

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, 2015 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

<u>\$ Millions</u>	<u>2014</u> <u>Full Year</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	1,479	543	410	470	398	1,821
Depreciation, amortization and cost of timber harvested	1,406	323	328	329	314	1,294
Special Items	1,046	-	190	211	158	559
Non-operating pension expense	<u>212</u>	<u>72</u>	<u>50</u>	<u>76</u>	<u>60</u>	<u>258</u>
EBITDA before Special Items	<u>4,143</u>	<u>938</u>	<u>978</u>	<u>1,086</u>	<u>930</u>	<u>3,932</u>
Annualized EBITDA before Special Items	<u>4,143</u>	<u>3,752</u>	<u>3,912</u>	<u>4,344</u>	<u>3,720</u>	<u>3,932</u>
Annualized Net Sales	23,617	22,068	22,856	22,764	21,772	22,365
EBITDA Margin	<u>17.5%</u>	<u>17.0%</u>	<u>17.1%</u>	<u>19.1%</u>	<u>17.1%</u>	<u>17.6%</u>

International Paper Company
Calculation of EBITDA before Special Items

<u>\$ Millions</u>	<u>2013</u> <u>Full Year</u>	<u>2014</u> <u>1st Quarter</u>	<u>2014</u> <u>2nd Quarter</u>	<u>2014</u> <u>3rd Quarter</u>	<u>2014</u> <u>4th Quarter</u>	<u>2014</u> <u>Year to Date</u>
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,840	4	316	710	449	1,479
Depreciation, amortization and cost of timber harvested	1,531	347	355	358	346	1,406
Special Items	341	511	309	71	155	1,046
Non-operating pension expense	<u>323</u>	<u>44</u>	<u>61</u>	<u>54</u>	<u>53</u>	<u>212</u>
EBITDA before Special Items	<u>4,035</u>	<u>906</u>	<u>1,041</u>	<u>1,193</u>	<u>1,003</u>	<u>4,143</u>
Annualized EBITDA before Special Items	<u>4,035</u>	<u>3,624</u>	<u>4,164</u>	<u>4,772</u>	<u>4,012</u>	<u>4,143</u>
Annualized Net Sales	23,483	22,896	23,596	24,204	23,772	23,617
EBITDA Margin	<u>17.2%</u>	<u>15.8%</u>	<u>17.6%</u>	<u>19.7%</u>	<u>16.9%</u>	<u>17.5%</u>

INTERNATIONAL PAPER COMPANY
Reconciliation of Operating Earnings to Net Earnings (Loss) Attributable to International Paper Company
Preliminary and Unaudited
(In millions, except per share amounts)

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2015	2014	2015	2015	2014
Operating Earnings	\$ 361	\$ 227	\$ 407	\$ 1,534	\$ 1,296
Non-Operating Pension	(36)	(32)	(46)	(157)	(129)
Special Items	(147) (a)	(52) (b)	(141) (c)	(439) (d)	(599) (e)
Earnings (Loss) from Continuing Operations, including non-controlling interest	178	143	220	938	568
Discontinued operations	—	(9) (f)	—	—	(13) (g)
Net Earnings (Loss) as Reported Attributable to International Paper Company	\$ 178	\$ 134	\$ 220	\$ 938	\$ 555

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2015	2014	2015	2015	2014
Diluted Earnings per Common Share					
Operating Earnings Per Share	\$ 0.87	\$ 0.53	\$ 0.97	\$ 3.65	\$ 3.00
Non-Operating Pension	(0.09)	(0.07)	(0.11)	(0.38)	(0.30)
Special Items	(0.35)	(0.12)	(0.33)	(1.04)	(1.39)
Continuing Operations	0.43	0.34	0.53	2.23	1.31
Discontinued operations	—	(0.02)	—	—	(0.02)
Diluted Earnings per Common Share as Reported	\$ 0.43	\$ 0.32	\$ 0.53	\$ 2.23	\$ 1.29

Notes:

- (a) See footnotes (a) - (d) on the Consolidated Statement of Operations
 - (b) See footnotes (e) - (i) on the Consolidated Statement of Operations
 - (c) See footnotes (k) - (m) on the Consolidated Statement of Operations
 - (d) See footnotes (c), (n) - (p) on the Consolidated Statement of Operations
 - (e) See footnotes (g), (h), (q) - (u) on the Consolidated Statement of Operations
 - (f) See footnote (j) on the Consolidated Statement of Operations
 - (g) See footnote (v) on the Consolidated Statement of Operations
- (1) The Company calculates Operating Earnings 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 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

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

	2015	2014	2013
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$ 1,266	\$ 872	\$ 1,228
Add back: Net Interest Expense	555	607	612
Add back: Special Items Before Taxes	559	1,052	344
Add back: Non-Operating Pension Expense Before Taxes	258	212	323
Operating Earnings Before Interest, Taxes and Equity Earnings	2,638	2,743	2,507
Tax Rate	33 %	31 %	26 %
Operating Earnings Before Interest and Equity Earnings	1,767	1,901	1,855
Equity Earnings, Net of Taxes	117	(200)	(39)
Operating Earnings Before Interest	\$ 1,884	\$ 1,701	\$ 1,816

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

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

	Three Months Ended December 31, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 441	\$ 144	\$ 38	\$ 623
Special Items (a)	(137)	—	(3)	(140)
Operating Profit as Reported	<u>\$ 304</u>	<u>\$ 144</u>	<u>\$ 35</u>	<u>\$ 483</u>

	Three Months Ended December 31, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 484	\$ 155	\$ 55	\$ 694
Special Items (b)	(105)	(7)	(4)	(116)
Operating Profit as Reported	<u>\$ 379</u>	<u>\$ 148</u>	<u>\$ 51</u>	<u>\$ 578</u>

	Three Months Ended September 30, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 553	\$ 179	\$ 41	\$ 773
Special Items (a)	—	—	(194)	(194)
Operating Profit as Reported	<u>\$ 553</u>	<u>\$ 179</u>	<u>\$ (153)</u>	<u>\$ 579</u>

	Twelve Months Ended December 31, 2015			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 1,990	\$ 533	\$ 159	\$ 2,682
Special Items (a)	(137)	—	(184)	(321)
Operating Profit as Reported	<u>\$ 1,853</u>	<u>\$ 533</u>	<u>\$ (25)</u>	<u>\$ 2,361</u>

	Twelve Months Ended December 31, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 2,054	\$ 550	\$ 186	\$ 2,790
Special Items (b)	(158)	(566)	(8)	(732)
Operating Profit as Reported	<u>\$ 1,896</u>	<u>\$ (16)</u>	<u>\$ 178</u>	<u>\$ 2,058</u>

(a) See footnote (a) - (b) on Sales and Earnings by Industry Segment

(b) See footnotes (c) - (e) on Sales and Earnings by Industry Segment

(1) The Company calculates Operating Profit Before Special Items 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 is the most directly comparable GAAP measure.

INTERNATIONAL PAPER COMPANY
Reconciliation of Free Cash Flow
Preliminary and Unaudited
(In millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Cash provided by operations	\$ 990	\$ 1,144	\$ 2,580	\$ 3,077
Adjustments:				
Cash invested in capital projects	(489)	(405)	(1,487)	(1,366)
Cash contribution to pension plan	—	—	750	353
Free Cash Flow	\$ 501	\$ 739	\$ 1,843	\$ 2,064

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

	Q4 2015									
\$ Millions	North American Industrial Packaging	Brazilian Industrial Packaging	North American Printing Papers	North American Pulp	North American Printing Papers & Pulp	Total European Printing Papers	Brazilian Printing Papers	Indian Printing Papers	North American Consumer Packaging	European Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	451	(149)	33	7	40	48	58	(2)	(3)	26
Depreciation, amortization and cost of timber harvested ¹	165	4	20	17	37	12	20	4	45	4
Special Items	-	137	-	-	-	-	-	-	15	-
EBITDA before Special Items	616	(8)	53	24	77	60	78	2	57	30
Less: Recycling Business EBITDA	2	-	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	-	-	-	6	-	-	-	-
EBITDA before Special Items after Exclusions	614	(8)	53	24	77	54	78	2	57	30
Net Sales	3,098	48	489	208	697	306	252	41	475	81
Less: Trade Sales	220	-	-	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	83	-	-	-	-	-	-	-	-	-
Less: Adjustment for Minority Ownership Share of Sales	-	-	-	-	-	-	-	10	-	-
Less: Market Pulp Business Net Sales	-	-	-	-	-	37	-	-	-	-
Less: JMA Sales	-	-	-	-	-	41	-	-	-	-
Net Sales after Exclusions	2,795	48	489	208	697	228	252	31	475	81
EBITDA Margin	22.0%	-16.7%	10.8%	11.5%	11.0%	23.7%	31.0%	6.5%	12.0%	37.0%

¹ Reflects IP's ownership share for Indian Printing Papers

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

	Q4 2014	Q3 2015	FY2015	Q4 2014	Q3 2015	FY2015
	North American Industrial Packaging	North American Industrial Packaging	North American Industrial Packaging	North American Printing Papers & Pulp	North American Printing Papers & Pulp	North American Printing Papers & Pulp
\$ Millions						
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	481	557	2,009	60	97	225
Depreciation, amortization and cost of timber harvested	177	170	666	40	38	148
Special Items	(2)	-	-	7	-	-
EBITDA before Special Items	656	727	2,675	107	135	373
Less: Recycling business EBITDA	-	4	4	-	-	-
EBITDA before Special Items after Exclusions	656	723	2,671	107	135	373
Net Sales	3,159	3,175	12,541	745	716	2,786
Less: Trade Sales	179	222	869	-	-	-
Less: Recycling Business Net Sales	88	87	340	-	-	-
Net Sales after Exclusions	2,892	2,866	11,332	745	716	2,786
EBITDA Margin	22.7%	25.2%	23.6%	14.4%	18.9%	13.4%

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

	Q4 2014	Q3 2015	FY2015
	North American Consumer Packaging	North American Consumer Packaging	North American Consumer Packaging
\$ Millions			
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	28	22	81
Depreciation, amortization and cost of timber harvested	42	45	177
Special Items	4	8	10
EBITDA before Special Items	74	75	268
Net Sales	495	494	1,939
EBITDA Margin	14.9%	15.2%	13.8%

Reconciliation of Free Cash Flow to Cash provided by Operations

In millions	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash provided by operations	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	(1,487)	(1,366)	(1,198)	(1,383)	(1,159)	(775)	(534)	(1,002)	(1,288)	(1,009)	(992)
Cash contribution to pension plan	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)	-	-	-	-
Reduction in cash taxes paid related to cellulosic bio-fuel tax credits	-	-	-	-	-	(17)	-	-	-	-	-
Hardboard cash settlements received, net	-	-	-	-	-	-	-	-	(64)	(80)	(114)
Free Cash Flow	1,843	2,064	1,831	1,577	1,727	1,749	2,232	1,667	596	921	116