Sonoco Initiates Cost-Reduction Actions

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HARTSVILLE, S.C., Aug. 18 /PRNewswire-FirstCall/ -- Sonoco (NYSE: SON), the global packaging company, today initiated its previously announced structural cost-reduction actions expected to achieve approximately $60 million before tax in additional savings, it was announced by Harris E. DeLoach, Jr., president and chief executive officer.

(Logo: NewsCom: http://www.newscom.com/cgi-bin/prnh/19991006/SNCLOGO)

The cost reductions will have two components. One will be the elimination of approximately 340 positions worldwide, including some 130 positions at the Company's Hartsville, S.C., headquarters, as well as reductions in certain other sales and administrative costs. Virtually all of the positions are salaried. Most of the position reductions will occur by the end of the fourth quarter and are expected to ultimately produce annual savings of about $31 million before tax. Excluding restructuring charges, expected to be approximately $22 million before tax, these reductions are expected to have an insignificant impact on operating earnings in the third quarter and then an accelerating positive impact.

In addition, the Company's goal is to close approximately 20 plants globally to achieve about $27 million to $29 million before tax in annual savings. The costs associated with the plant closures have not been estimated at this time. Excluding any related restructuring costs, these closings should positively impact operating earnings as they are announced and phased in primarily through the remainder of 2003 and during 2004.

"For the last three and one-half years, Sonoco, along with most of the U.S. manufacturing sector, has been operating under difficult general economic conditions. To protect and enhance our shareholders' investments and the Company's future growth capabilities, Sonoco previously implemented actions to reduce its overall cost structure by approximately $60 million, including the closing of 18 plants worldwide, from early 2001 through June 2003. These additional actions reflect the need to help offset the continued negative impact on our volumes of weak general economic conditions, a persistent negative price/cost relationship and year-over-year increases in pension and postretirement expenses, energy and medical costs," said DeLoach.

"The primary purpose of these actions, however, is not short-term improvement. These cost reductions are structural and are intended to be permanent. While our cash flow is strong and our balance sheet is one of only two in our industry that is rated in the "A: range, we realize that to meet our long-term growth objectives, we must also ensure that we maintain the lowest cost structure. We believe these actions will help achieve that objective and should result in improved margins," added DeLoach.

Sonoco, founded in 1899, is a $2.8 billion manufacturer of industrial and consumer products and provider of packaging services, with more than 300 operations in 32 countries serving customers in some 85 nations. For more information on the Company, visit our Web site at www.sonoco.com.

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