

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 Quarterly Report on Form 10-Q for the year ended March 31, 2019 and subsequently publicly filed financial reports.

INTERNATIONAL PAPER COMPANY
Reconciliation of Net Earnings (Loss) Attributable to International Paper Company to Adjusted Operating Earnings
Preliminary and Unaudited
(In millions, except per share amounts)

	Three Months Ended March 31,		Three Months Ended December 31,
	2019	2018	2018
Net Earnings (Loss) Attributable to International Paper Company	\$ 424	\$ 729	\$ 316
Less: Discontinued operations (gain) loss	—	(368)	—
Earnings (Loss) from Continuing Operations, including non-controlling interest	424	361	316
Add back: Non-operating pension expense	8	3	322
Add back: Special items expense (income)	15	31	32
Adjusted Operating Earnings	\$ 447	\$ 395	\$ 670
	Three Months Ended March 31,		Three Months Ended December 31,
	2019	2018	2018
Diluted Earnings per Common Share as Reported	\$ 1.05	\$ 1.74	\$ 0.78
Less: Discontinued operations (gain) loss	—	(0.88)	—
Continuing Operations	1.05	0.86	0.78
Add back: Non-operating pension expense	0.02	0.01	0.79
Add back: Special items expense (income)	0.04	0.07	0.08
Adjusted Operating Earnings per Share	\$ 1.11	\$ 0.94	\$ 1.65

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.

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

	Three Months Ended March 31, 2019			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 404	\$ 32	\$ 143	\$ 579
Special Items Expense (Income) (a)	17	3	1	21
Operating Profit (Loss) Before Special Items	\$ 421	\$ 35	\$ 144	\$ 600

	Three Months Ended March 31, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 437	\$ 11	\$ 64	\$ 512
Special Items Expense (Income) (a)	27	4	—	31
Operating Profit (Loss) Before Special Items	\$ 464	\$ 15	\$ 64	\$ 543

	Three Months Ended December 31, 2018			
	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	\$ 646	\$ 93	\$ 197	\$ 936

(a) See footnotes (a) - (c) 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	2,790 - 2,890
Depreciation, amortization and cost of timber harvested	1,350
Special items	20
Non-operating pension expense	<u>40</u>
Forecasted 2019 EBITDA	<u><u>4,200 - 4,300</u></u>

International Paper Company
Calculation of EBITDA before Special Items

<u>\$ Millions</u>	<u>2018</u> <u>Full Year</u>	<u>2019</u> <u>1st Quarter</u>	<u>2019</u> <u>2nd Quarter</u>	<u>2019</u> <u>3rd Quarter</u>	<u>2019</u> <u>4th Quarter</u>	<u>2019</u> <u>Year to Date</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	2,317	551				551
Depreciation, amortization and cost of timber harvested	1,328	315				315
Special Items	208	20				20
Non-operating pension expense	494	10				10
EBITDA before Special Items	<u>4,347</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>896</u>
Annualized EBITDA before Special Items	<u>4,347</u>	<u>3,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,584</u>
Annualized Net Sales	23,306	22,572				22,572
EBITDA Margin	<u>18.7%</u>	<u>15.9%</u>				<u>15.9%</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>

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

\$ Millions	Q1 2019 North American Industrial Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	395
Depreciation, amortization and cost of timber harvested	170
Special Items	24
EBITDA before Special Items	589
Less: Recycling business EBITDA	(2)
EBITDA before Special Items after Exclusions	591
Net Sales	3,376
Less: Trade Sales	184
Less: Recycling Business Net Sales	86
Net Sales after Exclusions	3,106
Adjusted EBITDA Margin	19.0%

International Paper Company
Calculation of Forecasted 2019 Free Cash Flow

<u>\$ Millions</u>	<u>2019 Full Year</u>
Cash provided by (used for) Operating Activities	\$ 3,400
Adjustments:	
Cash invested in capital projects	<u>(1,400)</u>
Forecasted 2019 Free Cash Flow	<u>\$ 2,000</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 March 31,		Three Months Ended December 31,
	2019	2018	2018
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA	\$ 199	\$ 183	\$ 133
Add back: Net (earnings) loss attributable to non-controlling interest	(6)	(6)	(6)
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA	205	189	139
Add back: Tax expense (benefit)	50	44	67
Add back: Interest expense, net	18	19	17
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	273	252	223
Add back: Depreciation and amortization expense	33	41	40
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	306	293	263
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	52	(1)	(47)
Adjusted Operating EBITDA - Ilim SA	\$ 254	\$ 294	\$ 310

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.