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 September 30, 2012 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2011 Year to Date	2012 1st Quarter	2012 2nd Quarter	2012 3rd Quarter	2012 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,999	381	376	483	1,240
Depreciation, amortization and cost of timber harvested	1,332	362	366	383	1,111
Special Items:					
Restructuring and other charges	132	99	58	92	249
Net (gains) losses on sales and impairments of business held for sale	218	(7)	78	18	89
EBITDA before Special Items	3,681	835	878	976	2,689
Annualized EBITDA before Special Items	3,681	3,340	3,512	3,904	3,585
Annualized Net Sales	26,034	26,620	28,308	28,104	27,677
EBITDA Margin	14.1%	12.5%	12.4%	13.9%	13.0%

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 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	$ 330	$ -	$ 780
		-	-		
Restructuring and other charges	(70)	(37)	(59)	-	(166)
Net losses on sales/impairments of business	6	(48)	(48)	-	(90)
Earnings from Continuing Operations	183	118	223	-	524
Discontinued Operations	5	16	14	-	$ 35
Net gains/(losses)on sales/impairments of business	$ 188	$ 134	$ 237	$ -	$ 559

	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	$ 0.75	$ -	1.77
		-	-	-	
Restructuring and other charges	(0.16)	(0.08)	(0.13)	-	(0.38)
Net losses on sales/impairments of business	0.01	(0.11)	(0.11)	-	(0.20)
Earnings from Continuing Operations	0.42	0.27	0.51	-	1.19
Discontinued Operations	0.01	0.04	0.03	-	0.08
Earnings Per Common Share as Reported	$ 0.43	$ 0.31	$ 0.54	$ -	$ 1.27

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

	Three Months Ended September 30, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 342	$ 201	$ 67	$ 24	$ 634
Restructuring and other charges	(69)	1	-	(9)	(77)
Net gains (losses) on sales and impairments of businesses	(18)	-		-	(18)
Operating Profit as Reported	$ 255	$ 202	$ 67	$ 15	$ 539

	Three Months Ended September 30, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 301	$ 238	$ 103	$ 27	$ 669
Restructuring and other charges	(8)	1	1	(18)	(24)
Net gains (losses) on sales and impairments of businesses	-	-	(74)	-	(74)
Operating Profit as Reported	$ 293	$ 239	$ 30	$ 9	$ 571

	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 gains (losses) on sales and impairments of businesses	(72)	-	(6)	-	(78)
Operating Profit as Reported	$ 260	$ 104	$ 57	$ 5	$ 426

	Nine Months Ended September 30, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 987	$ 452	$ 226	$ 60	$ 1,725
Restructuring and other charges	(167)	-	-	(42)	(209)
Net gains (losses) on sales and impairments of businesses	(90)	-	1	-	(89)
Operating Profit as Reported	$ 730	$ 452	$ 227	$ 18	$ 1,427

	Nine Months Ended September 30, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 844	$ 669	$ 302	$ 53	$ 1,868
Restructuring and other charges	(10)	22	(2)	(35)	(25)
Net gains (losses) on sales and impairments of businesses	-	(8)	(203)	-	(211)
Bargain purchase price adjustment recorded in equity earnings	7	-	-	-	7
Operating Profit as Reported	$ 841	$ 683	$ 97	$ 18	$ 1,639

(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	North American Printing Papers	Total European Printing Papers	Brazilian Printing Papers	Indian Printing Papers	U.S. Market Pulp	North American Consumer Packaging	European Consumer Packaging
	Q3 2012							
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	256	110	51	45	(2)	(3)	45	21
Depreciation, amortization and cost of timber harvested	188	45	17	31	9	13	39	5
Special Items:								
Restructuring and Other Charges	53	-	-	-	(1)	-	-	-
(Gains) Losses on Sales and Impairments of Businesses	19	-	-	-	-	-	-	-
EBITDA before Special Items	516	155	68	76	6	10	84	26
Less: Recycling business EBITDA	-	-	-	-	-	-	-	-
EBITDA before Special Items after Exclusions	516	155	68	76	6	10	84	26
Net Sales	2,935	695	345	280	45	190	475	95
Less: Trade Sales	163	-	-	-	-	-	-	-
Less: Recycling business Net Sales	95	-	-	-	-	-	-	-
Net Sales after Exclusions	2,677	695	345	280	45	190	475	95
EBITDA Margin	19.3%	22.3%	19.7%	27.1%	13.3%	5.3%	17.7%	27.4%

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

$ Millions	Q3 2011 North American Industrial Packaging	Q2 2012 North American Industrial Packaging	Q3 2012 North American Industrial Packaging	Q3 2011 Brazilian Printing Papers	Q2 2012 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	283	248	256	37	51
Depreciation, amortization and cost of timber harvested	121	180	188	38	32
Special Items:					
Restructuring and Other Charges		35	53	-	-
(Gains) Losses on Sales and Impairments of Businesses	8	71	19	-	-
EBITDA before Special Items	412	534	516	75	83
Less: Recycling business EBITDA	2	1	-	-	-
EBITDA before Special Items after Exclusions	410	533	516	75	83
Net Sales	2,210	3,035	2,935	290	285
Less: Trade Sales	103	189	163	-	-
Less: Recycling Business Net Sales	145	104	95	-	-
Net Sales after Exclusions	1,962	2,742	2,677	290	285
EBITDA Margin	20.9%	19.4%	19.3%	25.9%	29.1%

$ Millions	Q3 2011 North American Consumer Packaging	Q2 2012 North American Consumer Packaging	Q3 2012 North American Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	3	31	45
Depreciation, amortization and cost of timber harvested	44	38	39
Special Items:			
Restructuring and Other Charges	(1)	-	-
(Gain) Loss on Sales and Impairments	74	6	-
EBITDA before Special Items	120	76	84
Net Sales	640	495	475
EBITDA Margin	18.8%	15.3%	17.7%