

## International Paper Company

### Reconciliation of Non-GAAP Financial Measures

This presentation includes certain non-U.S. GAAP financial measures. The calculation of these measures, and a reconciliation to previously reported comparable measures calculated in accordance with U.S. generally accepted accounting principles (GAAP) is shown below. The Company believes that this information, when used in conjunction with information presented in accordance with U.S. GAAP, can facilitate a better understanding of the impact of various factors and trends on the Company's financial condition and results of operations. The Company believes that this information should be used in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and subsequently publicly filed financial reports.

INTERNATIONAL PAPER COMPANY  
Reconciliation of Operating Earnings Before Net Interest Expense to Net Earnings Before Taxes and Equity Earnings  
Preliminary and Unaudited  
(In millions)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings Before Taxes and Equity Earnings	\$ 1,781	\$ 848	\$ 795	\$ 1,132	\$ 734	\$ 1,092	\$ 1,024	\$ 1,458	\$ 822	\$ 1,199	\$ (1,153)	\$ 1,654	\$ 3,188	\$ 586
Add back: Net Interest Expense	536	572	520	555	607	612	672	541	608	669	492	297	521	593
Add back: Special Items Before Taxes	214	501	182	559	1,046	305	384	343	389	(564)	2,331	(242)	(2,258)	207
Add back: Non-Operating Pension Expense Before Taxes	494	484	610	258	212	323	159	43	84	63	(11)	77	209	85
Operating Earnings Before Interest, Taxes and Equity Earnings	3,025	2,405	2,107	2,504	2,599	2,332	2,239	2,385	1,903	1,367	1,659	1,786	1,660	1,471
Tax Rate	25%	30%	32%	33%	31%	26%	31.5%	32%	30%	30%	31.5%	30%	29%	27.5%
Operating Earnings Before Interest and Equity Earnings	2,269	1,684	1,433	1,678	1,793	1,726	1,534	1,622	1,332	957	1,136	1,250	1,179	1,066
Equity Earnings, Net of Taxes	336	177	198	117	(200)	(39)	61	159	64	(49)	49	-	-	-
Operating Earnings Before Interest	2,605	1,861	1,631	1,795	1,593	1,687	1,595	1,781	1,396	908	1,185	1,250	1,179	1,066

The Company considers return on invested capital ("ROIC") to be a meaningful indicator of our operating performance, and we evaluate this metric because it measures how effectively and efficiently we use the capital invested in our business. ROIC is not a measure of financial performance under U.S. generally accepted accounting principles ("GAAP") and may not be defined and calculated by other companies in the same manner. The Company defines and calculates ROIC using in the numerator Operating Earnings Before Interest, the most directly comparable GAAP measure to which is Earnings Before Income Taxes and Equity Earnings. The Company calculates Operating Earnings Before Interest by excluding net interest expense, the after-tax effect of non-operating pension expense and items considered by management to be unusual from the earnings reported under GAAP. Management uses this measure to focus on on-going operations and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results.

ROIC = Operating Earnings Before Interest / Average Invested Capital

Average Invested Capital = Equity adjusted to remove pension-related amounts in OCI, net of taxes + interest-bearing debt

Note: Years 2013 - 2017 reflect North America Consumer Packaging and xpedx as Discontinued Operations. Years 2005-2012 are as reported in the 10-K for each year at the time of filing.

**INTERNATIONAL PAPER COMPANY**

**Reconciliation of Net Earnings (Loss) Attributable to International Paper Company to Adjusted Operating Earnings**

Preliminary and Unaudited

(In millions except for per share amounts)

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2018	2017	2018	2018	2017
<b>Net Earnings (Loss) Attributable to International Paper Company</b>	\$ 316	\$ 1,460	\$ 562	\$ 2,012	\$ 2,144
Less: Discontinued operations (gain) loss	—	8	—	(345)	(34)
<b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b>	<b>316</b>	<b>1,468</b>	<b>562</b>	<b>1,667</b>	<b>2,110</b>
Add back: Non-operating pension expense	322	238	19	371	298
Add back: Special items expense (income)	32	(1,176)	60	166	(952)
<b>Adjusted Operating Earnings</b>	<b>\$ 670</b>	<b>\$ 530</b>	<b>\$ 641</b>	<b>\$ 2,204</b>	<b>\$ 1,456</b>

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2018	2017	2018	2018	2017
<b>Diluted Earnings per Common Share as Reported</b>	\$ 0.78	\$ 3.50	\$ 1.37	\$ 4.85	\$ 5.13
Less: Discontinued operations (gain) loss	—	0.02	—	(0.83)	(0.08)
<b>Continuing Operations</b>	<b>0.78</b>	<b>3.52</b>	<b>1.37</b>	<b>4.02</b>	<b>5.05</b>
Add back: Non-operating pension expense	0.79	0.57	0.05	0.90	0.72
Add back: Special items expense (income)	0.08	(2.82)	0.14	0.40	(2.28)
<b>Adjusted Operating Earnings per Share</b>	<b>\$ 1.65</b>	<b>\$ 1.27</b>	<b>\$ 1.56</b>	<b>\$ 5.32</b>	<b>\$ 3.49</b>

**Notes:**

The Company calculates Adjusted Operating Earnings (non-GAAP) by excluding the after-tax effect of non-operating pension expense, items considered by management to be unusual as reflected in the notes to the Consolidated Statement of Operations and discontinued operations from the earnings reported under U.S. generally accepted accounting principles ("GAAP"). Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides for a more complete analysis of the results of operations by quarter. Net earnings attributable to International Paper is the most directly comparable GAAP measure.

Since diluted earnings per share are computed independently for each period, twelve-month per share amounts may not equal the sum of the respective quarters.

**INTERNATIONAL PAPER COMPANY**  
**Reconciliation of Operating Profit to Operating Profit Before Special Items**  
Preliminary and Unaudited  
(In millions)

	<b>Three Months Ended December 31, 2018</b>			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 647	\$ 91	\$ 192	\$ 930
Special Items Expense (Income) (a)	(1)	2	5	6
Operating Profit (Loss) Before Special Items	<u>\$ 646</u>	<u>\$ 93</u>	<u>\$ 197</u>	<u>\$ 936</u>

	<b>Three Months Ended December 31, 2017</b>			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 609	\$ 79	\$ 136	\$ 824
Special Items Expense (Income) (b)	5	19	—	24
Operating Profit (Loss) Before Special Items	<u>\$ 614</u>	<u>\$ 98</u>	<u>\$ 136</u>	<u>\$ 848</u>

	<b>Three Months Ended September 30, 2018</b>			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 472	\$ 83	\$ 183	\$ 738
Special Items Expense (Income) (a)	126	2	5	133
Operating Profit (Loss) Before Special Items	<u>\$ 598</u>	<u>\$ 85</u>	<u>\$ 188</u>	<u>\$ 871</u>

	<b>Twelve Months Ended December 31, 2018</b>			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 2,093	\$ 251	\$ 533	\$ 2,877
Special Items Expense (Income) (a)	184	11	10	205
Operating Profit (Loss) Before Special Items	<u>\$ 2,277</u>	<u>\$ 262</u>	<u>\$ 543</u>	<u>\$ 3,082</u>

	<b>Twelve Months Ended December 31, 2017</b>			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 1,547	\$ 65	\$ 457	\$ 2,069
Special Items Expense (Income) (c)	372	51	2	425
Operating Profit (Loss) Before Special Items	<u>\$ 1,919</u>	<u>\$ 116</u>	<u>\$ 459</u>	<u>\$ 2,494</u>

- (a) See footnotes (a) - (c) on Sales and Earnings by Business Segment  
(b) See footnotes (f) - (g) on Sales and Earnings by Business Segment  
(c) See footnotes (f) - (h) on Sales and Earnings by Business Segment

The Company calculates Operating Profit Before Special Items (non-GAAP) by excluding the pre-tax effect of items considered by management to be unusual from the earnings reported under U.S. generally accepted accounting principles (“GAAP”). Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides for a more complete analysis of the results of operations by quarter. Net earnings attributable to International Paper is the most directly comparable GAAP measure.

International Paper Company  
Calculation of Forecasted 2019 EBITDA

<u>\$ Millions</u>	<u>2019 Full Year</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	2,890 - 2,990
Depreciation, amortization and cost of timber harvested	1,350
Non-operating pension expense	<u>60</u>
Forecasted 2019 EBITDA	<u><u>4,300 - 4,400</u></u>

International Paper Company  
Calculation of EBITDA before Special Items

<u>\$ Millions</u>	<u>2017</u> <u>Full Year</u>	<u>2018</u> <u>1st Quarter</u>	<u>2018</u> <u>2nd Quarter</u>	<u>2018</u> <u>3rd Quarter</u>	<u>2018</u> <u>4th Quarter</u>	<u>2018</u> <u>Year to Date</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,420	491	623	686	517	2,317
Depreciation, amortization and cost of timber harvested	1,343	325	330	335	338	1,328
Special Items	491	40	47	137	(16)	208
Non-operating pension expense	484	4	36	25	429	494
EBITDA before Special Items	<u>3,738</u>	<u>860</u>	<u>1,036</u>	<u>1,183</u>	<u>1,268</u>	<u>4,347</u>
Annualized EBITDA before Special Items	<u>3,738</u>	<u>3,440</u>	<u>4,144</u>	<u>4,732</u>	<u>5,072</u>	<u>4,347</u>
Annualized Net Sales	21,743	22,484	23,332	23,604	23,804	23,306
EBITDA Margin	<u>17.2%</u>	<u>15.3%</u>	<u>17.8%</u>	<u>20.0%</u>	<u>21.3%</u>	<u>18.7%</u>

International Paper Company  
Calculation of EBITDA before Special Items  
(Restated to Reflect NA Consumer Packaging as Discontinued Operations)

<u>\$ Millions</u>	<u>2016</u> <u>Full Year</u>	<u>2017</u> <u>1st Quarter</u>	<u>2017</u> <u>2nd Quarter</u>	<u>2017</u> <u>3rd Quarter</u>	<u>2017</u> <u>4th Quarter</u>	<u>2017</u> <u>Year to Date</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,315	359	114	609	338	1,420
Depreciation, amortization and cost of timber harvested	1,124	320	334	350	339	1,343
Special Items	182	14	357	13	107	491
Non-operating pension expense	610	31	34	33	386	484
EBITDA before Special Items	<u>3,231</u>	<u>724</u>	<u>839</u>	<u>1,005</u>	<u>1,170</u>	<u>3,738</u>
Annualized EBITDA before Special Items	<u>3,231</u>	<u>2,896</u>	<u>3,356</u>	<u>4,020</u>	<u>4,680</u>	<u>3,738</u>
Annualized Net Sales	19,495	20,528	21,532	22,068	22,844	21,743
EBITDA Margin	<u>16.6%</u>	<u>14.1%</u>	<u>15.6%</u>	<u>18.2%</u>	<u>20.5%</u>	<u>17.2%</u>

International Paper Company  
 Calculation of EBITDA before Special Items  
 (Restated to Reflect NA Consumer Packaging as Discontinued Operations)

<u>\$ Millions</u>	<u>2015</u> <u>Full Year</u>	<u>2016</u> <u>1st Quarter</u>	<u>2016</u> <u>2nd Quarter</u>	<u>2016</u> <u>3rd Quarter</u>	<u>2016</u> <u>4th Quarter</u>	<u>2016</u> <u>Year to Date</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,687	430	53	453	379	1,315
Depreciation, amortization and cost of timber harvested	1,167	260	275	287	302	1,124
Special Items	559	38	33	66	45	182
Non-operating pension expense	<u>258</u>	<u>44</u>	<u>487</u>	<u>42</u>	<u>37</u>	<u>610</u>
EBITDA before Special Items	<u>3,671</u>	<u>772</u>	<u>848</u>	<u>848</u>	<u>763</u>	<u>3,231</u>
Annualized EBITDA before Special Items	<u>3,671</u>	<u>3,088</u>	<u>3,392</u>	<u>3,392</u>	<u>3,052</u>	<u>3,231</u>
Annualized Net Sales	20,675	18,868	19,656	19,456	20,000	19,495
EBITDA Margin	<u>17.8%</u>	<u>16.4%</u>	<u>17.3%</u>	<u>17.4%</u>	<u>15.3%</u>	<u>16.6%</u>



**INTERNATIONAL PAPER COMPANY**

**Reconciliation of Net Earnings (Loss) Attributable to Ilim SA to EBIT, Operating EBITDA and Adjusted Operating EBITDA**

Preliminary and Unaudited

In millions except for per share amounts

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2018	2017	2018	2018	2017
<b>Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA</b>	<b>\$ 133</b>	<b>\$ 125</b>	<b>\$ 143</b>	<b>\$ 571</b>	<b>\$ 362</b>
Add back: Net (earnings) loss attributable to non-controlling interest	(6)	(4)	(5)	(21)	(16)
<b>Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA</b>	<b>139</b>	<b>129</b>	<b>148</b>	<b>592</b>	<b>378</b>
Add back: Tax expense (benefit)	67	46	39	185	115
Add back: Interest expense, net	17	20	16	70	88
<b>Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)</b>	<b>223</b>	<b>195</b>	<b>203</b>	<b>847</b>	<b>581</b>
Add back: Depreciation and amortization expense	40	41	35	156	151
<b>Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)</b>	<b>263</b>	<b>236</b>	<b>238</b>	<b>1,003</b>	<b>732</b>
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	(47)	7	(58)	(204)	37
<b>Adjusted Operating EBITDA - Ilim Holding SA</b>	<b>\$ 310</b>	<b>\$ 229</b>	<b>\$ 296</b>	<b>\$ 1,207</b>	<b>\$ 695</b>

The Company calculates Adjusted Operating EBITDA (non-GAAP) by excluding the effects of non-controlling interest expense, tax expense, net interest expense, depreciation expense and the effect of foreign exchange gains and losses driven primarily by US dollar denominated net debt. Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides for a more complete analysis of the results of operations by quarter. Net earnings attributable to Ilim SA is the most directly comparable GAAP measure.

Reconciliation of Non-GAAP Information to U.S. GAAP  
Calculation of Adjusted EBITDA Margin before Special Items

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
	North	North	North	North	North
	American	American	American	American	American
	Industrial	Industrial	Industrial	Industrial	Industrial
	Packaging	Packaging	Packaging	Packaging	Packaging
<u>\$ Millions</u>					
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	459	574	618	641	2,292
Depreciation, amortization and cost of timber harvested	174	182	185	187	728
Special Items	5	6	4	-	15
EBITDA before Special Items	638	762	807	828	3,035
Less: Recycling business EBITDA	-	-	(1)	1	-
EBITDA before Special Items after Exclusions	638	762	808	827	3,035
Net Sales	3,369	3,582	3,653	3,583	14,187
Less: Trade Sales	174	180	218	195	767
Less: Recycling Business Net Sales	84	85	87	92	348
Net Sales after Exclusions	3,111	3,317	3,348	3,296	13,072
Adjusted EBITDA Margin	20.5%	23.0%	24.1%	25.1%	23.2%