

## 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, 2017 and subsequently publicly filed financial reports.

INTERNATIONAL PAPER COMPANY  
Reconciliation of Operating Earnings Before Net Interest Expense to Net Earnings Before Taxes and Equity Earnings  
Preliminary and Unaudited  
(In millions)

|   | 2017   | 2016   | 2015     | 2014   | 2013     | 2012     | 2011     | 2010   | 2009     | 2008       | 2007     | 2006     | 2005   |
|---|--------|--------|----------|--------|----------|----------|----------|--------|----------|------------|----------|----------|--------|
| Earnings Before Taxes and Equity Earnings                     | \$ 848 | \$ 795 | \$ 1,128 | \$ 734 | \$ 1,234 | \$ 1,024 | \$ 1,458 | \$ 822 | \$ 1,199 | \$ (1,153) | \$ 1,654 | \$ 3,188 | \$ 586 |
| Add back: Net Interest Expense                                | 572    | 520    | 555      | 607    | 612      | 672      | 541      | 608    | 669      | 492        | 297      | 521      | 593    |
| Add back: Special Items Before Taxes                          | 501    | 182    | 559      | 1,046  | 305      | 384      | 343      | 389    | (564)    | 2,331      | (242)    | (2,258)  | 207    |
| Add back: Non-Operating Pension Expense Before Taxes          | 484    | 610    | 258      | 212    | 323      | 159      | 43       | 84     | 63       | (11)       | 77       | 209      | 85     |
| Operating Earnings Before Interest, Taxes and Equity Earnings | 2,405  | 2,107  | 2,500    | 2,599  | 2,474    | 2,239    | 2,385    | 1,903  | 1,367    | 1,659      | 1,786    | 1,660    | 1,471  |
| Tax Rate  | 30%    | 32%    | 33%      | 31%    | 26%      | 31.5%    | 32%      | 30%    | 30%      | 31.5%      | 30%      | 29%      | 27.5%  |
| Operating Earnings Before Interest and Equity Earnings        | 1,684  | 1,433  | 1,675    | 1,793  | 1,831    | 1,534    | 1,622    | 1,332  | 957      | 1,136      | 1,250    | 1,179    | 1,066  |
| Equity Earnings, Net of Taxes                                 | 177    | 198    | 117      | (200)  | (39)     | 61       | 159      | 64     | (49)     | 49         | 0        | 0        | 0      |
| Operating Earnings Before Interest                            | 1,861  | 1,631  | 1,792    | 1,593  | 1,792    | 1,595    | 1,781    | 1,396  | 908      | 1,185      | 1,250    | 1,179    | 1,066  |

The Company considers return on invested capital ("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. 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 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.

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

Note: Years 2013 - 2017 reflect North America Consumer Packaging and xpedx as Discontinued Operations. Years 2005-2012 are as reported in the 10-K for each year at the time of filing.

Reconciliation of Free Cash Flow to Cash provided by Operations

| In millions   | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007       | 2006       | 2005       |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| Cash provided by operations   | 1757         | 2478         | 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   | (1,391)      | (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   | 1,250        | 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)      | -            | -          | -          | -          |
| Kleen Settlement  | 354          | -            | -            | -            | -            | -            | -            | -            | -            | -            | -          | -          | -          |
| Reduction in cash taxes paid related to cellulosic bio-fuel tax credits           | -            | -            | -            | -            | -            | -            | -            | (17)         | -            | -            | -          | -          | -          |
| Hardboard cash settlements received, net  | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | (64)       | (80)       | (114)      |
| <b>Free Cash Flow</b>   | <b>1,970</b> | <b>1,880</b> | <b>1,843</b> | <b>2,064</b> | <b>1,831</b> | <b>1,577</b> | <b>1,727</b> | <b>1,749</b> | <b>2,232</b> | <b>1,667</b> | <b>596</b> | <b>921</b> | <b>116</b> |

**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<br>March 31, |                | Three Months<br>Ended<br>December 31, |
|---|---------------------------------|----------------|---------------------------------------|
|   | 2018                            | 2017           | 2017                                  |
| <b>Net Earnings (Loss) Attributable to International Paper Company</b>                | \$ 729                          | \$ 209         | \$ 1,460                              |
| Add back: Discontinued operations (gain) loss   | (368) (a)                       | (17)           | 8 (c)                                 |
| <b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b> | <b>361</b>                      | 192            | 1,468                                 |
| Add back: Non-operating pension expense   | 3                               | 19             | 238 (d)                               |
| Add back: Special items expense (gain)  | 31 (b)                          | 21 (e)         | (1,176) (f)                           |
| <b>Adjusted Operating Earnings</b>  | <b>\$ 395</b>                   | <b>\$ 232</b>  | <b>\$ 530</b>                         |
|   |                                 |                |                                       |
|   | Three Months Ended<br>March 31, |                | Three Months<br>Ended<br>December 31, |
|   | 2018                            | 2017           | 2017                                  |
| <b>Diluted Earnings per Common Share as Reported</b>                                  | \$ 1.74                         | \$ 0.50        | \$ 3.50                               |
| Add back: Discontinued operations (gain) loss   | (0.88)                          | (0.04)         | 0.02                                  |
| <b>Continuing Operations</b>  | <b>0.86</b>                     | 0.46           | 3.52                                  |
| Add back: Non-operating pension expense   | 0.01                            | 0.05           | 0.57                                  |
| Add back: Special items expense (gain)  | 0.07                            | 0.05           | (2.82)                                |
| <b>Adjusted Operating Earnings per Share</b>  | <b>\$ 0.94</b>                  | <b>\$ 0.56</b> | <b>\$ 1.27</b>                        |

**Notes:**

- (a) See footnote (c) on the Consolidated Statement of Operations
- (b) See footnotes (a) - (b) on the Consolidated Statement of Operations
- (c) See footnote (k) on the Consolidated Statement of Operations
- (d) See footnote (i) on the Consolidated Statement of Operations
- (e) See footnotes (d), (e), (g), and (j) on the Consolidated Statement of Operations
- (f) See footnotes (d) - (f), (h), and (j) 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 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<br>December 31, |               | Three Months<br>Ended<br>September 30, | Twelve Months Ended<br>December 31, |                 |
|---|------------------------------------|---------------|--|-------------------------------------|-----------------|
|   | 2017                               | 2016          | 2017                                   | 2017                                | 2016            |
| <b>Net Earnings (Loss) Attributable to International Paper Company</b>                | <b>\$ 1,460</b>                    | <b>\$ 218</b> | <b>\$ 395</b>                          | <b>\$ 2,144</b>                     | <b>\$ 904</b>   |
| Add back: Discontinued operations (gain) loss   | <b>8 (a)</b>                       | (24)          | (29)                                   | <b>(34) (a)</b>                     | (102) (g)       |
| <b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b> | <b>1,468</b>                       | 194           | 366                                    | <b>2,110</b>                        | 802             |
| Add back: Non-operating pension expense   | <b>238 (b)</b>                     | 23            | 20                                     | <b>298 (b)</b>                      | 375 (h)         |
| Add back: Special items expense (gain)  | <b>(1,176) (c)</b>                 | 62 (d)        | 34 (e)                                 | <b>(952) (f)</b>                    | 108 (i)         |
| <b>Adjusted Operating Earnings</b>  | <b>\$ 530</b>                      | <b>\$ 279</b> | <b>\$ 420</b>                          | <b>\$ 1,456</b>                     | <b>\$ 1,285</b> |

  

|  | Three Months Ended<br>December 31, |                | Three Months<br>Ended<br>September 30, | Twelve Months Ended<br>December 31, |                |
|--|------------------------------------|----------------|--|-------------------------------------|----------------|
|  | 2017                               | 2016           | 2017                                   | 2017                                | 2016           |
| <b>Diluted Earnings per Common Share as Reported</b> | <b>\$ 3.50</b>                     | <b>\$ 0.53</b> | <b>\$ 0.95</b>                         | <b>\$ 5.13</b>                      | <b>\$ 2.18</b> |
| Add back: Discontinued operations (gain) loss        | <b>0.02</b>                        | (0.06)         | (0.07)                                 | <b>(0.08)</b>                       | (0.25)         |
| <b>Continuing Operations</b>                         | <b>3.52</b>                        | 0.47           | 0.88                                   | <b>5.05</b>                         | 1.93           |
| Add back: Non-operating pension expense              | <b>0.57</b>                        | 0.05           | 0.05                                   | <b>0.72</b>                         | 0.90           |
| Add back: Special items expense (gain)               | <b>(2.82)</b>                      | 0.15           | 0.08                                   | <b>(2.28)</b>                       | 0.26           |
| <b>Adjusted Operating Earnings per Share</b>         | <b>\$ 1.27</b>                     | <b>\$ 0.67</b> | <b>\$ 1.01</b>                         | <b>\$ 3.49</b>                      | <b>\$ 3.09</b> |

**Notes:**

- (a) See footnote (f) on the Consolidated Statement of Operations
- (b) See footnote (a) on the Consolidated Statement of Operations
- (c) See footnotes (a) - (e) on the Consolidated Statement of Operations
- (d) See footnotes (g) - (j) on the Consolidated Statement of Operations
- (e) See footnotes (a), (b), (e), (k) on the Consolidated Statement of Operations
- (f) See footnotes (a) - (e) and (k) - (n) on the Consolidated Statement of Operations
- (g) See footnote (p) on the Consolidated Statement of Operations
- (h) See footnote (g) on the Consolidated Statement of Operations
- (i) See footnotes (g) - (j) and (o) 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

| <u>\$ Millions</u>   | <u>2017</u><br><u>Full Year</u> | <u>2018</u><br><u>1st Quarter</u> | <u>2018</u><br><u>2nd Quarter</u> | <u>2018</u><br><u>3rd Quarter</u> | <u>2018</u><br><u>4th Quarter</u> | <u>2018</u><br><u>Year to Date</u> |
|--|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes | 1,420                           | 491                               |                                   |                                   |                                   | 491                                |
| Depreciation, amortization and cost of timber harvested  | 1,343                           | 325                               |                                   |                                   |                                   | 325                                |
| Special Items  | 491                             | 40                                |                                   |                                   |                                   | 40                                 |
| Non-operating pension expense  | 484                             | 4                                 |                                   |                                   |                                   | 4                                  |
| EBITDA before Special Items  | <u>3,738</u>                    | <u>860</u>                        | <u>-</u>                          | <u>-</u>                          | <u>-</u>                          | <u>860</u>                         |
| Annualized EBITDA before Special Items   | <u>3,738</u>                    | <u>3,440</u>                      | <u>-</u>                          | <u>-</u>                          | <u>-</u>                          | <u>3,440</u>                       |
| Annualized Net Sales   | 21,743                          | 22,484                            |                                   |                                   |                                   | 22,484                             |
| EBITDA Margin  | <u>17.2%</u>                    | <u>15.3%</u>                      |                                   |                                   |                                   | <u>15.3%</u>                       |

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

| <u>\$ Millions</u>   | <u>2016</u><br><u>Full Year</u> | <u>2017</u><br><u>1st Quarter</u> | <u>2017</u><br><u>2nd Quarter</u> | <u>2017</u><br><u>3rd Quarter</u> | <u>2017</u><br><u>4th Quarter</u> | <u>2017</u><br><u>Year to Date</u> |
|--|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| 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  | <u>3,231</u>                    | <u>724</u>                        | <u>839</u>                        | <u>1,005</u>                      | <u>1,170</u>                      | <u>3,738</u>                       |
| Annualized EBITDA before Special Items   | <u>3,231</u>                    | <u>2,896</u>                      | <u>3,356</u>                      | <u>4,020</u>                      | <u>4,680</u>                      | <u>3,738</u>                       |
| Annualized Net Sales   | 19,495                          | 20,528                            | 21,532                            | 22,068                            | 22,844                            | 21,743                             |
| EBITDA Margin  | <u>16.6%</u>                    | <u>14.1%</u>                      | <u>15.6%</u>                      | <u>18.2%</u>                      | <u>20.5%</u>                      | <u>17.2%</u>                       |

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

| <u>\$ Millions</u>   | <u>2015</u><br><u>Full Year</u> | <u>2016</u><br><u>1st Quarter</u> | <u>2016</u><br><u>2nd Quarter</u> | <u>2016</u><br><u>3rd Quarter</u> | <u>2016</u><br><u>4th Quarter</u> | <u>2016</u><br><u>Year to Date</u> |
|--|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes | 1,683                           | 430                               | 53                                | 453                               | 379                               | 1,315                              |
| Depreciation, amortization and cost of timber harvested  | 1,167                           | 260                               | 275                               | 287                               | 302                               | 1,124                              |
| Special Items  | 563                             | 38                                | 33                                | 66                                | 45                                | 182                                |
| Non-operating pension expense  | <u>258</u>                      | <u>44</u>                         | <u>487</u>                        | <u>42</u>                         | <u>37</u>                         | <u>610</u>                         |
| EBITDA before Special Items  | <u>3,671</u>                    | <u>772</u>                        | <u>848</u>                        | <u>848</u>                        | <u>763</u>                        | <u>3,231</u>                       |
| Annualized EBITDA before Special Items   | <u>3,671</u>                    | <u>3,088</u>                      | <u>3,392</u>                      | <u>3,392</u>                      | <u>3,052</u>                      | <u>3,231</u>                       |
| Annualized Net Sales   | 20,695                          | 18,868                            | 19,656                            | 19,456                            | 20,000                            | 19,495                             |
| EBITDA Margin  | <u>17.7%</u>                    | <u>16.4%</u>                      | <u>17.3%</u>                      | <u>17.4%</u>                      | <u>15.3%</u>                      | <u>16.6%</u>                       |



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

| <u>\$ Millions</u>   | <u>2015</u><br><u>1st Quarter</u> | <u>2015</u><br><u>2nd Quarter</u> | <u>2015</u><br><u>3rd Quarter</u> | <u>2015</u><br><u>4th Quarter</u> | <u>2015</u><br><u>Year to Date</u> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes | 510                               | 366                               | 430                               | 377                               | 1,683                              |
| Depreciation, amortization and cost of timber harvested  | 293                               | 295                               | 296                               | 283                               | 1,167                              |
| Special Items  | -                                 | 194                               | 211                               | 158                               | 563                                |
| Non-operating pension expense  | <u>72</u>                         | <u>50</u>                         | <u>76</u>                         | <u>60</u>                         | <u>258</u>                         |
| EBITDA before Special Items  | <u>875</u>                        | <u>905</u>                        | <u>1,013</u>                      | <u>878</u>                        | <u>3,671</u>                       |
| Annualized EBITDA before Special Items   | <u>3,500</u>                      | <u>3,620</u>                      | <u>4,052</u>                      | <u>3,512</u>                      | <u>3,671</u>                       |
| Annualized Net Sales   | 20,416                            | 21,124                            | 21,076                            | 20,164                            | 20,695                             |
| EBITDA Margin  | <u>17.1%</u>                      | <u>17.1%</u>                      | <u>19.2%</u>                      | <u>17.4%</u>                      | <u>17.7%</u>                       |

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

|  | <b>Three Months Ended March 31, 2018</b> |                         |                 |               |
|--|--|-------------------------|-----------------|---------------|
|  | Industrial Packaging                     | Global Cellulose Fibers | Printing Papers | Total         |
| Operating Profit (Loss) as Reported          | \$ 437                                   | \$ 11                   | \$ 64           | \$ 512        |
| Special Items Expense (Income) (a)           | 27                                       | 4                       | —               | 31            |
| Operating Profit (Loss) Before Special Items | <u>\$ 464</u>                            | <u>\$ 15</u>            | <u>\$ 64</u>    | <u>\$ 543</u> |

|  | <b>Three Months Ended March 31, 2017</b> |                         |                 |               |
|--|--|-------------------------|-----------------|---------------|
|  | Industrial Packaging                     | Global Cellulose Fibers | Printing Papers | Total         |
| Operating Profit (Loss) as Reported          | \$ 384                                   | \$ (70)                 | \$ 100          | \$ 414        |
| Special Items Expense (Income) (a)           | (5)                                      | 19                      | —               | 14            |
| Operating Profit (Loss) Before Special Items | <u>\$ 379</u>                            | <u>\$ (51)</u>          | <u>\$ 100</u>   | <u>\$ 428</u> |

|  | <b>Three Months Ended December 31, 2017</b> |                         |                 |               |
|--|---|-------------------------|-----------------|---------------|
|  | Industrial Packaging                        | Global Cellulose Fibers | Printing Papers | Total         |
| Operating Profit (Loss) as Reported          | \$ 609                                      | \$ 79                   | \$ 136          | \$ 824        |
| Special Items Expense (Income) (a)           | 5   | 19                      | —               | 24            |
| Operating Profit (Loss) Before Special Items | <u>\$ 614</u>                               | <u>\$ 98</u>            | <u>\$ 136</u>   | <u>\$ 848</u> |

(a) See footnotes (a) - (b) 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 Operating Profit to Operating Profit Before Special Items**  
Preliminary and Unaudited  
(In millions)

|  | <b>Three Months Ended December 31, 2017</b> |                         |                 |               |
|--|---|-------------------------|-----------------|---------------|
|  | Industrial Packaging                        | Global Cellulose Fibers | Printing Papers | Total         |
| Operating Profit (Loss) as Reported          | \$ 609                                      | \$ 79                   | \$ 136          | \$ 824        |
| Special Items Expense (Income) (a)           | 5   | 19                      | —               | 24            |
| Operating Profit (Loss) Before Special Items | <u>\$ 614</u>                               | <u>\$ 98</u>            | <u>\$ 136</u>   | <u>\$ 848</u> |

|  | <b>Three Months Ended December 31, 2016</b> |                         |                 |               |
|--|---|-------------------------|-----------------|---------------|
|  | Industrial Packaging                        | Global Cellulose Fibers | Printing Papers | Total         |
| Operating Profit (Loss) as Reported          | \$ 391                                      | \$ (70)                 | \$ 121          | \$ 442        |
| Special Items Expense (Income) (b)           | 7   | 38                      | —               | 45            |
| Operating Profit (Loss) Before Special Items | <u>\$ 398</u>                               | <u>\$ (32)</u>          | <u>\$ 121</u>   | <u>\$ 487</u> |

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

|  | <b>Twelve Months Ended December 31, 2017</b> |                         |                 |                 |
|--|--|-------------------------|-----------------|-----------------|
|  | Industrial Packaging                         | Global Cellulose Fibers | Printing Papers | Total           |
| Operating Profit (Loss) as Reported          | \$ 1,547                                     | \$ 65                   | \$ 457          | \$ 2,069        |
| Special Items Expense (Income) (c)           | 372  | 51                      | 2               | 425             |
| Operating Profit (Loss) Before Special Items | <u>\$ 1,919</u>                              | <u>\$ 116</u>           | <u>\$ 459</u>   | <u>\$ 2,494</u> |

|  | <b>Twelve Months Ended December 31, 2016</b> |                         |                 |                 |
|--|--|-------------------------|-----------------|-----------------|
|  | Industrial Packaging                         | Global Cellulose Fibers | Printing Papers | Total           |
| Operating Profit (Loss) as Reported          | \$ 1,741                                     | \$ (179)                | \$ 540          | \$ 2,102        |
| Special Items Expense (Income) (b)           | 77   | 50                      | —               | 127             |
| Operating Profit (Loss) Before Special Items | <u>\$ 1,818</u>                              | <u>\$ (129)</u>         | <u>\$ 540</u>   | <u>\$ 2,229</u> |

- (a) See footnotes (a) - (b) on Sales and Earnings by Business Segment  
(b) See footnotes (f) - (g) on Sales and Earnings by Business Segment  
(c) See footnotes (a) - (c) 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<br>March 31, |               | Three Months<br>Ended<br>December 31, |
|---|---------------------------------|---------------|---------------------------------------|
|   | 2018                            | 2017          | 2017                                  |
| <b>Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA</b>       | \$ 183                          | \$ 100        | \$ 125                                |
| Add back: Net (earnings) loss attributable to non-controlling interest                                  | (6)                             | \$ (6)        | (4)                                   |
| <b>Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA</b> | <b>189</b>                      | <b>\$ 106</b> | <b>129</b>                            |
| Add back: Tax expense (benefit)   | 44                              | \$ 26         | 46                                    |
| Add back: Interest expense, net   | 19                              | \$ 23         | 20                                    |
| <b>Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)</b>                     | <b>252</b>                      | <b>\$ 155</b> | <b>195</b>                            |
| Add back: Depreciation and amortization expense   | 41                              | \$ 36         | 41                                    |
| <b>Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)</b>     | <b>293</b>                      | <b>\$ 191</b> | <b>236</b>                            |
| Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt        | (1)                             | \$ 58         | 7                                     |
| <b>Adjusted Operating EBITDA - Ilim Holding SA</b>  | <b>\$ 294</b>                   | <b>\$ 133</b> | <b>\$ 229</b>                         |

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 Ilim Holding SA to EBIT, Operating EBITDA and Adjusted Operating EBITDA**  
Preliminary and Unaudited  
In millions except for per share amounts

|   | Three Months Ended<br>December 31, |               | Three Months<br>Ended<br>September 30 | Twelve Months Ended December 31, |               |               |               |               |
|---|------------------------------------|---------------|---------------------------------------|----------------------------------|---------------|---------------|---------------|---------------|
|   | 2017                               | 2016          | 2017                                  | 2017                             | 2016          | 2015          | 2014          | 2013          |
| <b>Net Earnings (Loss) from Continuing Operations as Reported Attributable to Ilim Holding SA</b>       | \$ 125                             | \$ 88         | \$ 95                                 | \$ 362                           | \$ 385        | \$ 237        | \$ (359)      | \$ (72)       |
| Add back: Net (earnings) loss attributable to non-controlling interest                                  | (4)                                | (6)           | (4)                                   | (16)                             | (28)          | (16)          | 27            | 5             |
| <b>Earnings (Loss) from Continuing Operations, Including Non-Controlling Interest - Ilim Holding SA</b> | <b>129</b>                         | <b>94</b>     | <b>99</b>                             | <b>378</b>                       | <b>413</b>    | <b>253</b>    | <b>(386)</b>  | <b>(77)</b>   |
| Add back: Tax expense (benefit)   | 46                                 | 46            | 27                                    | 115                              | 128           | 73            | (85)          | (15)          |
| Add back: Interest expense, net   | 20                                 | 20            | 22                                    | 88                               | 81            | 52            | 68            | 39            |
| <b>Earnings (Loss) From Continuing Operations, Before Interest and Taxes (EBIT)</b>                     | <b>195</b>                         | <b>160</b>    | <b>148</b>                            | <b>581</b>                       | <b>622</b>    | <b>378</b>    | <b>(403)</b>  | <b>(53)</b>   |
| Add back: Depreciation and amortization expense   | 41                                 | 34            | 36                                    | 151                              | 121           | 128           | 188           | 176           |
| <b>Earnings (Loss) From Continuing Operations, Before Interest, Taxes and Depreciation (EBITDA)</b>     | <b>236</b>                         | <b>194</b>    | <b>184</b>                            | <b>732</b>                       | <b>743</b>    | <b>506</b>    | <b>(215)</b>  | <b>123</b>    |
| Deduct: Foreign Exchange Gain (Loss) Impact, Primarily Related to US Dollar Denominated Net Debt        | 7                                  | 14            | 18                                    | 37                               | 63            | (188)         | (674)         | (80)          |
| <b>Adjusted Operating EBITDA - Ilim Holding SA</b>  | <b>\$ 229</b>                      | <b>\$ 180</b> | <b>\$ 166</b>                         | <b>\$ 695</b>                    | <b>\$ 680</b> | <b>\$ 694</b> | <b>\$ 459</b> | <b>\$ 203</b> |

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.