

International Paper Company

Reconciliation of Non-GAAP Financial Measures

This presentation includes certain non-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-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-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, 2021 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)

	2021	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	\$ 999	\$ 329	\$ 921	\$ 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	337	446	499	536	572	520	555	607	612	672	541	608	669	492	297	521
Add back: Net Special Items Before Taxes	370	743	414	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	(200)	(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	1,506	1,477	1,870	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	4	40	46	46												
Adjusted Operating Earnings Before Net Interest Expense, Income Taxes and Other Equity Earnings	1,510	1,517	1,916	3,071												
Tax Rate	19.3%	24.2%	27.0%	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	1,219	1,150	1,399	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	309	37	204	290	177	198	117	(200)	(39)	61	159	64	(49)	49	-	-
Adjusted Operating Earnings Before Net Interest Expense	1,528	1,187	1,603	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 2019 - 2021 reflect Printing Papers as Discontinued Operations. Years 2013 - 2017 reflect North America Consumer Packaging and xpedx as Discontinued Operations. Years 2006-2012 and 2018 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			Twelve Months Ended December 31,		
	2021	2020	September 30, 2021	June 30, 2021	March 31, 2021	2021	2020	2019
Net Earnings (Loss) Attributable to International Paper Company	\$ 107	\$ 153	\$ 864	\$ 432	\$ 349	\$ 1,752	\$ 482	\$ 1,225
Less: Discontinued operations (gain) loss	8	(88)	(432)	(124)	(82)	(630)	(252)	(526)
Earnings (Loss) from Continuing Operations, including non-controlling interest	115	65	432	308	267	1,122	230	699
Add back: Non-operating pension expense (income)	(36)	(8)	(38)	(38)	(39)	(151)	(31)	28
Add back: Net special items expense (income)	222	149	37	55	(30)	284	649	507
Adjusted Operating Earnings	\$ 301	\$ 206	\$ 431	\$ 325	\$ 198	\$ 1,255	\$ 848	\$ 1,234

	Three Months Ended December 31,		Three Months Ended			Twelve Months Ended December 31,		
	2021	2020	September 30, 2021	June 30, 2021	March 31, 2021	2021	2020	2019
Diluted Earnings per Common Share as Reported	\$ 0.28	\$ 0.39	\$ 2.20	\$ 1.09	\$ 0.88	\$ 4.47	\$ 1.22	\$ 3.07
Less: Discontinued operations (gain) loss	0.02	(0.22)	(1.10)	(0.31)	(0.20)	(1.61)	(0.64)	(1.32)
Continuing Operations	0.30	0.17	1.10	0.78	0.68	2.86	0.58	1.75
Add back: Non-operating pension expense (income)	(0.10)	(0.02)	(0.09)	(0.10)	(0.10)	(0.38)	(0.08)	0.07
Add back: Net special items expense (income)	0.58	0.38	0.09	0.14	(0.08)	0.72	1.64	1.27
Adjusted Operating Earnings per Share	\$ 0.78	\$ 0.53	\$ 1.10	\$ 0.82	\$ 0.50	\$ 3.20	\$ 2.14	\$ 3.09

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		Three Months	Twelve Months Ended December 31,		
	December 31,		Ended September	2021	2020	2019
	2021	2020	2021	2021	2020	2019
Cash Provided By (Used For) Operating Activities	\$ 107	\$ 789	\$ 645	\$ 2,030	\$ 3,063	\$ 3,610
Adjustments:						
Cash invested in capital projects, net of insurance recoveries	(201)	(94)	(126)	(549)	(751)	(1,276)
Free Cash Flow	\$ (94)	\$ 695	\$ 519	\$ 1,481	\$ 2,312	\$ 2,334

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 non-GAAP financial measures, when used in conjunction with information presented in accordance with 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-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
Adjusted for Discontinued Operations

<u>\$ Millions</u>	<u>2020</u> <u>Full Year</u>	<u>2021</u> <u>1st Quarter</u>	<u>2021</u> <u>2nd Quarter</u>	<u>2021</u> <u>3rd Quarter</u>	<u>2021</u> <u>4th Quarter</u>	<u>2021</u> <u>Year to Date</u>
Earnings (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	329	306	252	397	44	999
Interest Expense, Net	446	93	86	82	76	337
Special Items	743	(42)	68	49	295	370
Non-operating pension expense (income)	<u>(41)</u>	<u>(52)</u>	<u>(51)</u>	<u>(50)</u>	<u>(47)</u>	<u>(200)</u>
EBIT before Special Items	1,477	305	355	478	368	1,506
Depreciation, amortization and cost of timber harvested	<u>1,090</u>	<u>268</u>	<u>272</u>	<u>280</u>	<u>277</u>	<u>1,097</u>
EBITDA before Special Items	<u>2,567</u>	<u>573</u>	<u>627</u>	<u>758</u>	<u>645</u>	<u>2,603</u>
Annualized EBITDA before Special Items	<u>2,567</u>	<u>2,292</u>	<u>2,508</u>	<u>3,032</u>	<u>2,580</u>	<u>2,603</u>
Annualized Net Sales	17,565	18,372	19,080	19,656	20,344	19,363
Adjusted EBITDA Margin	<u>14.6%</u>	<u>12.5%</u>	<u>13.1%</u>	<u>15.4%</u>	<u>12.7%</u>	<u>13.4%</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
Adjusted for Discontinued Operations

\$ 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	921	(138)	241	202	24	329
Interest Expense, Net	499	118	116	113	99	446
Special Items	414	385	68	102	188	743
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	1,870	359	411	406	301	1,477
Depreciation, amortization and cost of timber harvested	<u>1,067</u>	<u>272</u>	<u>268</u>	<u>269</u>	<u>281</u>	<u>1,090</u>
EBITDA before Special Items	<u>2,937</u>	<u>631</u>	<u>679</u>	<u>675</u>	<u>582</u>	<u>2,567</u>
Annualized EBITDA before Special Items	<u>2,937</u>	<u>2,524</u>	<u>2,716</u>	<u>2,700</u>	<u>2,328</u>	<u>2,567</u>
Annualized Net Sales	18,413	17,800	17,196	17,504	17,760	17,565
Adjusted EBITDA Margin	<u>16.0%</u>	<u>14.2%</u>	<u>15.8%</u>	<u>15.4%</u>	<u>13.1%</u>	<u>14.6%</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
Adjusted for Discontinued Operations

<u>\$ Millions</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 (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	215	198	254	254	921
Interest Expense, Net	134	122	126	117	499
Special Items	21	163	89	141	414
Non-operating pension expense	<u>10</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>36</u>
EBIT before Special Items	380	491	478	521	1,870
Depreciation, amortization and cost of timber harvested	<u>257</u>	<u>263</u>	<u>267</u>	<u>280</u>	<u>1,067</u>
EBITDA before Special Items	<u>637</u>	<u>754</u>	<u>745</u>	<u>801</u>	<u>2,937</u>
Annualized EBITDA before Special Items	<u>2,548</u>	<u>3,016</u>	<u>2,980</u>	<u>3,204</u>	<u>2,937</u>
Annualized Net Sales	18,632	18,700	18,328	17,992	18,413
Adjusted EBITDA Margin	<u>13.7%</u>	<u>16.1%</u>	<u>16.3%</u>	<u>17.8%</u>	<u>16.0%</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.

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

\$ Millions	Q1 2021	Q2 2021	Q3 2021	Q4 2021	YTD 2021
	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging
Business Segment Operating Profit	395	377	418	415	1,605
Depreciation, Amortization and Cost of Timber Harvested before Special Items	188	190	195	194	767
EBITDA before Special Items	583	567	613	609	2,372
Less: Recycling Business EBITDA	2	5	10	8	25
EBITDA before Special Items after Exclusions	581	562	603	601	2,347
Net Sales (a)	3,560	3,663	3,814	3,907	14,944
Less: Trade Sales	133	140	162	144	579
Less: Recycling Business Net Sales	73	83	107	113	376
Net Sales after Exclusions	3,354	3,440	3,545	3,650	13,989
Adjusted EBITDA Margin	17.3%	16.3%	17.0%	16.5%	16.8%

(a) Net Sales in all periods include sales to Sylvamo Corporation.

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 2022 EBITDA

<u>\$ Millions</u>	<u>2022 Full Year</u>
Earnings (Loss) from Continuing Operations Before Income Taxes and Equity Earnings	\$1,876 - \$2,176
Interest Expense, Net	290
Non-operating pension expense (income)	<u>(211)</u>
Adjusted EBIT	\$1,955 - \$2,255
Depreciation, amortization and cost of timber harvested	1,145
Adjusted EBITDA	<u><u>\$3,100 - \$3,400</u></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 Forecasted 2022 Free Cash Flow

<u>\$ Millions</u>	<u>2022 Full Year</u>
Cash provided by (used for) Operating Activities	\$2,400 - \$2,600
Adjustments:	
Cash invested in capital projects, net of insurance recoveries	<u>(1,100)</u>
Forecasted 2022 Free Cash Flow	<u><u>\$1,300 - \$1,500</u></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.

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,	
	2021	2020	2021	2021	2020
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim SA	\$ 129	\$ 106	\$ 182	\$ 610	\$ 113
Add back: Net (earnings) loss attributable to non-controlling interest	(5)	(2)	(8)	(22)	(2)
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim SA	134	108	190	632	115
Add back: Tax expense (benefit)	60	24	51	185	26
Add back: Interest expense, net	35	26	31	118	86
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	229	158	272	935	227
Add back: Depreciation and amortization expense	44	43	46	172	161
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	273	201	318	1,107	388
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt		50			(131)
Adjusted Operating EBITDA - Ilim SA	\$ 273	\$ 151	\$ 318	\$ 1,107	\$ 519

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.