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. Non-GAAP information reflects the Company's "as reported" or "GAAP" results adjusted to exclude amounts related to restructuring initiatives, asset impairment charges, changes in the Company's LIFO reserve, amortization expense on acquisition intangibles, non-operating pension costs, environmental charges, acquisition/divestiture-related costs, gains and losses on dispositions of businesses, property insurance recoveries in excess of recorded losses, certain income tax related events and other items, if any, 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 as "Base Earnings," "Base Earnings per Diluted Share," "Base Provision for Income Taxes," and "Base Earnings before Interest, Taxes, Depreciation and Amortization."

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 budget 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. Second-quarter and full-year 2022 GAAP guidance are not provided 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, amortization expense on acquisition-related intangibles, and the income tax effects 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.

Dollars in thousands, except per share data	GAAP	Restructuring/ Asset Impairments[(1)]	Amortization of Acquisition Intangibles[(2)]	Acquisition/ Divestiture Related[(3)]	Other Adjustments[(4)]	Base
	For the three months ended July 3, 2022					
Operating profit	$ 197,476	$ 10,563	$ 20,871	$ 12,281	$ 8,960	$ 250,151
Non-operating pension costs	1,677	—	—	—	(1,677)	—
Interest expense, net	23,161	—	—	—	136	23,297
Income before income taxes	172,638	10,563	20,871	12,281	10,501	226,854
Provision for income taxes	44,599	842	5,160	3,009	3,104	56,714
Income before equity in earnings of affiliates	128,039	9,721	15,711	9,272	7,397	170,140
Equity in earnings of affiliates, net of tax	3,728	—	—	—	—	3,728
Net income	131,767	9,721	15,711	9,272	7,397	173,868
Net (income)/loss attributable to noncontrolling interests	(95)	39	—	—	—	(56)
Net income attributable to Sonoco	131,672	9,760	15,711	9,272	7,397	173,812
Per diluted common share*	$ 1.33	$ 0.10	$ 0.16	$ 0.09	$ 0.07	$ 1.76

*Due to rounding individual items may not sum across

(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. In the second quarter of 2022 the Company recognized additional asset impairment charges of $3,452 related to the Company's decision to exit its operations in Russia given the ongoing Russia-Ukraine conflict.

(2) Beginning in 2022 the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Consists of legal, professional, and other service fees related to acquisition and divestiture transactions, whether potential or consummated, and charges related to inventory "step-up" associated with purchase accounting adjustments on acquisition transactions. The majority of these charges relate to the final charges related to inventory "step-up" associated with the January 2022 acquisition of Metal Packaging.

(4) Other Adjustments include after-tax charges of $4,777 related to increases in the Company's LIFO reserve, the remaining $2,620 after-tax net loss relates to certain derivative transactions and non-operating pension charges.

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Dollars in thousands, except per share data	For the three months ended July 4, 2021 GAAP	Restructuring/ Asset Impairments[(1)]	Amortization of Acquisition Intangibles	Acquisition/ Divestiture Related	Other Adjustments[(2)]	Base
Operating profit	$ 135,291	$ (1,445)	$ 12,111	$ 1,462	$ (6,698)	$ 140,721
Non-operating pension costs	555,009	—	—	—	(555,009)	—
Interest expense, net	14,794	—	—	—	2,165	16,959
Loss from the early extinguishment of debt	20,184	—	—	—	(20,184)	—
(Loss)/Income before income taxes	(454,696)	(1,445)	12,111	1,462	566,330	123,762
(Benefit from)/Provision for income taxes	(118,151)	715	3,000	671	146,268	32,503
(Loss)/Income before equity in earnings of affiliates	(336,545)	(2,160)	9,111	791	420,062	91,259
Equity in earnings of affiliates, net of tax	2,306	—	—	—	—	2,306
Net (loss)/income	(334,239)	(2,160)	9,111	791	420,062	93,565
Net loss attributable to noncontrolling interests	169	—	—	—	—	169
Net (loss)/income attributable to Sonoco	$ (334,070)	$ (2,160)	$ 9,111	$ 791	$ 420,062	$ 93,734
Diluted weighted average common shares outstanding (3):	100,082				543	100,625
Per diluted common share*	$ (3.34)	$ (0.02)	$ 0.09	$ 0.01	$ 4.17	$ 0.93

*Due to rounding individual items may not sum across

(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. In the second quarter of 2021 gains totaling approximately $5,500 were recognized related to the sale of previously closed facilities in the Company's tubes and core business. These were partially offset by net restructuring and asset impairment charges, mostly related to severance and asset write-offs, totaling approximately $4,000

(2) Includes non-operating pension costs, which include $547,000 of settlement charges, losses from early extinguishment of debt, and costs related to actual/potential acquisitions and divestitures, partially offset by a foreign VAT refund, including applicable interest, and a hedge gain related to a Euro-denominated loan repayment.

(3) Due to the magnitude of Non-Base losses in the second quarter 2021, the Company reported a GAAP Net Loss Attributable to Sonoco. In instances where a company has a net loss, GAAP requires that the company shall not consider any unexercised share awards or other like instruments dilutive for purposes of calculating weighted average shares outstanding. Accordingly, the Company did not consider any unexercised share awards dilutive in calculating weighted average shares outstanding for GAAP purposes in the table above, which resulted in Basic Weighted Average Shares Outstanding and Diluted Weighted Average Common Shares Outstanding being the same. However, the Company also presents Base Net Income Attributable to Sonoco, which excludes the net Non-Base items. In order to maintain consistency in the computation of Base Diluted EPS, unexercised stock instruments that meet GAAP requirements for dilution were considered dilutive to the same extent they would be if GAAP Net Income Attributable to Sonoco were equal to Base Net Income Attributable to Sonoco.

Dollars in thousands, except per share data	GAAP	Restructuring/ Asset Impairments(1)	Amortization of Acquisition Intangibles(2)	Acquisition/ Divestiture Related(3)	Other Adjustments(4)	Base
	For the six months ended July 3, 2022					
Operating profit	$ 366,538	$ 22,705	$ 39,671	$ 60,633	$ 21,398	$ 510,945
Non-operating pension costs	3,002	—	—	—	(3,002)	—
Interest expense, net	42,226	—	—	—	136	42,362
Income before income taxes	321,310	22,705	39,671	60,633	24,264	468,583
Provision for income taxes	79,888	2,477	9,790	14,764	10,842	117,761
Income before equity in earnings of affiliates	241,422	20,228	29,881	45,869	13,422	350,822
Equity in earnings of affiliates, net of tax	5,952	—	—	—	—	5,952
Net income	247,374	20,228	29,881	45,869	13,422	356,774
Net (income)/loss attributable to noncontrolling interests	(369)	100	—	—	—	(269)
Net income attributable to Sonoco	247,005	20,328	29,881	45,869	13,422	356,505
Per diluted common share*	$ 2.50	$ 0.21	$ 0.30	$ 0.47	$ 0.14	$ 3.61

*Due to rounding individual items may not sum across

(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. In the first half of 2022 the Company recognized asset impairment charges of $9,165 related to the Company's decision to exit its operations in Russia given the ongoing Russia-Ukraine conflict.

(2) Beginning in 2022 the Company redefined base results to exclude amortization of intangible assets related to acquisitions.

(3) Consists of legal, professional, and other service fees related to acquisition and divestiture transactions, whether potential or consummated, and charges related to inventory "step-up" associated with purchase accounting adjustments on acquisition transactions. As described in the body of the release, the majority of these charges relate to inventory "step-up", valuation, consulting, and other transaction costs associated with the January 2022 acquisition of Metal Packaging.

(4) Other Adjustments include after-tax charges of $18,994 related to increases in the Company's LIFO reserve, the remaining $5,572 after-tax net gain relates to certain derivative transactions and discrete tax adjustments, which were partially offset by non-operating pension charges.

Dollars in thousands, except per share data	For the six months ended July 4, 2021 GAAP	Restructuring/ Asset Impairments(1)	Amortization of Acquisition Intangibles	Acquisition Related Costs	Other Adjustments(2)	Base
Operating profit	$ 255,600	$ 5,401	$ 24,860	$ 11,488	$ (4,212)	$ 293,137
Non-operating pension costs	562,293	—	—	—	(562,293)	—
Interest expense, net	32,525	—	—	—	2,165	34,690
Loss from the early extinguishment of debt	20,184	—	—	—	(20,184)	—
(Loss)/Income before income taxes	(359,402)	5,401	24,860	11,488	576,100	258,447
(Benefit from)/Provision for income	(94,106)	2,341	6,158	2,794	149,778	66,965
(Loss)/Income before equity in earnings of affiliates	(265,296)	3,060	18,702	8,694	426,322	191,482
Equity in earnings of affiliates, net of tax	3,350	—	—	—	—	3,350
Net (loss)/ income	(261,946)	3,060	18,702	8,694	426,322	194,832
Net (income)/loss attributable to noncontrolling interests	172	—	—	—	—	172
Net (loss)/income attributable to Sonoco	$ (261,774)	$ 3,060	$ 18,702	$ 8,694	$ 426,322	$ 195,004
Diluted weighted average common shares outstanding (3):	100,571				498	101,069
Per diluted common share*	$ (2.60)	$ 0.03	$ 0.19	$ 0.09	$ 4.22	$ 1.93

*Due to rounding individual items may not sum across

(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. In the first six months of 2021 restructuring and asset impairment charges, mostly related to asset write-offs and severance, totaled approximately $10,900. These were partially offset by gains totaling approximately $5,500 related to the sale of previously closed facilities in the Company's tubes and core business.

(2) Includes non-operating pension costs, which include $547,000 of settlement charges and losses from early extinguishment of debt. Additionally, includes acquisition/divestiture-related costs, the loss on the disposition of the Company's U.S. display and packaging business, which were partially offset by a hedge gain related to a Euro-denominated loan repayment, a foreign VAT refund, including applicable interest, and life insurance gains.

(3) Due to the magnitude of Non-Base losses in the second quarter 2021, the Company reported a GAAP Net Loss Attributable to Sonoco. In instances where a company has a net loss, GAAP requires that the company shall not consider any unexercised share awards or other like instruments dilutive for purposes of calculating weighted average shares outstanding. Accordingly, the Company did not consider any unexercised share awards dilutive in calculating weighted average shares outstanding for GAAP purposes in the table above, which resulted in Basic Weighted Average Shares Outstanding and Diluted Weighted Average Common Shares Outstanding being the same. However, the Company also presents Base Net Income Attributable to Sonoco, which excludes the net Non-Base items. In order to maintain consistency in the computation of Base Diluted EPS, unexercised stock instruments that meet GAAP requirements for dilution were considered dilutive to the same extent they would be if GAAP Net Income Attributable to Sonoco were equal to Base Net Income Attributable to Sonoco.

FREE CASH FLOW*	Six Months Ended July 3, 2022	Six Months Ended July 4, 2021
Net cash provided by operating activities	$ 184,465	$ 101,953
Purchase of property, plant and equipment, net	$ (144,119)	$ (92,526)
Free Cash Flow	$ 40,346	$ 9,427

	Year Ended		
	Estimated Low End	Estimated High End	Actual
FREE CASH FLOW*	December 31, 2022	December 31, 2022	December 31, 2021
Net cash provided by operating activities	$ 690,000	$ 740,000	$ 298,672
Add: Pension-settlement -related contribution	$ —	$ —	$ 124,432
Net cash provided by operating activities excluding 2021 pension-settlement-related contribution	$ 690,000	$ 740,000	$ 423,104
Purchase of property, plant and equipment, net	(325,000)	(325,000)	$ (242,853)
Free Cash Flow excluding 2021 pension-settlement-related contribution	$ 365,000	$ 415,000	$ 180,251

* Free Cash Flow is a non-GAAP measure that does not imply the amount of residual cash flow available for discretionary expenditures, as both it and net cash provided by operating activities do not include mandatory debt service requirements and other non-discretionary expenditures. Note that this is the Company's definition of this metric and may not be comparable to similarly named metrics of other organizations.