was felt mostly in the domestic and European tube and core operations. Excluding the net impact of divestitures, volumes in the segment decreased by approximately 6%. Domestic sales decreased approximately \$25 million, or 3.0%, to approximately \$800 million. International sales decreased approximately \$12 million, or 1.4%, to approximately \$875 million, reflecting the benefit of a weaker dollar throughout much of the year.

Operating profits for the Tubes and Cores/Paper segment were \$145.8 million, compared with \$143.7 million in 2007. Due to last year's \$25.2 million charge for environmental reserves, the slight increase in year-over-year operating profits is not fully indicative of current-year performance. Lower volumes and an unfavorable shift in the business mix hampered results, and, if not for last year's environmental charge, operating profits would have declined. Productivity and purchasing initiatives along with the impact of closing the paper facility in China favorably impacted current year results. Somewhat offsetting these benefits were higher energy, freight, material and labor costs that were not fully recovered by higher selling prices.

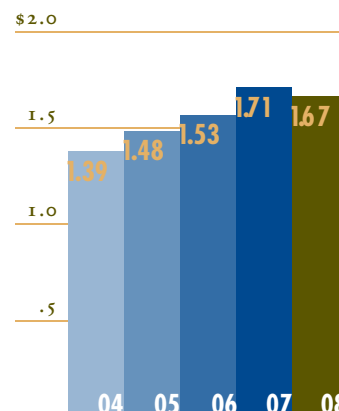
### TUBES AND CORES

Sonoco is the world's leading producer of tubes and cores with 119 converting facilities on five continents. The Company's tubes and cores business serves industrial customers in a variety of markets, including the construction, film, paper, textile, metals, flowable products, and the tape and label industries. While the economic downturn impacted volumes in 2008, tubes and cores remained Sonoco's largest revenue producing group of products with approximately 30% of the Company's net sales.

Sales of tubes and cores in mature markets in North America and Europe have been essentially flat over the past several years, while sales in many emerging markets in South America, Eastern Europe and Asia have grown. With this geographic shift in industrial demand, Sonoco is expanding its international converting capabilities. For instance, during 2008, the Company expanded its production capacity at its St. Petersburg, Russia, plant to serve growing plastic film and paper markets.

South America was the lone region globally where Sonoco grew volumes for tubes and cores in 2008. In Brazil, Sonoco increased film core sales by 10% year over year. The Company also was awarded a significant new contract to supply cores to one of the country's largest paper companies. During the second half of 2009, the Company expects to further expand its regional converting footprint by opening a new converting operation in the south of Brazil to serve the country's fastest growing industrial market. Also during 2009, the Company is planning to leverage its strong position in Colombia to expand sales of tubes and cores to growing industrial markets in Ecuador and Peru.

**NET SALES  
TUBES AND CORES/PAPER**  
(BILLIONS OF DOLLARS)





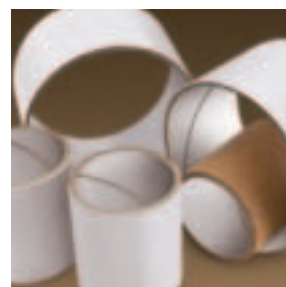
■ Left: The expansion of Sonoco's Recycling facility in Raleigh, N.C., has helped the city improve efficiency and reduce costs by converting from dual-stream to single-stream waste collections. Above: The durability of Sonoco's Stealth Core™ film core allows it to withstand the pressure created by today's newer, faster converting equipment. Right: Compared with standard film cores, the Stealth Core film core has a higher recycled materials content and lighter weight, and is made using less energy.







■ Above: The tape industry is one of several tube and core markets Sonoco serves in North America. Other markets include paper mill products, textiles, plastic films and specialty products such as construction forms. Right: Tape and labels, film and construction are key growth markets for Sonoco's tube and core business. Top right: Sonoco produces paper utilizing nearly 100% recycled fiber consisting of mainly post-consumer sources.





## NEW PRODUCT DEVELOPMENTS

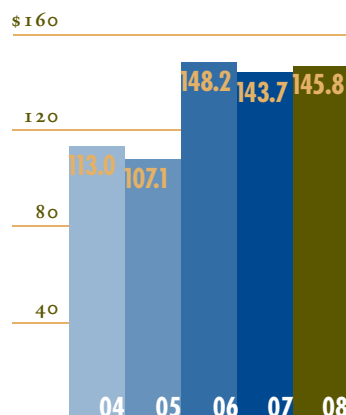
In 2008, the Company introduced two new specialty cores that were developed to address challenges long faced by plastic film and corrugated manufacturers. The launch of the Stealth Core™ film core represents a quantum leap in film core design. This patent-pending core utilizes Active Tension Displacement technology to disperse radial pressures during the winding process, resulting in improved productivity and efficiency. Berry Plastics, a Sonoco film core customer, chose to launch its new Saturn™ handheld film line using the Stealth Core film core due to its performance and cost effectiveness. The sustainability appealed to Berry since it is made with less paper.

Sonoco also developed Intellicore™ engineered carriers, which feature Radio Frequency Identification technology. This “smart” core technology provides significant supply chain savings to corrugated manufacturers by providing roll identification throughout the core’s life cycle.

Sonoco’s compressed wood Durablock™ pallet blocks have

been selected by commercial paper maker Domtar to replace wooden blocks in its pallets. Made from recycled wood chips, Durablock pallet blocks are preferred by pallet makers because they improve durability and performance and reduce manufacturing and maintenance costs.

## OPERATING PROFIT TUBES AND CORES/PAPER (MILLIONS OF DOLLARS)



industrial and consumer packaging. The Company, which uses approximately 65% of this paperboard internally, also serves major external markets and is the largest producer of board for the tissue and towel market, including the HS Series core designed for high-speed winding equipment. The paperboard operations of Sonoco are supported by 22 paper mills with 32 paper machines.

## SUSTAINABILITY CERTIFICATIONS

Sonoco’s paper operations were recognized for their sustainable practices through several industry certifications in 2008.



The Company received chain-of-custody certifications from all oversight organizations: the Forest Stewardship Council (FSC), the Sustainable Forestry Initiative (SFI) and the Program for the Endorsement of Forest Certification (PEFC). Chain-of-custody certifications recognize a company for sustainable fiber sourcing practices and the responsible tracking of wood fiber from its origin to its end use. These certifications specifically recognized 13 Sonoco recycled paperboard mills and two recycled rigid paper container plants in the United States and Canada.

Sonoco also received SFI certification for responsible and sustainable forestry management practices. The Company currently owns and manages approximately 56,490 acres of timberland that are included within the scope of the SFI standard.

## SONOCO RECYCLING

One of the largest recyclers in North America, Sonoco Recycling annually collects more than 3 million tons of recyclable materials including old corrugated containers (OCC) and other paper, plastics and metals. Approximately 1.7 million tons of OCC is supplied annually to the Company’s global paper operations. The Company operates 50 recycling facilities throughout the world, including sophisticated material recovery facilities (MRF) in Columbia, S.C., and Raleigh, N.C., which process single- and dual-stream commercial and residential recyclables.

During 2008, Sonoco invested approximately \$3.5 million to expand its Raleigh MRF to allow the city to convert to all single-stream, comingled residential recycling. This upgrade allows the facility to process nearly twice as much material while reducing the city’s collection costs.



### THE PACKAGING SERVICES SEGMENT ACCOUNTED FOR APPROXIMATELY 12% of Sonoco's

consolidated net sales in 2008. This segment provides packaging supply chain management, including custom packing, fulfillment, primary package filling, scalable service centers and global brand artwork management. Other services provided by this segment include designing, manufacturing, assembling, packing and distributing temporary, semipermanent and permanent point-of-purchase (P-O-P) displays, as well as contract packaging, co-packing and fulfillment services.

Sales for the Packaging Services segment in 2008 were \$518 million, compared with \$519 million in 2007. Sales decreased slightly as volume shortfalls and lower selling prices were mostly offset by the impact of favorable exchange rates and added sales from a small acquisition. The selling price decreases were primarily the result of competitive bidding activity in the latter half of 2007, the impact of which was not fully realized until 2008. Domestic sales decreased to approximately \$334 million, a 10.7% reduction, while international sales increased to approximately \$183 million, up 26.8%, primarily as a result of increased service center volume in Poland.

Operating profits for the Packaging Services segment were \$29.1 million, down 34.7%, compared with \$44.5 million in 2007. The decrease in segment operating profits is attributable to lower selling prices and volume decreases in P-O-P displays and fulfillment operations. In addition, lower capacity utilization negatively impacted productivity. Although service center volume increased, it had very little impact on profits as these sales were on a pass-through basis with no significant additional gross margin.

### SERVICE CENTERS

At its three dedicated service centers and eight fulfillment operations in the United States and Europe, Sonoco pro-

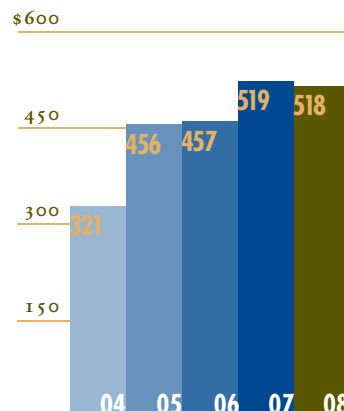
vides global supply chain management services to an increasing number of major consumer product companies. For Procter & Gamble (P&G), Sonoco packages Gillette® razors and blades for the North American

market at a dedicated service center in Devens, Mass., and for European, Middle Eastern and African markets at a service center in Lodz, Poland. During 2008, P&G awarded Sonoco a contract to transition its razors and blades contract packing operations from Devens to operations in Andover, Mass., and Mexico. Transition activities are expected to run through 2010.

Sonoco is continuing to expand its service center operations in Poland. Colgate-Palmolive awarded Sonoco a five-year contract to manage all of its European promotional packaging requirements for Colgate's oral care products. These packaging services are being handled in a new dedicated service center in Wroclaw, Poland, opening in the first quarter of 2009. This new operation consolidates previous co-packing work performed for Colgate throughout Europe.

At its service center in Strykow, Poland, Sonoco has entered into an agreement with Swiss Precision Diagnostics (SPD), a joint venture between P&G and Inverness Medical, to provide packing services for SPD's wide range of pregnancy diagnostic kits. Products packed at the service center will come from several global sources before being shipped to SPD's European distribution network. Sonoco's Strykow plant also provides full-service, customized packing for P&G and the LEGO System A/S of Denmark. In addition, the Company packs baby,

**NET SALES  
PACKAGING SERVICES**  
(MILLIONS OF DOLLARS)





■ Left: P-O-P display systems are a key component of Sonoco's strategy to provide consumer product companies with total solutions packaging services. Above: Sonoco CorrFlex's creative team in Cincinnati, Ohio, oversees design aspects of P-O-P displays, including graphics, engineering and sustainability. Right: Sonoco CorrFlex creates P-O-P display systems customizable for floor use, countertops or as end caps.







■ Left: Cadbury Adams USA had Sonoco CorrFlex design this high-impact floor display for its Halls ProHealth Defense® product line. Above: Startup activities at Sonoco's new service center in Wroclaw, Poland, get underway as workers begin packaging fulfillment services for Colgate-Palmolive's oral care products. Right: Sonoco handles turn-key display and promotional packaging services for clients in the snack food, candy, electronics, personal care and other markets.

beauty and family care products for P&G at a service center in Euskirchen, Germany.

For Hewlett-Packard (HP), Sonoco packs ink cartridges for sale throughout the Americas at a dedicated service center in Sandston, Va. In 2009, Sonoco will open a new packing line for HP in a plant near São Paulo, Brazil.

### POINT-OF-PURCHASE DISPLAYS

Sonoco CorrFlex is one of the largest providers of retail displays and fulfillment services in the United States and an important part of the Company's total solution consumer packaging and services strategy. Last year was a year of transition for Sonoco CorrFlex as many of its customers reduced promotional advertising because of the slowing economy. In 2008, the Company focused on building new business relationships and capabilities, and was awarded new promotional opportunities

with large consumer product companies including P&G, Scotts Miracle-GRO Company, Cadbury Adams USA and others.

Sonoco CorrFlex continued to gain grocery and club store sales through its unique Sonopop® display, the Company's customizable and cost-effective pallet display system. This durable system incorporates Sonoco's proprietary Sonopost® technology that features engineered paper-based components strong enough to deliver

large-sized consumer products ranging from fertilizers to snack foods. Another distinct advantage that Sonopop displays offer is they are completely recyclable and provide a floor life three to four times longer than more traditional pallet display systems.

The quality and effectiveness of Sonoco's P-O-P displays did not go unnoticed in 2008 as Sonoco CorrFlex won 11 Outstanding Merchandising Achievement Awards (OMA) at the 50<sup>th</sup> Annual Point of Purchase Advertising International (POPAI) design competition. The awards are given for creativity and innovation in the design of temporary, semipermanent and permanent displays. Judges from the P-O-P industry, includ-



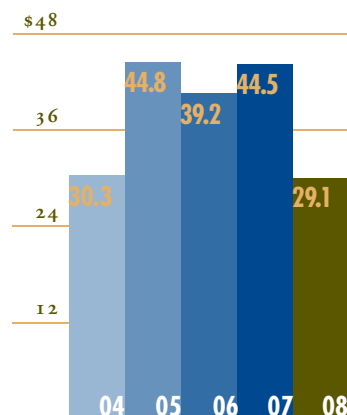
ing brand marketers, display producers and creative agencies, evaluated 587 entries from 80 companies in the highly competitive contest.

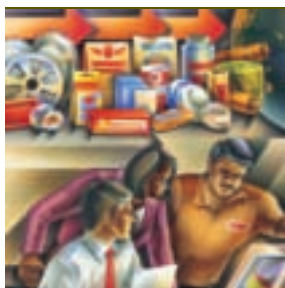
Sonoco won Gold OMAs for the Crest® Whitestrips® Daily Multi-Care launch PDQ-tray display and Crest Back to Basics Regimen pallet display created for P&G, and Conwood Tobacco's Grizzly® Snuff counter display; Silver awards were won for the end cap and countertop displays developed for Elizabeth Arden's With Love...Hilary Duff fragrance, the Pantene Restoratives and Expressions Premium counter displays created for P&G as well as the Bayer Health Care Aleve® Liquid Gels launch PDQ-tray display. Sonoco received Bronze awards for its Cadbury Adams National 6+1 Gum counter display, universal display system for Cadbury Adams' Halls® and Chewy candy brands, Columbia® Signature portfolio floor display, Diageo Portable Tasting Bar and Theraflu®/Triaminic® combo tray for Novartis Consumer Health, Inc.

### GLOBAL GRAPHICS MANAGEMENT

Sonoco Trident, the Company's global graphic artwork management business, was awarded several new contracts in 2008, including a global agreement with P&G to support approximately 8,500 pieces of artwork for many of its most popular hair care and beauty products in Europe, North America, South America and Asia. The Company also expanded artwork management business with McDonald's, Avon, Dr. Reddy's and Kroger. Based in Hull, England, U.K., Sonoco Trident uses a proprietary computerized global graphics operating system to manage and enhance brand images for global consumer product companies.

### OPERATING PROFIT PACKAGING SERVICES (MILLIONS OF DOLLARS)





### **SONOCO PRODUCES PROTECTIVE PACKAGING, WIRE AND CABLE REELS**, molded and extruded

plastics, and paperboard specialties. These operations are reported as All Other Sonoco. In 2008, these businesses accounted for approximately 9% of the Company's net sales.

All Other Sonoco sales were \$360 million in 2008, compared with 2007 sales of \$371 million. Sales for All Other Sonoco decreased on lower volumes in molded plastics, protective packaging and wire and cable reels, which were partially offset by selling price increases and the effect of favorable exchange rates. Domestic sales were approximately \$282 million, down 4.1% from 2007, and international sales were approximately \$78 million, an increase of 1.2%.

Operating profits for All Other Sonoco were \$44.4 million, compared with \$51.4 million in 2007. Operating profits in All Other Sonoco decreased due to volume declines and an unfavorable shift in the mix of business, partially offset by manufacturing productivity and purchasing initiatives. Through higher selling prices, the Company was able to recover increases in raw material costs but not higher costs of energy, freight and labor.

#### **PROTECTIVE PACKAGING**

Sonoco is a leading provider of custom-designed and engineered protective packaging solutions for appliances, heating and air conditioning units, exercise equipment, furniture, office furnishings, lawn and garden equipment, and many other consumer products. While impacted by the slowdown in appliance manufacturing in the United States, Sonoco's paper-based protective packaging business continued to drive growth through entry into new markets and global expansion.

The Company recently developed a new packaging solution for HP's mid- to large-sized printers that reduces overall packaging weight by more than one-third and packaging volume by more than 50%. The new package also provides improved stacking strength for lower warehouse and freight costs.

Damage prevention continues to be a focal point for retailers and manufacturers, and to that end, Sonoco offers customers its proprietary Sonopost® corner posts, cross braces and Sonobase® carrier systems. In addition to HP, Sonoco provides protective

packaging services to most of the major North American appliance manufacturers, including Whirlpool, Maytag, Bosch and Electrolux Home Products (Frigidaire). During 2008, the Company expanded sales in China and opened a new protective packaging line in Turkey to serve a large European appliance manufacturer. The Company already has strong relationships in Mexico and in 2009 is planning to expand operations into Brazil.

#### **WIRE AND CABLE REELS**

Sonoco is North America's leading manufacturer and provider of packaging and supply chain solutions for wooden, composite and metal reels for the wire and cable industry. Through its five manufacturing facilities in the United States, the Company offers a list of products that includes nailwood, plywood, composite and metal reels. Products and services are provided on a just-in-time basis at 35 service centers in the United States and Canada.

Despite a downturn in demand for residential, commercial and certain industrial wiring, Sonoco is positioning its wire and cable reels business to take advantage of growing demand for cables to serve the power distribution grid, wind power, proposed nuclear power plant construction projects and oil exploration. The Company is also exploring international sales growth opportunities in emerging markets and new product developments.

#### **MOLDED AND EXTRUDED PLASTICS**

Sonoco provides engineered plastic products, including comprehensive product design, tool design and fabrication using injection-molding and extruding technologies for customers in North America, South America, Europe and Asia.

As part of its strategy to produce more consumer-related products, the Molded and Extruded Plastics division introduced two patent-pending molded plastic overcaps that provide consumers with easy-open and reclose functionality while keeping foods fresh. The Company's Sealclick® overcap was specifically designed for a new Sonoco composite coffee container, while a specially designed hinged overcap was successfully launched in 2008 on the Company's award-winning Linearpak container for Target's Archer Farms cereals.





■ Above: An employee at Sonoco's protective packaging plant in Nashville, Tenn., carries a load of Sonopost® corner posts to the assembly area for use in Sonoco's new protective packaging for HP's mid- to large-sized printers. Right: The new packaging design for HP's printers reduces the foam needed for shipping by almost 70% and uses between 22% and 49% less corrugated material by weight than previous packaging.





## SAFETY IS A TOP PRIORITY FOR SONOCO AND ITS EMPLOYEES.

Through ongoing training, including programs focused on eliminating motion-related injuries, Sonoco employees set a new safety record with a total incident rate of .63, eclipsing the previous record set last year of .75. In the past decade, the number of recordable injuries has been reduced by approximately 71%.

Also in 2008, 222 Sonoco facilities qualified for the Company's prestigious President's Safety Award, which is given to plants and other facilities that complete 200,000 hours without a recordable injury. Of the 222 facilities recognized, 158 achieved the annual award by completing the year without a recordable injury. For the year, three of every four Sonoco businesses had a reduction in injury-related incidents.

## EMPLOYEE AND SUPPLIER DIVERSITY

Sonoco continues to put great emphasis on diversity and the result is an ever-expanding program that has helped the Company build a reputation for high ethical standards and integrity among its employees and suppliers. In 2008, Sonoco repositioned its approach to diversity by stressing the role diversity plays in overall business success.

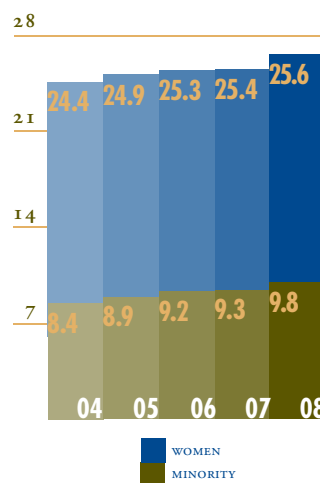
As a result of Sonoco's commitment to employee diversity and findings from its diversity survey, which is conducted every two years to gauge progress, the Company continues to launch new initiatives and expand existing ones. A key tool Sonoco uses to measure diversity in the workplace is its diversity tracking

report, which highlights trends in areas such as women and minority representation, hiring practices, promotions and terminations. Since 2004, Sonoco's representation in exempt positions for women has grown from approximately 24% to 25.6%, while minority representation has grown from approximately 8.4% to 9.8%. Updated quarterly and shared with Sonoco's leadership team, this report provides a roadmap for the Company's ongoing diversity efforts. The report is a complement to Sonoco's diversity talent review, a process that ensures a diverse population of employees is being identified and developed to serve in future leadership roles.

Sonoco also encourages networking through its Employee Network groups that specifically target women and minorities. These groups are designed to promote Sonoco's family friendly policies and assist in attracting and retaining women and minority employees. In 2008, the two groups worked to enhance a number of Company initiatives aimed at employee diversity, including work-life benefits, mentoring, and women and minority recruitment via the Internet.

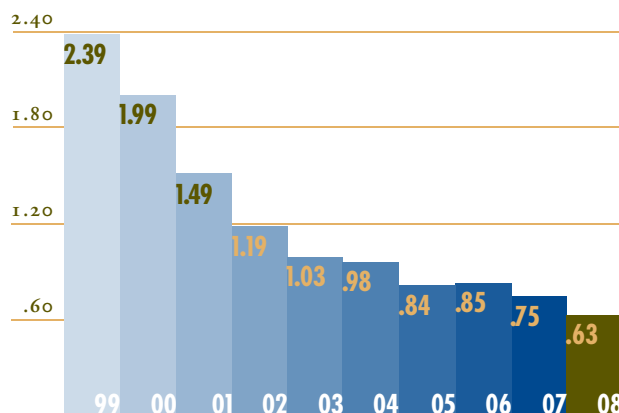
Supplier diversity is another facet of Sonoco's diversity program that plays a critical role in the Company's success. In 2008, Sonoco increased its spending with women- and minority-owned businesses by 14%. The Company also was recognized by Coca Cola for its "Partners in the Promise" award, which is given annually to individuals or companies that display a strong commitment to supplier diversity. Sonoco was the only corporation recognized for the award in 2008.

## EMPLOYEE DIVERSITY (PERCENT)



## SAFETY PERFORMANCE

(TOTAL INCIDENT RATE PER 100 EMPLOYEES PER YEAR)



## REACHING OUT TO COMMUNITIES

Eleven decades have passed since Sonoco began doing business and its commitment to the communities where it operates is as strong as ever. The Company's belief that flourishing communities and thriving businesses are mutually interdependent is





a driving force behind its desire to improve the quality of life for employees and their fellow citizens.

Sonoco invests approximately 1% of its consolidated pretax income in nonprofit organizations, principally to support education, health and welfare, arts and the environment. Of this amount, approximately 75% went to support education in 2008, including a strong partnership with the South Carolina Governor's School for Science and Mathematics in Hartsville, S.C., as well as a number of higher education institutions.

■ As part of its commitment to support the community and education, Sonoco sponsored the "Learn Alive" science workshop held for teachers at EdVenture in Columbia, S.C.

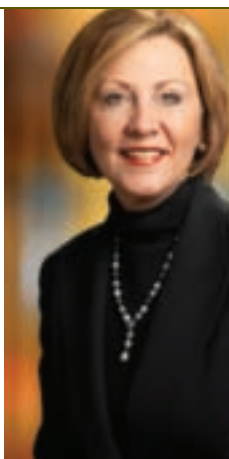




DELOACH



COKER



DAVIES

**HARRIS E. DELOACH JR., 64**

Chairman of the Board since 2005, President and Chief Executive Officer since 2000. Served on the Board since 1998. Member of the Executive Committee.

**JAMES L. COKER, 68**

President, JLC Enterprises (private investments), Stonington, Conn., since 1979. Formerly Secretary of the Company 1969–1995; President of Sonoco Limited, Canada 1972–1979. Served on the Board since 1969. Member of the Employee and Public Responsibility, and Financial Policy Committees.

**DR. PAMELA L. DAVIES, 52**

President of Queens University of Charlotte (institution of higher learning), Charlotte, N.C., since 2002. Formerly Dean of the McColl School of Business at Queens University of Charlotte 2000–2002; Professor of Management and Dean of the LeBow College of Business at Drexel University 1997–2000. Served on the Board since 2004. Member of the Executive Compensation, Employee and Public Responsibility, and Financial Policy Committees.

**CALEB C. FORT, 47**

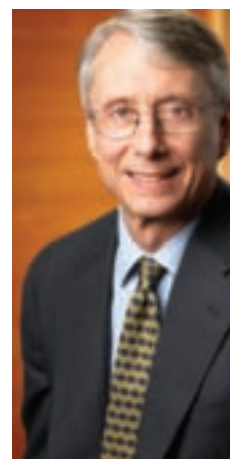
Co-chairman, The Merit Group, Inc. (distributors of residential and commercial paint-related products and various industrial supplies), Spartanburg, S.C., since 1998. Formerly a Principal of Lancaster Distributing Company 1990–1998. Served on the Board since 2001. Member of the Audit, Corporate Governance and Nominating, and Executive Compensation Committees.



FORT



LAWTON



LINVILLE

**EDGAR H. LAWTON III, 48**

President and Treasurer, Hartsville Oil Mill (vegetable oil processor), Darlington, S.C., since 2000. Formerly Vice President of Hartsville Oil Mill 1991–2000. Served on the Board since 2001. Member of the Employee and Public Responsibility, and Financial Policy Committees.

**JOHN E. (JACK) LINVILLE, 63**

Attorney in private practice in New York, N.Y., since 2004. Formerly Counsel with Manatt, Phelps & Phillips, LLP 2003–2004, joining the firm through its merger with his prior firm, Kalkines, Arky, Zall & Bernstein, LLP 1990–2003; General Counsel and then acting President of the New York Health & Hospitals Corporation prior to 1990. Served on the Board since 2004. Member of the Audit and Employee and Public Responsibility Committees.

**JAMES M. MICALI, 61**

“Of Counsel” with Ogletree Deakins, LLC (law firm) and senior advisor to Azalea Capital, LLC (private equity firm) Greenville, S.C., since August 2008. Formerly Chairman and President, Michelin North America, Inc. 1996–2008 and a member of Michelin Group’s Executive Council since 2001; Executive Vice President, Legal and Finance of Michelin North America 1990–1996. Served on the Board since 2003. Member of the Audit, Executive, Executive Compensation, and Corporate Governance and Nominating Committees.



MULLIN



MICALI



NEWTON

#### JOHN H. MULLIN III, 67

Chairman, Ridgeway Farm LLC (privately held timber and farming business), Brookneal, Va., since 1989. Formerly associated with Dillon, Read & Co. Inc. 1969–1989, last serving as Managing Director. Served on the Board since 2002. Member of the Corporate Governance and Nominating, Executive, Executive Compensation and Financial Policy Committees.

#### LLOYD W. NEWTON, 66

Retired. Formerly Executive Vice President of Pratt & Whitney Military Engines business unit (developer and manufacturer of engines for military and commercial aircraft), E. Hartford, Conn. (a part of United Technologies Corporation) 2000–2006; retired four-star General, U.S. Air Force in 2000. Joined the Board in February 2008. Member of the Audit, and Employee and Public Responsibility Committees.



OKEN



ROLLIER



WHIDDON

#### MARC D. OKEN, 62

Managing partner of Falfurrias Capital Partners (private equity firm), Charlotte, N.C., since 2006. Formerly held executive officer positions at Bank of America Corporation 1989–2006, most recently as Chief Financial Officer; partner at Price Waterhouse for 13 years; a fellow with the Securities and Exchange Commission 1981–1983. Served on the Board since 2006. Member of the Audit, Corporate Governance and Nominating, and Executive Compensation Committees.

#### PHILIPPE R. ROLLIER, 66

Retired. Formerly President and Chief Executive Officer of Lafarge North America (construction materials group), Herndon, Va., 2001–2006; held numerous positions with Lafarge Group before assuming the responsibilities of President and Chief Executive Officer in 2001. Served on the Board since 2007. Member of the Audit, and Employee and Public Responsibility Committees.

#### THOMAS E. WHIDDON, 56

Advisory Director of Berkshire Partners, LLC (private equity firm), Boston, Mass., since 2005. Formerly Executive Vice President, Logistics and Technology of Lowe's Companies, Inc. 2000–2003; Executive Vice President and Chief Financial Officer of Lowe's 1996–2000. Served on the Board since 2001. Member of the Corporate Governance and Nominating, and Financial Policy Committees.



■ From left, Harris DeLoach, Eddie Smith, Jack Sanders, Cindy Hartley, Jim Bowen, Charlie Hupfer and Charles Sullivan

### EXECUTIVE COMMITTEE

#### HARRIS E. DELOACH JR., 64

Chairman of the Board, President and Chief Executive Officer since 2005. Previously President and Chief Executive Officer 2000–2005; Chief Operating Officer April–July 2000; Senior Executive Vice President 1999–2000; Executive Vice President 1996–1999. Joined Sonoco in 1985.

#### JIM C. BOWEN, 58

Senior Vice President, Sonoco Recycling and Internal Supply since November 2008. Previously Senior Vice President 2002–2008; Senior Vice President, Global Paper Operations 2000–2002; Vice President and General Manager, Paper 1997–2000. Joined Sonoco in 1972.

#### CYNTHIA A. HARTLEY, 60

Senior Vice President, Human Resources since 2002. Previously Vice President, Human Resources 1995–2002. Joined Sonoco in 1995.

#### CHARLES J. HUPFER, 62

Senior Vice President and Chief Financial Officer since February 2009. Previously Senior Vice President, Chief Financial Officer and Corporate Secretary 2005–2009; Vice President, Chief Financial Officer and Corporate Secretary 2002–2005. Joined Sonoco in 1975.

#### M. JACK SANDERS, 55

Executive Vice President, Industrial since February 2008. Previously Senior Vice President, Global Industrial Products 2006–2008; Vice President, Global Industrial Products January–October 2006; Vice President, Industrial Products N.A. 2001–2006. Joined Sonoco in 1987.

#### EDDIE L. SMITH, 57

Vice President, Industrial Products and Paper Europe since 2006. Previously Vice President, Customer and Business Development 2002–2006; Vice President and General Manager, Flexible Packaging 1998–2002. Joined Sonoco in 1971.

#### CHARLES L. SULLIVAN JR., 65

Executive Vice President, Consumer since 2005. Previously Senior Vice President 2000–2005. Joined Sonoco in 2000.

### OTHER CORPORATE OFFICERS

#### VICKI B. ARTHUR, 51

Vice President, Global Corporate Accounts since February 2008. Previously Division Vice President, Global Corporate Accounts. Joined Sonoco in 1984.

#### RITCHIE L. BOND, 52

Staff Vice President, Treasurer and Corporate Secretary since February 2009. Previously Staff Vice President and Treasurer. Joined Sonoco in 2005.

#### BERNARD W. CAMPBELL, 59

Vice President and Chief Information Officer since 1996. Previously Staff Vice President, Information Services. Joined Sonoco in 1988.

#### R. HOWARD COKER, 46

Vice President and General Manager, Rigid Paper and Closures, North America since February 2009. Previously Division Vice President and General Manager, Rigid Paper and Closures. Joined Sonoco in 1985.

#### JOHN M. COLYER JR., 48

Vice President, Industrial Converted Products N.A. since November 2008. Previously Vice President, Industrial Products, N.A. Joined Sonoco in 1983.

#### RODGER D. FULLER, 47

Vice President, Global Rigid Paper and Closures since March 2008. Previously Vice President, Rigid Paper and Plastics N.A. Joined Sonoco in 1985.

#### KEVIN P. MAHONEY, 53

Vice President, Corporate Planning since 2000. Previously Staff Vice President, Corporate Planning. Joined Sonoco in 1987.

#### MARTY F. PIGNONE, 52

Vice President, Global Manufacturing, Industrial since February 2008. Previously Vice President, Paper N.A. Joined Sonoco in 1997.

#### BARRY L. SAUNDERS, 49

Vice President and Corporate Controller and Chief Accounting Officer since February 2008. Previously Staff Vice President and Corporate Controller and Chief Accounting Officer. Joined Sonoco in 1989.

#### ROGER P. SCHRUM, 53

Vice President, Investor Relations and Corporate Affairs since February 2009. Previously Staff Vice President, Investor Relations and Corporate Affairs. Joined Sonoco in 2005.

#### ROB C. TIEDE, 50

Vice President and General Manager, Flexible Packaging since February 2009. Previously Division Vice President and General Manager, Flexible Packaging. Joined Sonoco in 2004.



## ADDRESS

### CORPORATE HEADQUARTERS AND INVESTOR RELATIONS

1 North Second Street  
Hartsville, SC 29550-3305  
Main: +843/383-7000  
Investor Relations: +843/383-7862  
Tollfree: 800/377-2692  
Fax: +843/383-7008  
Email: corporate.communications@sonoco.com

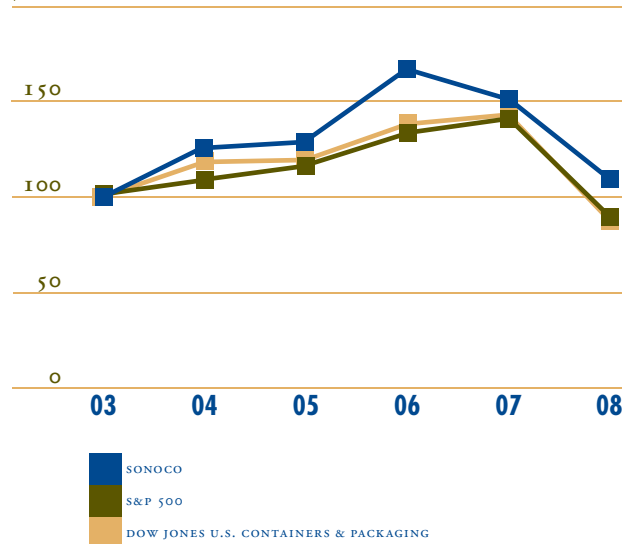
## INVESTOR INFORMATION

The following graph compares the cumulative five-year total return attained by shareholders on Sonoco Products Company's common stock relative to the cumulative total returns of the S&P 500 Index and the Dow Jones U.S. Containers & Packaging Index (which includes the Company). An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on 12/31/2003 and its relative performance is tracked through 12/31/2008.

### COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN\*

(AMONG SONOCO, THE S&P 500 INDEX AND THE DOW JONES U.S. CONTAINERS & PACKAGING INDEX)

\$ 200



	12/03	12/04	12/05	12/06	12/07	12/08
Sonoco Products Company	100.00	124.59	127.65	170.08	150.27	110.55
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
Dow Jones U.S. Containers & Packaging	100.00	119.64	118.89	133.26	142.22	89.17

\*\$100 invested on 12/31/03 in stock and index, including reinvestment of dividends. Fiscal year ending Dec. 31.  
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©2009 Dow Jones & Co. All right reserved.

Sonoco (NYSE: SON) offers its shareholders a wide range of services and several ways to access important Company information.

### SONOCO ON THE INTERNET

Sonoco's Web site, [www.sonoco.com](http://www.sonoco.com), provides a variety of information about the Company. The site features a newsroom for press releases, photos, financial reports and presentations, proxy statements, various SEC filings, events, sustainability activity and more.

### TRANSFER AGENT AND REGISTRAR

#### The Bank of New York Mellon (BNY Mellon)

866/210-7002  
+201/680-6685 (Outside the U.S. and Canada)  
800/231-5469 (Hearing impaired – TTY Phone)  
Web site: [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)

### Address shareholder inquiries to:

Sonoco Products Company  
c/o BNY Mellon Shareowners Services  
480 Washington Boulevard  
Jersey City, NJ 07310-1900

### Send certificates for transfer and address changes to:

Sonoco Products Company  
c/o BNY Mellon Shareowners Services  
P.O. Box 358015  
Pittsburgh, PA 15252-8015

### Send dividend reinvestment transactions to:

Sonoco Products Company  
c/o BNY Mellon Shareowners Services  
P.O. Box 358035  
Pittsburgh, PA 15252-8035

### SHAREHOLDER SERVICES

Sonoco – B01  
1 North Second Street  
Hartsville, SC 29550-3305

### CERTIFICATIONS

The Certification of the Company's chief executive officer required to be submitted to the New York Stock Exchange pursuant to Section 303A.12(a) of the Listed Company Manual for 2008 was submitted to the New York Stock Exchange.

The Certifications of the Company's principal executive officer and principal financial officer required by Section 302 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 13a-14(a) have been filed as Exhibit 31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which report has been filed with the Securities and Exchange Commission.

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## ELECTRONIC PAYMENT OF DIVIDENDS

Shareholders may elect to have their dividends deposited directly to their bank accounts by contacting BNY Mellon at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) or Sonoco Shareholder Services.

## SHAREHOLDER INVESTMENT PROGRAM

This program allows participants to purchase Sonoco stock and reinvest dividends directly without contacting a broker. You do not have to be a shareholder to participate. For more information and a prospectus, go to [www.sonoco.com](http://www.sonoco.com) or [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd).

## SONOCO PUBLICATIONS

Annual reports, current and past, and the *Investor News Quarterly* can be found on [www.sonoco.com](http://www.sonoco.com). Paper copies are also available without charge from:

Sonoco – A09  
1 North Second Street  
Hartsville, SC 29550-3305

## DUPLICATE ANNUAL REPORTS

To eliminate duplicate report mailings, mark your proxy card or contact Sonoco Shareholder Services.

## AVAILABILITY OF FORM 10-K AND EXHIBITS

Sonoco has filed with the Securities and Exchange Commission its Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

A copy of the Form 10-K, including the financial statements and financial schedules and a list of exhibits, forms a part of this *2008 Annual Report to Shareholders*. The exhibits to the Form 10-K are not included with this Annual Report, but will be delivered without charge to any shareholder upon receipt of a written request. Requests for the exhibits should be directed to:

Sonoco – A09  
1 North Second Street  
Hartsville, SC 29550-3305

## GENERAL INFORMATION

### ANNUAL MEETING

The annual meeting of shareholders' will be held at 11 a.m. Eastern time on Wednesday, April 15, at:

The Center Theater  
212 North Fifth Street  
Hartsville, SC 29550-4136

A live audiocast will be available, with a replay archived for six months. Instructions for listening to this audiocast will be available at [www.sonoco.com](http://www.sonoco.com), approximately one week prior to the event.

## LEGAL COUNSEL

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

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP  
Hearst Tower  
214 North Tryon Street, Suite 3600  
Charlotte, NC 28202-2137

## INTELLECTUAL CAPITAL MANAGEMENT

Sonoco Development, Inc. manages the Company's intellectual assets, including patents, licenses and agreements. Company trademarks, domain names and patents are managed by SPC Resources, Inc. The address for both companies is:

125 West Home Avenue  
Hartsville, SC 29550-4123

## EQUAL OPPORTUNITY EMPLOYER

Sonoco believes that a diverse workforce is required to compete successfully in today's global marketplace. The Company provides equal employment opportunities in its global operations without regard to race, color, age, gender, religion, national origin or physical disability.

## REFERENCES TO WEB SITE ADDRESSES

References to Sonoco's Web site address and The Bank of New York Mellon's Web site address are for informational purposes only and are not intended to, and do not, incorporate those Web sites or their contents by reference into this annual report.



Paper in Sonoco's Annual Report was manufactured with electricity in the form of renewable energy and came from well-managed forests or other controlled sources certified in accordance with the international standards of the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI). All paper used in this Annual Report contains 10% recycled fiber.

**1 NORTH SECOND STREET  
HARTSVILLE, SC 29550-3305  
843/383-7000  
WWW.SONOCO.COM**

