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 September 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 3rd 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	505	1,060
Depreciation, amortization and cost of timber harvested	1,294	284	301	314	899
Special Items	559	38	33	66	137
Non-operating pension expense	258	44	487	42	573
EBITDA before Special Items	3,932	806	936	927	2,669
Annualized EBITDA before Special Items	3,932	3,224	3,744	3,708	3,559
Annualized Net Sales	22,365	20,440	21,288	21,064	20,931
Adj. EBITDA Margin	17.6%	15.8%	17.6%	17.6%	17.0%

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
Adj. EBITDA Margin	17.5%	17.0%	17.1%	19.1%	17.1%	17.6%

INTERNATIONAL PAPER COMPANY

Reconciliation of Net Earnings (Loss) Attributable to International Paper Company to Adjusted Operating Earnings

Preliminary and Unaudited

(In millions except for per share amounts)

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2016**	**2015**
Net Earnings (Loss) Attributable to International Paper Company	**$ 312**	$ 220	$ 40	**$ 686**	$ 760
Add back: Discontinued operations (gain) loss	**—**	—	—	**5 (f)**	—
Earnings (Loss) from Continuing Operations, including non-controlling interest	**312**	220	40	**691**	760
Add back: Non-operating pension expense	**26**	46	299 (a)	**352 (a)**	121
Add back: Special items expense	**42** (b)	141 (c)	40 (d)	**46 (e)**	292 (g)
Adjusted Operating Earnings	**$ 380**	$ 407	$ 379	**$ 1,089**	$ 1,173

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2016**	**2015**
Diluted Earnings per Common Share as Reported	**$ 0.75**	$ 0.53	$ 0.10	**$ 1.65**	$ 1.80
Add back: Discontinued operations (gain) loss	**—**	—	—	**0.01**	—
Continuing Operations	**0.75**	0.53	0.10	**1.66**	1.80
Add back: Non-operating pension expense	**0.06**	0.11	0.72	**0.85**	0.28
Add back: Special items expense	**0.10**	0.33	0.10	**0.11**	0.70
Adjusted Operating Earnings per Share	**$ 0.91**	$ 0.97	$ 0.92	**$ 2.62**	$ 2.78

Notes:

(a) Includes a pre-tax charge of $439 million ($270 million after taxes) for the three months ended June 30, 2016 and the nine months ended September 30, 2016 for a settlement accounting charge associated with term-vested lump sum payments.

(b) See footnotes (a) - (d) on the Consolidated Statement of Operations

(c) See footnotes (e) - (g) on the Consolidated Statement of Operations

(d) See footnotes (i) - (k) on the Consolidated Statement of Operations

(e) See footnotes (l) - (p) on the Consolidated Statement of Operations

(f) See footnotes (q) on the Consolidated Statement of Operations

(g) See footnotes (f), (r) - (t) on the Consolidated Statement of Operations

(1) The Company calculates Adjusted Operating Earnings (non-GAAP) 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 attributable to International Paper is the most directly comparable GAAP measure.

(2) Since diluted earnings per share are computed independently for each period, nine-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
Preliminary and Unaudited
(In millions)

	Three Months Ended September 30, 2016			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	**$ 424**	**$ 128**	**$ 61**	**$ 613**
Special Items Expense (a)	**5**	**7**	**—**	**12**
Operating Profit Before Special Items	**$ 429**	**$ 135**	**$ 61**	**$ 625**

	Three Months Ended September 30, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	$ 553	$ 179	$ (153)	$ 579
Special Items Expense (b)	—	—	194	194
Operating Profit Before Special Items	$ 553	$ 179	$ 41	$ 773

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

	Nine Months Ended September 30, 2016			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	**$ 1,279**	**$ 309**	**$ 150**	**$ 1,738**
Special Items Expense (a)	**70**	**12**	**9**	**91**
Operating Profit Before Special Items	**$ 1,349**	**$ 321**	**$ 159**	**$ 1,829**

	Nine Months Ended September 30, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	$ 1,549	$ 389	$ (60)	$ 1,878
Special Items Expense (b)	—	—	181	181
Operating Profit Before Special Items	$ 1,549	$ 389	$ 121	$ 2,059

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

(b) See footnote (d) on Sales and Earnings by Business Segment

(1) 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

Reconciliation of Net Earnings Before Taxes and Equity Earnings to Operating Earnings Before Net Interest Expense

Preliminary and Unaudited

(In millions)

	September 2016 YTD
Earnings Before Taxes and Equity Earnings	$ 676
Add back: Net Interest Expense	384
Add back: Special Items Before Taxes	137
Add back: Non-Operating Pension Expense Before Taxes	573
Operating Earnings Before Interest, Taxes and Equity Earnings	1,770
Tax Rate	33.0%
Operating Earnings Before Interest and Equity Earnings	1,186
Equity Earnings, Net of Taxes	151
Operating Earnings Before Interest	1,337

The Company considers adjusted return on invested capital ("adjusted 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. Adjusted 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 adjusted 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.

Adjusted 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 Adjusted EBITDA Margin before Special Items

$ Millions	Q3 2015 North American Industrial Packaging	Q2 2016 North American Industrial Packaging	Q3 2016 North American Industrial Packaging	Q4 2015 - Q3 2016 North American Industrial Packaging	Q3 2015 North American Printing Papers	Q2 2016 North American Printing Papers	Q3 2016 North American Printing Papers	Q4 2015 - Q3 2016 North American Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	557	496	439	1,824	81	51	81	226
Depreciation, amortization and cost of timber harvested	170	163	166	654	21	19	21	80
Special Items	-	-	-	-	-	-	-	-
EBITDA before Special Items	727	659	605	2,478	102	70	102	306
Less: Recycling business EBITDA	4	2	2	6	-	-	-	-
EBITDA before Special Items after Exclusions	723	657	603	2,472	102	70	102	306
Net Sales	3,175	3,086	3,099	12,273	500	466	478	1,914
Less: Trade Sales	222	171	167	730	-	-	-	-
Less: Recycling Business Net Sales	87	83	94	341	-	-	-	-
Net Sales after Exclusions	2,866	2,832	2,838	11,202	500	466	478	1,914
Adjusted EBITDA Margin	25.2%	23.2%	21.2%	22.1%	20.4%	15.0%	21.3%	16.0%

$ Millions	Q3 2015 Brazilian Printing Papers	Q2 2016 Brazilian Printing Papers	Q3 2016 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	56	34	53
Depreciation, amortization and cost of timber harvested	20	20	26
Special Items	-	-	-
EBITDA before Special Items	76	54	79
Net Sales	219	220	227
Adjusted EBITDA Margin	34.7%	24.5%	34.8%