

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 related to restructuring initiatives, asset impairment charges, environmental charges, acquisition costs, excess insurance recoveries, losses from the early extinguishment of debt, and certain 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 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 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. Full-year 2016 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 October 2, 2016**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ^(1,2)	Other Adjustments ⁽³⁾	
Income before interest and income taxes	\$104,843	\$8,947	\$943	\$114,733
Interest expense, net	12,437	-	-	12,437
Income before income taxes	92,406	8,947	943	102,296
Provision for income taxes	29,618	2,097	(357)	31,358
Income before equity in earnings of affiliates	62,788	6,850	1,300	70,938
Equity in earnings of affiliates, net of tax	3,190	-	-	3,190
Net income	65,978	6,850	1,300	74,128
Net (income) attributable to noncontrolling interests	(583)	(34)	-	(617)
Net income attributable to Sonoco	\$65,395	\$6,816	\$1,300	\$73,511
Per diluted common share	\$0.64	\$0.07	\$0.01	\$0.72
Effective tax rate	32.1%			30.7%

Reconciliation of GAAP to Non-GAAP Financial Measures*For the three months ended September 27, 2015**Dollars and shares in thousands, except per share data*

	Non-GAAP Adjustments			Base
	GAAP	Restructuring/ Asset Impairment Charges ^(1,4)	Other Adjustments ⁽⁵⁾	
Income before interest and income taxes	\$79,481	\$19,551	\$6,858	\$105,890
Interest expense, net	13,687	-	-	13,687
Income before income taxes	65,794	19,551	6,858	92,203
Provision for income taxes	24,775	1,574	2,018	28,367
Income before equity in earnings of affiliates	41,019	17,977	4,840	63,836
Equity in earnings of affiliates, net of tax	2,976	-	-	2,976
Net income	43,995	17,977	4,840	66,812
Net (income) attributable to noncontrolling interests	(81)	(5)	-	(86)
Net income attributable to Sonoco	\$43,914	\$17,972	\$4,840	\$66,726
Per diluted common share	\$0.43	\$0.18	\$0.05	\$0.65
Effective tax rate	37.7%			30.8%

- (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) Includes goodwill impairment charge related to industrial converting products business in Brazil.
- (3) Consists primarily of costs related to acquisitions and potential acquisitions.
- (4) Includes \$12,065 of asset impairment charges related to the devaluation of the Venezuelan Bolivar.
- (5) Consists primarily of legal and professional expenses associated with the Company's investigation of financial misstatements in Mexico and acquisition-related costs.

Reconciliation of GAAP to Non-GAAP Financial Measures

Earnings per Diluted Share (EPS)

	Estimated Fourth Quarter 2016		Estimated Full-Year 2016	
	Low	High	Low	High
GAAP EPS	\$ 0.95	\$ 1.04	\$ 2.73	\$ 2.82
GAAP to Base Adjustments:				
Restructuring/ Asset Impairment Charges	0.07	0.04 ⁽¹⁾	0.37	0.34 ^(1,2)
Gain on Disposition of Rigid Plastics Blow Molding Operations	(0.47)	(0.47)	(0.47)	(0.47)
Other Adjustments	0.05	0.04 ⁽³⁾	0.07	0.06 ⁽³⁾
Base EPS	<u>\$ 0.60</u>	<u>\$ 0.65</u>	<u>\$ 2.70</u>	<u>\$ 2.75</u>

- (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) Includes goodwill impairment charge related to industrial converting products business in Brazil.
- (3) Consists primarily of costs related to the disposition of the rigid plastics Blow Molding operations and costs related to acquisitions and potential acquisitions.

	Twelve Months Ended		
	Estimated December 31, 2016	Estimated December 31, 2017	Estimated December 31, 2018
FREE CASH FLOW*			
Net cash provided by operating activities	\$398,000	\$470,000	\$485,000
Purchase of property, plant and equipment	\$(191,500)	\$(190,000)	\$(190,000)
Proceeds from the sale of assets	10,000	-	-
Cost of disposition of assets	(8,500)	-	-
Purchase of property, plant and equipment, net	(190,000)	(190,000)	(190,000)
Cash dividends	(147,000)	(154,000)	(162,000)
Free Cash Flow	<u>\$61,000</u>	<u>\$126,000</u>	<u>\$133,000</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.