International Paper Company

Reconciliation of Non-GAAP Financial Measures

This presentation includes certain non-U.S. GAAP financial measures. The calculation of these measures, and a reconciliation to previously reported comparable measures calculated in accordance with U.S. generally accepted accounting principles (GAAP) is shown below. The Company believes that this information, when used in conjunction with information presented in accordance with U.S. GAAP, can facilitate a better understanding of the impact of various factors and trends on the Company's financial condition and results of operations. The Company believes that this information should be used in conjunction with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2009 Full Year	2010 1st Quarter	2010 2nd Quarter	2010 3rd Quarter	2010 Year to Date
Earnings Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,868	(26)	275	699	948
Depreciation, amortization and cost of timber harvested	1,472	371	363	362	1,096
Special Items:					
Restructuring and other charges	1,353	215	144	-	359
CBPR business integration costs	87	-	-	-	-
Alternative fuel mixture credit	(2,063)	-	-	-	-
Net (gains) losses on sales and impairments of business held for sale	59	-	-	-	-
EBITDA before Special Items	2,776	560	782	1,061	2,403
Annualized EBITDA before Special Items	2,776	2,240	3,128	4,244	3,204
Adjustment to Normalize Maintenance Expenses		12	29	(36)	
Adjusted Annualized EBITDA before Special Items		2,288	3,244	4,100	
Annualized Net Sales	23,366	23,228	24,484	26,880	
EBITDA Margin	11.9%	9.6%	12.8%	15.8%	

International Paper Company
Reconciliation of Earnings Before
Special Items to Net Earnings
(In millions except for per share amounts)

	2009				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year to Date**
Earnings Before Special Items	$ 34	$ 86	$ 157	$ 101	$ 378
Restructuring and other charges	(65)	(55)	(95)	(638)	(853)
CBPR business integration costs	(22)	(11)	(11)	(10)	(54)
Alternative fuel mixture credits	330	294	320	469	1,413
Net losses on sales and impairments of businesses	-	(48)	-	(8)	(56)
Income tax adjustments	(20)	(130)	-	(15)	(165)
Earnings (Loss) from Continuing Operations	257	136	371	(101)	663
Discontinued Operations	-	-	-	-	-
Net Earnings (Loss) as Reported	$ 257	$ 136	$ 371	$ (101)	$ 663

	2009				
Diluted Earnings per Common Share Attributable to International Paper Co. Common Shareholders	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year to Date**
Earnings Per Common Share Before Special Items	$ 0.08	$ 0.20	$ 0.37	$ 0.24	$ 0.88
Restructuring and other charges	(0.15)	(0.13)	(0.22)	(1.52)	(2.00)
CBPR business integration costs	(0.05)	(0.03)	(0.03)	(0.02)	(0.13)
Alternative fuel mixture credits	0.78	0.69	0.75	1.11	3.32
Net losses on sales and impairments of businesses	-	(0.11)	-	(0.02)	(0.13)
Income tax adjustments	(0.05)	(0.30)	-	(0.03)	(0.39)
Earnings (Loss) from Continuing Operations	0.61	0.32	0.87	(0.24)	1.55
Discontinued Operation	-	-	-	-	$ -
Earnings (Loss) Per Common Share as Reported	$ 0.61	$ 0.32	$ 0.87	$ (0.24)	$ 1.55

International Paper Company
Reconciliation of Earnings Before Special Items to Net Earnings
(In millions except for per share amounts)

	2010				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
Earnings Before Special Items	$ 16	$ 181	$ 397		$ 594
Restructuring and other charges	(132)	(88)	-		(220)
Income tax adjustments	(46)				(46)
Net Earnings (Loss) as Reported	$ (162)	$ 93	$ 397	$ -	$ 328

	2010				
Diluted Earnings per Common Share Attributable to International Paper Co. Common Shareholders	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
Earnings Per Common Share Before Special Items	$ 0.04	$ 0.42	$ 0.91		$ 1.37
Restructuring and other charges	(0.31)	(0.21)	-		(0.51)
Income tax adjustments	(0.11)				(0.10)
Earnings (Loss) Per Common Share as Reported	$ (0.38)	$ 0.21	$ 0.91	$ -	$ 0.76

International Paper Company
Reconciliation of Operating Profit to Operating Profit Before Special Items
(In millions)

	Three Months Ended September 30, 2010					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	332	278	71	22	49	752
Restructuring and other charges*	-	-	-	-	-	-
Operating Profit Before Special Items	332	278	71	22	49	752

*Note: Special items were immaterial in the third quarter of 2010.

	Three Months Ended June 30, 2010					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	192	47	48	26	40	353
Restructuring and other charges	1	111	1	-	-	113
Operating Profit Before Special Items	193	158	49	26	40	466

	Nine Months Ended September 30, 2010					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	565	247	147	69	97	1,125
Restructuring and other charges	6	315	4	-	-	325
Operating Profit Before Special Items	571	562	151	69	97	1,450

Reconciliation of Non-GAAP Information to U.S. GAAP

Calculation of EBITDA Margin before Special Items

$ Millions	North American Industrial Packaging	European Industrial Packaging	North American Printing Papers	Western Europe Printing Papers	Eastern Europe & Russian Printing Papers	Brazilian Printing Papers	U.S. Market Pulp	U.S. Coated Paperboard
	Q3 2010							
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	320	14	125	10	48	46	49	56
Depreciation, amortization and cost of timber harvested	138	7	49	5	14	33	14	38
Special Items:								
Restructuring and Other Charges	-	-	-	-	-	-	-	-
EBITDA before Special Items	458	21	174	15	62	79	63	94
Less: Recycling and Bag businesses EBITDA	2							
Less: Market Pulp business EBITDA				4	4			
EBITDA before Special Items after Exclusions	456	21	174	11	58	79	63	94
Net Sales	2,212	236	712	88	237	275	211	420
Less: Recycling and Bag businesses Net Sales	129							
Less: Market Pulp business Net Sales				16	24			
Net Sales after Exclusions	2,083	236	712	72	213	275	211	420
EBITDA Margin	21.9%	8.9%	24.4%	15.3%	27.2%	28.7%	29.9%	22.4%

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

$ Millions	Q3 2009 North American Industrial Packaging	Q2 2010 North American Industrial Packaging	Q3 2010 North American Industrial Packaging	Q3 2009 Brazilian Printing Papers	Q2 2010 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	404	172	320	36	39
Depreciation, amortization and cost of timber harvested	158	145	138	32	34
Adjustment to normalize maintenance expenses					
Special Items:					
Restructuring and Other Charges	18	-	-	-	
Alternative Fuel Mixture credits	(221)	-	-	-	
EBITDA before Special Items	359	317	458	68	73
Annualized					
Net Sales	1,890	2,120	2,212	275	274
EBITDA Margin	19.0%	15.0%	20.7%	24.7%	26.6%

$ Millions	9M09 European Printing Papers	9M 09 European Industrial Packaging	9M09 European Coated Paperboard	9M09 IP Europe, Middle East & Africa	9M10 European Printing Papers	9M10 European Industrial Packaging	9M10 European Coated Paperboard	9M10 IP Europe, Middle East & Africa
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	46	(30)	45	61	161	54	56	271
Depreciation, amortization and cost of timber harvested	57	24	14	95	56	21	13	90
Special Items:								
Restructuring and Other Charges	23	70	-	93	-	3	-	3
EBITDA before Special Items	126	64	59	249	217	78	69	364

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

$ Millions	Q1 2010 Total Company* Run Rate	Q2 2010 Total Company* Run Rate	Q3 2010 Total Company* Run Rate	9M 2009 Total Company* Run Rate	9M 2010 Total Company* Run Rate
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	(26)	275	699	2,133	948
Less: Forest Products Earnings Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	(8)	(40)	(49)	(24)	(97)
Depreciation, amortization and cost of timber harvested excluding Forest Products	369	362	361	1,081	1,092
Adjustment to normalize maintenance expenses	12	29	(36)	-	17
Special Items:					
Restructuring and Other Charges	215	144	-	313	359
CBPR business integration cost				72	
Alternative fuel mixture credit				(1,547)	
Net losses on sales and impairments of business held for sale				48	
EBITDA before Special Items	562	770	975	2,076	2,319
Annualized	2,248	3,080	3,900	2,768	3,092
Annualized Net Sales	23,188	24,464	26,060	23,159	24,571
EBITDA Margin	9.7%	12.6%	15.0%	12.0%	12.6%