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, 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 4th 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	449	1,479
Depreciation, amortization and cost of timber harvested	1,531	347	355	358	346	1,406
Special Items	341	511	309	71	155	1,046
Non-operating pension expense	323	44	61	54	53	212
EBITDA before Special Items	4,035	906	1,041	1,193	1,003	4,143
Annualized EBITDA before Special Items	4,035	3,624	4,164	4,772	4,012	4,143
Annualized Net Sales	23,483	22,896	23,596	24,204	23,772	23,617
EBITDA Margin	17.2%	15.8%	17.6%	19.7%	16.9%	17.5%

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	1,638	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 December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2014	**2013**	**2014**	**2014**	**2013**
Operating Earnings	**$ 227**	$ 359	$ 409	**$ 1,296**	$ 1,373
Non-Operating Pension	**(32)**	(47)	(33)	**(129)**	(197)
Special Items	**(52)** (a)	483 (b)	(37) (c)	**(599)** (d)	528 (e)
Earnings (Loss) from Continuing Operations, including non-controlling interest	**143**	795	339	**568**	1,704
Discontinued operations	**(9)** (f)	(359) (g)	16 (h)	**(13)** (i)	(309) (j)
Net Earnings (Loss) as Reported Attributable to International Paper Company	**$ 134**	$ 436	$ 355	**$ 555**	$ 1,395

Diluted Earnings per Common Share	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2014	**2013**	**2014**	**2014**	**2013**
Operating Earnings Per Share	**$ 0.53**	$ 0.81	$ 0.95	**$ 3.00**	$ 3.06
Non-Operating Pension	**(0.07)**	(0.11)	(0.08)	**(0.30)**	(0.44)
Special Items	**(0.12)**	1.08	(0.08)	**(1.39)**	1.18
Continuing Operations	**0.34**	1.78	0.79	**1.31**	3.80
Discontinued operations	**(0.02)**	(0.80)	0.04	**(0.02)**	(0.69)
Diluted Earnings per Common Share as Reported	**$ 0.32**	$ 0.98	$ 0.83	**$ 1.29**	$ 3.11

Notes:

(a) See footnotes (a) - (e) on the Consolidated Statement of Operations

(b) See footnotes (g) - (k), (m) on the Consolidated Statement of Operations

(c) See footnotes (n) - (q) on the Consolidated Statement of Operations

(d) See footnotes (c), (d), (n), (q), (s), (t), (u) on the Consolidated Statement of Operations

(e) See footnotes (j), (w) - (ad) on the Consolidated Statement of Operations

(f) See footnote (f) on the Consolidated Statement of Operations

(g) See footnote (l) on the Consolidated Statement of Operations

(h) See footnote (r) on the Consolidated Statement of Operations

(i) See footnote (v) on the Consolidated Statement of Operations

(j) See footnote (ae) 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, twelve-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 December 31, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	**$ 484**	**$ 155**	**$ 55**	**$ 694**
Special Items (a)	**(105)**	**(7)**	**(4)**	**(116)**
Operating Profit as Reported	**$ 379**	**$ 148**	**$ 51**	**$ 578**

	Three Months Ended December 31, 2013			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 486	$ 143	$ 32	$ 661
Special Items (a)	(13)	(190)	(2)	(205)
Operating Profit as Reported	$ 473	$ (47)	$ 30	$ 456

	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

	Twelve Months Ended December 31, 2014			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	**$ 2,054**	**$ 550**	**$ 186**	**$ 2,790**
Special Items (a)	**(158)**	**(566)**	**(8)**	**(732)**
Operating Profit as Reported	**$ 1,896**	**$ (16)**	**$ 178**	**$ 2,058**

	Twelve Months Ended December 31, 2013			
	Industrial Packaging	Printing Papers	Consumer Packaging	Total
Operating Profit Before Special Items	$ 1,849	$ 512	$ 208	$ 2,569
Special Items (a)	(48)	(241)	(47)	(336)
Operating Profit as Reported	$ 1,801	$ 271	$ 161	$ 2,233

(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

Q4 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	481	(5)	30	30	60	38	53	(3)	28	27
Depreciation, amortization and cost of timber harvested [1]	177	6	22	18	40	15	27	4	42	5
Special Items	(2)	4	7	-	7	-	-	-	4	-
EBITDA before Special Items	656	5	59	48	107	53	80	1	74	32
Less: Recycling Business EBITDA	-	-	-	-	-	-	-	-	-	-
Less: Market Pulp Business EBITDA	-	-	-	-	-	-	-	-	-	-
EBITDA before Special Items after Exclusions	656	5	59	48	107	53	80	1	74	32
Net Sales	3,159	79	511	234	745	352	288	43	495	95
Less: Trade Sales	179	-	-	-	-	-	-	-	-	-
Less: Recycling Business Net Sales	88	-	-	-	-	-	-	-	-	-
Less: Adjustment for Minority Ownership Share of Sales	-	-	-	-	-	-	-	11	-	-
Less: Market Pulp Business Net Sales	-	-	-	-	-	36	-	-	-	-
Less: JMA Sales	-	-	-	-	-	44	-	-	-	-
Net Sales after Exclusions	2,892	79	511	234	745	272	288	32	495	95
EBITDA Margin	22.7%	6.3%	11.5%	20.5%	14.4%	19.5%	27.8%	3.1%	14.9%	33.7%

[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	Q4 2013 North American Industrial Packaging	Q3 2014 North American Industrial Packaging	FY 2014 North American Industrial Packaging	Q4 2013 North American Printing Papers & Pulp	Q3 2014 North American Printing Papers & Pulp	FY2014 North American Printing Papers & Pulp
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	472	535	1,986	(19)	92	(341)
Depreciation, amortization and cost of timber harvested	172	177	703	56	42	164
Special Items	7	35	46	67	3	554
EBITDA before Special Items	651	747	2,735	104	137	377
Less: Recycling business EBITDA	(1)	-	1	-	-	-
EBITDA before Special Items after Exclusions	652	747	2,734	104	137	377
Net Sales	3,115	3,210	12,663	810	764	2,950
Less: Trade Sales	182	180	705	-	-	-
Less: Recycling Business Net Sales	98	95	376	-	-	-
Net Sales after Exclusions	2,835	2,935	11,582	810	764	2,950
EBITDA Margin	23.0%	25.5%	23.6%	12.8%	17.9%	12.8%

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

$ Millions	Q4 2013 Brazilian Printing Papers	Q3 2014 Brazilian Printing Papers	Q4 2013 North American Consumer Packaging	Q3 2014 North American Consumer Packaging	FY2014 North American Consumer Packaging
Earnings from Continuing Operations Before Interest, Income Taxes, Minority Interest, Equity Earnings and Cumulative Effect of Accounting Changes	61	26	2	50	92
Depreciation, amortization and cost of timber harvested	30	30	38	46	171
Special Items	-	32	2	2	8
EBITDA before Special Items	91	88	42	98	271
Net Sales	295	266	480	528	1,992
EBITDA Margin	30.8%	33.1%	8.8%	18.6%	13.6%

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

	Full Year 2014																			
$ Millions	North American Industrial Packaging	North American Printing Papers & Pulp	North American Consumer Packaging	Corporate	Total North America	Brazilian Printing Papers	Brazilian Industrial Packaging	Total Brazil	European Printing Papers	European Consumer Packaging	EMEA Industrial Packaging	Total Europe	Russian Printing Papers	Russian Consumer Packaging	Total Russia	Asian Industrial Packaging	Asian Consumer Packaging	Indian Printing Papers	Total Asia & India	Total Businesses
Earnings from Continuing Operations Before Interest, Income Taxes, Noncontrolling Interest, Equity Earnings and Cumulative Effect of Accounting Changes	1,986	(341)	92	(346)	1,391	177	(3)	174	52	73	25	150	88	18	106	(112)	(5)	8	(109)	1,712
Depreciation, amortization and cost of timber harvested [1]	703	164	171	41	1,079	117	25	142	40	13	37	90	23	6	29	11	16	17	44	1,384
Special Items	46	554	8	320	928	32	(1)	31	-	-	6	6	-	-	-	107	-	(20)	87	1,052
EBITDA before Special Items	2,735	377	271	15	3,398	326	21	347	92	86	68	246	111	24	135	6	11	5	22	4,148
Less: Recycling Business EBITDA	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Less: Market Pulp Business EBITDA	-	-	-	-	-	-	-	-	(1)	-	-	(1)	5	-	5	-	-	-	-	4
EBITDA before Special Items after Exclusions	2,734	377	271	15	3,397	326	21	347	93	86	68	247	106	24	130	6	11	5	22	4,143
Percent of total EBITDA					82%			8%				6%			3%				1%	100%