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, 2014 and subsequently publicly filed financial reports.

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2013 Full Year	2014 1st Quarter	2014 2nd Quarter	2014 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,461	(5)	313	308
Depreciation, amortization and cost of timber harvested	1,547	352	359	711
Special Items	268	529	326	855
Impairment of Goodwill and other intangibles	527	-	-	-
Non-operating pension expense	323	44	61	105
EBITDA before Special Items	4,126	920	1,059	1,979
Annualized EBITDA before Special Items	4,126	3,680	4,236	3,958
Annualized Net Sales	29,080	28,056	28,852	28,454
EBITDA Margin	14.2%	13.1%	14.7%	13.9%

International Paper Company
Calculation of EBITDA before Special Items

$ Millions	2012 Full Year	2013 1st Quarter	2013 2nd Quarter	2013 3rd Quarter	2013 4th Quarter	2013 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,696	394	531	558	(22)	1,461
Depreciation, amortization and cost of timber harvested	1,486	379	396	401	371	1,547
Special Items:						
Restructuring and other charges	298	71	16	100	91	278
Net (gains) losses on sales and impairments of business held for sale	86	-	(13)	1	2	(10)
Impairment of Goodwill and other intangibles	-	-	-	-	527	527
Non-operating pension expense	159	84	83	78	78	323
EBITDA before Special Items	3,725	928	1,013	1,138	1,047	4,126
Annualized EBITDA before Special Items	3,725	3,712	4,052	4,552	4,188	4,126
Annualized Net Sales	27,833	28,360	29,340	29,624	28,996	29,080
EBITDA Margin	13.4%	13.1%	13.8%	15.4%	14.4%	14.2%

International Paper Company
Reconciliation of Operating Earnings to Net Earnings
Attributable to International Paper Company
Preliminary and Unaudited
(In millions except for per share amounts)

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2014	2013	2014	2014	2013
Operating Earnings	$ 409	$ 288	$ 265	$ 674	$ 580
Non-Operating Pension	(37)	(51)	(27)	(64)	(102)
Special Items	(208) (a)	(2) (b)	(331) (c)	(539) (d)	49 (e)
Earnings (Loss) from Continuing Operations, including noncontrolling interest	164	235	(93)	71	527
Discontinued operations	(3)	24	(2)	(5)	50
Net Earnings (Loss) as Reported Attributable to International Paper Company	$ 161	$ 259	$ (95)	$ 66	$ 577

Diluted Earnings per Common Share	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2014	2013	2014	2014	2013
Operating Earnings Per Share	$ 0.95	$ 0.64	$ 0.61	$ 1.55	$ 1.30
Non-Operating Pension	(0.09)	(0.11)	(0.06)	(0.15)	(0.23)
Special Items	(0.48)	(0.01)	(0.76)	(1.24)	0.11
Continuing Operations	0.38	0.52	(0.21)	0.16	1.18
Discontinued operations	(0.01)	0.05	-	(0.01)	0.11
Diluted Earnings per Common Share as Reported	$ 0.37	$ 0.57	$ (0.21)	$ 0.15	$ 1.29

Notes:

(a) See footnotes (a),(b) on the Consolidated Statement of Operations
(b) See footnotes (c) - (g) on the Consolidated Statement of Operations
(c) See footnotes (h) - (i) on the Consolidated Statement of Operations
(d) See footnotes (j) - (l) on the Consolidated Statement of Operations
(e) See footnotes (c), (e), (g) and (m) - (p) on the Consolidated Statement of Operations

(1) The Company calculates Operating Earnings by excluding the after-tax effect of non-operating pension expense and 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.

(2) Since diluted earnings per share are computed independently for each period, six-month per share amounts may not equal the sum of the respective quarters.

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

	Three Months Ended June 30, 2014				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 534	$ 118	$ 34	$ 11	$ 697
Special Items (a)	3	(49)	(1)	1	(46)
Operating Profit as Reported	$ 537	$ 69	$ 33	$ 12	$ 651

	Three Months Ended June 30, 2013				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 477	$ 76	$ 52	$ 17	$ 622
Special Items (b)	(3)	-	(1)	(17)	(21)
Operating Profit as Reported	$ 474	$ 76	$ 51	$ -	$ 601

	Three Months Ended March 31, 2014				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 467	$ 85	$ 18	$ 7	$ 577
Special Items (a)	(14)	(495)	(1)	(2)	(512)
Operating Profit as Reported	$ 453	$ (410)	$ 17	$ 5	$ 65

	Six Months Ended June 30, 2014				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 1,001	$ 203	$ 52	$ 18	$ 1,274
Special Items (a)	$ (11)	$ (544)	$ (2)	$ (1)	$ (558)
Operating Profit as Reported	$ 990	$ (341)	$ 50	$ 17	$ 716

	Six Months Ended June 30, 2013				
	Industrial Packaging	Printing Papers	Consumer Packaging	Distribution	Total
Operating Profit Before Special Items	$ 846	$ 225	$ 103	$ 19	$ 1,193
Special Items (b)	(17)	-	(45)	(24)	(86)
Operating Profit as Reported	$ 829	$ 225	$ 58	$ (5)	$ 1,107

(a) See footnotes (1) - (4) on Sales and Earnings by Industry Segment
(b) See footnotes (5) - (7) on Sales and Earnings by Industry Segment

(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

Q2 2014

$ Millions	North American Industrial Packaging	Brazilian Industrial Packaging	North American Printing Papers	North American Pulp	North American Printing Papers & Pulp	Total European Printing Papers	Brazilian Printing Papers	Indian Printing Papers	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	521	8	(16)	14	(2)	20	53	(2)	21	11
Depreciation, amortization and cost of timber harvested [1]	176	6	23	16	39	16	32	4	43	5
Special Items	2	(7)	49	-	49	-	-	-	1	-
EBITDA before Special Items	699	7	56	30	86	36	85	2	65	16
Less: Recycling Business EBITDA	-	-	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	-	-	-	-	-	-	-	-
EBITDA before Special Items after Exclusions	699	7	56	30	86	36	85	2	65	16
Net Sales	3,210	97	500	219	719	380	262	46	505	85
Less: Trade Sales	168	-	-	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	95	-	-	-	-	-	-	-	-	-
Less: Adjustment for Minority Ownership Share of Sales	-	8	-	-	-	-	-	12	-	-
Less: Market Pulp Business Net Sales	-	-	-	-	-	33	-	-	-	-
Less: JMA Sales	-	-	-	-	-	58	-	-	-	-
Net Sales after Exclusions	2,947	89	500	219	719	289	262	34	505	85
EBITDA Margin	23.7%	7.9%	11.2%	13.7%	12.0%	12.5%	32.4%	7.0%	12.9%	18.8%

[1] Reflects IP's ownership share for Brazil Industrial Packaging and Indian Printing Papers

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

$ Millions	Q2 2013 North American Industrial Packaging	Q1 2014 North American Industrial Packaging	FY 2013 North American Industrial Packaging	Q2 2013 North American Printing Papers & Pulp	Q1 2014 North American Printing Papers & Pulp	FY 2013 North American Printing Papers & Pulp
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	454	449	1,762	(11)	(491)	38
Depreciation, amortization and cost of timber harvested	188	173	731	55	44	227
Special Items	14	11	51	-	495	118
EBITDA before Special Items	656	633	2,544	44	48	383
Less: Recycling business EBITDA	-	1	-	-	-	-
EBITDA before Special Items after Exclusions	656	632	2,544	44	48	383
Net Sales	3,194	3,084	12,522	850	722	3,365
Less: Trade Sales	196	178	745	-	-	-
Less: Recycling Business Net Sales	95	98	383	-	-	-
Net Sales after Exclusions	2,903	2,808	11,394	850	722	3,365
EBITDA Margin	22.6%	22.5%	22.3%	5.2%	6.6%	11.4%

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

$ Millions	Q2 2013 Brazilian Printing Papers	Q1 2014 Brazilian Printing Papers	Q2 2013 North American Consumer Packaging	Q1 2014 North American Consumer Packaging	FY 2013 North American Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	59	45	32	(7)	63
Depreciation, amortization and cost of timber harvested	32	29	38	40	153
Special Items	-	-	1	1	47
EBITDA before Special Items	91	74	71	34	263
Net Sales	270	245	505	464	1,950
EBITDA Margin	33.7%	30.2%	14.1%	7.3%	13.5%