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, 2012 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2011 Full Year	2012 1st Quarter	2012 2nd Quarter	2012 3rd Quarter	2012 4th 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	456	1,696
Depreciation, amortization and cost of timber harvested	1,332	362	366	383	375	1,486
Special Items:						
Restructuring and other charges	132	99	58	92	49	298
Net (gains) losses on sales and impairments of business held for sale	218	(7)	78	18	(3)	86
Non-operating pension expense	43	37	42	40	40	159
EBITDA before Special Items	3,724	872	920	1,016	917	3,725
Annualized EBITDA before Special Items	3,724	3,488	3,680	4,064	3,668	3,725
Annualized Net Sales	26,034	26,620	28,308	28,104	28,300	27,833
EBITDA Margin	14.3%	13.1%	13.0%	14.5%	13.0%	13.4%

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2010 Full Year	2011 1st Quarter	2011 2nd Quarter	2011 3rd Quarter	2011 4th 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	511	554	1,999
Depreciation, amortization and cost of timber harvested	1,456	340	336	335	321	1,332
Special Items:						
Restructuring and other charges	412	45	17	49	21	132
Net (gains) losses on sales and impairments of business held for sale	(23)	8	129	82	(1)	218
Non-operating pension expense	84	8	13	11	11	43
EBITDA before Special Items	3,359	905	925	988	906	3,724
Annualized EBITDA before Special Items	3,359	3,620	3,700	3,952	3,624	3,724
Annualized Net Sales	25,179	25,548	26,592	26,528	25,468	26,034
EBITDA Margin	13.3%	14.2%	13.9%	14.9%	14.2%	14.3%

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**
Operating Earnings	$ 339	$ 347	$ 360	$ 319	$ 1,365
Non-operating pension expense	(5)	(9)	(8)	(7)	(29)
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	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year to Date**
Operating Earnings per Share	$ 0.78	$ 0.81	$ 0.83	$ 0.73	3.12
Non-operating pension expense	(0.01)	(0.02)	(0.02)	(0.01)	(0.06)
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
Diluted Earnings per Common Share from Continuing Operations	0.70	0.51	1.08	0.65	2.92
Discontinued Operations	0.11	-	-	-	0.11
Diluted 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**
Operating Earnings	$ 272	$ 232	$ 358	$ 305	$ 1,167
		-	-		
Non-operating pension expense	(25)	(29)	(28)	(31)	(113)
Restructuring and other charges	(70)	(37)	(59)	(33)	(199)
Net losses on sales/impairments of businesses	6	(48)	(48)	3	(87)
Income tax adjustments	-	-	-	(19)	(19)
Earnings from Continuing Operations	183	118	223	225	749
Discontinued Operations	5	16	14	10	$ 45
Net Earnings as Reported	$ 188	$ 134	$ 237	$ 235	$ 794

Diluted Earnings per Common Share	2012				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year to Date**
Operating Earnings per Share	$ 0.63	$ 0.53	$ 0.81	$ 0.69	2.65
		-	-	-	
Non-operating pension expense	(0.06)	(0.07)	(0.06)	(0.07)	(0.26)
Restructuring and other charges	(0.16)	(0.08)	(0.13)	(0.08)	(0.45)
Net losses on sales/impairments of business	0.01	(0.11)	(0.11)	0.01	(0.20)
Income tax adjustments	-	-	-	(0.04)	(0.04)
Diluted Earnings per Common Share from Continuing Operations	0.42	0.27	0.51	0.51	1.70
Discontinued Operations	0.01	0.04	0.03	0.02	0.10
Diluted Earnings Per Common Share as Reported	$ 0.43	$ 0.31	$ 0.54	$ 0.53	$ 1.80

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

	Three Months Ended December 31, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 368	$ 147	$ 39	$ 11	$ 565
Restructuring and other charges	(31)	-	-	(7)	(38)
Net gains (losses) on sales and impairments of businesses	(1)	-	2	-	1
Operating Profit as Reported	$ 336	$ 147	$ 41	$ 4	$ 528

	Three Months Ended December 31, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 316	$ 190	$ 62	$ 33	$ 601
Restructuring and other charges	(10)	2	-	(17)	(25)
Net gains (losses) on sales and impairments of businesses	-	(3)	4	-	1
Operating Profit as Reported	$ 306	$ 189	$ 66	$ 16	$ 577

	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

	Twelve Months Ended December 31, 2012				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 1,355	$ 599	$ 265	$ 71	$ 2,290
Restructuring and other charges	(198)	-	-	(49)	(247)
Net gains (losses) on sales and impairments of businesses	(91)	-	3	-	(88)
Operating Profit as Reported	$ 1,066	$ 599	$ 268	$ 22	$ 1,955

	Twelve Months Ended December 31, 2011				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 1,160	$ 859	$ 364	$ 86	$ 2,469
Restructuring and other charges	(20)	24	(2)	(52)	(50)
Net gains (losses) on sales and impairments of businesses	-	(11)	(199)	-	(210)
Bargain purchase price adjustment recorded in equity earnings	7	-	-	-	7
Operating Profit as Reported	$ 1,147	$ 872	$ 163	$ 34	$ 2,216

(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	Q4 2012 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
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	309	52	64	44	(6)	(7)	19	29
Depreciation, amortization and cost of timber harvested	186	41	19	31	6	12	39	4
Special Items:								
Restructuring and Other Charges	28	-	-	-	-	-	-	-
(Gains) Losses on Sales and Impairments of Businesses	1	-	-	-	-	-	(2)	-
EBITDA before Special Items	524	93	83	75	-	5	56	33
Less: Recycling Business EBITDA	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	4	-	-	-	-	-
EBITDA before Special Items after Exclusions	524	93	79	75	-	5	56	33
Net Sales	2,950	650	375	295	45	200	470	95
Less: Trade Sales	193	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	88	-	-	-	-	-	-	-
Less: Market Pulp Business Net Sales	-	-	45	-	-	-	-	-
Net Sales after Exclusions	2,669	650	330	295	45	200	470	95
EBITDA Margin	19.6%	14.3%	23.9%	25.4%	0.0%	2.5%	11.9%	34.7%

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

$ Millions	Q4 2011 North American Industrial Packaging	Q3 2012 North American Industrial Packaging	Q4 2012 North American Industrial Packaging	Q4 2011 Brazilian Printing Papers	Q3 2012 Brazilian Printing Papers
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	284	256	309	45	45
Depreciation, amortization and cost of timber harvested	113	188	186	39	31
Special Items:					
Restructuring and Other Charges	10	53	28	-	-
(Gains) Losses on Sales and Impairments of Businesses	-	19	1	-	-
EBITDA before Special Items	407	516	524	84	76
Less: Recycling business EBITDA	-	-	-	-	-
EBITDA before Special Items after Exclusions	407	516	524	84	76
Net Sales	2,060	2,935	2,950	320	280
Less: Trade Sales	105	163	193	-	-
Less: Recycling Business Net Sales	108	95	88	-	-
Net Sales after Exclusions	1,847	2,677	2,669	320	280
EBITDA Margin	22.0%	19.3%	19.6%	26.3%	27.1%