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 September 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 3rd Quarter	2014 Year to Date
Earnings from Continuing Operations Before Interest, Income Taxes, Equity Earnings and Cumulative Effect of Accounting Changes	1,840	4	316	710	1,030
Depreciation, amortization and cost of timber harvested	1,531	347	355	358	1,060
Special Items	341	511	309	71	891
Non-operating pension expense	323	44	61	54	159
EBITDA before Special Items	4,035	906	1,041	1,193	3,140
Annualized EBITDA before Special Items	4,035	3,624	4,164	4,772	4,187
Annualized Net Sales	23,483	22,896	23,596	24,204	23,565
EBITDA Margin	17.2%	15.8%	17.6%	19.7%	17.8%

International Paper Company
Calculation of EBITDA before Special Items
After xpedx Restatement

$ 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	1,638	391	527	549	373	1,840
Depreciation, amortization and cost of timber harvested	1,473	376	391	397	367	1,531
Special Items:						
Restructuring and other charges	249	64	(4)	83	81	224
Net (gains) losses on sales and impairments of business held for sale	86	-	(13)	1	2	(10)
Impairment of Goodwill and other intangibles	-	-	-	-	127	127
Non-operating pension expense	159	84	83	78	78	323
EBITDA before Special Items	3,605	915	984	1,108	1,028	4,035
Annualized EBITDA before Special Items	3,605	3,660	3,936	4,432	4,112	4,035
Annualized Net Sales	21,852	22,864	23,776	23,900	23,392	23,483
EBITDA Margin	16.5%	16.0%	16.6%	18.5%	17.6%	17.2%

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 September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Operating Earnings	$ 409	$ 455	$ 400	$ 1,069	$ 1,014
Non-Operating Pension	(33)	(48)	(37)	(97)	(150)
Special Items	(37) (a)	(20) (b)	(189) (c)	(547) (d)	45 (e)
Earnings (Loss) from Continuing Operations, including noncontrolling interest	339	387	174	425	909
Discontinued operations	16 (f)	(5) (g)	(13) (h)	(4) (i)	50 (j)
Net Earnings (Loss) as Reported Attributable to International Paper Company	$ 355	$ 382	$ 161	$ 421	$ 959

Diluted Earnings per Common Share	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2014	2013	2014	2014	2013
Operating Earnings Per Share	$ 0.95	$ 1.01	$ 0.93	$ 2.46	$ 2.26
Non-Operating Pension	(0.08)	(0.11)	(0.09)	(0.22)	(0.33)
Special Items	(0.08)	(0.04)	(0.44)	(1.26)	0.10
Continuing Operations	0.79	0.86	0.40	0.98	2.03
Discontinued operations	0.04	(0.01)	(0.03)	(0.01)	0.11
Diluted Earnings per Common Share as Reported	$ 0.83	$ 0.85	$ 0.37	$ 0.97	$ 2.14

Notes:

(a) See footnotes (a)-(d) on the Consolidated Statement of Operations
(b) See footnotes (f) - (i) on the Consolidated Statement of Operations
(c) See footnotes (k),(l) on the Consolidated Statement of Operations
(d) See footnotes (a), (d), (n)-(p) on the Consolidated Statement of Operations
(e) See footnotes (h), (r) - (x) on the Consolidated Statement of Operations
(f) See footnotes (e) on the Consolidated Statement of Operations
(g) See footnotes (j) on the Consolidated Statement of Operations
(h) See footnotes(m) on the Consolidated Statement of Operations
(i) See footnotes (q) on the Consolidated Statement of Operations
(j) See footnotes (y) 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, nine-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 September 30, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 569	$ 192	$ 79	$ 840
Special Items (a)	(42)	(15)	(2)	(59)
Operating Profit as Reported	$ 527	$ 177	$ 77	$ 781

	Three Months Ended September 30, 2013			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 517	$ 144	$ 73	$ 734
Special Items (b)	(18)	(51)	-	(69)
Operating Profit as Reported	$ 499	$ 93	$ 73	$ 665

	Three Months Ended June 30, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 534	$ 118	$ 34	$ 686
Special Items (a)	3	(49)	(1)	(47)
Operating Profit as Reported	$ 537	$ 69	$ 33	$ 639

	Nine Months Ended September 30, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 1,570	$ 395	$ 131	$ 2,096
Special Items (a)	$ (53)	$ (559)	$ (4)	$ (616)
Operating Profit as Reported	$ 1,517	$ (164)	$ 127	$ 1,480

	Nine Months Ended September 30, 2013			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 1,363	$ 369	$ 176	$ 1,908
Special Items (b)	(35)	(51)	(45)	(131)
Operating Profit as Reported	$ 1,328	$ 318	$ 131	$ 1,777

(a) See footnotes (1) - (3) on Sales and Earnings by Industry Segment
(b) See footnotes (4) - (6) 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

Q3 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	535	(2)	72	20	92	44	26	15	50	27
Depreciation, amortization and cost of timber harvested [1]	177	7	24	18	42	17	30	4	46	5
Special Items	35	-	3	-	3	-	32	(20)	2	-
EBITDA before Special Items	747	5	99	38	137	61	88	(1)	98	32
Less: Recycling Business EBITDA	-	-	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	-	-	-	-	-	-	-	-
EBITDA before Special Items after Exclusions	747	5	99	38	137	61	88	(1)	98	32
Net Sales	3,210	88	529	235	764	365	266	44	528	94
Less: Trade Sales	180	-	-	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	95	-	-	-	-	-	-	-	-	-
Less: Adjustment for Minority Ownership Share of Sales	-	-	-	-	-	-	-	11	-	-
Less: Market Pulp Business Net Sales	-	-	-	-	-	45	-	-	-	-
Less: JMA Sales	-	-	-	-	-	49	-	-	-	-
Net Sales after Exclusions	2,935	88	529	235	764	271	266	33	528	94
EBITDA Margin	25.5%	5.7%	18.7%	16.2%	17.9%	22.5%	33.1%	-2.4%	18.6%	34.0%

[1] Reflects IP's ownership share for Indian Printing Papers

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

$ Millions	Q3 2013 North American Industrial Packaging	Q2 2014 North American Industrial Packaging	Q4 2013 - Q3 2014 North American Industrial Packaging	Q3 2013 North American Printing Papers & Pulp	Q2 2014 North American Printing Papers & Pulp	Q4 2013 - Q3 2014 North American Printing Papers & Pulp
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	499	521	1,977	14	(2)	(420)
Depreciation, amortization and cost of timber harvested	192	176	698	58	39	181
Special Items	17	2	55	51	49	614
EBITDA before Special Items	708	699	2,730	123	86	375
Less: Recycling business EBITDA	-	-	-	-	-	-
EBITDA before Special Items after Exclusions	708	699	2,730	123	86	375
Net Sales	3,191	3,210	12,619	865	719	3,015
Less: Trade Sales	192	168	708	-	-	-
Less: Recycling Business Net Sales	97	95	386	-	-	-
Net Sales after Exclusions	2,902	2,947	11,525	865	719	3,015
EBITDA Margin	24.4%	23.7%	23.7%	14.2%	12.0%	12.4%

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

$ Millions	Q3 2013 Brazilian Printing Papers	Q2 2014 Brazilian Printing Papers	Q3 2013 North American Consumer Packaging	Q2 2014 North American Consumer Packaging	Q4 2013 - Q3 2014 North American Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	45	53	51	21	66
Depreciation, amortization and cost of timber harvested	29	32	40	43	167
Special Items	-	-	-	1	6
EBITDA before Special Items	74	85	91	65	239
Net Sales	265	262	505	505	1,977
EBITDA Margin	27.9%	32.4%	18.0%	12.9%	12.1%