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 June 30, 2011 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2010 Full Year	2011 1st Quarter	2011 2nd Quarter	2011 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,430	504	430	934
Depreciation, amortization and cost of timber harvested	1,456	340	336	676
Special Items:				
Restructuring and other charges	412	45	17	62
Net (gains) losses on sales and impairments of business held for sale	(23)	8	129	137
EBITDA before Special Items	3,275	897	912	1,809
Annualized EBITDA before Special Items	3,275	3,588	3,648	3,618
Annualized Net Sales	25,179	25,548	26,592	26,070
EBITDA Margin	13.0%	14.0%	13.7%	13.9%

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

	2011				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
Earnings Before Special Items	$ 322	$ 343	$ -	$ -	$ 665
Restructuring and other charges	(28)	(10)	-	-	(38)
Net losses on sales/impairments of business	(8)	(104)	-	-	(112)
Income tax adjustments		(5)		-	(5)
Bargain purchase price adjustment recorded in equity earnings	7	-	-	-	7
Earnings from Continuing Operations	293	224	-	-	517
Discontinued Operations	49	-	-	-	$ 49
Net Earnings as Reported	$ 342	$ 224	$ -	$ -	$ 566

	2011				
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	$ 0.74	$ 0.80	$ -	$ -	1.53
Restructuring and other charges	(0.07)	(0.03)	-	-	(0.09)
Net losses on sales/impairments of business	(0.02)	(0.24)		-	(0.26)
Income tax adjustments	-	(0.01)		-	(0.01)
Bargain purchase price adjustment recorded in equity earnings	0.02				0.02
Earnings from Continuing Operations	0.67	0.52	-	-	1.19
Discontinued Operations	0.11	-	-	-	0.11
Earnings Per Common Share as Reported	$ 0.78	$ 0.52	$ -	$ -	$ 1.30

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

	Three Months Ended June 30, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit as Reported	$ 269	$ 243	$ (33)	$ 4	$ 483
Restructuring and other charges	-	(21)	2	10	(9)
Net losses on sales and impairments of businesses	-	-	129	-	129
Operating Profit Before Special Items	$ 269	$ 222	$ 98	$ 14	$ 603

	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

	Three Months Ended March 31, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit as Reported	$ 279	$ 201	$ 100	$ 5	$ 585
Restructuring and other charges	2	-	1	7	10
Net losses on sales and impairments of businesses	-	8	-	-	8
Bargain purchase price adjustment recorded in equity earnings	(7)	-	-	-	(7)
Operating Profit Before Special Items	$ 274	$ 209	$ 101	$ 12	$ 596

	Six Months Ended June 30, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit as Reported	$ 548	$ 444	$ 67	$ 9	$ 1,068
Restructuring and other charges	2	(21)	3	17	1
Net losses on sales and impairments of businesses	-	8	129	-	137
Bargain purchase price adjustment recorded in equity earnings	(7)	-	-	-	(7)
Operating Profit Before Special Items	$ 543	$ 431	$ 199	$ 26	$ 1,199

	Six Months Ended June 30, 2010					
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Forest Products	Total
Operating Profit as Reported	$ 233	$ (31)	$ 76	$ 47	$ 48	$ 373
Restructuring and other charges	6	315	4	-	-	325
Operating Profit Before Special Items	$ 239	$ 284	$ 80	$ 47	$ 48	$ 698

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

$ Millions	Q2 2011 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
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	253	16	122	47	39	35	60
Depreciation, amortization and cost of timber harvested	120	7	50	20	38	13	35
Special Items:							
Restructuring and Other Charges			(21)				
EBITDA before Special Items	373	23	151	67	77	48	95
Less: Recycling and Bag businesses EBITDA	3						
Less: Market Pulp business EBITDA				2			
EBITDA before Special Items after Exclusions	370	23	151	65	77	48	95
Net Sales	2,220	295	695	380	295	195	440
Less: Recycling and Bag businesses Net Sales	152						
Less: Market Pulp business Net Sales				50			
Net Sales after Exclusions	2,068	295	695	330	295	195	440
EBITDA Margin	17.9%	7.8%	21.7%	19.7%	26.1%	24.6%	21.6%

$ Millions	Q2 2010 North American Industrial Packaging	Q1 2011 North American Industrial Packaging	Q2 2011 North American Industrial Packaging	Q2 2010 Brazilian Printing Papers	Q1 2011 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	172	256	253	39	48
Depreciation, amortization and cost of timber harvested	145	117	120	34	37
Special Items:					
Restructuring and Other Charges		-	-	-	
EBITDA before Special Items	317	373	373	73	85
Net Sales	2,120	2,115	2,220	274	285
Less: Trade Sales	111	100	105		
Adjusted Net Sales	2,009	2,015	2,115	274	285
EBITDA Margin	15.8%	18.5%	17.6%	26.6%	29.8%

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

$ Millions	North American Industrial Packaging	North American Printing Papers	North American Pulp	Brazilian Printing Papers	Total Europe Printing Papers	U.S. Coated Paperboard
	1H 2011					
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	509	210	51	87	96	124
Depreciation, amortization and cost of timber harvested	237	100	26	75	39	72
Special Items:						
Restructuring and Other Charges		(21)				
Other special items					8	
EBITDA before Special Items	746	289	77	162	143	196
Net Sales	4,335	1,385	370	580	740	875
EBITDA Margin	17.2%	20.9%	20.8%	27.9%	19.3%	22.4%

$ Millions	North American Industrial Packaging	North American Printing Papers	North American Pulp	Brazilian Printing Papers	Total Europe Printing Papers	U.S. Coated Paperboard
	1H 2010					
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	192	(199)	15	50	103	17
Depreciation, amortization and cost of timber harvested	288	109	28	68	37	68
Special Items:						
Restructuring and Other Charges	3	315				
EBITDA before Special Items	483	225	43	118	140	85
Net Sales	4,009	1,361	316	501	634	759
EBITDA Margin	12.0%	16.5%	13.6%	23.6%	22.1%	11.2%