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-Q for the quarter ended June 30, 2012 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2011 2nd Quarter	2012 1st Quarter	2012 2nd Quarter	2012 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	430	381	376	757
Depreciation, amortization and cost of timber harvested	336	362	366	728
Special Items:				
Restructuring and other charges	17	99	58	157
Net (gains) losses on sales and impairments of business held for sale	129	(7)	78	71
EBITDA before Special Items	912	835	878	1,713
Annualized EBITDA before Special Items	3,648	3,340	3,512	3,426
Annualized Net Sales	26,592	26,620	28,308	27,464
EBITDA Margin	13.7%	12.5%	12.4%	12.5%

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

	2012				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year to Date**
Earnings Before Special Items	$ 247	$ 203	$ -	$ -	$ 450
Restructuring and other charges	(70)	(37)	-	-	(107)
Net losses on sales/impairments of business	6	(48)	-	-	(42)
Earnings from Continuing Operations	183	118	-	-	301
Discontinued Operations	5	16	-	-	$ 21
Net gains/(losses)on sales/impairments of business	$ 188	$ 134	$ -	$ -	$ 322

	2012				
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	$ 0.57	$ 0.46	$ -	$ -	1.02
Restructuring and other charges	(0.16)	(0.08)	-	-	(0.24)
Net losses on sales/impairments of business	0.01	(0.11)	-	-	(0.10)
Earnings from Continuing Operations	0.42	0.27	-	-	0.68
Discontinued Operations	0.01	0.04	-	-	0.05
Earnings Per Common Share as Reported	$ 0.43	$ 0.31	$ -	$ -	$ 0.73

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	$ 334	$ 338	$ 352	$ 312	$ 1,336
Restructuring and other charges	(28)	(10)	(32)	(15)	(85)
Net losses on sales/impairments of business	(8)	(104)	148	-	36
Interest income	-	-	-	6	6
Income tax adjustments		(5)		(22)	(27)
Bargain purchase price adjustment recorded in equity earnings	7	-	-	-	7
Earnings from Continuing Operations	305	219	468	281	1,273
Discontinued Operations	49	-	-	-	$ 49
Net Earnings as Reported	$ 354	$ 219	$ 468	$ 281	$ 1,322

	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	$ 0.77	$ 0.79	$ 0.81	$ 0.72	3.06
Restructuring and other charges	(0.07)	(0.03)	(0.07)	(0.03)	(0.19)
Net losses on sales/impairments of business	(0.02)	(0.24)	0.34	-	0.08
Interest income	-	-	-	0.01	0.01
Income tax adjustments	-	(0.01)	-	(0.05)	(0.06)
Bargain purchase price adjustment recorded in equity earnings	0.02	-	-	-	0.02
Earnings from Continuing Operations	0.70	0.51	1.08	0.65	2.92
Discontinued Operations	0.11	-	-	-	0.11
Earnings Per Common Share as Reported	$ 0.81	$ 0.51	$ 1.08	$ 0.65	$ 3.03

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

	Three Months Ended June 30, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 367	$ 106	$ 63	$ 17	$ 553
Restructuring and other charges	(35)	(2)	-	(12)	(49)
Net losses on sales and impairments of businesses	(72)	-	(6)	-	(78)
Operating Profit as Reported	$ 260	$ 104	$ 57	$ 5	$ 426

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

	Three Months Ended March 31, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 278	$ 145	$ 96	$ 19	$ 538
Restructuring and other charges	(63)	1	-	(21)	(83)
Net losses on sales and impairments of businesses	-	-	7	-	7
Operating Profit as Reported	$ 215	$ 146	$ 103	$ (2)	$ 462

	Six Months Ended June 30, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 645	$ 251	$ 159	$ 36	$ 1,091
Restructuring and other charges	$ (98)	$ (1)	$ -	$ (33)	$ (132)
Net losses on sales and impairments of businesses	$ (72)	$ -	$ 1	$ -	$ (71)
Operating Profit as Reported	$ 475	$ 250	$ 160	$ 3	$ 888

	Six Months Ended June 30, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 543	$ 431	$ 199	$ 26	$ 1,199
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 as Reported	$ 548	$ 444	$ 67	$ 9	$ 1,068

(1) The Company calculates Operating Profit Before Special Items by excluding the pre-tax effect of items considered by management to be unusual from the earnings reported under U.S. generally accepted accounting principles ("GAAP"). Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides for a more complete analysis of the results of operations by quarter. Net earnings is the most directly comparable GAAP measure.

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	Indian Printing Papers	U.S. Market Pulp	U.S. Coated Paperboard
	Q2 2012							
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	248	11	69	20	51	(10)	(26)	27
Depreciation, amortization and cost of timber harvested	180	7	40	17	32	5	13	32
Special Items:								
Restructuring and Other Charges	35	-	-	-	-	2	-	-
(Gains) Losses on Sales and Impairments of Businesses	71	1	-	-	-	-	-	-
EBITDA before Special Items	534	19	109	37	83	(3)	(13)	59
Less: Recycling business EBITDA	1	-	-	-	-	-	-	-
Less: Market Pulp business EBITDA	-	-	-	(4)	-	-	-	-
EBITDA before Special Items after Exclusions	533	19	109	41	83	(3)	(13)	59
Net Sales	3,035	255	670	335	285	35	160	390
Less: Trade Sales	189	-	-	-	-	-	-	-
Less: Recycling business Net Sales	104	-	-	-	-	-	-	-
Less: Market Pulp business Net Sales	-	-	-	35	-	-	-	-
Net Sales after Exclusions	2,742	255	670	300	285	35	160	390
EBITDA Margin	19.4%	7.5%	16.3%	13.7%	29.1%	-8.6%	-8.1%	15.1%

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

$ Millions	Q2 2011 North American Industrial Packaging	Q1 2012 North American Industrial Packaging	Q2 2012 North American Industrial Packaging	Q2 2011 Brazilian Printing Papers	Q1 2012 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	253	195	248	39	23
Depreciation, amortization and cost of timber harvested	120	160	180	38	36
Special Items:					
Restructuring and Other Charges	-	63	35	-	-
(Gains) Losses on Sales and Impairments of Businesses	-	-	71	-	-
EBITDA before Special Items	373	418	534	77	59
Less: Recycling business EBITDA	3	1	1	-	-
EBITDA before Special Items after Exclusions	370	417	533	77	59
Net Sales	2,220	2,690	3,035	295	270
Less: Trade Sales	105	184	189	-	-
Less: Recycling Business Net Sales	135	96	104	-	-
Net Sales after Exclusions	1,980	2,410	2,742	295	270
EBITDA Margin	18.7%	17.3%	19.4%	26.1%	21.9%

$ Millions	Q2 2011 North American Consumer Packaging	Q1 2012 North American Consumer Packaging	Q2 2012 North American Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	(69)	70	31
Depreciation, amortization and cost of timber harvested	48	41	38
Special Items:			
Restructuring and Other Charges	2	-	-
(Gain) Loss on Sales and Impairments	129	(7)	6
EBITDA before Special Items	110	104	76
Net Sales	625	520	495
EBITDA Margin	17.6%	20.0%	15.3%