

## 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, 2015 and subsequently publicly filed financial reports.

International Paper Company  
Calculation of EBITDA before Special Items

\$ Millions	2014 Full Year	2015 1st Quarter	2015 2nd Quarter	2015 3rd Quarter	2015 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,479	543	410	470	1,423
Depreciation, amortization and cost of timber harvested	1,406	323	328	329	980
Special Items	1,046	-	190	211	401
Non-operating pension expense	<u>212</u>	<u>72</u>	<u>50</u>	<u>76</u>	<u>198</u>
EBITDA before Special Items	<u>4,143</u>	<u>938</u>	<u>978</u>	<u>1,086</u>	<u>3,002</u>
Annualized EBITDA before Special Items	<u>4,143</u>	<u>3,752</u>	<u>3,912</u>	<u>4,344</u>	<u>4,003</u>
Annualized Net Sales	23,617	22,068	22,856	22,764	22,563
EBITDA Margin	<u>17.5%</u>	<u>17.0%</u>	<u>17.1%</u>	<u>19.1%</u>	<u>17.7%</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**  
**Attributable to International Paper Company**  
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,	
	2015	2014	2015	2015	2014
<b>Operating Earnings</b>	<b>\$ 407</b>	<b>\$ 409</b>	<b>\$ 409</b>	<b>\$ 1,173</b>	<b>\$ 1,069</b>
Non-Operating Pension	(46)	(33)	(31)	(121)	(97)
Special Items	(141)(a)	(37)(b)	(151)(c)	(292)(d)	(547)(e)
<b>Earnings (Loss) from Continuing Operations, including non-controlling interest</b>	<b>220</b>	<b>339</b>	<b>227</b>	<b>760</b>	<b>425</b>
Discontinued operations	—	16 (f)	—	—	(4)(g)
<b>Net Earnings (Loss) as Reported Attributable to International Paper Company</b>	<b>\$ 220</b>	<b>\$ 355</b>	<b>\$ 227</b>	<b>\$ 760</b>	<b>\$ 421</b>
	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2015	2014	2015	2015	2014
<b>Diluted Earnings per Common Share</b>					
<b>Operating Earnings Per Share</b>	<b>\$ 0.97</b>	<b>\$ 0.95</b>	<b>\$ 0.97</b>	<b>\$ 2.78</b>	<b>\$ 2.46</b>
Non-Operating Pension	(0.11)	(0.08)	(0.07)	(0.28)	(0.22)
Special Items	(0.33)	(0.08)	(0.36)	(0.70)	(1.26)
<b>Continuing Operations</b>	<b>0.53</b>	<b>0.79</b>	<b>0.54</b>	<b>1.80</b>	<b>0.98</b>
Discontinued operations	—	0.04	—	—	(0.01)
<b>Diluted Earnings per Common Share as Reported</b>	<b>\$ 0.53</b>	<b>\$ 0.83</b>	<b>\$ 0.54</b>	<b>\$ 1.80</b>	<b>\$ 0.97</b>

**Notes:**

- (a) See footnotes (a) - (c) on the Consolidated Statement of Operations
  - (b) See footnotes (d) - (g) on the Consolidated Statement of Operations
  - (c) See footnotes (i) - (k) on the Consolidated Statement of Operations
  - (d) See footnotes (b), (l), (m) on the Consolidated Statement of Operations
  - (e) See footnotes (d), (g), (n)- (p) on the Consolidated Statement of Operations
  - (f) See footnote (h) on the Consolidated Statement of Operations
  - (g) See footnote (q) 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, 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**  
(In millions)

	<b>Three Months Ended September 30, 2015</b>			
	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>

	<b>Three Months Ended September 30, 2014</b>			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 569	\$ 192	\$ 79	\$ 840
Special Items (b)	(42)	(15)	(2)	(59)
Operating Profit as Reported	<u>\$ 527</u>	<u>\$ 177</u>	<u>\$ 77</u>	<u>\$ 781</u>

	<b>Three Months Ended June 30, 2015</b>			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 528	\$ 101	\$ 34	\$ 663
Special Items (a)	—	—	13	13
Operating Profit as Reported	<u>\$ 528</u>	<u>\$ 101</u>	<u>\$ 47</u>	<u>\$ 676</u>

	<b>Nine Months Ended September 30, 2015</b>			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 1,549	\$ 389	\$ 121	\$ 2,059
Special Items (a)	—	—	(181)	(181)
Operating Profit as Reported	<u>\$ 1,549</u>	<u>\$ 389</u>	<u>\$ (60)</u>	<u>\$ 1,878</u>

	<b>Nine Months Ended September 30, 2014</b>			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	\$ 1,570	\$ 395	\$ 131	\$ 2,096
Special Items (b)	(53)	(559)	(4)	(616)
Operating Profit as Reported	<u>\$ 1,517</u>	<u>\$ (164)</u>	<u>\$ 127</u>	<u>\$ 1,480</u>

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

(b) See footnotes (b) - (d) 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)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cash provided by operations	\$ 837	\$ 933	\$ 1,590	\$ 1,933
Adjustments:				
Cash invested in capital projects	(325)	(327)	(998)	(961)
Cash contribution to pension plan	—	90	750	353
<b>Free Cash Flow</b>	<b>\$ 512</b>	<b>\$ 696</b>	<b>\$ 1,342</b>	<b>\$ 1,325</b>

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

	Q3 2015									
	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
\$ Millions										
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	557	(4)	81	16	97	30	56	(4)	22	20
Depreciation, amortization and cost of timber harvested <sup>1</sup>	170	4	21	17	38	13	20	4	45	3
Special Items	-	-	-	-	-	-	-	-	8	-
EBITDA before Special Items	727	-	102	33	135	43	76	-	75	23
Less: Recycling Business EBITDA	4	-	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	-	-	-	6	-	-	-	-
EBITDA before Special Items after Exclusions	723	-	102	33	135	37	76	-	75	23
Net Sales	3,175	55	500	216	716	284	219	39	494	80
Less: Trade Sales	222	-	-	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	87	-	-	-	-	-	-	-	-	-
Less: Adjustment for Minority Ownership Share of Sales	-	-	-	-	-	-	-	10	-	-
Less: Market Pulp Business Net Sales	-	-	-	-	-	31	-	-	-	-
Less: JMA Sales	-	-	-	-	-	42	-	-	-	-
Net Sales after Exclusions	2,866	55	500	216	716	211	219	29	494	80
EBITDA Margin	25.2%	0.0%	20.4%	15.3%	18.9%	17.5%	34.7%	0.0%	15.2%	28.8%

<sup>1</sup> 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

	Q3 2014	Q2 2015	Q4 2014- Q3 2015	Q3 2014	Q2 2015	Q4 2014- Q3 2015
	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	535	533	2,039	92	49	245
Depreciation, amortization and cost of timber harvested	177	167	678	42	35	149
Special Items	35	-	(2)	3	-	7
EBITDA before Special Items	747	700	2,715	137	84	401
Less: Recycling business EBITDA	-	1	2	-	-	-
EBITDA before Special Items after Exclusions	747	699	2,713	137	84	401
Net Sales	3,210	3,205	12,602	764	682	2,834
Less: Trade Sales	180	218	828	-	-	-
Less: Recycling Business Net Sales	95	87	345	-	-	-
Net Sales after Exclusions	2,935	2,900	11,429	764	682	2,834
EBITDA Margin	25.5%	24.1%	23.7%	17.9%	12.3%	14.1%



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

	Q3 2014	Q2 2015	Q3 2014	Q2 2015	Q4 2014- Q3 2015
			North	North	North
	Brazilian	Brazilian	American	American	American
	Printing	Printing	Consumer	Consumer	Consumer
	Papers	Papers	Packaging	Packaging	Packaging
\$ Millions					
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	26	35	50	40	112
Depreciation, amortization and cost of timber harvested	30	24	46	45	174
Special Items	32	-	2	(13)	(1)
EBITDA before Special Items	<u>88</u>	<u>59</u>	<u>98</u>	<u>72</u>	<u>285</u>
Net Sales	266	210	528	500	1,959
EBITDA Margin	<u>33.1%</u>	<u>28.1%</u>	<u>18.6%</u>	<u>14.4%</u>	<u>14.5%</u>

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

	Q3 2014	Q2 2015	Q3 2014	Q2 2015	Q3 2014	Q2 2015
	North American Printing Papers	North American Printing Papers	North American Pulp	North American Pulp	European Printing Papers	European Printing Papers
\$ Millions						
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	72	31	20	18	44	20
Depreciation, amortization and cost of timber harvested	24	19	18	16	17	13
Special Items	3	-	-	-	-	-
EBITDA before Special Items	99	50	38	34	61	33
Less: Market Pulp Business EBITDA	-	-	-	-	-	4
EBITDA before Special Items after Exclusions	99	50	38	34	61	29
Net Sales	529	471	235	211	365	312
Less: Market Pulp Business Net Sales	-	-	-	-	45	35
Less: JMA Sales	-	-	-	-	49	52
Net Sales after Exclusions	529	471	235	211	271	225
EBITDA Margin	18.7%	10.6%	16.2%	16.1%	22.5%	12.9%

Reconciliation of Free Cash Flow to Cash provided by Operations

In millions	2014	2013	2012	2011	2010	2009	2008
Cash provided by operations	3,077	3,028	2,967	2,675	1,631	4,655	2,669
(Less)/Add:							
Cash invested in capital projects	(1,366)	(1,198)	(1,383)	(1,159)	(775)	(534)	(1,002)
Cash contribution to pension plan	353	31	44	300	1,042	-	-
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)	-	-
<b>Free Cash Flow</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>