

## 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 quarter ended September 30, 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 September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2019	2018	2019	2019	2018
<b>Net Earnings (Loss) Attributable to International Paper Company</b>	\$ 344	\$ 562	\$ 292	\$ 1,060	\$ 1,696
Less: Discontinued operations (gain) loss	—	—	—	—	(345)
<b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b>	<b>344</b>	<b>562</b>	<b>292</b>	<b>1,060</b>	<b>1,351</b>
Add back: Non-operating pension expense	7	19	6	21	49
Add back: Special items expense (income)	<b>80</b>	60	162	<b>257</b>	134
<b>Adjusted Operating Earnings</b>	<b>\$ 431</b>	<b>\$ 641</b>	<b>\$ 460</b>	<b>\$ 1,338</b>	<b>\$ 1,534</b>

  

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2019	2018	2019	2019	2018
<b>Diluted Earnings per Common Share as Reported</b>	\$ 0.87	\$ 1.37	\$ 0.73	\$ 2.65	\$ 4.08
Less: Discontinued operations (gain) loss	—	—	—	—	(0.83)
<b>Continuing Operations</b>	<b>0.87</b>	<b>1.37</b>	<b>0.73</b>	<b>2.65</b>	<b>3.25</b>
Add back: Non-operating pension expense	0.02	0.05	0.01	0.05	0.11
Add back: Special items expense (income)	<b>0.20</b>	0.14	0.41	<b>0.65</b>	0.32
<b>Adjusted Operating Earnings per Share</b>	<b>\$ 1.09</b>	<b>\$ 1.56</b>	<b>\$ 1.15</b>	<b>\$ 3.35</b>	<b>\$ 3.68</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 consolidated 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, nine-month per share amounts may not equal the sum of respective quarters.

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

**Three Months Ended September 30, 2019**

	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 510	\$ (3)	\$ 148	\$ 655
Special Items Expense (Income) (a)	25	7	14	46
Operating Profit (Loss) Before Special Items	<u>\$ 535</u>	<u>\$ 4</u>	<u>\$ 162</u>	<u>\$ 701</u>

**Three Months Ended September 30, 2018**

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

**Three Months Ended June 30, 2019**

	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 507	\$ (2)	\$ (33)	\$ 472
Special Items Expense (Income) (a)	8	2	147	157
Operating Profit (Loss) Before Special Items	<u>\$ 515</u>	<u>\$ —</u>	<u>\$ 114</u>	<u>\$ 629</u>

**Nine Months Ended September 30, 2019**

	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 1,421	\$ 27	\$ 258	\$ 1,706
Special Items Expense (Income) (a)	50	12	162	224
Operating Profit (Loss) Before Special Items	<u>\$ 1,471</u>	<u>\$ 39</u>	<u>\$ 420</u>	<u>\$ 1,930</u>

**Nine Months Ended September 30, 2018**

	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	\$ 1,446	\$ 160	\$ 341	\$ 1,947
Special Items Expense (Income) (b)	185	9	5	199
Operating Profit (Loss) Before Special Items	<u>\$ 1,631</u>	<u>\$ 169</u>	<u>\$ 346</u>	<u>\$ 2,146</u>

(a) See footnotes (a) - (c) on Sales and Earnings by Business Segment

(b) 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	\$ 2,176
Depreciation, amortization and cost of timber harvested	1,310
Special items	278
Non-operating pension expense	<u>36</u>
Forecasted 2019 EBITDA	<u><u>\$ 3,800</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	456	575		1,582
Depreciation, amortization and cost of timber harvested	1,328	315	321	327		963
Special Items	208	20	163	95		278
Non-operating pension expense	494	10	8	9		27
EBITDA before Special Items	<u>4,347</u>	<u>896</u>	<u>948</u>	<u>1,006</u>	<u>-</u>	<u>2,850</u>
Annualized EBITDA before Special Items	<u>4,347</u>	<u>3,584</u>	<u>3,792</u>	<u>4,024</u>	<u>-</u>	<u>3,800</u>
Annualized Net Sales	23,306	22,572	22,668	22,272		22,504
EBITDA Margin	<u>18.7%</u>	<u>15.9%</u>	<u>16.7%</u>	<u>18.1%</u>		<u>16.9%</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

<u>\$ Millions</u>	<u>Q3 2019</u> North American Industrial Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	532
Depreciation, amortization and cost of timber harvested	182
Special Items	(7)
EBITDA before Special Items	<u>707</u>
Less: Recycling business EBITDA	(6)
EBITDA before Special Items after Exclusions	<u><u>713</u></u>
Net Sales	3,368
Less: Trade Sales	190
Less: Recycling Business Net Sales	56
Net Sales after Exclusions	<u>3,122</u>
Adjusted EBITDA Margin	<u><u>22.8%</u></u>

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	\$ 3,268
Adjustments:	
Cash invested in capital projects	(1,300)
Antitrust fine	<u>32</u>
Forecasted 2019 Free Cash Flow	<u><u>\$ 2,000</u></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 September 30,		Three Months Ended June 30,
	2019	2018	2019
<b>Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA</b>	\$ 39	\$ 144	\$ 137
Add back: Net (earnings) loss attributable to non-controlling interest	(2)	(5)	(5)
<b>Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA</b>	<b>41</b>	<b>149</b>	<b>142</b>
Add back: Tax expense (benefit)	13	39	41
Add back: Interest expense, net	18	16	23
<b>Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)</b>	<b>72</b>	<b>204</b>	<b>206</b>
Add back: Depreciation and amortization expense	31	35	32
<b>Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)</b>	<b>103</b>	<b>239</b>	<b>238</b>
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	(10)	(58)	16
<b>Adjusted Operating EBITDA - Ilim SA</b>	<b>\$ 113</b>	<b>\$ 297</b>	<b>\$ 222</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.