

## 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 Annual Report on Form 10-K for the year ended December 31, 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 December 31,		Three Months Ended			Twelve Months Ended December 31,		
	2020	2019	September 30, 2020	June 30, 2020	March 31, 2020	2020	2019	2018
<b>Net Earnings (Loss) Attributable to International Paper Company</b>	\$ 153	\$ 165	\$ 204	\$ 266	\$ (141)	\$ 482	\$ 1,225	\$ 2,012
Less: Discontinued operations (gain) loss	-	-	-	-	-	-	-	(345)
<b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b>	<b>153</b>	<b>165</b>	<b>204</b>	<b>266</b>	<b>(141)</b>	<b>482</b>	<b>1,225</b>	<b>1,667</b>
Add back: Non-operating pension expense (income)	(8)	7	(7)	(11)	(5)	(31)	28	371
Add back: Net special items expense (income)	151	258	83	50	372	656	515	166
<b>Adjusted Operating Earnings</b>	<b>\$ 296</b>	<b>\$ 430</b>	<b>\$ 280</b>	<b>\$ 305</b>	<b>\$ 226</b>	<b>\$ 1,107</b>	<b>\$ 1,768</b>	<b>\$ 2,204</b>

	Three Months Ended December 31,		Three Months Ended			Twelve Months Ended December 31,		
	2020	2019	September 30, 2020	June 30, 2020	March 31, 2020	2020	2019	2018
<b>Diluted Earnings per Common Share as Reported</b>	\$ 0.39	\$ 0.42	\$ 0.52	\$ 0.67	\$ (0.36)	\$ 1.22	\$ 3.07	\$ 4.85
Less: Discontinued operations (gain) loss	-	-	-	-	-	-	-	(0.83)
<b>Continuing Operations</b>	<b>0.39</b>	<b>0.42</b>	<b>0.52</b>	<b>0.67</b>	<b>(0.36)</b>	<b>1.22</b>	<b>3.07</b>	<b>4.02</b>
Add back: Non-operating pension expense (income)	(0.02)	0.02	(0.02)	(0.03)	(0.01)	(0.08)	0.07	0.90
Add back: Net special items expense (income)	0.38	0.65	0.21	0.13	0.94	1.66	1.29	0.40
<b>Adjusted Operating Earnings per Share</b>	<b>\$ 0.75</b>	<b>\$ 1.09</b>	<b>\$ 0.71</b>	<b>\$ 0.77</b>	<b>\$ 0.57</b>	<b>\$ 2.80</b>	<b>\$ 4.43</b>	<b>\$ 5.32</b>

**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 (net 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. The Company 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 30,		Three Months Ended September 30,	Three Months Ended June 30,	Three Months Ended March	Twelve Months Ended December,			
	2020	2019	2020	2020	2020	2020	2019	2018	2017
<b>Cash Provided By (Used For) Operations</b>	\$ 789	\$ 928	\$ 735	\$ 890	\$ 649	\$ 3,063	\$ 3,610	\$ 3,226	\$ 1,757
Adjustments:									
Cash invested in capital projects, net of insurance recoveries	(94)	(363)	(119)	(252)	(286)	(751)	(1,276)	(1,572)	(1,391)
Cash contribution to pension plan	-	-	-	-	-	-	-	-	1,250
Cash payment for Kleen settlement	-	-	-	-	-	-	-	-	354
<b>Free Cash Flow</b>	<u>\$ 695</u>	<u>\$ 565</u>	<u>\$ 616</u>	<u>\$ 638</u>	<u>\$ 363</u>	<u>\$ 2,312</u>	<u>\$ 2,334</u>	<u>\$ 1,654</u>	<u>\$ 1,970</u>

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	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	123	650
Interest Expense, Net	491	117	116	112	99	444
Special Items	420	385	68	110	201	764
Non-operating pension expense (income)	<u>36</u>	<u>(6)</u>	<u>(14)</u>	<u>(11)</u>	<u>(10)</u>	<u>(41)</u>
EBIT before Special Items	2,551	480	431	493	413	1,817
Depreciation, amortization and cost of timber harvested	<u>1,301</u>	<u>322</u>	<u>312</u>	<u>320</u>	<u>332</u>	<u>1,286</u>
EBITDA before Special Items	<u>3,852</u>	<u>802</u>	<u>743</u>	<u>813</u>	<u>745</u>	<u>3,103</u>
Annualized EBITDA before Special Items	<u>3,852</u>	<u>3,208</u>	<u>2,972</u>	<u>3,252</u>	<u>2,980</u>	<u>3,103</u>
Annualized Net Sales	22,376	21,408	19,464	20,492	20,956	20,580
Adjusted EBITDA Margin	<u>17.2%</u>	<u>15.0%</u>	<u>15.3%</u>	<u>15.9%</u>	<u>14.2%</u>	<u>15.1%</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

\$ Millions	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YTD 2020
	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging
Business Segment Operating Profit	437	434	455	396	1,722
Depreciation, Amortization and Cost of Timber Harvested before Special Items	185	181	185	190	741
EBITDA before Special Items	622	615	640	586	2,463
Less: Recycling Business EBITDA	(1)	2	1	-	2
EBITDA before Special Items after Exclusions	623	613	639	586	2,461
Net Sales	3,355	3,241	3,351	3,371	13,318
Less: Trade Sales	175	173	160	150	658
Less: Recycling Business Net Sales	52	66	60	65	243
Net Sales after Exclusions	3,128	3,002	3,131	3,156	12,417
Adjusted EBITDA Margin	19.9%	20.4%	20.4%	18.6%	19.8%

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 December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2020	2019	2020	2020	2019
<b>Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA</b>	<b>\$ 109</b>	<b>\$ 49</b>	<b>\$ (60)</b>	<b>\$ 116</b>	<b>\$ 424</b>
Add back: Net (earnings) loss attributable to non-controlling interest	(4)	(1)	2	(4)	(14)
<b>Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA</b>	<b>113</b>	<b>50</b>	<b>(62)</b>	<b>120</b>	<b>438</b>
Add back: Tax expense (benefit)	24	27	(16)	26	131
Add back: Interest expense, net	26	23	15	86	82
<b>Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)</b>	<b>163</b>	<b>100</b>	<b>(63)</b>	<b>232</b>	<b>651</b>
Add back: Depreciation and amortization expense	43	38	42	161	134
<b>Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)</b>	<b>206</b>	<b>138</b>	<b>(21)</b>	<b>393</b>	<b>785</b>
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	55	21	(138)	(126)	79
<b>Adjusted Operating EBITDA - Ilim SA</b>	<b>\$ 151</b>	<b>\$ 117</b>	<b>\$ 117</b>	<b>\$ 519</b>	<b>\$ 706</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.

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

	2020	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	\$ 650	\$ 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	444	491	536	572	520	555	607	612	672	541	608	669	492	297	521
Add back: Net Special Items Before Taxes	764	420	214	501	182	559	1,046	305	384	343	389	(564)	2,331	(242)	(2,258)
Add back: Non-Operating Pension Expense (Income) Before Taxes	(41)	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	1,817	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	40	46	46												
Adjusted Operating Earnings Before Net Interest Expense, Income Taxes and Other Equity Earnings	1,857	2,597	3,071												
Tax Rate	24.1%	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	1,409	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	37	204	290	177	198	117	(200)	(39)	61	159	64	(49)	49	-	-
Adjusted Operating Earnings Before Net Interest Expense	1,446	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 (net 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.