

ASPI 2012 Spring Meeting

Tom Lawson

Vice President Operations

Primary Materials Group

Sonoco Products Co.

What is Sonoco Primary Materials?

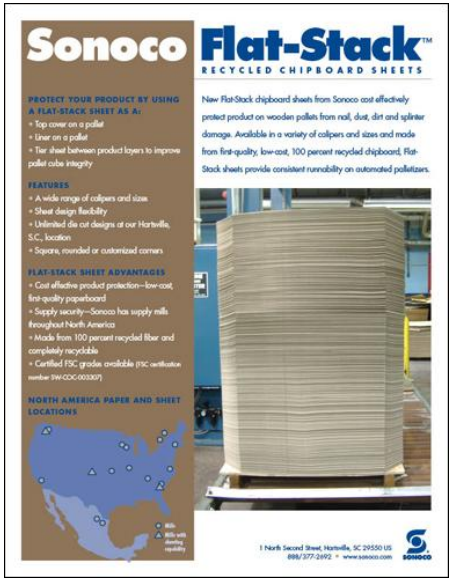
- 22 Recycling Centers across North America
  - 3 MRFS
  - Handle more than 2,000,000 tons annually.
- 12 Paper mills in US, Canada and Mexico.
  - Produce 1.4 mm tons of recycled paperboard and containerboard annually.
- 3 Adhesives Plants
- Forest Products – 52,000 acres

Paper N.A. Mill System - today

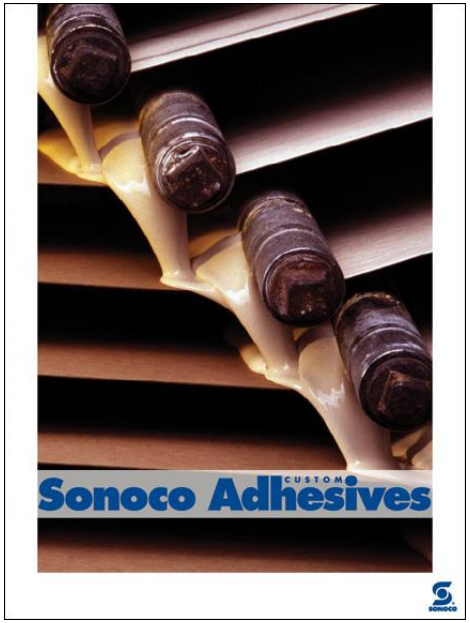



Our Core Values
• Quality
• Service
• Consistency
• Supply Security
• Technical Leadership
Sonoco SPC Series


Our Core Values
• Performance
• Service
• Supply Security
• Technical Leadership
Sonoco HS Series


Sonoco Flat-Stack™
RECYCLED CHIPBOARD SHEETS
PROTECT YOUR PRODUCT BY USING A FLAT-STACK SHEET AS A:
• Top cover on a pallet
• Liner on a pallet
• Tier sheet between product layers to improve pallet cube integrity
FEATURES
• A wide range of calipers and sizes
• Sheet design flexibility
• Unlimited die cut designs at our Hartsville, S.C., location
• Square, rounded or customized corners
FLAT-STACK SHEET ADVANTAGES
• Cost effective product protection—low-cost, first-quality paperboard
• Supply security—Sonoco has supply mills throughout North America
• Made from 100 percent recycled fiber and completely recyclable
• Certified FSC grades available (FSC certification number SW-COC-003307)
NORTH AMERICA PAPER AND SHEET LOCATIONS
New Flat-Stack chipboard sheets from Sonoco cost effectively protect product on wooden pallets from nail, dust, dirt and splinter damage. Available in a variety of calipers and sizes and made from first-quality, low-cost, 100 percent recycled chipboard, Flat-Stack sheets provide consistent runnability on automated palletizers.
1 North Second Street, Hartsville, SC 29550 US
888/377-2692 • www.sonoco.com


Sonoco Containerboard


CUSTOM
Sonoco Adhesives

SONOCO®

Sonoco Paper North America

1.4 Million tons of Paper board annually.

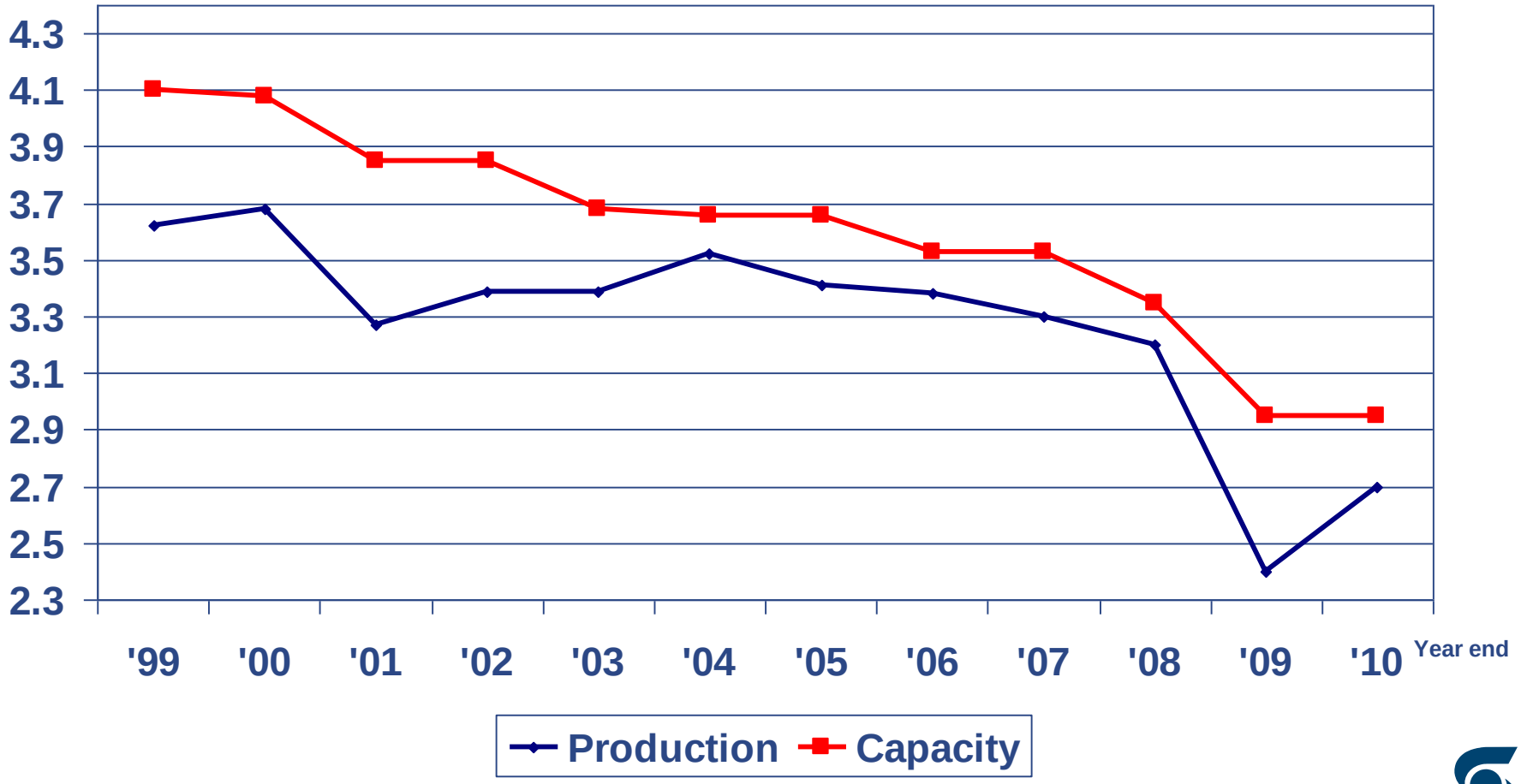
- Tube & Core board
- Tissue & Towel Tube
- Formsboard
- Canboard
- Plate Stock
- Salt Can
- Tobacco Can
- Ticket Stock
- Edge board
- Sheets
- Corrugating Medium
- Linerboard

Paper N.A. Mill System – 10 years ago



Production and Capacity Trends for *Our World*

(millions of tons)



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What is different and why?

- Rationalized high cost mills.
- Invested heavily in key mills in targeted markets.
- Added additional mills to enhance capability in specific markets.
  - More than half of our capacity today is non integrated.
- Generated Productivity of 3.0% annually for 10 years. Productivity = previous years cost – (current year cost less inflation).

- Currently producing more tons on fewer machines at lower cost.

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“Five Critical Areas for 2012”

1) Safety

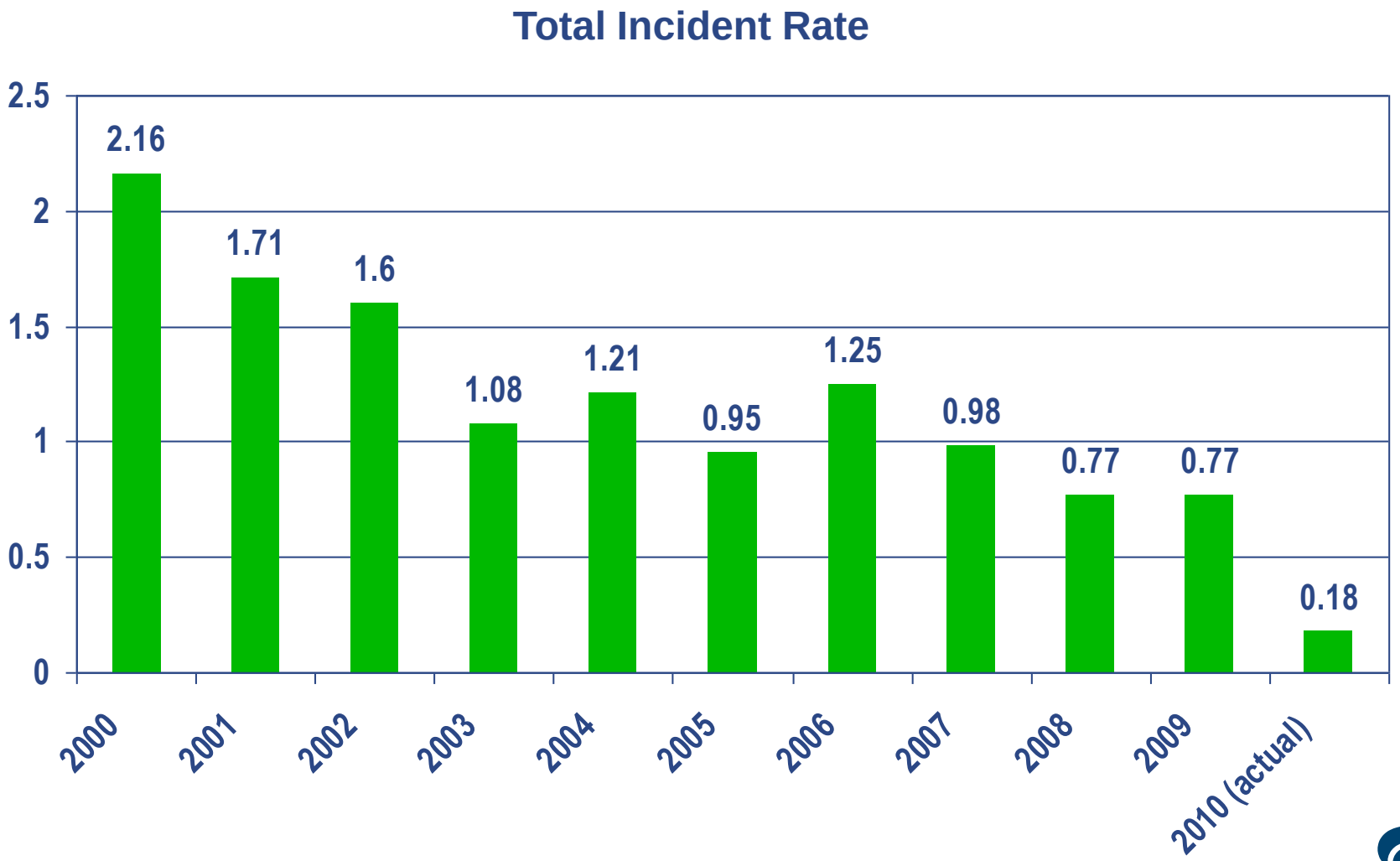
2) Growth

3) Contribution Margins

4) Working Capital

5) Satisfy the Customer

TIR Trends


Total Incident Rate
2.5
2
1.5
1
0.5
0
2.16
1.71
1.6
1.08
1.21
0.95
1.25
0.98
0.77
0.77
0.18
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010 (actual)

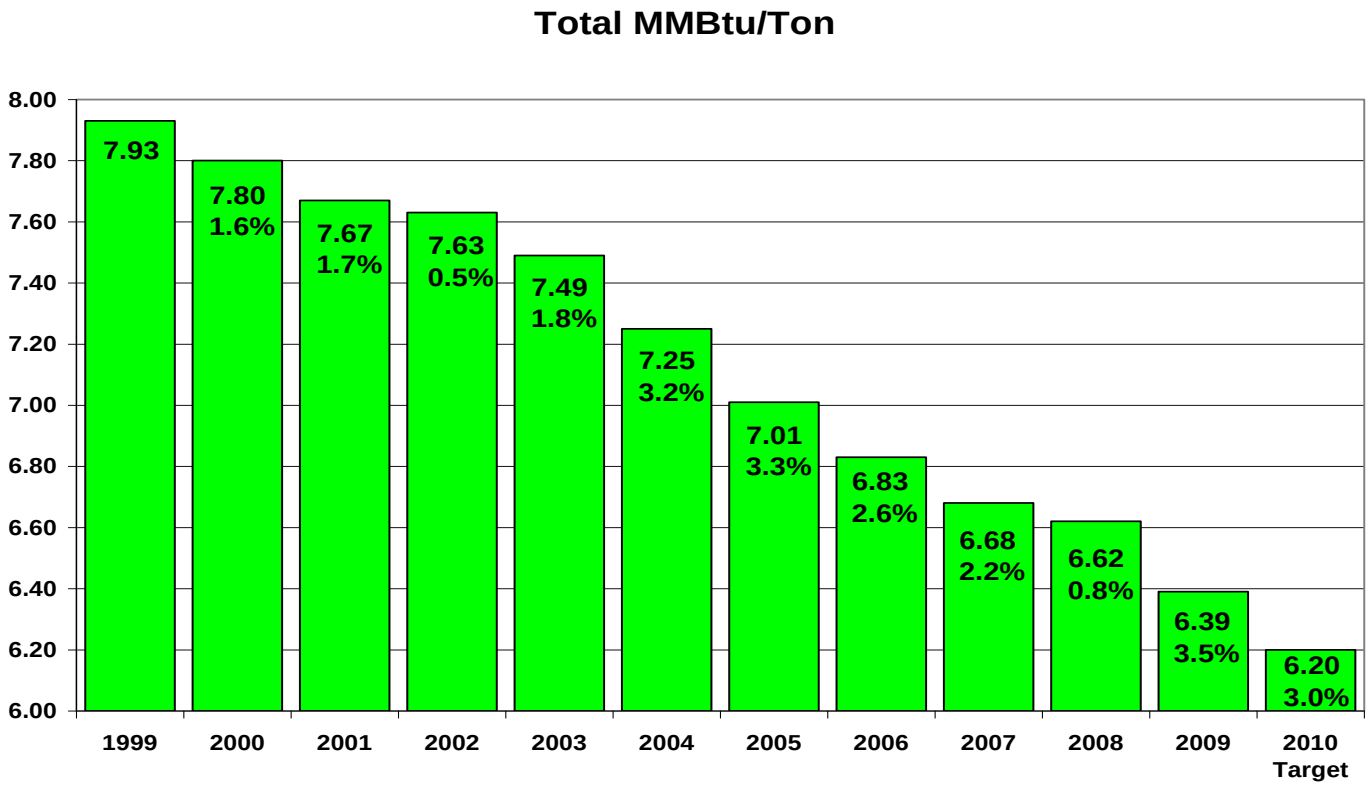
“Five Critical Areas for 2012”

3) Contribution margins
   - What does that mean for Sonoco?
     - Continued focus on Productivity.
     - Specific focus on unit cost to produce.
   - What does this mean for our vendors/partners?
     - Have a similar focus in your own business.
       - **Continue to drive out cost.**
     - Help us improve our processes.
       - **Best value for our money with every purchase – not just price.**

A Decade of Improvement



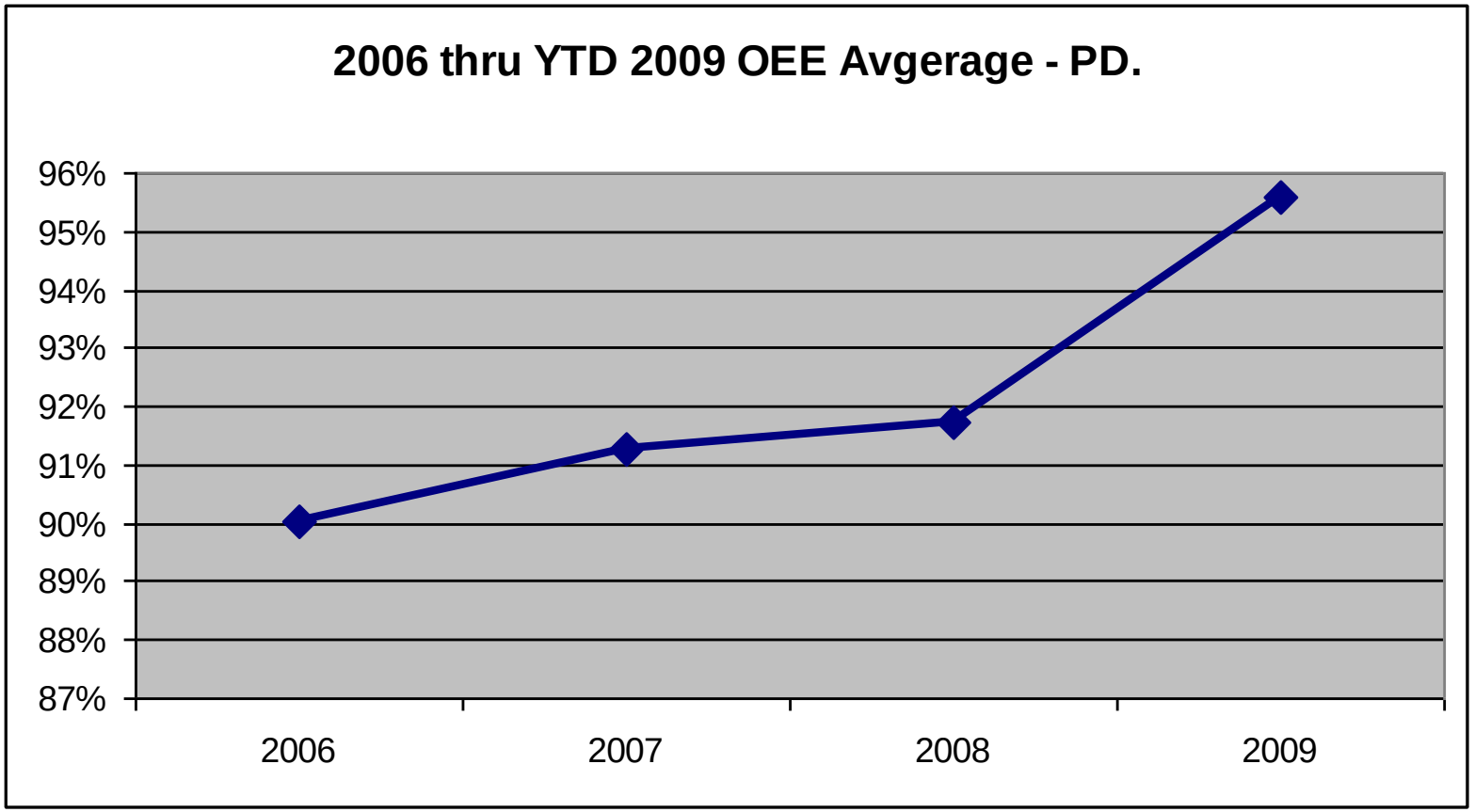
Energy Reduction History



Energy savings in 2010 roadmap = $840,000

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PDNA OEE Improvement



Grade Opt. and OEE savings in 2010 roadmap = $573,000

OEE = (% uptime) x (1 - % scrap) x (Actual TPD/Planned TPD)

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“Five Critical Areas for 2012”

2) Growth
   - What does that mean for Sonoco?
     - Grow not only our base but achieve new product growth through our value proposition and commercializing new products
   - What does that mean for our vendor/partners?
     - Technology that enables new products or step change improvements to existing products in cost, performance, or market innovation.

"Five Critical Areas for 2012"

4) Working Capital

- What does it mean for Sonoco?
  - We have publically stated that we will remain in the top quartile in working capital in our industry. Pressure across the Supply Chain to improve inventory, accounts receivable and accounts payable.
- What does that mean for our vendor/partners?
- Creative service models
  - Terms?
  - E payables?
  - VMI?
  - JIT?
- Its all about the cash.

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Historical Vendor Strategy

- Historically, each mill was responsible for purchasing their own process chemicals, machine clothing, MRO inventory, temporary labor, waste hauling,…,etc..
- We bought from virtually every vendor in the business. No leveraging of volume, no standardization of parts, excessive inventories, high costs, inconsistent product mill to mill, little to no vendor involvement in our R&D process.

Today we are looking for partners who…

- Are as focused on continuous improvement and cost reduction in their processes as we are in ours. Viable long term.
- Provide consistent products that improve our processes and drive out cost or improve our margins.
- Assist our growth efforts with innovative products and services that help us differentiate our product in the marketplace. Participation in new product development teams from the onset.
- Provide creative service models that help reduce our working capital.

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