

## **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 2017 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 2, 2017**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges <sup>(1)</sup>	Other Adjustments <sup>(2)</sup>	
Income before interest and income taxes	\$70,770	\$7,897	\$36,305	\$114,972
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 three months ended July 3, 2016**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges <sup>(1)</sup>	Other Adjustments <sup>(4)</sup>	
Income before interest and income taxes	\$92,124	\$23,278	\$837	\$116,239
Interest expense, net	13,544	-	-	13,544
Income before income taxes	78,580	23,278	837	102,695
Provision for income taxes	24,790	5,425	233	30,448
Income before equity in earnings of affiliates	53,790	17,853	604	72,247
Equity in earnings of affiliates, net of tax	2,928	-	-	2,928
Net income	56,718	17,853	604	75,175
Net (income) attributable to noncontrolling interests	(466)	(38)	-	(504)
Net income attributable to Sonoco	\$56,252	\$17,815	\$604	\$74,671
Per diluted common share	\$0.55	\$0.17	\$0.01	\$0.73
Effective tax rate	31.5%			29.6%

**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*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges <sup>(1)</sup>	Other Adjustments <sup>(3)</sup>	
Income before interest and income taxes	160,743	12,008	38,998	211,749
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%

**Reconciliation of GAAP to Non-GAAP Financial Measures***For the six months ended July 3, 2016**Dollars and shares in thousands, except per share data*

	GAAP	Non-GAAP Adjustments		Base
		Restructuring/ Asset Impairment Charges <sup>(1)</sup>	Other Adjustments <sup>(4)</sup>	
Income before interest and income taxes	193,956	32,506	1,248	227,710
Interest expense, net	27,331	-	-	27,331
Income before income taxes	166,625	32,506	1,248	200,379
Provision for income taxes	53,984	8,345	340	62,669
Income before equity in earnings of affiliates	112,641	24,161	908	137,710
Equity in earnings of affiliates, net of tax	4,267	-	-	4,267
Net income	116,908	24,161	908	141,977
Net (income) attributable to noncontrolling interests	(742)	(45)	-	(787)
Net income attributable to Sonoco	\$116,166	\$24,116	\$908	\$141,190
Per diluted common share	\$1.14	\$0.24	\$0.01	\$1.38
Effective tax rate	32.4%			31.3%

- (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 pension settlement charges of \$31,074 and costs related to acquisitions and potential acquisitions which were partially offset by insurance settlement gains.
- (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. 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.
- (4) Consists primarily of costs related to acquisitions and potential acquisitions.

	<b>Six Months Ended</b>	
	<b>July 2, 2017</b>	<b>July 3, 2016</b>
<b>FREE CASH FLOW*</b>		
Net cash provided by operating activities	\$104,282	\$186,049
Purchase of property, plant and equipment, net	(96,846)	(103,616)
Cash dividends	(75,604)	(72,679)
Free Cash Flow	<u>(68,168)</u>	<u>(9,754)</u>

	<b>Twelve Months Ended</b>	
	<b>Estimated December 31, 2017</b>	<b>Actual December 31, 2016</b>
<b>FREE CASH FLOW*</b>		
Net cash provided by operating activities	\$445,000	\$398,679
Purchase of property, plant and equipment, net	(191,000)	(186,741)
Cash dividends	(154,000)	(146,364)
Free Cash Flow	<u>\$100,000</u>	<u>\$65,574</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.