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, 2017 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2016 Full Year	2017 1st Quarter	2017 2nd Quarter	2017 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,476	386	108	494
Depreciation, amortization and cost of timber harvested	1,227	345	357	702
Special Items	182	14	357	371
Non-operating pension expense	610	31	34	65
EBITDA before Special Items	3,495	776	856	1,632
Annualized EBITDA before Special Items	3,495	3,104	3,424	3,264
Annualized Net Sales	21,079	22,044	23,088	22,566
EBITDA Margin	16.6%	14.1%	14.8%	14.5%

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 June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2017	**2016**	**2017**	**2017**	**2016**
Net Earnings (Loss) Attributable to International Paper Company	**$ 80**	$ 40	$ 209	**$ 289**	$ 374
Add back: Discontinued operations (gain) loss	**—**	—	—	**—**	5 (e)
Earnings (Loss) from Continuing Operations, including non-controlling interest	**80**	40	209	**289**	379
Add back: Non-operating pension expense	**21**	299 (g)	19	**40**	326 (g)
Add back: Special items expense (gain)	**169 (a)**	40 (b)	21 (c)	**190 (d)**	4 (f)
Adjusted Operating Earnings	**$ 270**	$ 379	$ 249	**$ 519**	$ 709

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2017	**2016**	**2017**	**2017**	**2016**
Diluted Earnings per Common Share as Reported	**$ 0.19**	$ 0.10	$ 0.50	**$ 0.69**	$ 0.90
Add back: Discontinued operations (gain) loss	**—**	—	—	**—**	0.01
Continuing Operations	**0.19**	0.10	0.50	**0.69**	0.91
Add back: Non-operating pension expense	**0.05**	0.72	0.05	**0.10**	0.79
Add back: Special items expense (gain)	**0.41**	0.10	0.05	**0.46**	0.01
Adjusted Operating Earnings per Share	**$ 0.65**	$ 0.92	$ 0.60	**$ 1.25**	$ 1.71

Notes:

(a) See footnotes (a) - (g) on the Consolidated Statement of Operations
(b) See footnotes (i) - (k) on the Consolidated Statement of Operations
(c) See footnotes (l) - (o) on the Consolidated Statement of Operations
(d) See footnotes (c) - (f), (n), (p) - (r) on the Consolidated Statement of Operations
(e) See footnote (v) on the Consolidated Statement of Operations
(f) See footnotes (i), (s) - (u) on the Consolidated Statement of Operations
(g) See footnote (h) 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, 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
Preliminary and Unaudited
(In millions)

	Three Months Ended June 30, 2017				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	**$ 50**	**$ 7**	**$ 86**	**$ (14)**	**$ 129**
Special Items Expense (Income) (a)	**357**	**5**	**2**	**9**	**373**
Operating Profit (Loss) Before Special Items	**$ 407**	**$ 12**	**$ 88**	**$ (5)**	**$ 502**

	Three Months Ended June 30, 2016				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	$ 458	$ (21)	$ 117	$ 73	$ 627
Special Items Expense (Income) (b)	28	5	—	—	33
Operating Profit (Loss) Before Special Items	$ 486	$ (16)	$ 117	$ 73	$ 660

	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) (c)	(5)	19	—	—	14
Operating Profit (Loss) Before Special Items	$ 360	$ (51)	$ 100	$ 33	$ 442

	Six Months Ended June 30, 2017				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	**$ 415**	**$ (63)**	**$ 186**	**$ 19**	**$ 557**
Special Items Expense (Income) (a)	**352**	**24**	**2**	**9**	**387**
Operating Profit (Loss) Before Special Items	**$ 767**	**$ (39)**	**$ 188**	**$ 28**	**$ 944**

	Six Months Ended June 30, 2016				
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Consumer Packaging	Total
Operating Profit (Loss) as Reported	$ 854	$ (71)	$ 252	$ 89	$ 1,124
Special Items Expense (Income) (d)	65	5	—	9	79
Operating Profit (Loss) Before Special Items	$ 919	$ (66)	$ 252	$ 98	$ 1,203

(a) See footnotes (a) - (d) on Sales and Earnings by Business Segment
(b) See footnotes (f) - (g) on Sales and Earnings by Business Segment
(c) See footnotes (a) - (b) on Sales and Earnings by Business Segment
(d) See footnotes (f) - (h) 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 June 30,		Three Months Ended March 31	Twelve Months Ended December 31,			
	2017	2016	2017	2016	2015	2014	2013
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA	**$ 42**	**$ 89**	**$ 100**	**$ 385**	**$ 237**	**$ (359)**	**$ (72)**
Add back: Net (earnings) loss attributable to non-controlling interest	(2)	(6)	(6)	(28)	(16)	27	5
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA	**44**	**95**	**106**	**413**	**253**	**(386)**	**(77)**
Add back: Tax expense (benefit)	16	23	26	128	73	(85)	(15)
Add back: Interest expense, net	23	21	23	81	52	68	39
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	**83**	**139**	**155**	**622**	**378**	**(403)**	**(53)**
Add back: Depreciation and amortization expense	38	30	36	121	128	188	176
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	**121**	**169**	**191**	**743**	**506**	**(215)**	**123**
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	(46)	15	58	63	(188)	(674)	(80)
Adjusted Operating EBITDA - Ilim Holding SA	**$ 167**	**$ 154**	**$ 133**	**$ 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 EBITDA Margin before Special Items

	North American Industrial Packaging								
$ Millions	2008	2009	2010	2011	2012	2013	2014	2015	2016
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	322	794	763	1,076	1,008	1,762	1,986	2,009	1,757
Depreciation, amortization and cost of timber harvested	411	640	556	470	715	732	703	666	656
Special Items	92	(109)	13	18	270	51	46	-	-
EBITDA before Special Items	825	1,325	1,332	1,564	1,993	2,545	2,735	2,675	2,413
Less: Recycling Business EBITDA	-	4	8	7	1	-	1	4	5
EBITDA before Special Items after Exclusions	825	1,321	1,324	1,557	1,992	2,545	2,734	2,671	2,408
Net Sales	6,170	7,585	8,352	8,605	11,610	12,523	12,663	12,541	12,227
Less: Trade Sales	706	407	454	414	729	748	705	869	679
Less: Recylcing Business Net Sales	-	248	462	527	384	384	376	340	350
Net Sales after Exclusions	5,464	6,930	7,436	7,664	10,497	11,391	11,582	11,332	11,198
EBITDA Margin	15%	19%	18%	20%	19%	22%	24%	24%	22%

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

$ Millions	Q2 2016 North American Industrial Packaging	Q1 2017 North American Industrial Packaging	Q2 2017 North American Industrial Packaging	Q3 2016 - Q2 2017 North American Industrial Packaging	Q2 2016 North American Printing Papers	Q1 2017 North American Printing Papers	Q2 2017 North American Printing Papers	Q3 2016 - Q2 2017 North American Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	496	361	51	1,235	51	33	19	209
Depreciation, amortization and cost of timber harvested	163	170	172	675	19	19	19	79
Special Items	-	1	357	358	-	-	2	-
EBITDA before Special Items	659	532	580	2,268	70	52	40	288
Less: Recycling business EBITDA	2	5	4	12	-	-	-	-
EBITDA before Special Items after Exclusions	657	527	576	2,256	70	52	40	288
Net Sales	3,138	3,155	3,336	12,748	466	468	446	1,876
Less: Trade Sales	171	169	171	676	-	-	-	-
Less: Recycling Business Net Sales	83	169	175	530	-	-	-	-
Net Sales after Exclusions	2,884	2,817	2,990	11,542	466	468	446	1,876
Adjusted EBITDA Margin	22.8%	18.7%	19.3%	19.5%	15.0%	11.1%	9.0%	15.4%

$ Millions	Q2 2016 Brazilian Printing Papers	Q1 2017 Brazilian Printing Papers	Q2 2017 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	34	39	43
Depreciation, amortization and cost of timber harvested	20	26	27
Special Items	-	-	-
EBITDA before Special Items	54	65	70
Net Sales	219	214	232
Adjusted EBITDA Margin	24.7%	30.4%	30.2%