

Sonoco Products Company

Reconciliation of Non-GAAP Financial Measure

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 related to restructuring initiatives, asset impairment charges, 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 in this press release as "Base Earnings," "Base Earnings per Diluted Share," and "Base Provision for Income Taxes." In addition, as discussed above, starting in 2022 (including full-year and first quarter guidance for 2022) and going forward, the Company will also include adjustments in these non-GAAP financial measures to add back amounts relating to amortization-related expense on acquisition intangibles in order to better align such measures with those of its peers, better reflect the Company's operating performance and increase the usefulness of such measures to the investing community.

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. First-quarter and full-year 2022 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, 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.

<u>Three Months Ended December 31, 2021</u>	<u>Non-GAAP Adjustments</u>				Base
	GAAP	Restructuring / Asset Impairment Charges(1)	Acquisition Related Costs(2)	Other Adjustments(3)	
Operating profit	\$ 104,741	\$ 5,321	\$ 5,219	\$ 9,377	\$ 124,658
Non-operating pension costs	5,598	—	—	(5,598)	—
Interest expense, net	12,491	—	—	—	12,491
Income before income taxes	86,652	5,321	5,219	14,975	112,167
Provision for income taxes	24,112	2,710	550	(739)	26,633
Income before equity in earnings of affiliates	62,540	2,611	4,669	15,714	85,534
Equity in earnings of affiliates, net of taxes	5,140	—	—	(1,394)	3,746
Net income	67,680	2,611	4,669	14,320	89,280
Net (income) attributable to noncontrolling interests	(2,523)	—	—	2,052	(471)
Net income attributable to Sonoco	<u>\$ 65,157</u>	<u>\$ 2,611</u>	<u>\$ 4,669</u>	<u>\$ 16,372</u>	<u>\$ 88,809</u>
Per Diluted Share*	<u>\$ 0.66</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.17</u>	<u>\$ 0.90</u>

*Due to rounding individual items may not sum across

<u>Three Months Ended December 31, 2020</u>	<u>Non-GAAP Adjustments</u>				Base
	GAAP	Restructuring / Asset Impairment Charges(1)	Acquisition Related Costs(2)	Other Adjustments(4)	
Operating profit	\$ 17,230	85,947	3,613	19,190	\$ 125,980
Non-operating pension costs	7,510	—	—	(7,510)	—
Interest expense, net	18,759	—	—	—	18,759
(Loss)/Income before income taxes	(9,039)	85,947	3,613	26,700	107,221
Provision for income taxes	3,693	17,847	901	2,788	25,229
(Loss)/Income before equity in earnings of affiliates	(12,732)	68,100	2,712	23,912	81,992
Equity in earnings of affiliates, net of taxes	1,449	—	—	—	1,449
Net (loss)/income	(11,283)	68,100	2,712	23,912	83,441
Net (income) attributable to noncontrolling interests	(359)	(34)	—	—	(393)
Net (loss)/income attributable to Sonoco	<u>\$ (11,642)</u>	<u>\$ 68,066</u>	<u>\$ 2,712</u>	<u>\$ 23,912</u>	<u>\$ 83,048</u>
Diluted weighted average common shares outstanding(5):	100,948			395	101,343
Per Diluted Share*	<u>\$ (0.12)</u>	<u>\$ 0.67</u>	<u>\$ 0.03</u>	<u>\$ 0.24</u>	<u>\$ 0.82</u>

*Due to rounding individual items may not sum across

(1) Restructuring/Asset impairment charges are a recurring item as Sonoco's restructuring actions 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. Additionally, 2020 includes net asset impairment charges totaling \$74,878 mostly related to the Company's Plastics - Food business.

(2) Includes costs related to potential and actual acquisitions and divestitures.

(3) Includes non-operating pension expenses and other one-time charges.

(4) Includes the pre-tax loss on the divestiture of the Company's contract packaging business in Europe of \$14,516 as well as non-operating pension expenses.

(5) Due to the magnitude of certain expenses considered by management to be non-base and included in Other Adjustments, the Company reported a quarter-to-date GAAP Net Loss Attributable to Sonoco. In instances where a company has a net loss, including potential common shares in the denominator of a diluted earnings per-share computation will have an antidilutive effect on the per-share loss. GAAP therefore requires the exclusion of any unexercised share awards or other like instruments for purposes of calculating weighted average shares outstanding. Accordingly, the Company did not include any unexercised share awards or other like instruments in calculating weighted average shares outstanding for GAAP purposes in the table above, which resulted in Basic Weighted Average Common 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 and comparability of Base Diluted EPS, dilutive unexercised share awards were included in the calculation to the same extent they would have been had GAAP Net Income Attributable to Sonoco been equal to Base Net Income Attributable to Sonoco.

Non-GAAP Adjustments

<u>Twelve Months Ended December 31, 2021</u>	<u>Non-GAAP Adjustments</u>				Base
	GAAP	Restructuring / Asset Impairment Charges(1)	Acquisition Related Costs(2)	Other Adjustments(3)	
Operating profit	\$ 486,853	\$ 14,210	\$ 17,722	\$ (3,420)	\$ 515,365
Non-operating pension costs	568,416	—	—	(568,416)	—
Interest expense, net	59,235	—	—	2,165	61,400
Loss from the early extinguishment of debt	20,184	—	—	(20,184)	—
(Loss)/Income before income taxes	(160,982)	14,210	17,722	583,015	453,965
(Benefit from)/Provision for income taxes	(67,430)	5,363	3,535	165,531	106,999
(Loss)/Income before equity in earnings of affiliates	(93,552)	8,847	14,187	417,484	346,966
Equity in earnings of affiliates, net of taxes	10,841	—	—	(1,394)	9,447
Net (loss)/income	(82,711)	8,847	14,187	416,090	356,413
Net (income) attributable to noncontrolling interests	(2,766)	—	—	2,052	(714)
Net (loss)/income attributable to Sonoco	<u>\$ (85,477)</u>	<u>\$ 8,847</u>	<u>\$ 14,187</u>	<u>\$ 418,142</u>	<u>\$ 355,699</u>
Diluted weighted average common shares outstanding(4):	99,608			469	100,077
Per Diluted Share*	<u>\$ (0.86)</u>	<u>\$ 0.09</u>	<u>\$ 0.14</u>	<u>\$ 4.18</u>	<u>\$ 3.55</u>

*Due to rounding individual items may not sum across

Non-GAAP Adjustments

<u>Twelve Months Ended December 31, 2020</u>	<u>Non-GAAP Adjustments</u>				Base
	GAAP	Restructuring / Asset Impairment Charges(1)	Acquisition Related Costs(2)	Other Adjustments(5)	
Operating profit	\$ 357,804	145,580	4,671	18,934	\$ 526,989
Non-operating pension costs	30,142			(30,142)	—
Interest expense, net	72,070	—	—	—	72,070
Income before income taxes	255,592	145,580	4,671	49,076	454,919
Provision for income taxes	53,030	32,868	1,236	27,126	114,260
Income before equity in earnings of affiliates	202,562	112,712	3,435	21,950	340,659
Equity in earnings of affiliates, net of taxes	4,679	—	—	—	4,679
Net income	207,241	112,712	3,435	21,950	345,338
Net loss attributable to noncontrolling interests	222	(60)	—	—	162
Net income attributable to Sonoco	<u>\$ 207,463</u>	<u>\$ 112,652</u>	<u>\$ 3,435</u>	<u>\$ 21,950</u>	<u>\$ 345,500</u>
Per Diluted Share*	<u>\$ 2.05</u>	<u>\$ 1.11</u>	<u>\$ 0.03</u>	<u>\$ 0.22</u>	<u>\$ 3.41</u>

*Due to rounding individual items may not sum across

(1) Restructuring/Asset impairment charges are a recurring item as Sonoco's restructuring actions 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. Additionally, 2020 includes net asset impairment charges totaling \$100,242 mostly related to the Company's Plastics- Food business.

(2) Includes costs related to potential and actual acquisitions and divestitures.

(3) Includes non-operating pension expenses related to after-tax pension settlement charges of \$410,417 mostly related to the Company's settlement of its US Inactive Plan in the second quarter.

(4) Due to the magnitude of certain expenses considered by management to be non-base and included in Other Adjustments, the Company reported a year-to-date GAAP Net Loss Attributable to Sonoco. In instances where a company has a net loss, including potential common shares in the denominator of a diluted earnings per-share computation will have an antidilutive effect on the per-share loss. GAAP therefore requires the exclusion of any unexercised share awards or other like instruments for purposes of calculating weighted average shares outstanding. Accordingly, the Company did not include any unexercised share awards or other like instruments in calculating weighted average shares outstanding for GAAP purposes in the table above, which resulted in Basic Weighted Average Common 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 and comparability of Base Diluted EPS, dilutive unexercised share awards were included in the calculation to the same extent they would have been had GAAP Net Income Attributable to Sonoco been equal to Base Net Income Attributable to Sonoco.

(5) Includes the pre-tax loss on the divestiture of the Company's contract packaging business in Europe of \$14,516 as well as non-operating pension expenses. The tax benefit of \$27,126 was driven by the income tax benefit related to the divestiture loss, approximately \$17,400.

Twelve Months Ended

	Actual	Actual
	December 31, 2021	December 31, 2020
FREE CASH FLOW*		
Net cash provided by operating activities	\$ 298,672	\$ 705,621
Purchase of property, plant and equipment, net	(242,853)	(181,161)
Free Cash Flow	\$ 55,819	\$ 524,460

Twelve Months Ended

	Estimated Low	Estimated High
	December 31, 2022	December 31, 2022
FREE CASH FLOW*		
Net cash provided by operating activities	\$ 690,000	\$ 740,000
Purchase of property, plant and equipment	(325,000)	(325,000)
Free Cash Flow	\$ 365,000	\$ 415,000

* 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. Beginning in 2021, the Company defined Free Cash Flow as cash from operating activities less purchases of property, plant, and equipment, net. Purchase of property, plant, and equipment, net are defined as purchases of property, plant, and equipment minus proceeds from, and/or plus costs incurred in, the disposition of capital assets.