

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, non-operating pension costs or income, environmental charges, acquisition-related costs, gains or losses from the disposition of businesses, excess property insurance recoveries, pension settlement costs, 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 this press release 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. Third-quarter and full-year 2019 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 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.

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 June 30, 2019**Dollars and shares in thousands, except per share data*

Three Months Ended June 30, 2019	Non-GAAP Adjustments			
	GAAP	Restructuring / Asset Impairment Charges(1)	Other Adjustments(2)	Base
Operating profit	\$ 129,768	\$ 13,355	\$ 1,212	\$ 144,335
Non-operating pension costs	5,550	—	(5,550)	—
Interest expense, net	15,952	—	—	15,952
Income before income taxes	108,266	13,355	6,762	128,383
Provision for income taxes	28,491	3,307	1,430	33,228
Income before equity in earnings of affiliates	79,775	10,048	5,332	95,155
Equity in earnings of affiliates, net of taxes	1,511	—	—	1,511
Net income	81,286	10,048	5,332	96,666
Net (income) attributable to noncontrolling	(127)	(69)	—	(196)
Net income attributable to Sonoco	<u>\$ 81,159</u>	<u>\$ 9,979</u>	<u>\$ 5,332</u>	<u>\$ 96,470</u>
Per Diluted Share	\$ 0.80	\$ 0.10	\$ 0.05	\$ 0.95
*Due to rounding individual items may not sum across				
Effective tax rate	26.3%			25.9%

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*

Three Months Ended July 1, 2018	Non-GAAP Adjustments			
	GAAP	Restructuring / Asset Impairment Charges(1)	Other Adjustments(3)	Base
Operating profit	\$ 131,862	\$ 3,567	\$ 2,839	\$ 138,268
Non-operating pension costs	513	—	(513)	—
Interest expense, net	15,127	—	—	15,127
Income before income taxes	116,222	3,567	3,352	123,141
Provision for income taxes	30,293	1,046	1,626	32,965
Income before equity in earnings of affiliates	85,929	2,521	1,726	90,176
Equity in earnings of affiliates, net of taxes	3,716	—	—	3,716
Net income	89,645	2,521	1,726	93,892
Net (income) attributable to noncontrolling	(233)	(15)	—	(248)
Net income attributable to Sonoco	<u>\$ 89,412</u>	<u>\$ 2,506</u>	<u>\$ 1,726</u>	<u>\$ 93,644</u>
Per Diluted Share	<u>\$ 0.88</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.93</u>
*Due to rounding individual items may not sum across				
Effective tax rate	26.1%			26.8%

- (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 of non-operating pension costs and costs related to acquisitions and potential acquisitions and divestitures.
- (3) Consists primarily of acquisition-related costs, the effect of the change in the US corporate tax rate on deferred tax adjustments and a small gain from a casualty loss insurance settlement partially offset by costs related to acquisitions and potential acquisitions. These amounts also include all amounts related to non-operating pension costs.

Reconciliation of GAAP to Non-GAAP Financial Measures

For the six months ended June 30, 2019

Dollars and shares in thousands, except per share data

Six Months Ended June 30, 2019	GAAP	Non-GAAP Adjustments		Base
		Restructuring / Asset Impairment Charges(1)	Other Adjustments(2)	
Operating profit	246,656	24,027	1,612	272,295
Non-operating pension costs	11,591	—	(11,591)	—
Interest expense, net	31,337	—	—	31,337
Income before income taxes	203,728	24,027	13,203	240,958
Provision for income taxes	51,115	5,945	3,315	60,375
Income before equity in earnings of affiliates	152,613	18,082	9,888	180,583
Equity in earnings of affiliates, net of taxes	2,441	—	—	2,441
Net income	155,054	18,082	9,888	183,024
Net (income) attributable to noncontrolling interests	(232)	(138)	—	(370)
Net income attributable to Sonoco	\$ 154,822	\$ 17,944	\$ 9,888	\$ 182,654
Per Diluted Share*	\$ 1.53	\$ 0.18	\$ 0.10	\$ 1.81
Effective tax rate		25.1%		25.1%

*Due to rounding individual items may not foot across

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

<u>Six Months Ended July 1, 2018</u>	<u>Non-GAAP Adjustments</u>			Base
	GAAP	Restructuring / Asset Impairment	Other Adjustments(3)	
Operating profit	241,960	6,630	2,959	251,549
Non-operating pension costs	222	—	(222)	—
Interest expense, net	28,482	—	—	28,482
Income before income taxes	213,256	6,630	3,181	223,067
Provision for income taxes	53,649	1,731	3,465	58,845
Income before equity in earnings of affiliates	159,607	4,899	(284)	164,222
Equity in earnings of affiliates, net of taxes	4,963	—	—	4,963
Net income	164,570	4,899	(284)	169,185
Net (income) attributable to noncontrolling interests	(1,103)	(20)	—	(1,123)
Net income attributable to Sonoco	<u>\$ 163,467</u>	<u>\$ 4,879</u>	<u>\$ (284)</u>	<u>\$ 168,062</u>
Per Diluted Share*	<u>\$ 1.62</u>	<u>\$ 0.05</u>	<u>\$ —</u>	<u>\$ 1.66</u>

*Due to rounding individual items may not foot across

Effective tax rate	25.2%	26.4%
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(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 of non-operating pension costs and costs related to acquisitions and potential acquisitions and divestitures.

(3) Consists primarily of acquisition-related costs, partially offset by a gain from the effect of a change in the U.S. corporate tax rate on deferred tax adjustments, and a small insurance settlement gain.

FREE CASH FLOW*	Six Months Ended	
	June 30, 2019	July 1, 2018
Net cash provided by operating activities	\$ 40,081	\$ 251,248
Purchase of property, plant and equipment, net	(100,774)	(82,688)
Cash dividends	(84,160)	(79,801)
Free Cash Flow	<u>\$ (144,853)</u>	<u>\$ 88,759</u>

FREE CASH FLOW*	Year Ended		
	Estimated Low	Estimated High	Actual
	December 31, 2019	December 31, 2019	December 31, 2018
Net cash provided by operating activities	\$ 435,000	\$ 455,000	\$ 589,898
Purchase of property, plant and equipment, net	(205,000)	(205,000)	(168,286)
Cash dividends	(170,000)	(170,000)	(161,434)
Free Cash Flow	<u>\$ 60,000</u>	<u>\$ 80,000</u>	<u>\$ 260,178</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.