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 Annual Report on Form 10-K for the year ended December 31, 2016 and subsequently publicly filed financial reports.

Reconciliation of Free Cash Flow to Cash provided by Operations

In millions	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash provided by operations	2,478	2,580	3,077	3,028	2,967	2,675	1,631	4,655	2,669	1,948	1,010	1,222
(Less)/Add:												
Cash invested in capital projects	(1,348)	(1,487)	(1,366)	(1,198)	(1,383)	(1,159)	(775)	(534)	(1,002)	(1,288)	(1,009)	(992)
Cash contribution to pension plan	750	750	353	31	44	300	1,042	-	-	-	1,000	-
Cash (received from) used for European accounts receivable securitization program	-	-	-	-	-	209	-	(205)	-	-	-	-
Tax receivable collected related to pension contributions	-	-	-	-	-	(123)	-	-	-	-	-	-
Cash received from unwinding a timber monetization	-	-	-	-	(251)	(175)	-	-	-	-	-	-
Change in control payments related to Temple-Inland acquisition	-	-	-	-	120	-	-	-	-	-	-	-
Insurance reimbursement for Guaranty Bank settlement	-	-	-	(30)	80	-	-	-	-	-	-	-
Cash received from alternative fuel mixture credits	-	-	-	-	-	-	(132)	(1,684)	-	-	-	-
Reduction in cash taxes paid related to cellulosic bio-fuel tax credits	-	-	-	-	-	-	(17)	-	-	-	-	-
Hardboard cash settlements received, net	-	-	-	-	-	-	-	-	-	(64)	(80)	(114)
Free Cash Flow	**1,880**	**1,843**	**2,064**	**1,831**	**1,577**	**1,727**	**1,749**	**2,232**	**1,667**	**596**	**921**	**116**

In millions	4Q16	3Q16	2Q16	1Q16	4Q15
Cash provided by operations	912	341	605	620	990
(Less)/Add:					
Cash invested in capital projects	(445)	(266)	(328)	(309)	(489)
Cash contribution to pension plan	-	500	250	-	-
Free Cash Flow	**467**	**575**	**527**	**311**	**501**

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

Preliminary and Unaudited

(In millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings Before Taxes and Equity Earnings	$ 956	$ 1,266	$ 872	$ 1,228	$ 1,024	$ 1,458	$ 822	$ 1,199	$ (1,153)	$ 1,654	$ 3,188	$ 586
Add back: Net Interest Expense	520	555	607	612	672	541	608	669	492	297	521	593
Add back: Special Items Before Taxes	182	559	1,052	344	384	343	389	(564)	2,331	(242)	(2,258)	207
Add back: Non-Operating Pension Expense Before Taxes	610	258	212	323	159	43	84	63	(11)	77	209	85
Operating Earnings Before Interest, Taxes and Equity Earnings	2,268	2,638	2,743	2,507	2,239	2,385	1,903	1,367	1,659	1,786	1,660	1,471
Tax Rate	31.8%	33.0%	30.7%	26.0%	31.5%	32.0%	30.0%	30.0%	31.5%	30.0%	29.0%	27.5%
Operating Earnings Before Interest and Equity Earnings	1,547	1,767	1,901	1,855	1,534	1,622	1,332	957	1,136	1,250	1,179	1,066
Equity Earnings, Net of Taxes	198	117	(200)	(39)	61	159	64	(49)	49	0	0	0
Operating Earnings Before Interest	1,745	1,884	1,701	1,816	1,595	1,781	1,396	908	1,185	1,250	1,179	1,066

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

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 December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2016	**2015**	**2016**	**2016**	**2015**
Net Earnings (Loss) Attributable to International Paper Company	**$ 218**	$ 178	$ 312	**$ 904**	$ 938
Add back: Discontinued operations (gain) loss	**—**	—	—	**5** (f)	—
Earnings (Loss) from Continuing Operations, including non-controlling interest	**218**	178	312	**909**	938
Add back: Non-operating pension expense	**23**	36	26	**375 (a)**	157
Add back: Special items expense	**62** (b)	147 (c)	42 (d)	**108** (e)	439 (g)
Adjusted Operating Earnings	**$ 303**	$ 361	$ 380	**$ 1,392**	$ 1,534

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2016	**2015**	**2016**	**2016**	**2015**
Diluted Earnings per Common Share as Reported	**$ 0.53**	$ 0.43	$ 0.75	**$ 2.18**	$ 2.23
Add back: Discontinued operations (gain) loss	**—**	—	—	**0.01**	—
Continuing Operations	**0.53**	0.43	0.75	**2.19**	2.23
Add back: Non-operating pension expense	**0.05**	0.09	0.06	**0.90**	0.38
Add back: Special items expense	**0.15**	0.35	0.10	**0.26**	1.04
Adjusted Operating Earnings per Share	**$ 0.73**	$ 0.87	$ 0.91	**$ 3.35**	$ 3.65

Notes:

(a) Includes a pre-tax charge of $439 million ($270 million after taxes) for the twelve months ended December 31, 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) - (h) on the Consolidated Statement of Operations
(d) See footnotes (i) - (l) on the Consolidated Statement of Operations
(e) See footnotes (m) - (q) on the Consolidated Statement of Operations
(f) See footnotes (r) on the Consolidated Statement of Operations
(g) See footnotes (g), (s) - (u) 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, twelve-month per share amounts may not equal the sum of the respective quarters.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2015 Full Year	2016 1st Quarter	2016 2nd Quarter	2016 3rd Quarter	2016 4th 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	416	1,476
Depreciation, amortization and cost of timber harvested	1,294	284	301	314	328	1,227
Special Items	559	38	33	66	45	182
Non-operating pension expense	258	44	487	42	37	610
EBITDA before Special Items	3,932	806	936	927	826	3,495
Annualized EBITDA before Special Items	3,932	3,224	3,744	3,708	3,304	3,495
Annualized Net Sales	22,365	20,440	21,288	21,064	21,524	21,079
EBITDA Margin	17.6%	15.8%	17.6%	17.6%	15.4%	16.6%

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 Net Earnings (Loss) Attributable to Ilim Holding 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,			
	2016	2015	2016	2016	2015	2014	2013
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA	**$ 88**	**$ 58**	**$ 88**	**$ 385**	**$ 237**	**$ (359)**	**$ (72)**
Add back: Net (earnings) loss attributable to non-controlling interest	(6)	(3)	(7)	(28)	(16)	27	5
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA	**94**	**61**	**95**	**413**	**253**	**(386)**	**(77)**
Add back: Tax expense (benefit)	46	23	27	128	73	(86)	(15)
Add back: Interest expense, net	20	14	20	81	52	69	39
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	**160**	**98**	**142**	**622**	**378**	**(403)**	**(53)**
Add back: Depreciation and amortization expense	34	31	30	121	128	188	176
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	**194**	**129**	**172**	**743**	**506**	**(215)**	**123**
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	14	(48)	6	63	(188)	(674)	(80)
Adjusted Operating EBITDA - Ilim Holding SA	**$ 180**	**$ 177**	**$ 166**	**$ 680**	**$ 694**	**$ 459**	**$ 203**

Ilim Holding SA 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. Ilim Holding SA 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. Ilim Holding SA 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 Holdings SA is the most directly comparable GAAP measure.

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

	Three Months Ended December 31, 2016				
	Industrial Packaging	Global Cellulose Fiber	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	**$ 372**	**$ (70)**	**$ 121**	**$ 41**	**$ 464**
Special Items Expense (a)	**7**	**38**	**—**	**—**	**45**
Operating Profit Before Special Items	**$ 379**	**$ (32)**	**$ 121**	**$ 41**	**$ 509**

	Three Months Ended December 31, 2015				
	Industrial Packaging	Global Cellulose Fiber	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	$ 304	$ 14	$ 130	$ 35	$ 483
Special Items Expense (b)	137	—	—	3	140
Operating Profit Before Special Items	$ 441	$ 14	$ 130	$ 38	$ 623

	Three Months Ended September 30, 2016				
	Industrial Packaging	Global Cellulose Fiber	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	$ 424	$ (39)	$ 167	$ 61	$ 613
Special Items Expense (a)	5	7	—	—	12
Operating Profit Before Special Items	$ 429	$ (32)	$ 167	$ 61	$ 625

	Twelve Months Ended December 31, 2016				
	Industrial Packaging	Global Cellulose Fiber	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	**$ 1,651**	**$ (180)**	**$ 540**	**$ 191**	**$ 2,202**
Special Items Expense (a)	**77**	**50**	**—**	**9**	**136**
Operating Profit Before Special Items	**$ 1,728**	**$ (130)**	**$ 540**	**$ 200**	**$ 2,338**

	Twelve Months Ended December 31, 2015				
	Industrial Packaging	Global Cellulose Fiber	Printing Papers	Consumer Packaging	Total
Operating Profit as Reported	$ 1,853	$ 68	$ 465	$ (25)	$ 2,361
Special Items Expense (b)	137	—	—	184	321
Operating Profit Before Special Items	$ 1,990	$ 68	$ 465	$ 159	$ 2,682

(a) See footnotes (a) - (c) on Sales and Earnings by Business Segment
(b) See footnotes (d) - (e) 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.

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

$ Millions	Q4 2015 North American Industrial Packaging	Q3 2016 North American Industrial Packaging	Q4 2016 North American Industrial Packaging	Q1 2016 - Q4 2016 North American Industrial Packaging	Q4 2015 North American Printing Papers	Q3 2016 North American Printing Papers	Q4 2016 North American Printing Papers	Q1 2016 - Q4 2016 North American Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	451	439	384	1,757	33	82	43	236
Depreciation, amortization and cost of timber harvested	165	166	167	656	20	21	20	80
Special Items	-	-	-	-	-	-	-	-
EBITDA before Special Items	616	605	551	2,413	53	103	63	316
Less: Recycling business EBITDA	2	2	1	5	-	-	-	-
EBITDA before Special Items after Exclusions	614	603	550	2,408	53	103	63	316
Net Sales	3,098	3,087	3,052	12,227	489	477	465	1,890
Less: Trade Sales	220	167	169	679	-	-	-	-
Less: Recycling Business Net Sales	83	94	92	350	-	-	-	-
Net Sales after Exclusions	2,795	2,826	2,791	11,198	489	477	465	1,890
Adjusted EBITDA Margin	22.0%	21.3%	19.7%	21.5%	10.8%	21.6%	13.5%	16.7%

$ Millions	Q4 2015 Brazilian Printing Papers	Q3 2016 Brazilian Printing Papers	Q4 2016 Brazilian Printing Papers	FY 2016 Legacy IP Global Cellulose Fibers	FY 2016 Legacy WY Global Cellulose Fibers	FY 2015 Legacy IP Global Cellulose Fibers	FY 2015 Legacy WY Global Cellulose Fibers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	58	53	50	(159)	130	68	211
Depreciation, amortization and cost of timber harvested	20	26	25	96	128	73	127
Special Items	-	-	-	12	2	-	-
EBITDA before Special Items	78	79	75	(51)	260	141	338
Net Sales	252	229	260				
Adjusted EBITDA Margin	31.0%	34.5%	28.8%				