

## 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.

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	1,757	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	(1,391)	(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>

In millions	4Q17	3Q17	2Q17	1Q17	4Q16
Cash provided by operations	1,188	(709)	645	633	912
Cash invested in capital projects	(456)	(271)	(290)	(374)	(445)
Cash contribution to pension plan	-	1,250	-	-	-
Kleen Settlement	-	354	-	-	-
<b>Free Cash Flow</b>	<b>732</b>	<b>624</b>	<b>355</b>	<b>259</b>	<b>467</b>

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 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.

**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,	
	2017	2016	2017	2017	2016
<b>Net Earnings (Loss) Attributable to International Paper Company</b>	<b>\$ 1,460</b>	\$ 218	\$ 395	<b>\$ 2,144</b>	\$ 904
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>	\$ 279	\$ 420	<b>\$ 1,456</b>	\$ 1,285

  

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2017	2016	2017	2017	2016
<b>Diluted Earnings per Common Share as Reported</b>	<b>\$ 3.50</b>	\$ 0.53	\$ 0.95	<b>\$ 5.13</b>	\$ 2.18
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>	\$ 0.67	\$ 1.01	<b>\$ 3.49</b>	\$ 3.09

**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  
(Restated to Reflect NA Consumer Packaging as Discontinued Operations)

<u>\$ Millions</u>	<u>2016</u> <u>Full Year</u>	<u>2017</u> <u>1st Quarter</u>	<u>2017</u> <u>2nd Quarter</u>	<u>2017</u> <u>3rd Quarter</u>	<u>2017</u> <u>4th Quarter</u>	<u>2017</u> <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> <u>Full Year</u>	<u>2016</u> <u>1st Quarter</u>	<u>2016</u> <u>2nd Quarter</u>	<u>2016</u> <u>3rd Quarter</u>	<u>2016</u> <u>4th Quarter</u>	<u>2016</u> <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> <u>1st Quarter</u>	<u>2015</u> <u>2nd Quarter</u>	<u>2015</u> <u>3rd Quarter</u>	<u>2015</u> <u>4th Quarter</u>	<u>2015</u> <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 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,				
	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.

**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.

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

	Q4 2016	Q3 2017	Q4 2017	Q1 2016 - Q4 2017	Q4 2016	Q3 2017	Q4 2017	Q1 2016 - Q4 2017
	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Printing Papers	North American Printing Papers	North American Printing Papers	North American Printing Papers
\$ Millions								
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	384	487	605	1,504	43	54	26	132
Depreciation, amortization and cost of timber harvested	167	174	179	695	20	21	20	79
Special Items	-	5	5	368	-	-	-	2
EBITDA before Special Items	551	666	789	2,567	63	75	46	213
Less: Recycling business EBITDA	1	3	1	13	-	-	-	-
EBITDA before Special Items after Exclusions	550	663	788	2,554	63	75	46	213
Net Sales	3,106	3,383	3,455	13,329	465	470	449	1,833
Less: Trade Sales	169	187	179	706	-	-	-	-
Less: Recycling Business Net Sales	92	105	92	431	-	-	-	-
Less: Other Non-U.S. Sales	71	78	97	315	-	-	-	-
Net Sales after Exclusions	2,774	3,013	3,087	11,877	465	470	449	1,833
Adjusted EBITDA Margin	19.8%	22.0%	25.5%	21.5%	13.5%	16.0%	10.2%	11.6%

	Q4 2016	Q3 2017	Q4 2017
	Brazilian Printing Papers	Brazilian Printing Papers	Brazilian Printing Papers
\$ Millions			
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	50	46	66
Depreciation, amortization and cost of timber harvested	25	26	24
Special Items	-	-	-
EBITDA before Special Items	75	72	90
Net Sales	260	239	287
Adjusted EBITDA Margin	28.8%	30.1%	31.4%