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, 2018 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2017 Full Year	2018 1st Quarter	2018 2nd Quarter	2018 3rd Quarter	2018 4th Quarter	2018 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,420	491	623	686		1,800
Depreciation, amortization and cost of timber harvested	1,343	325	330	335		990
Special Items	491	40	47	137		224
Non-operating pension expense	484	4	36	25		65
EBITDA before Special Items	3,738	860	1,036	1,183	-	3,079
Annualized EBITDA before Special Items	3,738	3,440	4,144	4,732	-	4,105
Annualized Net Sales	21,743	22,484	23,332	23,604		23,140
EBITDA Margin	17.2%	15.3%	17.8%	20.0%		17.7%

International Paper Company
Calculation of EBITDA before Special Items
(Restated to Reflect NA Consumer Packaging as Discontinued Operations)

$ Millions	2016 Full Year	2017 1st Quarter	2017 2nd Quarter	2017 3rd Quarter	2017 4th Quarter	2017 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,315	359	114	609	338	1,420
Depreciation, amortization and cost of timber harvested	1,124	320	334	350	339	1,343
Special Items	182	14	357	13	107	491
Non-operating pension expense	610	31	34	33	386	484
EBITDA before Special Items	3,231	724	839	1,005	1,170	3,738
Annualized EBITDA before Special Items	3,231	2,896	3,356	4,020	4,680	3,738
Annualized Net Sales	19,495	20,528	21,532	22,068	22,844	21,743
EBITDA Margin	16.6%	14.1%	15.6%	18.2%	20.5%	17.2%

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

$ Millions	Q1 2018 North American Industrial Packaging	Q2 2018 North American Industrial Packaging	Q3 2018 North American Industrial Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	459	574	618
Depreciation, amortization and cost of timber harvested	174	182	185
Special Items	5	6	4
EBITDA before Special Items	638	762	807
Less: Recycling business EBITDA	-	-	(1)
EBITDA before Special Items after Exclusions	638	762	808
Net Sales	3,369	3,582	3,653
Less: Trade Sales	174	180	218
Less: Recycling Business Net Sales	84	85	87
Net Sales after Exclusions	3,111	3,317	3,348
Adjusted EBITDA Margin	20.5%	23.0%	24.1%

$ Millions	Q3 2018 Printing Papers	Q3 2018 Global Cellulose Fibers
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	183	83
Depreciation, amortization and cost of timber harvested	66	64
Special Items	-	2
EBITDA before Special Items	249	149
Net Sales	1,102	714
Adjusted EBITDA Margin	22.6%	20.9%

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 September 30,		Three Months Ended June 30,
	2018	**2017**	**2018**
Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA	**$ 144**	**$ 95**	**$ 112**
Add back: Net (earnings) loss attributable to non-controlling interest	(5)	(4)	(4)
Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA	**149**	**99**	**116**
Add back: Tax expense (benefit)	39	27	35
Add back: Interest expense, net	16	22	18
Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)	**204**	**148**	**169**
Add back: Depreciation and amortization expense	35	36	40
Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)	**239**	**184**	**209**
Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt	(58)	18	(98)
Adjusted Operating EBITDA - Ilim Holding SA	**$ 297**	**$ 166**	**$ 307**

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.

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,	
	2018	**2017**	**2018**	**2018**	**2017**
Net Earnings (Loss) Attributable to International Paper Company	**$ 562**	$ 395	$ 405	**$ 1,696**	$ 684
Less: Discontinued operations (gain) loss	**—**	(29)	23	**(345)**	(42)
Earnings (Loss) from Continuing Operations, including non-controlling interest	**562**	366	428	**1,351**	642
Add back: Non-operating pension expense	**19**	20	27	**49**	60
Add back: Special items expense (gain)	**60**	34	43	**134**	224
Adjusted Operating Earnings	**$ 641**	$ 420	$ 498	**$ 1,534**	$ 926

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2018**	**2017**
Diluted Earnings per Common Share as Reported	**$ 1.37**	$ 0.95	$ 0.97	**$ 4.08**	$ 1.64
Less: Discontinued operations (gain) loss	**—**	(0.07)	0.05	**(0.83)**	(0.10)
Continuing Operations	**1.37**	0.88	1.02	**3.25**	1.54
Add back: Non-operating pension expense	**0.05**	0.05	0.07	**0.11**	0.14
Add back: Special items expense (gain)	**0.14**	0.08	0.10	**0.32**	0.54
Adjusted Operating Earnings per Share	**$ 1.56**	$ 1.01	$ 1.19	**$ 3.68**	$ 2.22

Notes:

(1) The Company calculates Adjusted Operating Earnings (non-GAAP) by excluding the after-tax effect of non-operating pension expense, items considered by management to be unusual as reflected in the notes to the Consolidated Statement of Operations and discontinued operations 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, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	**$ 472**	**$ 83**	**$ 183**	**$ 738**
Special Items Expense (Income) (a)	**126**	**2**	**5**	**133**
Operating Profit (Loss) Before Special Items	**$ 598**	**$ 85**	**$ 188**	**$ 871**

	Three Months Ended September 30, 2017			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	$ 490	$ 49	$ 135	$ 674
Special Items Expense (Income) (b)	15	8	—	23
Operating Profit (Loss) Before Special Items	$ 505	$ 57	$ 135	$ 697

	Three Months Ended June 30, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	$ 537	$ 66	$ 94	$ 697
Special Items Expense (Income) (a)	32	3	—	35
Operating Profit (Loss) Before Special Items	$ 569	$ 69	$ 94	$ 732

	Nine Months Ended September 30, 2018			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	**$ 1,446**	**$ 160**	**$ 341**	**$ 1,947**
Special Items Expense (Income) (a)	**185**	**9**	**5**	**199**
Operating Profit (Loss) Before Special Items	**$ 1,631**	**$ 169**	**$ 346**	**$ 2,146**

	Nine Months Ended September 30, 2017			
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Operating Profit (Loss) as Reported	$ 938	$ (14)	$ 321	$ 1,245
Special Items Expense (Income) (b)	367	32	2	401
Operating Profit (Loss) Before Special Items	$ 1,305	$ 18	$ 323	$ 1,646

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

(b) See footnotes (d) - (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.