

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, 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." In addition, as discussed above, starting in 2022 (including full-year and second quarter guidance for 2022) and going forward, the Company will also include adjustments in these non-GAAP financial measures to add back amortization 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. Prior periods Base results have been revised to conform with this new presentation. Additionally, beginning in 2022 and going forward changes in the Company's LIFO Reserve are excluded for Base purposes. However, prior period amounts have not been revised for this change due to immateriality.

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.

For the three months ended April 3, 2022

<i>Dollars in thousands, except per share data</i>	Non-Base Adjustments					Base
	GAAP	Restructuring/ Asset Impairments⁽¹⁾	Amortization of Acquisition Intangibles⁽²⁾	Acquisition/ Divestiture Related⁽³⁾	Other Adjustments⁽⁴⁾	
Operating profit	\$ 169,061	\$ 12,142	\$ 18,800	\$ 48,352	\$ 12,438	\$ 260,793
Non-operating pension costs	1,324	—	—	—	(1,324)	—
Interest expense, net	19,065	—	—	—	—	19,065
Income before income taxes	148,672	12,142	18,800	48,352	13,762	241,728
Provision for income taxes	35,289	1,635	4,630	11,756	7,738	61,048
Income before equity in earnings of affiliates	113,383	10,507	14,170	36,596	6,024	180,680
Equity in earnings of affiliates, net of tax	2,224	—	—	—	—	2,224
Net income	115,607	10,507	14,170	36,596	6,024	182,904
Net (income)/loss attributable to noncontrolling interests	(274)	61	—	—	—	(213)
Net income attributable to Sonoco	115,333	10,568	14,170	36,596	6,024	182,691
Per diluted common share*	\$ 1.17	\$ 0.11	\$ 0.14	\$ 0.37	\$ 0.06	\$ 1.85

*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 quarter of 2022 the Company recognized asset impairment charges of \$5,713 related to the Company's decision to exit its operations in Russia given the ongoing Russia-Ukraine conflict. Of the \$12,142, approximately \$6,309 were cash expenses.

(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 the January 2022 acquisition of Metal Packaging.

(4) Other Adjustments include after-tax charges of \$14,217 related to increases in the Company's LIFO reserve, the remaining \$8,193 after-tax net gain relates to certain derivative transactions and discrete tax adjustments, which were partially offset by non-operating pension charges.

For the three months ended April 4, 2021

<i>Dollars in thousands, except per share data</i>	Non-Base Adjustments					Base
	GAAP	Restructuring/ Asset Impairments ⁽¹⁾	Amortization of Acquisition Intangibles ⁽²⁾	Acquisition/ Divestiture Related ⁽³⁾	Other Adjustments ⁽⁴⁾	
Operating profit	\$ 120,309	\$ 6,846	\$ 12,749	\$ 10,025	\$ 2,487	\$ 152,416
Non-operating pension costs	7,284	—	—	—	(7,284)	—
Interest expense, net	17,731	—	—	—	—	17,731
Income before income taxes	95,294	6,846	12,749	10,025	9,771	134,685
Provision for income taxes	24,045	1,626	3,158	2,123	3,510	34,462
Income before equity in earnings of affiliates	71,249	5,220	9,591	7,902	6,261	100,223
Equity in earnings of affiliates, net of tax	1,044	—	—	—	—	1,044
Net income	72,293	5,220	9,591	7,902	6,261	101,267
Net loss attributable to noncontrolling interests	4	—	—	—	—	4
Net income attributable to Sonoco	<u>\$ 72,297</u>	<u>\$ 5,220</u>	<u>\$ 9,591</u>	<u>\$ 7,902</u>	<u>\$ 6,261</u>	<u>\$ 101,271</u>
Per diluted common share*	<u>\$ 0.71</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 1.00</u>

*Due to rounding individual items may not sum across

(1) Restructuring 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. Asset impairment charges totaling \$4,149 were recognized in 2021 related to certain assets in the Company's perimeter-of-the-store thermoforming operations and temperature-assured packaging business for which the projected undiscounted cash flows were not sufficient to cover their carrying value.

(2) Beginning in 2022 the Company redefined Base results to exclude amortization of intangible assets related to acquisitions. Prior year has been revised to conform with current year presentation.

(3) Consists of legal, professional, and other service fees related to acquisition and divestiture transactions, whether potential or consummated.

(4) Includes non-operating pension costs, the loss from the divestiture of the U.S. display and packaging business, partially offset by gains from insurance proceeds.

<i>Dollars in thousands, except per share data</i>	Q1 2022	Q1 2021	FY 2021	FY 2020
GAAP Net income attributable to Sonoco	\$ 115,333	\$ 72,297	\$ (85,477)	\$ 207,463
Equity in earnings of affiliates and Net Income/Loss attributable to noncontrolling Interests	1,950	1,048	8,075	4,901
Provision for income taxes	35,289	24,045	(67,430)	53,030
Non-operating pension costs, net interest expense and loss from early extinguishment of debt	20,389	25,015	647,835	102,212
Operating profit	169,061	120,309	486,853	357,804
Operating profit non-base adjustments	91,732	32,107	77,931	222,084
Base operating profit	260,793	152,416	564,784	579,888
Depreciation	51,697	48,809	191,944	199,417
Base earnings before interest, taxes, depreciation and amortization	\$ 312,490	\$ 201,225	\$ 756,728	\$ 779,305

*Due to rounding individual items may not sum

FREE CASH FLOW*	Three Months Ended	
	April 3, 2022	April 4, 2021
Net cash provided by operating activities	\$ 1,060	\$ 138,715
Purchase of property, plant and equipment, net	(67,324)	(39,315)
Free Cash Flow	\$ (66,264)	\$ 99,400

FREE CASH FLOW*	Year Ended		
	Estimated Low End	Estimated High End	Actual
	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	—	—	133,000
Net cash provided by operating activities excluding pension-settlement-related contribution	\$ 690,000	\$ 740,000	\$ 431,672
Purchase of property, plant and equipment, net	(325,000)	(325,000)	(242,853)
Free Cash Flow*	\$ 365,000	\$ 415,000	\$ 188,819

* 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.