International Paper Company

Reconciliation of Non-GAAP Financial Measures

This presentation includes certain non-U.S. GAAP financial measures. The calculation of these measures, and a reconciliation to previously reported comparable measures calculated in accordance with U.S. generally accepted accounting principles (GAAP) is shown below. The Company believes that this information, when used in conjunction with information presented in accordance with U.S. GAAP, can facilitate a better understanding of the impact of various factors and trends on the Company's financial condition and results of operations. The Company believes that this information should be used in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 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 4th Quarter	2010 Year to Date
Earnings Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,868	(26)	275	699	482	1,430
Depreciation, amortization and cost of timber harvested	1,472	371	363	362	360	1,456
Special Items:						
Restructuring and other charges	1,353	215	144	-	51	410
CBPR business integration costs	87	-	-	-	-	-
Alternative fuel mixture credit	(2,063)	-	-	-	-	-
Net (gains) losses on sales and impairments of business held for sale	59	-	-	-	(23)	(23)
EBITDA before Special Items	2,776	560	782	1,061	870	3,273
Annualized EBITDA before Special Items	2,776	2,240	3,128	4,244	3,480	3,273
Adjustment to Normalize Maintenance Expenses		12	29	(36)	(8)	
Adjusted Annualized EBITDA before Special Items		2,288	3,244	4,100	3,448	
Annualized Net Sales	23,366	23,228	24,484	26,880	26,124	
EBITDA Margin	11.9%	9.9%	13.2%	15.3%	13.2%	

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	$ 296	$ 890
Restructuring and other charges	(132)	(88)	-	(33)	(253)
Income tax adjustments	(46)			40	(6)
Gains/Losses on Sales/Impairments of Business				13	13
Net Earnings (Loss) as Reported	$ (162)	$ 93	$ 397	$ 316	$ 644

	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	$ 0.68	$ 2.05
Restructuring and other charges	(0.31)	(0.21)	-	(0.07)	(0.59)
Income tax adjustments	(0.11)			0.09	(0.01)
Gains/Losses on Sales/Impairments of Business				0.03	0.03
Earnings (Loss) Per Common Share as Reported	$ (0.38)	$ 0.21	$ 0.91	$ 0.73	$ 1.48

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 Operating Profit to Operating Profit Before Special Items
(In millions)

	Three Months Ended December 31, 2010					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	261	234	60	9	(3)	561
Restructuring and other charges	13	-	4	-	-	17
Net losses on sales and impairments of businesses		2	-	-	-	2
Operating Profit Before Special Items	274	236	64	9	(3)	580

	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 December 31, 2009					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	(391)	137	63	26	18	(147)
Restructuring and other charges	662	223	69	5	-	959
Alternative fuel mixture credits	(212)	(221)	(83)			(516)
CBPR business integration costs	15					15
Net losses on sales and impairments of businesses	10					10
Operating Profit Before Special Items	84	139	49	31	18	321

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	Total Europe Printing Papers	Brazilian Printing Papers	U.S. Market Pulp	U.S. Coated Paperboard
	Q4 2010						
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	251	16	92	38	63	43	36
Depreciation, amortization and cost of timber harvested	128	10	49	21	36	14	36
Special Items:							
Restructuring and Other Charges	10	-	-	-	-	-	-
EBITDA before Special Items	389	26	141	59	99	57	72
Less: Recycling and Bag businesses EBITDA	2						
Less: Market Pulp business EBITDA				1			
EBITDA before Special Items after Exclusions	387	26	141	58	99	57	72
Net Sales	2,131	276	672	346	313	190	395
Less: Recycling and Bag businesses Net Sales	144						
Less: Market Pulp business Net Sales				46			
Net Sales after Exclusions	1,987	276	672	300	313	190	395
EBITDA Margin	19.5%	9.4%	21.0%	19.3%	31.6%	30.0%	18.2%

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

$ Millions	Q4 2009 North American Industrial Packaging	Q3 2010 North American Industrial Packaging	Q4 2010 North American Industrial Packaging	Q4 2009 Brazilian Printing Papers	Q3 2010 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	(391)	320	251	33	46
Depreciation, amortization and cost of timber harvested	163	138	128	35	33
Adjustment to normalize maintenance expenses					
Special Items:					
Restructuring and Other Charges	668	-	10	-	
Alternative Fuel Mixture credits	(212)	-	-	-	
EBITDA before Special Items	228	458	389	68	79
Annualized					
Net Sales	1,855	2,212	2,131	300	275
Less: Trade Sales	100	121	119		
Adjusted Net Sales	1,755	2,091	2,012		
EBITDA Margin	13.0%	21.9%	19.3%	22.7%	28.7%

$ Millions	2009 European Printing Papers	2009 European Industrial Packaging	2009 European Coated Paperboard	2009 IP Europe, Middle East & Africa	2010 European Printing Papers	2010 European Industrial Packaging	2010 European Coated Paperboard	2010 IP Europe, Middle East & Africa
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	92	(30)	66	128	197	70	76	343
Depreciation, amortization and cost of timber harvested	75	34	19	128	79	31	19	129
Special Items:								
Restructuring and Other Charges	23	87	-	110	2	3	-	5
EBITDA before Special Items	190	91	85	366	278	104	95	477