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 March 31, 2017 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2016 Full Year	2017 1st Quarter	2017 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,476	386	386
Depreciation, amortization and cost of timber harvested	1,227	345	345
Special Items	182	14	14
Non-operating pension expense	610	31	31
EBITDA before Special Items	3,495	776	776
Annualized EBITDA before Special Items	3,495	3,104	3,104
Annualized Net Sales	21,079	22,044	22,044
EBITDA Margin	16.6%	14.1%	14.1%

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

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 March 31,		Three Months Ended December 31,
	2017	**2016**	**2016**
Net Earnings (Loss) Attributable to International Paper Company	**$ 209**	$ 334	$ 218
Add back: Discontinued operations (gain) loss	**—**	5 (b)	—
Earnings (Loss) from Continuing Operations, including non-controlling interest	**209**	339	218
Add back: Non-operating pension expense	**19**	27	23
Add back: Special items expense (gain)	**21 (a)**	(36) (c)	62 (d)
Adjusted Operating Earnings	**$ 249**	$ 330	$ 303

	Three Months Ended March 31,		Three Months Ended December 31,
	2017	**2016**	**2016**
Diluted Earnings per Common Share as Reported	**$ 0.50**	$ 0.81	$ 0.53
Add back: Discontinued operations (gain) loss	**—**	0.01	—
Continuing Operations	**0.50**	0.82	0.53
Add back: Non-operating pension expense	**0.05**	0.07	0.05
Add back: Special items expense (gain)	**0.05**	(0.09)	0.15
Adjusted Operating Earnings per Share	**$ 0.60**	$ 0.80	$ 0.73

Notes:

(a) See footnotes (a) - (d) on the Consolidated Statement of Operations
(b) See footnote (h) on the Consolidated Statement of Operations
(c) See footnotes (e) - (g) on the Consolidated Statement of Operations
(d) See footnotes (i) - (l) 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.

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

	Three Months Ended March 31, 2017				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	**$ 365**	**$ (70)**	**$ 100**	**$ 33**	**$ 428**
Special Items Expense (Income) (a)	**(5)**	**19**	**—**	**—**	**14**
Operating Profit (Loss) Before Special Items	**$ 360**	**$ (51)**	**$ 100**	**$ 33**	**$ 442**

	Three Months Ended March 31, 2016				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	$ 396	$ (50)	$ 135	$ 16	$ 497
Special Items Expense (Income) (b)	37	—	—	9	46
Operating Profit (Loss) Before Special Items	$ 433	$ (50)	$ 135	$ 25	$ 543

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

(a) See footnotes (a) - (b) on Sales and Earnings by Business Segment
(b) See footnotes (c) - (d) on Sales and Earnings by Business Segment
(c) See footnotes (e) - (f) 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 (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 March 31,		Three Months Ended December 31,	Twelve Months Ended December 31,			
	2017	2016	2016	2016	2015	2014	2013
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA	**$ 100**	**$ 120**	**$ 88**	**$ 385**	**$ 237**	**$ (359)**	**$ (72)**
Add back: Net (earnings) loss attributable to non-controlling interest	(6)	(9)	(6)	(28)	(16)	27	5
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA	**106**	**129**	**94**	**413**	**253**	**(386)**	**(77)**
Add back: Tax expense (benefit)	26	32	46	128	73	(86)	(15)
Add back: Interest expense, net	23	20	20	81	52	69	39
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	**155**	**181**	**160**	**622**	**378**	**(403)**	**(53)**
Add back: Depreciation and amortization expense	36	27	34	121	128	188	176
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	**191**	**208**	**194**	**743**	**506**	**(215)**	**123**
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	58	28	14	63	(188)	(674)	(80)
Adjusted Operating EBITDA - Ilim Holding SA	**$ 133**	**$ 180**	**$ 180**	**$ 680**	**$ 694**	**$ 459**	**$ 203**

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 Holdings SA 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	Q1 2016 North American Industrial Packaging	Q4 2016 North American Industrial Packaging	Q1 2017 North American Industrial Packaging	Q2 2016 - Q1 2017 North American Industrial Packaging	Q1 2016 North American Printing Papers	Q4 2016 North American Printing Papers	Q1 2017 North American Printing Papers	Q2 2016 - Q1 2017 North American Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	438	384	361	1,680	61	43	33	209
Depreciation, amortization and cost of timber harvested	160	167	170	666	20	20	19	79
Special Items	-	-	1	1	-	-	-	-
EBITDA before Special Items	598	551	532	2,347	81	63	52	288
Less: Recycling business EBITDA	-	1	5	10	-	-	-	-
EBITDA before Special Items after Exclusions	598	550	527	2,337	81	63	52	288
Net Sales	2,990	3,052	3,155	12,380	481	465	468	1,876
Less: Trade Sales	172	169	169	676	-	-	-	-
Less: Recycling Business Net Sales	81	92	169	438	-	-	-	-
Net Sales after Exclusions	2,737	2,791	2,817	11,266	481	465	468	1,876
Adjusted EBITDA Margin	21.8%	19.7%	18.7%	20.7%	16.8%	13.5%	11.1%	15.4%

$ Millions	Q1 2016 Brazilian Printing Papers	Q4 2016 Brazilian Printing Papers	Q1 2017 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	35	50	39
Depreciation, amortization and cost of timber harvested	19	25	26
Special Items	-	-	-
EBITDA before Special Items	54	75	65
Net Sales	190	260	214
Adjusted EBITDA Margin	28.6%	28.8%	30.4%