UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2015

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File No. 1-3157

INTERNATIONAL PAPER COMPANY

(Exact name of registrant as specified in its charter)

New York	13-0872805
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6400 Poplar Avenue
Memphis, Tennessee
(Address of principal executive offices)

38197
(Zip Code)

Registrant's telephone number, including area code: (901) 419-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 per share par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the Company's outstanding common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2015) was approximately $21,026,985,885 .

The number of shares outstanding of the Company's common stock as of February 19, 2016 was 411,157,696 .

Documents incorporated by reference:

Portions of the registrant's proxy statement filed within 120 days of the close of the registrant's fiscal year in connection with registrant's 2016 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

INTERNATIONAL PAPER COMPANY
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2015

INTERNATIONAL PAPER COMPANY
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2015

PART I.

ITEM 1. BUSINESS

GENERAL

International Paper Company (the "Company" or "International Paper," which may also be referred to as "we" or "us") is a global paper and packaging company with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia, Africa and the Middle East. We are a New York corporation, incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898. Our home page on the Internet is www.internationalpaper.com. You can learn more about us by visiting that site.

In the United States, at December 31, 2015 , the Company operated 24 pulp, paper and packaging mills, 169 converting and packaging plants, 16 recycling plants and three bag facilities. Production facilities at December 31, 2015 in Europe, Asia, Africa, India, Latin America and South America included 16 pulp, paper and packaging mills, 67 converting and packaging plants, and two recycling plants. We operate a printing and packaging products distribution business principally through 12 branches in Asia. At December 31, 2015 , we owned or managed approximately 335,000 acres of forestland in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions.

For management and financial reporting purposes, our businesses are separated into three segments: Industrial Packaging; Printing Papers; and Consumer Packaging. A description of these business segments can be found on pages 24 and 25 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations . The Company's 50% equity interest in Ilim Holding S.A. is also a separate reportable industry segment.

From 2011 through 2015, International Paper's capital expenditures approximated $6.6 billion , excluding mergers and acquisitions. These expenditures reflect our continuing efforts to improve product quality and environmental performance, as well as lower costs and maintain reliability of operations. Capital spending in 2015 was approximately $1.5 billion and is expected to be approximately $1.3 billion in 2016 . You can find more information about capital expenditures on page 31 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

Discussions of acquisitions can be found on pages 31 and 32 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

You can find discussions of restructuring charges and other special items on pages 22 through 24 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

Throughout this Annual Report on Form 10-K, we "incorporate by reference" certain information in parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC permits us to disclose important information by referring to it in that manner. Please refer to such information. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and any amendments thereto filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our Internet Web site at www.internationalpaper.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on or connected to our Web site is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we filed with or furnished to the SEC.

FINANCIAL INFORMATION CONCERNING INDUSTRY SEGMENTS

The financial information concerning segments is set forth in Note 19 Financial Information by Industry Segment and Geographic Area on pages 81 and 82 of Item 8. Financial Statements and Supplementary Data .

FINANCIAL INFORMATION ABOUT INTERNATIONAL AND U.S. OPERATIONS

The financial information concerning international and U.S. operations and export sales is set forth in Note 19 Financial Information by Industry Segment and Geographic Area on page 82 of Item 8. Financial Statements and Supplementary Data .

COMPETITION AND COSTS

The markets in the pulp, paper and packaging product lines are large and fragmented. The major markets, both U.S. and non-U.S., in which the Company sells its principal products are very competitive. Our products compete with similar products produced by other forest products companies. We also compete, in some instances, with companies in other industries and against substitutes for wood-fiber products.

Many factors influence the Company's competitive position, including price, cost, product quality and services. You can find more information about the impact of these factors on operating profits on pages 17 through 30 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of

Operations . You can find information about the Company's manufacturing capacities on page A-4 of Appendix II .

MARKETING AND DISTRIBUTION

The Company sells packaging products, paper products and other products directly to end users and converters, as well as through agents, resellers and paper distributors.

DESCRIPTION OF PRINCIPAL PRODUCTS

The Company's principal products are described on pages 24 and 25 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

SALES VOLUMES BY PRODUCT

Sales volumes of major products for 2015 , 2014 and 2013 were as follows:

Sales Volumes by Product (1)

In thousands of short tons	**2015**	2014	2013
Industrial Packaging			
North American Corrugated Packaging	**10,284**	10,355	10,393
North American Containerboard	**3,110**	3,035	3,273
North American Recycling	**2,379**	2,459	2,379
North American Saturated Kraft	**156**	186	176
North American Gypsum/Release Kraft	**171**	168	157
North American Bleached Kraft	**23**	26	132
EMEA Industrial Packaging	**1,417**	1,379	1,342
Asian Box	**359**	408	416
Brazilian Packaging	**305**	318	297
Industrial Packaging	**18,204**	18,334	18,565
Printing Papers			
U.S. Uncoated Papers	**1,879**	1,968	2,508
European and Russian Uncoated Papers	**1,493**	1,531	1,413
Brazilian Uncoated Papers	**1,125**	1,141	1,150
Indian Uncoated Papers	**241**	231	232
Uncoated Papers	**4,738**	4,871	5,303
Market Pulp (2)	**1,736**	1,776	1,711
Consumer Packaging			
North American Consumer Packaging	**1,425**	1,486	1,556
European and Russian Coated Paperboard	**381**	354	355
Asian Coated Paperboard	**958**	1,358	1,430
Consumer Packaging	**2,764**	3,198	3,341

(1) Includes third-party and inter-segment sales and excludes sales of equity investees.
(2) Includes North American, European and Brazilian volumes and internal sales to mills.

RESEARCH AND DEVELOPMENT

The Company operates its primary research and development center in Loveland, Ohio, as well as several product laboratories. Additionally, the Company has an interest in ArborGen, Inc., a joint venture with certain other forest products companies.

We direct research and development activities to short-term, long-term and technical assistance needs of customers and operating divisions, and to process, equipment and product innovations. Activities include product development within the operating divisions; studies on innovation and improvement of pulping, bleaching, chemical recovery, papermaking, converting and coating processes; packaging design and materials development; mechanical packaging systems, environmentally sensitive printing inks and reduction of environmental discharges; re-use of raw materials in manufacturing processes; recycling of consumer and packaging paper products; energy conservation; applications of computer controls to manufacturing operations; innovations and improvement of products; and development of various new products. Our development efforts specifically address product safety as well as the minimization of solid waste. The cost to the Company of its research and development operations was $27 million in 2015 , $16 million in 2014 and $18 million in 2013 .

We own numerous patents, copyrights, trademarks, trade secrets and other intellectual property rights relating to our products and to the processes for their production. We also license intellectual property rights to and from others where advantageous or necessary. Many of the manufacturing processes are among our trade secrets. Some of our products are covered by U.S. and non-U.S. patents and are sold under well known trademarks. We derive a competitive advantage by protecting our trade secrets, patents, trademarks and other intellectual property rights, and by using them as required to support our businesses.

ENVIRONMENTAL PROTECTION

International Paper is subject to extensive federal and state environmental regulation as well as similar regulations internationally. Our continuing objectives include: (1) controlling emissions and discharges from our facilities into the air, water and groundwater to avoid adverse impacts on the environment, and (2) maintaining compliance with applicable laws and regulations. The Company spent $93 million in 2015 for capital projects to control environmental releases into the air and water, and to assure environmentally sound management and disposal of waste. The 2015 spend included costs associated with the U.S. Environmental Protection Agency's (EPA) Boiler MACT (maximum achievable control technology) regulations. We expect to spend $118 million in 2016 for similar capital projects. Capital expenditures for 2017 environmental projects are anticipated to be approximately $114 million. Capital expenditures for 2018 environmental projects are estimated to be $83 million. On January 31, 2013, EPA issued the final suite of Boiler MACT regulations. These regulations require owners of specified boilers to meet revised air emissions standards for certain substances. Several lawsuits have been filed to challenge all or portions of the Boiler MACT regulations. On December 3, 2015, the U.S. Court of Appeals for the D.C. Circuit heard oral arguments of the petitioners challenging these regulations. As such, the projected capital expenditures for environmental projects represent our current best estimate of future expenditures with the recognition that the Boiler MACT regulations could change as a result of the pending court decision.

In the U.S., revisions to National Ambient Air Quality Standards (NAAQS) for sulfur dioxide (SO_2), nitrogen dioxide (NO_2), and fine particulate ($PM_{2.5}$) finalized between 2010 and 2012, and a promulgated revision to the NAAQS for ozone on October 1, 2015, have not had a material impact on the Company. Similarly, regulations addressing specific implementation issues related to the SO_2 NAAQS were released in 2015 by the EPA and are being implemented during the next two to four years. Potentially material capital investment may be required in response to these emerging requirements, but evaluations are ongoing.

CLIMATE CHANGE

Climate change refers to any significant change in the measure of the earth's climatic conditions such as temperature, precipitation, or winds that persist for decades or longer. Climate change can be caused by natural factors, such as changes in the sun's intensity and ocean circulation, and human activities can also affect the composition of the earth's atmosphere, such as from the burning of fossil fuels. In an effort to mitigate the potential of climate change impacts from human activities, various international, national and sub-national (regional, state and local) governmental actions have been undertaken. Presently, these efforts have not materially impacted International Paper, but such efforts may have a material impact on the Company in the future.

International Efforts

The 1997 Kyoto Protocol established emission reduction obligations for certain countries where the Company had and continues to have operations. Though the Kyoto Protocol expired in 2012, several countries, and most notably the European Union (EU), extended their emissions commitments until 2020. A successor program to the Kyoto Protocol is the subject of on-going international negotiations including a Conference of the Parties (COP21) to the Kyoto Protocol. COP21 took place in December 2015 and although well short of reaching another international agreement, many countries, including the U.S. and EU member states, did establish non-binding emissions reduction targets. The U.S non-binding commitment is for greenhouse gas (GHG) emissions to be 26% to 28% below 2005 GHG emissions levels by 2025. Other countries in which we do business made similar non-binding commitments. The Company's voluntary GHG reductions, which are set out in the Company's annual Sustainability Report, are roughly in line with the percentages of the U.S. non-binding commitment. It is not clear at this time what, if any, further reductions by the Company might be required by the countries in which we operate. Due to this uncertainty, it is not possible at this time to estimate the potential impacts of future international agreements on the Company.

To assist member countries in meeting obligations under the Kyoto Protocol, the EU established and continues to operate an Emissions Trading System (EU ETS). Currently, we have two sites directly subject to regulation under Phase III of the EU ETS, one in Poland and one in France. Other sites that we operate in the EU experience indirect impacts of the EU ETS through purchased power pricing. Neither the direct nor indirect impacts of the EU ETS have been material to the Company, but they could be material to the Company in the future depending on how the 2015 non-binding commitments or allocation of and market prices for GHG credits under existing rules evolve over the coming years.

National Efforts

In the U.S., the Kyoto Protocol was not ratified and Congress has not passed GHG legislation. EPA has enacted (i) regulations to control GHGs from mobile sources (through transportation fuel efficiency standards), (ii) New Source Performance Standards (NSPS) for new Electrica Generating Units (EGUs), (iii) regulations requiring reporting of GHGs from sources of GHGs greater than 25,000 tons per year, and (iv) in 2015, requirements for states to develop plans to reduce GHGs from utility electric generating units (EGUs). In 2015, the Company reported to EPA the GHG emissions from 21 of our U.S. manufacturing sites and 9 landfills.

On November 19, 2014, EPA issued a revised draft carbon accounting framework addressing the circumstances under which biomass combustion can be considered carbon neutral. EPA has stated it intends to issue future rulemakings to address how states may use the revised framework in implementing state permit rules and in developing plans for regulating GHGs from utility electric generators. Given the uncertainties regarding the framework and scope of future GHG rulemaking, it is unclear what impacts, if any, EPA's actions in this area will have on the Company's operations. To date there have been only minor permitting considerations and no substantive impacts.

In 2013, EPA issued final regulations establishing NSPS for new (EGUs). This regulation is the first of several expected NSPSs that EPA will implement over the coming years. The EPA has not yet identified the pulp and paper industry in the first phase of sectors to be covered by the new standards. However, we anticipate that at some future time pulp and paper sources may be subject to new GHG NSPS rules. It is unclear what impacts, if any, future GHG NSPS rules will have on the Company's operations.

On August 3, 2015, EPA promulgated the Clean Power Plan (CPP) rule to address climate change by reducing carbon dioxide (CO2) and other designated green house gas pollutant emissions from utility EGUs. In response, states are to develop EGU pollutant reduction plans over the next 1 to 3 years to reduce emissions over the 2022 to 2033 timeframe by about 32 percent from 2005 levels. These plans, or the federal plan that would take effect if the states do not act, pose potential cost increases for electricity purchased by the Company. EPA estimated that the proposed rule would increase purchased electricity prices by less than seven percent, but some utilities are estimating significantly higher price increases from the final rule (11 to 14%, or more). The magnitude of the cost increase to the Company will not be possible to estimate reliably until the plans and the utility industries' responses are better defined over the next few years. Adding to the uncertainty, states and some industry parties have filed lawsuits challenging the rule, the result of which could materially affect the scope and stringency of the regulations. On February 9, 2016, the U.S. Supreme Court granted a stay of the Clean Power Plan. The stay will remain in effect until final disposition of the case, and as such, the rule's potential impact on the Company remains unclear.

State, Regional and Local Measures

A few U.S. states have enacted or are considering legal measures to require the reduction of emissions of GHGs by companies and public utilities, primarily through the development of GHG emission inventories or regional GHG cap-and-trade programs. One such state is California. The Company does not have any sites currently subject to California's GHG regulatory plan. There may be indirect impacts from changing input costs (such as electricity) at some of our California converting operations but these have yet to manifest themselves in material impacts. Although we are monitoring proposed programs in other states, it is unclear what impacts, if any, state-level GHG rules will have on the Company's operations. Further state measures are under substantive review as they respond to EPA's 2015 Clean Power Plan and develop an implementation plan over the next 1 to 3 years. The CPP allows significant flexibility in how states develop their plans, so the uncertainty regarding potential impacts will remain high until more specificity is reached and individual power companies develop their compliance strategies.

Summary

Regulation of GHGs continues to evolve in various countries in which we do business. While it is likely that there will be increased governmental action regarding GHGs and climate change, any material impact to the company is not likely to occur before 2020 and at this time it is not reasonably possible to estimate Company costs of compliance with rules that have not yet been adopted or implemented and may not be adopted or implemented in the future. In addition to possible direct impacts, future legislation and regulation could have indirect impacts on International Paper, such as higher prices for transportation, energy and other inputs, as well as more protracted air permitting processes, causing delays and higher costs to implement capital projects. International Paper has controls and procedures in place to stay informed about developments concerning possible climate change legislation and regulation in the U.S. and in other countries where we operate. We regularly assess whether such legislation or regulation may have a material effect on the Company, its operations or financial condition, and whether we have any related disclosure obligations.

Additional information regarding climate change and International Paper is available in our Sustainability Report found at http://www.internationalpaper.com/US/EN/Company/Sustainability/SustainabilityReport.html , though this information is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC.

EMPLOYEES

As of December 31, 2015 , we have approximately 56,000 employees, nearly 34,000 of whom are located in the United States. Of the U.S. employees, approximately 26,000 are hourly, with unions representing approximately 14,000 employees. Approximately 11,000 of this number are represented by the United Steelworkers union (USW).

International Paper, the USW, and several other unions have entered into two master agreements covering various mills and converting facilities. These master agreements cover several specific items, including wages, select benefit programs, successorship, employment security, and health and safety. Individual facilities continue to have local agreements for other subjects not covered by the master agreements. If local facility agreements are not successfully negotiated at the time of expiration, under the terms of the master agreements the local contracts will automatically renew with the same terms in effect. The mill master agreement covers 19 of our U.S. pulp, paper, and packaging mills; the converting agreement includes 61 of our converting facilities. In addition, International Paper is party to a master agreement with District Council 2, International Brotherhood of Teamsters, covering 13 additional converting facilities.

During 2015, local labor agreements were negotiated at five mills and 13 converting facilities. In 2016, local labor agreements are scheduled to be negotiated at 29 facilities, including four mills and 25 converting facilities. 26 of these agreements will automatically renew under the terms of the applicable master agreement if new agreements are not reached.

EXECUTIVE OFFICERS OF THE REGISTRANT

Mark S. Sutton, 54, chairman (since January 1, 2015) & chief executive officer (since November 1, 2014). Mr. Sutton previously served as president & chief operating officer from June 1, 2014 to October 31, 2014, senior vice president - industrial packaging from November 2011 to May 31, 2014, senior vice president - printing and communications papers of the Americas from 2010 until 2011, senior vice president - supply chain from 2008 to 2009, vice president - supply chain from 2007 until 2008, and vice president - strategic planning from 2005 until 2007. Mr. Sutton joined International Paper in 1984.

W. Michael Amick, Jr., 52, senior vice president - North American papers, pulp & consumer packaging since November 1, 2014. Mr. Amick previously served as vice president - president, IP India, from August 2012 to October 31, 2014, and vice president and general manager for the coated paperboard business from 2010 to 2012. Mr. Amick joined International Paper in 1990.

C. Cato Ealy, 59, senior vice president - corporate development since 2003. Mr. Ealy is a director of Ilim Holding S.A., a Swiss holding company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Ealy joined International Paper in 1992.

William P. Hoel, 59, senior vice president, Container The Americas, since February 2012. Mr. Hoel previously served as vice president, Container The Americas, from 2005 until 2012, senior vice president, corporate sales and marketing, from 2004 until 2005, and vice president, Wood Products, from 2000 until 2004. Mr. Hoel joined International Paper in 1983.

Tommy S. Joseph, 56, senior vice president - manufacturing, technology, EH&S and global sourcing since January 2010. Mr. Joseph previously served as senior vice president - manufacturing, technology, EH&S from February 2009 until December 2009, and vice president - technology from 2005 until February 2009. Mr. Joseph is a director of Ilim Holding S.A., a Swiss Holding Company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Joseph joined International Paper in 1983.

Thomas G. Kadien, 59, senior vice president - human resources, government relations & global citizenship, since November 1, 2014. Mr. Kadien previously served as senior vice president - consumer packaging and IP Asia from January 2010 to October 31, 2014, and senior vice president and president - xpedx from 2005 until 2009. Mr. Kadien serves on the board of directors of The Sherwin-Williams Company. Mr. Kadien joined International Paper in 1978.

Glenn R. Landau, 47, senior vice president - president, IP Latin America since November 1, 2014. Mr. Landau previously served as vice president - president IP Latin America from 2013 to October 31, 2014, vice president - investor relations from 2011 to 2013, and vice president and general manager, containerboard and recycling from 2007 to 2011. Mr. Landau joined International Paper in 1991.

Timothy S. Nicholls, 54, senior vice president - industrial packaging since November 1, 2014. Mr. Nicholls previously served as senior vice president - printing and communications papers of the Americas from November 2011 to October 31, 2014, senior vice president and chief financial officer from 2007 until 2011, vice president and executive project leader of IP Europe during 2007, and vice president and chief financial officer - IP Europe from 2005 until 2007. Mr. Nicholls joined International Paper in 1991.

Jean-Michel Ribieras, 53, senior vice president - president, IP Europe, Middle East, Africa & Russia since June 2013. Mr. Ribieras previously served as president - IP Latin America from 2009 until 2013. Mr. Ribieras is a director of Ilim Holding S.A., a Swiss holding company in which International Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Ribieras joined International Paper in 1993.

Carol L. Roberts, 56, senior vice president & chief financial officer since November 2011. Ms. Roberts previously served as senior vice president - industrial packaging from 2008 until 2011 and senior vice president - IP packaging solutions from 2005 until 2008. Ms. Roberts serves on the board of directors of Alcoa Inc. Ms. Roberts joined International Paper in 1981.

Sharon R. Ryan, 56, senior vice president, general counsel & corporate secretary since November 2011. Ms. Ryan previously served as vice president, acting general counsel & corporate secretary from May 2011 until November 2011, vice president from March 2011 until May 2011, associate general counsel, chief ethics and compliance officer from 2009 until 2011, and associate general counsel from 2006 until 2009. Ms. Ryan joined International Paper in 1988.

RAW MATERIALS

Raw materials essential to our businesses include wood fiber, purchased in the form of pulpwood, wood chips and old corrugated containers (OCC), and certain chemicals, including caustic soda and starch. Information concerning fiber supply purchase agreements that were entered into in connection with the Company's 2006 Transformation Plan and the CBPR acquisition in 2008 is presented in Note 11 Commitments and Contingent Liabilities on page 61 of Item 8. Financial Statements and Supplementary Data.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K that are not historical in nature may be considered "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are often identified by the words, "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend," and words of a similar nature. These statements are not guarantees of future performance and reflect management's current views with respect to future events, which are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ include but are not limited to: (i) the level of our indebtedness and changes in interest rates; (ii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition we face, cyclicality and changes in consumer preferences, demand and pricing for our products; (iii) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation, changes in tax laws and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; (v) whether we experience a material disruption at one of our manufacturing facilities; (vi) risks inherent in conducting business through a joint venture; (vii) the execution of a definitive agreement to sell our corrugated box business in China and Southeast Asia, and the successful closing of the transaction within the estimated timeframe; and (viii) our ability to achieve the benefits we expect from strategic acquisitions, divestitures and restructurings. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail below in “Item 1A. Risk Factors.” We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

All financial information and statistical measures regarding our 50/50 Ilim joint venture in Russia (“Ilim”), other than historical International Paper Equity Earnings and dividends received by International Paper, have been prepared by the management of Ilim. In providing this information in this filing, we are relying on the effectiveness of Ilim's internal control environment. Any projected financial information and statistical measures reflect the current views of Ilim management and are subject to the risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such projections.

ITEM 1A. RISK FACTORS

In addition to the risks and uncertainties discussed elsewhere in this Annual Report on Form 10-K (particularly in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations), or in the Company’s other filings with the Securities and Exchange Commission, the following are some important factors that could cause the Company’s actual results to differ materially from those projected in any forward-looking statement.

RISKS RELATING TO INDUSTRY CONDITIONS

CHANGES IN THE COST OR AVAILABILITY OF RAW MATERIALS, ENERGY AND TRANSPORTATION COULD AFFECT OUR PROFITABILITY. We rely heavily on the use of certain raw materials (principally virgin wood fiber, recycled fiber, caustic soda and starch), energy sources (principally natural gas, coal and fuel oil) and third-party companies that transport our goods. The market price of virgin wood fiber varies based upon availability and source. In addition, the increase in demand of products manufactured, in whole or in part, from recycled fiber, on a global basis, may cause an occasional tightening in the supply of recycled fiber. Energy prices, in particular prices for oil and natural gas, have fluctuated dramatically in the past and may continue to fluctuate in the future. Our profitability has been, and will continue to be, affected by changes in the costs and availability of such raw materials, energy sources and transportation sources.

THE INDUSTRIES IN WHICH WE OPERATE EXPERIENCE BOTH ECONOMIC CYCLICALITY AND CHANGES IN CONSUMER PREFERENCES. FLUCTUATIONS IN THE PRICES OF, AND THE DEMAND FOR, OUR PRODUCTS COULD MATERIALLY AFFECT OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions. The length and magnitude of these cycles have varied over time and by product. In addition, changes in consumer preferences may increase or decrease the demand for our fiber-based products and non-fiber substitutes. These consumer preferences affect the prices of our products. Consequently, our operating cash flow is sensitive to changes in the pricing and demand for our products.

COMPETITION IN THE UNITED STATES AND INTERNATIONALLY COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS. We operate in a competitive environment, both in the United States and internationally, in all of our operating segments. Product innovations, manufacturing and operating efficiencies, and marketing, distribution and pricing strategies pursued or achieved by competitors could negatively impact our financial results.

RISKS RELATING TO MARKET AND ECONOMIC FACTORS

ADVERSE DEVELOPMENTS IN GENERAL BUSINESS AND ECONOMIC CONDITIONS COULD HAVE AN ADVERSE EFFECT ON THE DEMAND FOR OUR PRODUCTS AND OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS. General economic conditions may adversely affect industrial non-durable goods production, consumer spending, commercial printing and advertising activity, white-collar employment levels and consumer confidence, all of which impact demand for our products. In addition, volatility in the capital and credit markets, which impacts interest rates, currency exchange rates and the availability of credit, could have a material adverse effect on our business, financial condition and our results of operations.

THE LEVEL OF OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND IMPAIR OUR ABILITY TO OPERATE OUR BUSINESS. As of December 31, 2015 , International Paper had approximately $9.3 billion of outstanding indebtedness, including $9.3 billion of indebtedness outstanding under our floating and fixed rate notes. There was no indebtedness outstanding under our credit facilities as of December 31, 2015 . The level of our indebtedness could have important consequences to our financial condition, operating results and business, including the following:

- it may limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, dividends, share repurchases, debt service requirements, acquisitions and general corporate or other purposes;
- a portion of our cash flows from operations will be dedicated to payments on indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities;
- the debt service requirements of our indebtedness could make it more difficult for us to satisfy other obligations;
- our indebtedness that is subject to variable rates of interest exposes us to increased debt service obligations in the event of increased interest rates;
- it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt; and
- it may increase our vulnerability to a downturn in general economic conditions or in our business, and may make us unable to carry out capital spending that is important to our growth.

In addition, we are subject to agreements that require meeting and maintaining certain financial ratios and covenants. A significant or prolonged downturn in general business and economic conditions may affect our ability to comply with these covenants or meet those financial ratios and tests and could require us to take action to reduce our debt or to act in a manner contrary to our current business objectives.

CHANGES IN CREDIT RATINGS ISSUED BY NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS COULD ADVERSELY AFFECT OUR COST OF FINANCING AND HAVE AN ADVERSE EFFECT ON THE MARKET PRICE OF OUR SECURITIES. Maintaining an investment-grade credit rating is an important element of our financial strategy, and a downgrade of the Company’s ratings below investment grade may limit our access to the capital markets, have an adverse effect on the market price of our securities, increase our cost of borrowing and require us to post collateral for derivatives in a net liability position. The Company’s desire to maintain its investment grade rating may cause the Company to take certain actions designed to improve its cash flow, including sale of assets, suspension or reduction of our dividend and reductions in capital expenditures and working capital.

Under the terms of the agreements governing approximately $2.5 billion of our debt as of December 31, 2015 , the applicable interest rate on such debt may increase upon each downgrade in our credit rating. As a result, a downgrade in our credit rating may lead to an increase in our interest expense. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency’s judgment, circumstances so warrant. Any such downgrade of our credit ratings could adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur.

DOWNGRADES IN THE CREDIT RATINGS OF BANKS ISSUING CERTAIN LETTERS OF CREDIT WILL INCREASE OUR COST OF MAINTAINING CERTAIN INDEBTEDNESS AND MAY RESULT IN THE ACCELERATION OF DEFERRED TAXES. We are subject to the risk that a bank with currently issued irrevocable letters of credit supporting installment notes delivered to Temple-Inland in connection with Temple-Inland's 2007 sales of forestlands may be downgraded below a required rating. Since 2007, certain banks have fallen below the required ratings threshold and were successfully replaced, or waivers were obtained regarding their replacement. As a result of continuing uncertainty in the banking environment, a number of the letter-of-credit banks currently in place remain subject to risk of downgrade and the number of qualified replacement banks remains limited. The downgrade of one or more of these banks may subject the Company to additional costs of securing a replacement letter-of-credit bank or could result in an acceleration of payments of up to $840 million in deferred income taxes if replacement banks cannot be obtained. The deferred taxes are currently recorded in the Company's consolidated financial statements. See Note 12, Variable Interest Entities , on pages 64 through 66, and Note 10, Income Taxes , on pages 59 through 61, in Item 8. Financial Statements and Supplementary Data for further information.

OUR PENSION AND HEALTH CARE COSTS ARE SUBJECT TO NUMEROUS FACTORS WHICH COULD CAUSE THESE COSTS TO CHANGE. We have defined benefit pension plans covering substantially all U.S. salaried employees hired prior to July 1, 2004 and substantially all hourly and union employees regardless of hire date. We provide retiree health care benefits to certain of our U.S. salaried and certain hourly employees. Our pension costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience.

Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns, changes in general interest rates and changes in the number of retirees may result in increased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could increase pension costs. Health care reform under the Patient Protection and Affordable Care Act of 2010 could also increase costs with respect to medical coverage of the Company's full-time employees. Significant changes in any of these factors may adversely impact our cash flows, financial condition and results of operations.

OUR PENSION PLANS ARE CURRENTLY UNDERFUNDED, AND OVER TIME WE MAY BE REQUIRED TO MAKE CASH PAYMENTS TO THE PLANS, REDUCING THE CASH AVAILABLE FOR OUR BUSINESS. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of Accounting Standards Codification (ASC) 715, "Compensation – Retirement Benefits," at December 31, 2015 was $3.6 billion. The amount and timing of future contributions will depend upon a number of factors, including the actual earnings and changes in values of plan assets and changes in interest rates. As described elsewhere in this Annual Report on Form 10-K, during the first half of 2016, former employees who are participants in our pension plan will be able to request early payment of their entire plan benefit in the form of a single lump sum payment. While all payments will be made from the plan's trust assets, the target population has a total liability of $3.0 billion. For further information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources on page 34.

CHANGES IN INTERNATIONAL CONDITIONS COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS. Our operating results and business prospects could be substantially affected by risks related to the countries outside the United States in which we have manufacturing facilities or sell our products. Specifically, Russia, Brazil, Poland, India, and Turkey, where we have substantial manufacturing facilities, are countries that are exposed to economic and political instability in their respective regions of the world. Fluctuations in the value of local currency versus the U.S. dollar, downturns in economic activity, adverse tax consequences, nationalization or any change in social, political or labor conditions in any of these countries or regions could negatively affect our financial results. Trade protection measures in favor of local producers of competing products, including governmental subsidies, tax benefits and other measures giving local producers a competitive advantage over International Paper, may also adversely impact our operating results and business prospects in these countries. In addition, our international operations are subject to regulation under U.S. law and other laws related to operations in foreign jurisdictions. For example, the Foreign Corrupt Practices Act prohibits U.S. companies and their representatives from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad. Failure to comply with domestic or foreign laws could result in various adverse consequences, including the imposition of civil or criminal sanctions and the prosecution of executives overseeing our international operations.

RISKS RELATING TO LEGAL PROCEEDINGS AND COMPLIANCE COSTS

WE ARE SUBJECT TO A WIDE VARIETY OF LAWS, REGULATIONS AND OTHER GOVERNMENT REQUIREMENTS THAT MAY CHANGE IN SIGNIFICANT WAYS, AND THE COST OF COMPLIANCE WITH SUCH REQUIREMENTS COULD IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS. Our operations are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and other government requirements -- including, among others, those relating to the environment, health and safety, labor and employment and health care. There can be no assurance that laws, regulations and government requirements will not be changed, applied or interpreted in ways that will require us to modify our operations and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs. For example, we have incurred, and expect that we will continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations. There can be no assurance that future remediation requirements and compliance with existing and new laws and requirements, including with global climate change laws and regulations, Boiler MACT and NAAQSs, will not require significant expenditures, or that existing reserves for specific matters will be adequate to cover future costs. We could also incur substantial fines or sanctions, enforcement actions (including orders limiting our operations or requiring corrective measures), natural resource damages claims, cleanup and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws, regulations, codes and common law. The amount and timing of environmental expenditures is difficult to predict, and, in some cases, liability may be imposed without regard to contribution or to whether we knew of, or caused, the release of hazardous substances. As another example, we are subject to a number of labor and employment laws and regulations that could significantly increase our operating costs and reduce our operational flexibility.

RESULTS OF LEGAL PROCEEDINGS COULD HAVE A MATERIAL EFFECT ON OUR CONSOLIDATED FINANCIAL STATEMENTS. The costs and other effects of pending litigation against us cannot be determined with certainty. Although we do not believe that the outcome of any pending or threatened lawsuits or claims will have a material effect on our business or consolidated financial statements, there can be no assurance that the outcome of any lawsuit or claim will be as expected.

RISKS RELATING TO OUR OPERATIONS

MATERIAL DISRUPTIONS AT ONE OF OUR MANUFACTURING FACILITIES COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS. We operate our facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities. A material disruption at our corporate headquarters or one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales and/or negatively impact our financial condition. Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including:

- fires, floods, earthquakes, hurricanes or other catastrophes;
- the effect of a drought or reduced rainfall on its water supply;
- the effect of other severe weather conditions on equipment and facilities;
- terrorism or threats of terrorism;
- domestic and international laws and regulations applicable to our Company and our business partners, including joint venture partners, around the world;
- unscheduled maintenance outages;
- prolonged power failures;
- an equipment failure;
- a chemical spill or release;
- explosion of a boiler;
- damage or disruptions caused by third parties operating on or adjacent to one of our manufacturing facilities;
- disruptions in the transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis;
- labor difficulties; and
- other operational problems.

Any such downtime or facility damage could prevent us from meeting customer demand for our products and/or require us to make unplanned expenditures. If one of these machines or facilities were to incur significant downtime, our ability to meet our production targets and satisfy customer requirements could be impaired, resulting in lower sales and having a negative effect on our business and financial results.

WE ARE SUBJECT TO INFORMATION TECHNOLOGY RISKS RELATED TO BREACHES OF SECURITY PERTAINING TO SENSITIVE COMPANY, CUSTOMER, EMPLOYEE AND VENDOR INFORMATION AS WELL AS BREACHES IN THE TECHNOLOGY USED TO MANAGE OPERATIONS AND OTHER BUSINESS PROCESSES. Our business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Despite careful security and controls design, implementation, updating and independent third party verification, our information technology systems, and those of our third party providers, could become subject to employee error or malfeasance, cyber attacks, or natural disasters. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption to systems availability, denial of access to and misuse of applications required by our customers to conduct business with International Paper. Access to internal applications required to plan our operations, source materials, manufacture and ship finished goods and account for orders could be denied or misused. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company, employee, customer or vendor information, could stem from such incidents. Any of these operational disruptions and/or misappropriation of information could result in lost sales, business delays, negative publicity and could have a material effect on our business.

CERTAIN OPERATIONS ARE CONDUCTED BY JOINT VENTURES THAT WE CANNOT OPERATE SOLELY FOR OUR BENEFIT. Certain operations in Russia are carried on by a joint venture, Ilim. In joint ventures, we share ownership and management of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do. In general, joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In joint ventures, we are required to pay more attention to our relationship with our co-owners as well as with the joint venture, and if a co-owner changes, our relationship may be adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so that we do not receive all the benefits from our successful joint ventures.

WE MAY NOT ACHIEVE THE EXPECTED BENEFITS FROM STRATEGIC ACQUISITIONS, JOINT VENTURES, DIVESTITURES AND OTHER CORPORATE TRANSACTIONS. Our strategy for long-term growth, productivity and profitability depends, in part, on our ability to accomplish prudent strategic acquisitions, joint ventures, divestitures and other corporate transactions and to realize the benefits we expect from such transactions, and we are subject to the risk that we may not achieve the expected benefits. Among the benefits we expect from potential as well as completed acquisitions and joint ventures are synergies, cost savings, growth opportunities or access to new markets (or a combination thereof), and in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers placing higher strategic value on such businesses and assets than does International Paper.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

FORESTLANDS

As of December 31, 2015 , the Company owned or managed approximately 335,000 acres of forestlands in Brazil, and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. All owned lands in Brazil are independently third-party certified for sustainable forestry under the Brazilian National Forest Certification Program (CERFLOR) and the Forest Stewardship Council (FSC).

MILLS AND PLANTS

A listing of our production facilities by segment, the vast majority of which we own, can be found in Appendix I hereto, which is incorporated herein by reference.

The Company's facilities are in good operating condition and are suited for the purposes for which they are presently being used. We continue to study the economics of modernization or adopting other alternatives for higher cost facilities.

CAPITAL INVESTMENTS AND DISPOSITIONS

Given the size, scope and complexity of our business interests, we continually examine and evaluate a wide variety of business opportunities and planning alternatives, including possible acquisitions and sales or other dispositions of properties. You can find a discussion about the level of planned capital investments for 2016 on page 33 and 34, and dispositions and restructuring activities as of December 31, 2015 , on pages 20 through 24 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations , and on page 54 and pages 56 and 57 of Item 8. Financial Statements and Supplementary Data .

ITEM 3. LEGAL PROCEEDINGS

Information concerning the Company's legal proceedings is set forth in Note 11 Commitments and Contingencies on pages 61 through 64 of Item 8. Financial Statements and Supplementary Data .

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Dividend per share data on the Company's common stock and the high and low sales prices for the Company's common stock for each of the four quarters in 2015 and 2014 are set forth on page 83 of Item 8. Financial Statements and Supplementary Data . As of the filing of this Annual Report on Form 10-K, the Company's common shares are traded on the New York Stock Exchange. As of February 19, 2016 , there were approximately 12,705 record holders of common stock of the Company.

The table below presents information regarding the Company's purchase of its equity securities for the time periods presented.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

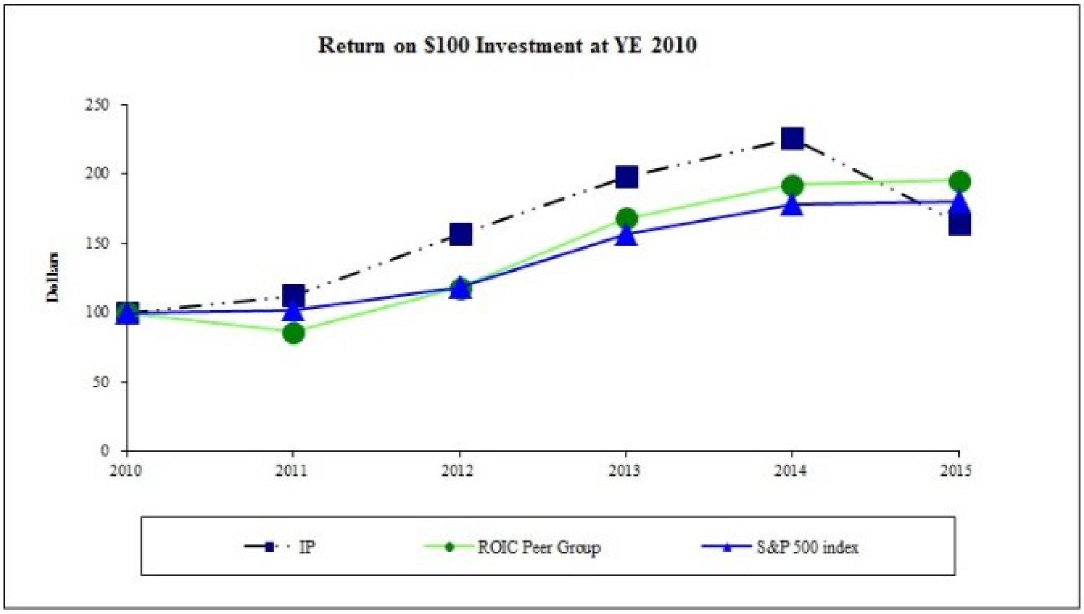
Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in billions)
October 1, 2015 - October 31, 2015	—	$—	—	$1.13
November 1, 2015 - November 30, 2015	2,028,004	41.05	2,027,636	1.05
December 1, 2015 - December 31, 2015	404,562	41.80	402,163	1.03
Total	2,432,566			

(a) 2,767 shares were acquired from employees from share withholdings to pay income taxes under the Company's restricted stock programs. The remainder were purchased under a share repurchase program that was approved by our Board of Directors and announced on July 8, 2014. Through this program, which does not have an expiration date, we were authorized to purchase, in open market transactions (including block trades), privately negotiated transactions or otherwise, up to $1.5 billion of shares of our common stock. As of February 19, 2016, approximately $933 million of shares of our common stock remained authorized for purchase under our share repurchase programs.

PERFORMANCE GRAPH

The performance graph shall not be deemed to be "soliciting material" or to be "filed" with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

The following graph compares a $100 investment in Company stock on December 31, 2010 with a $100 investment in our Return on Invested Capital (ROIC) Peer Group and the S&P 500 also made at market close on December 31, 2010. The graph portrays total return, 2010–2015, assuming reinvestment of dividends.



Note 1: The companies included in the ROIC Peer Group are Domtar Inc., Fibria Celulose S.A., Klabin S.A., Metsa Board Corporation, Mondi Group, Packaging Corporation of America, Smurfit Kappa Group, Stora Enso Group, and UPM-Kymmene Corp. MeadWestvaco Corp. and Rock-Tenn Company are included in the ROIC Peer Group results through 2014.

Note 2: Returns are calculated in $USD.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR FINANCIAL SUMMARY (a)

Dollar amounts in millions, except per share amounts and stock prices	**2015**	2014	2013	2012	2011
RESULTS OF OPERATIONS					
Net sales	**$ 22,365**	$ 23,617	$ 23,483	$ 21,852	$ 19,464
Costs and expenses, excluding interest	**20,544**	22,138	21,643	20,214	17,528
Earnings (loss) from continuing operations before income taxes and equity earnings	**1,266** (b)	872 (d)	1,228 (g)	967 (j)	1,395 (m)
Equity earnings (loss), net of taxes	**117**	(200)	(39)	61	140
Discontinued operations, net of taxes	**—**	(13) (e)	(309) (h)	77 (k)	82 (n)
Net earnings (loss)	**917** (b-c)	536 (d-f)	1,378 (g-i)	799 (j-l)	1,336 (m-o)
Noncontrolling interests, net of taxes	**(21)**	(19)	(17)	5	14
Net earnings (loss) attributable to International Paper Company	**938** (b-c)	555 (d-f)	1,395 (g-i)	794 (j-l)	1,322 (m-o)
FINANCIAL POSITION					
Current assets less current liabilities	**$ 2,553**	$ 3,050	$ 3,898	$ 3,907	$ 5,718
Plants, properties and equipment, net	**11,980**	12,728	13,672	13,949	11,817
Forestlands	**366**	507	557	622	660
Total assets	**30,587**	28,684	31,528	32,153	27,018
Notes payable and current maturities of long-term debt	**426**	742	661	444	719
Long-term debt	**8,900**	8,631	8,827	9,696	9,189
Total shareholders' equity	**3,884**	5,115	8,105	6,304	6,645
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS					
Earnings (loss) from continuing operations	**$ 2.25**	$ 1.33	$ 3.85	$ 1.65	$ 2.87
Discontinued operations	**—**	(0.03)	(0.70)	0.17	0.19
Net earnings (loss)	**2.25**	1.30	3.15	1.82	3.06
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS					
Earnings (loss) from continuing operations	**$ 2.23**	$ 1.31	$ 3.80	$ 1.63	$ 2.84
Discontinued operations	**—**	(0.02)	(0.69)	0.17	0.19
Net earnings (loss)	**2.23**	1.29	3.11	1.80	3.03
Cash dividends	**1.640**	1.450	1.250	1.088	0.975
Total shareholders' equity	**9.43**	12.18	18.57	14.33	15.21
COMMON STOCK PRICES					
High	**$ 57.90**	$ 55.73	$ 50.33	$ 39.88	$ 33.01
Low	**36.76**	44.24	39.47	27.29	21.55
Year-end	**37.70**	53.58	49.03	39.84	29.60
FINANCIAL RATIOS					
Current ratio	**1.7**	1.6	1.8	1.8	2.2
Total debt to capital ratio	**0.71**	0.65	0.54	0.62	0.60
Return on shareholders' equity	**20.0%** (b-c)	7.7% (d-f)	20.2% (g-i)	11.6% (j-l)	17.9% (m-o)
CAPITAL EXPENDITURES	**$ 1,487**	$ 1,366	$ 1,198	$1,383	$1,159
NUMBER OF EMPLOYEES	**56,000**	58,000	64,000	65,000	56,000

FINANCIAL GLOSSARY

Current ratio—
current assets divided by current liabilities.

Total debt to capital ratio—
long-term debt plus notes payable and current maturities of long-term debt divided by long-term debt, notes payable and current maturities of long-term debt and total shareholders’ equity.

Return on shareholders’ equity—
net earnings attributable to International Paper Company divided by average shareholders’ equity (computed monthly).

FOOTNOTES TO FIVE-YEAR FINANCIAL SUMMARY

(a) All periods presented have been restated to reflect the xpedx business and the Temple-Inland Building Products business as discontinued operations, if applicable.

2015:

(b) Includes the following pre-tax charges (gains):

In millions		**2015**
Riegelwood mill conversion costs, net of proceeds from sale of Carolina Coated Bristols brand	$	8
Timber monetization restructuring		16
Early debt extinguishment costs		207
IP-Sun JV impairment		174
Brazil Packaging impairment		137
Legal liability reserve adjustment		15
Refund of state tax credits		(4)
Other items		6
Total	$	559

(c) Includes the following tax expenses (benefits):

In millions		**2015**
IP-Sun JV impairment	$	(67)
Cash pension contribution		23
Other items		7
Total	$	(37)

2014:

(d) Includes the following pre-tax charges (gains):

In millions		**2014**
Temple-Inland integration	$	16
Courtland mill shutdown		554
Early debt extinguishment costs		276
India legal contingency resolution		(20)
Multi-employer pension plan withdrawal liability		35
Foreign tax amnesty program		32
Asia Industrial Packaging goodwill impairment		100
Loss on sale by investee and impairment of investment		47
Other items		12
Total	$	1,052

(e) Includes the after-tax operating earnings of the xpedx business prior to the spin-off and the following after-tax charges (gains):

In millions		**2014**
xpedx spinoff	$	16
Building Products divestiture		9
xpedx restructuring		(1)
Total	$	24

(f) Includes the following tax expenses (benefits):

In millions		**2014**
State legislative tax change	$	10
Internal restructuring		(90)
Other items		(1)
Total	$	(81)

2013:

(g) Includes the following pre-tax charges (gains):

In millions		**2013**
Temple-Inland integration	$	62
Courtland mill shutdown		118
Early debt extinguishment costs		25
Insurance reimbursement related to legal settlement		(30)
Shut down of paper machine at Augusta mill		45
India Papers tradename and goodwill impairment		127
Fair value adjustment of company airplanes		9
Cass Lake environmental reserve		6
Bargain purchase adjustment - Turkey		(13)
Other items		(5)
Total	$	344

(h) Includes the after-tax operating earnings of the xpedx business for the full year and the Temple-Inland Building Products business through the date of sale in July 2013. Also includes the following after-tax charges (gains):

In millions		2013
xpedx spinoff	$	14
xpedx goodwill impairment		366
Building Products divestiture		19
xpedx restructuring		19
Total	$	418

(i) Includes the following tax expenses (benefits):

In millions		2013
Settlement of U.S. federal tax audits	$	(744)
Income tax reserve release		(31)
Other items		1
Total	$	(774)

2012:

(j) Includes the following pre-tax charges (gains):

In millions		2012
Temple-Inland integration	$	164
Early debt extinguishment costs		48
EMEA packaging business restructuring		17
Temple-Inland inventory fair value adjustment		20
Hueneme mill long-lived asset fair value adjustment		62
Containerboard mill divestitures		29
Total	$	340

(k) Includes the after-tax operating earnings of the xpedx business and the Temple-Inland Building Products business for the full year. Also includes the following after-tax charges (gains):

In millions		2012
Building Products divestiture	$	9
xpedx restructuring		28
Total	$	37

(l) Includes the following tax expenses (benefits):

In millions		2012
Internal restructuring	$	14
Deferred tax asset adjustment related to Medicare Part D reimbursement		5
Total	$	19

2011:

(m) Includes the following pre-tax charges (gains):

In millions		2011
Temple-Inland acquisition costs	$	20
Early debt extinguishment costs		32
APPM acquisition costs		18
Reversal of environmental and other reserves related to repurposing at Franklin mill		(24)
Cass Lake environmental reserve		27
North American Shorewood business fixed asset impairment		129
Shorewood business impairment		78
Inverurie, Scotland mill asset impairment		11
Total	$	291

(n) Includes the following after-tax charges (gains):

In millions		2011
Gain for earnout provision - sale of Kraft Papers business	$	(30)
Tax benefit - Brazilian Coated Papers business sale		(15)
Interest income on tax benefit - Brazilian Coated Papers business sale		(4)
xpedx restructuring		34
Total	$	(15)

(o) Includes the following tax expenses (benefits):

In millions		2011
Internal restructuring	$	24
Tax benefit related to reduction of the carrying value of the Shorewood business and write-off of the associated deferred tax liability		(222)
Tax expense for APPM acquisitions costs		9
Release of deferred tax asset valuation allowance		13
Other items		2
Total	$	(174)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Operating Earnings (a non-GAAP measure) is defined as net earnings from continuing operations (a GAAP measure) excluding special items and non-operating pension expense. International Paper generated Operating Earnings per diluted share attributable to common shareholders of $3.65 in 2015 , compared with $3.00 in 2014 , and $3.06 in 2013 . Diluted earnings (loss) per share attributable to common shareholders were $2.23 in 2015 , compared with $1.29 in 2014 and $3.11 in 2013 .

International Paper delivered solid results during 2015 driven by strong margins and earnings in our North American Industrial Packaging business and record performance from the Ilim joint venture. We generated $1.8 billion of free cash flow which enabled the Company to return cash to our shareholders in the form of approximately $500 million in share repurchases and a 10% increase in the quarterly dividend beginning with the 2015 fourth quarter dividend payment. During 2015, we successfully completed the restructuring of the 2006 timber monetization to achieve our objectives of reducing risk and preserving financial flexibility, while maintaining the deferral of $1.4 billion of deferred income taxes. Finally, with respect to our balanced use of cash, we completed a $2 billion bond issue and related tender offer along with making a $750 million voluntary pension contribution.

Our 2015 results reflect the benefits of favorable input costs offset by price and mix declines across our North American businesses. Volumes were generally flat compared to 2014 except for lower volumes in our North American Industrial Packaging business due to lower containerboard export tons. Input costs decreased versus 2014 largely due to lower energy, chemicals and freight costs. Price declined relative to 2014 driven mainly by lower pricing in our North American Industrial Packaging and Printing Papers and Pulp businesses. Our Ilim joint venture generated record results in 2015 driven by improved operations and increased margins. The positive results were partially offset by the unfavorable impact of non-cash foreign currency movements associated with Ilim's US dollar denominated debt. Finally, during 2015 we completed the divestiture of our interest in the IP-Sun joint venture, generating $23 million in cash proceeds and removing approximately $400 million of debt from our balance sheet upon completion of the deal.

Overall, 2015 reflects solid performance in what continues to be a challenging economic environment. We once again generated returns in excess of our cost of capital while returning cash to our shareholders in the form of increased dividends and share repurchases. Our focus on maximizing free cash flow generation and deploying capital in a way that creates additional value for our shareholders has positioned us for another successful year in 2016.

Looking ahead to the 2016 first quarter, we expect seasonally lower volumes in our North American Industrial Packaging business, with some offset from higher export volume which carries a lower margin. Additionally, we expect seasonally lower volumes in our Brazilian Printing Papers business as the fourth quarter historically represents the strongest volume quarter for this business. Pricing is expected to be lower for our North American Printing Papers and Pulp business, primarily driven by lower pulp prices. Additionally, pricing is expected to be lower in our North American Industrial Packaging business due to lower export pricing and price index changes. We expect price improvements in our EMEA Printing Papers business, including Russia, and Brazilian Printing Papers business following announced price increases although these will be largely offset by inflationary cost pressures. We expect operating performance to be in line with the 2015 fourth quarter with some modest improvement in our North American Industrial Packaging business. Planned maintenance downtime costs should increase, primarily driven by outages in our North American Industrial Packaging and Printing Papers businesses, including costs associated with the Riegelwood mill conversion. Equity earnings from our Ilim joint venture are expected to benefit from strong operations offset by softwood pulp price pressure and normal seasonality. Additionally, we expect Ilim's earnings to be impacted by the absence of the positive impact from foreign currency movements driven by Ilim's U.S. dollar denominated debt as we assume no change in foreign currency rates in our outlook.

For the 2016 full year, we continue to face an uncertain macroeconomic environment but believe we are well positioned to deal with whatever the market brings. We will continue to improve our North American Industrial Packaging business by further realizing optimization opportunities during 2016. We expect to complete the Riegelwood mill conversion during first half of 2016 and be fully ramped by the 2016 fourth quarter, initially producing softwood market pulp. Additionally, we will continue executing against our plan to drive profitable growth following the recent expansion within the Foodservice business as well as optimizing commercial opportunities and mix within the North American Printing Papers portfolio. Finally, we will remain focused on maximizing free cash flow generation and deploying that capital in a way that creates additional value for our shareholders.

Free cash flow (a non-GAAP measure) of $1.8 billion generated in 2015 was lower than the $2.1 billion generated in 2014 and even with the $1.8 billion generated in 2013 (see reconciliation on page 30).

Operating Earnings per share attributable to common shareholders of $0.87 in the 2015 fourth quarter were lower than the $0.97 in the 2015 third quarter, but higher than the $0.53 in the 2014 fourth quarter. Diluted earnings (loss) per share attributable to common shareholders were $0.43 in the 2015 fourth quarter, compared with $0.53 in the 2015 third quarter and $0.32 in the 2014 fourth quarter.

Free cash flow of $501 million generated in the 2015 fourth quarter was lower than the $512 million generated in the 2015 third quarter and the $739 million generated in the 2014 fourth quarter (see reconciliation on page 30).

Operating Earnings and Operating Earnings Per Share are non-GAAP measures. Diluted earnings (loss) per share attributable to International Paper Company common shareholders is the most directly comparable GAAP measure. The Company calculates Operating Earnings by excluding the after-tax effect of items considered by management to be unusual from the earnings reported under GAAP, non-operating pension expense and discontinued operations. 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. The Company believes that using this information, along with the most directly comparable GAAP measure, provides for a more complete analysis of the results of operations. The following are reconciliations of Operating Earnings per share attributable to International Paper Company common shareholders to diluted earnings (loss) per share attributable to International Paper Company common shareholders.

	2015	2014	2013
Operating Earnings (Loss) Per Share Attributable to Shareholders	**$ 3.65**	$ 3.00	$ 3.06
Non-operating pension expense	**(0.38)**	(0.30)	(0.44)
Special items	**(1.04)**	(1.39)	1.18
Diluted Earnings (Loss) Per Share from Continuing Operations	**2.23**	1.31	3.80
Discontinued operations	**—**	(0.02)	(0.69)
Diluted Earnings (Loss) Per Share Attributable to Shareholders	**$ 2.23**	$ 1.29	$ 3.11

	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended December 31, 2014
Operating Earnings (Loss) Per Share Attributable to Shareholders	**$ 0.87**	$ 0.97	$ 0.53
Non-operating pension expense	**(0.09)**	(0.11)	(0.07)
Special items	**(0.35)**	(0.33)	(0.12)
Diluted Earnings (Loss) Per Share from Continuing Operations	**0.43**	0.53	0.34
Discontinued operations	**—**	—	(0.02)
Diluted Earnings (Loss) Per Share Attributable to Shareholders	**$ 0.43**	$ 0.53	$ 0.32

Results of Operations

Industry segment operating profits are used by International Paper's management to measure the earnings performance of its businesses. Management believes that this measure allows a better understanding of trends in costs, operating efficiencies, prices and volumes. Industry segment operating profits are defined as earnings before taxes, equity earnings, noncontrolling interests, interest expense, corporate items and corporate special items. Industry segment operating profits are defined by the Securities and Exchange Commission as a non-GAAP financial measure, and are not GAAP alternatives to net income or any other operating measure prescribed by accounting principles generally accepted in the United States.

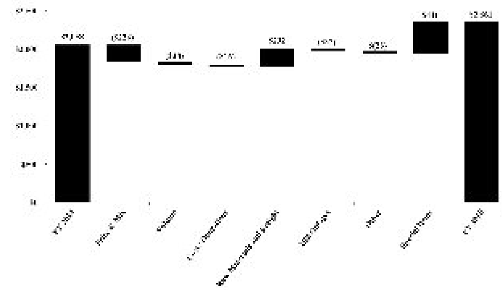
International Paper operates in three segments: Industrial Packaging, Printing Papers and Consumer Packaging.

The following table presents a reconciliation of net earnings (loss) attributable to International Paper Company to its total industry segment operating profit:

In millions	**2015**	2014	2013
Net Earnings (Loss) Attributable to International Paper Company	**$ 938**	$ 555	$ 1,395
Deduct – Discontinued operations:			
(Earnings) from operations	**—**	(11)	(109)
Special items (gain) loss	**—**	24	418
Earnings (Loss) From Continuing Operations Attributable to International Paper Company	**938**	568	1,704
Add back (deduct):			
Income tax provision	**466**	123	(498)
Equity (earnings) loss, net of taxes	**(117)**	200	39
Net earnings (loss) attributable to noncontrolling interests	**(21)**	(19)	(17)
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	**1,266**	872	1,228
Interest expense, net	**555**	601	612
Noncontrolling interests / equity earnings included in operations	**8**	2	(1)
Corporate items	**36**	51	61
Special items:			
Restructuring and other charges	**238**	282	10
Net losses (gains) on sales and impairments of businesses	**—**	38	—
Non-Operating Pension Expense	**258**	212	323
	$ 2,361	$ 2,058	$ 2,233
Industry Segment Operating Profit			
Industrial Packaging	**$ 1,853**	$ 1,896	$ 1,801
Printing Papers	**533**	(16)	271
Consumer Packaging	**(25)**	178	161
Total Industry Segment Operating Profit	**$ 2,361**	$ 2,058	$ 2,233

Industry segment operating profits in 2015 included a net loss from special items of $321 million compared with $732 million in 2014 and $336 million in 2013 . Operationally, compared with 2014, the benefit from lower input costs ($232 million) was offset by lower average sales price realizations and mix ($226 million), lower sales volumes ($38 million), higher operating costs ($16 million), higher maintenance outage costs ($37 million) and higher other costs ($23 million).

Segment Operating Profit
(in millions)



The principal changes in operating profit by segment were as follows:

- Industrial Packaging's profits of $1.9 billion were $43 million lower than in 2014 as the benefit of lower input costs was offset by lower average sales price realizations and mix, lower sales volumes, higher operating costs and higher maintenance outage costs. In addition, 2015 operating profits included a goodwill and trade name impairment charge of $137 million related to our Brazil Packaging business. Operating profits in 2014 included $16 million of costs associated with the integration of Temple-Inland, a goodwill impairment charge of $100 million related to our Asia Industrial Packaging business, a charge of $35 million for costs associated with a multi-employer pension plan withdrawal liability and a net charge of $7 million for other items.

- Printing Papers' profits of $533 million represented a $549 million increase in operating profits from 2014. The benefits from lower input costs, lower costs associated with the closure of our Courtland, Alabama mill and lower foreign exchange impact were offset by lower average sales price realizations and mix, lower sales volumes, higher operating costs and higher maintenance outage costs. The 2014 operating loss included a special items charge of $554 million for costs associated with the shutdown of our Courtland, Alabama mill, a gain of $20 million for the resolution of a legal contingency in India and a charge of $32 million for costs associated with a foreign tax amnesty program.

- Consumer Packaging's operating loss of $25 million represented a $203 million reduction in operating profits from 2014. The benefits from higher sales volumes, lower planned maintenance downtime costs and lower input costs were offset by lower average sales price realizations and mix, higher operating costs, and higher foreign exchange and other expenses. In addition, 2015 operating profits included an asset impairment charge of $174 million related to the sale of our 55% equity share of the IP-Sun JV in Asia, a net cost of $8 million related to costs to convert our Riegelwood mill to 100% pulp production, net of proceeds from the sale of the Carolina Coated Bristols brand, and $2 million of sheet plant closure costs. Operating profits in 2014 included $8 million of sheet plant closure costs.

Corporate items, net, of $36 million of expense in 2015 were lower than the $51 million of expense in 2014 due to the absence of a one-time non-cash foreign exchange charge related to the administrative restructuring of some international entities in 2014. The decrease in 2014 from the expense of $61 million in 2013 is due to lower pension costs partially offset by the one-time non-cash foreign exchange charge.

Corporate special items, including restructuring and other items and net losses on sales and impairments of businesses were a loss of $238 million in 2015 compared with a loss of $320 million in 2014 and a loss of $4 million in 2013 . The loss in 2015 is due to debt premium costs, costs associated with the restructure of our timber monetization and a legal liability reserve adjustment. The loss in 2014 is primarily due to debt extinguishment costs and a loss on the sale of a business by ASG, which was formerly referred to as AGI-Shorewood and in which we hold an investment, and the subsequent partial impairment of our ASG investment.

Interest expense, net, was $555 million in 2015 compared with $607 million ($601 million excluding special items net interest expense reported in the Printing Papers business segment) in 2014 and $612 million in 2013 . The decrease in 2015 compared with 2014 is due to lower average interest rates. The decrease in 2014 compared with 2013 also reflects lower average interest rates.

A net income tax provision of $466 million was recorded for 2015 , including a tax benefit of $62 million related to internal restructurings, an expense of $23 million for the tax impact of the 2015 cash pension contribution of $750 million and a tax expense of $2 million for other items. The 2014 income tax provision of $123 million includes a tax benefit of $90 million related to internal restructurings and a net tax expense of $9 million for other items. The 2013 income tax benefit of $498 million includes a tax benefit of $770 million associated with the settlement of tax audits and a net tax benefit of $4 million for other items.

Discontinued Operations

2014: On July 1, 2014, International Paper completed the spinoff of its distribution business, xpedx, which subsequently merged with Unisource Worldwide, Inc., with the combined companies now operating as Veritiv Corporation (Veritiv). The xpedx business had historically represented the Company's Distribution reportable segment.

The spinoff was accomplished by the contribution of the xpedx business to Veritiv and the distribution of 8,160,000 shares of Veritiv common stock on a pro-rata basis to International Paper shareholders. International Paper received payments of approximately $411 million, financed with new debt in Veritiv's capital structure.

2013: On April 1, 2013, the Company finalized the sale of Temple-Inland's 50% interest in Del-Tin Fiber L.L.C. to joint venture partner Deltic Timber Corporation for $20 million in assumed liabilities and cash.

On July 19, 2013 the Company finalized the sale of its Temple-Inland Building Products division to Georgia-Pacific Building Products, LLC for approximately $726 million in cash.

Liquidity and Capital Resources

For the year ended December 31, 2015 , International Paper generated $2.6 billion of cash flow from operations compared with $3.1 billion in 2014 and $3.0 billion in 2013 . Cash flow from operations included $750 million, $353 and $31 million of cash pension contributions in 2015, 2014 and 2013, respectively. Capital spending for 2015 totaled $1.5 billion , or 115% of depreciation and amortization expense. Net decreases in debt totaled $74 million . Our liquidity position remains strong, supported by approximately $2.1 billion of credit facilities that we believe are adequate to meet future liquidity requirements. Maintaining an investment-grade credit rating for our long-term debt continues to be an important element in our overall financial strategy.

We expect to generate strong free cash flow again in 2016 and will continue our balanced use of cash through investments in capital projects, the reduction of total debt, including the Company's unfunded pension obligation, returning value to shareholders and strengthening our businesses through strategic acquisitions, as appropriate.

Capital spending for 2016 is targeted at $1.3 billion , or about 100% of depreciation and amortization.

Legal

See Note 11 Commitments and Contingent Liabilities on pages 61 through 64 of Item 8. Financial Statements and Supplementary Data for a discussion of legal matters.

CORPORATE OVERVIEW

While the operating results for International Paper's various business segments are driven by a number of business-specific factors, changes in International Paper's operating results are closely tied to changes in general economic conditions in North America, Europe, Russia, Latin America, Asia, Africa and the Middle East. Factors that impact the demand for our products include industrial non-durable goods production, consumer spending, commercial printing and advertising activity, white-collar employment levels, and movements in currency exchange rates.

Product prices are affected by general economic trends, inventory levels, currency exchange rate movements and worldwide capacity utilization. In addition to these revenue-related factors, net earnings are impacted by various cost drivers, the more significant of which include changes in raw material costs, principally wood, recycled fiber and chemical costs; energy costs; freight costs; salary and benefits costs, including pensions; and manufacturing conversion costs.

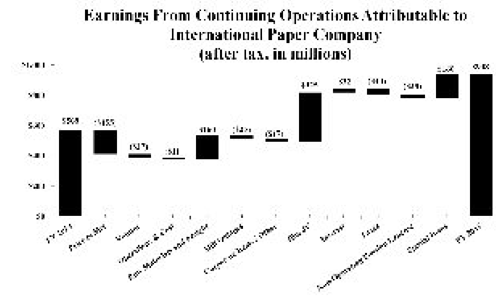
The following is a discussion of International Paper's results of operations for the year ended December 31, 2015 , and the major factors affecting these results compared to 2014 and 2013 .

RESULTS OF OPERATIONS

For the year ended December 31, 2015 , International Paper reported net sales of $22.4 billion , compared with $23.6 billion in 2014 and $23.5 billion in 2013 . International net sales (including U.S. exports) totaled $7.8 billion or 35% of total sales in 2015 . This compares with international net sales of $9.3 billion in 2014 and $9.5 billion in 2013 .

Full year 2015 net earnings attributable to International Paper Company totaled $938 million ($2.23 per share), compared with net earnings of $555 million ($1.29 per share) in 2014 and $1.4 billion ($3.11 per share) in 2013 . Amounts in all periods include the results of discontinued operations.

Earnings from continuing operations attributable to International Paper Company after taxes in 2015 were $938 million , including $439 million of net special items charges and $157 million of non-operating pension expense compared with $568 million , including $599 million of net special items charges and $129 million of non-operating pension expense in 2014 , and $1.7 billion , including $528 million of net special items gains and $197 million of non-operating pension expense in 2013 . Compared with 2014 , the benefits from lower input costs, lower corporate and other costs and lower interest expense were offset by lower average sales price realizations and mix, lower sales volumes, higher operating costs, higher maintenance outage costs, and higher tax expense. In addition, 2015 results included higher equity earnings, net of taxes, relating to the Company's investment in Ilim Holdings, SA.



See Industry Segment Results on pages 25 through 30 for a discussion of the impact of these factors by segment.

Discontinued Operations

2014:

In 2014, $24 million of net income adjustments were recorded relating to discontinued businesses, including $16 million of costs associated with the spin-off of the xpedx business and $9 million of costs associated with the divestiture of the Temple-Inland Building Products business. Also included are the operating earnings of the xpedx business prior to the spin-off on July 1, 2014.

2013:

In 2013, $418 million of net income adjustments were recorded relating to discontinued businesses, including goodwill impairment charges of $366 million associated with the xpedx business, $19 million for costs associated with the restructuring of the xpedx business, $14 million for costs associated with the spin-off of the xpedx business and $19 million for costs associated with the sale of the Temple-Inland Building Products business. Also included are the operating profits for the xpedx business for the full year and for the Temple-Inland Building Products business through the date of sale of July 19, 2013.

Income Taxes

A net income tax provision of $466 million was recorded for 2015 , including a tax benefit of $62 million related to internal restructurings, a tax expense of $23 million for the tax impact of the 2015 cash pension contribution of $750 million and a $2 million tax expense for other items. Excluding these items, an $83 million net tax benefit for other special items and a $101 million tax benefit related to non-operating pension expense, the tax provision was $687 million, or 33% of pre-tax earnings before equity earnings.

A net income tax provision of $123 million was recorded for 2014 including a tax benefit of $90 million related to internal restructurings and a net $9 million tax expense for other items. Excluding these items, a $372 million net tax benefit for other special items and a $83 million tax benefit related to non-operating pension expense, the tax provision was $659 million, or 31% of pre-tax earnings before equity earnings.

A net income tax benefit of $498 million was recorded for 2013 , including a tax benefit of $770 million related to the settlement of tax audits and a net benefit of $4 million for other items. Excluding these items, a $95 million net tax benefit for other special items and a $126 million tax benefit related to non-operating pension expense, the tax provision was $497 million, or 26% of pre-tax earnings before equity earnings.

Equity Earnings, Net of Taxes

Equity earnings, net of taxes in 2015 , 2014 and 2013 consisted principally of the Company's share of earnings from its 50% investment in Ilim Holding S.A. in Russia (see page 30).

Corporate Items and Interest Expense

Corporate items totaled $36 million of expense for the year ended December 31, 2015 compared with $51 million in 2014 and $61 million in 2013 . The decrease in 2015 from 2014 reflects the absence of a one-time non-cash foreign exchange charge related to the administrative restructuring of some international entities that occurred in 2014. The decrease in 2014 from 2013 reflects lower pension expenses partially offset by a one-time non-cash foreign exchange charge related to the administrative restructuring of some international entities.

Net corporate interest expense totaled $555 million in 2015 , $601 million in 2014 and $612 million in 2013 . The decrease in 2015 compared with 2014 reflects lower average interest rates. The decrease in 2014 compared with 2013 also reflects lower average interest rates.

Net earnings attributable to noncontrolling interests totaled a loss of $21 million in 2015 compared with a loss of $19 million in 2014 and a loss of $17 million in 2013 . The decrease in 2015 reflects the sale of our equity share of the IP-Sun JV and lower earnings for the Shandong IP & Sun Food Packaging Co., Ltd joint venture in China prior to its divestiture. The decrease in 2014 compared with 2013 reflects the impact of the acquisition of the remaining 25% share of Orsa IP from the joint venture partner.

Special Items

Restructuring and Other Charges

International Paper continually evaluates its operations for improvement opportunities targeted to (a) focus our portfolio on our core businesses, (b) rationalize and realign capacity to operate fewer facilities with the same revenue capability and close high cost facilities, and (c) reduce costs. Annually, strategic operating plans are developed by each of our businesses. If it subsequently becomes apparent that a facility's plan will not be achieved, a decision is then made to (a) invest additional capital to upgrade the facility, (b) shut down the facility and record the corresponding charge, or (c) evaluate the expected recovery of the carrying value of the facility to determine if an impairment of the assets have occurred. In recent years, this policy has led to the shutdown of a number of facilities and the recording of significant asset impairment charges and severance costs. It is possible that additional charges and costs will be incurred in future periods in our core businesses should such triggering events occur.

2015: During 2015 , corporate restructuring and other charges totaling $242 million before taxes ($155 million after taxes) were recorded. These charges included:

- a $207 million charge before taxes ($133 million after taxes) for premiums paid on a cash tender offer on outstanding debt (see Note 13 Debt and Lines of Credit on pages 66 and 67 of Item 8. Financial Statements and Supplementary Data),
- a $16 million charge before taxes ($10 million after taxes) for costs related to the restructuring of our 2006 timber monetization,
- a $15 million charge before taxes ($9 million after taxes) for legal reserve adjustments, and
- a $4 million charge before taxes ($3 million after taxes) for other items.

In addition, restructuring and other charges totaling $10 million before taxes ($6 million after taxes) were recorded in the Consumer Packaging industry segment including:

- an $8 million net charge before taxes ($4 million after taxes) related to costs associated with the conversion of the Riegelwood, North Carolina facility to 100% pulp production, net of proceeds from the sale of the Carolina Coated Bristols brand, and
- a $2 million charge (before and after taxes) for other items.

2014: During 2014 , corporate restructuring and other charges totaling $277 million before taxes ($169 million after taxes) were recorded. These charges included:

- a $276 million charge before taxes ($169 million after taxes) for costs related to the early extinguishment of debt (see Note 13 Debt and Lines of Credit on pages 66 and 67 of Item 8. Financial Statements and Supplementary Data)

In addition, restructuring and other charges totaling $569 million before taxes ($349 million after taxes) were recorded in the Industrial Packaging, Printing Papers and Consumer Packaging industry segments including:

- a $554 million charge before taxes ($338 million after taxes) for costs related to the shutdown of the Courtland, Alabama mill, and
- a $15 million charge before taxes ($11 million after taxes) for other items.

2013: During 2013 , corporate restructuring and other charges totaling a gain of $5 million before taxes ($3 million after taxes) were recorded. These charges included:

- a $25 million charge before taxes ($16 million after taxes) for costs related to the early extinguishment of debt (see Note 13 Debt and Lines of Credit on pages 66 and 67 of Item 8. Financial Statements and Supplementary Data), and
- a $30 million gain before taxes ($19 million after taxes) for insurance reimbursements related to the Guaranty Bank legal settlement.

In addition, restructuring and other charges totaling $161 million before taxes ($101 million after taxes) were recorded in the Industrial Packaging, Printing Papers and Consumer Packaging industry segments including:

- a $118 million charge before taxes ($72 million after taxes) for costs related to the shutdown of the Courtland, Alabama mill,
- a $45 million charge before taxes ($28 million after taxes) for costs related to the shutdown of a paper machine at the Augusta, Georgia mill, and
- a $2 million gain before taxes (loss of $1 million after taxes) for other items.

Impairments of Goodwill

In the fourth quarter of 2015, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Brazil Packaging business using the discounted future cash flows and determined that all of the goodwill in the business, totaling $137 million , should be written off. The decline in the fair value of the Brazil Packaging business and resulting impairment charge was due to the negative impacts on the cash flows of the business caused by the continued decline of the overall Brazilian economy.

In the fourth quarter of 2014, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Asia Industrial Packaging business using expected discounted future cash flows and determined that due to a change in the strategic outlook, all of the goodwill of this business, totaling $100 million , should be written off. The decline in the fair value of the Asia Industrial Packaging business and resulting impairment charge was due to a change in the strategic outlook for the business.

In the fourth quarter of 2013, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its India Papers business using the discounted future cash flows and determined that all of the goodwill of this business, totaling $112 million , should be written off. The decline in the fair value of the India Papers reporting unit and resulting impairment charge was due to a change in the strategic outlook for the India Papers operations.

Also in the fourth quarter of 2013, the Company calculated the estimated fair value of its xpedx business using the discounted future cash flows and wrote off all of the goodwill of its xpedx business, totaling $400 million, which has been included in Discontinued operations in the accompanying consolidated statement of operations. The decline in the fair value of the xpedx reporting unit and resulting impairment charge was due to a significant decline in earnings and a change in the strategic outlook for the xpedx operations.

Also during 2013, the Company recorded a pre-tax charge of $15 million ($7 million after taxes and noncontrolling interest) for the impairment of a trade name intangible asset related to our India Papers business.

Net Losses on Sales and Impairments of Businesses

Net losses on sales and impairments of businesses included in special items totaled a pre-tax loss of $174 million ($113 million after taxes) in 2015 , a pre-tax loss of $38 million ($31 million after taxes) in 2014 and a pre-tax loss of $3 million ($1 million after taxes) in 2013 . The principal components of these losses were:

2015: On October 13, 2015 **,** the Company finalized the sale of its 55% interest in IP Asia Coated Paperboard (IP-Sun JV) business, within the Company's Consumer Packaging segment, to its Chinese coated board joint venture partner, Shandong Sun Holding Group Co., Ltd. for RMB 149 million (approximately USD $23 million). During the third quarter of 2015, a determination was made that the current book value of the asset group exceeded its estimated fair value of $23 million , which was the agreed upon selling price. The 2015 loss includes the pre-tax impairment charge of $174 million ($113 million after taxes). A pre-tax charge of $186 million was recorded during the third quarter in the Company's Consumer Packaging segment to write down the long-lived assets of this business to their estimated fair value. In the fourth quarter of 2015, upon the sale and corresponding deconsolidation of IP-Sun JV from the Company's consolidated balance sheet, final adjustments were made resulting in a reduction of the impairment of $12 million . The amount of pre-tax losses related to noncontrolling interest of the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $19 million , $12 million and $8 million , respectively. The amount of pre-tax losses related to the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $226 million , $51 million and $41 million , respectively.

The net 2015 loss totaling $174 million related to the impairment of Sun-JV is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

2014: During 2014, the Company recorded net pre-tax charges of $47 million ($36 million after taxes) for a loss on the sale of a business by ASG (formerly referred to as AGI-Shorewood), in which we hold an investment and the subsequent partial impairment of our ASG investment, and a pre-tax gain of $9 million ($5 million after taxes) related to the sale of an investment.

2013: During 2013, the Company recorded net pre-tax charges of $3 million ($1 million after taxes) for adjustments related to the divestiture of three containerboard mills in 2012 and the sale of the Shorewood business.

Industry Segment Operating Profits

Industry segment operating profits of $2.4 billion in 2015 decreased from $2.1 billion in 2014 . The benefit from lower input costs ($232 million) was offset by lower average sales price realizations and mix ($226 million), lower sales volumes ($38 million), higher operating costs ($16 million), higher maintenance outage costs ($37 million) and higher other costs ($23 million).

Special items were a $321 million net loss in 2015 compared with a net loss of $732 million in 2014.

Market-related downtime in 2015 increased to approximately 440,000 tons from approximately 281,000 tons in 2014.

DESCRIPTION OF INDUSTRY SEGMENTS

International Paper’s industry segments discussed below are consistent with the internal structure used to manage these businesses. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the forest products industry.

Industrial Packaging

International Paper is the largest manufacturer of containerboard in the United States. Our U.S. production capacity is over 13 million tons annually. Our products include linerboard, medium, whitetop, recycled linerboard, recycled medium and saturating kraft. About 80% of our production is converted domestically into corrugated boxes and other packaging by our 165 U.S. container plants. Additionally, we recycle approximately one million tons of OCC and mixed and white paper through our 18 recycling plants. In EMEA, our operations include two recycled fiber containerboard mills in Morocco and Turkey and 26 container plants in France, Italy, Spain, Morocco and Turkey. In Brazil our operations include three containerboard mills and four box plants. In Asia, our operations include 16 container plants in China and additional container plants in Indonesia, Malaysia, Singapore, and Thailand. Our container plants are supported by regional design centers, which offer total packaging solutions and supply chain initiatives.

Printing Papers

International Paper is one of the world’s leading producers of printing and writing papers. Products in this segment include uncoated papers and pulp.

Uncoated Papers: This business produces papers for use in copiers, desktop and laser printers and digital imaging. End use applications include advertising and promotional materials such as brochures, pamphlets, greeting cards, books, annual reports and direct mail. Uncoated papers also produces a variety of grades that are converted by our customers into envelopes, tablets, business forms and file folders. Uncoated papers are sold under private label and International Paper brand names that include *Hammermill, Springhill, Williamsburg, Postmark, Accent, Great White, Chamex, Ballet* , *Rey, Pol, and Svetocopy* . The mills producing uncoated papers are located in the United States, France, Poland, Russia, Brazil and India. The mills have uncoated paper production capacity of approximately 4 million tons annually. Brazilian operations function through International Paper do Brasil, Ltda, which owns or manages approximately 335,000 acres of forestlands in Brazil.

Pulp: Pulp is used in the manufacture of printing, writing and specialty papers, towel and tissue products and filtration products. Pulp is also converted into products such as diapers and sanitary napkins. Pulp products include fluff, and southern softwood pulp, as well as southern and birch hardwood paper pulps. These products are produced in the United States, France, Poland, Russia, and Brazil and are sold around the world. International Paper facilities have annual dried pulp capacity of about 1.8 million tons.

Consumer Packaging

International Paper is one of the world's largest producers of solid bleached sulfate board with annual U.S. production capacity of about 1.2 million tons (reduced from about 1.6 million tons) after initiating the conversion of the Riegelwood Mill to 100% pulp production in late December of 2015. Our coated paperboard business produces high quality coated paperboard for a variety of packaging and foodservice end uses. Our *Everest®, Fortress®* , and *Starcote®* brands are used in packaging applications for everyday products such as food, cosmetics, pharmaceuticals and tobacco products. The *Carolina®* brand, which was sold to MeadWestvaco Corporation in April 2015, was used in commercial printing end uses. Our U.S. capacity is supplemented by about 379,000 tons of capacity at our mills producing coated board in Poland and Russia and, prior to its sale in October 2015, by our International Paper & Sun Cartonboard Co., Ltd. joint venture in China which had an annual capacity of 1.4 million tons.

Our Foodservice business produces cups, lids, food containers and plates through three domestic plants and four international facilities.

Ilim Holding S.A.

In October 2007, International Paper and Ilim Holding S.A. (Ilim) completed a 50:50 joint venture to operate a pulp and paper business located in Russia. Ilim's facilities include three paper mills located in Bratsk, Ust-Ilimsk, and Koryazhma, Russia, with combined total pulp and paper capacity of over 3.4 million tons. Ilim has exclusive harvesting rights on timberland and forest areas exceeding 14.8 million acres (6.0 million hectares).

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INDUSTRY SEGMENT RESULTS

Industrial Packaging

Demand for Industrial Packaging products is closely correlated with non-durable industrial goods production, as well as with demand for processed foods, poultry, meat and agricultural products. In addition to prices and volumes, major factors affecting the profitability of Industrial Packaging are raw material and energy costs, freight costs, manufacturing efficiency and product mix.

Industrial Packaging net sales for 2015 decreased 3% to $14.5 billion compared with $14.9 billion in 2014 , and 2% compared with $14.8 billion in 2013 . Operating profits were 2% lower in 2015 than in 2014 and 3% higher than in 2013 . Excluding costs associated with the acquisition and integration of Temple-Inland, goodwill impairment charges, costs associated with a multi-employer pension liability and other special items, operating profits in 2015 were 3% lower than in 2014 and 8% higher than in 2013. Benefits from lower input costs ($175 million) were offset by lower average sales price realizations and mix ($144 million), lower sales volumes ($36 million), higher operating costs ($43 million) and higher maintenance outage costs ($16 million). Additionally, operating profits in 2015 include a goodwill and trade name impairment charge associated with our Brazil Packaging business ($137 million). Operating profits in 2014 include a goodwill impairment charge of $100 million related to our Asia Industrial Packaging business, costs of $16 million associated with the integration of Temple-Inland, a charge of $35 million associated with a multi-employer pension plan withdrawal liability and a net charge of $7 million for other items. Operating profits in 2013 include costs of $62 million associated with the integration of Temple-Inland, a gain of $13 million related to a bargain purchase adjustment on the acquisition of a majority share of our operations in Turkey, and a net gain of $1 million for other items.

Industrial Packaging			
In millions	**2015**	2014	2013
Sales	**$ 14,484**	$ 14,944	$ 14,810
Operating Profit	**1,853**	1,896	1,801

North American Industrial Packaging net sales were $12.5 billion in 2015 compared with $12.7 billion in 2014 and $12.5 billion in 2013 . Operating profits in 2015 were $2.0 billion compared with $2.0 billion (both including and excluding costs associated with the integration of Temple-Inland, a multi-employer pension withdrawal liability and other special items) in 2014 and $1.8 billion (both including and excluding costs associated with the integration of Temple-Inland and other special items in 2013 .

Sales volumes decreased in 2015 compared with 2014 reflecting slightly lower box shipments and lower shipments of containerboard to export markets. In 2015, the business took about 814,000 tons of total downtime of which about 363,000 were market-related and 451,000 were maintenance downtime. The business took about 622,000 tons of total downtime in 2014 of which 240,000 were market-related and 382,000 were maintenance downtime. Average sales price realizations were lower mostly for Euro-denominated shipments of containerboard to export markets. Input costs were lower, primarily for energy. Distribution costs were flat as lower freight fuel surcharges offset rate increases. Planned maintenance downtime costs were $15 million higher than in 2014. Manufacturing operating costs decreased, but were more than offset by wage and benefit inflation. Depreciation costs were lower.

Looking ahead to the first quarter of 2016, compared with the fourth quarter of 2015, sales volumes for boxes are expected to be seasonally lower, while shipments of containerboard to export markets should increase. Input costs are expected to be higher for energy and wood, but lower for waste fiber. Planned maintenance downtime spending is expected to be about $21 million higher. Manufacturing operating costs are expected to improve.

EMEA Industrial Packaging net sales were $1.1 billion in 2015 compared with $1.3 billion in 2014 and $1.3 billion in 2013 . Operating profits in 2015 were $13 million compared with $25 million ($31 million excluding restructuring costs) in 2014 and $43 million ($32 million excluding a gain on a bargain purchase price adjustment on the acquisition of a majority share of our operations in Turkey and restructuring costs) in 2013 .

Sales volumes in 2015 were higher than in 2014 reflecting improved market demand and strong commercial initiatives in the Eurozone throughout the year and growth in Morocco and Turkey in the fourth quarter. Net sales decreased primarily due to the negative impact of foreign exchange rates. Higher board costs also contributed to lower average sales margins. Other input costs, primarily for energy, were lower. Operating earnings in 2015 also included a gain of $4 million related to the change in ownership of our OCC collection operations in Turkey.

Entering the first quarter of 2016, compared with the fourth quarter of 2015 sales volumes are expected to be flat. Average sales margins are expected to be favorably impacted by higher box sales prices, lower board costs in Turkey and a favorable mix. Input costs for energy should be slightly higher.

Brazilian Industrial Packaging net sales were $228 million in 2015 compared with $349 million in 2014 and $335 million in 2013 . Operating profits in 2015 were a loss of $163 million (a loss of $26 million excluding goodwill and trade name impairment charges) compared with a loss of $3 million (a loss of $4 million excluding a net gain related to acquisition and integration costs) in 2014 and a loss of $2 million (a gain of $2 million excluding acquisition and integration costs) in 2013 .

Sales volumes in 2015 decreased compared with 2014 due to overall weak economic conditions and lower box consumption in the product segments of some of our key customers. Average sales price realizations for boxes were lower. Input costs were slightly higher. Operating costs also increased. Planned maintenance downtime costs were $1 million lower in 2015 compared with 2014.

Looking ahead to the first quarter of 2016, compared with the fourth quarter of 2015 sales volumes are expected to be seasonally lower. Average sales margins should improve reflecting a previously announced sales price increase for boxes. Input costs are expected to be stable and operating costs should reflect the benefits of cost savings initiatives.

Asian Industrial Packaging net sales were $601 million in 2015 compared with $625 million in 2014 and $685 million in 2013 . Operating profits were a loss of $6 million in 2015 compared with a loss of $112 million (a loss of $5 million excluding goodwill impairment charges and restructuring costs) in 2014 and a loss of $2 million (a gain of $2 million excluding restructuring costs) in 2013 . Compared with 2014, sales volumes for boxes in 2015 were lower and average sales margins decreased due to competitive price pressures and an unfavorable sales mix. However, operating costs were lower.

Looking ahead to the first quarter of 2016, sales volumes are expected to be seasonally lower. On October 8, 2015, the Company announced that it was pursuing strategic options for its corrugated box business in China and Southeast Asia and had signed a non-binding letter of intent with a prospective buyer.

Printing Papers

Demand for Printing Papers products is closely correlated with changes in commercial printing and advertising activity, direct mail volumes and, for uncoated cut-size products, with changes in white-collar employment levels that affect the usage of copy and laser printer paper. Pulp is further affected by changes in currency rates that can enhance or disadvantage producers in different geographic regions. Principal cost drivers include manufacturing efficiency, raw material and energy costs and freight costs.

Printing Papers net sales for 2015 decreased 12% to $5.0 billion compared with $5.7 billion in 2014 and 19%

compared with $6.2 billion in 2013 . Operating profits in 2015 were significantly higher than in both 2014 and 2013 . Excluding facility closure costs, impairment costs and other special items, operating profits in 2015 were 3% lower than in 2014 and 4% higher than in 2013 . Benefits from lower input costs ($18 million), lower costs associated with the closure of our Courtland, Alabama mill ($44 million) and favorable foreign exchange ($33 million) were offset by lower average sales price realizations and mix ($52 million), lower sales volumes ($16 million), higher operating costs ($18 million) and higher planned maintenance downtime costs ($26 million). In addition, operating profits in 2014 include special items costs of $554 million associated with the closure of our Courtland, Alabama mill. During 2013, the Company accelerated depreciation for certain Courtland assets, and evaluated certain other assets for possible alternative uses by one of our other businesses. The net book value of these assets at December 31, 2013 was approximately $470 million. In the first quarter of 2014, we completed our evaluation and concluded that there were no alternative uses for these assets. We recognized approximately $464 million of accelerated depreciation related to these assets in 2014. Operating profits in 2014 also include a charge of $32 million associated with a foreign tax amnesty program, and a gain of $20 million for the resolution of a legal contingency in India, while operating profits in 2013 included costs of $118 million associated with the announced closure of our Courtland, Alabama mill and a $123 million impairment charge associated with goodwill and a trade name intangible asset in our India Papers business.

Printing Papers

In millions	**2015**	2014	2013
Sales	**$ 5,031**	$ 5,720	$ 6,205
Operating Profit (Loss)	**533**	(16)	271

North American Printing Papers net sales were $1.9 billion in 2015 , $2.1 billion in 2014 and $2.6 billion in 2013 . Operating profits in 2015 were $179 million compared with a loss of $398 million (a gain of $ 156 million excluding costs associated with the shutdown of our Courtland, Alabama mill) in 2014 and a gain of $36 million ($154 million excluding costs associated with the Courtland mill shutdown) in 2013 .

Sales volumes in 2015 decreased compared with 2014 primarily due to the closure of our Courtland mill in 2014. Shipments to the domestic market increased, but export shipments declined. Average sales price realizations decreased, primarily in the domestic market. Input costs were lower, mainly for energy. Planned maintenance downtime costs were $12 million higher in 2015. Operating profits in 2014 were negatively impacted by costs associated with the shutdown of our Courtland, Alabama mill.

Entering the first quarter of 2016, sales volumes are expected to be up slightly compared with the fourth quarter of 2015. Average sales margins should be about flat reflecting lower average sales price realizations offset by a more favorable product mix. Input costs are expected to be stable. Planned maintenance downtime costs are expected to be about $14 million lower with an outage scheduled in the 2016 first quarter at our Georgetown mill compared with outages at our Eastover and Riverdale mills in the 2015 fourth quarter.

In January 2015, the United Steelworkers, Domtar Corporation, Packaging Corporation of America, Finch Paper LLC and P. H. Glatfelter Company (the Petitioners) filed an anti-dumping petition before the United States International Trade Commission (ITC) and the United States Department of Commerce (DOC) alleging that paper producers in China, Indonesia, Australia, Brazil, and Portugal are selling uncoated free sheet paper in sheet form (the Products) in violation of international trade rules. The Petitioners also filed a countervailing-duties petition with these agencies regarding imports of the Products from China and Indonesia. In January 2016, the DOC announced its final countervailing duty rates on imports of the Products to the United States from certain producers from China and Indonesia. Also, in January 2016, the DOC announced its final anti-dumping duty rates on imports of the Products to the United States from certain producers from Australia, Brazil, China, Indonesia and Portugal. In February 2016, the ITC concluded its anti-dumping and countervailing duties investigations and made a final determination that the U.S. market had been injured by imports of the Products. Accordingly, the DOC's previously announced countervailing duty rates and anti-dumping duty rates will be in effect for a minimum of five years. We do not believe the impact of these rates will have a material, adverse effect on our consolidated financial statements.

Brazilian Papers net sales for 2015 were $878 million compared with $1.1 billion in 2014 and $1.1 billion in 2013 . Operating profits for 2015 were $186 million compared with $177 million ($209 million excluding costs associated with a tax amnesty program) in 2014 and $210 million in 2013 .

Sales volumes in 2015 were lower compared with 2014 reflecting weak economic conditions and the absence of 2014 one-time events. Average sales price realizations improved for domestic uncoated freesheet paper due to the realization of price increases implemented in the second half of 2015. Margins were unfavorably affected by an increased proportion of sales to the lower-margin export markets. Raw material costs increased for energy and wood. Operating costs were higher than in 2014, while planned maintenance downtime costs were $4 million lower.

Looking ahead to 2016, compared with the fourth quarter of 2015 sales volumes in the first quarter are expected to decrease due to seasonally weaker customer demand for uncoated freesheet paper. Average sales price improvements are expected to reflect the partial realization of announced sales price increases in the Brazilian domestic market for uncoated freesheet paper. Input costs are expected to be slightly higher for chemicals and electricity.

European Papers net sales in 2015 were $1.2 billion compared with $1.5 billion in 2014 and $1.5 billion in 2013 . Operating profits in 2015 were $133 million compared with $140 million in 2014 and $167 million in 2013 .

Compared with 2014, sales volumes for uncoated freesheet paper in 2015 were slightly lower in both Russia and Europe. Average sales price realizations for uncoated freesheet paper increased in Russia, but remained flat in Europe, reflecting tight demand and supply conditions in the first half of the year. Input costs increased slightly as higher costs for wood, chemicals and energy in Russia were largely offset by lower costs in Europe. Planned maintenance downtime costs were $11 million higher in 2015 than in 2014.

Entering 2016, domestic sales volumes in the first quarter are expected to be seasonally weaker in Russia, and stable in Europe. Average sales price realizations for uncoated freesheet paper are expected to reflect the impact of announced price increases in both Europe and Russia. Input costs should be slightly higher for wood and chemicals. Planned maintenance downtime costs should be $1 million lower than in the fourth quarter of 2015.

Indian Papers net sales were $172 million in 2015 , $178 million in 2014 and $185 million ($174 million excluding excise duties which were included in net sales in 2013 and prior periods) in 2013 . Operating profits were a loss of $11 million in 2015 , compared with a gain of $8 million (a loss of $12 million excluding a gain related to the resolution of a legal contingency) in 2014 and a loss of $145 million (a loss of $22 million excluding goodwill and trade name impairment charges) in 2013 .

Average sales price realizations decreased in 2015 compared with 2014 reflecting soft market demand. Sales volumes increased, primarily to export markets. Input costs were lower for wood and chemicals. Operating costs were higher in 2015, but planned maintenance downtime costs were even with 2014. Looking ahead to the first quarter of 2016, sales volumes are expected to be seasonally higher. Average sales price realizations are expected to be stable.

U.S. Pulp net sales were $844 million in 2015 compared with $895 million in 2014 and $815 million in 2013 . Operating profits were $46 million in 2015 compared with $57 million in 2014 and $2 million in 2013 .

Sales volumes in 2015 decreased from 2014 with lower softwood pulp volumes being partially offset by higher fluff pulp volumes. Average sales price realizations were lower for both fluff pulp and softwood market pulp. Input costs decreased primarily for energy. Operating costs were higher, but distribution costs were lower. Planned maintenance downtime costs were $4 million lower in 2015 than in 2014.

Compared with the fourth quarter of 2015, sales volumes in the first quarter of 2016 are expected to be stable. Average sales price realizations are expected to be lower for fluff pulp and softwood market pulp. Input costs should be higher for fuels and utilities. Planned maintenance downtime costs should be about $45 million higher than in the fourth quarter of 2015 including outage costs associated with the conversion of our Riegelwood mill to 100% pulp production.

Consumer Packaging

Demand and pricing for Consumer Packaging products correlate closely with consumer spending and general economic activity. In addition to prices and volumes, major factors affecting the profitability of Consumer Packaging are raw material and energy costs, freight costs, manufacturing efficiency and product mix.

Consumer Packaging net sales in 2015 decreased 14% from 2014 , and decreased 14% from 2013 . Operating profits decreased 114% from 2014 and decreased 116% from 2013 . Excluding the cost associated with the conversion of our Riegelwood, North Carolina mill to 100% pulp production, net of the proceeds from the sale of the Carolina Coated Bristols brand, costs associated with the impairment of goodwill and other assets of the IP-Sun JV, costs associated with the permanent shutdown of a paper machine at our Augusta, Georgia mill and other special items, 2015 operating profits were 15% lower than in 2014, and 24% lower than in 2013. Benefits from higher sales volumes ($14 million), lower planned maintenance downtime costs ($5 million) and lower input costs ($39 million) were offset by lower average sales price realizations and mix ($30 million), higher operating costs ($44 million), and higher foreign exchange and other costs ($11 million). In addition, operating profits in 2015 include a charge of $174 million for the impairment of goodwill and other assets for the IP-Sun JV, an $8 million cost related to the conversion of our Riegelwood mill to 100% pulp production, net of the proceeds from the sale of the Carolina Coated Bristols brand, and $2 million of costs associated with sheet plant closures, while operating profits in 2014 include $8 million of costs associated with sheet plant closures. Operating profits in 2013 include costs of $45 million related to the permanent shutdown of a paper machine at our

Augusta, Georgia mill and $2 million of costs associated with the sale of the Shorewood business.

Consumer Packaging

In millions	2015	2014	2013
Sales	**$ 2,940**	$ 3,403	$ 3,435
Operating Profit (Loss)	**(25)**	178	161

North American Consumer Packaging net sales were $1.9 billion in 2015 compared with $2.0 billion in 2014 and $2.0 billion in 2013 . Operating profits were $81 million ($91 million excluding the cost associated with the planned conversion of our Riegelwood mill to 100% pulp production, net of proceeds from the sale of the Carolina Coated Bristols brand, and sheet plant closure costs) in 2015 compared with $92 million ($100 million excluding sheet plant closure costs) in 2014 and $63 million ($110 million excluding paper machine shutdown costs and costs related to the sale of the Shorewood business) in 2013 .

Coated Paperboard sales volumes in 2015 were lower than in 2014 reflecting weaker market demand. The business took about 77,000 tons of market-related downtime in 2015 compared with about 41,000 tons in 2014. Average sales price realizations increased modestly year over year as competitive pressures in the current year only partially offset the impact of sales price increases implemented in 2014. Input costs decreased for energy and chemicals, but wood costs increased. Planned maintenance downtime costs were $10 million lower in 2015. Operating costs were higher, mainly due to inflation and overhead costs.

Foodservice sales volumes increased in 2015 compared with 2014 reflecting strong market demand. Average sales margins increased due to lower resin costs and a more favorable mix. Operating costs and distribution costs were both higher.

Looking ahead to the first quarter of 2016, Coated Paperboard sales volumes are expected to be slightly lower than in the fourth quarter of 2015 due to our exit from the coated bristols market. Average sales price realizations are expected to be flat, but margins should benefit from a more favorable product mix. Input costs are expected to be higher for wood, chemicals and energy. Planned maintenance downtime costs should be $4 million higher with a planned maintenance outage scheduled at our Augusta mill in the first quarter. Foodservice sales volumes are expected to be seasonally lower. Average sales margins are expected to improve due to a more favorable mix. Operating costs are expected to decrease.

European Consumer Packaging net sales in 2015 were $319 million compared with $365 million in 2014 and $380 million in 2013 . Operating profits in 2015 were $87 million compared with $91 million in 2014 and $100 million in 2013 . Sales volumes in 2015 compared with 2014 increased in Europe, but decreased in Russia. Average sales margins improved in Russia due to slightly higher average sales price realizations and a more favorable mix. In Europe average sales margins decreased reflecting lower average sales price realizations and an unfavorable mix. Input costs were lower in Europe, primarily for wood and energy, but were higher in Russia, primarily for wood.

Looking forward to the first quarter of 2016, compared with the fourth quarter of 2015, sales volumes are expected to be stable. Average sales price realizations are expected to be slightly higher in both Russia and Europe. Input costs are expected to be flat, while operating costs are expected to increase.

Asian Consumer Packaging The Company sold its 55% equity share in the IP-Sun JV in October 2015. Net sales and operating profits presented below include results through September 30, 2015. Net sales were $682 million in 2015 compared with $1.0 billion in 2014 and $1.1 billion in 2013 . Operating profits in 2015 were a loss of $193 million (a loss of $19 million excluding goodwill and other asset impairment costs) compared with losses of $5 million in 2014 and $2 million in 2013 .

Sales volumes and average sales price realizations were lower in 2015 due to over-supplied market conditions and competitive pressures. Average sales margins were also negatively impacted by a less favorable mix. Input costs and freight costs were lower and operating costs also decreased.

On October 13, 2015 **,** the Company finalized the sale of its 55% interest in IP Asia Coated Paperboard (IP-Sun JV) business, within the Company's Consumer Packaging segment, to its Chinese coated board joint venture partner, Shandong Sun Holding Group Co., Ltd. for RMB 149 million (approximately USD $23 million). During the third quarter of 2015, a determination was made that the current book value of the asset group exceeded its estimated fair value of $23 million , which was the agreed upon selling price. The 2015 loss includes the net pre-tax impairment charge of $174 million ($113 million after taxes). A pre-tax charge of $186 million was recorded during the third quarter in the Company's Consumer Packaging segment to write down the long-lived assets of this business to their estimated fair value. In the fourth quarter of 2015, upon the sale and corresponding deconsolidation of IP-Sun JV from the Company's consolidated balance sheet, final adjustments were made resulting in a reduction of the impairment of $12 million . The amount of pre-tax losses related to noncontrolling interest of the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $19 million , $12 million and $8 million , respectively. The amount of pre-tax losses related to the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $226 million , $51 million and $41 million , respectively.

Equity Earnings, Net of Taxes – Ilim Holding S.A.

International Paper accounts for its investment in Ilim Holding S.A. (Ilim), a separate reportable industry segment, using the equity method of accounting.

The Company recorded equity earnings, net of taxes, related to Ilim of $131 million in 2015 compared with a loss of $194 million in 2014 and a loss of $46 million in 2013 . Operating results recorded in 2015 included an after-tax non-cash foreign exchange loss of $75 million compared with an after-tax foreign exchange loss of $269 million in 2014 and an after-tax foreign exchange loss of $32 million in 2013 primarily on the remeasurement of Ilim's U.S. dollar-denominated net debt.

Sales volumes for the joint venture increased year over year for shipments to China of hardwood pulp and softwood pulp, but decreased for linerboard. Sales volumes in the domestic Russian market increased for hardwood pulp and paper, but decreased for softwood pulp and linerboard. Average sales price realizations were higher in 2015 for sales of hardwood pulp to export markets and linerboard to the domestic market, but were offset by lower average sales price realizations for sales of softwood pulp to export markets. Input costs increased year-over-year for wood, chemicals, fuel and energy. Freight costs also increased. The Company received cash dividends from the joint venture of $35 million in 2015 and $56 million in 2014. No dividends were paid in 2013.

Entering the first quarter of 2016, sales volumes are expected to be seasonally lower than in the fourth quarter of 2015 due to the January holidays in Russia. Average sales price realizations are expected to decrease for exported hardwood pulp, softwood pulp and containerboard, slightly offset by higher average sales price realizations for paper in the domestic market. Input costs for energy, chemicals and wood should be higher and distribution costs are also expected to increase.

LIQUIDITY AND CAPITAL RESOURCES

Overview

A major factor in International Paper’s liquidity and capital resource planning is its generation of operating cash flow, which is highly sensitive to changes in the pricing and demand for our major products. While changes in key cash operating costs, such as energy, raw material and transportation costs, do have an effect on operating cash generation, we believe that our focus on pricing and cost controls has improved our cash flow generation over an operating cycle.

Cash uses during 2015 were primarily focused on working capital requirements, capital spending, debt reductions and returning cash to shareholders.

Cash Provided by Operating Activities

Cash provided by operations totaled $2.6 billion in 2015 compared with $3.1 billion for 2014 and $3.0 billion for 2013 .

The major components of cash provided by operations are earnings from operations adjusted for non-cash income and expense items, cash pension contributions and changes in working capital. Earnings from operations, adjusted for non-cash income and expense items and cash pension contributions decreased by $433 million in 2015 versus 2014 driven mainly by increased cash pension contributions in 2015. Cash used for working capital components, accounts receivable and inventory less accounts payable and accrued liabilities, interest payable and other totaled $222 million in 2015 , compared with a cash use of $158 million in 2014 and a cash use of $486 million in 2013 .

The Company generated free cash flow of approximately $1.8 billion , $2.1 billion and $1.8 billion in 2015 , 2014 and 2013 , respectively. Free cash flow is a non-GAAP measure and the most comparable GAAP measure is cash provided by operations. Management uses free cash flow as a liquidity metric because it measures the amount of cash generated that is available to maintain our assets, make investments or acquisitions, pay dividends and reduce debt. The following are reconciliations of free cash flow to cash provided by operations:

In millions	**2015**	2014	2013
Cash provided by operations	**$ 2,580**	$ 3,077	$ 3,028
(Less)/Add:			
Cash invested in capital projects	**(1,487)**	(1,366)	(1,198)
Cash contribution to pension plan	**750**	353	31
Insurance reimbursement for Guaranty Bank settlement	**—**	—	(30)
Free Cash Flow	**$ 1,843**	$ 2,064	$ 1,831

In millions	**Three Months Ended December 31, 2015**	Three Months Ended September 30, 2015	Three Months Ended December 31, 2014
Cash provided by operations	**$ 990**	$ 837	$ 1,144
(Less)/Add:			
Cash invested in capital projects	**(489)**	(325)	(405)
Free Cash Flow	**$ 501**	$ 512	$ 739

Alternative Fuel Mixture Credit

On July 19, 2011, the Company filed an amended 2009 tax return claiming alternative fuel mixture tax credits as non-taxable income. The amended position has been accepted by the Internal Revenue Service (IRS) in the closing of the IRS tax audit for the years 2006 - 2009. As a result, during 2013, the Company recognized an income tax benefit of $753 million related to the non-taxability of the alternative fuel mixture tax credits.

Investment Activities

Investment activities in 2015 were up from 2014 reflecting an increase in capital spending and the use of $198 million of cash in conjunction with the timber monetization restructuring (see Note 12 Variable Interest Entities and Preferred Securities of Subsidiaries on pages 64 through 66 of Item 8. Financial Statements and Supplementary Data) in 2015. In addition, 2014 investment activity includes the receipt of approximately $400 million in connection with the spin-off of the xpedx distribution business. The Company maintains an average capital spending target around depreciation or amortization levels or modestly above due to strategic plans over the course of an economic cycle. Capital spending was $1.5 billion in 2015 , or 115% of depreciation and amortization, compared with $1.4 billion in 2014 , or 97% of depreciation and amortization, and $1.2 billion , or 77% of depreciation and amortization in 2013 . Across our businesses, capital spending as a percentage of depreciation and amortization ranged from 118% to 100% in 2015 .

The following table shows capital spending for operations by business segment for the years ended December 31, 2015 , 2014 and 2013 .

In millions	**2015**	2014	2013
Industrial Packaging	**$ 858**	$ 754	$ 629
Printing Papers	**361**	318	294
Consumer Packaging	**216**	233	208
Distribution	**—**	—	9
Subtotal	**1,435**	1,305	1,140
Corporate and other	**52**	61	58
Total	**$ 1,487**	$ 1,366	$ 1,198

Capital expenditures in 2016 are currently expected to be about $1.3 billion , or 100% of depreciation and amortization.

Acquisitions and Joint Ventures

OLMUKSAN

2014: In May 2014, the Company conducted a voluntary tender offer for the remaining outstanding 12.6% public shares of Olmuksan. The Company also purchased outstanding shares of Olmuksan outside of the tender offer. As of December 31, 2014 and 2015, the Company owned 91.7% of Olmuksan's outstanding and issued shares.

2013: On January 3, 2013, International Paper completed the acquisition (effective date of acquisition on January 1, 2013) of the shares of its joint venture partner, Sabanci Holding, in the Turkish corrugated packaging company, Olmuksa International Paper Sabanci Ambalaj Sanayi ve Ticaret A.S., now called Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.S. (Olmuksan), for a purchase price of $56 million . The acquired shares represented 43.7% of Olmuksan's shares. Prior to this acquisition, International Paper held a 43.7% equity interest in Olmuksan.

Because the transaction resulted in International Paper becoming the majority shareholder, owning 87.4% of Olmuksan's outstanding and issued shares, its completion triggered a mandatory call for tender of the remaining public shares which began in March 2013 and ended in April 2013, with no shares tendered. As a result, the 12.6% owned by other parties were considered non-controlling interests. Olmuksan's financial results have been consolidated with the Company's Industrial Packaging segment beginning January 1, 2013, the effective date which International Paper obtained majority control of the entity.

Following the transaction, the Company's previously held 43.7% equity interest in Olmuksan was remeasured to a fair value of $75 million , resulting in a gain of $9 million . In addition, the cumulative translation adjustment balance of $17 million relating to the previously held equity interest was reclassified, as expense, from accumulated other comprehensive income.

The final purchase price allocation indicated that the sum of the cash consideration paid, the fair value of the noncontrolling interest and the fair value of the previously held interest was less than the fair value of the underlying assets by $21 million , resulting in a bargain purchase price gain being recorded on this transaction. The aforementioned remeasurement of equity interest gain, the cumulative translation adjustment to expense, and the bargain purchase gain are included in the Net bargain purchase gain on acquisition of business in the accompanying consolidated statement of operations.

ORSA

2014: On April 8, 2014, the Company acquired the remaining 25% of shares of Orsa International Paper Embalangens S.A. (Orsa IP) from its joint venture partner, Jari Celulose, Papel e Embalagens S.A. (Jari), a Grupo Orsa company, for approximately $127 million , of which $105 million was paid in cash with the remaining $22 million held back pending satisfaction of certain indemnification obligations by Jari. International Paper will release the amount held back, or any amount for which we have not notified Jari of a claim, by March 30, 2016. An additional $11 million , which was not included in the purchase price, was placed in an escrow account pending resolution of certain open matters. During 2014, these open matters were successfully resolved, which resulted in $9 million paid out of escrow to Jari and correspondingly added to the final purchase consideration. The remaining $2 million was released back to the Company. As a result of this transaction, the Company reversed the $168 million of Redeemable noncontrolling interest included on the March 31, 2014 consolidated balance sheet. The net difference between the Redeemable noncontrolling interest balance plus $14 million of currency translation adjustment reclassified out of Other comprehensive income less the 25% purchase price was reflected as an increase to Retained earnings on the consolidated balance sheet.

2013: On January 14, 2013, International Paper and Jari formed Orsa IP with International Paper holding a 75% stake. The value of International Paper's investment in Orsa IP was approximately $471 million . Because International Paper acquired a majority control of the joint venture, Orsa IP's financial results have been consolidated with our Industrial Packaging segment from the date of formation on January 14, 2013. The 25% owned by Jari was considered a redeemable noncontrolling interest and met the requirements to be classified outside permanent equity. As such, the Company reported $163 million in Redeemable noncontrolling interest in the December 31, 2013 consolidated balance sheet.

Financing Activities

Amounts related to early debt extinguishment during the years ended December 31, 2015 , 2014 and 2013 were as follows:

In millions	**2015**	2014	2013
Debt reductions (a)	**$ 2,151**	$ 1,625	$ 574
Pre-tax early debt extinguishment costs (b)	**207**	276	25

(a) *Reductions related to notes with interest rates ranging from 2.00% to 9.38% with original maturities from 2014 to 2031 for the years ended December 31, 2015 , 2014 and 2013 . Includes the $630 million payment for a portion of the Special Purpose Entity Liability (see Note 12 Variable Interest Entities on pages 64 through 66 of Item 8. Financial Statements and Supplementary Data).*

(b) *Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.*

2015: Financing activities during 2015 included debt issuances of $6.9 billion and retirements of $6.9 billion for a net decrease of $74 million .

During 2015, the Company restructured the timber monetization which resulted in the use of $630 million in cash to pay down a portion of the third party bank loans and refinance the loans on nonrecourse terms. (see Note 12 Variable Interest Entities on pages 64 through 66 of Item 8. Financial Statements and Supplementary Data).

International Paper utilizes interest rate swaps to change the mix of fixed and variable rate debt and manage interest expense. At December 31, 2015, International Paper had interest rate swaps with a total notional amount of $17 million and maturities in 2018 (see Note 14 Derivatives and Hedging Activities on pages 67 through 71 of Item 8. Financial Statements and Supplementary Data). During 2015, existing swaps and the amortization of deferred gains on previously terminated swaps decreased the weighted average cost of debt from 5.9% to an effective rate of 5.8%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 5.1%.

In 2015, International Paper issued $700 million of 3.80% senior unsecured notes with a maturity date in 2026, $600 million of 5.00% senior unsecured notes with a maturity date in 2035, and $700 million of 5.15% senior unsecured notes with a maturity date in 2046. The proceeds from this borrowing were used to repay approximately $1.0 billion of notes with interest rates ranging from 4.75% to 9.38% and original maturities from 2018 to 2022, along with $211 million of cash premiums associated with the debt repayments. Additionally, the proceeds from this borrowing were used to make a $750 million voluntary cash contribution to the Company's pension plan. Pre-tax early debt retirement costs of $207 million related to the debt repayments, including the $211 million of cash premiums, are included in restructuring and other charges in the accompanying consolidated statement of operations for the twelve months ended December 31, 2015.

Other financing activities during 2015 included the net repurchase of approximately 8.0 million shares of treasury stock, including restricted stock withholding, and the issuance of 62,000 shares of common stock for various plans, including stock options exercises that generated approximately $2.4 million of cash. Repurchases of common stock and payments of restricted stock withholding taxes totaled $604.6 million, including $522.6 million related to shares repurchased under the Company's share repurchase program.

In October 2015, International Paper announced that the quarterly dividend would be increased from $0.40 per share to $0.44 per share, effective for the 2015 fourth quarter.

2014: Financing activities during 2014 included debt issuances of $2.0 billion and retirements of $2.1 billion , for a net decrease of $113 million .

International Paper utilizes interest rate swaps to change the mix of fixed and variable rate debt and manage interest expense. At December 31, 2014, International Paper had interest rate swaps with a total notional amount of $230 million and maturities in 2018 (see Note 14 Derivatives and Hedging Activities on pages 67 through 71 of Item 8. Financial Statements and Supplementary Data). During 2014, existing swaps and the amortization of deferred gains on previously terminated swaps decreased the weighted average cost of debt from 6.8% to an effective rate of 6.7%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 6.3%.

During the second quarter of 2014, International Paper issued $800 million of 3.65% senior unsecured notes with a maturity date in 2024 and $800 million of 4.80% senior unsecured notes with a maturity date in 2044 . The proceeds from this borrowing were used to repay approximately $960 million of notes with interest rates ranging from 7.95% to 9.38% and original maturities from 2018 to 2019 . Pre-tax early debt retirement costs of $262 million related to these debt repayments, including $258 million of cash premiums, are included in Restructuring and other charges in the accompanying consolidated statement of operations for the twelve months ended December 31, 2014.

Other financing activities during 2014 included the net repurchase of approximately 17.9 million shares of treasury stock, including restricted stock withholding, and the issuance of 1.6 million shares of common stock for various plans, including stock options exercises that generated approximately $66 million of cash. Repurchases of common stock and payments of restricted stock withholding taxes totaled $1.06 billion, including $983 million related to shares repurchased under the Company's share repurchase program.

In September 2014, International Paper announced that the quarterly dividend would be increased from $0.35 per share to $0.40 per share, effective for the 2014 fourth quarter.

2013: Financing activities during 2013 included debt issuances of $241 million and retirements of $845 million , for a net decrease of $604 million .

International Paper utilizes interest rate swaps to change the mix of fixed and variable rate debt and manage interest expense. At December 31, 2013, International Paper had interest rate swaps with a total notional amount of $175 million and maturities in 2018 (see Note 14 Derivatives and Hedging Activities on pages 67 through 71 of Item 8. Financial Statements and Supplementary Data). During 2013, existing swaps and the amortization of deferred gains on previously terminated swaps decreased the weighted average cost of debt from 6.7% to an effective rate of 6.5%. The inclusion of the offsetting interest income from short-term investments reduced this effective rate to 6.2%.

Other financing activities during 2013 included the net repurchase of approximately 10.9 million shares of treasury stock, including restricted stock withholding, and the issuance of 7.3 million shares of common stock for various plans, including stock options exercises that generated approximately $298 million of cash. Repurchases of common stock and payments of restricted stock withholding taxes totaled $512 million, including $461 million related to shares repurchased under the Company's share repurchase program.

In September 2013, International Paper announced that the quarterly dividend would be increased from $0.30 per share to $0.35 per share, effective for the 2013 fourth quarter.

Variable Interest Entities

Information concerning variable interest entities is set forth in Note 12 Variable Interest Entities on pages 64 through 66 of Item 8. Financial Statements and Supplementary Data for discussion .

Liquidity and Capital Resources Outlook for 2016

Capital Expenditures and Long-Term Debt

International Paper expects to be able to meet projected capital expenditures, service existing debt and meet working capital and dividend requirements during 2016 through current cash balances and cash from operations. Additionally, the Company has existing credit facilities totaling $2.1 billion available at December 31, 2015.

The Company was in compliance with all its debt covenants at December 31, 2015 . The Company’s financial covenants require the maintenance of a minimum net worth of $9 billion and a total debt-to-capital ratio of less than 60%. Net worth is defined as the sum of common stock, paid-in capital and retained earnings, less treasury stock plus any cumulative goodwill impairment charges. The calculation also excludes accumulated other comprehensive income/loss and Nonrecourse Financial Liabilities of Special Purpose Entities. The total debt-to-capital ratio is defined as total debt divided by the sum of total debt plus net worth. At December 31, 2015 , International Paper’s net worth was $14.1 billion, and the total-debt-to-capital ratio was 39.8%.

The Company will continue to rely upon debt and capital markets for the majority of any necessary long-term funding not provided by operating cash flows. Funding decisions will be guided by our capital structure planning objectives. The primary goals of the Company's capital structure planning are to maximize financial flexibility and preserve liquidity while reducing interest expense. The majority of International Paper's debt is accessed through global public capital markets where we have a wide base of investors.

Maintaining an investment grade credit rating is an important element of International Paper's financing strategy. At December 31, 2015 , the Company held long-term credit ratings of BBB (stable outlook) and Baa2 (stable outlook) by S&P and Moody's, respectively.

Contractual obligations for future payments under existing debt and lease commitments and purchase obligations at December 31, 2015 , were as follows:

In millions	2015	2016	2017	2018	2019	Thereafter
Maturities of long-term debt (a)	$ 426	$ 43	$ 811	$ 427	$ 183	$ 7,436
Lease obligations	118	95	72	55	41	128
Purchase obligations (b)	3,001	541	447	371	358	1,579
Total (c)	$ 3,545	$ 679	$ 1,330	$ 853	$ 582	$ 9,143

(a) Total debt includes scheduled principal payments only.
(b) Includes $2.1 billion relating to fiber supply agreements entered into at the time of the 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.
(c) Not included in the above table due to the uncertainty as to the amount and timing of the payment are unrecognized tax benefits of approximately $101 million.

We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2015 , to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of December 31, 2015 , the amount of cash associated with indefinitely reinvested foreign earnings was approximately $600 million. We do not anticipate the need to repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

Pension Obligations and Funding

At December 31, 2015 , the projected benefit obligation for the Company's U.S. defined benefit plans determined under U.S. GAAP was approximately $3.5 billion higher than the fair value of plan assets. Approximately $3.2 billion of this amount relates to plans that are subject to minimum funding requirements. Under current IRS funding rules, the calculation of minimum funding requirements differs from the calculation of the present value of plan benefits (the projected benefit obligation) for accounting purposes. In December 2008, the Worker, Retiree and Employer Recovery Act of 2008 (WERA) was passed by the U.S. Congress which provided for pension funding relief and technical corrections. Funding contributions depend on the funding method selected by the Company, and the timing of its implementation, as well as on actual demographic data and the targeted funding level. The Company continually reassesses the amount and timing of any discretionary contributions and elected to make contributions totaling $750 million and $353 million for the years ended December 31, 2015 and 2014 , respectively. At this time, we do not expect to have any required contributions to our plans in 2016 , although the Company may elect to make future voluntary contributions. The timing and amount of future contributions, which could be material, will depend on a number of factors, including the actual earnings and changes in values of plan assets and changes in interest rates. International Paper has announced a voluntary, limited-time opportunity for former employees who are participants in the Retirement Plan of International Paper Company (the Pension Plan) to request early payment of their entire Pension Plan benefit in the form of a single lump sum payment. Eligible participants who wish to receive the lump sum payment must make an election between February 29 and April 29, 2016, and payment is scheduled to be made on or before June 30, 2016. All payments will be made from the Pension Plan trust assets. The target population has a total liability of $3.0 billion. The amount of the total payments will depend on the participation rate of eligible participants, but is expected to be approximately $1.5 billion. Based on the expected level of payments, settlement accounting rules will apply in the period in which the payments are made. This will result in a plan remeasurement and the recognition in earnings of a pro-rata portion of unamortized net actuarial loss.

Ilim Holding S.A. Shareholder's Agreement

In October 2007, in connection with the formation of the Ilim Holding S.A. joint venture, International Paper entered into a shareholder's agreement that includes provisions relating to the reconciliation of disputes among the partners. This agreement was amended on May 7, 2014. Pursuant to the amended agreement, beginning on January 1, 2017, either the Company or its partners may commence certain procedures specified under the deadlock provisions. If these or any other deadlock provisions are commenced, the Company may in certain situations, choose to purchase its partners' 50% interest in Ilim. Any such transaction would be subject to review and approval by Russian and other relevant antitrust authorities. Any such purchase by International Paper would result in the consolidation of Ilim's financial position and results of operations in all subsequent periods.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires International Paper to establish accounting policies and to make estimates that affect both the amounts and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Accounting policies whose application may have a significant effect on the reported results of operations and financial position of International Paper, and that can require judgments by management that affect their application, include the accounting for contingencies, impairment or disposal of long-lived assets and goodwill, pensions and postretirement benefit obligations, stock options and income taxes. The Company has discussed the selection of critical accounting policies and the effect of significant estimates with the Audit and Finance Committee of the Company's Board of Directors.

Contingent Liabilities

Accruals for contingent liabilities, including legal and environmental matters, are recorded when it is probable that a liability has been incurred or an asset impaired and the amount of the loss can be reasonably estimated. Liabilities accrued for legal matters require judgments regarding projected outcomes and range of loss based on historical experience and recommendations of legal counsel. Liabilities for environmental matters require evaluations of relevant environmental regulations and estimates of future remediation alternatives and costs.

Impairment of Long-Lived Assets and Goodwill

An impairment of a long-lived asset exists when the asset's carrying amount exceeds its fair value, and is recorded when the carrying amount is not recoverable through cash flows from future operations. A goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairments of long-lived assets and goodwill are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of goodwill and intangible asset balances is required annually. The amount and timing of any impairment charges based on these assessments require the estimation of future cash flows and the fair market value of the related assets based on management's best estimates of certain key factors, including future selling prices and volumes, operating, raw material, energy and freight costs, and various other projected operating economic factors. As these key factors change in future periods, the Company will update its impairment analyses to reflect its latest estimates and projections.

Under the provisions of Accounting Standards Codification (ASC) 350, "Intangibles – Goodwill and Other," the testing of goodwill for possible impairment is a two-step process. In the first step, the fair value of the Company's reporting units is compared with their carrying value, including goodwill. If fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, then step two is performed to measure the amount of the goodwill impairment loss for the reporting unit. This analysis requires the determination of the fair value of all of the individual assets and liabilities of the reporting unit, including any currently unrecognized intangible assets, as if the reporting unit had been purchased on the analysis date. Once these fair values have been determined, the implied fair value of the unit's goodwill is calculated as the excess, if any, of the fair value of the reporting unit determined in step one over the fair value of the net assets determined in step two. The carrying value of goodwill is then reduced to this implied value, or to zero if the fair value of the assets exceeds the fair value of the reporting unit, through a goodwill impairment charge.

The impairment analysis requires a number of judgments by management. In calculating the estimated fair value of its reporting units in step one, the Company uses the projected future cash flows to be generated by each unit over the estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost-of-capital discount rate for each reporting unit. These calculations require many estimates, including discount rates, future growth rates, and cost and pricing trends for each reporting unit. Subsequent changes in economic and operating conditions can affect these assumptions and could result in additional interim testing and goodwill impairment charges in future periods. Upon completion, the resulting estimated fair values are then analyzed for reasonableness by comparing them to earnings multiples for historic industry business transactions, and by comparing the sum of the reporting unit fair values and other corporate assets and liabilities divided by diluted common shares outstanding to the Company's market price per share on the analysis date.

In the fourth quarter of 2015, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Brazil Packaging business using the discounted future cash flows and determined that all of the goodwill in the business, totaling $137 million , should be written off. The decline in the fair value of the Brazil Packaging business and resulting impairment charge was due to the negative impacts on the cash flows of the business caused by the continued decline of the overall Brazilian economy.

In the fourth quarter of 2014, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Asia Industrial Packaging business using the discounted future cash flows and determined that all of the goodwill in this business, totaling $100 million , should be written off. The decline in the fair value of the Asia Industrial Packaging business and resulting impairment charge was due to a change in the strategic outlook for the business.

In the fourth quarter of 2013, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its India Papers business using the discounted future cash flows and determined that all of the goodwill of this business, totaling $112 million , should be written off. The decline in the fair value of the India Papers reporting unit and resulting impairment charge was due to a change in the strategic outlook for the India Papers operations.

Also in the fourth quarter of 2013, the Company calculated the estimated fair value of its xpedx business using the discounted future cash flows and wrote off all of the goodwill of its xpedx business, totaling $400 million . The decline in fair value of the xpedx reporting unit and resulting impairment charge was due to a significant decline in earnings and a change in the strategic outlook for the xpedx operations.

As a result, during the fourth quarter of 2013, the Company recorded a total goodwill impairment charge of $512 million ($485 million after taxes and a gain of $3 million related to noncontrolling interest), representing all of the recorded goodwill of the xpedx business and the India Papers business.

Also during 2013, the Company recorded a pre-tax charge of $15 million ($7 million after taxes and noncontrolling interest) for the impairment of a trade name intangible asset related to our India Papers business.

Pension and Postretirement Benefit Obligations

The charges recorded for pension and other postretirement benefit obligations are determined annually in conjunction with International Paper's consulting actuary, and are dependent upon various assumptions including the expected long-term rate of return on plan assets, discount rates, projected future compensation increases, health care cost trend rates and mortality rates.

The calculations of pension and postretirement benefit obligations and expenses require decisions about a number of key assumptions that can significantly affect liability and expense amounts, including the expected long-term rate of return on plan assets, the discount rate used to calculate plan liabilities, the projected rate of future compensation increases and health care cost trend rates.

Benefit obligations and fair values of plan assets as of December 31, 2015 , for International Paper's pension and postretirement plans were as follows:

In millions	Benefit Obligation	Fair Value of Plan Assets
U.S. qualified pension	**$ 14,092**	**$ 10,923**
U.S. nonqualified pension	**347**	**—**
U.S. postretirement	**275**	**—**
Non-U.S. pension	**204**	**155**
Non-U.S. postretirement	**45**	**—**

The table below shows assumptions used by International Paper to calculate U.S. pension obligations for the years shown:

	2015	2014	2013
Discount rate	**4.40%**	4.10%	4.90%
Rate of compensation increase	**3.75%**	3.75%	3.75%

Additionally, health care cost trend rates used in the calculation of U.S. postretirement obligations for the years shown were:

	2015	2014
Health care cost trend rate assumed for next year	**7.00%**	7.00%
Rate that the cost trend rate gradually declines to	**5.00%**	5.00%
Year that the rate reaches the rate it is assumed to remain	**2022**	2022

International Paper determines these actuarial assumptions, after consultation with our actuaries, on December 31 of each year to calculate liability information as of that date and pension and postretirement expense for the following year. The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. The discount rate assumption was determined based on a hypothetical settlement portfolio selected from a universe of high quality corporate bonds.

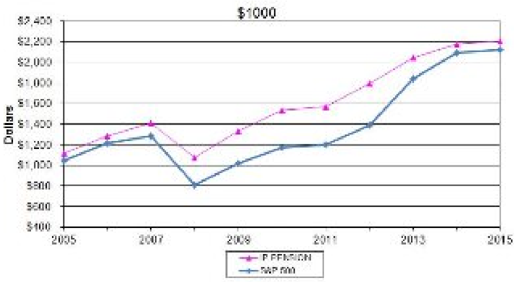
The expected long-term rate of return on U.S. pension plan assets used to determine net periodic cost for the year ended December 31, 2015 was 7.75%.

Increasing (decreasing) the expected long-term rate of return on U.S. plan assets by an additional 0.25% would decrease (increase) 2016 pension expense by approximately $27 million , while a (decrease) increase of 0.25% in the discount rate would (increase) decrease pension expense by approximately $36 million . The effect on net postretirement benefit cost from a 1% increase or decrease in the annual health care cost trend rate would be approximately $1 million .

Actual rates of return earned on U.S. pension plan assets for each of the last 10 years were:

Year	Return	Year	Return
2015	**1.3%**	2010	15.1 %
2014	6.4%	2009	23.8 %
2013	14.1%	2008	(23.6)%
2012	14.1%	2007	9.6 %
2011	2.5%	2006	14.9 %

The 2012, 2013 and 2014 returns above represent weighted averages of International Paper and Temple-Inland asset returns. International Paper and Temple-Inland assets were combined in October 2014. The annualized time-weighted rate of return earned on U.S. pension plan assets was 7.5% and 7.0% for the past five and ten years, respectively. The following graph shows the growth of a $1,000 investment in International Paper's U.S. Pension Plan Master Trust. The graph portrays the time-weighted rate of return from 2005 – 2015.



ASC 715, "Compensation – Retirement Benefits," provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets, and other assumption changes. These net gains and losses are recognized in pension expense prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans to the extent that they are not offset by gains and losses in subsequent years. The estimated net loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension cost for the U.S. pension plans over the next fiscal year are $374 million and $41 million , respectively.

Net periodic pension and postretirement plan expenses, calculated for all of International Paper's plans, were as follows:

In millions	**2015**	2014	2013	2012	2011
Pension expense					
U.S. plans (non-cash)	**$ 461**	$ 387	$ 545	$ 342	$ 195
Non-U.S. plans	**6**	—	5	3	1
Postretirement expense					
U.S. plans	**8**	7	(1)	(4)	7
Non-U.S. plans	**5**	7	7	1	2
Net expense	**$ 480**	$ 401	$ 556	$ 342	$ 205

The increase in 2015 U.S. pension expense principally reflects a decrease in the discount rate, updated mortality assumptions, higher amortization of unrecognized actuarial losses and a settlement charge in 2015.

Assuming that discount rates, expected long-term returns on plan assets and rates of future compensation increases remain the same as in 2015 , projected future net periodic pension and postretirement plan expenses would be as follows:

In millions	2017 (1)	2016 (1)
Pension expense		
U.S. plans (non-cash)	$ 278	$ 364
Non-U.S. plans	4	5
Postretirement expense		
U.S. plans	14	14
Non-U.S. plans	8	5
Net expense	$ 304	$ 388

(1) Based on assumptions at December 31, 2015.

The Company estimates that it will record net pension expense of approximately $364 million for its U.S. defined benefit plans in 2016 , with the decrease from expense of $461 million in 2015 reflecting an increase in the assumed discount rate to 4.40% in 2016 from 4.10% in 2015, updated demographic assumptions and lower unrecognized losses.

The market value of plan assets for International Paper's U.S. qualified pension plan at December 31, 2015 totaled approximately $10.9 billion , consisting of approximately 48% equity securities, 33% debt securities, 10% real estate and 9% other assets. Plan assets include an immaterial amount of International Paper common stock.

The Company's funding policy for its qualified pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plan, tax deductibility, the cash flows generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions and could elect to make voluntary contributions in the future. There are no required contributions to the U.S. qualified plan in 2016. The nonqualified defined benefit plans are funded to the extent of benefit payments, which totaled $62 million for the year ended December 31, 2015 .

Accounting for Stock-Based Compensation

The Company has a Performance Share Plan, which grants performance-based restricted stock units that are paid out in stock when the awards are earned. Such incentive compensation plans are accounted for under ASC 718, "Compensation - Stock Compensation." This standard requires that the value of shares to be issued under this plan be recognized as compensation over the period in which the awards are earned based on the fair value of the awards, and requires the use of a number of judgments and assumptions in determining the timing and amount of such charges. Additionally, since a component of these awards is based on the Company's performance over a specified period compared to other companies, the amount of expense recorded for a given period could require adjustments after the end of the period.

Income Taxes

International Paper records its global tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering technical merits of the position based on specific tax regulations and facts of each matter. Changes to recorded liabilities are only made when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, change in tax laws, or a recent court case that addresses the matter.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies.

While International Paper believes that these judgments and estimates are appropriate and reasonable under the circumstances, actual resolution of these matters may differ from recorded estimated amounts.

The Company's effective income tax rates, before equity earnings and discontinued operations, were 37% , 14% and (41)% for 2015 , 2014 and 2013 , respectively. These effective tax rates include the tax effects of certain special items that can significantly affect the effective income tax rate in a given year, but may not recur in subsequent years. Management believes that the effective tax rate computed after excluding these special items may provide a better estimate of the rate that might be expected in future years if no additional special items were to occur in those years. Excluding these special items, the effective income tax rate for 2015 was 33% of pre-tax earnings compared with 31% in 2014 and 26% in 2013 . We estimate that the 2016 effective income tax rate will be approximately 34% based on expected earnings and business conditions.

RECENT ACCOUNTING DEVELOPMENTS

There were no new accounting pronouncements issued or effective during the fiscal year which have had or are expected to have a material impact on the Company's consolidated financial statements. See Note 2 Recent Accounting Developments on pages 51 and 52 of Item 8. Financial Statements and Supplementary Data for a discussion of new accounting pronouncements.

LEGAL PROCEEDINGS

Information concerning the Company's environmental and legal proceedings is set forth in Note 11 Commitments and Contingencies on pages 61 through 64 of Item 8. Financial Statements and Supplementary Data .

EFFECT OF INFLATION

While inflationary increases in certain input costs, such as energy, wood fiber and chemical costs, have an impact on the Company's operating results, changes in general inflation have had minimal impact on our operating results in each of the last three years. Sales prices and volumes are more strongly influenced by economic supply and demand factors in specific markets and by exchange rate fluctuations than by inflationary factors.

FOREIGN CURRENCY EFFECTS

International Paper has operations in a number of countries. Its operations in those countries also export to, and compete with, imports from other regions. As such, currency movements can have a number of direct and indirect impacts on the Company's financial statements. Direct impacts include the translation of international operations' local currency financial statements into U.S. dollars and the remeasurement impact associated with non-functional currency financial assets and liabilities. Indirect impacts include the change in competitiveness of imports into, and exports out of, the United States (and the impact on local currency pricing of products that are traded internationally). In general, a weaker U.S. dollar and stronger local currency is beneficial to International Paper. The currencies that have the most impact are the Euro, the Brazilian real, the Polish zloty and the Russian ruble.

MARKET RISK

We use financial instruments, including fixed and variable rate debt, to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including various derivative contracts, are used to hedge exposures to interest rate, commodity and foreign currency risks. We do not use financial instruments for trading purposes. Information related to International Paper's debt obligations is included in Note 13 Debt and Lines of Credit on pages 66 and 67 of Item 8. Financial Statements and Supplementary Data . A discussion of derivatives and hedging activities is included in Note 14 Derivatives and Hedging Activities on pages 67 through 71 of Item 8. Financial Statements and Supplementary Data .

The fair value of our debt and financial instruments varies due to changes in market interest and foreign currency rates and commodity prices since the inception of the related instruments. We assess this market risk utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates and commodity prices.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to short- and long-term debt obligations and investments in marketable securities. We invest in investment-grade securities of financial institutions and money market mutual funds with a minimum rating of AAA and limit exposure to any one issuer or fund. Our investments in marketable securities at December 31, 2015 and 2014 are stated at cost, which approximates market due to their short-term nature. Our interest rate risk exposure related to these investments was not material.

We issue fixed and floating rate debt in a proportion consistent with International Paper's targeted capital structure, while at the same time taking advantage of market opportunities to reduce interest expense as appropriate. Derivative instruments, such as interest rate swaps, may be used to implement this capital structure. At December 31, 2015 and 2014 , the net fair value liability of financial instruments with exposure to interest rate risk was approximately $9.3 billion and $9.8 billion , respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would have been approximately $565 million and $410 million at December 31, 2015 and 2014 , respectively.

Commodity Price Risk

The objective of our commodity exposure management is to minimize volatility in earnings due to large fluctuations in the price of commodities. Commodity swap or forward purchase contracts may be used to manage risks associated with market fluctuations in energy prices. The net fair value of such outstanding energy hedge contracts at December 31, 2015 and 2014 was approximately a $7 million and a $2 million liability, respectively. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would have been approximately $1 million at December 31, 2015 and 2014 , respectively.

Foreign Currency Risk

International Paper transacts business in many currencies and is also subject to currency exchange rate risk through investments and businesses owned and operated in foreign countries. Our objective in managing the associated foreign currency risks is to minimize the effect of adverse exchange rate fluctuations on our after-tax cash flows. We address these risks on a limited basis by financing a portion of our investments in overseas operations with borrowings denominated in the same currency as the operation's functional currency, or by entering into cross-currency and interest rate swaps, or foreign exchange contracts. At December 31, 2015 and 2014 , the net fair value of financial instruments with exposure to foreign currency risk was approximately a $4 million and a $1 million asset, respectively. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would have been approximately $30 million and $52 million at December 31, 2015 and 2014 , respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the preceding discussion and Note 14 Derivatives and Hedging Activities on pages 67 through 71 of Item 8. Financial Statements and Supplementary Data .

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT ON:

Financial Statements

The management of International Paper Company is responsible for the preparation of the consolidated financial statements in this annual report and for establishing and maintaining adequate internal controls over financial reporting. The consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America considered appropriate in the circumstances to present fairly the Company's consolidated financial position, results of operations and cash flows on a consistent basis. Management has also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

As can be expected in a complex and dynamic business environment, some financial statement amounts are based on estimates and judgments. Even though estimates and judgments are used, measures have been taken to provide reasonable assurance of the integrity and reliability of the financial information contained in this annual report. We have formed a Disclosure Committee to oversee this process.

The accompanying consolidated financial statements have been audited by the independent registered public accounting firm, Deloitte & Touche LLP. During its audits, Deloitte & Touche LLP was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders and the board of directors and all committees of the board. Management believes that all representations made to the independent auditors during their audits were valid and appropriate.

Internal Control Over Financial Reporting

The management of International Paper Company is also responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

The Company has assessed the effectiveness of its internal control over financial reporting as of December 31, 2015 . In making this assessment, it used the criteria described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2015 , the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on the effectiveness of the Company's internal control over financial reporting. The report appears on pages 42 and 43.

Internal Control Environment And Board Of Directors Oversight

Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of International Paper business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may anonymously report suspected violations of law or International Paper's policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout International Paper, and an extensive program of internal audits with management follow-up.

The Board of Directors, assisted by the Audit and Finance Committee (Committee), monitors the integrity of the Company's financial statements and financial reporting procedures, the performance of the Company's internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which consists of independent directors, meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities. The Committee's Charter takes into account the New York Stock Exchange rules relating to Audit Committees and the SEC rules and regulations promulgated as a result of the Sarbanes-Oxley Act of 2002. The Committee has reviewed and discussed the consolidated financial statements for the year ended December 31, 2015 , including critical accounting policies and significant management judgments, with management and the independent auditors. The Committee’s report recommending the inclusion of such financial statements in this Annual Report on Form 10-K will be set forth in our Proxy Statement.

MARK S. SUTTON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CAROL L. ROBERTS
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of International Paper Company:

We have audited the accompanying consolidated balance sheets of International Paper Company and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of International Paper Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Memphis, Tennessee
February 25, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders of International Paper Company:

We have audited the internal control over financial reporting of International Paper Company and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

Memphis, Tennessee
February 25, 2016

CONSOLIDATED STATEMENT OF OPERATIONS

In millions, except per share amounts, for the years ended December 31	**2015**	2014	2013
NET SALES	**$ 22,365**	$ 23,617	$ 23,483
COSTS AND EXPENSES			
Cost of products sold	**15,468**	16,254	16,282
Selling and administrative expenses	**1,645**	1,793	1,796
Depreciation, amortization and cost of timber harvested	**1,294**	1,406	1,531
Distribution expenses	**1,406**	1,521	1,583
Taxes other than payroll and income taxes	**168**	180	178
Restructuring and other charges	**252**	846	156
Impairment of goodwill and other intangibles	**137**	100	127
Net (gains) losses on sales and impairments of businesses	**174**	38	3
Net bargain purchase gain on acquisition of business	**—**	—	(13)
Interest expense, net	**555**	607	612
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY EARNINGS	**1,266**	872	1,228
Income tax provision (benefit)	**466**	123	(498)
Equity earnings (loss), net of taxes	**117**	(200)	(39)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	**917**	549	1,687
Discontinued operations, net of taxes	**—**	(13)	(309)
NET EARNINGS (LOSS)	**917**	536	1,378
Less: Net earnings (loss) attributable to noncontrolling interests	**(21)**	(19)	(17)
NET EARNINGS (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY	**$ 938**	$ 555	$ 1,395
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	**$ 2.25**	$ 1.33	$ 3.85
Discontinued operations, net of taxes	**—**	(0.03)	(0.70)
Net earnings (loss)	**$ 2.25**	$ 1.30	$ 3.15
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	**$ 2.23**	$ 1.31	$ 3.80
Discontinued operations, net of taxes	**—**	(0.02)	(0.69)
Net earnings (loss)	**$ 2.23**	$ 1.29	$ 3.11
AMOUNTS ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	**$ 938**	$ 568	$ 1,704
Discontinued operations, net of taxes	**—**	(13)	(309)
Net earnings (loss)	**$ 938**	$ 555	$ 1,395

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions for the years ended December 31	**2015**	2014	2013
NET EARNINGS (LOSS)	**$ 917**	$ 536	$ 1,378
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Amortization of pension and postretirement prior service costs and net loss:			
U.S. plans (less tax of $186, $154 and $195)	**296**	242	307
Pension and postretirement liability adjustments:			
U.S. plans (less tax of $206, $798 and $756)	**(329)**	(1,253)	1,188
Non-U.S. plans (less tax of $0, $5 and $3)	**(2)**	(18)	(4)
Change in cumulative foreign currency translation adjustment	**(1,042)**	(876)	(426)
Net gains/losses on cash flow hedging derivatives:			
Net gains (losses) arising during the period (less tax of $3, $3 and $2)	**(3)**	10	—
Reclassification adjustment for (gains) losses included in net earnings (less tax of $8, $1 and $3)	**12**	(4)	(7)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(1,068)**	(1,899)	1,058
Comprehensive Income (Loss)	**(151)**	(1,363)	2,436
Net (Earnings) Loss Attributable to Noncontrolling Interests	**21**	19	17
Other Comprehensive (Income) Loss Attributable to Noncontrolling Interests	**6**	12	23
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY	**$ (124)**	$ (1,332)	$ 2,476

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

In millions, except per share amounts, at December 31	**2015**	2014
ASSETS		
Current Assets		
Cash and temporary investments	**$ 1,050**	$ 1,881
Accounts and notes receivable, less allowances of $70 in 2015 and $82 in 2014	**2,675**	3,083
Inventories	**2,228**	2,424
Deferred income tax assets	**312**	331
Other current assets	**212**	240
Total Current Assets	**6,477**	7,959
Plants, Properties and Equipment, net	**11,980**	12,728
Forestlands	**366**	507
Investments	**228**	248
Financial Assets of Special Purpose Entities (Note 12)	**7,014**	2,145
Goodwill	**3,335**	3,773
Deferred Charges and Other Assets	**1,187**	1,324
TOTAL ASSETS	**$ 30,587**	$ 28,684
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable and current maturities of long-term debt	**$ 426**	$ 742
Accounts payable	**2,078**	2,664
Accrued payroll and benefits	**434**	477
Other accrued liabilities	**986**	1,026
Total Current Liabilities	**3,924**	4,909
Long-Term Debt	**8,900**	8,631
Nonrecourse Financial Liabilities of Special Purpose Entities (Note 12)	**6,277**	2,050
Deferred Income Taxes	**3,231**	3,063
Pension Benefit Obligation	**3,548**	3,819
Postretirement and Postemployment Benefit Obligation	**364**	396
Other Liabilities	**434**	553
Commitments and Contingent Liabilities (Note 11)		
Equity		
Common stock $1 par value, 2015 & 2014 – 448.9 shares	**449**	449
Paid-in capital	**6,243**	6,245
Retained earnings	**4,649**	4,409
Accumulated other comprehensive loss	**(5,708)**	(4,646)
	5,633	6,457
Less: Common stock held in treasury, at cost, 2015 – 36.776 shares and 2014 – 28.734 shares	**1,749**	1,342
Total Shareholders’ Equity	**3,884**	5,115
Noncontrolling interests	**25**	148
Total Equity	**3,909**	5,263
TOTAL LIABILITIES AND EQUITY	**$ 30,587**	$ 28,684

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions for the years ended December 31	**2015**	2014	2013
OPERATING ACTIVITIES			
Net earnings (loss)	**$ 917**	$ 536	$ 1,378
Depreciation, amortization, and cost of timber harvested	**1,294**	1,414	1,547
Deferred income tax provision (benefit), net	**281**	(135)	146
Restructuring and other charges	**252**	881	210
Pension plan contribution	**(750)**	(353)	(31)
Net bargain purchase gain on acquisition of business	**—**	—	(13)
Periodic pension expense, net	**461**	387	545
Net (gains) losses on sales and impairments of businesses	**174**	38	3
Equity (earnings) losses, net of taxes	**(117)**	200	39
Release of tax reserves	**—**	—	(775)
Impairment of goodwill and other intangible assets	**137**	100	527
Other, net	**153**	167	(62)
Changes in current assets and liabilities			
Accounts and notes receivable	**7**	(97)	(134)
Inventories	**(131)**	(103)	(114)
Accounts payable and accrued liabilities	**(89)**	(18)	(110)
Interest payable	**(17)**	(18)	(57)
Other	**8**	78	(71)
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**2,580**	3,077	3,028
INVESTMENT ACTIVITIES			
Invested in capital projects	**(1,487)**	(1,366)	(1,198)
Acquisitions, net of cash acquired	**—**	—	(505)
Proceeds from divestitures	**23**	—	726
Proceeds from spinoff	**—**	411	—
Investment in Special Purpose Entities	**(198)**	—	—
Proceeds from sale of fixed assets	**37**	61	65
Other	**(114)**	34	85
CASH PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES	**(1,739)**	(860)	(827)
FINANCING ACTIVITIES			
Repurchase of common stock and payments of restricted stock tax withholding	**(605)**	(1,062)	(512)
Issuance of common stock	**2**	66	298
Issuance of debt	**6,873**	1,982	241
Reduction of debt	**(6,947)**	(2,095)	(845)
Change in book overdrafts	**(14)**	30	(123)
Dividends paid	**(685)**	(620)	(554)
Acquisition of redeemable noncontrolling interest	**—**	(114)	—
Debt tender premiums paid	**(211)**	(269)	—
Redemption of securities	**—**	—	(150)
Other	**(14)**	(4)	(43)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**(1,601)**	(2,086)	(1,688)
Effect of Exchange Rate Changes on Cash	**(71)**	(52)	(13)
Change in Cash and Temporary Investments	**(831)**	79	500
Cash and Temporary Investments			
Beginning of the period	**1,881**	1,802	1,302
End of the period	**$ 1,050**	$ 1,881	$ 1,802

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions	Common Stock Issued	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total International Paper Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2013	$ 440	$ 6,042	$ 3,662	$ (3,840)	$ —	$ 6,304	$ 332	$ 6,636
Issuance of stock for various plans, net	7	421	—	—	(20)	448	—	448
Repurchase of stock	—	—	—	—	512	(512)	—	(512)
Dividends	—	—	(567)	—	—	(567)	—	(567)
Dividends paid to noncontrolling interests by subsidiary	—	—	—	—	—	—	(1)	(1)
Noncontrolling interests of acquired entities	—	—	(44)	—	—	(44)	(112)	(156)
Comprehensive income (loss)	—	—	1,395	1,081	—	2,476	(40)	2,436
BALANCE, DECEMBER 31, 2013	447	6,463	4,446	(2,759)	492	8,105	179	8,284
Issuance of stock for various plans, net	2	69	—	—	(212)	283	—	283
Repurchase of stock	—	—	—	—	1,062	(1,062)	—	(1,062)
xpedx spinoff	—	(287)	—	—	—	(287)	—	(287)
Dividends	—	—	(633)	—	—	(633)	—	(633)
Acquisition of redeemable noncontrolling interests	—	—	46	—	—	46	—	46
Remeasurement of redeemable noncontrolling interest	—	—	(5)	—	—	(5)	—	(5)
Comprehensive income (loss)	—	—	555	(1,887)	—	(1,332)	(31)	(1,363)
BALANCE, DECEMBER 31, 2014	449	6,245	4,409	(4,646)	1,342	5,115	148	5,263
Issuance of stock for various plans, net	**—**	**35**	**—**	**—**	**(198)**	**233**	**—**	**233**
Repurchase of stock	**—**	**—**	**—**	**—**	**605**	**(605)**	**—**	**(605)**
Dividends	**—**	**—**	**(698)**	**—**	**—**	**(698)**	**—**	**(698)**
Transactions of equity method investees	**—**	**(37)**	**—**	**—**	**—**	**(37)**	**—**	**(37)**
Divestiture of noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(96)**	**(96)**
Comprehensive income (loss)	**—**	**—**	**938**	**(1,062)**	**—**	**(124)**	**(27)**	**(151)**
BALANCE, DECEMBER 31, 2015	**$ 449**	**$ 6,243**	**$ 4,649**	**$ (5,708)**	**$ 1,749**	**$ 3,884**	**$ 25**	**$ 3,909**

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

International Paper (the Company) is a global paper and packaging company with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia, Africa and the Middle East. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to available industry capacity and general economic conditions.

FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States that require the use of management's estimates. Actual results could differ from management's estimates.

On July 1, 2014, International Paper completed the spinoff of its distribution business, xpedx, and xpedx's merger with Unisource Worldwide, Inc., with the combined companies now operating as Veritiv Corporation (Veritiv). As a result of the spinoff, all prior year amounts have been adjusted to reflect xpedx as a discontinued operation. See Note 7 for further discussion.

CONSOLIDATION

The consolidated financial statements include the accounts of International Paper and its wholly-owned, controlled majority-owned and financially controlled subsidiaries. All significant intercompany balances and transactions are eliminated.

Investments in affiliated companies where the Company has significant influence over their operations are accounted for by the equity method. International Paper's share of affiliates' results of operations totaled earnings (loss) of $117 million , $(200) million and $(39) million in 2015 , 2014 and 2013 , respectively.

REVENUE RECOGNITION

Revenue is recognized when the customer takes title and assumes the risks and rewards of ownership. Revenue is recorded at the time of shipment for terms designated f.o.b. (free on board) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site, when title and risk of loss are transferred. Timber and forestland sales revenue is generally recognized when title and risk of loss pass to the buyer.

SHIPPING AND HANDLING COSTS

Shipping and handling costs, such as freight to our customers' destinations, are included in distribution expenses in the consolidated statement of operations. When shipping and handling costs are included in the sales price charged for our products, they are recognized in net sales.

ANNUAL MAINTENANCE COSTS

Costs for repair and maintenance activities are expensed in the month that the related activity is performed under the direct expense method of accounting.

TEMPORARY INVESTMENTS

Temporary investments with an original maturity of three months or less are treated as cash equivalents and are stated at cost, which approximates market value.

INVENTORIES

Inventories are valued at the lower of cost or market value and include all costs directly associated with manufacturing products: materials, labor and manufacturing overhead. In the United States, costs of raw materials and finished pulp and paper products, are generally determined using the last-in, first-out method. Other inventories are valued using the first-in, first-out or average cost methods.

PLANTS, PROPERTIES AND EQUIPMENT

Plants, properties and equipment are stated at cost, less accumulated depreciation. Expenditures for betterments are capitalized, whereas normal repairs and maintenance are expensed as incurred. The units-of-production method of depreciation is used for pulp and paper mills, and the straight-line method is used for other plants and equipment. Annual straight-line depreciation rates generally are, for buildings — 2.50% to 5.00% , and for machinery and equipment — 5% to 33% .

FORESTLANDS

At December 31, 2015 , International Paper and its subsidiaries owned or managed approximately 335,000 acres of forestlands in Brazil, and through licenses and forest management agreements, had harvesting rights on government-owned forestlands in Russia. Costs attributable to timber are expensed as trees are cut. The rate charged is determined annually based on the relationship of incurred costs to estimated current merchantable volume.

GOODWILL

Goodwill relating to a single business reporting unit is included as an asset of the applicable segment. For goodwill impairment testing, this goodwill is allocated to reporting units. Annual testing for possible goodwill impairment is performed as of the beginning of the fourth quarter of each year, with additional interim testing performed when management believes that it is more likely than not events or circumstances have occurred that would result in the impairment of a reporting unit's goodwill.

In performing this testing, the Company estimates the fair value of its reporting units using the projected future cash flows to be generated by each unit over the estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost of capital for each reporting unit. These estimated fair values are then analyzed for reasonableness by comparing them to historic market transactions for businesses in the industry, and by comparing the sum of the reporting unit fair values and other corporate assets and liabilities divided by diluted common shares outstanding to the Company's traded stock price on the testing date. For reporting units whose recorded value of net assets plus goodwill is in excess of their estimated fair values, the fair values of the individual assets and liabilities of the respective reporting units are then determined to calculate the amount of any goodwill impairment charge required. See Note 9 for further discussion.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, measured by comparing their net book value to the undiscounted projected future cash flows generated by their use. Impaired assets are recorded at their estimated fair value.

INCOME TAXES

International Paper uses the asset and liability method of accounting for income taxes whereby deferred income taxes are recorded for the future tax consequences attributable to differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are remeasured to reflect new tax rates in the periods rate changes are enacted.

International Paper records its worldwide tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering the technical merits of the position based on specific tax regulations and the facts of each matter. Changes to recorded liabilities are made only when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, a change in tax laws, or a recent court case that addresses the matter.

While the judgments and estimates made by the Company are based on management's evaluation of the technical merits of a matter, assisted as necessary by consultation with outside consultants, historical experience and other assumptions that management believes are appropriate and reasonable under current circumstances, actual resolution of these matters may differ from recorded estimated amounts, resulting in charges or credits that could materially affect future financial statements.

STOCK-BASED COMPENSATION

Compensation costs resulting from all stock-based compensation transactions are measured and recorded in the consolidated financial statements based on the grant-date fair value of the equity or liability instruments issued. Compensation cost is recognized over the period that an employee provides service in exchange for the award.

ENVIRONMENTAL REMEDIATION COSTS

Costs associated with environmental remediation obligations are accrued when such costs are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

ASSET RETIREMENT OBLIGATIONS

A liability and an asset are recorded equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists and the liability can be reasonably estimated. The liability is accreted over time and the asset is depreciated over the life of the related equipment or facility. International Paper's asset retirement obligations principally relate to closure costs for landfills. Revisions to the liability could occur due to changes in the estimated costs or timing of closures, or possible new federal or state regulations affecting these closures.

In connection with potential future closures or redesigns of certain production facilities, it is possible that the Company may be required to take steps to remove certain materials from these facilities. Applicable regulations and standards provide that the removal of certain materials would only be required if the facility were to be demolished or underwent major renovations. At this time, any such obligations have an indeterminate settlement date, and the Company believes that adequate information does not exist to apply an expected-present-value technique to estimate any such potential obligations. Accordingly, the Company does not record a liability for such remediation until a decision is made that allows reasonable estimation of the timing of such remediation.

TRANSLATION OF FINANCIAL STATEMENTS

Balance sheets of international operations are translated into U.S. dollars at year-end exchange rates, while statements of operations are translated at average rates. Adjustments resulting from financial statement translations are included as cumulative translation adjustments in Accumulated other comprehensive loss.

NOTE 2 RECENT ACCOUNTING DEVELOPMENTS

Other than as described below, no new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the consolidated financial statements.

CLASSIFICATION OF DEFERRED TAXES

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, "Balance Classification of Deferred Taxes." This ASU requires entities to offset all deferred tax assets and liabilities (and valuation allowances) for each tax-paying jurisdiction within each tax-paying component. The net deferred tax must be presented as a single noncurrent amount. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. The application of the requirements of this guidance is not expected to have a material effect on the consolidated financial statements.

BUSINESS COMBINATIONS

In September 2015, the FASB issued ASU 2015-16, "Business Combinations - Simplifying the Accounting for Measurement Period Adjustments." This ASU provides that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized at the acquisition date. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. This ASU must be applied prospectively to adjustments to provisional amounts that occur after the effective date. Early adoption is permitted for financial statements that have not been issued. The Company is currently evaluating the provisions of this guidance.

INVENTORY

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." This ASU provides that entities should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory measure using LIFO or the retail inventory method. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. The Company is currently evaluating the provisions of this guidance.

CLOUD COMPUTING ARRANGEMENTS

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. This ASU is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those years. Early adoption is permitted. The application of the requirements of this guidance is not expected to have a material effect on the consolidated financial statements.

DEBT ISSUANCE COSTS

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30: Simplifying the Presentation of Debt Issuance Costs)," which simplifies the balance sheet presentation of the costs for issuing debt. This ASU is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those years; however, early adoption is allowed. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The application of the requirements of this guidance is not expected to have a material effect on the consolidated financial statements.

CONSOLIDATION

In February 2015, the FASB issued ASU 2015-02, "Consolidation," which amends the requirements for consolidation and significantly changes the consolidation analysis required. This ASU is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those years. The application of the requirements of this guidance is not expected to have a material effect on the consolidated financial statements.

SHARE-BASED PAYMENT

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-based Payments When the Terms of an Award Provide That Performance Target Could Be Achieved After the Requisite Service Period." This guidance provides that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. As such, an entity should not record compensation expense related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. This ASU is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those years. The application of the requirements of this guidance is not expected to have a material effect on the consolidated financial statements.

REVENUE RECOGNITION

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The guidance replaces most existing revenue recognition guidance and provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, and permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the provisions of this guidance.

NOTE 3 EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed assuming that all potentially dilutive securities, including “in-the-money” stock options, were converted into common shares.

A reconciliation of the amounts included in the computation of basic earnings (loss) per share from continuing operations, and diluted earnings (loss) per share from continuing operations is as follows:

In millions, except per share amounts	**2015**	2014	2013
Earnings (loss) from continuing operations	**$ 938**	$ 568	$ 1,704
Effect of dilutive securities (a)	**—**	—	—
Earnings (loss) from continuing operations – assuming dilution	**$ 938**	$ 568	$ 1,704
Average common shares outstanding	**417.4**	427.7	443.3
Effect of dilutive securities (a):			
Restricted performance share plan	**3.2**	4.2	4.5
Stock options (b)	**—**	0.1	0.3
Average common shares outstanding – assuming dilution	**420.6**	432.0	448.1
Basic earnings (loss) per share from continuing operations	**$ 2.25**	$ 1.33	$ 3.85
Diluted earnings (loss) per share from continuing operations	**$ 2.23**	$ 1.31	$ 3.80

(a) Securities are not included in the table in periods when antidilutive.
(b) Options to purchase shares were not included in the computation of diluted common shares outstanding if their exercise price exceeded the average market price of the Company’s common stock for each respective reporting date.

NOTE 4 OTHER COMPREHENSIVE INCOME

The following table presents changes in AOCI for the year ended December 31, 2015:

In millions	Defined Benefit Pension and Postretirement Items (a)	Change in Cumulative Foreign Currency Translation Adjustments (a)	Net Gains and Losses on Cash Flow Hedging Derivatives (a)	Total (a)
Balance as of December 31, 2014	$ (3,134)	$ (1,513)	$ 1	$ (4,646)
Other comprehensive income (loss) before reclassifications	**(331)**	**(1,002)**	**(3)**	**(1,336)**
Amounts reclassified from accumulated other comprehensive income	**296**	**(40)**	**12**	**268**
Net Current Period Other Comprehensive Income	**(35)**	**(1,042)**	**9**	**(1,068)**
Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest	**—**	**6**	**—**	**6**
Balance as of December 31, 2015	**$ (3,169)**	**$ (2,549)**	**$ 10**	**$ (5,708)**

(a) All amounts are net of tax. Amounts in parentheses indicate debits to AOCI.

The following table presents changes in AOCI for the year ended December 31, 2014:

In millions	Defined Benefit Pension and Postretirement Items (a)	Change in Cumulative Foreign Currency Translation Adjustments (a)	Net Gains and Losses on Cash Flow Hedging Derivatives (a)	Total (a)
Balance as of December 31, 2013	$ (2,105)	$ (649)	$ (5)	$ (2,759)
Other comprehensive income (loss) before reclassifications	(1,271)	(863)	10	(2,124)
Amounts reclassified from accumulated other comprehensive income	242	(13)	(4)	225
Net Current Period Other Comprehensive Income	(1,029)	(876)	6	(1,899)
Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest	—	12	—	12
Balance as of December 31, 2014	$ (3,134)	$ (1,513)	$ 1	$ (4,646)

(a) All amounts are net of tax. Amounts in parentheses indicate debits to AOCI.

The following table presents changes in AOCI for the year ended December 31, 2013:

In millions	Defined Benefit Pension and Postretirement Items (a)	Change in Cumulative Foreign Currency Translation Adjustments (a)	Net Gains and Losses on Cash Flow Hedging Derivatives (a)	Total (a)
Balance as of December 31, 2012	$ (3,596)	$ (246)	$ 2	$ (3,840)
Other comprehensive income (loss) before reclassifications	1,184	(443)	—	741
Amounts reclassified from accumulated other comprehensive income	307	17	(7)	317
Net Current Period Other Comprehensive Income	1,491	(426)	(7)	1,058
Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest	—	23	—	23
Balance as of December 31, 2013	$ (2,105)	$ (649)	$ (5)	$ (2,759)

(a) All amounts are net of tax. Amounts in parentheses indicate debits to AOCI.

The following table presents details of the reclassifications out of AOCI for the three years ended:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (a) 2015	2014	2013		Location of Amount Reclassified from AOCI
In millions					
Defined benefit pension and postretirement items:					
Prior-service costs	**$ (33)**	$ (17)	$ (9)	(b)	Cost of products sold
Actuarial gains/(losses)	**(449)**	(379)	(493)	(b)	Cost of products sold
Total pre-tax amount	**(482)**	(396)	(502)		
Tax (expense)/benefit	**186**	154	195		
Net of tax	**(296)**	(242)	(307)		
Change in cumulative foreign currency translation adjustments:					
Business acquisition/divestiture	**40**	13	(17)		Net (gains) losses on sales and impairments of businesses or Retained earnings
Tax (expense)/benefit	**—**	—	—		
Net of tax	**40**	13	(17)		
Net gains and losses on cash flow hedging derivatives:					
Foreign exchange contracts	**(20)**	3	10	(c)	Cost of products sold
Total pre-tax amount	**(20)**	3	10		
Tax (expense)/benefit	**8**	1	(3)		
Net of tax	**(12)**	4	7		
Total reclassifications for the period	**$ (268)**	$ (225)	$ (317)		

(a) Amounts in parentheses indicate debits to earnings/loss.
(b) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 16 for additional details).
(c) This accumulated other comprehensive income component is included in our derivatives and hedging activities (see Note 14 for additional details).

NOTE 5 RESTRUCTURING CHARGES AND OTHER ITEMS

2015: During 2015, total restructuring and other charges of $252 million before taxes were recorded. These charges included:

In millions		2015
Early debt extinguishment costs (see Note 13)	**$**	**207**
Timber monetization restructuring		**16**
Legal liability reserve adjustment		**15**
Riegelwood mill conversion costs net of proceeds from the sale of Carolina Coated Bristols brand (a)		**8**
Other		**6**
Total	**$**	**252**

(a) Includes $5 million of severance charges, $24 million of accelerated depreciation, sale proceeds of $22 million and $1 million of other charges.

Included in the $252 million of restructuring and other charges is severance expense of $5 million which is related to 69 employees.

2014: During 2014, total restructuring and other charges of $846 million before taxes were recorded. These charges included:

In millions		2014
Early debt extinguishment costs (see Note 13)	$	276
Courtland mill shutdown (a)		554
Other (b)		16
Total	$	846

(a) Includes $464 million of accelerated depreciation, $24 million of inventory impairment charges, $26 million of severance charges and $40 million of other charges which are recorded in the Printing Papers segment.
(b) Includes $15 million of severance charges.

Included in the $846 million of restructuring and other charges is severance expense of $41 million which is related to 957 employees.

2013: During 2013, total restructuring and other charges of $156 million before taxes were recorded. These charges included:

In millions		2013
Early debt extinguishment costs (see Note 13)	$	25
Courtland mill shutdown (a)		118
Box plant closures		(13)
Augusta paper machine shutdown (b)		45
Insurance reimbursements		(30)
Other (c)		11
Total	$	156

(a) Includes $73 million of accelerated depreciation and other non-cash charges, $42 million of severance charges and $3 million of other charges which are recorded in the Printing Papers segment. During 2013, the Company accelerated depreciation for certain Courtland assets, and diligently evaluated certain other assets for possible alternative uses by one of our other businesses. The net book value of these assets at December 31, 2013 was approximately $470 million .
(b) Includes $39 million of accelerated depreciation charges, $2 million of severance charges and $4 million of other charges which are recorded in the Consumer Packaging segment.
(c) Includes $2 million of severance charges.

Included in the $156 million of restructuring and other charges is severance expense of $46 million which is related to 1,384 employees.

ALTERNATIVE FUEL MIXTURE TAX CREDIT

On July 19, 2011 the Company filed an amended 2009 tax return claiming alternative fuel mixture tax credits as non-taxable income. The amended position has been accepted by the Internal Revenue Service (IRS) in the closing of the IRS tax audit for the years 2006 - 2009. As a result, during 2013, the Company recognized an income tax benefit of $753 million related to the non-taxability of the alternative fuel mixture tax credits.

NOTE 6 ACQUISITIONS AND JOINT VENTURES

OLMUKSAN

2014: In May 2014, the Company conducted a voluntary tender offer for the remaining outstanding 12.6% public shares of Olmuksan. The Company also purchased outstanding shares of Olmuksan outside of the tender offer. As of December 31, 2014 and 2015, the Company owned 91.7% of Olmuksan's outstanding and issued shares.

2013: On January 3, 2013, International Paper completed the acquisition (effective date of acquisition on January 1, 2013) of the shares of its joint venture partner, Sabanci Holding, in the Turkish corrugated packaging company, Olmuksa International Paper Sabanci Ambalaj Sanayi ve Ticaret A.S., now called Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.S. (Olmuksan), for a purchase price of $56 million . The acquired shares represented 43.7% of Olmuksan's shares. Prior to this acquisition, International Paper held a 43.7% equity interest in Olmuksan.

Because the transaction resulted in International Paper becoming the majority shareholder, owning 87.4% of Olmuksan's outstanding and issued shares, its completion triggered a mandatory call for tender of the remaining public shares which began in March 2013 and ended in April 2013, with no shares tendered. As a result, the 12.6% owned by other parties were considered non-controlling interests. Olmuksan's financial results have been consolidated with the Company's Industrial Packaging segment beginning January 1, 2013, the effective date which International Paper obtained majority control of the entity.

Following the transaction, the Company's previously held 43.7% equity interest in Olmuksan was remeasured to a fair value of $75 million , resulting in a gain of $9 million . In addition, the cumulative translation adjustment balance of $17 million relating to the previously held equity interest was reclassified, as expense, from accumulated other comprehensive income.

The final purchase price allocation indicated that the sum of the cash consideration paid, the fair value of the noncontrolling interest and the fair value of the previously held interest was less than the fair value of the underlying assets by $21 million , resulting in a bargain purchase price gain being recorded on this transaction. The aforementioned remeasurement of equity interest gain, the cumulative translation adjustment to expense, and the bargain purchase gain are included in the Net bargain purchase gain on acquisition of business in the accompanying consolidated statement of operations.

The following table summarizes the final allocation of the purchase price to the fair value of assets and liabilities acquired as of January 1, 2013, which was completed in the fourth quarter of 2013.

In millions		
Cash and temporary investments	$	5
Accounts and notes receivable		72
Inventory		31
Other current assets		2
Plants, properties and equipment		106
Investments		11
Total assets acquired		227
Notes payable and current maturities of long-term debt		17
Accounts payable and accrued liabilities		27
Deferred income tax liability		4
Postretirement and postemployment benefit obligation		6
Total liabilities assumed		54
Noncontrolling interest		18
Net assets acquired	$	155

Pro forma information related to the acquisition of Olmuksan has not been included as it does not have a material effect on the Company's consolidated results of operations.

ORSA

2014: On April 8, 2014, the Company acquired the remaining 25% of shares of Orsa International Paper Embalangens S.A. (Orsa IP) from its joint venture partner, Jari Celulose, Papel e Embalagens S.A. (Jari), a Grupo Orsa company, for approximately $127 million , of which $105 million was paid in cash with the remaining $22 million held back pending satisfaction of certain indemnification obligations by Jari. International Paper will release the amount held back, or any amount for which we have not notified Jari of a claim, by March 30, 2016. An additional $11 million , which was not included in the purchase price, was placed in an escrow account pending resolution of certain open matters. During 2014, these open matters were successfully resolved, which resulted in $9 million paid out of escrow to Jari and correspondingly added to the final purchase consideration. The remaining $2 million was released back to the Company. As a result of this transaction, the Company reversed the $168 million of Redeemable noncontrolling interest included on the March 31, 2014 consolidated balance sheet. The net difference between the Redeemable noncontrolling interest balance plus $14 million of currency translation adjustment reclassified out of Other comprehensive income less the 25% purchase price was reflected as an increase to Retained earnings on the consolidated balance sheet.

2013: On January 14, 2013, International Paper and Jari formed Orsa IP with International Paper holding a 75% stake. The value of International Paper's investment in Orsa IP was approximately $471 million . Because International Paper acquired a majority control of the joint venture, Orsa IP's financial results have been consolidated with our Industrial Packaging segment from the date of formation on January 14, 2013. The 25% owned by Jari was considered a redeemable noncontrolling interest and met the requirements to be classified outside permanent equity. As such, the Company reported $163 million in Redeemable noncontrolling interest in the December 31, 2013 consolidated balance sheet.

The following table summarizes the final allocation of the purchase price to the fair value of assets and liabilities acquired as of January 14, 2013, which was completed in the fourth quarter of 2013.

In millions		
Cash and temporary investments	$	16
Accounts and notes receivable		5
Inventory		27
Plants, properties and equipment		290
Goodwill		260
Other intangible assets		110
Other long-term assets		2
Total assets acquired		710
Accounts payable and accrued liabilities		68
Deferred income tax liability		37
Total liabilities assumed		105
Noncontrolling interest		134
Net assets acquired	$	471

The identifiable intangible assets acquired in connection with the Orsa IP acquisition included the following:

In millions		**Estimated Fair Value**	**Average Remaining Useful Life**
Asset Class:			(at acquisition date)
Customer relationships	$	88	12 years
Trademark		3	6 years
Wood supply agreement		19	25 years
Total	$	110	

Pro forma information related to the acquisition of Orsa IP has not been included as it does not have a material effect on the Company's consolidated results of operations.

Due to the complex organizational structure of Orsa IP's operations, and the extended time required to prepare consolidated financial information in accordance with accounting principles generally accepted in the United States, the Company reports Orsa IP's operating results on a one-month lag basis.

NOTE 7 DIVESTITURES / SPINOFF

DISCONTINUED OPERATIONS

2014: On July 1, 2014, International Paper completed the spinoff of its distribution business, xpedx, which subsequently merged with Unisource Worldwide, Inc., with the combined companies now operating as Veritiv Corporation (Veritiv). The xpedx business had historically represented the Company's Distribution reportable segment.

The spinoff was accomplished by the contribution of the xpedx business to Veritiv and the distribution of 8,160,000 shares of Veritiv common stock on a pro-rata basis to International Paper shareholders. International Paper received a payment of approximately $411 million , financed with new debt in Veritiv's capital structure.

All current and historical operating results for xpedx are included in Discontinued operations, net of tax, in the accompanying consolidated statement of operations. The following summarizes the major classes of line items comprising Earnings (Loss) Before Income Taxes and Equity Earnings reconciled to Discontinued Operations, net of tax, related to the xpedx spinoff for all periods presented in the consolidated statement of operations:

In millions		**2014**		2013
Net Sales	**$**	**2,604**	$	5,597
Costs and Expenses				
Cost of products sold		**2,309**		4,941
Selling and administrative expenses		**191**		409
Depreciation, amortization and cost of timber harvested		**9**		16
Distribution expenses		**69**		149
Restructuring and other charges		**25**		54
Impairment of goodwill and other intangibles		**—**		400
Other, net		**3**		7
Earnings (Loss) Before Income Taxes and Equity Earnings		**(2)**		(379)
Income tax provision (benefit)		**(1)**		(25)
Discontinued Operations, Net of Taxes (a)	**$**	**(1)**	$	(354)

(a) These amounts, along with those disclosed below related to the Temple-Inland Building Products divestitures, are included in Discontinued operations, net of tax, in the consolidated statement of operations.

Total cash provided by operations related to xpedx of $29 million and $81 million for 2014 and 2013, respectively, is included in Cash Provided By (Used For) Operations in the consolidated statement of cash flows. Total cash provided by (used for) investing activities related to xpedx of $3 million and $12 million for 2014 and 2013, respectively, is included in Cash Provided By (Used For) Investing Activities in the consolidated statement of cash flows.

2013: On April 1, 2013, the Company finalized the sale of Temple-Inland's 50% interest in Del-Tin Fiber L.L.C. to joint venture partner Deltic Timber Corporation for $20 million in assumed liabilities and cash.

On July 19, 2013 the Company finalized the sale of its Temple-Inland Building Products division to Georgia-Pacific Building Products, LLC for approximately $726 million in cash.

Related to these divestitures, the Company recorded income (loss) of $0 million , $(12) million and $45 million for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts are included in Discontinued operations, net of tax in the consolidated statement of operations.

OTHER DIVESTITURES AND IMPAIRMENTS

2015: On October 13, 2015 **,** the Company finalized the sale of its 55% interest in IP Asia Coated Paperboard (IP-Sun JV) business, within the Company's Consumer Packaging segment, to its Chinese coated board joint venture partner, Shandong Sun Holding Group Co., Ltd. for RMB 149 million (approximately USD $23 million). During the third quarter of 2015, a determination was made that the current book value of the asset group exceeded its estimated fair value of $23 million , which was the agreed upon selling price. The 2015 loss includes the net pre-tax impairment charge of $174 million ($113 million after taxes). A pre-tax charge of $186 million was recorded during the third quarter in the Company's Consumer Packaging segment to write down the long-lived assets of this business to their estimated fair value. In the fourth quarter of 2015, upon the sale and corresponding deconsolidation of IP-Sun JV from the Company's consolidated balance sheet, final adjustments were made resulting in a reduction of the impairment of $12 million . The amount of pre-tax losses related to noncontrolling interest of the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $19 million , $12 million and $8 million , respectively. The amount of pre-tax losses related to the IP-Sun JV included in the Company's consolidated statement of operations for the years ended December 31, 2015, 2014 and 2013 were $226 million , $51 million and $41 million , respectively.

The net 2015 loss totaling $174 million related to the impairment of Sun-JV is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

2014: During 2014, the Company recorded a net pre-tax charge of $47 million ($36 million after taxes) for the loss on the sale of a business by our equity method investee, ASG (formerly referred to as AGI-Shorewood), and the subsequent partial impairment of this ASG investment.

The net 2014 loss totaling $38 million , including the ASG impairment discussed above, related to other divestitures and impairments is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

2013: During 2013, the Company recorded net pre-tax charges of $3 million ($1 million after taxes) for adjustments related to the divestiture of three containerboard mills in 2012 and the sale of the Shorewood business. This loss is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations.

NOTE 8 SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION

TEMPORARY INVESTMENTS

In millions at December 31	**2015**	2014
Temporary Investments	**$ 738**	$ 1,480

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, net of allowances, by classification were:

In millions at December 31	**2015**	2014
Accounts and notes receivable:		
Trade	**$ 2,480**	$ 2,860
Other	**195**	223
Total	**$ 2,675**	$ 3,083

INVENTORIES

In millions at December 31	**2015**	2014
Raw materials	**$ 339**	$ 494
Finished pulp, paper and packaging products	**1,248**	1,273
Operating supplies	**563**	562
Other	**78**	95
Inventories	**$ 2,228**	$ 2,424

The last-in, first-out inventory method is used to value most of International Paper's U.S. inventories. Approximately 78% of total raw materials and finished products inventories were valued using this method. If the first-in, first-out method had been used, it would have increased total inventory balances by approximately $345 million and $334 million at December 31, 2015 and 2014 , respectively.

Table of Contents

PLANTS, PROPERTIES AND EQUIPMENT

In millions at December 31	2015	2014
Pulp, paper and packaging facilities	$ 31,466	$ 31,805
Other properties and equipment	1,242	1,263
Gross cost	32,708	33,068
Less: Accumulated depreciation	20,728	20,340
Plants, properties and equipment, net	**$ 11,980**	$ 12,728

In millions	2015	2014	2013
Depreciation expense	$ 1,213	$ 1,308	$ 1,415

INTEREST

Cash payments related to interest were as follows:

In millions	2015	2014	2013
Interest payments	$ 680	$ 718	$ 751

Amounts related to interest were as follows:

In millions	2015	2014	2013
Interest expense (a)	$ 644	$ 677	$ 669
Interest income (a)	89	70	57
Capitalized interest costs	25	23	17

(a) Interest expense and interest income exclude approximately $25 million , $38 million and $45 million in 2015 , 2014 and 2013 , respectively, related to investments in and borrowings from variable interest entities for which the Company has a legal right of offset (see Note 12).

NOTE 9 GOODWILL AND OTHER INTANGIBLES

GOODWILL

The following tables present changes in the goodwill balances as allocated to each business segment for the years ended December 31, 2015 and 2014 :

In millions	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Balance as of January 1, 2015				
Goodwill	$3,396	$2,234	$1,784	$7,414
Accumulated impairment losses (a)	(100)	(1,877)	(1,664)	(3,641)
	3,296	357	120	3,773
Reclassifications and other (b)	(70)	(95)	(3)	(168)
Additions/reductions	(1)	(15) (c)	(117) (d)	(133)
Impairment loss	(137) (e)	—	—	(137)
Balance as of December 31, 2015				
Goodwill	3,325	2,124	1,664	7,113
Accumulated impairment losses (a)	(237)	(1,877)	(1,664)	(3,778)
Total	$3,088	$247	$—	$3,335

(a) Represents accumulated goodwill impairment charges since the adoption of ASC 350, "Intangibles – Goodwill and Other" in 2002.
(b) Represents the effects of foreign currency translations and reclassifications.
(c) Reflects a reduction from tax benefits generated by the deduction of goodwill amortization for tax purposes in Brazil.
(d) Reduction due to the sale and de-consolidation of Shandong Sun joint venture in Asia.
(e) Reflects a charge for goodwill impairment related to our Brazil Industrial Packaging business.

In millions	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Balance as of January 1, 2014					
Goodwill	$3,430	$2,311	$1,787	$400	$7,928
Accumulated impairment losses (a)	—	(1,877)	(1,664)	(400)	(3,941)
	3,430	434	123	—	3,987
Reclassifications and other (b)	(34)	(57)	(3)	—	(94)
Additions/reductions	—	(20) (c)	—	—	(20)
Impairment loss	(100) (d)	—	—	—	(100)
Write off of goodwill	—	—	—	(400)	(400)
Write off of accumulated impairment loss	—	—	—	400	400
Balance as of December 31, 2014					
Goodwill	3,396	2,234	1,784	—	7,414
Accumulated impairment losses (a)	(100)	(1,877)	(1,664)	—	(3,641)
Total	$3,296	$357	$120	$—	$3,773

(a) Represents accumulated goodwill impairment charges since the adoption of ASC 350, "Intangibles – Goodwill and Other" in 2002.
(b) Represents the effects of foreign currency translations and reclassifications.
(c) Reflects a reduction from tax benefits generated by the deduction of goodwill amortization for tax purposes in Brazil.
(d) Reflects a charge of $100 million for goodwill impairment related to our Asia Industrial Packaging business.

In the fourth quarter of 2015, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Brazil Packaging business using its discounted future cash flows and determined that all of the goodwill in the business, totaling $137 million , should be written off. The decline in the fair value of the Brazil Packaging business and resulting impairment charge was due to the negative impacts on the cash flows of the business caused by the continued decline of the overall Brazilian economy.

In the fourth quarter of 2014, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its Asia Industrial Packaging business using the discounted future cash flows and determined that all of the goodwill in this business, totaling $100 million , should be written off. The decline in the fair value of the Asia Industrial Packaging business and resulting impairment charge was due to a change in the strategic outlook for the business.

In the fourth quarter of 2013, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of its India Papers business using the discounted future cash flows and determined that all of the goodwill of this business, totaling $112 million , should be written off. The decline in the fair value of the India Papers reporting unit and resulting impairment charge was due to a change in the strategic outlook for the India Papers operations.

At December 31, 2013, there was $400 million of goodwill and $400 million of accumulated impairment losses included in the consolidated balance sheet associated with the xpedx business (Distribution segment). Effective July 1, 2014, the Company completed the spinoff of its xpedx business which had historically represented the Company's Distribution reportable segment. Following the spinoff of xpedx, the assets and liabilities of this business have been adjusted off of the consolidated balance sheet and are not included in balances as of December 31, 2014.

OTHER INTANGIBLES

Identifiable intangible assets comprised the following:

In millions at December 31	2015 Gross Carrying Amount	2015 Accumulated Amortization	2014 Gross Carrying Amount	2014 Accumulated Amortization
Customer relationships and lists	**$ 495**	**$ 166**	$ 561	$ 157
Non-compete agreements	**69**	**56**	74	53
Tradenames, patents and trademarks	**61**	**54**	61	44
Land and water rights	**33**	**6**	81	9
Software	**22**	**20**	23	22
Other	**46**	**29**	48	24
Total	**$ 726**	**$ 331**	$ 848	$ 309

The Company recognized the following amounts as amortization expense related to intangible assets:

In millions	**2015**	2014	2013
Amortization expense related to intangible assets	**$ 60**	$ 73	$ 79

Based on current intangibles subject to amortization, estimated amortization expense for each of the succeeding years is as follows: 2016 – $46 million , 2017 – $44 million , 2018 – $35 million , 2019 – $33 million , 2020 – $32 million , and cumulatively thereafter – $199 million .

NOTE 10 INCOME TAXES

The components of International Paper's earnings from continuing operations before income taxes and equity earnings by taxing jurisdiction were as follows:

In millions	**2015**	2014	2013
Earnings (loss)			
U.S.	**$ 1,147**	$ 565	$ 775
Non-U.S.	**119**	307	453
Earnings (loss) from continuing operations before income taxes and equity earnings	**$ 1,266**	$ 872	$ 1,228

The provision (benefit) for income taxes (excluding noncontrolling interests) by taxing jurisdiction was as follows:

In millions	**2015**	2014	2013
Current tax provision (benefit)			
U.S. federal	**$ 62**	$ 175	$ (663)
U.S. state and local	**12**	9	(98)
Non-U.S.	**111**	74	95
	$ 185	$ 258	$ (666)
Deferred tax provision (benefit)			
U.S. federal	**$ 321**	$ (67)	$ 206
U.S. state and local	**30**	5	(18)
Non-U.S.	**(70)**	(73)	(20)
	$ 281	$ (135)	$ 168
Income tax provision (benefit)	**$ 466**	$ 123	$ (498)

The Company's deferred income tax provision (benefit) includes a $3 million provision, a $13 million benefit and a $7 million provision for 2015 , 2014 and 2013 , respectively, for the effect of changes in non-U.S. and U.S. state tax rates.

International Paper made income tax payments, net of refunds, of $149 million , $172 million and $291 million in 2015 , 2014 and 2013 , respectively.

A reconciliation of income tax expense using the statutory U.S. income tax rate compared with the actual income tax provision follows:

In millions	**2015**	2014	2013
Earnings (loss) from continuing operations before income taxes and equity earnings	**$ 1,266**	$ 872	$ 1,228
Statutory U.S. income tax rate	**35%**	35%	35 %
Tax expense (benefit) using statutory U.S. income tax rate	**443**	305	430
State and local income taxes	**27**	10	(2)
Tax rate and permanent differences on non-U.S. earnings	**(44)**	(72)	(90)
Net U.S. tax on non-U.S. dividends	**12**	16	(15)
Tax benefit on manufacturing activities	**(14)**	(46)	(27)
Non-deductible business expenses	**8**	7	4
Non-deductible impairments	**109**	35	37
Sale of non-strategic assets	**(61)**	—	—
Tax audits	**—**	—	(770)
Subsidiary liquidation	**—**	(85)	—
Retirement plan dividends	**(5)**	(5)	(5)
Tax basis adjustments	**—**	—	(33)
Tax credits	**(15)**	(34)	(23)
Other, net	**6**	(8)	(4)
Income tax provision (benefit)	**$ 466**	$ 123	$ (498)
Effective income tax rate	**37%**	14%	(41)%

The tax effects of significant temporary differences, representing deferred income tax assets and liabilities at December 31, 2015 and 2014 , were as follows:

In millions		**2015**		2014
Deferred income tax assets:				
Postretirement benefit accruals	**$**	**172**	$	189
Pension obligations		**1,403**		1,517
Alternative minimum and other tax credits		**283**		342
Net operating and capital loss carryforwards		**732**		672
Compensation reserves		**265**		280
Other		**244**		266
Gross deferred income tax assets		**3,099**		3,266
Less: valuation allowance		**(430)**		(415)
Net deferred income tax asset	**$**	**2,669**	$	2,851
Deferred income tax liabilities:				
Intangibles	**$**	**(271)**	$	(316)
Plants, properties and equipment		**(2,727)**		(2,707)
Forestlands, related installment sales, and investment in subsidiary		**(2,253)**		(2,290)
Gross deferred income tax liabilities	**$**	**(5,251)**	$	(5,313)
Net deferred income tax liability	**$**	**(2,582)**	$	(2,462)

Deferred income tax assets and liabilities are recorded in the accompanying consolidated balance sheet under the captions Deferred income tax assets, Deferred charges and other assets, Other accrued liabilities, and Deferred income taxes. There is a decrease in deferred income tax assets principally relating to the tax impact of changes in qualified pension liabilities and the utilization of tax credits. Deferred tax liabilities decreased primarily due to a reduction in the intangibles deferred tax liability. Of the $2.3 billion forestlands, related installment sales, and investment in subsidiary deferred tax liability, $1.4 billion is attributable to an investment in subsidiary and relates to a 2006 International Paper installment sale of forestlands and $840 million is attributable to a 2007 Temple-Inland installment sale of forestlands (see Note 12). Certain tax attributes reflected on our tax returns as filed differ from those reflected in the deferred income tax accounts due to uncertain tax benefits.

The valuation allowance for deferred income tax assets as of December 31, 2015 , 2014 and 2013 was $430 million , $415 million and $413 million , respectively. The net change in the total valuation allowance for the years ended December 31, 2015 and 2014 was an increase of $15 million and an increase of $2 million , respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015 , 2014 and 2013 is as follows:

In millions		**2015**		2014		2013
Balance at January 1	**$**	**(158)**	$	(161)	$	(972)
(Additions) reductions based on tax positions related to current year		**(6)**		(15)		(22)
Additions for tax positions of prior years		**(6)**		(1)		(29)
Reductions for tax positions of prior years		**7**		9		824
Settlements		**2**		—		26
Expiration of statutes of limitations		**4**		2		11
Currency translation adjustment		**7**		8		1
Balance at December 31	**$**	**(150)**	$	(158)	$	(161)

Included in the balance at December 31, 2015 , 2014 and 2013 are $1 million , $1 million and $1 million , respectively, for tax positions for which the ultimate benefits are highly certain, but for which there is uncertainty about the timing of such benefits. However, except for the possible effect of any penalties, any disallowance that would change the timing of these benefits would not affect the annual effective tax rate, but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company accrues interest on unrecognized tax benefits as a component of interest expense. Penalties, if incurred, are recognized as a component of income tax expense. The Company had approximately $34 million and $41 million accrued for the payment of estimated interest and penalties associated with unrecognized tax benefits at December 31, 2015 and 2014 , respectively.

The major jurisdictions where the Company files income tax returns are the United States, Brazil, France, Poland and Russia. Generally, tax years 2003 through 2014 remain open and subject to examination by the relevant tax authorities. The Company is typically engaged in various tax examinations at any given time, both in the United States and overseas. In 2013, the Company concluded its examination with the U.S. Internal Revenue Service for the tax years 2006 through 2009 for both International Paper Company and Temple-Inland. As a result of the completion of the examinations, the Company reduced its unrecognized tax benefits by approximately $844 million . Other pending audit settlements and the expiration of statute of limitations could further reduce the uncertain tax positions by $39 million during the next twelve months. While the Company believes that it is adequately accrued for possible audit adjustments, the final resolution of these examinations cannot be determined at this time and could result in final settlements that differ from current estimates.

Included in the Company's 2015 , 2014 and 2013 income tax provision (benefit) are $(121) million , $(453) million and $(869) million , respectively, related to special items. The components of the net provisions related to special items were as follows:

In millions	2015	2014	2013
Special items	$ (84)	$ (372)	$ (95)
Tax-related adjustments:			
Return to accrual	23	—	—
Internal restructurings	(62)	(90)	(4)
Settlement of tax audits and legislative changes	—	10	(770)
Medicare D deferred income tax write-off	—	—	—
Other tax adjustments	2	(1)	—
Income tax provision (benefit) related to special items	**$ (121)**	$ (453)	$ (869)

Excluding the impact of special items and nonoperating pension expense, the 2015 , 2014 and 2013 income tax provisions were $687 million , $659 million and $497 million , respectively, or 33% , 31% and 26% , respectively, of pre-tax earnings before equity earnings.
The following details the scheduled expiration dates of the Company's net operating loss and income tax credit carryforwards:

In millions	2016 Through 2025	2026 Through 2035	Indefinite	Total
U.S. federal and non-U.S. NOLs	$ 76	$ —	$ 519	$ 595
State taxing jurisdiction NOLs	147	57	—	204
U.S. federal, non-U.S. and state tax credit carryforwards	144	32	241	417
U.S. federal and state capital loss carryforwards	23	—	—	23
Total	**$ 390**	**$ 89**	**$ 760**	**$ 1,239**

Deferred income taxes are not provided for temporary differences of approximately $5.7 billion , $5.2 billion and $5.1 billion as of December 31, 2015 , 2014 and 2013 , respectively, representing earnings of non-U.S. subsidiaries intended to be permanently reinvested. Computation of the potential deferred tax liability associated with these undistributed earnings and other basis differences is not practicable.

The American Taxpayer Relief Act of 2012 (the "Act") was signed into law on January 2, 2013. The Act retroactively restored several expired business tax provisions, including the research and experimentation credit and the Subpart F controlled foreign corporation look-through exception. Because a change in tax law is accounted for in the period of enactment, the retroactive effect of the Act on the Company's U.S. federal taxes for 2012 of a benefit of approximately $32 million was recognized in the first quarter of 2013.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

PURCHASE COMMITMENTS AND OPERATING LEASES

Certain property, machinery and equipment are leased under cancelable and non-cancelable agreements.

Unconditional purchase obligations have been entered into in the ordinary course of business, principally for capital projects and the purchase of certain pulpwood, logs, wood chips, raw materials, energy and services, including fiber supply agreements to purchase pulpwood that were entered into concurrently with the Company's 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.

At December 31, 2015 , total future minimum commitments under existing non-cancelable operating leases and purchase obligations were as follows:

In millions	2016	2017	2018	2019	2020	Thereafter
Lease obligations	$ 118	$ 95	$ 72	$ 55	$ 41	$ 128
Purchase obligations (a)	3,001	541	447	371	358	1,579
Total	**$ 3,119**	**$ 636**	**$ 519**	**$ 426**	**$ 399**	**$ 1,707**

(a) Includes $2.1 billion relating to fiber supply agreements entered into at the time of the Company's 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business.

Rent expense was $170 million , $154 million and $168 million for 2015 , 2014 and 2013 , respectively.

GUARANTEES

In connection with sales of businesses, property, equipment, forestlands and other assets, International Paper commonly makes representations and warranties relating to such businesses or assets, and may agree to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and subject to reasonable estimation, accrued liabilities are recorded at the time of sale as a cost of the transaction.

ENVIRONMENTAL PROCEEDINGS

CERCLA and State Actions

International Paper has been named as a potentially responsible party in environmental remediation actions under various federal and state laws, including the

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Many of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many potential responsible parties. Remediation costs are recorded in the consolidated financial statements when they become probable and reasonably estimable. International Paper has estimated the probable liability associated with these matters to be approximately $93 million in the aggregate as of December 31, 2015 .

Cass Lake: One of the matters included above arises out of a closed wood treating facility located in Cass Lake, Minnesota. During 2009, in connection with an environmental site remediation action under CERCLA, International Paper submitted to the United States Environmental Protection Agency (EPA) a remediation feasibility study. In June 2011, the EPA selected and published a proposed soil remedy at the site with an estimated cost of $46 million . The overall remediation reserve for the site is currently $47 million to address the selection of an alternative for the soil remediation component of the overall site remedy. In October 2011, the EPA released a public statement indicating that the final soil remedy decision would be delayed. In the unlikely event that the EPA changes its proposed soil remedy and approves instead a more expensive clean-up alternative, the remediation costs could be material, and significantly higher than amounts currently recorded. In October 2012, the Natural Resource Trustees for this site provided notice to International Paper and other potentially responsible parties of their intent to perform a Natural Resource Damage Assessment. It is premature to predict the outcome of the assessment or to estimate a loss or range of loss, if any, which may be incurred.

Other Remediation Costs

In addition to the above matters, other remediation costs typically associated with the cleanup of hazardous substances at the Company's current, closed or formerly-owned facilities, and recorded as liabilities in the balance sheet, totaled approximately $46 million as of December 31, 2015 . Other than as described above, completion of required remedial actions is not expected to have a material effect on our consolidated financial statements.

LEGAL PROCEEDINGS

Environmental

Kalamazoo River: The Company is a potentially responsible party (PRP) with respect to the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site in Michigan. The EPA asserts that the site is contaminated by polychlorinated biphenyls (PCBs) primarily as a result of discharges from various paper mills located along the Kalamazoo River, including a paper mill formerly owned by St. Regis Paper Company (St. Regis). The Company is a successor in interest to St. Regis. Although the Company has not received any orders from the EPA, in December 2014, the EPA sent the Company a letter demanding payment of $19 million to reimburse the EPA for costs associated with a Time Critical Removal Action of PCB contaminated sediments from a portion of the site. The Company's CERCLA liability has not been finally determined with respect to this or any other portion of the site and we have declined to reimburse the EPA at this time. As noted below, the Company is involved in allocation/apportionment litigation with regard to the site. Accordingly, it is premature to predict the outcome or estimate our maximum reasonably possible loss with respect to this site. However, we do not believe that any material loss is probable.

The Company was named as a defendant by Georgia-Pacific Consumer Products LP, Fort James Corporation and Georgia Pacific LLC in a contribution and cost recovery action for alleged pollution at the site. The suit seeks contribution under CERCLA for costs purportedly expended by plaintiffs ($79 million as of the filing of the complaint) and for future remediation costs. The suit alleges that a mill, during the time it was allegedly owned and operated by St. Regis, discharged PCB contaminated solids and paper residuals resulting from paper de-inking and recycling. NCR Corporation and Weyerhaeuser Company are also named as defendants in the suit. In mid-2011, the suit was transferred from the District Court for the Eastern District of Wisconsin to the District Court for the Western District of Michigan. The trial of the initial liability phase took place in February 2013. Weyerhaeuser conceded prior to trial that it was a liable party with respect to the site. In September 2013, an opinion and order was issued in the suit. The order concluded that the Company (as the successor to St. Regis) was not an "operator," but was an "owner," of the mill at issue during a portion of the relevant period and is therefore liable under CERCLA. The order also determined that NCR is a liable party as an "arranger for disposal" of PCBs in waste paper that was de-inked and recycled by mills along the Kalamazoo River. The order did not address the Company's responsibility, if any, for past or future costs, which is the subject of a separate trial, in which trial testimony was given between September and December 2015 and post-trial briefing is currently scheduled to be completed in March 2016. The Court has not yet ruled to what extent it will decide responsibility for future costs. We are unable to predict the outcome or estimate our maximum reasonably possible loss. However, we do not believe that any material loss is probable.

Harris County: International Paper and McGinnis Industrial Maintenance Corporation, a subsidiary of

Waste Management, Inc., are PRPs at the San Jacinto River Waste Pits Superfund Site (San Jacinto River Superfund Site) in Harris County, Texas, and have been actively participating in investigation and remediation activities at this Superfund Site. In December 2011, Harris County, Texas filed a suit against the Company seeking civil penalties with regard to the alleged discharge of dioxin into the San Jacinto River from waste impoundments that are part of the San Jacinto River Superfund Site. In November 2014, International Paper secured a zero liability jury verdict. Harris County appealed the verdict in April 2015, and that appeal is pending. The Company is also defending an additional lawsuit related to the San Jacinto River Superfund Site brought by approximately 400 individuals who allege property damage and personal injury. Because this case is still in the discovery phase, it is premature to predict the outcome or to estimate a loss or range of loss, if any, which may be incurred.

Antitrust

Containerboard: In September 2010, eight containerboard producers, including International Paper and Temple-Inland, were named as defendants in a purported class action complaint that alleged a civil violation of Section 1 of the Sherman Act. The suit is captioned *Kleen Products LLC v. International Paper Co. (N.D. Ill.)* . The complaint alleges that the defendants, beginning in February 2004 through November 2010, conspired to limit the supply and thereby increase prices of containerboard products. The class is all persons who purchased containerboard products directly from any defendant for use or delivery in the United States during the period February 2004 to November 2010. The complaint seeks to recover an unspecified amount of treble actual damages and attorneys' fees on behalf of the purported class. Four similar complaints were filed and have been consolidated in the Northern District of Illinois. In March 2015, the District Court certified a class of direct purchasers of containerboard products; in June 2015, the United States Court of Appeals for the Seventh Circuit granted the defendants' petition to appeal and the class certification issue is now pending in that court. In June 2015, International Paper and Temple-Inland were named as defendants in a lawsuit captioned Del Monte Fresh Products N.A., Inc. v. Packaging Corporation of America (S.K. Fl.), in which the Plaintiff asserts substantially similar allegations to those raised in the Kleen Products LLC action. Pursuant to a tolling agreement signed by all parties, the case was voluntarily dismissed without prejudice in November 2015. Moreover, in January 2011, International Paper was named as a defendant in a lawsuit filed in state court in Cocke County, Tennessee alleging that International Paper violated Tennessee law by conspiring to limit the supply and fix the prices of containerboard from mid-2005 to the present. Plaintiffs in the state court action seek certification of a class of Tennessee indirect purchasers of containerboard products, damages and costs, including attorneys' fees. No class certification materials have been filed to date in the Tennessee action. The Company disputes the allegations made and is vigorously defending each action. However, because the Kleen Products LLC action is in the discovery stage and the Tennessee action is in a preliminary stage, we are unable to predict an outcome or estimate a range of reasonably possible loss.

Gypsum: Beginning in late December 2012, certain purchasers of gypsum board filed a number of purported class action complaints alleging civil violations of Section 1 of the Sherman Act against Temple-Inland and a number of other gypsum manufacturers. The complaints were similar and alleged that the gypsum manufacturers conspired or otherwise reached agreements to: (1) raise prices of gypsum board either from 2008 or 2011 through the present; (2) avoid price erosion by ceasing the practice of issuing job quotes; and (3) restrict supply through downtime and limiting order fulfillment. On April 8, 2013, the Judicial Panel on Multidistrict Litigation ordered transfer of all pending cases to the U.S. District Court for the Eastern District of Pennsylvania for coordinated and consolidated pretrial proceedings, and the direct purchaser plaintiffs and indirect purchaser plaintiffs filed their respective amended consolidated complaints in June 2013. The amended consolidated complaints alleged a conspiracy or agreement beginning on or before September 2011. The alleged classes were all persons who purchased gypsum board directly or indirectly from any defendant. The complainants seek to recover unspecified treble actual damages and attorneys' fees on behalf of the purported classes. In February 2015, we executed a definitive agreement to settle these cases for an immaterial amount, and this settlement received final court approval and was paid in the third quarter of 2015.

In March 2015, several homebuilders filed an antitrust action in the United States District Court for the Northern District of California alleging that they purchased gypsum board and making similar allegations to those contained in the above settled proceeding. That lawsuit was transferred by the Judicial Panel on Multidistrict Litigation to the Eastern District of Pennsylvania. The homebuilders filed a notice to opt out of the class settlements and recently amended their complaint to assert that the alleged conspiracy or conspiracies continued into 2015. The Company intends to dispute the allegations made and to vigorously defend that lawsuit.

In addition, in September 2013, similar purported class actions were filed in courts in Quebec, Canada and Ontario, Canada, with each suit alleging violations of the Canadian Competition Act and seeking damages and injunctive relief. In April 2015, a similar class action was filed in British Columbia, Canada. In May 2015, we reached an agreement in principle to settle these Canadian cases for an immaterial amount. In November 2015, a definitive settlement agreement was executed and is subject to court approval.

Tax

On October 16, 2015, the Company was notified of a $92 million tax assessment issued by the state of Sao Paulo, Brazil for tax years 2011 through 2013. The assessment pertains to invoices issued by the Company related to the sale of paper to the editorial segment, which is exempt from the payment of ICMS value-added tax. This assessment is in the preliminary stage. The Company does not believe that a material loss is probable.

General

The Company is involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, labor and employment, contracts, sales of property, intellectual property, personal injury and other matters, some of which allege substantial monetary damages. While any proceeding or litigation has the element of uncertainty, the Company believes that the outcome of any of these lawsuits or claims that are pending or threatened or all of them combined (other than those that cannot be assessed due to their preliminary nature) will not have a material effect on its consolidated financial statements.

NOTE 12 VARIABLE INTEREST ENTITIES

In connection with the 2006 sale of approximately 5.6 million acres of forestlands, International Paper received installment notes (the Timber Notes) totaling approximately $4.8 billion . The Timber Notes, which do not require principal payments prior to their maturity which was originally August 2016 , are supported by irrevocable letters of credit obtained by the buyers of the forestlands.

During 2006, International Paper contributed the Timber Notes to newly formed special purpose entities (the Borrower Entities) in exchange for Class A and Class B interests in these entities. Subsequently, International Paper contributed its $200 million Class A interests in the Borrower Entities, along with approximately $400 million of International Paper promissory notes, to other newly formed special purpose entities (the Investor Entities, and together with the Borrower Entities, the Entities) in exchange for Class A and Class B interests in these entities, and simultaneously sold its Class A interest in the Investor Entities to a third party investor. As a result, at December 31, 2006, International Paper held Class B interests in the Borrower Entities and Class B interests in the Investor Entities valued at approximately $5.0 billion . International Paper did not provide any financial support that was not previously contractually required for the years ended December 31, 2015, 2014 , or 2013 .

Following the 2006 sale of forestlands and creation of the Entities discussed above, the Timber Notes were used as collateral for borrowings from third party lenders, which effectively monetized the Timber Notes.

Also during 2006, the Entities acquired approximately $4.8 billion of International Paper debt obligations for cash, resulting in a total of approximately $5.2 billion of International Paper debt obligations held by the Entities at December 31, 2006. The various agreements entered into in connection with these transactions provided that International Paper had, and intended to effect, a legal right to offset its obligation under these debt instruments with its investments in the Entities. Accordingly, for financial reporting purposes, International Paper had offset approximately $5.2 billion of Class B interests in the Entities against $5.3 billion of International Paper debt obligations held by these Entities at December 31, 2014 , and despite the offset treatment, these remained debt obligations of International Paper. Remaining borrowings of $50 million are included in Long-term debt in the accompanying consolidated balance sheet at December 31, 2014 . Additional debt related to the above transaction of $107 million is included in Notes payable and current maturities of long-term debt at December 31, 2014 .

The use of the Entities facilitated the monetization of the credit enhanced Timber Notes in a cost effective manner by increasing borrowing capacity and lowering the interest rate, while providing for the offset accounting treatment described above. Additionally, the monetization structure preserved the $1.4 billion tax deferral that resulted from the 2006 forestlands sales.

Based on an analysis of the Entities under ASC 810, "Consolidation," that considers the potential magnitude of the variability in the structures and which party has a controlling financial interest, International Paper determined that it was not the primary beneficiary of the Entities at December 31, 2014, and therefore, did not consolidate its investments in the Entities. The Company also determined that the source of variability in the structures is the value of the Timber Notes, the assets most significantly impacting the structures' economic performance. The credit quality of the Timber Notes is supported by irrevocable letters of credit obtained by the Timber Note issuers. International Paper analyzed which party had control over the economic performance of each Entity, and concluded International Paper did not have control over significant decisions surrounding the Timber Notes and letters of credit and therefore was not the primary beneficiary at December 31, 2014. The Company's maximum exposure to loss at December 31, 2014 equaled the principal amount of the Timber Notes; however, an analysis performed by the Company concluded the likelihood of this exposure was remote.

During the third quarter of 2015, we initiated a series of actions in order to extend the 2006 monetization structure and maintain the long-term nature of the $1.4 billion deferred tax liability. First, International Paper acquired the Class A interests in the Investor Entities from a third party for $198 million in cash. As a result, International Paper became the owner of all of the Class A and Class B interests in the Entities and became the primary beneficiary of the Entities. The assets and liabilities of the Entities, primarily consisting of the Timber Notes and third party bank loans, were recorded at fair value as of the acquisition date of the Class A interests.

Subsequent to purchasing the Class A interests in the Investor Entities, International Paper restructured the Entities, which resulted in the formation of wholly-owned, bankruptcy-remote special purpose entities (the 2015 Financing Entities). As part of the restructuring, the Timber Notes held by the Borrower Entities, subject to the third party bank loans, were contributed to the 2015 Financing Entities along with approximately $150 million in International Paper debt obligations, approximately $600 million in cash and approximately $130 million in demand loans from International Paper, and certain Entities were liquidated. As a result of these transactions, International Paper began consolidating the 2015 Financing Entities during the third quarter of 2015. Also, during the third quarter of 2015, the 2015 Financing Entities used $630 million in cash to pay down a portion of the third party bank loans and refinanced approximately $4.2 billion of those loans on nonrecourse terms (the 2015 Refinance Loans).

During the fourth quarter of 2015, International Paper extended the maturity date on the Timber Notes for an additional five years. The Timber Notes are shown in Financial assets of special purpose entities on the accompanying consolidated balance sheet and mature in August 2021 unless extended for an additional five years. These notes are supported by approximately $4.8 billion of irrevocable letters of credit. In addition, the Company extinguished the 2015 Refinance Loans scheduled to mature in May 2016 and entered into new nonrecourse third party bank loans totaling approximately $4.2 billion (the Extension Loans). Provisions of loan agreements related to approximately $1.1 billion of the Extension Loans require the bank issuing letters of credit supporting the Timber Notes pledged as collateral to maintain a credit rating at or above a specified threshold. In the event the credit rating of the letter of credit bank is downgraded below the specified threshold, the letters of credit must be replaced within 60 days with letters of credit from a qualifying financial institution. The Extension Loans are shown in Nonrecourse financial liabilities of special purpose entities on the accompanying consolidated balance sheet and mature in the fourth quarter of 2020 . The extinguishment of the 2015 Refinance Loans of approximately $4.2 billion and the issuance of the Extension Loans of approximately $4.2 billion are shown as part of reductions of debt and issuances of debt, respectively, in the financing activities of the consolidated statement of cash flows.

The Extension Loans are nonrecourse to the Company, and are secured by approximately $4.8 billion of Timber Notes, the irrevocable letters of credit supporting the Timber Notes and approximately $150 million of International Paper debt obligations. The $150 million of International Paper debt obligations are eliminated in the consolidation of the 2015 Financing Entities and are not reflected in the Company's consolidated balance sheet.

The purchase of the Class A interests and subsequent restructuring described above facilitated the refinancing and extensions of the third party bank loans on nonrecourse terms. The transactions described in these paragraphs result in continued long-term classification of the $1.4 billion deferred tax liability recognized in connection with the 2006 forestlands sale.

As of December 31, 2015, the fair value of the Timber Notes and Extension Loans is $4.68 billion and $4.28 billion , respectively. The Timber Notes and Extension Loans are classified as Level 2 within the fair value hierarchy, which is further defined in Note 14.

Activity between the Company and the 2015 Financing Entities (the Entities prior to the purchase of the Class A interest discussed above) was as follows:

In millions	**2015**	2014	2013
Revenue (a)	**$ 43**	$ 38	$ 45
Expense (a)	**81**	72	79
Cash receipts (b)	**21**	22	33
Cash payments (c)	**71**	73	84

(a) The net expense related to the Company's interest in the Entities is included in the accompanying consolidated statement of operations, as International Paper has and intends to effect its legal right to offset as discussed above. After formation of the 2015 Financing Entities, the revenue and expense are included in Interest expense, net in the accompanying consolidated statement of operations.

(b) The cash receipts are equity distributions from the Entities to International Paper prior to the formation of the 2015 Financing Entities. After formation of the 2015 Financing Entities, cash receipts are interest received on the Financial assets of special purpose entities.

(c) The cash payments are interest payments on the associated debt obligations discussed above. After formation of the 2015 Financing Entities, the payments represent interest paid on Nonrecourse financial liabilities of special purpose entities.

In connection with the acquisition of Temple-Inland in February 2012, two special purpose entities became wholly-owned subsidiaries of International Paper.

The use of the two wholly-owned special purpose entities discussed below preserved the tax deferral that resulted from the 2007 Temple-Inland timberlands sales. The Company recognized an $840 million deferred tax liability in connection with the 2007 sales, which will be settled with the maturity of the notes in 2027.

In October 2007, Temple-Inland sold 1.55 million acres of timberland for $2.38 billion . The total consideration consisted almost entirely of notes due in 2027 issued by the buyer of the timberland, which Temple-Inland contributed to two wholly-owned, bankruptcy-remote special purpose entities. The notes are shown in Financial assets of special purpose entities in the accompanying consolidated balance sheet and are supported by $2.38 billion of irrevocable letters of credit issued by three banks, which are required to maintain minimum credit ratings on their long-term debt. In the third quarter of 2012, International Paper completed its preliminary analysis of the acquisition date fair value of the notes and determined it to be $2.09 billion . As of December 31, 2015 and 2014, the fair value of the notes was $2.10 billion and $2.27 billion , respectively. These notes are classified as Level 2 within the fair value hierarchy, which is further defined in Note 14 .

In December 2007, Temple-Inland's two wholly-owned special purpose entities borrowed $2.14 billion shown in Nonrecourse financial liabilities of special purpose entities. The loans are repayable in 2027 and are secured only by the $2.38 billion of notes and the irrevocable letters of credit securing the notes and are nonrecourse to us. The loan agreements provide that if a credit rating of any of the banks issuing the letters of credit is downgraded below the specified threshold, the letters of credit issued by that bank must be replaced within 30 days with letters of credit from another qualifying financial institution. In the third quarter of 2012, International Paper completed its preliminary analysis of the acquisition date fair value of the borrowings and determined it to be $2.03 billion . As of December 31, 2015 and 2014, the fair value of this debt was $1.97 billion and $2.16 billion , respectively. This debt is classified as Level 2 within the fair value hierarchy, which is further defined in Note 14 .

Activity between the Company and the 2007 financing entities was as follows:

In millions	**2015**	2014	2013
Revenue (a)	**$ 27**	$ 26	$ 27
Expense (b)	**27**	25	29
Cash receipts (c)	**7**	7	8
Cash payments (d)	**18**	18	21

(a) The revenue is included in Interest expense, net in the accompanying consolidated statement of operations and includes approximately $19 million , $19 million and $19 million for the years ended December 31, 2015, 2014 and 2013, respectively, of accretion income for the amortization of the purchase accounting adjustment on the Financial assets of special purpose entities.

(b) The expense is included in Interest expense, net in the accompanying consolidated statement of operations and includes approximately $7 million , $7 million and $7 million for the years ended December 31, 2015, 2014 and 2013, respectively, of accretion expense for the amortization of the purchase accounting adjustment on the Nonrecourse financial liabilities of special purpose entities.

(c) The cash receipts are interest received on the Financial assets of special purpose entities.

(d) The cash payments are interest paid on Nonrecourse financial liabilities of special purpose entities.

NOTE 13 DEBT AND LINES OF CREDIT

In 2015, International Paper issued $700 million of 3.80% senior unsecured notes with a maturity date in 2026 , $600 million of 5.00% senior unsecured notes with a maturity date in 2035 , and $700 million of 5.15% senior unsecured notes with a maturity date in 2046 . The proceeds from this borrowing were used to repay approximately $1.0 billion of notes with interest rates ranging from 4.75% to 9.38% and original maturities from 2018 to 2022 , along with $211 million of cash premiums associated with the debt repayments. Additionally, the proceeds from this borrowing were used to make a $750 million voluntary cash contribution to the Company's pension plan. Pre-tax early debt retirement costs of $207 million related to the debt repayments, including the $211 million of cash premiums, are included in restructuring and other charges in the accompanying consolidated statement of operations for the twelve months ended December 31, 2015.

During the second quarter of 2014, International Paper issued $800 million of 3.65% senior unsecured notes with a maturity date in 2024 and $800 million of 4.80% senior unsecured notes with a maturity date in 2044 . The proceeds from this borrowing were used to repay approximately $960 million of notes with interest rates ranging from 7.95% to 9.38% and original maturities from 2018 to 2019 . Pre-tax early debt retirement costs of $262 million related to these debt repayments, including $258 million of cash premiums, are included in Restructuring and other charges in the accompanying consolidated statement of operations for the twelve months ended December 31, 2014.

Amounts related to early debt extinguishment during the years ended December 31, 2015, 2014 and 2013 were as follows:

In millions	2015	2014	2013
Debt reductions (a)	$ 2,151	$ 1,625	$ 574
Pre-tax early debt extinguishment costs (b)	207	276	25

(a) *Reductions related to notes with interest rates ranging from 2.00% to 9.38% with original maturities from 2014 to 2031 for the years ended December 31, 2015 , 2014 and 2013 . Includes the $630 million payment for a portion of the Special Purpose Entity Liability (see Note 12 Variable Interest Entities).*
(b) *Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.*

A summary of long-term debt follows:

In millions at December 31	2015	2014
8.7% note – due 2038	$ 264	$ 264
9 3/8% note – due 2019	295	420
7.95% debentures – due 2018	648	903
7.5% note – due 2021	603	979
7.3% notes – due 2039	721	721
6 7/8% notes – due 2023 – 2029	131	131
6.65% note – due 2037	4	4
6.4% to 7.75% debentures due 2025 – 2027	142	142
6 3/8% to 6 5/8% notes – due 2016 – 2018	185	358
6.0% notes – due 2041	585	585
5.25% to 5.3% notes – due 2015 – 2016	261	457
5.00% to 5.15% – due 2035 – 2046	1,280	—
4.8% notes - due 2044	796	796
4.75% notes – due 2022	817	896
3.65% to 3.80% notes – due 2024 – 2026	1,490	797
Floating rate notes – due 2015 – 2025 (a)	438	271
Environmental and industrial development bonds – due 2015 – 2035 (b)	594	950
Short-term notes (c)	5	424
Other (d)	67	275
Total (e)	9,326	9,373
Less: current maturities	426	742
Long-term debt	$ 8,900	$ 8,631

(a) *The weighted average interest rate on these notes was 2.9% in 2015 and 2.8% in 2014 .*
(b) *The weighted average interest rate on these bonds was 5.8% in 2015 and 5.7% in 2014 .*
(c) *The weighted average interest rate was 2.2% in 2015 and 2.6% in 2014 . Includes $5 million at December 31, 2015 and $91 million at December 31, 2014 related to non-U.S. denominated borrowings with a weighted average interest rate of 2.2% in 2015 and 7.2% in 2014 .*
(d) *Includes $8 million at December 31, 2015 and $20 million at December 31, 2014 related to the unamortized gain on interest rate swap unwinds (see Note 14 Derivatives and Hedging Instruments).*
(e) *The fair market value was approximately $9.9 billion at December 31, 2015 and $10.6 billion at December 31, 2014.*

Total maturities of long-term debt over the next five years are 2016 – $426 million ; 2017 – $43 million ; 2018 – $811 million ; 2019 – $427 million ; and 2020 – $183 million .

At December 31, 2015, International Paper's credit facilities (the Agreements) totaled $2.1 billion . The Agreements generally provide for interest rates at a floating rate index plus a pre-determined margin dependent upon International Paper's credit rating. The Agreements include a $1.5 billion contractually committed bank facility that expires in August 2019 and has a facility fee of 0.15% payable annually. The liquidity facilities also include up to $600 million of uncommitted financings based on eligible receivables balances (approximately $600 million available as of December 31, 2015) under a receivables securitization program that expires in December 2016 . At December 31, 2015, there were no borrowings under either the bank facility or receivables securitization program.

Maintaining an investment grade credit rating is an important element of International Paper's financing strategy. At December 31, 2015, the Company held long-term credit ratings of BBB (stable outlook) and Baa2 (stable outlook) by S&P and Moody's, respectively.

NOTE 14 DERIVATIVES AND HEDGING ACTIVITIES

International Paper periodically uses derivatives and other financial instruments to hedge exposures to interest rate, commodity and currency risks. International Paper does not hold or issue financial instruments for trading purposes. For hedges that meet the hedge accounting criteria, International Paper, at inception, formally designates and documents the instrument as a fair value hedge, a cash flow hedge or a net investment hedge of a specific underlying exposure.

INTEREST RATE RISK MANAGEMENT

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in interest expense. For cash flow hedges, the effective portion of the changes in the fair value of the hedging instrument is reported in Accumulated other comprehensive income (“AOCI”) and reclassified into interest expense over the life of the underlying debt. The ineffective portion for both cash flow and fair value hedges, which is not material for any year presented, is immediately recognized in earnings.

FOREIGN CURRENCY RISK MANAGEMENT

We manufacture and sell our products and finance operations in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. The purpose of our foreign currency hedging program is to manage the volatility associated with the changes in exchange rates.

To manage this exchange rate risk, we have historically utilized a combination of forward contracts, options and currency swaps. Contracts that qualify are designated as cash flow hedges of certain forecasted transactions denominated in foreign currencies. The effective portion of the changes in fair value of these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings.

The change in value of certain non-qualifying instruments used to manage foreign exchange exposure of intercompany financing transactions and certain balance sheet items subject to revaluation is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

COMMODITY RISK MANAGEMENT

Certain raw materials used in our production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility in earnings due to price fluctuations, we may utilize swap contracts or forward purchase contracts.

Derivative instruments are reported in the consolidated balance sheets at their fair values, unless the derivative instruments qualify for the normal purchase normal sale ("NPNS") exception under GAAP and such exception has been elected. If the NPNS exception is elected, the fair values of such contracts are not recognized on the balance sheet.

Contracts that qualify are designated as cash flow hedges of forecasted commodity purchases. The effective portion of the changes in fair value for these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transactions affect earnings. The ineffective and non-qualifying portions, which are not material for any year presented, are immediately recognized in earnings.

The change in the fair value of certain non-qualifying instruments used to reduce commodity price volatility is immediately recognized in earnings.

The notional amounts of qualifying and non-qualifying instruments used in hedging transactions were as follows:

In millions	**December 31, 2015**	December 31, 2014
Derivatives in Cash Flow Hedging Relationships:		
Foreign exchange contracts (Sell / Buy; denominated in sell notional): (a)		
Brazilian real / U.S. dollar - Forward	**—**	166
British pounds / Brazilian real - Forward	**—**	5
European euro / Brazilian real - Forward	**—**	9
European euro / Polish zloty - Forward	**260**	280
Mexican peso / U.S. dollar - Forward	**136**	—
U.S. dollar / Brazilian real - Forward	**—**	125
Derivatives in Fair Value Hedging Relationships:		
Interest rate contracts (in USD)	**17**	230
Derivatives Not Designated as Hedging Instruments:		
Electricity contract (in Megawatt Hours)	**1**	—
Foreign exchange contracts (Sell / Buy; denominated in sell notional):		
European euro / British pounds	**25**	—
Indian rupee / U.S. dollar	**49**	43
Mexican peso / U.S. dollar	**131**	187
U.S. dollar / Brazilian real	**—**	11
Interest rate contracts (in USD)	**38**	—

(a) These contracts had maturities of three years or less as of December 31, 2015 .

The following table shows gains or losses recognized in AOCI, net of tax, related to derivative instruments:

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		
In millions	**2015**	2014	2013
Foreign exchange contracts	**$ (3)**	$ 10	$ —
Total	**$ (3)**	$ 10	$ —

During the next 12 months , the amount of the December 31, 2015 AOCI balance, after tax, that is expected to be reclassified to earnings is a gain of $ 3 million .

The amounts of gains and losses recognized in the consolidated statement of operations on qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
In millions	**2015**	2014	2013	
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange contracts	**$ (12)**	$ 4	$ 7	Cost of products sold
Total	**$ (12)**	$ 4	$ 7	

	Gain (Loss) Recognized in Income			Location of Gain (Loss) in Consolidated Statement of Operations
In millions	**2015**	2014	2013	
Derivatives in Fair Value Hedging Relationships:				
Interest rate contracts	**$ 3**	$ 1	$ (1)	Interest expense, net
Debt	**(3)**	(1)	1	Interest expense, net
Total	**$ —**	$ —	$ —	
Derivatives Not Designated as Hedging Instruments:				
Electricity Contracts	**$ (7)**	$ (2)	$ 4	Cost of products sold
Embedded derivatives	**—**	—	(1)	Interest expense, net
Foreign exchange contracts	**(4)**	(1)	(5)	Cost of products sold
Interest rate contracts	**13 (a)**	12 (b)	21	Interest expense, net
Total	**$ 2**	$ 9	$ 19	

(a) Excluding gain of $3 million related to debt reduction recorded to Restructuring and other charges.
(b) Excluding gain of $7 million , net related to debt issuance and debt reduction recorded to Restructuring and other charges.

The following activity is related to fully effective interest rate swaps designated as fair value hedges:

	2015			2014		
In millions	**Issued**	**Terminated**	**Undesignated**	Issued	Terminated	Undesignated
Second Quarter	**$ —**	**$ 175**	**$ 38**	$ —	$ —	$ —
First Quarter	**—**	**—**	**—**	55	—	—
Total	**$ —**	**$ 175**	**$ 38**	$ 55	$ —	$ —

Fair Value Measurements

International Paper's financial assets and liabilities that are recorded at fair value consist of derivative contracts, including interest rate swaps, foreign currency forward contracts, and other financial instruments that are used to hedge exposures to interest rate, commodity and currency risks. In addition, a consolidated subsidiary of International Paper has an embedded derivative. For these financial instruments and the embedded derivative, fair value is determined at each balance sheet date using an income approach.

The guidance for fair value measurements and disclosures sets out a fair value hierarchy that groups fair value measurement inputs into the following three classifications:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability reflecting the reporting entity's own assumptions or external inputs from inactive markets.

Transfers between levels are recognized at the end of the reporting period. All of International Paper's derivative fair value measurements use Level 2 inputs.

Below is a description of the valuation calculation and the inputs used for each class of contract:

Interest Rate Contracts

Interest rate contracts are valued using swap curves obtained from an independent market data provider. The market value of each contract is the sum of the fair value of all future interest payments between the contract counterparties, discounted to present value. The fair value of the future interest payments is determined by comparing the contract rate to the derived forward interest rate and present valued using the appropriate derived interest rate curve.

Foreign Exchange Contracts

Foreign currency forward contracts are valued using foreign currency forward and interest rate curves obtained from an independent market data provider. The fair value of each contract is determined by comparing the contract rate to the forward rate. The fair value is present valued using the applicable interest rate from an independent market data provider.

Electricity Contract

The electricity contract is valued using the Mid-C index forward curved obtained from the Intercontinental Exchange. The market value of the contract is the sum of the fair value of all future purchase payments between the contract counterparties, discounted to present value. The fair value of the future purchase payments is determined by comparing the contract price to the forward price and present valued using International Paper's cost of capital.

Embedded Derivative

Embedded derivatives are valued using a hypothetical interest rate derivative with identical terms. The hypothetical interest rate derivative contracts are fair valued as described above under Interest Rate Contracts.

Since the volume and level of activity of the markets that each of the above contracts are traded in has been normal, the fair value calculations have not been adjusted for inactive markets or disorderly transactions.

The following table provides a summary of the impact of our derivative instruments in the consolidated balance sheet:

Fair Value Measurements
Level 2 – Significant Other Observable Inputs

	Assets		Liabilities	
In millions	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Derivatives designated as hedging instruments				
Foreign exchange contracts – cash flow	**$ 5 (a)**	$ 16 (b)	**$ 1 (c)**	$ 14 (c)
Total derivatives designated as hedging instruments	**$ 5**	$ 16	**$ 1**	$ 14
Derivatives not designated as hedging instruments				
Electricity contract	**$ —**	$ —	**$ 7 (d)**	$ 2 (c)
Foreign exchange contracts	**—**	1 (a)	**—**	2 (c)
Total derivatives not designated as hedging instruments	**$ —**	$ 1	**$ 7**	$ 4
Total derivatives	**$ 5**	$ 17	**$ 8**	$ 18

(a) Included in Other current assets in the accompanying consolidated balance sheet.

(b) Includes $14 million recorded in Other current assets and $2 million recorded in Deferred charges and other assets in the accompanying consolidated balance sheet.
(c) Included in Other accrued liabilities in the accompanying consolidated balance sheet.
(d) Includes $4 million recorded in Other accrued liabilities and $3 million recorded in Other liabilities in the accompanying consolidated balance sheet.

The above contracts are subject to enforceable master netting arrangements that provide rights of offset with each counterparty when amounts are payable on the same date in the same currency or in the case of certain specified defaults. Management has made an accounting policy election to not offset the fair value of recognized derivative assets and derivative liabilities in the consolidated balance sheet. The amounts owed to the counterparties and owed to the Company are considered immaterial with respect to each counterparty and in the aggregate with all counterparties.

Credit-Risk-Related Contingent Features

International Paper evaluates credit risk by monitoring its exposure with each counterparty to ensure that exposure stays within acceptable policy limits. Credit risk is also mitigated by contractual provisions with the majority of our banks. Certain of the contracts include a credit support annex that requires the posting of collateral by the counterparty or International Paper based on each party's rating and level of exposure. Based on the Company's current credit rating, the collateral threshold is generally $15 million .

If the lower of the Company's credit rating by Moody's or S&P were to drop below investment grade, the Company would be required to post collateral for all of its derivatives in a net liability position, although no derivatives would terminate. The fair values of derivative instruments containing credit-risk-related contingent features in a net liability position were $1 million as of December 31, 2015 and December 31, 2014 , respectively. The Company was not required to post any collateral as of December 31, 2015 or 2014 .

NOTE 15 CAPITAL STOCK

The authorized capital stock at both December 31, 2015 and 2014 , consisted of 990,850,000 shares of common stock, $1 par value; 400,000 shares of cumulative $4 preferred stock, without par value (stated value $100 per share); and 8,750,000 shares of serial preferred stock, $1 par value. The serial preferred stock is issuable in one or more series by the Board of Directors without further shareholder action.

The following is a rollforward of shares of common stock for the three years ended December 31, 2015 , 2014 and 2013 :

	Common Stock	
In thousands	Issued	Treasury
Balance at January 1, 2013	439,894	13
Issuance of stock for various plans, net	7,328	(533)
Repurchase of stock	—	11,388
Balance at December 31, 2013	447,222	10,868
Issuance of stock for various plans, net	1,632	(4,668)
Repurchase of stock	—	22,534
Balance at December 31, 2014	448,854	28,734
Issuance of stock for various plans, net	**62**	**(4,230)**
Repurchase of stock	**—**	**12,272**
Balance at December 31, 2015	**448,916**	**36,776**

NOTE 16 RETIREMENT PLANS

International Paper sponsors and maintains the Retirement Plan of International Paper Company (the "Pension Plan"), a tax-qualified defined benefit pension plan that provides retirement benefits to substantially all U.S. salaried employees and hourly employees (receiving salaried benefits) hired prior to July 1, 2004, and substantially all other U.S. hourly and union employees who work at a participating business unit regardless of hire date. These employees generally are eligible to participate in the Pension Plan upon attaining 21 years of age and completing one year of eligibility service. U.S. salaried employees and hourly employees (receiving salaried benefits) hired after June 30, 2004 are not eligible to participate in the Pension Plan, but receive a company contribution to their individual savings plan accounts (see Other U.S. Plans); however, salaried employees hired by Temple Inland prior to March 1, 2007 also participate in the Pension Plan. The Pension Plan provides defined pension benefits based on years of credited service and either final average earnings (salaried employees and hourly employees receiving salaried benefits), hourly job rates or specified benefit rates (hourly and union employees).

In connection with the Temple-Inland acquisition in February 2012, International Paper assumed administrative responsibility for the Temple-Inland Retirement Plan, a defined benefit plan which covers substantially all employees of Temple-Inland. The Temple-Inland Retirement Plan merged with the Retirement Plan of International Paper Company on December 31, 2014.

The Company also has three unfunded nonqualified defined benefit pension plans: a Pension Restoration Plan available to employees hired prior to July 1, 2004 that provides retirement benefits based on eligible compensation in excess of limits set by the Internal Revenue Service, and two supplemental retirement plans for senior managers (SERP), which is an alternative retirement plan for salaried employees who are senior vice presidents and above or who are designated by the chief executive officer as participants. These nonqualified plans are only funded to the extent of benefits paid, which totaled $62 million , $38 million and $28 million in 2015 , 2014 and 2013 , respectively, and which are expected to be $22 million in 2016 .

The Company will freeze participation, including credited service and compensation, for salaried employees under the Pension Plan, the Pension Restoration Plan and the two SERP plans for all service on or after January 1, 2019. Credited service was previously frozen for the Temple Retirement Plans. This change will not affect benefits accrued through December 31, 2018. For service after this date, employees affected by the freeze will receive Retirement Savings Account contributions as described later in this Note 16 .

Many non-U.S. employees are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes.

OBLIGATIONS AND FUNDED STATUS

The following table shows the changes in the benefit obligation and plan assets for 2015 and 2014 , and the plans' funded status. The U.S. combined benefit obligation as of December 31, 2015 decreased by $302 million , due to an increase in the discount rate assumption used in computing the estimated benefit obligation partially offset by updated demographic assumptions. Our mortality assumption for the year ended December 31, 2014 reflects adoption of the newly issued Society of Actuaries longevity improvement sale, with Company specific adjustments. U.S. plan assets increased by $5 million , primarily reflecting a $750 million qualified pension contribution in 2015 offset by benefit payments.

	2015		2014	
In millions	**U.S. Plans**	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	**$ 14,741**	**$ 233**	$ 12,903	$ 228
Service cost	**161**	**6**	145	5
Interest cost	**597**	**10**	600	13
Curtailments	**—**	**—**	—	(4)
Settlements	**(43)**	**(12)**	—	—
Actuarial loss (gain)	**(254)**	**(1)**	1,755	12
Divestitures	**—**	**—**	(23)	—
Other	**—**	**—**	—	12
Plan amendments	**—**	**—**	133	—
Benefits paid	**(764)**	**(7)**	(772)	(13)
Effect of foreign currency exchange rate movements	**—**	**(25)**	—	(20)
Benefit obligation, December 31	**$ 14,438**	**$ 204**	$ 14,741	$ 233
Change in plan assets:				
Fair value of plan assets, January 1	**$ 10,918**	**$ 180**	$ 10,706	$ 181
Actual return on plan assets	**(1)**	**4**	593	13
Company contributions	**813**	**9**	391	8
Benefits paid	**(764)**	**(7)**	(772)	(13)
Settlements	**(43)**	**(12)**	—	—
Other	**—**	**—**	—	6
Effect of foreign currency exchange rate movements	**—**	**(19)**	—	(15)
Fair value of plan assets, December 31	**$ 10,923**	**$ 155**	$ 10,918	$ 180
Funded status, December 31	**$ (3,515)**	**$ (49)**	$ (3,823)	$ (53)
Amounts recognized in the consolidated balance sheet:				
Non-current asset	**$ —**	**$ 7**	$ —	$ 8
Current liability	**(22)**	**(2)**	(62)	(3)
Non-current liability	**(3,493)**	**(54)**	(3,761)	(58)
	$ (3,515)	**$ (49)**	$ (3,823)	$ (53)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Prior service cost	**$ 166**	**$ —**	$ 209	$ —
Net actuarial loss	**4,899**	**42**	4,812	40
	$ 5,065	**$ 42**	$ 5,021	$ 40

The components of the $44 million and $2 million increase related to U.S. plans and non-U.S. plans, respectively, in the amounts recognized in OCI during 2015 consisted of:

In millions	U.S. Plans	Non-U.S. Plans
Current year actuarial (gain) loss	**$ 530**	**$ 5**
Amortization of actuarial loss	**(428)**	**(1)**
Amortization of prior service cost	**(43)**	**—**
Settlements	**(15)**	**—**
Effect of foreign currency exchange rate movements	**—**	**(2)**
	$ 44	**$ 2**

The accumulated benefit obligation at December 31, 2015 and 2014 was $14.3 billion and $14.6 billion , respectively, for our U.S. defined benefit plans and $189 million and $208 million , respectively, at December 31, 2015 and 2014 for our non-U.S. defined benefit plans.

The following table summarizes information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2015 and 2014 :

	2015		2014	
In millions	**U.S. Plans**	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	**$ 14,438**	**$ 182**	$ 14,741	$ 196
Accumulated benefit obligation	**14,282**	**168**	14,559	176
Fair value of plan assets	**10,923**	**126**	10,918	135

ASC 715, "Compensation – Retirement Benefits" provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets and other assumption changes. These net gains and losses are recognized prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans to the extent that they are not offset by gains in subsequent years. The estimated net loss and prior service cost that will be amortized from AOCI into net periodic pension cost for the U.S. plans during the next fiscal year are expected to be $374 million and $41 million , respectively.

NET PERIODIC PENSION EXPENSE

Service cost is the actuarial present value of benefits attributed by the plans' benefit formula to services rendered by employees during the year. Interest cost represents the increase in the projected benefit obligation, which is a discounted amount, due to the passage of time. The expected return on plan assets reflects the computed amount of current-year earnings from the investment of plan assets using an estimated long-term rate of return.

Net periodic pension expense for qualified and nonqualified U.S. and non-U.S. defined benefit plans comprised the following:

	2015		2014		2013	
In millions	**U.S. Plans**	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	**$ 161**	**$ 6**	$ 145	$ 5	$ 188	$ 4
Interest cost	**597**	**10**	600	13	576	11
Expected return on plan assets	**(783)**	**(11)**	(762)	(14)	(738)	(11)
Actuarial loss / (gain)	**428**	**1**	374	—	485	1
Amortization of prior service cost	**43**	**—**	30	—	34	—
Curtailment gain	**—**	**—**	—	(4)	—	—
Settlement loss	**15**	**—**	—	—	—	—
Net periodic pension expense (a)	**$ 461**	**$ 6**	$ 387	$ —	$ 545	$ 5

(a) Excludes $1 million in curtailments in 2014 related to the pension freeze remeasurement that were recorded in restructuring and other charges.

The increase in 2015 pension expense reflects a decrease in the discount rate from 4.65% in 2014 to 4.10% in 2015 , updated mortality assumptions, higher amortization of unrecognized actuarial losses and a settlement charge in 2015.

ASSUMPTIONS

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements for employers' accounting for pensions. These assumptions are used to calculate benefit obligations as of December 31 of the current year and pension expense to be recorded in the following year (i.e., the discount rate used to determine the benefit obligation as of December 31, 2015 was also the discount rate used to determine net pension expense for the 2016 year).

Major actuarial assumptions used in determining the benefit obligations and net periodic pension cost for our defined benefit plans are presented in the following table:

	2015		2014		2013	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	**4.40%**	**4.64%**	4.10%	4.72%	4.90%	5.07%
Rate of compensation increase	**3.75%**	**4.12%**	3.75%	4.03%	3.75%	4.13%
Actuarial assumptions used to determine net periodic pension cost for years ended December 31:						
Discount rate (a)	**4.10%**	**4.72%**	4.65%	5.07%	4.10%	4.96%
Expected long-term rate of return on plan assets (b)	**7.75%**	**6.64%**	7.75%	7.53%	8.00%	7.04%
Rate of compensation increase	**3.75%**	**4.03%**	3.75%	4.13%	3.75%	3.17%

(a) Represents the weighted average rate for 2014 due to the remeasurement in the first quarter of 2014.

(b) Represents the expected rate of return for International Paper's qualified pension plan for 2014 and 2013. The weighted average rate for the Temple-Inland Retirement Plan was 7.00% and 6.16% for 2014 and 2013, respectively.

The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. Projected rates of return are developed through an asset/liability study in which projected returns for each of the plan's asset classes are determined after analyzing historical experience and future expectations of returns and volatility of the various asset classes.

Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio
is developed considering the effects of active portfolio management and expenses paid from plan assets. The discount rate assumption was determined from a universe of high quality corporate bonds. A settlement portfolio is selected and matched to the present value of the plan's projected benefit payments. To calculate pension expense for 2016 , the Company will use an expected long-term rate of return on plan assets of 7.75% for the Retirement Plan of International Paper,
a discount rate of 4.40% and an assumed rate of compensation increase of 3.75% . The Company estimates that it will record net pension expense of approximately $364 million for its U.S. defined benefit plans in 2016 , with the decrease from expense of $461 million in 2015 reflecting an increase in the discount rate to 4.40% in 2016 from 4.10% in 2015 , updated demographic assumptions, and lower amortization of unrecognized losses.

For non-U.S. pension plans, assumptions reflect economic assumptions applicable to each country.

The following illustrates the effect on pension expense for 2016 of a 25 basis point decrease in the above assumptions:

In millions		2016
Expense/(Income):		
Discount rate	$	36
Expected long-term rate of return on plan assets		27
Rate of compensation increase		(2)

PLAN ASSETS

International Paper's Board of Directors has appointed a Fiduciary Review Committee that is responsible for fiduciary oversight of the U.S. Pension Plan, approving investment policy and reviewing the management and control of plan assets. Pension Plan assets are invested to maximize returns within prudent levels of risk.

The Pension Plan maintains a strategic asset allocation policy that designates target allocations by asset class. Investments are diversified across classes and within each class to minimize the risk of large losses. Derivatives, including swaps, forward and futures contracts, may be used as asset class substitutes or for hedging or other risk management purposes. Periodic reviews are made of investment policy objectives and investment manager performance. For non-U.S. plans, assets consist principally of common stock and fixed income securities.

International Paper's U.S. pension allocations by type of fund at December 31, and target allocations were as follows:

Asset Class	2015	2014	Target Allocations
Equity accounts	**48%**	47%	**43% - 54%**
Fixed income accounts	**33%**	33%	**25% - 35%**
Real estate accounts	**10%**	10%	**7% - 13%**
Other	**9%**	10%	**8% - 17%**
Total	**100%**	100%	

The 2014 actual allocations shown represent a weighted average of International Paper and Temple-Inland plan assets as the TIN plan was fully merged into the IP plan by 2015.

The fair values of International Paper's pension plan assets at December 31, 2015 and 2014 by asset class are shown below. Plan assets included an immaterial amount of International Paper common stock at December 31, 2015 and 2014 . Hedge funds disclosed in the following table are allocated equally between equity and fixed income accounts for target allocation purposes.

Fair Value Measurement at December 31, 2015

Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In millions				
Equities – domestic	$ 2,150	$ 1,382	$ 768	$ —
Equities – international	2,563	1,818	745	—
Corporate bonds	1,286	—	1,286	—
Government securities	518	—	518	—
Mortgage backed securities	217	—	217	—
Other fixed income	275	—	265	10
Commodities	118	—	118	—
Hedge funds	894	—	—	894
Private equity	492	—	—	492
Real estate	1,094	—	—	1,094
Risk parity funds	341	—	1	340
Cash and cash equivalents	975	975	—	—
Total Investments	$ 10,923	$ 4,175	$ 3,918	$ 2,830

Fair Value Measurement at December 31, 2014

Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In millions				
Equities – domestic	$ 2,268	$ 1,380	$ 888	$ —
Equities – international	2,397	1,815	582	—
Corporate bonds	1,230	—	1,230	—
Government securities	1,282	—	1,282	—
Mortgage backed securities	172	—	172	—
Other fixed income	207	—	197	10
Commodities	170	—	170	—
Hedge funds	867	—	—	867
Private equity	519	—	—	519
Real estate	1,101	—	—	1,101
Risk parity funds	376	—	—	376
Cash and cash equivalents	329	329	—	—
Total Investments	$ 10,918	$ 3,524	$ 4,521	$ 2,873

Equity securities consist primarily of publicly traded U.S. companies and international companies. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded.

Fixed income consists of government securities, mortgage-backed securities, corporate bonds and common collective funds. Government securities are valued by third-party pricing sources. Mortgage-backed security holdings consist primarily of agency-rated holdings. The fair value estimates for mortgage securities are calculated by third-party pricing sources chosen by the custodian's price matrix. Corporate bonds are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

Commodities consist of commodity-linked notes and commodity-linked derivatives. Commodities are valued at closing prices determined by calculation agents for outstanding transactions.

Hedge funds are investment structures for managing private, loosely-regulated investment pools that can pursue a diverse array of investment strategies with a wide range of different securities and derivative instruments. These investments are made through funds-of-funds (commingled, multi-manager fund structures) and through direct investments in individual hedge funds. Hedge funds are primarily valued by each fund's third-party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a market or income valuation methodology as appropriate depending on the specific type of security or instrument held. Funds-of-funds are valued based upon the net asset values of the underlying investments in hedge funds.

Private equity consists of interests in partnerships that invest in U.S. and non-U.S. debt and equity securities. Partnership interests are valued using the most recent general partner statement of fair value, updated for any subsequent partnership interest cash flows.

Real estate includes commercial properties, land and timberland, and generally includes, but is not limited to, retail, office, industrial, multifamily and hotel properties. Real estate fund values are primarily reported by the fund manager and are based on valuation of the
underlying investments which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

Risk Parity Funds are defined as engineered beta exposure to a wide range of asset classes and risk premia, including equity, interest rates, credit, and commodities. Risk parity funds seek to provide high risk-adjusted returns while providing a high level of diversification relative to a traditional equity/fixed income portfolio. These funds seek to achieve this objective with the use of modest leverage applied to lower-risk, more diverse asset classes. Investments in Risk parity funds are valued using monthly reported net asset values. Also included in these funds are related derivative instruments which are generally employed as asset class substitutes for managing asset/liability mismatches, or bona fide hedging or other appropriate risk management purposes. Derivative instruments are generally valued by the investment managers or in certain instances by third-party pricing sources.

The fair value measurements using significant unobservable inputs (Level 3) at December 31, 2015 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In millions	Other fixed income	Hedge funds	Private equity	Real estate	Risk parity funds	Total
Beginning balance at December 31, 2014	$ 10	$ 867	$ 519	$ 1,101	$ 376	$ 2,873
Actual return on plan assets:						
Relating to assets still held at the reporting date	**—**	**27**	**27**	**41**	**(39)**	**56**
Relating to assets sold during the period	**—**	**3**	**(9)**	**27**	**(7)**	**14**
Purchases, sales and settlements	**—**	**(3)**	**(45)**	**(75)**	**10**	**(113)**
Transfers in and/or out of Level 3	**—**	**—**	**—**	**—**	**—**	**—**
Ending balance at December 31, 2015	**$ 10**	**$ 894**	**$ 492**	**$ 1,094**	**$ 340**	**$ 2,830**

FUNDING AND CASH FLOWS

The Company's funding policy for the Pension Plan is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plans, tax deductibility, cash flow generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions. Contributions to the qualified plan totaling $750 million , $353 million and $31 million were made by the Company in 2015 , 2014 and 2013 , respectively. Generally, International Paper's non-U.S. pension plans are funded using the projected benefit as a target, except in certain countries where funding of benefit plans is not required.

At December 31, 2015 , projected future pension benefit payments, excluding any termination benefits, were as follows:

In millions	
2016	$ 782
2017	792
2018	803
2019	818
2020	832
2021 – 2025	4,365

OTHER U.S. PLANS

International Paper sponsors the International Paper Company Salaried Savings Plan and the International Paper Company Hourly Savings Plan, both of which are tax-qualified defined contribution 401(k) savings plans.

Substantially all U.S. salaried and certain hourly employees are eligible to participate and may make elective deferrals to such plans to save for retirement. International Paper makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. For eligible employees hired after June 30, 2004, the Company makes Retirement Savings Account contributions equal to a percentage of an eligible employee's pay.

The Company also sponsors the International Paper Company Deferred Compensation Savings Plan, which is an unfunded nonqualified defined contribution plan. This plan permits eligible employees to continue to make deferrals and receive company matching contributions when their contributions to the International Paper Salaried Savings Plan are stopped due to limitations under U.S. tax law. Participant deferrals and company matching contributions are not invested in a separate trust, but are paid directly from International Paper's general assets at the time benefits become due and payable.

Company matching contributions to the plans totaled approximately $100 million , $112 million and $120 million for the plan years ending in 2015 , 2014 and 2013 , respectively.

NOTE 17 POSTRETIREMENT BENEFITS

U.S. POSTRETIREMENT BENEFITS

International Paper provides certain retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees. These employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Excluded from company-provided medical benefits are salaried employees whose age plus years of employment with the Company totaled less than 60 as of January 1, 2004. International Paper does not fund these benefits prior to payment and has the right to modify or terminate certain of these plans in the future.

In addition to the U.S. plan, certain Brazilian and Moroccan employees are eligible for retiree health care and life insurance benefits.

The components of postretirement benefit expense in 2015 , 2014 and 2013 were as follows:

In millions	**2015**		2014		2013	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	**$ 1**	**$ 1**	$ 1	$ 1	$ 2	$ 2
Interest cost	**11**	**5**	14	6	14	5
Actuarial loss	**6**	**1**	5	1	7	—
Amortization of prior service credits	**(10)**	**(2)**	(13)	(1)	(24)	—
Net postretirement (benefit) expense (a)	**$ 8**	**$ 5**	$ 7	$ 7	$ (1)	$ 7

(a) Excludes $7 million of curtailment gains in 2013 related to the sale of Building Products that were recorded in Net (gains) losses on sales and impairments of businesses in the consolidated statement of operations.

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements of employers' accounting for postretirement benefits other than pensions.

The discount rates used to determine net U.S. and non-U.S. postretirement benefit cost for the years ended December 31, 2015 , 2014 and 2013 were as follows:

	2015		2014		2013	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Discount rate	**3.90%**	**11.52%**	4.50%	11.94%	3.70%	8.43%

The weighted average assumptions used to determine the benefit obligation at December 31, 2015 and 2014 were as follows:

	2015		2014	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans
Discount rate	**4.20%**	**12.23%**	3.90%	11.52%
Health care cost trend rate assumed for next year	**7.00%**	**11.41%**	7.00%	11.38%
Rate that the cost trend rate gradually declines to	**5.00%**	**5.94%**	5.00%	6.11%
Year that the rate reaches the rate it is assumed to remain	**2022**	**2026**	2022	2025

A 1% increase in the assumed annual health care cost trend rate would have increased the U.S. and non-U.S. accumulated postretirement benefit obligations at December 31, 2015 by approximately $11 million and $7 million , respectively. A 1% decrease in the annual trend rate would have decreased the U.S. and non-U.S. accumulated postretirement benefit obligation at December 31, 2015 by approximately $10 million and $6 million , respectively. The effect on net postretirement benefit cost from a 1% increase or decrease would be approximately $1 million for both U.S. and non-U.S. plans.

The plan is only funded in an amount equal to benefits paid. The following table presents the changes in benefit obligation and plan assets for 2015 and 2014 :

In millions	2015		2014	
	U.S. Plans	**Non-U.S. Plans**	U.S. Plans	Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	**$ 306**	**$ 59**	$ 322	$ 72
Service cost	**1**	**1**	1	1
Interest cost	**11**	**5**	14	6
Participants' contributions	**12**	**—**	15	—
Actuarial (gain) loss	**—**	**(1)**	14	19
Other	**—**	**—**	—	(26)
Plan amendments	**—**	**1**	—	(7)
Benefits paid	**(57)**	**(1)**	(62)	(1)
Less: Federal subsidy	**2**	**—**	2	—
Currency Impact	**—**	**(19)**	—	(5)
Benefit obligation, December 31	**$ 275**	**$ 45**	$ 306	$ 59
Change in plan assets:				
Fair value of plan assets, January 1	**$ —**	**$ —**	$ —	$ —
Company contributions	**45**	**1**	47	1
Participants' contributions	**12**	**—**	15	—
Benefits paid	**(57)**	**(1)**	(62)	(1)
Fair value of plan assets, December 31	**$ —**	**$ —**	$ —	$ —
Funded status, December 31	**$ (275)**	**$ (45)**	$ (306)	$ (59)
Amounts recognized in the consolidated balance sheet under ASC 715:				
Current liability	**$ (29)**	**$ (2)**	$ (33)	$ (2)
Non-current liability	**(246)**	**(43)**	(273)	(57)
	$ (275)	**$ (45)**	$ (306)	$ (59)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Net actuarial loss (gain)	**$ 42**	**$ 15**	$ 44	$ 23
Prior service credit	**(12)**	**(2)**	(22)	(5)
	$ 30	**$ 13**	$ 22	$ 18

The non-current portion of the liability is included with the postemployment liability in the accompanying consolidated balance sheet under Postretirement and postemployment benefit obligation.

The components of the $8 million and ($5) million increase and decrease in the amounts recognized in OCI during 2015 for U.S. and non-U.S. plans, respectively, consisted of:

In millions	**U.S. Plans**	**Non-U.S. Plans**
Current year actuarial gain	**$ 4**	**$ —**
Amortization of actuarial (loss) gain	**(6)**	**(1)**
Current year prior service cost	**—**	**1**
Amortization of prior service credit	**10**	**2**
Currency impact	**—**	**(7)**
	$ 8	**$ (5)**

The portion of the change in the funded status that was recognized in either net periodic benefit cost or OCI for the U.S. plans was $17 million , $33 million and $63 million in 2015 , 2014 and 2013 , respectively. The portion of the change in funded status for the non-U.S. plans was $0 million , $14 million , and $19 million in 2015 , 2014 and 2013 , respectively.

The estimated amounts of net loss and prior service credit that will be amortized from OCI into net U.S. postretirement benefit cost in 2016 are expected to be $6 million and $(4) million , respectively. The estimated amounts for non-U.S. plans in 2016 are expected to be $1 million and $(2) million , respectively.

At December 31, 2015 , estimated total future postretirement benefit payments, net of participant contributions and estimated future Medicare Part D subsidy receipts, were as follows:

In millions	Benefit Payments	Subsidy Receipts	Benefit Payments
	U.S. Plans	U.S. Plans	Non-U.S. Plans
2016	$ 31	$ 1	$ 2
2017	28	1	2
2018	27	1	2
2019	25	1	2
2020	24	1	3
2021 – 2025	98	6	21

NOTE 18 INCENTIVE PLANS

International Paper currently has an Incentive Compensation Plan (ICP) which, upon the approval by the Company's shareholders in May 2009, replaced the Company's Long-Term Incentive Compensation Plan (LTICP). The ICP authorizes grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals, dividend equivalents, stock options, stock appreciation rights, other stock-based awards, and cash-based awards at the discretion of the Management Development and Compensation Committee of the Board of Directors (the Committee) that administers the ICP. Additionally, restricted stock, which may be deferred into RSU's, may be awarded under a Restricted Stock and Deferred Compensation Plan for Non-Employee Directors.

STOCK OPTION PROGRAM

International Paper accounts for stock options in accordance with guidance under ASC 718, "Compensation – Stock Compensation." Compensation expense is recorded over the related service period based on the grant-date fair market value. Since all outstanding options were vested as of July 14, 2005, only replacement option grants are expensed.

During each reporting period, diluted earnings per share is calculated by assuming that "in-the-money" options are exercised and the exercise proceeds are used to repurchase shares in the marketplace. When options are actually exercised, option proceeds are credited to equity and issued shares are included in the computation of earnings per common share, with no effect on reported earnings. Equity is also increased by the tax benefit that International Paper will receive in its tax return for income reported by the employees in their individual tax returns.

Under the program, upon exercise of an option, a replacement option may be granted under certain circumstances with an exercise price equal to the market price at the time of exercise and with a term extending to the expiration date of the original option.

The Company has discontinued the issuance of stock options for all eligible U.S. and non-U.S. employees. In the United States, the stock option program was replaced with a performance-based restricted share program to more closely tie long-term incentive compensation to Company performance on two key performance drivers: return on invested capital (ROIC) and total shareholder return (TSR). All outstanding options expired on March 15, 2015.

The following summarizes the status of the Stock Option Program and the changes during the three years ending December 31, 2015 :

	Options (a,b)	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2012	9,136,060	$38.79	1.15	$1,077
Granted	4,744	48.11		
Exercised	(7,317,825)	38.57		
Expired	(70,190)	37.15		
Outstanding at December 31, 2013	1,752,789	39.80	0.67	16,175
Granted	3,247	49.13		
Exercised	(1,634,858)	39.80		
Expired	(49,286)	41.50		
Outstanding at December 31, 2014	71,892	39.03	0.18	1,046
Granted	**—**	**—**		
Exercised	**(62,477)**	**39.05**		
Expired	**(9,415)**	**38.92**		
Outstanding at December 31, 2015	**—**	**$—**	**0.00**	**$—**

(a) *The table does not include Continuity Award tandem stock options described below. No fair market value is assigned to these options under ASC 718. The tandem restricted shares accompanying these options are expensed over their vesting period.*

(b) *The table includes options outstanding under an acquired company plan under which options may no longer be granted.*

PERFORMANCE SHARE PLAN

Under the Performance Share Plan (PSP), contingent awards of International Paper common stock are granted by the Committee. The PSP awards are earned evenly over a three-year period. PSP awards are earned based on the achievement of defined performance rankings of ROIC and TSR compared to ROIC and TSR peer groups of companies. Awards are weighted 75% for ROIC and 25% for TSR for all participants except for officers for whom the awards are weighted 50% for ROIC and 50% for TSR. The ROIC component of the PSP awards is valued at the closing stock price on the day prior to the grant date. As the ROIC component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of the PSP awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free rate, expected dividends, and the expected volatility for the Company and its competitors. The expected term is estimated based on the vesting period of the awards, the risk-free rate is based on the yield on U.S. Treasury securities matching the vesting period, and the volatility is based on the Company's historical volatility over the expected term.

PSP grants are made in performance-based restricted stock units. The 2012 PSP awards issued to certain members of senior management were accounted for as liability awards, which were remeasured at fair value at each balance sheet date. The valuation of these PSP liability awards was computed based on the same methodology as the PSP equity awards. On December 8, 2014, IP eliminated the election for executives to withhold more than the minimum tax withholding for the 2013 and 2014 grants making them equity awards.

The following table sets forth the assumptions used to determine compensation cost for the market condition component of the PSP plan:

	Twelve Months Ended December 31, 2015
Expected volatility	**19.01%-36.02%**
Risk-free interest rate	**0.21%-1.10%**

The following summarizes PSP activity for the three years ending December 31, 2015 :

	Share/Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	8,660,855	$28.37
Granted	3,148,445	40.76
Shares issued	(3,262,760)	32.48
Forfeited	(429,051)	34.58
Outstanding at December 31, 2013	8,117,489	31.20
Granted	3,682,663	46.82
Shares issued	(4,025,111)	37.18
Forfeited	(499,107)	43.10
Outstanding at December 31, 2014	7,275,934	34.98
Granted	**1,863,623**	**53.25**
Shares issued	**(2,959,160)**	**37.09**
Forfeited	**(322,664)**	**53.97**
Outstanding at December 31, 2015	**5,857,733**	**$38.69**

EXECUTIVE CONTINUITY AND RESTRICTED STOCK AWARD PROGRAMS

The Executive Continuity Award program provides for the granting of tandem awards of restricted stock and/or nonqualified stock options to key executives. Grants are restricted and awards conditioned on attainment of a specified age. The awarding of a tandem stock option results in the cancellation of the related restricted shares. The final award under this program was paid in 2013.

The service-based Restricted Stock Award program (RSA), designed for recruitment, retention and special recognition purposes, also provides for awards of restricted stock to key employees.

The following summarizes the activity of the Executive Continuity Award program and RSA program for the three years ending December 31, 2015 :

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	151,549	$30.49
Granted	67,100	44.41
Shares issued	(88,775)	32.30
Forfeited	(17,500)	37.75
Outstanding at December 31, 2013	112,374	36.24
Granted	89,500	48.19
Shares issued	(83,275)	33.78
Forfeited	(4,000)	45.88
Outstanding at December 31, 2014	114,599	47.03
Granted	**36,300**	**50.06**
Shares issued	**(27,365)**	**45.35**
Forfeited	**(3,166)**	**50.04**
Outstanding at December 31, 2015	**120,368**	**$48.24**

At December 31, 2015 , 2014 and 2013 a total of 16.2 million , 16.3 million and 17.8 million shares, respectively, were available for grant under the ICP.

Stock-based compensation expense and related income tax benefits were as follows:

In millions	**2015**	2014	2013
Total stock-based compensation expense (included in selling and administrative expense)	**$ 114**	$ 118	$ 137
Income tax benefits related to stock-based compensation	**88**	92	74

At December 31, 2015 , $126 million of compensation cost, net of estimated forfeitures, related to unvested
restricted performance shares, executive continuity awards and restricted stock attributable to future performance had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.6 years.

NOTE 19 FINANCIAL INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

International Paper’s industry segments, Industrial Packaging, Printing Papers and Consumer Packaging Businesses, are consistent with the internal structure used to manage these businesses. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the Forest Products industry.

For management purposes, International Paper reports the operating performance of each business based on earnings before interest and income taxes (EBIT). Intersegment sales and transfers are recorded at current market prices.

External sales by major product is determined by aggregating sales from each segment based on similar products or services. External sales are defined as those that are made to parties outside International Paper’s consolidated group, whereas sales by segment in the Net Sales table are determined using a management approach and include intersegment sales.

The Company also holds a 50% interest in Ilim that is a separate reportable industry segment. The Company recorded equity earnings (losses), net of taxes, of $131 million , $(194) million and $(46) million in 2015 , 2014 , and 2013 , respectively, for Ilim. Equity earnings (losses) includes an after-tax foreign exchange gain (loss) of $(75) million , $(269) million and $(32) million in 2015, 2014 and 2013, respectively, primarily on the remeasurement of U.S. dollar-denominated net debt.

Summarized financial information for Ilim which is accounted for under the equity method is presented in the following table.

Balance Sheet

In millions	2015	2014
Current assets	**$ 455**	$ 458
Noncurrent assets	**968**	1,223
Current liabilities	**665**	899
Noncurrent liabilities	**715**	742
Noncontrolling interests	**21**	15

Income Statement

In millions	2015	2014	2013
Net sales	**$ 1,931**	$ 2,138	$ 1,897
Gross profit	**971**	772	562
Income from continuing operations	**254**	(387)	(76)
Net income attributable to Ilim	**237**	(360)	(71)

At December 31, 2015 and 2014, the Company's investment in Ilim was $172 million and $170 million , respectively, which was $161 million and $158 million , respectively, more than the Company's proportionate share of the joint venture's underlying net assets. The differences primarily relate to purchase price fair value adjustments and currency translation adjustments. The Company is party to a joint marketing agreement with Ilim, under which the Company purchases, markets and sells paper produced by Ilim. Purchases under this agreement were $170 million , $200 million and $114 million for the years ended December 31, 2015, 2014 and 2013, respectively.

INFORMATION BY INDUSTRY SEGMENT

Net Sales

In millions	2015	2014	2013
Industrial Packaging	**$ 14,484**	$ 14,944	$ 14,810
Printing Papers	**5,031**	5,720	6,205
Consumer Packaging	**2,940**	3,403	3,435
Corporate and Intersegment Sales	**(90)**	(450)	(967)
Net Sales	**$ 22,365**	$ 23,617	$ 23,483

Operating Profit

In millions	2015	2014	2013
Industrial Packaging	**$ 1,853**	$ 1,896	$ 1,801
Printing Papers	**533**	(16)	271
Consumer Packaging	**(25)**	178	161
Operating Profit	**2,361**	2,058	2,233
Interest expense, net	**(555)**	(601)	(612)
Noncontrolling interests / equity earnings adjustment (a)	**(8)**	(2)	1
Corporate items, net	**(36)**	(51)	(61)
Restructuring and other charges	**(238)**	(282)	(10)
Net gains (losses) on sales and impairments of businesses	**—**	(38)	—
Non-operating pension expense	**(258)**	(212)	(323)
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	**$ 1,266**	$ 872	$ 1,228

Restructuring and Other Charges

In millions	2015	2014	2013
Industrial Packaging	**$ —**	$ 7	$ (2)
Printing Papers	**—**	554	118
Consumer Packaging	**10**	8	45
Corporate	**242**	277	(5)
Restructuring and Other Charges	**$ 252**	$ 846	$ 156

Assets

In millions		2015		2014
Industrial Packaging	$	**14,483**	$	14,852
Printing Papers		**4,696**		5,393
Consumer Packaging		**2,115**		3,249
Corporate and other (b)		**9,293**		5,190
Assets	$	**30,587**	$	28,684

Capital Spending

In millions		2015		2014		2013
Industrial Packaging	$	**858**	$	754	$	629
Printing Papers		**361**		318		294
Consumer Packaging		**216**		233		208
Distribution (c)		**—**		—		9
Subtotal		**1,435**		1,305		1,140
Corporate and other (b)		**52**		61		58
Total	$	**1,487**	$	1,366	$	1,198

Depreciation, Amortization and Cost of Timber Harvested (d)

In millions		2015		2014		2013
Industrial Packaging	$	**725**	$	775	$	805
Printing Papers		**307**		367		446
Consumer Packaging		**215**		223		206
Corporate		**47**		41		74
Depreciation and Amortization	$	**1,294**	$	1,406	$	1,531

External Sales By Major Product

In millions		2015		2014		2013
Industrial Packaging	$	**14,421**	$	14,837	$	14,729
Printing Papers		**4,919**		5,360		5,443
Consumer Packaging		**2,907**		3,307		3,311
Other		**118**		113		—
Net Sales	$	**22,365**	$	23,617	$	23,483

INFORMATION BY GEOGRAPHIC AREA

Net Sales (e)

In millions		2015		2014		2013
United States (f)	$	**16,554**	$	16,645	$	16,371
EMEA		**2,770**		3,273		3,250
Pacific Rim and Asia		**1,501**		1,951		2,114
Americas, other than U.S.		**1,540**		1,748		1,748
Net Sales	$	**22,365**	$	23,617	$	23,483

Long-Lived Assets (g)

In millions		2015		2014
United States	$	**9,683**	$	9,476
EMEA		**827**		926
Pacific Rim and Asia		**353**		897
Americas, other than U.S.		**1,085**		1,553
Corporate		**398**		383
Long-Lived Assets	$	**12,346**	$	13,235

(a) Operating profits for industry segments include each segment's percentage share of the profits of subsidiaries included in that segment that are less than wholly-owned. The pre-tax noncontrolling interests and equity earnings for these subsidiaries is added here to present consolidated earnings from continuing operations before income taxes and equity earnings.

(b) Includes corporate assets and assets of businesses held for sale.

(c) The xpedx business, which historically represented the Company's Distribution reportable segment, was spun off July 1, 2014.

(d) Excludes accelerated depreciation related to the closure and/or repurposing of mills.

(e) Net sales are attributed to countries based on the location of the seller.

(f) Export sales to unaffiliated customers were $2.0 billion in 2015 , $2.3 billion in 2014 and $2.4 billion in 2013 .

(g) Long-Lived Assets includes Forestlands and Plants, Properties and Equipment, net.

INTERIM FINANCIAL RESULTS (UNAUDITED)

In millions, except per share amounts and stock prices	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Year	
2015										
Net sales	**$ 5,517**		**$ 5,714**		**$ 5,691**		**$ 5,443**		**$ 22,365**	
Gross margin (a)	**1,673**		**1,746**		**1,800**		**1,678**		**6,897**	
Earnings (loss) from continuing operations before income taxes and equity earnings	**406**		**266**	**(b)**	**329**	**(b)**	**265**	**(b)**	**1,266**	**(b)**
Gain (loss) from discontinued operations	**—**		**—**		**—**		**—**		**—**	
Net earnings (loss) attributable to International Paper Company	**313**		**227**	**(b,c)**	**220**	**(b,c)**	**178**	**(b,c)**	**938**	**(b,c)**
Basic earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	**$ 0.74**		**$ 0.54**	**(b)**	**$ 0.53**	**(b)**	**$ 0.43**	**(b)**	**$ 2.25**	**(b)**
Gain (loss) from discontinued operations	**—**		**—**		**—**		**—**		**—**	
Net earnings (loss)	**0.74**		**0.54**	**(b,c)**	**0.53**	**(b,c)**	**0.43**	**(b,c)**	**2.25**	**(b,c)**
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	**0.74**		**0.54**	**(b)**	**0.53**	**(b)**	**0.43**	**(b)**	**2.23**	**(b)**
Gain (loss) from discontinued operations	**—**		**—**		**—**		**—**		**—**	
Net earnings (loss)	**0.74**		**0.54**	**(b,c)**	**0.53**	**(b,c)**	**0.43**	**(b,c)**	**2.23**	**(b,c)**
Dividends per share of common stock	**0.4000**		**0.4000**		**0.4000**		**0.4400**		**1.6400**	
Common stock prices										
High	**$ 57.90**		**$ 56.49**		**$ 49.49**		**$ 44.83**		**$ 57.90**	
Low	**51.35**		**47.39**		**37.11**		**36.76**		**36.76**	
2014										
Net sales	$ 5,724		$ 5,899		$ 6,051		$ 5,943		$ 23,617	
Gross margin (a)	1,690		1,839		1,996		1,838		7,363	
Earnings (loss) from continuing operations before income taxes and equity earnings	(139)	(d)	152	(d)	552	(d)	307	(d)	872	(d)
Gain (loss) from discontinued operations	(7)	(e)	(13)	(e)	16	(e)	(9)	(e)	(13)	(e)
Net earnings (loss) attributable to International Paper Company	(95)	(d-f)	161	(d-f)	355	(d-f)	134	(d-f)	555	(d-f)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	$ (0.20)	(d)	$ 0.40	(d)	$ 0.80	(d)	$ 0.34	(d)	$ 1.33	(d)
Gain (loss) from discontinued operations	(0.01)	(e)	(0.03)	(e)	0.04	(e)	(0.02)	(e)	(0.03)	(e)
Net earnings (loss)	(0.21)	(d-f)	0.37	(d-f)	0.84	(d-f)	0.32	(d-f)	1.30	(d-f)
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	(0.20)	(d)	0.40	(d)	0.79	(d)	0.34	(d)	1.31	(d)
Gain (loss) from discontinued operations	(0.01)	(e)	(0.03)	(e)	0.04	(e)	(0.02)	(e)	(0.02)	(e)
Net earnings (loss)	(0.21)	(d-f)	0.37	(d-f)	0.83	(d-f)	0.32	(d-f)	1.29	(d-f)
Dividends per share of common stock	0.3500		0.3500		0.3500		0.4000		1.4500	
Common stock prices										
High	$ 49.71		$ 50.65		$ 51.98		$ 55.73		$ 55.73	
Low	44.43		44.24		46.77		44.50		44.24	

Note: Since basic and diluted earnings per share are computed independently for each period and category, full year per share amounts may not equal the sum of the four quarters. In addition, the unaudited selected consolidated financial data are derived from our audited consolidated financial statements and have been revised to reflect discontinued operations.

Footnotes to Interim Financial Results

(a) Gross margin represents net sales less cost of products sold, excluding depreciation, amortization and cost of timber harvested.

(b) Includes the following pre-tax charges (gains):

	2015			
In millions	Q1	Q2	Q3	Q4
Riegelwood mill conversion costs, net of proceeds from sale of the Carolina Coated Bristols brand	$ —	$ (14)	$ 7	$ 15
Timber monetization restructuring	—	—	17	(1)
Early debt extinguishment costs	—	207	—	—
Refund and state tax credits	—	(4)	—	—
IP-Sun JV impairment	—	—	186	(12)
Legal reserve adjustment	—	—	—	15
Impairment of Orsa goodwill and trade name intangible	—	—	—	137
Other items	—	1	1	4
Total	**$ —**	**$ 190**	**$ 211**	**$ 158**

(c) Includes the following tax expenses (benefits):

	2015			
	Q1	Q2	Q3	Q4
Tax expense for cash pension	$ —	$ 23	$ —	$ —
Tax benefit related to IP-Sun JV	—	—	(67)	—
Other items	—	5	—	2
Total	**$ —**	**$ 28**	**$ (67)**	**$ 2**

(d) Includes the following pre-tax charges (gains):

	2014			
	Q1	Q2	Q3	Q4
Temple-Inland integration	$ 12	$ 2	$ 1	$ 1
Courtland mill shutdown	495	49	3	7
Early debt extinguishment costs	—	262	13	1
India legal contingency resolution	—	—	(20)	—
Multi-employer pension plan withdrawal liability	—	—	35	—
Foreign tax amnesty program	—	—	32	—
Asia Industrial Packaging goodwill impairment	—	—	—	100
Loss on sale by investee and impairment of investment	—	—	—	47
Other items	4	(4)	13	(1)
Total	$ 511	$ 309	$ 77	$ 155

(e) Includes the after-tax operating earnings of the xpedx business prior to the spin-off and the following after-tax charges (gains):

	2014			
	Q1	Q2	Q3	Q4
xpedx spinoff	$ 10	$ 20	$ (14)	$ —
Building Products divestiture	2	—	(2)	9
xpedx restructuring	—	(1)	—	—
Total	$ 12	$ 19	$ (16)	$ 9

(f) Includes the following tax expenses (benefits):

	2014			
	Q1	Q2	Q3	Q4
State legislative tax change	$ 10	$ —	$ —	$ —
Internal restructuring	—	—	—	(90)
Other items	(1)	—	—	—
Total	$ 9	$ —	$ —	$ (90)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2015 , an evaluation was carried out under the supervision and with the participation of the Company's management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures, as defined by Rule 13a-15 under the Exchange Act. Based upon this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2015 .

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States (GAAP). Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

As of December 31, 2015 , management has assessed the effectiveness of the Company's internal control over financial reporting. In a report included on pages 40 and 41, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015 .

In making this assessment, we used the criteria described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte & Touche LLP, with direct access to our Board of Directors through our Audit and Finance Committee, has audited the consolidated financial statements prepared by us. Deloitte & Touche LLP has also issued an attestation report on our internal control over financial reporting. Their report on the consolidated financial statements and attestation report are included in Part II, Item 8 of this Annual Report under the heading "Financial Statements and Supplementary Data."

MANAGEMENT'S PROCESS TO ASSESS THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we followed a comprehensive compliance process across the enterprise to evaluate our internal control over financial reporting, engaging employees at all levels of the organization. Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of our business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may report suspected violations of law or our policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the Company, and an extensive program of internal audits with management follow-up. Our Board of Directors, assisted by the Audit and Finance Committee, monitors the integrity of our financial statements and financial reporting procedures, the performance of our internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which consists of independent directors, meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2015 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors is hereby incorporated by reference to our definitive proxy statement that will be filed with the Securities and Exchange Commission (SEC) within 120 days of the close of our fiscal year. The Audit and Finance Committee of the Board of Directors has at least one member who is a financial expert, as that term is defined in Item 401(d)(5) of Regulation S-K. Further information concerning the composition of the Audit and Finance Committee and our audit committee financial experts is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year. Information with respect to our executive officers is set forth on pages 5 and 6 in Part I of this Form 10-K under the caption, " Executive Officers of the Registrant ."

Executive officers of International Paper are elected to hold office until the next annual meeting of the Board of Directors following the annual meeting of shareholders and, until the election of successors, subject to removal by the Board.

The Company's Code of Business Ethics (Code) is applicable to all employees of the Company, including the chief executive officer and senior financial officers, as well as the Board of Directors. We disclose any amendments to our Code and any waivers from a provision of our Code granted to our directors, chief executive officer and senior financial officers on our Internet Web site within four business days following such amendment or waiver. To date, no waivers of the Code have been granted.

We make available free of charge on our Internet Web site at *www.internationalpaper.com* , and in print to any shareholder who requests them, our Corporate Governance Principles, our Code of Business Ethics and the Charters of our Audit and Finance Committee, Management Development and Compensation Committee, Governance Committee and Public Policy and Environment Committee. Requests for copies may be directed to the corporate secretary at our corporate headquarters.

Information with respect to compliance with Section 16(a) of the Securities and Exchange Act and our corporate governance is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to the compensation of executives and directors of the Company is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

A description of the security ownership of certain beneficial owners and management and equity compensation plan information is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

A description of certain relationships and related transactions is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to fees paid to, and services rendered by, our principal accountant, and our policies and procedures for pre-approving those services, is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements – See Item 8. Financial Statements and Supplementary Data.

(2) Financial Statement Schedules – The following additional financial data should be read in conjunction with the consolidated financial statements in Item 8. Schedules not included with this additional financial data have been omitted because they are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

Additional Financial Data

2015 , 2014 and 2013

(3.1) Restated Certificate of Incorporation of International Paper Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 13, 2013).

(3.2) By-laws of International Paper Company, as amended through February 9, 2016
(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 8, 2016).

(4.1) Indenture, dated as of April 12, 1999, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 29, 2000).

(4.2) Supplemental Indenture (including the form of Notes), dated as of June 4, 2008, between International Paper Company and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 4, 2008).

(4.3) Supplemental Indenture (including the form of Notes), dated as of May 11, 2009, between International Paper Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2009).

(4.4) Supplemental Indenture (including the form of Notes), dated as of August 10, 2009, between International Paper Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 10, 2009).

(4.5) Supplemental Indenture (including the form of Notes), dated as of December 7, 2009, between International Paper Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 7, 2009).

(4.6) Supplemental Indenture (including the form of Notes), dated as of November 16, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 16, 2011).

(4.7) Supplemental Indenture (including the form of Notes), dated as of June 10, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 10, 2014).

(4.8) Supplemental Indenture (including the form of Notes), dated as of May 26, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 26, 2015).

(4.9) In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments respecting long-term debt of the Company have been omitted but will be furnished to the Commission upon request.

(10.1) Amended and Restated 2009 Incentive Compensation Plan (ICP) (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 10, 2014). +

(10.2) 2015 Management Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). +

(10.3) 2016 Management Incentive Plan
(incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 8, 2016) +

(10.4) Amended and Restated 2009 Executive Management Incentive Plan, including 2015 Exhibits thereto (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014). +

(10.5) 2016 Exhibits to the Amended and Restated 2009 Executive Management Incentive Plan. * +

(10.6) Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of May 10, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). +

(10.7) Form of Restricted Stock Award Agreement. (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +

(10.8) Form of Restricted Stock Unit Award Agreement (cash settled). (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +

(10.9) Form of Restricted Stock Unit Award Agreement (stock settled). (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +

(10.10) Form of Performance Share Plan award certificate. * +

(10.11) Pension Restoration Plan for Salaried Employees (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). +

(10.12) Unfunded Supplemental Retirement Plan for Senior Managers, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). +

(10.13) Amendment No. 1 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 13, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 17, 2008). +

(10.14) Amendment No. 2 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 14, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 17, 2008). +

(10.15) Amendment No. 3 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective December 8, 2008 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +

(10.16) Amendment No. 4 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009). +

(10.17) Amendment No. 5 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 31, 2009 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +

(10.18) Amendment No. 6 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2012 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +

(10.19) Form of Non-Competition Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +

(10.20) Form of Non-Solicitation Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006). +

(10.21) Form of Change-in-Control Agreement - Tier I, for the Chief Executive Officer and all "grandfathered" senior vice presidents elected prior to 2012 (all named executive officers) - approved September 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +

(10.22) Form of Change-in-Control Agreement - Tier II, for all future senior vice presidents and all "grandfathered" vice presidents elected prior to February 2008 - approved September 2013 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +

(10.23) Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003). +

(10.24) Board Policy on Severance Agreements with Senior Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 18, 2005). +

(10.25) Board Policy on Change of Control Agreements (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 18, 2005). +

(10.26) Time Sharing Agreement, dated October 17, 2014 (and effective November 1, 2014), by and between Mark S. Sutton and International Paper Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 14, 2014). +

(10.27) Five-Year Credit Agreement dated as of August 5, 2014, among International Paper Company, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).

(10.28) Equity Transfer Agreement dated October 7, 2015, between International Paper Investment (Shanghai) Co., Ltd. and Shandong Sun Holding Group Co., Ltd. *

(11) Statement of Computation of Per Share Earnings. *

(12) Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. *

(21) List of Subsidiaries of Registrant. *

(23) Consent of Independent Registered Public Accounting Firm. *

(24) Power of Attorney (contained on the signature page to the Company's Annual Report on Form 10-K for the year ended December 31, 2015). *

(31.1) Certification by Mark S. Sutton, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

(31.2) Certification by Carol L. Roberts, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

(32) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

(101.INS) XBRL Instance Document *

(101.SCH) XBRL Taxonomy Extension Schema *

(101.CAL) XBRL Taxonomy Extension Calculation Linkbase *

(101.DEF) XBRL Taxonomy Extension Definition Linkbase *

(101.LAB) XBRL Taxonomy Extension Label Linkbase *

(101.PRE) XBRL Extension Presentation Linkbase *

+ Management contract or compensatory plan or arrangement.

** Filed herewith*

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

INTERNATIONAL PAPER COMPANY AND CONSOLIDATED SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(In millions)

	For the Year Ended December 31, 2015				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$ 82	**$ 11**	**$ —**	**(23)(a)**	**$ 70**
Restructuring reserves	16	**5**	**—**	**(11)(b)**	**10**

	For the Year Ended December 31, 2014				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$ 109	$ 11	$ —	(38)(a)	$ 82
Restructuring reserves	51	41	—	(76)(b)	16

	For the Year Ended December 31, 2013				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$ 119	$ 38	$ —	(48)(a)	$ 109
Restructuring reserves	17	46	—	(12)(b)	51

(a) Includes write-offs, less recoveries, of accounts determined to be uncollectible and other adjustments.
(b) Includes payments and deductions for reversals of previously established reserves that were no longer required.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL PAPER COMPANY

February 25, 2016

By: /s/ SHARON R. RYAN

Sharon R. Ryan
Senior Vice President, General Counsel and Corporate Secretary

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sharon R. Ryan and Deon Vaughan as his or her true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary to be done, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ MARK S. SUTTON **Mark S. Sutton**	Chairman of the Board & Chief Executive Officer and Director	February 25, 2016
/s/ DAVID J. BRONCZEK **David J. Bronczek**	Director	February 25, 2016
/s/ WILLIAM J. BURNS **Willliam J. Burns**	Director	February 25, 2016
/s/ AHMET C. DORDUNCU **Ahmet C. Dorduncu**	Director	February 25, 2016
/s/ ILENE S. GORDON **Ilene S. Gordon**	Director	February 25, 2016
/s/ JAY L. JOHNSON **Jay L. Johnson**	Director	February 25, 2016
/s/ STACEY J. MOBLEY **Stacey J. Mobley**	Director	February 25, 2016
/s/ JOAN E. SPERO **Joan E. Spero**	Director	February 25, 2016

/S/ JOHN L. TOWNSEND III **John L. Townsend III**	Director	February 25, 2016
/S/ WILLIAM G. WALTER **William G. Walter**	Director	February 25, 2016
/S/ J. STEVEN WHISLER **J. Steven Whisler**	Director	February 25, 2016
/S/ RAY G. YOUNG **Ray G. Young**	Director	February 25, 2016
/S/ CAROL L. ROBERTS **Carol L. Roberts**	Senior Vice President and Chief Financial Officer	February 25, 2016
/S/ TERRI L. HERRINGTON **Terri L. Herrington**	Vice President – Finance and Controller	February 25, 2016

APPENDIX I

2015 LISTING OF FACILITIES

(all facilities are owned except noted otherwise)

PRINTING PAPERS

Uncoated Papers and Pulp

U.S.:

Selma, Alabama (Riverdale Mill)
Cantonment, Florida (Pensacola Mill)
Ticonderoga, New York
Riegelwood, North Carolina
Eastover, South Carolina
Georgetown, South Carolina
Sumter, South Carolina
Franklin, Virginia

International:

Luiz Antônio, São Paulo, Brazil
Mogi Guacu, São Paulo, Brazil
Três Lagoas, Mato Grosso do Sul, Brazil
Saillat, France
Kadiam, India
Rajahmundry, India
Kwidzyn, Poland
Svetogorsk, Russia

INDUSTRIAL PACKAGING

Containerboard

U.S.:

Pine Hill, Alabama
Prattville, Alabama
Cantonment, Florida (Pensacola Mill)
Rome, Georgia
Savannah, Georgia
Cayuga, Indiana
Cedar Rapids, Iowa
Henderson, Kentucky
Maysville, Kentucky
Bogalusa, Louisiana
Campti, Louisiana
Mansfield, Louisiana
Vicksburg, Mississippi
Valliant, Oklahoma
Springfield, Oregon
Orange, Texas

International:

Franco da Rocha, São Paulo, Brazil
Nova Campina, São Paulo, Brazil
Paulinia, São Paulo, Brazil
Yanzhou City, China (2)
Veracruz, Mexico
Kenitra, Morocco
Edirne, Turkey
Corum, Turkey (1)

Corrugated Container

U.S.:

Bay Minette, Alabama
Decatur, Alabama
Dothan, Alabama *leased*
Huntsville, Alabama
Conway, Arkansas (2 locations)
Fort Smith, Arkansas (2 locations)
Russellville, Arkansas (2 locations)
Phoenix (Tolleson), Arizona
Yuma, Arizona
Anaheim, California
Buena Park, California *leased*
Camarillo, California
Carson, California
Compton, California
Elk Grove, California
Exeter, California
Gilroy, California (2 locations)
Los Angeles, California *leased*
Modesto, California
Ontario, California
Salinas, California
Sanger, California
San Leandro, California *leased*
Santa Fe Springs, California (2 locations)
Stockton, California
Tracy, California
Golden, Colorado
Wheat Ridge, Colorado
Putnam, Connecticut
Orlando, Florida
Plant City, Florida
Tampa, Florida *leased*
Columbus, Georgia
Forest Park, Georgia
Griffin, Georgia
Kennesaw, Georgia *leased*
Lithonia, Georgia
Savannah, Georgia
Stone Mountain, Georgia *leased*
Tucker, Georgia
Aurora, Illinois (3 locations)
Bedford Park, Illinois (2 locations) *1 leased*
Belleville, Illinois
Carroll Stream, Illinois
Des Plaines, Illinois
Lincoln, Illinois
Montgomery, Illinois
Northlake, Illinois
Rockford, Illinois
Butler, Indiana
Crawfordsville, Indiana
Fort Wayne, Indiana
Hammond, Indiana
Indianapolis, Indiana (3 locations)
Saint Anthony, Indiana
Tipton, Indiana
Cedar Rapids, Iowa
Waterloo, Iowa
Garden City, Kansas
Bowling Green, Kentucky
Lexington, Kentucky
Louisville, Kentucky
Walton (Richwood), Kentucky
Bogalusa, Louisiana
Lafayette, Louisiana
Shreveport, Louisiana
Springhill, Louisiana
Auburn, Maine
Three Rivers, Michigan
Arden Hills, Minnesota
Austin, Minnesota
Fridley, Minnesota
Minneapolis, Minnesota *leased*
Shakopee, Minnesota
White Bear Lake, Minnesota
Houston, Mississippi
Jackson (Richland), Mississippi
Magnolia, Mississippi *leased*
Olive Branch, Mississippi
Fenton, Missouri
Kansas City, Missouri
Maryland Heights, Missouri
North Kansas City, Missouri *leased*
St. Joseph, Missouri
St. Louis, Missouri

Omaha, Nebraska	Amarillo, Texas	Bellusco, Italy
Barrington, New Jersey	Carrollton, Texas (2 locations)	Catania, Italy
Bellmawr, New Jersey	Edinburg, Texas	Pomezia, Italy
Milltown, New Jersey	El Paso, Texas	San Felice, Italy
Spotswood, New Jersey	Ft. Worth, Texas *leased*	Kuala Lumpur, Malaysia
Thorofare, New Jersey	Grand Prairie, Texas	Juhor, Malaysia
Binghamton (Conklin), New York	Hidalgo, Texas	Apodaco (Monterrey), Mexico *leased*
Buffalo, New York	McAllen, Texas	Ixtaczoquitlan, Mexico
Rochester, New York	San Antonio, Texas (2 locations)	Juarez, Mexico *leased*
Scotia, New York	Sealy, Texas	Los Mochis, Mexico
Utica, New York	Waxahachie, Texas	Puebla, Mexico *leased*
Charlotte, North Carolina (2 locations)	Lynchburg, Virginia	Reynosa, Mexico
1 leased	Petersburg, Virginia	San Jose Iturbide, Mexico
Lumberton, North Carolina	Richmond, Virginia	Santa Catarina, Mexico
Manson, North Carolina	Moses Lake, Washington	Silao, Mexico
Newton, North Carolina	Olympia, Washington	Villa Nicolas Romero, Mexico
Statesville, North Carolina	Yakima, Washington	Zapopan, Mexico
Byesville, Ohio	Fond du Lac, Wisconsin	Agadir, Morocco
Delaware, Ohio	Manitowoc, Wisconsin	Casablanca, Morocco
Eaton, Ohio		Singapore, Singapore
Kenton, Ohio	***International:***	Almeria, Spain
Madison, Ohio	Manaus, Amazonas, Brazil	Barcelona, Spain
Marion, Ohio	Paulinia, São Paulo, Brazil	Bilbao, Spain
Marysville, Ohio *leased*	Rio Verde, Goias, Brazil	Gandia, Spain
Middletown, Ohio	Suzano, São Paulo, Brazil	Madrid, Spain
Mt. Vernon, Ohio	Las Palmas, Canary Islands	Bangkok, Thailand
Newark, Ohio	Tenerife, Canary Islands	Adana, Turkey
Streetsboro, Ohio	Rancagua, Chile	Bursa, Turkey
Wooster, Ohio	Baoding, China	Corlu, Turkey
Oklahoma City, Oklahoma	Beijing, China	Corum, Turkey
Beaverton, Oregon (2 locations)	Chengdu, China	Gebze, Turkey
Hillsboro, Oregon	Dalian, China	Izmir, Turkey
Portland, Oregon	Dongguan, China	
Salem, Oregon *leased*	Guangzhou, China (2 locations)	
Biglerville, Pennsylvania (2 locations)	Hohhot, China	**Recycling**
Eighty-four, Pennsylvania	Nanjing China	***U.S.:***
Hazleton, Pennsylvania	Shanghai, China (2 locations)	Phoenix, Arizona
Kennett Square (Toughkenamon), Pennsylvania	Shenyang, China	Fremont, California
Lancaster, Pennsylvania	Suzhou, China	Norwalk, California
Mount Carmel, Pennsylvania	Tianjin, China (2 locations)	West Sacramento, California
Georgetown, South Carolina	Wuhan, China	Denver, Colorado (1)
Laurens, South Carolina	Arles, France	Itasca, Illinois
Lexington, South Carolina	Chalon-sur-Saone, France	Des Moines, Iowa
Ashland City, Tennessee leased	Creil, France	Wichita, Kansas
Cleveland, Tennessee	LePuy, France (Espaly Box Plant)	Roseville, Minnesota
Elizabethton, Tennessee *leased*	Mortagne, France	Omaha, Nebraska
Morristown, Tennessee	Guadeloupe, French West Indies	Charlotte, North Carolina
Murfreesboro, Tennessee	Batam, Indonesia	Beaverton, Oregon

Eugene, Oregon leased	**DISTRIBUTION**
Memphis, Tennessee *leased* (1)	
Carrollton, Texas	**IP Asia**
Salt Lake City, Utah	***International:***
Richmond, Virginia	China (8 locations)
Kent, Washington	Malaysia
	Taiwan
International:	Thailand
Monterrey, Mexico leased	Vietnam
Xalapa, Veracruz, Mexico leased	
	FOREST PRODUCTS
Bags	
U.S.:	**Forest Resources**
Buena Park, California	***International:***
Beaverton, Oregon	Approximately 335,000 acres in Brazil
Grand Prairie, Texas	
CONSUMER PACKAGING	
Coated Paperboard	
Augusta, Georgia	
Riegelwood, North Carolina	
Prosperity, South Carolina	
Texarkana, Texas	
Foodservice	
U.S.:	
Visalia, California	
Shelbyville, Illinois	
Kenton, Ohio	
International:	
Shanghai, China	
Beijing, China	
Bogota, Colombia	
Cheshire, England *leased*	

(1) Closed March 2015

(2) Closed October 2015

APPENDIX II

2015 CAPACITY INFORMATION
CONTINUING OPERATIONS

(in thousands of short tons)	U.S.	EMEA	Americas, other than U.S.	Asia	India	Total
Industrial Packaging						
Containerboard [a]	**13,131**	**48**	**360**	**—**	**—**	**13,539**
Printing Papers						
Uncoated Freesheet	1,808	1,150	1,135	—	258	4,351
Bristols	165	—	—	—	—	165
Uncoated Papers and Bristols	**1,973**	**1,150**	**1,135**	**—**	**258**	**4,516**
Dried Pulp	1,335	346	140	—	—	1,821
Newsprint	—	124	—	—	—	124
Total Printing Papers	**3,308**	**1,620**	**1,275**	**—**	**258**	**6,461**
Consumer Packaging						
Coated Paperboard	**1,568**	**379**	**—**	**1,413** [b]	**—**	**3,360**

(a) In addition to Containerboard, this also includes saturated kraft, kraft bag, and gypsum.
(b) The Company's ownership interest in the Asian Coated Paperboard business was sold in October 2015.

Forest Resources	
We own, manage or have an interest in approximately 1.4 million acres of forestlands worldwide. These forestlands and associated acres are located in the following regions:	(M Acres)
Brazil	335
We have harvesting rights in:	
Russia	1,047
Poland	—
Total	**1,382**

EXHIBIT 10.5

PARTICIPANTS AS OF JANUARY 1, 2016

UNDER THE EXECUTIVE MANAGEMENT INCENTIVE PLAN

Mark S. Sutton	Chairman and Chief Executive Officer
W. Michael Amick, Jr.	SVP – North American Papers, Pulp & Consumer Packaging
C, Cato Ealy	SVP – Corporate Development
William P. Hoel	SVP – Container The Americas
Tommy S. Joseph	SVP – Manufacturing, Technology, EHS&S & Global Sourcing
Thomas G. Kadien	SVP – Human Resources, Communications & Global Government Relations
Glenn R. Landau	SVP – President, IP Latin America
Tim S. Nicholls	SVP – Industrial Packaging
Jean-Michel Ribieras	SVP – President, IP Europe, Middle East, Africa & Russia
Carol L. Roberts	SVP – Chief Financial Officer
Sharon R. Ryan	SVP – General Counsel & Corporate Secretary

Any other individual elected to the position of Senior Vice President or above during 2016

EXECUTIVE MANAGEMENT INCENTIVE PLAN
2016 COMPANY BUSINESS OBJECTIVE AND INTERMEDIATE PERFORMANCE OBJECTIVES

Plan Element	**162(m) Limit Approved by Committee**
Company Business Objective:	• Positive EBITDA Before Special Items
Intermediate Performance Objectives:	• Same as 2016 Management Incentive Plan objectives

International Paper Company
Notice of Award under the
2016 Performance Share Plan ("PSP")

NAME
ADDRESS
ADDRESS

Identification Number: Employee ID #

THIS CERTIFIES THAT, effective January 1, 2015, the Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of International Paper Company (the "Company") has authorized the grant (the "Award") of performance-based restricted stock units ("Performance Share Units" or "PSUs") to [**NAME**] (the "Participant") under the terms and conditions of the International Paper Company Amended and Restated 2009 Incentive Compensation Plan (the "Plan"). The Award is subject to the Terms and Conditions on the reverse side of this certificate.

Date of Award : **January 1, 2016**

Target Number of PSUs: **[###]**

Performance Period : **January 1, 2016 through December 31, 2018**

The Committee has approved the target number of PSUs for this Award, which is [**XX]** . The actual number of PSUs that the Participant may receive under this Award will be based on the Company's performance achievement over the 2016-2018 performance period. The actual number of PSUs that the Participant may receive at the end of the 2016-2018 performance period may be greater or less than the target number of PSUs based on the Company's actual performance achievement. The actual number of PSUs to be paid at the end of the performance period may be reduced at the discretion of the Committee.

Terms not otherwise defined in this certificate have the meaning assigned to them in the Plan. In the event of any inconsistency between the Terms and Conditions and the provisions of the Plan, the Plan will govern. By accepting this Award, the Participant acknowledges receipt of a copy of the Company's PSP prospectus, represents that he or she is familiar with the terms and conditions of the Plan and agrees to accept this Award subject to all the terms and conditions of the Plan and of the Award.

IN WITNESS WHEREOF, the Company has caused this Award to be executed by its duly authorized officer as of the 1st day of January, 2016 .

International Paper Company

Mark S. Sutton
Chairman and Chief Executive Officer

TERMS AND CONDITIONS OF AWARD

This Performance Share Plan award agreement is made between you, the Participant, and International Paper Company, a New York corporation (the "Company"), by direction of the Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board"). This award ("Award") is subject to the provisions of the Company's Amended and Restated 2009 Incentive Compensation Plan (the "Plan"). Terms not defined herein are defined in the Plan. This award agreement serves as your acceptance of the PSP award and the terms and conditions described in this agreement.

1. Compliance with Laws and Regulations. It is intended that this Award, and any securities issued pursuant to this Award, will comply with all provisions of federal and applicable state securities laws.

2. Performance-Based Restricted Stock Units

(a) All performance-based restricted stock units ("Performance Share Units" or "PSUs") issued under this Award will be contingently awarded with respect to the specific three-year performance period (the "Performance Period") as described in the Notice of Award set forth on the reverse. PSUs may not be sold, transferred, pledged or assigned at any time. You will be asked to file a beneficiary designation form with the Company that names the beneficiary or beneficiaries of the Award.

(b) Payout of an Award is contingent solely upon the Company's achievement of the performance goals over the Performance Period, and not on individual performance.

(c) All dividend equivalent units accrued during the Performance Period will be reinvested in additional PSUs (which will be allocated to the same Performance Period and will be subject to being earned on the same basis as the original Award).

3. Payment of Withholding Taxes. Generally, to pay withholding taxes due on an Award upon payout, the Company will reduce the number of PSUs paid to you by an amount sufficient to pay statutorily required withholding taxes.

4. Method of Determining Actual Award and Removal of Restrictions

(a) As soon as practicable after the Performance Period, the number of PSUs to be paid under this Award will be determined by the Committee. The decision by the Committee will be final, conclusive and binding upon all parties, including the Company, the shareowners and you. Following the Committee's approval of the payout, you will receive unrestricted shares of Company common stock equal to the number of PSUs payable to you.

(b) You will receive prorated PSUs in the following events: (i) termination of your employment if you are eligible for a termination allowance (and, in the United States, you sign the Company's termination agreement and release in connection with the payment of a termination allowance); (ii) termination of your employment as a result of the divestiture of your business (iii) death; (iv) Disability; or (v) voluntary resignation after retirement eligibility as defined under the Retirement Plan of the Company. In these events, you (or, if applicable, your beneficiary or estate) will receive the number of PSUs that would have been earned based on actual Company performance, prorated based for your months of service during the Performance Period. Such PSUs are payable at the same time and in the same form as otherwise payable under the Plan.

(c) Your award will be forfeited and cancelled upon the following events: (i) termination of your employment for Cause, (ii) in the United States, your refusal to sign the Company's termination agreement and release in connection with the payment of a termination allowance, (iii) voluntary resignation before retirement eligibility, (iv) violation of a Non-Competition Agreement or Non-Solicitation Agreement, (v) failure of an Executive Officer to provide one-year's notice of retirement, (vi) your Misconduct, or (vii) termination of your employment on or before February 1 of the first year of the three-year performance period for the award.

(d) Except as may be provided in a Change in Control Agreement, in the event of Change in Control of the Company, the Award will be treated as described in the Administrative Guidelines for the Plan.

(e) In the event the Company's financial statements are required to be restated as a result of errors, omissions or fraud, the Company may recover all or a portion of any Award with respect to any fiscal year of the Company the financial results of which are negatively affected by such restatement.

5. Changes in Stock. In the event of any stock dividend, split, reclassification or other analogous change in capitalization, or any distribution (other than regular cash dividends) to holders of the Company's common stock, the Committee will make such adjustments, if any, as it deems to be equitable in the number of PSUs awarded you.

6. Other Terms and Conditions

(a) The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without shareowner approval, subject to certain limitations described in the plan. Further, the granting of an Award is discretionary by the Company. The Company may change the eligibility or other provisions of the Plan with Committee approval at any time.

(b) You (or your estate or beneficiary) will promptly provide all information related to this Award that is requested by the Company for its tax returns.

(c) You (and your surviving spouse, beneficiary, executor, administrator, heirs, successors or assigns) hereby agree to accept as binding, conclusive and final all decisions that are made by the Committee with respect to interpretations of the terms and condition of the Plan or this Award and with respect to any questions or disputes arising under the Plan or this Award.

(d) Participation in the Plan and receipt of this Award will not give you any right to a subsequent award, or any right to continued employment by the Company for any period, nor will the granting of an award give the Company any right to your continued services for any period. You understand that this Award is in addition to, and not a part of, your annual salary.

(e) You agree that if execution of a Non-Competition and/or a Non-Solicitation Agreement is required, this Award will be contingent upon your execution of such agreement(s).

INTERNATIONAL PAPER INVESTMENT (SHANGHAI) CO., LTD.

(AS THE SELLER)

AND

SHANDONG SUN HOLDING GROUP CO., LTD.

(AS THE BUYER)

EQUITY TRANSFER AGREEMENT

for the transfer of
fifty five percent (55%) equity interest in

INTERNATIONAL PAPER & SUN CARTONBOARD CO., LTD. ,

SHANDONG INTERNATIONAL PAPER & SUN COATED PAPERBOARD CO., LTD. , AND

SHANDONG IP & SUN FOOD PACKAGING CO., LTD.

Draft Date: 27 November 2014

CONTENTS

Draft Date: 27 November 2014

THIS AGREEMENT (this " **Agreement** ") is made

BETWEEN:

(1) **INTERNATIONAL PAPER INVESTMENT (SHANGHAI) CO., LTD.** , a company duly established and validly existing under the laws of the PRC (registered no. 310000400629687), whose legal address is at Unit 1801, 600 Middle Longhua Road, Xuhui District, Shanghai (the " **Seller** "); and

(1) **SHANDONG SUN HOLDING GROUP CO., LTD.** , a company duly established and validly existing under the laws of PRC (registered no. 370882228000354), whose legal address is at Town Station of Xinglong Village, Yanzhou District, Jining (the " **Buyer** ").

The Seller and the Buyer are referred to collectively as both " **Parties** " and individually as a " **Party** ".

RECITALS :

(A) International Paper & Sun Cartonboard Co., Ltd. (万国纸业太阳白卡纸有限公司) (" **JV1** ") is a Sino-foreign cooperative joint venture company duly established and validly existing under the laws of the PRC (registered no. 370000400003006), whose legal address is at 66 Xiguan Avenue, Yanzhou District, Jining, Shandong Province.

(B) Shandong International Paper & Sun Coated Paperboard Co., Ltd. (山东国际纸业太阳纸板有限公司) (" **JV2** ") is a Sino-foreign cooperative joint venture company duly established and validly existing under the laws of the PRC (registered no. 370000400003389), whose legal address is at 66 Xiguan Avenue, Yanzhou District, Jining, Shandong Province. JV2 has a wholly owned subsidiary called International Paper & Sun (Hong Kong) Trading Limited (the " **Trading Subsidiary** ").

(C) Shandong IP & Sun Food Packaging Co., Ltd. (山东万国太阳食品包装材料有限公司) (" **JV3** ") is a Sino-foreign cooperative joint venture company duly established and validly existing under the laws of the PRC (registered no. 370000400006730), whose legal address is at 66 Xiguan Avenue, Yanzhou District, Jining, Shandong Province.

JV1, JV2 and JV3 are referred to collectively as the " **Target Companies** " and individually as a " **Target Company** ".

(D) The Target Companies were originally established by the Seller's Affiliate and the Buyer's Affiliate. As of the date of this Agreement, the Seller holds fifty-five (55%) equity interests in each Target Company.

(E) Upon friendly discussion, the Buyer proposes to acquire, and the Seller agrees to transfer, the Seller's entire equity interests in the Target Companies.

THE PARTIES AGREE as follows:

Draft Date: 27 November 2014

1. DEFINITIONS

Unless otherwise defined elsewhere in this Agreement, capitalized terms used in this Agreement shall have the meanings given to them in Schedule 1 to this Agreement.

2. SALE AND PURCHASE

2.1 Sale and Purchase

2.1.1 In accordance with the terms and conditions of this Agreement, the Seller shall sell to the Buyer, and the Buyer shall acquire from the Seller, the entire equity interest held by the Seller in each Target Company (representing fifty-five per cent (55%) of the total equity interest of each Target Company), together with all rights and obligations accruing or attached thereto as at the MOFCOM Approval Date (as defined in Clause 4.2) (each " **JV1 Target Equity Interest** ", " **JV2 Target Equity Interest** " and " **JV3 Target Equity Interest** " respectively, and collectively the " **Target Equity Interests** ").

2.1.2 The transfer of the JV1 Target Equity Interest, the JV2 Target Equity Interest and the JV3 Target Equity Interest shall be conducted simultaneously and the completion of the transfer of the Target Equity Interests in respect of any Target Company shall be conditional upon the completion of the transfer of the Target Equity Interests in respect of the other Target Companies. The afore-mentioned transaction is hereinafter referred to as the " **Transaction** ".

2.2 Purchase Price

2.2.1 The purchase price for the Target Equity Interests is RMB 149 million (in words: Renminbi one hundred and forty nine million) (the " **Purchase Price** ").

2.2.2 The Purchase Price shall be apportioned to the Target Equity Interests in respect of each Target Company as follows:

(a) RMB44,174,932 (in words: Renminbi forty-four million one-hundred seventy-four thousand nine-hundred and thirty-two) for the JV1 Target Equity Interest;

(b) RMB 85,048,862 (in words: Renminbi eighty-five million forty-eight thousand eight hundred and sixty-two) for the JV2 Target Equity Interest; and

(c) RMB19,776,206 (in words: Renminbi nineteen million seven hundred seventy-six thousand two hundred and six) for the JV3 Target Equity Interest.

2.2.3 For the avoidance of doubt, there shall be no adjustment to the Purchase Price after the date of this Agreement.

2.3 Payment of Purchase Price

2.3.1 The Purchase Price shall be paid by the Buyer into the Seller's Bank Account, without any deduction, withholding, set-off or counterclaim whatsoever, in the following manner:

(d) twenty percent (20%) of the Purchase Price (" **First Payment** ") shall be paid within five (5) Business Days from the date of this Agreement;

(e) thirty percent (30%) of the Purchase Price (" **Second Payment** ") shall be paid within five (5) Business Days from the MOFCOM Approval Date;

(f) fifty percent (50%) of the Purchase Price (" **Final Payment** ") shall be paid within five (5) Business Days from the SAIC Registration Date (as defined in Clause 5).

2.3.2 Without prejudice to the Seller's rights under other provisions of this Agreement and the laws of the PRC, if the Buyer fails to pay any portion of the Purchase Price in accordance with Clause 2.3.1 , a late-payment interest shall accrue and be payable by the Buyer to the Seller in respect of the default amount, for the period starting from the day following the expiry of the payment period mentioned above in respect of such portion until the day on which the default amount is paid, at the interest rate of 4.85% per annum.

3. ANTI-TRUST FILING

3.1 Within ten (10) Business Days after the date of this Agreement, the Buyer shall make a notification to the Anti-monopoly Bureau of the Ministry of Commerce of the PRC (" **AMB** ") in respect of the Transaction. For the purpose of anti-trust filing, the Buyer shall be responsible for preparing the documents and materials as may be required under the laws of the PRC or AMB and the Seller shall provide reasonable assistance to the Buyer by providing the Buyer with access to necessary information of the Target Companies which is in the possession of the Seller. The Buyer shall use its best endeavours to obtain the PRC anti-trust clearance for the Transaction as soon as practicable after the date of this Agreement.

3.2 Anti-trust clearance for the Transaction is deemed to be obtained upon the issuance of a notice by the Ministry of Commerce clearing the Transaction for merger control purposes pursuant to the Anti-Monopoly Law or the expiry of the statutory clearance period under the Anti-Monopoly Law and no objection having been raised by the Ministry of Commerce with respect to the Transaction.

4. MOFCOM APPROVAL DATE

4.1 Within five (5) Business Days of the receipt of the First Payment in the Seller's Bank Account, the Parties shall, and shall procure the Target Companies to, submit this Agreement together with all the other necessary documents to MOFCOM for approval of the Transaction (i.e. the transfer of the Target Equity Interests in each Target Company) as a whole.

4.2 With effect from the day on which MOFCOM issues an approval letter/approval letters approving the Transaction (i.e. the transfer of the Target Equity Interests in each Target Company) (" **MOFCOM Approval Date** "),

4.2.1 the Buyer shall assume all the rights and obligations in respect of the Target Equity Interests of the Target Companies;

4.2.2 the JV Contracts shall be terminated, and neither Party shall have any further responsibility or liability to the other Party or their Affiliates in respect of its obligations under the JV Contracts (unless the relevant obligations are explicitly provided under the relevant JV Contract to survive, subject to the terms and conditions thereof, after the termination of that JV Contract);

4.2.3 the director(s) and supervisor(s) appointed by the Seller in each Target Company shall be automatically released from their responsibilities as the director or supervisor (as the case may be) of that Target Company.

5. SAIC REGISTRATION DATE

Within five (5) Business Days after the MOFCOM Approval Date and provided that the First Payment and Second Payment have been duly received in the Seller's Bank Account, the Parties shall, and shall procure the Target Companies to, submit this Agreement together with all the other necessary documents to SAIC for registration of:

5.1.4 change of shareholder(s) of each Target Company so that the Seller will no longer be recorded as a shareholder of such Target Company; and

5.1.5 change of the directors and supervisors of each Target Company so that the persons appointed by the Seller will no longer be recorded as the directors or supervisors of such Target Company.

The SAIC registration shall be deemed completed upon the issuance of a revised business license (" **Revised Business License** ") for each Target Company evidencing the conversion of that Target Company from a Sino-foreign cooperative joint venture into a domestic company (" **SAIC Registration Date** "). As soon as practicable following the issuance of the Revised Business License for a Target Company, with the assistance of the Seller (if necessary), the Buyer shall, and shall procure that Target Company to, complete all the post SAIC registrations (including without limitation registrations with the relevant foreign exchange administration authority/banks and the local tax bureaus, as applicable) to de-register the Seller as an equity holder in that Target Company.

6. MUTUAL COVENANT

6.1 For the avoidance of doubt, from the date of this Agreement and until the MOFCOM Approval Date, the JV Contract in respect of each Target Company shall remain in full force and effect and the Parties shall fully respect and comply with the arrangements thereunder. Subject to the preceding provision, at any time after the receipt by the Seller of the First Payment in the Seller's Bank Account, the Buyer may appoint a deputy general manager in the Target Companies who shall report to the general manager of the Target Companies and may participate in the management and monitoring of the business operation of the Target Companies. For the avoidance of doubt, the position of the deputy general manager shall be cancelled if this Agreement is terminated in accordance with Clause 9. Separately, the Seller undertakes to the Buyer that it will procure that, between the date of this Agreement and the MOFCOM Approval Date, the general manager of the Target Companies will not take any action that is out of the ordinary course of business without the consent of the Buyer.

6.2 In addition to the obligations provided under Clause 3, Clause 4 and Clause 5 above, each Party agrees to perform (or procure the performance of) all such acts and things and/or to execute and deliver (or procure the execution and delivery of) all such documents, as may be required by PRC law or as may be necessary or reasonably requested by the other Party to implement the Transaction in accordance with this Agreement.

6.3 Each Party shall, as applicable, keep the other Party reasonably informed of the progress of the anti-trust filing, MOFCOM approval and SAIC registration in relation to the Transaction. The Buyer shall immediately notify the Seller of the obtaining of the anti-trust clearance for the Transaction, the MOFCOM Approval and the Revised Business License of any Target Company, as the case may be.

7. WARRANTIES

7.1 Each Party warrants to the other Party that:

7.1.1 it has the right, power and authority to enter into this Agreement and to perform its obligations under this Agreement; and

7.1.2 its obligations under this Agreement are valid, legal, binding and enforceable in accordance with the terms of this Agreement.

7.2 The Seller warrants to the Buyer that the Seller legally and beneficially owns the Target Equity Interests, free from any Encumbrance.

7.3 The Buyer acknowledges and agrees that other than those warranties set out in Clause and 7.2 , no representations or warranties are, or shall be deemed as having been, explicitly or impliedly made by the Seller to the Buyer in relation to any Target Company, the Target Equity Interests or the Transaction.

8. FURTHER AGREEMENT

8.1 Discussion with the Relevant Banks

At the reasonable request of the Buyer, the Seller shall provide its reasonable assistance to the Buyer in approaching and discussing with the Relevant Banks regarding the loans lent by them to the relevant Target Company(ies) or the Trading Subsidiary, in connection with the Transaction. For the avoidance of doubt, in no event shall the preceding provision be interpreted in such a way as to indicate or imply any obligation on the part of the Seller or any of its Affiliates towards the Buyer, any Target Company, the Trading Subsidiary or any creditor bank of any Target Company or the Trading Subsidiary, in respect of the loans borrowed by any Target Company or the Trading Subsidiary.

8.2 No acceleration of Shareholder Loan

8.2.1 The Buyer agrees to procure that:

(a) Shandong Sun Paper Industry Joint Stock Co., Ltd. (" **Sun ListCo** ") shall not, after the date of this Agreement, demand repayment by JV2 of the Sun ListCo Loan (or the relevant part thereof) prior to the scheduled maturity date of the same as provided under the Sun ListCo Shareholder Loan Agreement, as a result of or in connection with the Transaction; and

(b) JV2 shall not, after the date of this Agreement, repay to the Sun ListCo the Sun ListCo Loan (or the relevant part thereof) prior to the scheduled maturity date of the same as provided under the Sun ListCo Shareholder Loan Agreement.

8.2.2 The Seller agrees that it will not, after the date of this Agreement, demand repayment by JV2 of the IP Loan (or the relevant part thereof) prior to the scheduled maturity date of the same as provided under the IP Shareholder Loan Agreement, as a result of or in connection with the Transaction, provided that。

(a) Sun ListCo will not demand the early repayment of the Sun ListCo Shareholder Loan (as described in Clause above), and

(b) JV2 will not voluntarily prepay the Sun ListCo Loan (as described in 8.2.1(b)).

8.3 **Scheduled Repayment of IP Loan**

Notwithstanding Clause 8.2.2 , both Parties acknowledge that JV2 (as the borrower) shall be obliged to repay the IP Loan (including the interest accrued thereon) to the Seller (as the lender) in accordance with the loan repayment schedule pursuant to the IP Shareholder Loan Agreement or otherwise pursuant to the terms of the IP Shareholder Loan Agreement. Further, the Buyer hereby guarantees to the Seller the due and punctual performance of each obligation of JV2 pursuant to the IP Shareholder Loan Agreement. The Buyer's obligations under the preceding provision shall be joint and several with the obligations of JV2 under the IP Shareholder Loan Agreement.

8.4 **Intellectual Property**

8.4.1 On the MOFCOM Approval Date, International Paper Company will give a written termination notice to JV1 in respect of the Trademark License Agreement between International Paper Company and JV1 dated 21 October 2006 (" **Trademark License Agreement** "), pursuant to which the Trademark License Agreement will terminate in accordance with the terms thereof in one-hundred and twenty (120) days after the date of the written termination notice. The rights and obligations of the parties to the Trademark License Agreement in connection with the termination shall be dealt with in accordance with the terms of the Trademark License Agreement.

8.4.2 The Buyer shall procure that the Target Companies and the Trading Subsidiary shall:

(a) within twelve (12) months after the MOFCOM Approval Date, remove "International Paper" (in English) from any corporate, enterprise, trading names of the Trading Subsidiary (as the case may be) (and the Trading Subsidiary can only use "International Paper" (in English) always as part of its full company name before the afore-mentioned change of the Trading Subsidiary's corporate, enterprise and trading names is completed); and

(b) within six (6) months after the MOFCOM Approval Date, unless otherwise allowed by the Seller, remove any brand, trademark, logo belonging to International Paper Company or its Affiliates, including "International Paper" (in English) and "国际纸业" or "万国纸业" (as the case may be) (in Chinese) which are separately used, from all brands, labels, packaging and/or promotional materials, trademarks, trade names, service marks, trade dress, and logos used by the Target Companies or the Trading Subsidiary and stop exploiting any other intellectual property belonging to International Paper Company or its Affiliates.

8.4.3 Subject to Clause 8.4.2 and without prejudice to the rights of International Paper Company or its Affiliates to take any actions to protect and/or preserve their intellectual property rights, the Target Companies may keep their current company names (as described in Clause 8.4.4), provided however that:

(a) JV1 and JV2 can only use "International Paper" (in English), "国际纸业" or "万国纸业" (as the case may be) (in Chinese) always as part of their respective full company name; and

(b) this Clause 8.4.3 shall not be interpreted in any way to indicate or imply any conveyance by the Seller, the International Paper Company or its Affiliates to the Buyer, any Target Company or the Trading Subsidiary of any intellectual property belonging to International Paper Company or its Affiliates concerning "International Paper" (in English), "国际纸业" or "万国纸业" (as the case may be) (in Chinese).

8.4.4 For the purpose of Clause 8.4.3, both Parties acknowledge that, as of the date of this Agreement:

(a) The name of JV1 is: "万国纸业太阳白卡纸有限公司" (in Chinese) and "International Paper & Sun Cartonboard Co., Ltd." (in English);

(b) The name of JV2 is: "山东国际纸业太阳纸板有限公司" (in Chinese) and "Shandong International Paper & Sun Coated Paperboard Co., Ltd." (in English); and

(c) The name of JV3 is: "山东万国太阳食品包装材料有限公司" (in Chinese) and "Shandong IP & Sun Food Packaging Co., Ltd." (in English).

8.4.5 Without prejudice to the rights of International Paper Company or its Affiliates to take any actions to protect and/or preserve their intellectual property rights, for the avoidance of doubt, both Parties acknowledge that the Target Companies may keep and use the trademarks which are legally owned by them and have been duly registered by them with the PRC Trademark Office as of the date of this Agreement.

9. TERMINATION

9.1 Termination of this Agreement

9.1.3 Upon the occurrence of any of the following events or circumstances, either Party (the " **Terminating Party** ") may elect to terminate this Agreement by issuing a notice in writing to the other Party:

(a) the AMB prohibits the completion of the Transaction (provided that the Buyer has used its best endeavours to obtain the PRC anti-trust clearance for the Transaction);

(b) the MOFCOM approval (as described in Clause) is not obtained within nine (9) months after the date of this Agreement, provided that a Party shall not be entitled to terminate this Agreement under this clause if the above is due to its failure to perform any of its obligations under this Agreement or is otherwise attributable to it;

(c) at any time prior to the MOFCOM Approval Date, the other Party (the " **Default Party** ") is in material breach of any provision of this Agreement and such default (i) fails to be rectified, to the reasonable satisfaction of the Terminating Party, within thirty (30) days after notification by the Terminating Party to the Default Party of the default or (ii) is not capable of being cured, in the reasonable opinion of the Terminating Party.

9.1.4 In addition to Clause 9.1.1 and notwithstanding Clause 4.2 , the Seller may (at its sole discretion) elect to terminate this Agreement by issuing a notice in writing to the Buyer:

(c) if the Buyer fails to pay the Purchase Price (or any portion thereof) in accordance with Clause 2.3 and such default fails to be rectified within thirty (30) days from the date on which the Purchase Price (or any portion thereof) becomes payable under Clause 2.3 ; or

(d) if the Buyer or a Target Company fails to submit to the SAIC all the necessary documentation required to complete the SAIC registration (as described in Clause 5) within thirty (30) days from the MOFCOM Approval Date.

9.1.5 In addition to Clause 9.1.1 and notwithstanding Clause 4.2 , the Buyer may (at its sole discretion) elect to terminate this Agreement by issuing a notice in writing to the Seller if the Seller fails to provide any document which is required to be provided by the Seller under PRC applicable laws for the purpose of submission to MOFCOM (as described in Clause 4.1) or SAIC (as described in Clause 5) and the Seller fails to rectify within thirty (30) days from the date on which the Buyer requires in writing such document and provides in reasonable detail the statutory basis for requiring such document.

9.1.6 For the avoidance of doubt, nothing in this Clause 9.1 shall be interpreted in any manner to prejudice the either Party's right to demand specific performance by the other Party of any of its obligation under this Agreement.

9.2 **Effect of Termination**

9.2.1 Each Party's further rights and obligations shall cease immediately upon termination of this Agreement, except that Clauses 10 , 14 , 15 and 16 shall survive the termination of this Agreement. Such termination shall not affect a Party's accrued rights and obligations at the date of termination.

9.2.2 Without prejudice to the Seller's rights under other provisions of this Agreement and the laws of the PRC, if the Seller elects to terminate this Agreement pursuant to Clause 9.1 due to a breach of this Agreement by the Buyer:

(d) the Seller shall be entitled to the First Payment and the Buyer shall be deemed to have forfeited it; and

(e) the Buyer shall, on demand of the Seller, indemnify the Seller against (i) all the costs incurred by the Seller relating to the negotiation, preparation, execution and performance by the Seller or its Affiliate of this Agreement and of each document referred to in it and (ii) any further losses suffered by the Seller as a result of such termination.

9.2.3 If this Agreement is terminated pursuant to Clause 9.1.1(a) or Clause 9.1.2 , upon the demand of the Seller (at the Seller's sole discretion), the Buyer shall, and the Parties shall ensure that the Target Companies shall, take all necessary actions and sign all necessary documents to re-transfer/re-instate the Target Equity Interests back to the Seller, at nil consideration to the Seller, as soon as possible after such termination and, if necessary, apply to MOFCOM for its revocation of the MOFCOM approval letter(s) (as described in Clause 4.2) (" **Equity Re-transfer** "); in such case, the Buyer shall also be responsible for and indemnify the Seller against all the costs incurred by the Seller arising out of or in connection with the Equity Re-transfer.

9.2.4 Without prejudice to the Buyer's rights under other provisions of this Agreement and the laws of the PRC, if the Buyer elects to terminate this Agreement pursuant to Clause 9. 1.3, the Seller shall pay twenty percent (20%) of the Purchase Price as liquidated damages to the Buyer.

10. CONFIDENTIAL INFORMATION AND DISCLOSURE

10.1 Confidential information

The Parties agree and acknowledge that the contents of this Agreement and any information that has been, or may be, imparted in respect of the same by the Parties to each other, is strictly confidential in nature, and may not be disclosed to any third party (i) unless disclosure is required by applicable laws or by any rule of a listing authority or stock exchange on which the shares of a Party or its Affiliate are listed or traded or (ii) unless such information is or hereafter becomes, through no fault of either party, public knowledge.

10.2 Disclosure

Subject to Clause 10.1 above, following the date of this Agreement, the Seller or its Affiliates shall be entitled to make a public disclosure or press release in respect of the Transaction, provided that, so far as is practicable, the Seller shall notify the Buyer in advance of such disclosure or release and take into account the reasonable comments of the Buyer as to the content of such disclosure or release.

11. MISCELLANEOUS

11.1 Costs

Except where this Agreement or the relevant document provides otherwise, each Party shall pay its own costs relating to the negotiation, preparation, execution and performance by it of this Agreement and of each document referred to in it.

11.2 **Taxes**

The Seller and the Buyer shall bear its own stamp duty payable in the PRC in connection with the transfer of the Target Equity Interests under this Agreement. Except as otherwise provided in this Agreement, each of the Parties shall be responsible for its own tax liabilities arising from the transfer of the Target Equity Interests under this Agreement.

11.3 **Amendment**

Any amendment of this Agreement is valid only if it is in writing and signed by or on behalf of each Party.

11.4 **Waiver**

The failure to exercise or the delay in exercising a right or remedy provided by this Agreement or by law does not impair or constitute a waiver of such right or remedy. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further or any other exercise of such right or remedy or the exercise of another right or remedy.

11.5 **Severability**

The invalidity, illegality or unenforceability of a provision of this Agreement does not affect or impair the validity of the remainder of this Agreement.

11.6 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original and all of which together evidence the same agreement.

12. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and supersedes any previous agreements between the Parties relating to the subject matter of this Agreement.

13. ASSIGNMENT

Neither Party shall assign or in any other way alienate any of its rights or obligations under this Agreement whether in whole or in part.

14. NOTICES

14.1 **Format of notice**

A notice or other communication under or in connection with this Agreement (a " **Notice** ") shall be (i) in writing; (ii) in the English and Chinese languages; and (iii) delivered personally or sent by a reputable international courier (e.g. FedEx, SF) or by fax to the Party due to receive the Notice at its address or fax number set out in Clause or to such other addressee, address or fax number as the Party due to receive the Notice may specify by giving the other Party due to send the Notice not less than five (5) Business Days' written notice before the Notice is despatched.

14.2 **Deemed delivery of notice**

Unless there is evidence that it was received earlier, a Notice is deemed to have been duly given if (i) delivered personally, when left at the address set out in Clause ; (ii) sent by a reputable international courier, ten (10) Business Days after posting it; and (iii) sent by fax, when confirmation of its transmission has been recorded by the sender's fax machine.

14.3 **Address and fax number**

The address and fax number referred to in Clause is:

Name of Party	Address	Fax No.	Marked for the attention of
Seller	17-18 F, West Building, Greenland Center, 600 Middle Longhua Road, Shanghai 200032	86-21-61133201	Cecilia Ho
Buyer	No. 1, Youyi Road, Yanzhou District, Jining City, Shandong Province	+	Li Hongxin

14.4 Any Notice form the Buyer to the Seller shall copy International Paper Company at the following address and fax number:

Name	Address	Fax No.	Marked for the attention of
International Paper Company	6420 Poplar Avenue, Tower III, Memphis, TN 38197	1-901-214-9875	C. Cato Ealy

15. GOVERNING LAW AND JURISDICTION

15.1 **Governing law**

This Agreement shall be governed by and construed in accordance with the laws of the PRC.

15.2 **Arbitration**

15.2.1 The Buyer and the Seller agree that any dispute, controversy or claim arising out of or in connection with this Agreement, including any question regarding its existence, validity, interpretation, breach or termination, shall be referred to China International Economic and Trade Arbitration Commission (" **CIETAC** ") for arbitration in accordance with the CIETAC Arbitration Rules in force as at the date of this Agreement (" **Rules** ").

15.2.2 The hearing of the arbitration shall take place in Shanghai.

15.2.3 The arbitration tribunal shall consist of three (3) arbitrators. Each Party shall appoint one (1) arbitrator, and the two (2) arbitrators thus appointed shall appoint the third arbitrator. If within thirty (30) days of a request from the other Party to do so a Party fails to appoint an arbitrator, or if the two (2) arbitrators fail to agree on the third arbitrator within thirty (30) days after the appointment of the second arbitrator, the appointment shall be made, upon request of a party, by the Chairman of CIETAC in accordance with the Rules, as amended herein.

15.2.4 The languages of the arbitration proceedings shall be in Chinese and English. Any arbitration award shall be made in writing and shall be final and binding on the Parties from the day it is made. The parties undertake to carry out each and every arbitral award without delay.

16. GOVERNING LANGUAGE

This Agreement is written in both English and Chinese versions. Both versions shall be of equal validity.

17. COPY FOR SUBMISSION

17.1 The Parties agree that this Agreement shall be used for submission to MOFCOM (as described in Clause 4) and to SAIC (as described in Clause 5).

17.2 Should MOFCOM or SAIC require submission of a separate equity transfer agreement (" **By-entity SPA** ") in respect of the transfer of the JV1 Target Equity Interest, the JV2 Target Equity Interest and the JV3 Target Equity Interest respectively, the Parties shall prepare a By-entity SPA in respect of each Target Company on the basis of this Agreement, provided further that:

17.2.1 unless otherwise agreed between the Parties, to the extent practicable, the provisions of each By-entity SPA shall be substantially similar to the provisions of this Agreement;

17.2.2 the rights and obligations of the Parties under the By-entity SPAs shall be the same as those under this Agreement;

17.2.3 all the By-entity SPAs shall be simultaneously submitted to MOFCOM (as described in Clause 4) and the Parties shall use their best efforts to procure that MOFCOM shall approve the transactions contemplated under all the By-entity SPAs as a package deal; in the event that MOFCOM fails to approve the equity transfer transaction concerning any Target Company, the Parties shall apply to MOFCOM for the withdrawal of the approvals (if issued) for the equity transfer transactions concerning the other Target Companies;

17.2.4 if any By-entity SPA is terminated in accordance with the terms thereunder, the other By-entity SPAs shall be terminated as well (and a Party that commits a breach under any By-entity SPA shall be deemed to have committed a breach under this Agreement), in which case the provisions of Clause 9 shall apply *mutatis mutandis* ;

17.2.5 this Agreement shall be the governing agreement in respect of the Transaction as a whole and, in the event of any discrepancy between any provision of any By-entity SPA and any provision of this Agreement, between the Parties the provision of this Agreement shall prevail.

18. EFFECTIVENSS

Upon execution of this Agreement by both Parties, this Agreement shall become effective as between the Parties as of 28 September 2015.

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SCHEDULE 1
DEFINITIONS

In this Agreement:

" **Affiliate** " means, with respect to any person, any other person which, directly or indirectly, controls, is controlled by or is under common control with the first mentioned person. For the purposes of this Agreement, " **Control** " means, with respect to any person, whether through the ownership of more than fifty per cent (50%) of the voting shares of such person, or the power of appointment or election of a majority of the directors or similar management organization of such person, or a contractual arrangement with such person or otherwise, the ability to direct the management and policies of such person. Any reference to " **controlled** " or " **controlling** " shall be construed accordingly. For the avoidance of doubt, unless otherwise provided in the Agreement, the Target Companies shall be deemed the Affiliates of the Seller prior to the MOFCOM Approval Date and the Affiliates of the Buyer as from the MOFCOM Approval Date;

" **AMB** " has the meaning given to it in Clause 3.1 ;

" **Business Day** " means any day other than a Saturday or Sunday or public holiday in the PRC;

" **Buyer** " has the meaning given to it in the Preamble;

" **By-entity SPA"** has the meaning given to it in Clause 17;

" **CIETAC** " has the meaning given to it in Clause 15.2.1 ;

" **Default Party** " has the meaning given to it in Clause .1;

" **Encumbrance** " means a mortgage, pledge or lien or other security interest;

" **Equity Re-transfer** " has the meaning given to it in Clause 9.2.3 ;

" **First Payment** " has the meaning given to it in Clause 2.3.1;

" **Final Payment** " has the meaning given to it in Clause 2.3.1;

" **IP Loan** " means the loan lent by the Seller via the intermediary bank to JV2 (as the borrower) under the IP Shareholder Loan Agreement;

" **IP Shareholder Loan Agreement** " means the entrustment loan agreement by and between the Seller (as the lender), Bank of China (Shanghai Branch) and JV2 (as the borrower) with a loan amount of RMB60.5 million;

" **JV1** ", " **JV2** " and " **JV3** " have the meanings given to them in the Recitals;

" **JV Contracts** " means the Joint Venture Contracts entered into by and between the Seller and the Buyer for the operation of the Target Companies.

" **MOFCOM** " means the Ministry of Commerce of the PRC or its local counterpart at the competent level to approve the Transaction in relation to change of shareholding structure of foreign-invested enterprises;

" **MOFCOM Approval Date** " has the meaning given to it in Clause 4.2 ;

" **Notice** " has the meaning given to it in Clause ;

" **PRC** " means the People's Republic of China excluding, for the purposes of this Agreement, the Special Administrative Regions of Hong Kong and Macao and the territory of Taiwan;

" **Purchase Price** " has the meaning given to it in Clause 2.2.1 ;

" **Relevant Banks** " means the following banks: Nordea Bank, BNP Paribas, Sumitomo Mitsui, Mizuho, Deutsche Bank and HSBC;

" **Revised Business License** " has the meaning given to it in Clause 5 ;

" **RMB** " means Renminbi, the lawful currency of China.

" **Rules** " has the meaning given to it in Clause 15.2.1 ;

" **SAIC** " means the State Administration of Industry and Commerce or its local counterparts;

" **SAIC Registration Date** " has the meaning given to it in Clause 5;

" **Second Payment** " has the meaning given to it in Clause 2.3.1 ;

" **Seller** " has the meaning given to it in the Preamble;

" **Seller's Bank Account** " means the bank account of the Seller with the details set out below:

Beneficiary Name	International Paper Investment (Shanghai) Co., Ltd. 英特奈国际纸业投资(上海)有限公司
Beneficiary Bank	Citi Bank, Shanghai Branch 花旗银行上海分行
Beneficiary Account	1,755,667,214

"Sun ListCo" has the meaning given to it in Clause 8.2;

"Sun ListCo Loan" means the loan lent by Sun ListCo via the intermediary bank to JV2 (as the borrower) under the Sun ListCo Shareholder Loan Agreement;

" **Sun ListCo Shareholder Loan Agreement** " means the loan agreement entered into by and between Sun ListCo (as the lender), Industrial Bank Co., Ltd. and JV2 (as the borrower) with a loan amount of RMB49.5 million;

" **Target Companies** " or " **Target Company** " has the meaning given to it in the Recitals;

" **Target Equity Interests** " has the meaning given to it in Clause 2.1.1

" **Terminating Party** " has the meaning given to it in Clause .1;

" **Trading Subsidiary** " has the meaning given to it in Recitals;

" **Transaction** " has the meaning given to it in Clause .

[Signature Page of the Equity Transfer Agreement]

EXECUTED by the following Parties:

SELLER: INTERNATIONAL PAPER INVESTMENT (SHANGHAI) CO., LTD.

/S/ CECILIA HO
Name: Cecilia Ho

Title: Director

BUYER: SHANDONG SUN HOLDING GROUP CO., LTD.

/S/ LU LI
Name: Lu Li

Title: Authorized Signatory

Exhibit 11

INTERNATIONAL PAPER COMPANY
STATEMENT OF COMPUTATION OF PER SHARE EARNINGS (c)
(Unaudited)
(In millions, except per share amounts)

In millions, except per share amounts		**2015**		**2014**		**2013**
Earnings (loss) from continuing operations	**$**	**938**	$	568	$	1,704
Discontinued operations		**—**		(13)		(309)
Net earnings (loss)		**938**		555		1,395
Effect of dilutive securities (a)		**—**		—		—
Net earnings - assuming dilution	**$**	**938**	$	555	$	1,395
Average common shares outstanding		**417.4**		427.7		443.3
Effect of dilutive securities (a)						
Restricted stock performance share plan		**3.2**		4.2		4.5
Stock options (b)		**—**		0.1		0.3
Average common shares outstanding - assuming dilution		**420.6**		432.0		448.1
Earnings (loss) per common share from continuing operations	**$**	**2.25**	$	1.33	$	3.85
Discontinued operations		**—**		(0.03)		(0.70)
Net earnings (loss) per common share	**$**	**2.25**	$	1.30	$	3.15
Earnings (loss) per common share from continuing operations - assuming dilution	**$**	**2.23**	$	1.31	$	3.80
Discontinued operations		**—**		(0.02)		(0.69)
Net earnings (loss) per common share - assuming dilution	**$**	**2.23**	$	1.29	$	3.11

(a) Securities are not included in the table in periods when antidilutive.
(b) Options to purchase shares were not included in the computation of diluted common shares outstanding because their exercise price exceeded the average market price of the Company's common stock for each respective reporting date.
(c) Attributable to International Paper Company common shareholders.

Exhibit 12

INTERNATIONAL PAPER COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Dollar amounts in millions)

		For the Years Ended December 31,				
TITLE		2011	2012	2013	2014	**2015**
(A)	Earnings (loss) from continuing operations before income taxes and equity earnings	$ 1,395.0	$ 967.0	$ 1,228.0	$ 872.0	**$ 1,266.0**
(B)	Noncontrolling interests, net of taxes	(14.0)	(5.0)	17.0	19.0	**21.0**
(C)	Fixed charges excluding capitalized interest	661.8	782.0	705.5	694.2	**700.2**
(D)	Amortization of previously capitalized interest	29.2	24.2	24.7	23.9	**20.7**
(E)	Distributed income of equity investees	85.6	—	—	56.1	**35.0**
(F)	Earnings (loss) from continuing operations before income taxes and fixed charges	$ 2,157.6	$ 1,768.2	$ 1,975.2	$ 1,665.2	**$ 2,042.9**
Fixed Charges						
(G)	Interest and amortization of debt expense	$ 602.0	$ 714.7	$ 648.3	$ 642.9	**$ 643.5**
(H)	Interest factor attributable to rentals	54.4	61.6	56.1	51.3	**56.7**
(I)	Preferred dividends of subsidiaries	5.4	5.7	1.1	—	**—**
(J)	Capitalized interest	21.6	36.6	17.0	23.2	**24.8**
(K)	Total fixed charges	$ 683.4	$ 818.6	$ 722.5	$ 717.4	**$ 725.0**
(L)	Ratio of earnings to fixed charges	3.16	2.16	2.73	2.32	**2.82**

NOTE: Dividends on International Paper's preferred stock are insignificant. As a result, for all periods presented, the ratios of earnings to fixed charges and preferred stock dividends are the same as the ratios of earnings to fixed charges.

Exhibit 21

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2015

Name	Jurisdiction
Ace Packaging Systems, Inc.	Michigan
Alexander Plantation, LLC	Delaware
Balsa Forests LLC	Delaware
Baoding International Paper Packaging Co., Ltd.	China
Basswood Forests II LLC	Delaware
Basswood Forests IIA LLC	Delaware
Basswood III Forests LLC	Delaware
Beech Forests II LLC	Delaware
Beech Forests LLC	Delaware
Beijing Golden Eagle Package & Production Co., Ltd.	China
Birch Forests II LLC	Delaware
Birch Forests LLC	Delaware
Branigar Organization, Inc., The	Illinois
Cartonajes International, S.L.	Spain
Cartonajes Union S.L.	Spain
Cartonnerie de Martinique SAS	France
Castell Management Limited Liability Company	Delaware
Castell, L.P. (DBA Texcorr)	Delaware
Certified Forest Management LLC	Delaware
Champion Realty Corporation	Delaware
CircleTree Insurance Company	Vermont
CMCP - INTERNATIONAL PAPER S.A.S.	Morocco
Commercial Realty & Properties LLC	Delaware
Comptoir des Bois de Brive SAS	France
CP Packaging Sdn. Bhd.	Malaysia
Dogal Kagit Hammaddeleri Sanayi ve Ticaret Limited Sirketi	Turkey
ECHO Easement Corridor, LLC	Delaware
El Morro Corrugated Box Corporation	Puerto Rico
EM Xpedx, S.A. De C.V.	Mexico
Emballages Laurent SAS	France
English Oak LLC	Delaware
Federal Forestlands Inc.	Delaware
Forest Insurance Limited	Bermuda
Groveton Paper Board, Inc.	New Hampshire
Haig Point, Inc.	Delaware
Hawthorn Forests LLC	Delaware
Hazelnut Forests LLC	Delaware
Hickory Forests LLC	Delaware
I.P. CONTAINER HOLDINGS (SPAIN) S.L.	Spain
Inland Paper Company Inc.	Indiana
Instituto International Paper	Brazil
International Paper - 26, Inc.	Delaware
International Paper - 35, Inc.	Delaware

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2015

Name	**Jurisdiction**
International Paper - Comércio de Papel e Participações Arapoti Ltda.	Brazil
International Paper - Kwidzyn Sp. Z O.O.	Poland
International Paper (Asia) Limited	Hong Kong
International Paper (Beijing) Packaging Co., Ltd.	Beijing, China
International Paper (Chengdu) Packaging Co., Ltd.	Chengdu, China
International Paper (Chongqing) Packaging Co., Ltd	China
International Paper (Deutschland)GmbH	Germany
International Paper (Dongguan) Packaging Co., Ltd.	Dongguan, China
International Paper (Europe) S.a r.l	Luxembourg
International Paper (Guangzhou Panyu) Packaging Co.Ltd	China
International Paper (Guangzhou) Packaging Co., Ltd.	Guangzhou, China
International Paper (Hohhot) Packaging Co., Ltd.	China
International Paper (India) Private Limited	India
International Paper (Malaysia) Sdn Bhd	Malaysia
International Paper (Nanjing) Packaging Co., Ltd.	China
International Paper (New Zealand) Limited	New Zealand
International Paper (Poland) Holding sp. z o.o.	Poland
International Paper (Shanghai Minhang) Packaging Co., Ltd	China
International Paper (Shenyang) Packaging Co., Ltd.	People's Republic of China
International Paper (Suzhou) Packaging Co., Ltd.	China
International Paper (Tianjin) Packaging Co., Ltd.	China
International Paper (UK) Limited	Scotland
International Paper (Wuhan) Packaging Co., Ltd.	China
International Paper (Xianghe) Packaging Co., Ltd.	China
International Paper Agroflorestal Ltda.	Brazil
International Paper APPM Limited	India
International Paper Benelux SPRL	Belgium
International Paper Cartones Ltda.	Chile
International Paper Celulose Ltda.	Brazil
International Paper Company (Delaware)	Delaware
International Paper Company Employee Relief Fund	New York
International Paper Company Foundation	New York
International Paper Company Limited	United Kingdom
International Paper Container (France) Holding SAS	France
International Paper Container (Shanghai) Limited	Shanghai, China
International Paper CTA (Mexico), S.A. de C.V., SOFOM, E.N.R.	Mexico
International Paper Czech Republic, s.r.o.	Czech Republic
International Paper Distribution (Shanghai) Limited	People's Republic of China
International Paper Distribution Group (Taiwan) Limited	Taiwan, Province Of China
International Paper Distribution Limited	British Virgin Islands
International Paper do Brasil Ltda.	Brazil
International Paper Dutch Services B.V.	Netherlands
International Paper Embalagens Industriais Ltda.	Brazil

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2015

Name	Jurisdiction
International Paper Embalagens Ltda.	Brazil
International Paper Exportadora Ltda.	Brazil
International Paper Finance (Luxembourg) S.a r.l.	Luxembourg
International Paper Financial Services, Inc.	Delaware
International Paper Financing France SARL	France
International Paper Foodservice (Shanghai) Co., Ltd.	China
International Paper Foodservice (Tianjin) Co., Ltd	China
International Paper Foodservice Europe Limited	United Kingdom
International Paper France SAS	France
International Paper Group (UK) Limited	United Kingdom
International Paper Holdings (Luxembourg) S.à r.l.	Luxembourg
International Paper Hungary Kereskedelmi Kft.	Hungary
International Paper Industrie France SA	France
International Paper Investment (Shanghai) Co., Ltd.	China
International Paper Investments (Asia) B.V.	Netherlands
International Paper Investments (France) S.A.S	France
International Paper Investments (Holland) B.V.	Netherlands
International Paper Investments (Luxembourg) S.à r.l.	Luxembourg
International Paper Investments Asia Pte Ltd	Singapore
International Paper Italia Srl	Italy
International Paper Japan Limited	Japan
International Paper Latin America Investments, LLC	Delaware
International Paper Manufacturing and Distribution Ltd.	Hong Kong
International Paper Mexico Company, S. de R.L. de C.V.	Mexico
International Paper Nordic Sales Company Oy	Finland
International Paper Packaging (Thailand) Co., Ltd.	Thailand
International Paper Packaging Malaysia (Johor) Sdn. Bhd.	Malaysia
International Paper Packaging Malaysia (Kuala Lumpur) Sdn. Bhd.	Malaysia
International Paper Packaging Malaysia Sdn. Bhd.	Malaysia
International Paper Papiers de Bureau SARL	France
International Paper Peru S.R.L.	Peru
International Paper Polska Sp. z o.o.	Poland
International Paper Procurement (Shanghai) Limited	People's Republic of China
International Paper Professional Services Corporation	Delaware
International Paper Realty Corporation	Delaware
International Paper Russia Holding B.V.	Netherlands
International Paper S.A.	France
International Paper Shengdao (Dalian) Packaging Industries Co., Ltd.	China
International Paper Switzerland GmbH	Switzerland
International Paper Trading (Shanghai) Limited	People's Republic of China
International Paper Ukraine SE	Ukraine
IP Belgian Services Company SPRL	Belgium

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2015

Name	Jurisdiction
IP Canada Holdings Limited	Canada
IP Cartones Y Corrugados, S. de R.L. de C.V.	Mexico
IP Castell, Inc.	Delaware
IP CBPR Properties 2 LLC	Delaware
IP CBPR Properties LLC	Delaware
IP Celimo SAS	France
IP Commercial Properties Inc.	Delaware
IP Corporate Management (Shanghai) Co. Ltd.	China
IP Eagle LLC	Delaware
IP Farms, Inc.	Delaware
IP Forest Resources Company	Delaware
IP Holding Asia Singapore Pte. Ltd.	Singapore
IP India Foundation	India
IP Inland Holdings LLC	Delaware
IP International Holdings, Inc.	Delaware
IP Mexico Holdings S.a.r.l.	Luxembourg
IP Mineral Holdings LLC	Delaware
IP Pacific Timberlands, Inc.	Delaware
IP Petroleum Company, Inc.	Delaware
IP Realty Holdings LLC	Delaware
IP Singapore Holding Pte. Ltd.	Singapore
IP Timberlands Operating Company, Ltd.	Texas
IPAD Inc.	Delaware
Joshua Tree Forests LLC	Delaware
Juniper Forests LLC	Delaware
Lacebark LLC	Delaware
Lake Superior Land Company	Delaware
Long-Bell Petroleum Company, Inc.,The	Louisiana
Longleaf Insurance Company	Tennessee
Longview, Portland & Northern Railway Company (LP&N Railway)	Washington
Lost Creek, Inc.	Delaware
Montauban Cartons SAS	France
Northwest Crossings Corporation	Delaware
Northwest Pines, Inc.	Delaware
Olmuksan International Paper Ambalaj Sanayi ve Ticaret Anonim Sirketi	Turkey
Orsa International Paper Embalagens da Amazônia Ltda.	Brazil
Orsa International Paper Embalagens S.A.	Brazil
Papeteries d'Espaly SAS	France
Papeteries Etienne SAS	France
Pines II, Inc.	Delaware
Progres Action Citoyenne Maroc SARL	Morocco
Przedsiebiorstwo Produkcyjno-Handlowe "Tor-Pal" Spolka z Ograniczona Odpowiedzialnoscia	Poland
PT. International Paper Packaging Indonesia Batam	Indonesia
Red Bird Receivables, LLC	Delaware
Sabine River & Northern Railroad Company	Texas

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2015

Name	Jurisdiction
Shanghai International Paper Packaging Co., Ltd.	China
Societe Guadeloupeenne de Carton Ondule SAS	France
Societe Mauritanienne de Cartons - SOMACAR, S.A.	Mauritania
Societe Mediterraneenne d'Emballages SAS	France
Societe Normande de Carton Ondule SAS	France
Southland Energy Company	Texas
SP Forests L.L.C.	Delaware
Supplier Finance Company, LLC	Delaware
Sustainable Forests L.L.C.	Delaware
Sycamore Forests LLC	Delaware
Templar Essex Inc.	Delaware
Temple Associates, Inc.	Texas
Temple-Inland Funding Corporation	Nevada
Temple-Inland Inc.	Delaware
Temple-Inland Resource Company	Nevada
Tianjin Bohai International Paper Packaging Co., Ltd.	China
Timberlands Capital Corp. II, Inc.	Delaware
Timberlands Capital Corp. III, Inc.	Delaware
TinCorr S.A.	Uruguay
TIN Inc.	Delaware
TIN Intermediate, LLC	Delaware
TIN Land Financing, LLC	Delaware
TIN Timber Financing, LLC	Delaware
Transtates Properties Incorporated	Delaware
U. C. Realty Corp.	Delaware
Velarium Oy Ab	Finland
ZAO International Paper	Russia
ZAO Tikhvinsky Komplexny Lespromokhoz	Russia

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement No. 333-202334 on Form S-3 and Registration Statements No. 333-01667, 333-75235, 333-37390, 333-85830, 333-85828, 333-85826, 333-85824, 333-85822, 333-85818, 333-85820, 333-108046, 333-120293, 333-145459, 333-154522, 333-154523, 333-159336, 333-129011 and 333-164230 on Form S-8 of our report dated February 25, 2016, relating to the financial statements and financial statement schedule of International Paper Company, and the effectiveness of International Paper Company's internal control over financial reporting, appearing in the Annual Report on Form 10-K of International Paper Company for the year ended December 31, 2015.

Deloitte & Touche LLP

Memphis, Tennessee
February 25, 2016

Exhibit 31.1

CERTIFICATION

I, Mark S. Sutton, certify that:

1. I have reviewed this annual report on Form 10-K of International Paper Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2016

/s/ Mark S. Sutton

Mark S. Sutton
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Carol L. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K of International Paper Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2016

/s/ Carol L. Roberts

Carol L. Roberts

Senior Vice President and Chief
Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report of International Paper Company (the "Company") on Form 10-K for the period ended December 31, 2015 for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Mark S. Sutton, Chief Executive Officer of the Company, and Carol L. Roberts, Chief Financial Officer of the Company, each certify that, to the best of his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark S. Sutton

Mark S. Sutton
Chairman and Chief Executive Officer
February 25, 2016

/s/ Carol L. Roberts

Carol L. Roberts
Senior Vice President and Chief Financial Officer
February 25, 2016