

Sonoco Products Company
Reconciliation of Non-GAAP Financial Measures

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP financial measures used by the company, together with the most directly comparable financial measures calculated in accordance with GAAP, and a reconciliation of the differences between the non-GAAP financial measures disclosed and the most directly comparable financial measures calculated in accordance with GAAP.

Definition and Reconciliation of Non-GAAP Financial Measures

The Company's results determined in accordance with U.S. generally accepted accounting principles (GAAP) are referred to as "as reported" or "GAAP" results. Some of the information presented in this press release reflects the Company's "as reported" or "GAAP" results adjusted to exclude amounts; including the associated tax effects, relating to restructuring initiatives, asset impairment charges, environmental charges, acquisition-related costs, gains or losses from the disposition of businesses, excess property insurance recoveries, and certain other items, if any, including other income tax-related adjustments and/or events, the exclusion of which management believes improves comparability and analysis of the ongoing operating performance of the business. These adjustments result in the non-GAAP financial measures referred to in earnings presentations as "Base Earnings" and "Base Earnings per Diluted Share."

These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Sonoco continues to provide all information required by GAAP, but it believes that evaluating its ongoing operating results may not be as useful if an investor or other user is limited to reviewing only GAAP financial measures. Sonoco uses these non-GAAP financial measures for internal planning and forecasting purposes, to evaluate its ongoing operations, and to evaluate the ultimate performance of each business unit against plan/forecast all the way up through the evaluation of the Chief Executive Officer's performance by the Board of Directors. In addition, these same non-GAAP measures are used in determining incentive compensation for the entire management team and in providing earnings guidance to the investing community.

Sonoco management does not, nor does it suggest that investors should, consider these non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Sonoco presents these non-GAAP financial measures to provide users information to evaluate Sonoco's operating results in a manner similar to how management evaluates business performance. Material limitations associated with the use of such measures are that they do not reflect all period costs included in operating expenses and may not reflect financial results that are comparable to financial results of other companies that present similar costs differently. Furthermore, the calculations of these non-GAAP measures are based on subjective determinations of management regarding the nature and classification of events and circumstances that the investor may find material and view differently. To compensate for these limitations, management believes that it is useful in understanding and analyzing the results of the business to review both GAAP information which includes all of the items impacting financial results and the non-GAAP measures that exclude certain elements, as described above.

Whenever Sonoco uses a non-GAAP financial measure, except with respect to guidance, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Whenever reviewing a non-GAAP financial measure, investors are encouraged to fully review and consider the related reconciliation as detailed below. Full-year 2018 GAAP guidance are not provided in this release due to the likely occurrence of one or more of the following, the timing and magnitude of which we are unable to reliably forecast: possible gains or losses on the sale of businesses or other assets, restructuring costs and restructuring-related impairment charges, acquisition-related costs, and the tax effect of these items and/or other income tax-related events. These items could have a significant impact on the Company's future GAAP financial results.

The following tables reconcile the Company's non-GAAP financial measures to their most directly comparable GAAP financial measures in the Company's Condensed Consolidated Statements of Income for each of the periods presented.

Reconciliation of GAAP to Non-GAAP Financial Measures*For the three months ended July 1, 2018**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽²⁾	
Operating profit	\$131,862	\$3,567	\$2,839	\$138,268
Non-operating pension (income)/cost	513	-	(645)	(132)
Interest expense, net	15,127	-	-	15,127
Income before income taxes	116,222	3,567	3,484	123,273
Provision for income taxes	30,293	1,046	1,586	32,925
Income before equity in earnings of affiliates	85,929	2,521	1,898	90,348
Equity in earnings of affiliates, net of tax	3,716	-	-	3,716
Net income	89,645	2,521	1,898	94,064
Net (income) attributable to noncontrolling interests	(233)	(15)	-	(248)
Net income attributable to Sonoco	\$89,412	\$2,506	\$1,898	\$93,816
Per diluted common share	\$0.88	\$0.02	\$0.02	\$0.93
Effective tax rate	26.1%			26.7%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the three months ended July 2, 2017**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽³⁾	
Operating profit	\$105,180	\$7,897	\$5,231	\$118,308
Non-operating pension (income)/cost	34,410	-	(31,074)	3,336
Interest expense, net	12,792	-	-	12,792
Income before income taxes	57,978	7,897	36,305	102,180
Provision for income taxes	17,167	2,338	13,147	32,652
Income before equity in earnings of affiliates	40,811	5,559	23,158	69,528
Equity in earnings of affiliates, net of tax	2,845	-	-	2,845
Net income	43,656	5,559	23,158	72,373
Net (income) attributable to noncontrolling interests	(531)	(12)	-	(543)
Net income attributable to Sonoco	\$43,125	\$5,547	\$23,158	\$71,830
Per diluted common share	\$0.43	\$0.06	\$0.23	\$0.71
Effective tax rate	29.6%			32.0%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the six months ended July 1, 2018**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽⁴⁾	
Operating profit	\$241,960	\$6,630	\$2,959	\$251,549
Non-operating pension (income)/cost	222	-	(645)	(423)
Interest expense, net	28,482	-	-	28,482
Income before income taxes	213,256	6,630	3,604	223,490
Provision for income taxes	53,649	1,731	3,498	58,878
Income before equity in earnings of affiliates	159,607	4,899	106	164,612
Equity in earnings of affiliates, net of tax	4,963	-	-	4,963
Net income	164,570	4,899	106	169,575
Net (income) attributable to noncontrolling interests	(1,103)	(20)	-	(1,123)
Net income attributable to Sonoco	\$163,467	\$4,879	\$106	\$168,452
Per diluted common share	\$1.62	\$0.05	\$0.00	\$1.67
Effective tax rate	25.2%			26.3%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the six months ended July 2, 2017**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽⁵⁾	
Operating profit	\$198,839	\$12,008	\$7,924	\$218,771
Non-operating pension (income)/cost	38,096	-	(31,074)	7,022
Interest expense, net	24,850	-	-	24,850
Income before income taxes	135,893	12,008	38,998	186,899
Provision for income taxes	42,706	3,636	12,506	58,848
Income before equity in earnings of affiliates	93,187	8,372	26,492	128,051
Equity in earnings of affiliates, net of tax	4,799	-	-	4,799
Net income	97,986	8,372	26,492	132,850
Net (income) attributable to noncontrolling interests	(1,128)	(14)	-	(1,142)
Net income attributable to Sonoco	\$96,858	\$8,358	\$26,492	\$131,708
Per diluted common share	\$0.96	\$0.08	\$0.26	\$1.31
Effective tax rate	31.4%			31.5%

- (1) Restructuring/Asset impairment charges are a recurring item as Sonoco's restructuring programs usually require several years to fully implement and the Company is continually seeking to take actions that could enhance its efficiency. Although recurring, these charges are subject to significant fluctuations from period to period due to the varying levels of restructuring activity and the inherent imprecision in the estimates used to recognize the impairment of assets and the wide variety of costs and taxes associated with severance and termination benefits in the countries in which the restructuring actions occur.
- (2) These amounts include costs related to acquisitions and potential acquisitions partially offset by a small gain from a casualty loss insurance settlement. Also included are settlement charges related to the Company's Canadian pension plan and the effect of the change in the US corporate tax rate on deferred tax adjustments totaling a gain of \$799.
- (3) Consists primarily of pension settlement charges of \$31,074 and costs related to acquisitions and potential acquisitions which were partially offset by insurance settlement gains.
- (4) Consists primarily of costs related to acquisitions and potential acquisitions. Additionally, includes the effect of the change in the US corporate tax rate on deferred tax adjustments totaling and other non-base tax charges of \$2,788.
- (5) Consists primarily of pension settlement charges of \$31,074 and costs related to acquisitions and potential acquisitions which were partially offset by insurance settlement gains. Additionally, includes non-base tax gains of \$1,138 related to business dispositions and non-base tax charges totaling \$2,160 primarily related to the settlement of a tax audit in Canada.

	Six Months Ended	
	July 1, 2018	July 2, 2017
FREE CASH FLOW*		
Net cash provided by operating activities	\$ 251,248	\$ 103,178
Purchase of property, plant and equipment, net	(82,688)	(96,846)
Cash dividends	(79,801)	(75,604)
Free Cash Flow	<u>\$ 88,759</u>	<u>\$ (69,272)</u>

	Year Ended		
	Estimated Low December 31, 2018	Estimated December 31, 2018	Actual December 31, 2017
FREE CASH FLOW*			
Net cash provided by operating activities	\$ 570,000	\$ 590,000	\$ 349,358
Purchase of property, plant and equipment, net	(220,000)	(220,000)	(183,642)
Cash dividends	(160,000)	(160,000)	(153,137)
Free Cash Flow	<u>\$ 190,000</u>	<u>\$ 210,000</u>	<u>\$ 12,579</u>

* Free Cash Flow is a non-GAAP measure that does not imply the amount of residual cash flow available for discretionary expenditures, as it excludes mandatory debt service requirements and other non-discretionary expenditures.

