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 June 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 June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2019	**2018**	**2019**	**2019**	**2018**
Net Earnings (Loss) Attributable to International Paper Company	**$ 292**	$ 405	$ 424	**$ 716**	$ 1,134
Less: Discontinued operations (gain) loss	**—**	23	—	**—**	(345)
Earnings (Loss) from Continuing Operations, including non-controlling interest	**292**	428	424	**716**	789
Add back: Non-operating pension expense	**6**	27	8	**14**	30
Add back: Special items expense (income)	**162**	43	15	**177**	74
Adjusted Operating Earnings	**$ 460**	$ 498	$ 447	**$ 907**	$ 893

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2019	**2018**	**2019**	**2019**	**2018**
Diluted Earnings per Common Share as Reported	**$ 0.73**	$ 0.97	$ 1.05	**$ 1.78**	$ 2.71
Less: Discontinued operations (gain) loss	**—**	0.05	—	**—**	(0.83)
Continuing Operations	**0.73**	1.02	1.05	**1.78**	1.88
Add back: Non-operating pension expense	**0.01**	0.07	0.02	**0.03**	0.07
Add back: Special items expense (income)	**0.41**	0.10	0.04	**0.45**	0.18
Adjusted Operating Earnings per Share	**$ 1.15**	$ 1.19	$ 1.11	**$ 2.26**	$ 2.13

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, six-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 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	**$ 515**	**$ —**	**$ 114**	**$ 629**

	Three Months Ended June 30, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	$ 537	$ 66	$ 94	$ 697
Special Items Expense (Income) (b)	32	3	—	35
Operating Profit (Loss) Before Special Items	$ 569	$ 69	$ 94	$ 732

	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

	Six Months Ended June 30, 2019			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	**$ 911**	**$ 30**	**$ 110**	**$ 1,051**
Special Items Expense (Income) (a)	**25**	**5**	**148**	**178**
Operating Profit (Loss) Before Special Items	**$ 936**	**$ 35**	**$ 258**	**$ 1,229**

	Six Months Ended June 30, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	$ 974	$ 77	$ 158	$ 1,209
Special Items Expense (Income) (b)	59	7	—	66
Operating Profit (Loss) Before Special Items	$ 1,033	$ 84	$ 158	$ 1,275

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

(b) See footnotes (f) - (g) 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

$ Millions	2019 Full Year
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	2,356
Depreciation, amortization and cost of timber harvested	1,325
Special items	183
Non-operating pension expense	36
Forecasted 2019 EBITDA	3,900

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 from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	2,317	551	456			1,007
Depreciation, amortization and cost of timber harvested	1,328	315	321			636
Special Items	208	20	163			183
Non-operating pension expense	494	10	8			18
EBITDA before Special Items	4,347	896	948	-	-	1,844
Annualized EBITDA before Special Items	4,347	3,584	3,792	-	-	3,688
Annualized Net Sales	23,306	22,572	22,668			22,620
EBITDA Margin	18.7%	15.9%	16.7%			16.3%

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2017 Full Year	2018 1st Quarter	2018 2nd Quarter	2018 3rd Quarter	2018 4th Quarter	2018 Year to Date
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	3,738	860	1,036	1,183	1,268	4,347
Annualized EBITDA before Special Items	3,738	3,440	4,144	4,732	5,072	4,347
Annualized Net Sales	21,743	22,484	23,332	23,604	23,804	23,306
EBITDA Margin	17.2%	15.3%	17.8%	20.0%	21.3%	18.7%

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

$ Millions	Q2 2019 North American Industrial Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	507
Depreciation, amortization and cost of timber harvested	175
Special Items	8
EBITDA before Special Items	690
Less: Recycling business EBITDA	(5)
EBITDA before Special Items after Exclusions	695
Net Sales	3,414
Less: Trade Sales	200
Less: Recycling Business Net Sales	66
Net Sales after Exclusions	3,148
Adjusted EBITDA Margin	22.1%

International Paper Company
Calculation of Forecasted 2019 Free Cash Flow

$ Millions	2019 Full Year
Cash provided by (used for) Operating Activities	3,300
Adjustments:	
Cash invested in capital projects	(1,400)
Forecasted 2019 Free Cash Flow	1,900

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 June 30,		Three Months Ended March 31,
	2019	**2018**	**2019**
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA	**$ 137**	**$ 112**	**$ 199**
Add back: Net (earnings) loss attributable to non-controlling interest	(5)	(4)	(6)
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA	**142**	**116**	**205**
Add back: Tax expense (benefit)	41	35	50
Add back: Interest expense, net	23	18	18
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	**206**	**169**	**273**
Add back: Depreciation and amortization expense	32	40	33
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	**238**	**209**	**306**
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	16	(98)	52
Adjusted Operating EBITDA - Ilim SA	**$ 222**	**$ 307**	**$ 254**

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.