

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. Management also uses these non-U.S. GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation as a substitute for an analysis of our results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, our presentation of non-U.S. GAAP financial measures may not be comparable to similarly titled measures disclosed by other companies, including companies in our industry. This information should be used in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2019 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$ 1,604	\$ 1,781	\$ 848	\$ 795	\$ 1,132	\$ 734	\$ 1,092	\$ 1,024	\$ 1,458	\$ 822	\$ 1,199	\$ (1,153)	\$ 1,654	\$ 3,188
Add back: Net Interest Expense	491	536	572	520	555	607	612	672	541	608	669	492	297	521
Add back: Special Items Before Taxes	420	214	501	182	559	1,046	305	384	343	389	(564)	2,331	(242)	(2,258)
Add back: Non-Operating Pension Expense Before Taxes	36	494	484	610	258	212	323	159	43	84	63	(11)	77	209
Adjusted Operating Earnings Before Net Interest Expense, Income Taxes and Equity Earnings	2,551	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
Add back: Graphic Packaging Equity Earnings Before Taxes	46	46												
Adjusted Operating Earnings Before Net Interest Expense, Income Taxes and Other Equity Earnings	2,597	3,071												
Tax Rate	25.5%	24.3%	30%	32%	33%	31%	26%	31.5%	32%	30%	30%	31.5%	30%	29%
Adjusted Operating Earnings Before Net Interest Expense and Equity Earnings	1,935	2,325	1,684	1,433	1,678	1,793	1,726	1,534	1,622	1,332	957	1,136	1,250	1,179
Equity Earnings Other than Graphic Packaging, Net of Taxes	204	290	177	198	117	(200)	(39)	61	159	64	(49)	49	-	-
Adjusted Operating Earnings Before Net Interest Expense	2,139	2,615	1,861	1,631	1,795	1,593	1,687	1,595	1,781	1,396	908	1,185	1,250	1,179

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, a non-GAAP financial measure, may not be defined and calculated by other companies in the same manner. The Company defines and calculates ROIC using in the numerator Adjusted Operating Earnings Before Net Interest Expense, the most directly comparable GAAP measure to which is Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings. The Company calculates Adjusted Operating Earnings Before Net Interest Expense by excluding net interest expense, the after-tax effect of non-operating pension expense and items considered by management to be unusual (special items) 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 = Adjusted Operating Earnings Before Net Interest Expense / Average Invested Capital

Average Invested Capital = Equity (adjusted to remove pension-related amounts in OCI, net of tax) + interest-bearing Debt

Note: Years 2013 - 2017 reflect North America Consumer Packaging and xpedx as Discontinued Operations. Years 2006-2012 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 per share amounts)

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,		
	2019	2018	2019	2019	2018	2017
Net Earnings (Loss) Attributable to International Paper Company	\$ 165	\$ 316	\$ 344	\$ 1,225	\$ 2,012	\$ 2,144
Less: Discontinued operations (gain) loss	—	—	—	—	(345)	(34)
Earnings (Loss) from Continuing Operations, including non-controlling interest	165	316	344	1,225	1,667	2,110
Add back: Non-operating pension expense	7	322	7	28	371	298
Add back: Special items expense (income)	258	32	80	515	166	(952)
Adjusted Operating Earnings	\$ 430	\$ 670	\$ 431	\$ 1,768	\$ 2,204	\$ 1,456

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,		
	2019	2018	2019	2019	2018	2017
Diluted Earnings per Common Share as Reported	\$ 0.42	\$ 0.78	\$ 0.87	\$ 3.07	\$ 4.85	\$ 5.13
Less: Discontinued operations (gain) loss	—	—	—	—	(0.83)	(0.08)
Continuing Operations	0.42	0.78	0.87	3.07	4.02	5.05
Add back: Non-operating pension expense	0.02	0.79	0.02	0.07	0.90	0.72
Add back: Special items expense (income)	0.65	0.08	0.20	1.29	0.40	(2.28)
Adjusted Operating Earnings per Share	\$ 1.09	\$ 1.65	\$ 1.09	\$ 4.43	\$ 5.32	\$ 3.49

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 (special items) 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, twelve-month per share amounts may not equal the sum of respective quarters.

INTERNATIONAL PAPER COMPANY
Reconciliation of Cash Provided by Operations to Free Cash Flow
Preliminary and Unaudited
(In millions)

	Three Months Ended				
	December 31,		Twelve Months Ended December 31,		
	2019	2018	2019	2018	2017
Cash Provided By (Used For) Operating Activities	\$ 928	\$ 821	\$ 3,610	\$ 3,226	\$ 1,757
Adjustments:					
Cash invested in capital projects	(363)	(286)	(1,276)	(1,572)	(1,391)
Cash contribution to pension plan	-	-	-	-	1,250
Cash payment for Kleen settlement	-	-	-	-	354
Free Cash Flow	\$ 565	\$ 535	\$ 2,334	\$ 1,654	\$ 1,970

Free cash flow is a non-GAAP measure and the most directly comparable GAAP measure is cash provided by operations. Management believes that free cash flow is useful to investors as a liquidity measure because it measures the amount of cash generated that is available, after reinvesting in the business, to maintain a strong balance sheet, pay dividends, repurchase stock, service debt and make investments for future growth. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. By adjusting for certain items that are not indicative of the Company's ongoing performance, free cash flow also enables investors to perform meaningful comparisons between past and present periods.

The non-GAAP financial measures presented in this release have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, the Company's presentation of non-GAAP measures in this release may not be comparable to similarly titled measures disclosed by other companies, including companies in the same industry as International Paper.

Management believes certain non-U.S. GAAP financial measures, 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. Management also uses these non-U.S. GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance.

International Paper Company
Calculation of EBITDA before Special Items

\$ Millions	2018 Full Year	2019 1st Quarter	2019 2nd Quarter	2019 3rd Quarter	2019 4th Quarter	2019 Year to Date
Earnings (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	1,781	418	334	452	400	1,604
Interest Expense, Net	536	133	122	123	113	491
Special Items	214	21	164	96	139	420
Non-operating pension expense	494	10	8	9	9	36
EBIT before Special Items	3,025	582	628	680	661	2,551
Depreciation, amortization and cost of timber harvested	1,322	314	320	326	341	1,301
EBITDA before Special Items	<u>4,347</u>	<u>896</u>	<u>948</u>	<u>1,006</u>	<u>1,002</u>	<u>3,852</u>
Annualized EBITDA before Special Items	<u>4,347</u>	<u>3,584</u>	<u>3,792</u>	<u>4,024</u>	<u>4,008</u>	<u>3,852</u>
Annualized Net Sales	23,306	22,572	22,668	22,272	21,992	22,376
Adjusted EBITDA Margin	<u>18.7%</u>	<u>15.9%</u>	<u>16.7%</u>	<u>18.1%</u>	<u>18.2%</u>	<u>17.2%</u>

Adjusted EBIT, Adjusted EBITDA and Adjusted EBITDA Margin are all "non-GAAP financial measures" presented as supplemental measures of our performance and the most directly comparable GAAP measures for Adjusted EBIT and Adjusted EBITDA are operating income and net income, respectively. They are not presented in accordance with accounting principles generally accepted in the United States, or GAAP. The Company believes these measures provide additional meaningful information in evaluating the Company's performance over time, and that other companies use these and/or similar measures for similar purposes. However, Adjusted EBIT, Adjusted EBITDA and Adjusted EBITDA Margin have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. In addition, in evaluating Adjusted EBIT, Adjusted EBITDA and Adjusted EBITDA Margin, you should be aware that in the future we will incur expenses such as those used in calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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 (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	848	356	490	553	382	1,781
Interest Expense, Net	572	135	133	133	135	536
Special Items	501	40	47	142	(15)	214
Non-operating pension expense	<u>484</u>	<u>4</u>	<u>36</u>	<u>25</u>	<u>429</u>	<u>494</u>
EBIT before Special Items	2,405	535	706	853	931	3,025
Depreciation, amortization and cost of timber harvested	<u>1,333</u>	<u>325</u>	<u>330</u>	<u>330</u>	<u>337</u>	<u>1,322</u>
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
Adjusted 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)

\$ Millions	2016 Full Year	2017 1st Quarter	2017 2nd Quarter	2017 3rd Quarter	2017 4th Quarter	2017 Year to Date
Earnings (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	795	217	(23)	457	197	848
Interest Expense, Net	520	142	137	152	141	572
Special Items	182	14	357	23	107	501
Non-operating pension expense	610	31	34	33	386	484
EBIT before Special Items	2,107	404	505	665	831	2,405
Depreciation, amortization and cost of timber harvested	1,124	320	334	340	339	1,333
EBITDA before Special Items	3,231	724	839	1,005	1,170	3,738
Annualized EBITDA before Special Items	3,231	2,896	3,356	4,020	4,680	3,738
Annualized Net Sales	19,495	20,528	21,532	22,068	22,844	21,743
Adjusted EBITDA Margin	16.6%	14.1%	15.6%	18.2%	20.5%	17.2%

International Paper Company
Calculation of Forecasted 2020 EBITDA

\$ Millions	2020 Full Year
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	\$1,566 - \$1,766
Depreciation, amortization and cost of timber harvested	1,350
Special items	-
Non-operating pension expense	84
Forecasted 2020 EBITDA	\$3,000 - \$3,200

The Company cannot, without unreasonable effort, forecast certain items required to develop meaningful comparable GAAP financial measures. These items include, but are not limited to, foreign exchange rate changes, stock compensation costs, (gains) losses from early extinguishment of debt, impairment and (gain) loss on sale of businesses, and expense (income) related to legal settlements and related costs, in light of the fact that such items are difficult to predict in advance to include in a GAAP estimate. This is due to the unpredictable and uncontrollable nature of these reconciling items, which would require an unreasonable effort to forecast, and we believe would result in a range of projected values so broad as to be meaningless to investors. For these reasons, we believe that the probable significance of such information is low.

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

\$ Millions	Q1 2019 North American Industrial Packaging	Q2 2019 North American Industrial Packaging	Q3 2019 North American Industrial Packaging	Q4 2019 North American Industrial Packaging	FY 2019 North American Industrial Packaging
Business Segment Operating Profit	419	515	525	584	2,043
Depreciation, Amortization and Cost of Timber Harvested before Special Items	170	175	182	191	718
EBITDA before Special Items	589	690	707	775	2,761
Less: Recycling Business EBITDA	(2)	(5)	(6)	(3)	(16)
EBITDA before Special Items after Exclusions	591	695	713	778	2,777
Net Sales	3,376	3,414	3,368	3,351	13,509
Less: Trade Sales	184	200	190	177	751
Less: Recycling Business Net Sales	86	66	56	49	257
Net Sales after Exclusions	3,106	3,148	3,122	3,125	12,501
Adjusted EBITDA Margin	19.0%	22.1%	22.8%	24.9%	22.2%

We use the non-GAAP financial measures Adjusted EBIT and Adjusted EBITDA margin, along with other factors, to evaluate our segment performance against our peers. We believe that investors use these measures to evaluate our performance relative to our peers. However, these non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP.

International Paper Company
Calculation of Forecasted 2020 Free Cash Flow

<u>\$ Millions</u>	<u>2020 Full Year</u>
Cash provided by (used for) Operating Activities	\$2,600 - \$2,700
Adjustments:	
Cash invested in capital projects	<u>(900) - (1,000)</u>
Forecasted 2020 Free Cash Flow	<u>\$ 1,700</u>

Free cash flow is a non-GAAP measure and the most directly comparable GAAP measure is cash provided by (used for) operations. Management believes that free cash flow is useful to investors as a liquidity measure because it measures the amount of cash generated that is available, after reinvesting in the business, to maintain a strong balance sheet, pay dividends, repurchase stock, service debt and make investments for future growth. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. By adjusting for certain items that are not indicative of the Company's ongoing performance, free cash flow also enables investors to perform meaningful comparisons between past and present periods. The Company has only provided an estimated range of cash provided by operating activities as the Company is unable to project precisely net cash provided by operating activities for any future period. This is because this metric includes the impact of changes in operating assets and liabilities related to the timing of cash receipts and disbursements. The Company is unable to project these timing differences and income tax effects of future transactions and other items with any reasonable degree of accuracy, without unreasonable efforts.

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

	Three Months Ended December 30,		Three Months Ended	Twelve Months Ended	
	2019	2018	September 30, 2019	December 31, 2019	2018
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA	\$ 49	\$ 133	\$ 39	\$ 424	\$ 571
Add back: Net (earnings) loss attributable to non-controlling interest	(1)	(6)	(2)	(14)	(21)
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA	50	139	41	438	592
Add back: Tax expense (benefit)	27	67	13	131	185
Add back: Interest expense, net	23	17	18	82	70
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	100	223	72	651	847
Add back: Depreciation and amortization expense	38	40	31	134	156
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	138	263	103	785	1,003
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	21	(47)	(10)	79	(204)
Adjusted Operating EBITDA - Ilim SA	\$ 117	\$ 310	\$ 113	\$ 706	\$ 1,207

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.