

■ 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" results. Some of the information presented in this annual report reflects the Company's "as reported" results adjusted to exclude certain amounts related to the Company's restructuring, asset impairment and environmental charges and certain non-recurring or infrequent and unusual items. These adjustments result in the non-GAAP financial measures referred to 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. Accordingly, 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 that includes the impact of restructuring, asset impairment and environmental charges, non-recurring or infrequent and unusual items, and the non-GAAP measures that exclude them. Whenever Sonoco uses a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures as detailed.

BASE EARNINGS PER DILUTED SHARE (BASE EPS)

Base EPS is a non-GAAP financial measure of earnings per diluted share, which excludes the impact of restructuring, asset impairment and environmental charges and certain non-recurring or infrequent and unusual items. The following tables set forth the reconciliation of GAAP earnings per diluted share to base earnings per diluted share:

	Years ended December 31					
	2008	2007	2006	2005	2004	2003
Earnings per diluted share, as reported (GAAP)	\$1.63	\$2.10	\$1.92	\$1.61	\$1.53	\$1.43
Adjusted for:						
Restructuring and asset impairment charges, net of tax	.30	.25	.21	.13	.14	.38
Financial asset impairment, net of tax	.31					
Legal settlement, net of tax					.03	
Executive life insurance, net of tax					.04	
Environmental reserve, net of tax		.15		.08		
Recognition of certain tax benefits/ tax repatriation		(.12)		.10	(.09)	
Gain on sale of discontinued operations, net of tax						(.51)
Base earnings per diluted share (non-GAAP)	\$2.24	\$2.38	\$2.13	\$1.92	\$1.65	\$1.30

BASE EARNINGS

Base earnings is a non-GAAP financial measure of net income, which excludes the impact of restructuring, asset impairment and environmental charges and of certain non-recurring or infrequent and unusual items. The following table sets forth the reconciliation of GAAP net income to base earnings (dollars in millions):

	Years ended December 31		
	2008	2007	2006
Net income, as reported (GAAP)	\$164.6	\$214.2	\$195.1
Adjusted for:			
Restructuring and asset impairment charges, net of tax	30.8	25.3	20.9
Financial asset impairment, net of tax	31.0		
Environmental reserve, net of tax		14.8	
Release of certain tax reserves		(11.9)	
Base earnings (non-GAAP)	\$226.4	\$242.4	\$216.0

■ SELECTED ELEVEN-YEAR FINANCIAL DATA (unaudited)

dollars and shares in thousands except per share

<i>Years ended December 31</i>	2008	2007	2006	2005
Operating Results¹				
Net sales	\$4,122,385	\$4,039,992	\$3,656,839	\$3,528,574
Cost of sales and operating expenses	3,772,751	3,695,917	3,310,751	3,232,590
Other expense, net ²	100,061	36,191	25,970	21,237
Interest expense	53,401	61,440	51,952	51,559
Interest income	(6,204)	(9,182)	(6,642)	(7,938)
Income before income taxes	202,376	255,626	274,808	231,126
Provision for income taxes ³	54,797	55,186	93,329	84,174
Equity in earnings of affiliates/minority interest ⁴	17,029	13,716	13,602	14,925
Income from continuing operations	164,608	214,156	195,081	161,877
Income from discontinued operations, net of income taxes				
Income before extraordinary loss	164,608	214,156	195,081	161,877
Extraordinary loss, net of income tax benefit				
Net income	164,608	214,156	195,081	161,877
Per common share				
Net income available to common shareholders:				
Basic	\$1.64	\$2.13	\$1.95	\$1.63
Diluted	1.63	2.10	1.92	1.61
Cash dividends – common	1.07	1.02	.95	.91
Average common shares outstanding:				
Basic	100,321	100,632	100,073	99,336
Diluted	100,986	101,875	101,534	100,418
Actual common shares outstanding at December 31	99,732	99,431	100,550	99,988
Financial Position				
Net working capital	\$ 231,794	\$ 269,598	\$ 282,974	\$ 265,014
Property, plant and equipment, net	973,442	1,105,342	1,019,594	943,951
Total assets	3,086,466	3,340,243	2,916,678	2,981,740
Long-term debt	656,847	804,339	712,089	657,075
Total debt	689,825	849,538	763,992	781,605
Shareholders' equity	1,162,975	1,441,537	1,219,068	1,263,314
Current ratio	1.3	1.4	1.4	1.4
Total debt to total capital ⁵	37.2%	37.1%	38.5%	38.2%
Other Data				
Depreciation, depletion and amortization expense ¹	\$ 183,034	\$ 181,339	\$ 164,863	\$ 163,074
Cash dividends declared – common	106,558	102,658	94,745	90,126
Market price per common share (ending)	23.16	32.68	38.06	29.40
Return on total equity ^{1,2}	11.7%	16.4%	15.7%	13.5%
Return on net sales ^{1,2}	4.0%	5.3%	5.3%	4.6%

1 Operating results for 1998-2002 have been restated to reclassify the High Density Film business, which was sold in 2003, as discontinued operations.

2 2008 data reflects net charges of \$100,060 pretax, \$65,900 after tax, for restructuring and asset impairment charges. 2007 data reflects net charges of \$36,191 pretax, \$25,356 after tax, for restructuring and asset impairment charges. 2006 data reflects net charges of \$25,970 pretax, \$21,330 after tax, for restructuring charges. 2005 data reflects net charges of \$21,237 pretax, \$14,343 after tax for restructuring cost. 2004 data reflects net charges of \$18,982 pretax, \$16,154 after tax, for restructuring costs. 2003 data reflects net charges of \$50,056 pretax, \$35,329 after tax, for restructuring costs. 2002 data

	2004	2003	2002	2001	2000	1999	1998
	\$ 3,155,433	\$2,758,326	\$2,701,419	\$2,464,445	\$2,570,708	\$2,391,666	\$2,409,045
	2,897,046	2,549,726	2,455,357	2,204,874	2,250,793	2,085,434	2,149,853
	18,982	50,056	10,409	51,175	5,543	(3,500)	(100,354)
	47,463	52,399	54,196	52,217	59,604	52,466	54,779
	(5,400)	(2,188)	(1,649)	(3,800)	(3,794)	(5,314)	(5,916)
	197,342	108,333	183,106	159,979	258,562	262,580	310,683
	58,858	37,698	65,075	77,269	107,463	98,333	142,857
	12,745	7,543	7,437	(1,214)	7,702	6,830	6,387
	151,229	78,178	125,468	81,496	158,801	171,077	174,213
		60,771	9,848	10,113	7,497	16,728	17,783
	151,229	138,949	135,316	91,609	166,298	187,805	191,996
							(11,753)
	151,229	138,949	135,316	91,609	166,298	187,805	180,243
	\$1.54	\$1.44	\$1.40	\$.96	\$1.67	\$1.84	\$1.76
	1.53	1.43	1.39	.96	1.66	1.83	1.73
	.87	.84	.83	.80	.79	.75	.704
	98,018	96,819	96,373	95,370	99,725	101,886	102,632
	98,947	97,129	97,178	95,807	99,900	102,780	104,275
	98,500	96,969	96,380	95,453	94,681	101,134	101,683
	\$ 282,226	\$ 75,671	\$ 104,671	\$ 204,899	\$ 258,713	\$ 306,450	\$ 225,347
	1,007,295	923,569	975,368	1,008,944	973,470	1,032,503	1,013,843
	3,041,319	2,520,633	2,436,439	2,352,197	2,212,611	2,297,020	2,082,983
	813,207	473,220	699,346	885,961	812,085	819,540	686,826
	906,961	674,587	833,846	921,810	857,641	904,137	783,632
	1,152,879	1,014,160	867,425	804,122	801,471	901,220	821,592
	1.4	1.1	1.2	1.4	1.6	1.7	1.5
	44.0%	39.9%	49.0%	53.4%	51.7%	50.1%	48.8%
	\$ 163,928	\$ 153,538	\$ 145,923	\$ 144,709	\$ 137,041	\$ 130,945	\$ 131,103
	85,060	81,128	79,768	76,080	78,718	76,434	72,028
	29.65	24.62	22.93	26.58	21.63	22.75	29.63
	14.2%	15.0%	16.0%	11.5%	19.1%	21.9%	22.0%
	4.8%	5.0%	5.0%	3.7%	6.5%	7.9%	7.5%

reflects net charges of \$10,409 pretax, \$6,663 after tax, for restructuring costs. 2001 data reflects net charges of \$51,175 pretax, \$49,028 after tax, for the net gain from legal settlements, corporate-owned life insurance (COLI) and restructuring costs. 2000 data reflects net charges of \$5,543 pretax, \$1,372 after tax, for the net gain on the sales of divested businesses, restructuring costs and executive severance charges. 1999 data reflects the gain on the sale of divested businesses of \$(3,500). 1998 data reflects the net gain on the sale of divested businesses of \$(100,354) pretax, or \$(41,554) after tax.

3 The provision for income taxes in 2001 and 2000 includes \$14,613 and \$12,000, respectively, related to COLI.

4 2008, 2007, 2006, 2005, 2004, 2003 and 2001 data includes restructuring charges of \$(4,107), \$(63), \$(416), \$(1,260), \$(1,778), \$1,455 and \$6,591, respectively.

5 Calculated as Total Debt divided by the sum of Total Debt and Shareholders' Equity. Years 2007-1998 are restated to reflect this updated formula. Debt levels for 1998 through 2000 have been adjusted for cash related to the issuance of restricted-purpose bonds.