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, 2016 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2015 Full Year	2016 1st Quarter	2016 2nd Quarter	2016 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,821	440	115	555
Depreciation, amortization and cost of timber harvested	1,294	284	301	585
Special Items	559	38	33	71
Non-operating pension expense	258	44	487	531
EBITDA before Special Items	3,932	806	936	1,742
Annualized EBITDA before Special Items	3,932	3,224	3,744	3,484
Annualized Net Sales	22,365	20,440	21,288	20,864
EBITDA Margin	17.6%	15.8%	17.6%	16.7%

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2014 Full Year	2015 1st Quarter	2015 2nd Quarter	2015 3rd Quarter	2015 4th Quarter	2015 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,479	543	410	470	398	1,821
Depreciation, amortization and cost of timber harvested	1,406	323	328	329	314	1,294
Special Items	1,046	-	190	211	158	559
Non-operating pension expense	212	72	50	76	60	258
EBITDA before Special Items	4,143	938	978	1,086	930	3,932
Annualized EBITDA before Special Items	4,143	3,752	3,912	4,344	3,720	3,932
Annualized Net Sales	23,617	22,068	22,856	22,764	21,772	22,365
EBITDA Margin	17.5%	17.0%	17.1%	19.1%	17.1%	17.6%

INTERNATIONAL PAPER COMPANY
Reconciliation of Operating Earnings to Net Earnings
Attributable to International Paper Company
Preliminary and Unaudited
(In millions except for per share amounts)

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2016	**2015**	**2016**	**2016**	**2015**
Operating Earnings	**$ 379**	$ 409	$ 330	**$ 709**	$ 766
Non-Operating Pension	**(299) (a)**	(31)	(27)	**(326)**	(75)
Special Items	**(40) (b)**	(151) (c)	36 (d)	**(4) (f)**	(151) (c)
Earnings (Loss) from Continuing Operations, including non-controlling interest	**40**	227	339	**379**	540
Discontinued operations	**—**	—	(5) (e)	**(5) (e)**	—
Net Earnings (Loss) as Reported Attributable to International Paper Company	**$ 40**	$ 227	$ 334	**$ 374**	$ 540

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
Diluted Earnings per Common Share	**2016**	**2015**	**2016**	**2016**	**2015**
Operating Earnings Per Share	**$ 0.92**	$ 0.97	$ 0.80	**$ 1.71**	$ 1.81
Non-Operating Pension	**(0.72)**	(0.07)	(0.07)	**(0.79)**	(0.17)
Special Items	**(0.10)**	(0.36)	0.09	**(0.01)**	(0.36)
Continuing Operations	**0.10**	0.54	0.82	**0.91**	1.28
Discontinued operations	**—**	—	(0.01)	**(0.01)**	—
Diluted Earnings per Common Share as Reported	**$ 0.10**	$ 0.54	$ 0.81	**$ 0.90**	$ 1.28

Notes:
(a) Includes a pre-tax charge of $439 million ($270 million after taxes) for a settlement accounting charge associated with term-vested lump sum payments.
(b) See footnotes (b) - (d) on the Consolidated Statement of Operations
(c) See footnotes (e) - (g) on the Consolidated Statement of Operations
(d) See footnotes (h) - (j) on the Consolidated Statement of Operations
(e) See footnotes (k) on the Consolidated Statement of Operations
(f) See footnotes (b),(h),(l),(m) on the Consolidated Statement of Operations

(1) The Company calculates Operating Earnings by excluding the after-tax effect of non-operating pension expense and 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 is the most directly comparable GAAP measure.
(2) Since diluted earnings per share are computed independently for each period, six-month per share amounts may not equal the sum of the respective quarters.

INTERNATIONAL PAPER COMPANY
Reconciliation of Operating Profit to Operating Profit Before Special Items
(In millions)

	Three Months Ended June 30, 2016			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	**$ 487**	**$ 101**	**$ 73**	**$ 661**
Special Items (a)	**(28)**	**(5)**	**—**	**(33)**
Operating Profit as Reported	**$ 459**	**$ 96**	**$ 73**	**$ 628**

	Three Months Ended June 30, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 528	$ 101	$ 34	$ 663
Special Items (b)	—	—	13	13
Operating Profit as Reported	$ 528	$ 101	$ 47	$ 676

	Three Months Ended March 31, 2016			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 433	$ 85	$ 25	$ 543
Special Items (a)	(37)	—	(9)	(46)
Operating Profit as Reported	$ 396	$ 85	$ 16	$ 497

	Six Months Ended June 30, 2016			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	**$ 920**	**$ 186**	**$ 98**	**$ 1,204**
Special Items (b)	**(65)**	**(5)**	**(9)**	**(79)**
Operating Profit as Reported	**$ 855**	**$ 181**	**$ 89**	**$ 1,125**

	Six Months Ended June 30, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 996	$ 210	$ 80	$ 1,286
Special Items (b)	—	—	13	13
Operating Profit as Reported	$ 996	$ 210	$ 93	$ 1,299

(a) See footnotes (a) - (c) on Sales and Earnings by Industry Segment
(b) See footnote (d) on Sales and Earnings by Industry Segment

(1) The Company calculates Operating Profit Before Special Items 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 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)

	June 2015 YTD	June 2016 YTD
Earnings Before Taxes and Equity Earnings	$ 672	$ 303
Add back: Net Interest Expense	281	252
Add back: Special Items Before Taxes	190	71
Add back: Non-Operating Pension Expense Before Taxes	122	531
Operating Earnings Before Interest, Taxes and Equity Earnings	1,265	1,157
Tax Rate	33%	34%
Operating Earnings Before Interest and Equity Earnings	848	768
Equity Earnings, Net of Taxes	97	108
Operating Earnings Before Interest	945	876

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 is not a measure of financial performance under U.S. generally accepted accounting principles ("GAAP") and may not be defined and calculated by other companies in the same manner. The Company defines and calculates ROIC using in the numerator Operating Earnings Before Interest, the most directly comparable GAAP measure to which is Earnings Before Income Taxes and Equity Earnings. The Company calculates Operating Earnings Before Interest by excluding net interest expense, the after-tax effect on non-operating pension expense and items considered by management to be unusual 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 = Operating Earnings Before Interest / Average Invested Capital

Average Invested Capital = Equity adjusted to remove pension-related amounts in OCI, net of taxes + interest-bearing debt

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

$ Millions	Q2 2015 North American Industrial Packaging	Q1 2016 North American Industrial Packaging	Q2 2016 North American Industrial Packaging	Q3 2015 - Q2 2016 North American Industrial Packaging	Q2 2015 North American Printing Papers	Q1 2016 North American Printing Papers	Q2 2016 North American Printing Papers	Q3 2015 - Q2 2016 North American Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	533	438	496	1,942	31	61	51	226
Depreciation, amortization and cost of timber harvested	167	160	163	658	19	20	19	80
Special Items	-	-	-	-	-	-	-	0
EBITDA before Special Items	700	598	659	2,600	50	81	70	306
Less: Recycling business EBITDA	1	-	2	8	-	-	-	-
EBITDA before Special Items after Exclusions	699	598	657	2,592	50	81	70	306
Net Sales	3,205	2,990	3,086	12,349	471	481	466	1936
Less: Trade Sales	218	172	171	785	-	-	-	-
Less: Recycling Business Net Sales	87	81	83	334	-	-	-	-
Net Sales after Exclusions	2,900	2,737	2,832	11,230	471	481	466	1,936
EBITDA Margin	24.1%	21.8%	23.2%	23.1%	10.6%	16.8%	15.0%	15.8%

$ Millions	Q2 2015 Brazilian Printing Papers	Q1 2016 Brazilian Printing Papers	Q2 2016 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	35	35	34
Depreciation, amortization and cost of timber harvested	24	19	20
Special Items	-	-	-
EBITDA before Special Items	59	54	54
Net Sales	210	190	220
EBITDA Margin	28.1%	28.6%	24.5%