

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 September 30, 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	\$101,576	\$22,061	\$422	\$124,056
Non-operating pension (income)/cost	(25)	-	(97)	(122)
Interest expense, net	14,502	-	-	14,502
Income before income taxes	87,096	22,061	519	109,676
Provision for income taxes	18,325	5,465	2,137	25,927
Income before equity in earnings of affiliates	68,771	16,596	(1,618)	83,749
Equity in earnings of affiliates, net of tax	4,049	-	-	4,049
Net income	72,820	16,596	(1,618)	87,798
Net (income) attributable to noncontrolling interests	(405)	(28)	-	(433)
Net income attributable to Sonoco	\$72,415	\$16,568	\$(1,618)	\$87,365
Per diluted common share	\$0.72	\$0.16	\$(0.02)	\$0.86
Effective tax rate	21.0%			23.6%

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*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽³⁾	
Operating profit	\$123,232	\$511	\$2,191	\$125,934
Non-operating pension (income)/cost	3,150	-	(476)	2,674
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	\$72,812	\$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 nine months ended September 30, 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	\$343,533	\$28,691	\$3,381	\$375,605
Non-operating pension (income)/cost	197	-	(742)	(545)
Interest expense, net	42,984	-	-	42,984
Income before income taxes	300,352	\$28,691	4,123	333,166
Provision for income taxes	71,974	7,196	5,635	84,805
Income before equity in earnings of affiliates	228,378	21,495	(1,512)	248,361
Equity in earnings of affiliates, net of tax	9,012	-	-	9,012
Net income	237,390	21,495	(1,512)	257,373
Net (income) attributable to noncontrolling interests	(1,508)	(48)	-	(1,556)
Net income attributable to Sonoco	\$235,882	\$21,447	\$(1,512)	\$255,817
Per diluted common share	\$2.34	\$0.21	\$(0.01)	\$2.53
Effective tax rate	24.0%			25.5%

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*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ⁽¹⁾	Other Adjustments ⁽⁵⁾	
Operating profit	\$322,071	\$12,519	\$10,115	\$344,705
Non-operating pension (income)/cost	41,246	-	(31,550)	9,696
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%

- (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 costs related to acquisitions and potential acquisitions. Also includes the effect of changes in the U.S. corporate tax rate on deferred tax adjustments and other non-base tax adjustments totaling a gain of \$2,575.
- (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) Consists primarily of costs related to acquisitions and potential acquisitions. Also includes the effect of the change in the U.S. corporate tax rate on deferred tax adjustments and other non-base tax adjustments totaling a gain of \$5,540.
- (5) 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 are partially offset by a tax benefit from the final settlement of a prior year business disposition.

	Six Months Ended	
	September 30, 2018	October 1, 2017
FREE CASH FLOW*		
Net cash provided by operating activities	\$ 451,516	\$ 281,005
Purchase of property, plant and equipment, net	(111,976)	(140,995)
Cash dividends	(120,651)	(114,368)
Free Cash Flow	<u>\$ 218,889</u>	<u>\$ 25,642</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	\$ 580,000	\$ 600,000	\$ 349,358
Purchase of property, plant and equipment, net	(190,000)	(190,000)	(183,642)
Cash dividends	(160,000)	(160,000)	(153,137)
Free Cash Flow	<u>\$ 230,000</u>	<u>\$ 250,000</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.

