

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 or 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 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		Nine Months Ended September 30,	
	2020	2019	June, 30 2020	March, 31 2020	2020	2019
	Net Earnings (Loss) Attributable to International Paper Company	\$ 204	\$ 344	\$ 266	\$ (141)	\$ 329
Add back: Non-operating pension expense (income)	(7)	7	(11)	(5)	(23)	21
Add back: Net special items expense (income)	83	80	50	372	505	257
Adjusted Operating Earnings	\$ 280	\$ 431	\$ 305	\$ 226	\$ 811	\$ 1,338

	Three Months Ended September 30,		Three Months Ended		Nine Months Ended September 30,	
	2020	2019	June, 30 2020	March, 31 2020	2020	2019
	Diluted Earnings per Common Share as Reported	\$ 0.52	\$ 0.87	\$ 0.67	\$ (0.36)	\$ 0.83
Add back: Non-operating pension expense (income)	(0.02)	0.02	(0.03)	(0.01)	(0.05)	0.05
Add back: Net special items expense (income)	0.21	0.20	0.13	0.94	1.28	0.65
Adjusted Operating Earnings per Share	\$ 0.71	\$ 1.09	\$ 0.77	\$ 0.57	\$ 2.06	\$ 3.35

Notes:

The Company calculates Adjusted Operating Earnings (non-GAAP) by excluding the after-tax effect of non-operating pension expense (income) and items considered by management to be unusual (special items) as reflected in the Consolidated Statement of Operations and related notes 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 Cash Provided by Operations to Free Cash Flow
Preliminary and Unaudited
(In millions)

	Three Months Ended		Three Months Ended		Twelve Months Ended December,		
	September 30,	2019	June 30,	2020	2019	2018	2017
Cash Provided By (Used For) Operations	\$ 735	\$ 882	\$ 890	\$ 3,610	\$ 3,226	\$ 1,757	
Adjustments:							
Cash invested in capital projects, net of insurance recoveries	(119)	(285)	(252)	(1,276)	(1,572)	(1,391)	
Cash contribution to pension plan	-	-	-	-	-	1,250	
Cash payment for Kleen settlement	-	-	-	-	-	354	
Free Cash Flow	\$ 616	\$ 597	\$ 638	\$ 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 Forecasted 2020 Free Cash Flow

<u>\$ Millions</u>	<u>2020 Full Year</u>
Cash provided by (used for) Operating Activities	\$ 2,800
Adjustments:	
Cash invested in capital projects, net of insurance recoveries	<u>(800)</u>
Forecasted 2020 Free Cash Flow	<u>\$ 2,000</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.

International Paper Company
Calculation of EBITDA before Special Items

\$ Millions	2019 Full Year	2020 1st Quarter	2020 2nd Quarter	2020 3rd Quarter	2020 4th Quarter	2020 Year to Date
Earnings (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	1,604	(16)	261	282	-	527
Interest Expense, Net	491	117	116	112	-	345
Special Items	420	385	68	110	-	563
Non-operating pension expense (income)	36	(6)	(14)	(11)	-	(31)
EBIT before Special Items	2,551	480	431	493	-	1,404
Depreciation, amortization and cost of timber harvested	1,301	322	312	320	-	954
EBITDA before Special Items	<u>3,852</u>	<u>802</u>	<u>743</u>	<u>813</u>	<u>-</u>	<u>2,358</u>
Annualized EBITDA before Special Items	<u>3,852</u>	<u>3,208</u>	<u>2,972</u>	<u>3,252</u>	<u>-</u>	<u>3,144</u>
Annualized Net Sales	22,376	21,408	19,464	20,492	-	20,455
Adjusted EBITDA Margin	<u>17.2%</u>	<u>15.0%</u>	<u>15.3%</u>	<u>15.9%</u>	<u>-</u>	<u>15.4%</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>	2018 <u>Full Year</u>	2019 <u>1st Quarter</u>	2019 <u>2nd Quarter</u>	2019 <u>3rd Quarter</u>	2019 <u>4th Quarter</u>	2019 <u>Year to Date</u>
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	<u>494</u>	<u>10</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>36</u>
EBIT before Special Items	3,025	582	628	680	661	2,551
Depreciation, amortization and cost of timber harvested	<u>1,322</u>	<u>314</u>	<u>320</u>	<u>326</u>	<u>341</u>	<u>1,301</u>
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>

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

<u>\$ Millions</u>	<u>Q3 2020</u> <u>North</u> <u>American</u> <u>Industrial</u> <u>Packaging</u>
Business Segment Operating Profit	455
Depreciation, Amortization and Cost of Timber Harvested before Special Items	185
EBITDA before Special Items	<u>640</u>
Less: Recycling Business EBITDA	1
EBITDA before Special Items after Exclusions	<u><u>639</u></u>
Net Sales	3,351
Less: Trade Sales	160
Less: Recycling Business Net Sales	60
Net Sales after Exclusions	<u>3,131</u>
Adjusted EBITDA Margin	<u><u>20.4%</u></u>

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

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,
	2020	2019	2020
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA	\$ (60)	\$ 39	\$ 125
Add back: Net (earnings) loss attributable to non-controlling interest	<u>2</u>	<u>(2)</u>	<u>(5)</u>
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA	(62)	41	130
Add back: Tax expense (benefit)	(16)	13	34
Add back: Interest expense, net	<u>15</u>	<u>18</u>	<u>20</u>
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	(63)	72	184
Add back: Depreciation and amortization expense	<u>42</u>	<u>31</u>	<u>39</u>
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	(21)	103	223
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	<u>(138)</u>	<u>(10)</u>	<u>85</u>
Adjusted Operating EBITDA - Ilim SA	<u>\$ 117</u>	<u>\$ 113</u>	<u>\$ 138</u>

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.