

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, pension settlement charges, 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, which are referred to as "non-base", 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 is 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 October 1, 2017**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽³⁾	
Income before interest and income taxes	\$120,082	\$511	\$2,667	\$123,260
Interest expense, net	13,647	-	-	13,647
Income before income taxes	106,435	511	2,667	109,613
Provision for income taxes	35,545	445	(1,080)	34,910
Income before equity in earnings of affiliates	70,890	66	3,747	74,703
Equity in earnings of affiliates, net of tax	2,521	-	-	2,521
Net income	73,411	66	3,747	77,224
Net (income) attributable to noncontrolling interests	(599)	(21)	-	(620)
Net income attributable to Sonoco	\$78,812	\$45	\$3,747	\$76,604
Per diluted common share	\$0.72	\$0.00	\$0.04	\$0.76
Effective tax rate	33.4%			31.8%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the three months ended October 2, 2016**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges ⁽²⁾	Other Adjustments ⁽⁶⁾	
Income before interest and income taxes	\$104,843	\$8,947	\$943	\$114,733
Interest expense, net	12,437	-	-	12,437
Income before income taxes	92,406	8,947	943	102,296
Provision for income taxes	29,618	2,097	(357)	31,358
Income before equity in earnings of affiliates	62,788	6,850	1,300	70,938
Equity in earnings of affiliates, net of tax	3,190	-	-	3,190
Net income	65,978	6,850	1,300	74,128
Net (income) attributable to noncontrolling interests	(583)	(34)	-	(617)
Net income attributable to Sonoco	\$65,395	\$6,816	\$1,300	\$73,511
Per diluted common share	\$0.64	\$0.07	\$0.01	\$0.72
Effective tax rate	32.1%			30.7%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the nine months ended October 1, 2017**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽⁴⁾	
Income before interest and income taxes	\$280,825	\$12,519	\$41,665	\$335,009
Interest expense, net	38,497	-	-	38,497
Income before income taxes	242,328	12,519	41,665	296,512
Provision for income taxes	78,251	4,081	11,422	93,754
Income before equity in earnings of affiliates	164,077	8,438	30,243	202,758
Equity in earnings of affiliates, net of tax	7,320	-	-	7,320
Net income	171,397	8,438	30,243	210,078
Net (income) attributable to noncontrolling interests	(1,727)	(35)	-	(1,762)
Net income attributable to Sonoco	\$169,670	\$8,403	\$30,243	\$208,316
Per diluted common share	\$1.68	\$0.08	\$0.30	\$2.07
Effective tax rate	32.3%			31.6%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the nine months ended October 2, 2016**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges ⁽²⁾	Other Adjustments ⁽⁵⁾	
Income before interest and income taxes	\$298,799	\$41,453	\$2,191	\$342,443
Interest expense, net	39,768	-	-	39,768
Income before income taxes	259,031	41,453	2,191	302,675
Provision for income taxes	83,602	10,442	(17)	94,027
Income before equity in earnings of affiliates	175,429	31,011	2,208	208,648
Equity in earnings of affiliates, net of tax	7,457	-	-	7,457
Net income	182,886	31,011	2,208	216,105
Net (income) attributable to noncontrolling interests	(1,325)	(78)	-	(1,403)
Net income attributable to Sonoco	\$181,561	\$30,933	\$2,208	\$214,702
Per diluted common share	\$1.78	\$0.30	\$0.02	\$2.11
Effective tax rate	32.3%			31.1%

- (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) 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. Included in these amounts are a goodwill impairment charge related to the Company's industrial converting products business in Brazil.
- (3) Consists primarily of costs related to acquisitions and potential acquisitions. Additionally, these amounts include the effect of state tax rate changes on deferred taxes as well as reserves for uncertain tax positions totaling a net loss of \$2,362.
- (4) Includes pension settlement charges of \$31,550, costs related to acquisitions and potential acquisitions, and certain other costs, partially offset by insurance settlement gains. Also includes net tax charges totaling \$2,229 primarily related to the settlement of a tax audit in Canada and the effect of state tax rate changes on deferred taxes as well as reserves for uncertain tax positions totaling a net loss of \$2,263. These amounts were partially offset by a tax benefit on the final settlement of prior year business dispositions of \$1,682.
- (5) Consists primarily of costs related to acquisitions and potential acquisitions.
- (6) Consists primarily of costs related to acquisitions, potential acquisitions, and a small income tax reserve adjustment.

Reconciliation of GAAP to Non-GAAP Financial Measures

Earnings per Diluted Share (EPS)

	Estimated Fourth Quarter 2017		Estimated Full-Year 2017 ⁽³⁾	
	Low	High	Low	High
GAAP EPS	\$ 0.59	\$ 0.69	\$ 2.27	\$ 2.37
GAAP to Base Adjustments:				
Restructuring/Asset Impairment Charges	0.05	0.03 ⁽¹⁾	0.14	0.12
Other Adjustments	0.04	0.02 ⁽²⁾	0.34	0.32
Base EPS	\$ 0.68	\$ 0.74	\$ 2.75	\$ 2.81

- (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) Consists primarily of estimated costs for acquisition related activities and pension settlement charges.
- (3) Includes year-to-date charges for the nine months ended October 1, 2017 as well as the estimated amounts for the fourth quarter described above.

	Twelve Months Ended	
	Estimated December 31, 2017	Estimated December 31, 2018
FREE CASH FLOW*		
Net cash provided by operating activities	\$415,000	\$532,000
Purchase of property, plant and equipment, net	(190,000)	(220,000)
Cash dividends	(155,000)	(162,000)
Free Cash Flow	<u>\$70,000</u>	<u>\$150,000</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.