

Revised to reflect updated information provided in IP press release dated November 8, 2005

Third Quarter 2005 Review

October 25, 2005

John V. Faraci
Chairman & CEO

Marianne M. Parrs
EVP & CFO

Forward-Looking Statements

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These slides contain forward-looking statements. These statements reflect management's current views and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ relate to (i) market and economic factors, including changes in the cost or availability of raw materials and energy, competition, demand and pricing for the Company's products, the level of housing starts, changes in international economic conditions, specifically in Brazil, Russia, Poland and China, changes in currency exchange rates, changes in credit ratings issued by nationally recognized statistical rating organizations, pension and healthcare costs and natural disasters, such as hurricanes, (ii) the Company's transformation plan, including the ability to accomplish the transformation plan, the impact of the plan on the Company's relationship with its employees, customers and vendors and the ability to realize anticipated profit improvement from the plan, and (iii) results of legal proceedings and compliance costs, including unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and the uncertainty of the costs and other effects of pending litigation. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail in the company's Securities and Exchange Commission filings.

Statements Relating to Non-GAAP Financial Measures

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During the course of this presentation, certain non-U.S. GAAP financial information will be presented. A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at www.internationalpaper.com under Investors.

Agenda

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- Third Quarter Review
- Hurricane Impact
- Fourth Quarter Outlook
- Transformation Plan Update

Third Quarter 2005 Summary

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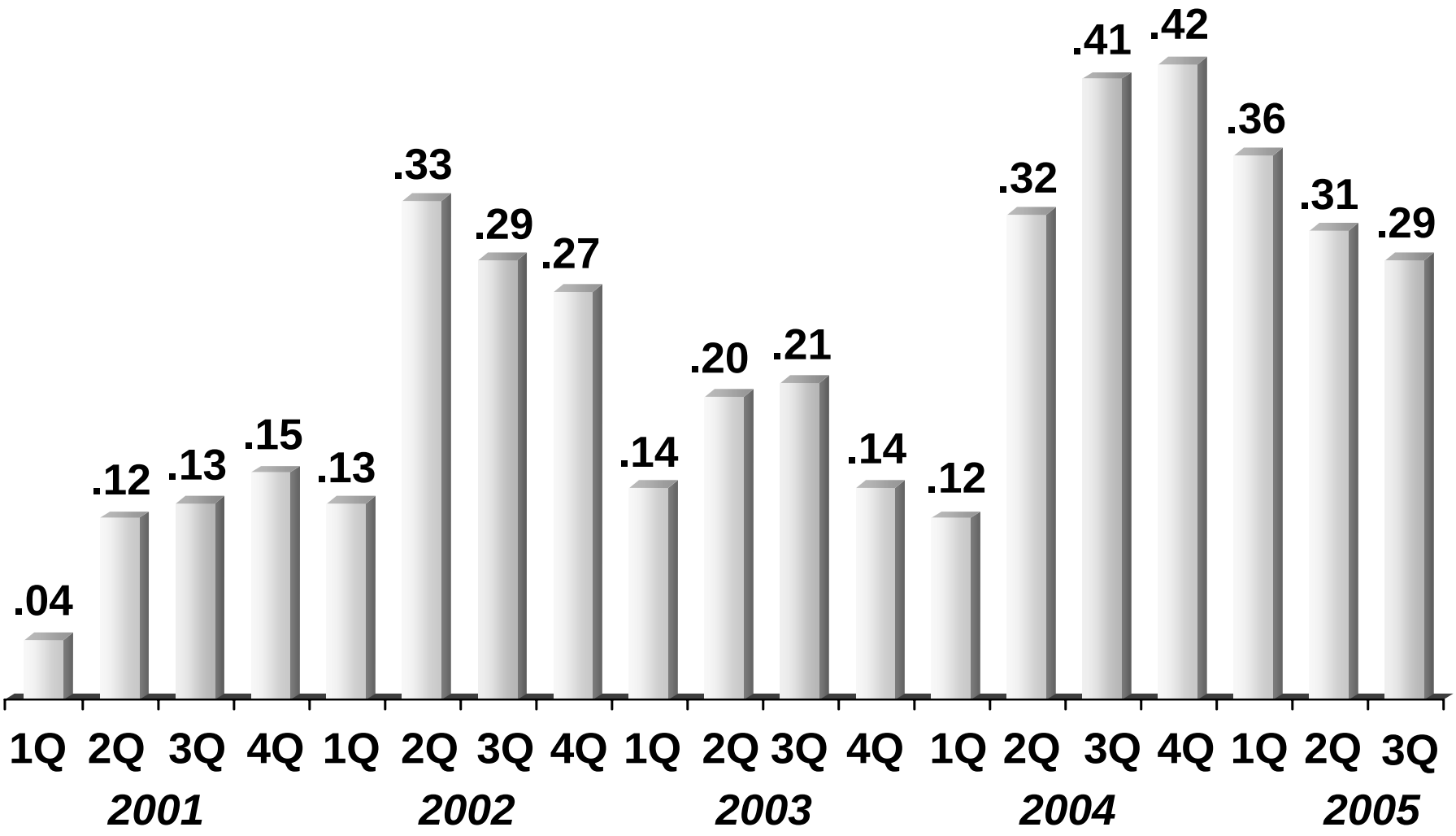
- Volumes mixed
- Pricing pressures on containerboard, corrugated boxes, uncoated papers and pulp
- Mill operations continued to improve
- Energy costs increased due to Hurricanes Katrina and Rita
- Favorable impact from higher land sales

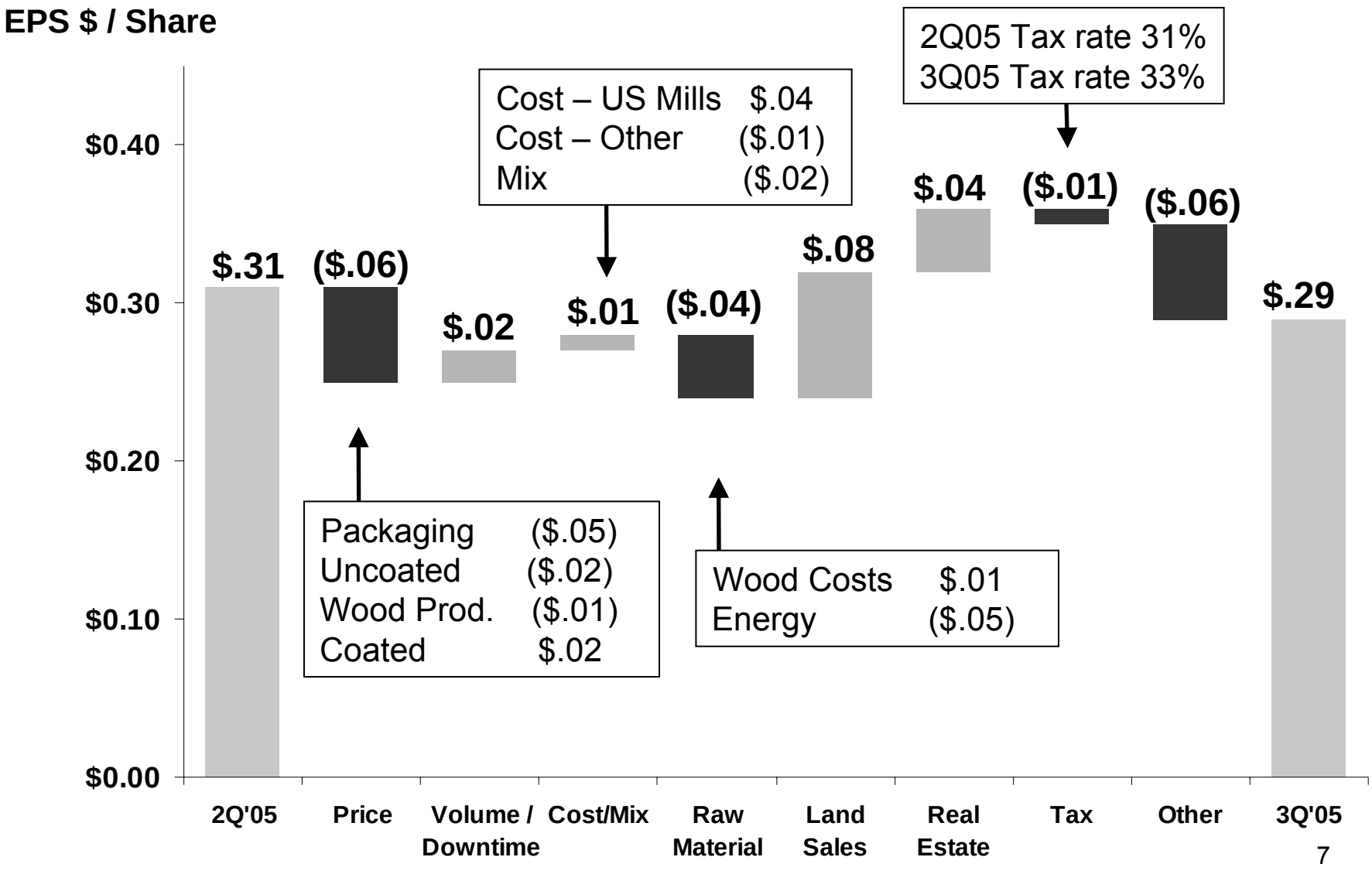
Diluted EPS from Continuing Operations and Before Special Items



** A reconciliation to GAAP EPS is available at www.internationalpaper.com under Investors*

3Q'05 vs. 2Q'05

EPS from cont. ops before special items



9M'05 vs. 9M'04

EPS from cont. ops before special items

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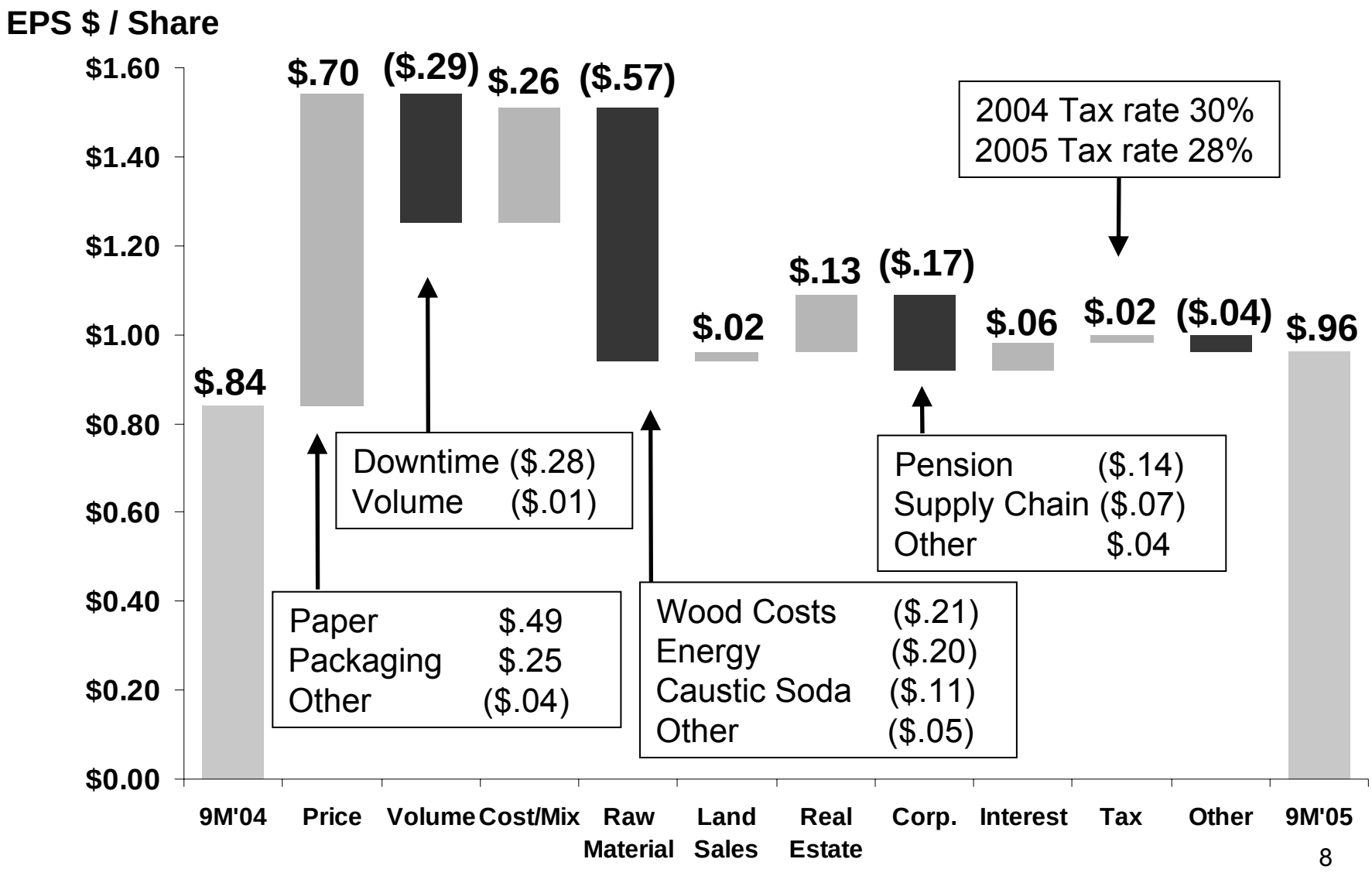

2006 Pension Assumptions

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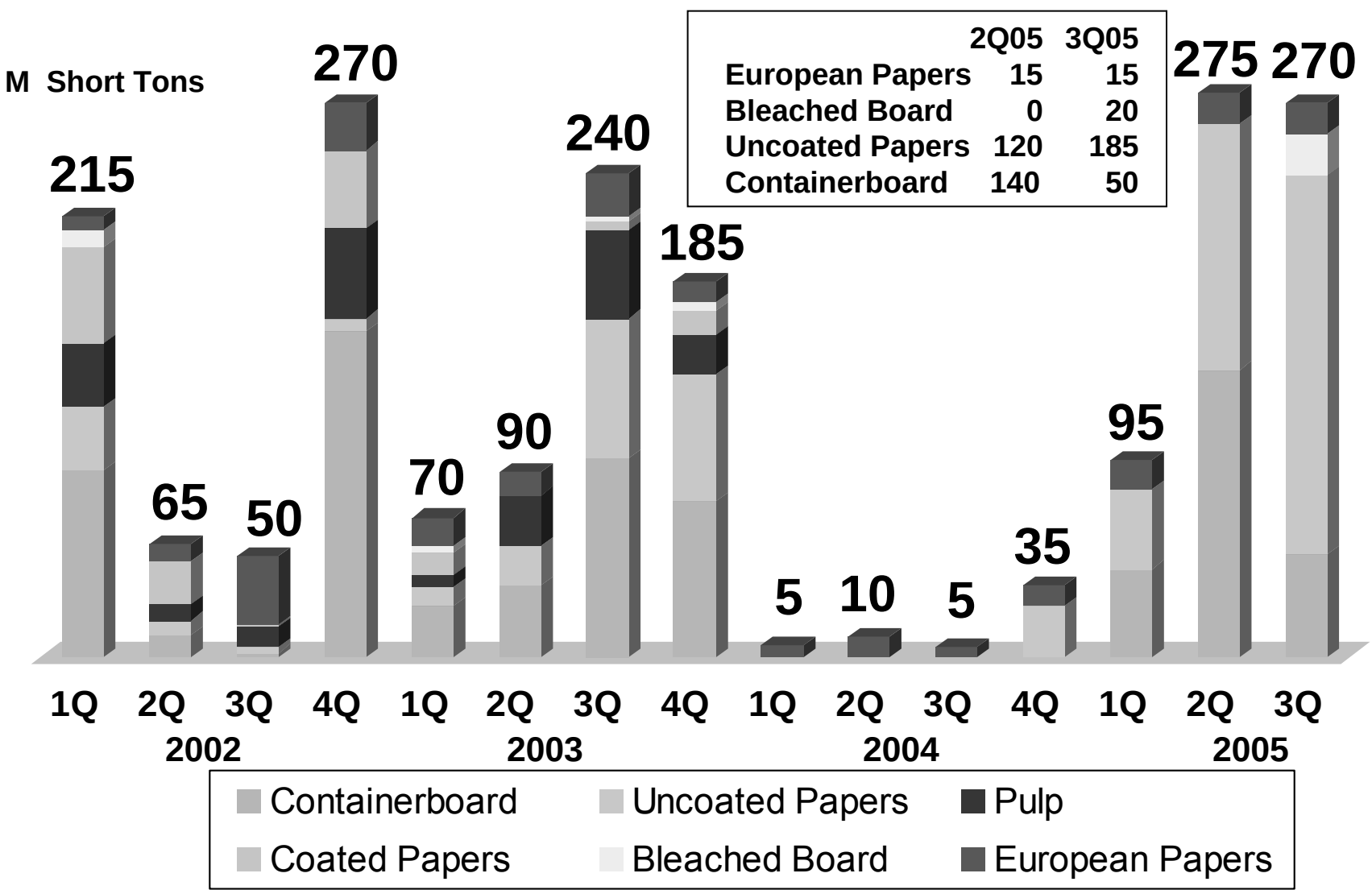
- Pension Expense
  - Will depend upon plan earnings and discount rate at December 31, 2005
    - Currently expected to increase in 2006 by $85 million due to the change in mortality table

Lack of Order Downtime



	2Q05	3Q05
European Papers	15	15
Bleached Board	0	20
Uncoated Papers	120	185
Containerboard	140	50

*Downtime is in thousand short tons after rationalization actions, excludes maintenance

Printing Papers

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$ Millions	*3Q'05*	*2Q'05*
Sales	$ 1,970	$ 1,895
Earnings	132[1]	149[2]

3Q'05 Change vs 2Q'05:

	Volume	*Realizations/ton*
Uncoated[3]	2%	($20)
Coated[3]	15%	$25
Pulp[3]	5%	($10)
Europe[4] (uncoated)	(4%)	€5

[1] Includes special charge of $6 million for severance and other charges related to the indefinite shutdowns of 3 U.S. paper machines, and $3 million for Riegelwood environmental reserves

[2] Includes special charge of $17 million for severance and other charges related to the indefinite shutdowns of 3 U.S. paper machines

[3] U.S. operations only. Uncoated excludes Fine Paper

[4] Europe is average commodity cut-size price, excluding Russia

Average IP realization (includes the impact of mix across all grades)

Industrial Packaging

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$ Millions	*3Q'05*	*2Q'05*
Sales	$ 1,115	$ 1,240
Earnings	33[1]	85

	3Q'05 Change vs 2Q'05:	
	Volume	*Realizations/ton*
Containerboard	6%	($45)
U.S. Container	(3%)	($25)

[1] Includes special charge of $4 million to adjust reserves previously provided

Average IP realization (includes the impact of mix across all grades)

Consumer Packaging

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$ Millions	*3Q'05*	*2Q'05*
Sales	$ 685	$ 650
Earnings	37[3]	41

3Q'05 Change vs 2Q'05:

	Volume	*Realizations/ton*
Bleached Board[1]	(2%)	$5

	Sales Revenue
Converting Businesses[2]	Flat

[1] U.S. operations only

[2] Excludes IPPM

[3] Includes special charge of $1 million for environmental reserve

Average IP realization (includes the impact of mix across all grades)

Forest Products

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$ Millions	*3Q'05*	*2Q'05*
Sales	$700	$ 605
Earnings	272[1]	191[1]

3Q'05 Change vs 2Q'05:

	Volume	*Realizations/unit*
Lumber (mbf)	2%	($15)
Plywood (msf)	21%	($5)

[1] Includes special charge of $2 million in the third quarter and $14 million in the second quarter for costs associated with relocations of Forest Products headquarters to Memphis

Average IP realization (includes the impact of mix across all grades)

Special Items 3Q'05

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		$MM	Diluted EPS
Special Items			
• Divestitures		(3)	
• Restructuring & Other		(46)	
• Insurance Recoveries		109	
• Tax Audit Finalization			
– Settlements	517		
– Interest	26		
		543	
Special Items Total		603	$1.19

Discontinued Operations 3Q'05

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Carter Holt Harvey	$MM	Diluted EPS
• Operations	3	--
• Tax Reserve Adjustment for Audit Settlement	(83)	(0.16)
• Pre-Tax Gain on Sale	29	0.06
• Tax Benefit on Sale	332	0.65
Total	281	$0.55

Reconciliation to 3Q'05 Diluted Earnings Per Share

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	Diluted EPS
Earnings from Continuing Operations and Before Special Items	$0.29
Special Items	1.19
Earnings from Continuing Operations	1.48
Discontinued Operations	0.55
Net Earnings	$2.03

Hurricane Impact

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- People
  - No injuries
- Facilities
  - No direct damage
  - Temporary outages at some facilities
- Forestlands
  - No material damage to our forestlands
  - Logging / transportation costs significantly higher

Hurricane Impact

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- Energy
  - Slow recovery causing skyrocketing prices for natural gas and fuel oil, squeezing margins
- Chemicals
  - Shortages of optical brighteners, sulfuric acid, caustic soda, wax
- Transportation
  - Truck and rail availability an issue
  - Facing fuel adjustment surcharges

Fourth Quarter 2005 Outlook

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- Much higher raw material costs
  - $0.15 - $0.20 per share higher than 3Q'05
- Lower land / real estate sales
- Volume flat - seasonal weakness around holidays
- Average price realizations flat to down
  - Implementing IP's announced increases in bleached board, containerboard, boxes, coated paper and market pulp
- Continued progress in improving operations

Transformation Plan Update

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- Completed sale of Carter Holt Harvey equity stake to Rank Group on September 21
  - US$1.14 billion in cash proceeds
  - After-tax gain of US$361 million
- Targeting cash proceeds from initial asset sales for debt reduction
- Maintaining focus on improving N. American operations
- Reinvestment plan under review - taking a cautious approach

Q & A

Appendix

Earnings by Industry Segment

Before special items

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$ Millions

	3Q'05	2Q'05	3Q'04	9M'05	9M'04
Earnings by Industry Segment					
Printing Papers	$141	$166	$160	$490	$385
Industrial Packaging	37	85	133	227	249
Consumer Packaging	38	41	50	102	126
Distribution	23	18	27	59	65
Forest Products	274	205	191	686	617
Other Businesses	5	7	7	22	31
Operating Profit	**518**	**522**	**568**	**1,586**	**1,473**
Interest Expense	(163)	(166)	(180)	(496)	(541)
Minority Interest	0	2	1	1	2
Corporate Items, net	(142)	(133)	(101)	(430)	(313)
Earnings from continuing operations before income taxes, minority interest & special items	$213	$225	$288	$661	$621

Forest Resources

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$ Millions

	3Q'05	2Q'05	3Q'04
▸ Earnings Sources – Gross Margin			
• Sales of Forestlands	$125	$67	$77
• Harvest & Recreational Income	63	62	69
▸ Forestland Expenses	(43)	(39)	(43)
▸ Land Utilization (real estate), Net of Expenses	65	39	22
Total EBIT	$210	$129	$125

Average Sales Realizations

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		Average Sales Realizations				
Segments	**Grades**	**Sep 05**	**Sep 04**	**3Q'05**	**2Q'05**	**3Q'04**
Printing Papers*	Uncoated	825	790	811	831	780
	Coated	860	752	860	836	749
$/ton	Pulp	479	477	482	495	481
Packaging	Containerboard	385	458	405	450	445
$/ton	Corrugated boxes*	651	687	663	687	676
Forest Products	Lumber, $/MBF	394	364	391	406	368
	Plywood, $/MSF	323	325	297	300	303

*** U.S. only. Uncoated excludes Fine Papers**

Average IP realization (includes the impact of mix across all grades)

2005 Earnings from Continuing Operations

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	Pre-Tax	Tax	MI	Net	ETR	Average Shares[2]	Diluted EPS[1]
	$ MM	*$ MM*	*$ MM*	*$ MM*		*MM Shares*	*$/Share*
Before Special Items							
Q1	223	(46)	(2)	175	21%	488.9	0.36
Q2	225	(70)	(3)	152	31%	487.4	0.31
Q3	213	(71)	(3)	139[3]	33%	507.1	0.29
Special Items							
Q1	(103)	36	-	(67)	35%	488.9	(0.14)
Q2	34	(95)	-	(61)	NM	487.4	(0.12)
Q3	159	444	-	603	NM	507.1	1.19
Earnings from Continuing Operations							
Q1	120	(10)	(2)	108	8%	488.9	0.22
Q2	259	(165)	(3)	91	64%	487.4	0.19
Q3	372	373	(3)	742[3]	NM	507.1	1.48

MI – Minority Interest; Net – Net Income; ETR – Effective Tax Rate; EPS – Earnings per Share; NM – Not Meaningful

[1] A reconciliation to GAAP EPS is available at www.internationalpaper.com under Investor Information

[2] Assuming dilution

[3] Does not include impact of additional $7 million of income related to dilutive securities

Committed to Reducing Debt

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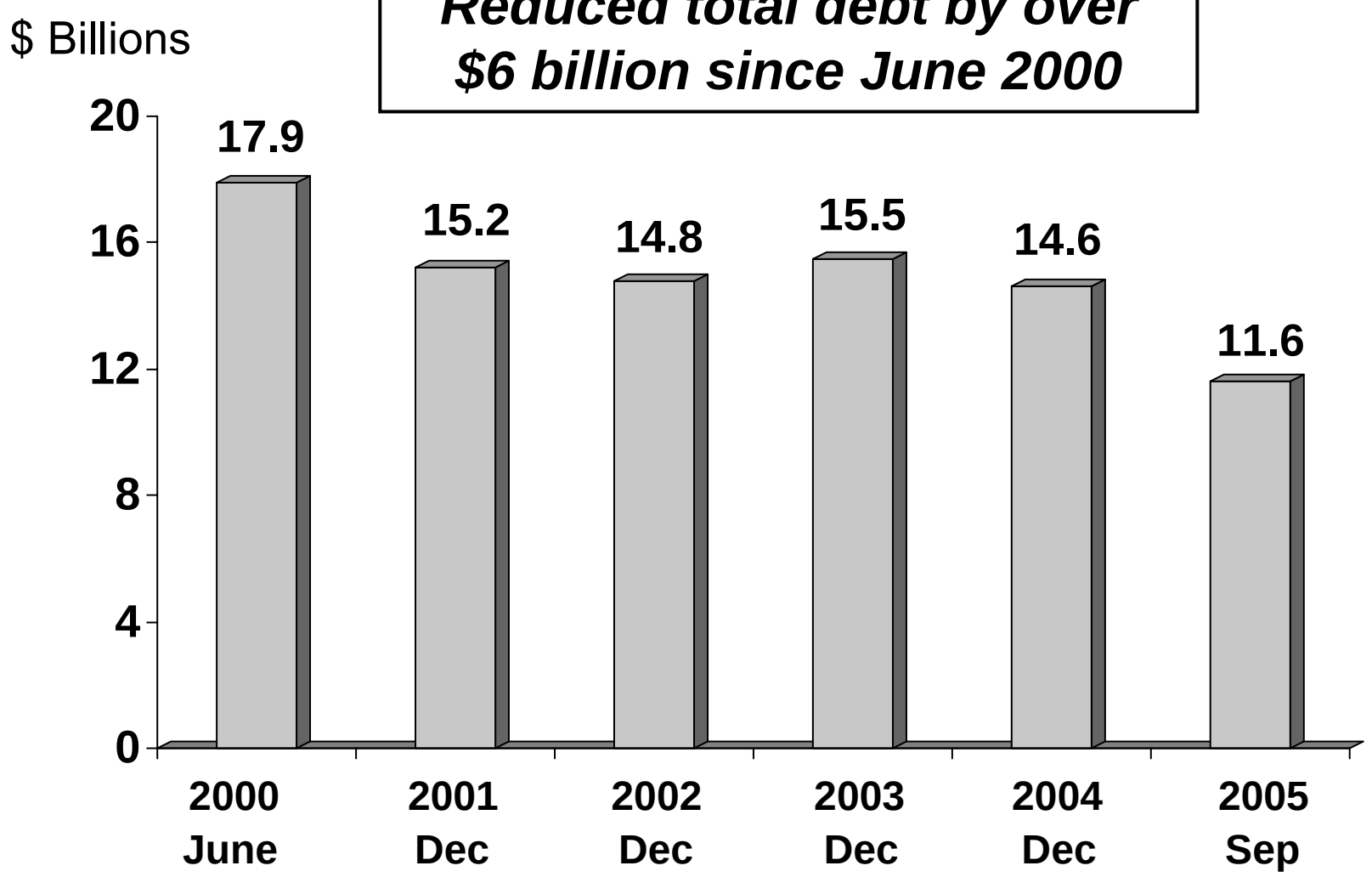
Reduced total debt by over $6 billion since June 2000



Includes Carter Holt Harvey debt on IP's balance sheet for all periods excluding September 2005

Impact of Higher Raw Material Costs

EBIT impact 3Q'05 vs. 2Q'05

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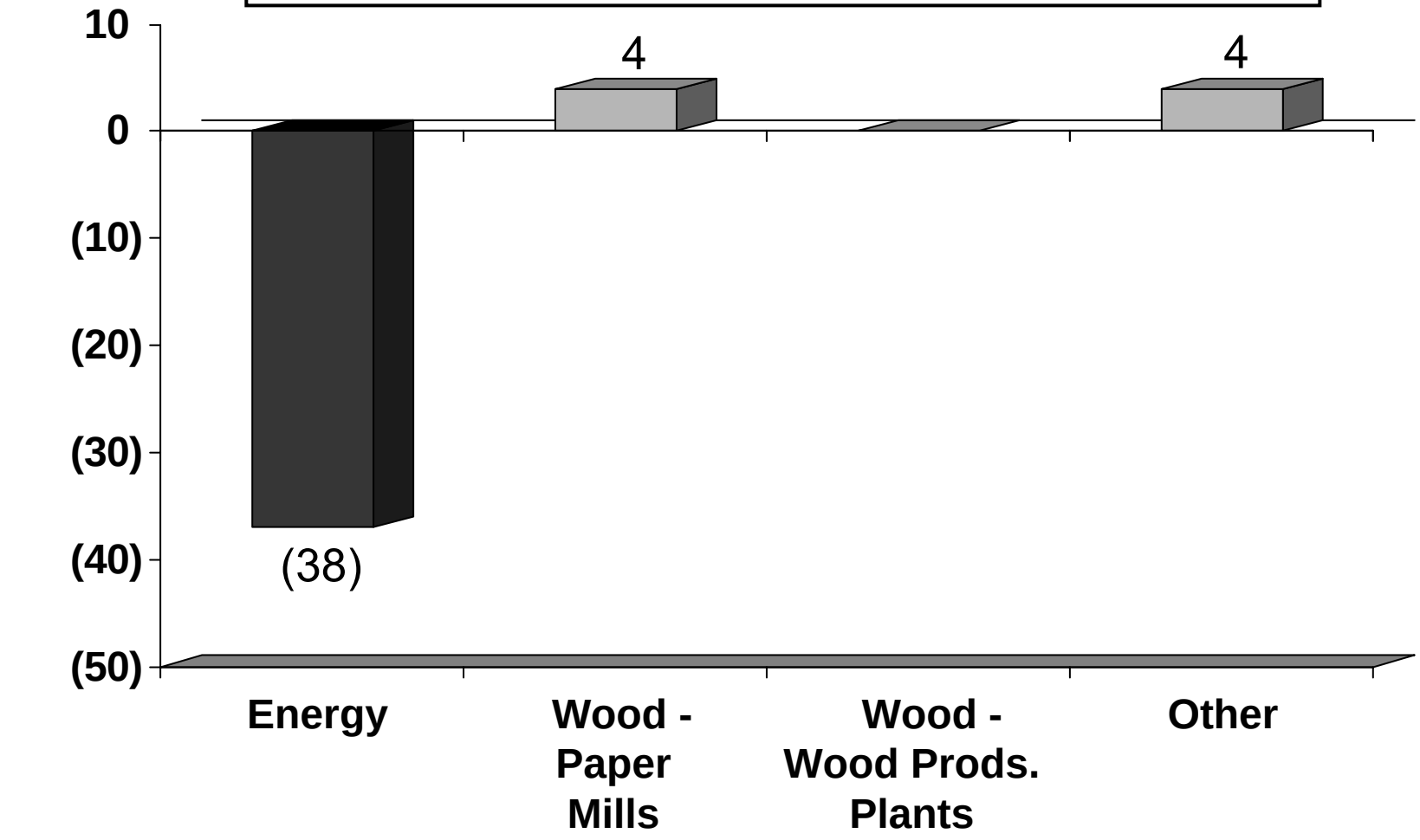
Total of $30 million or $0.05 per share negative impact in 3Q'05 versus 2Q'05



Impact of Higher Raw Material Costs

EBIT impact 3Q'05 vs. 3Q'04

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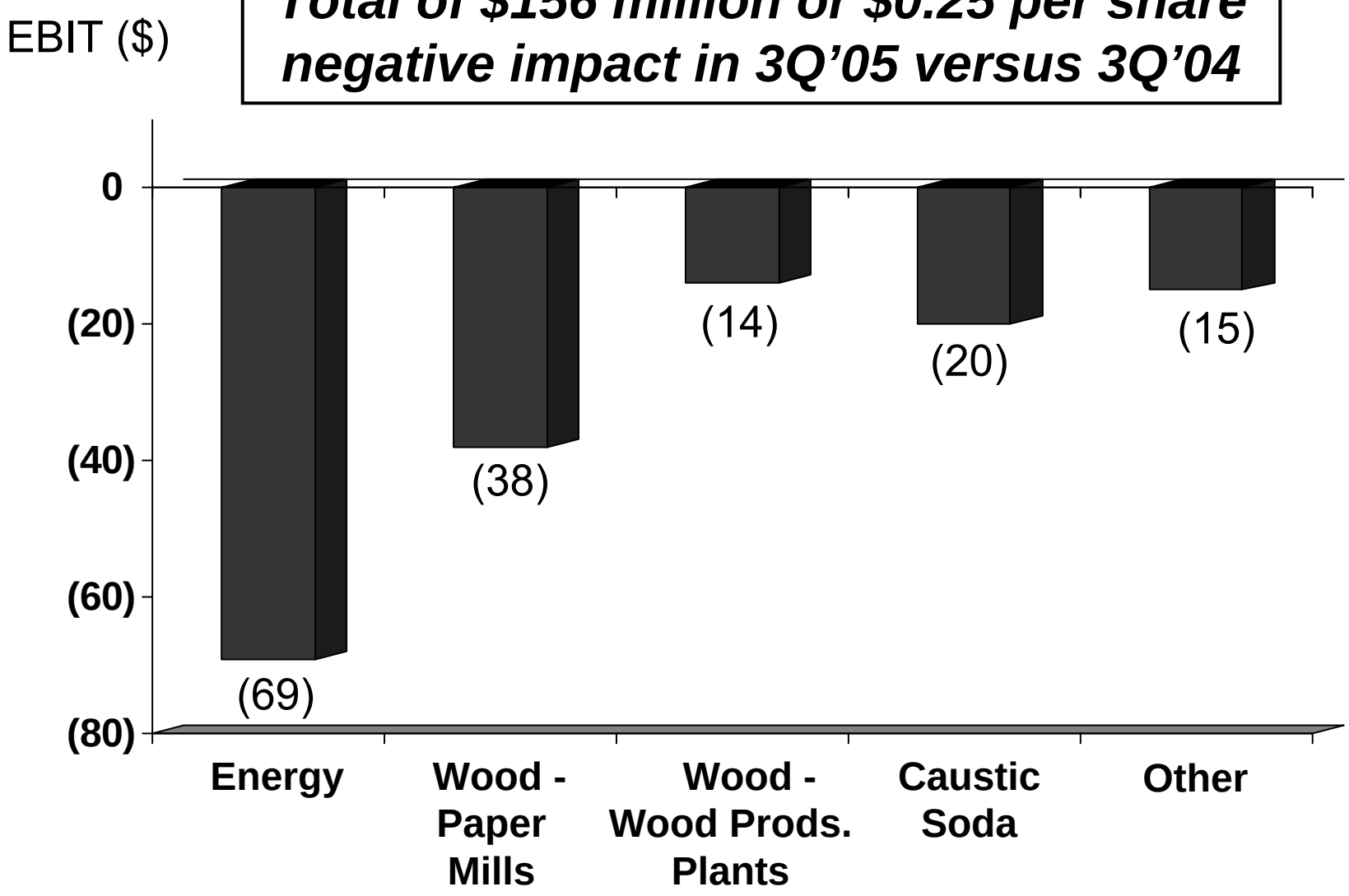
Total of $156 million or $0.25 per share negative impact in 3Q'05 versus 3Q'04



Impact of Higher Raw Material Costs

EBIT impact 9M'05 vs. 9M'04

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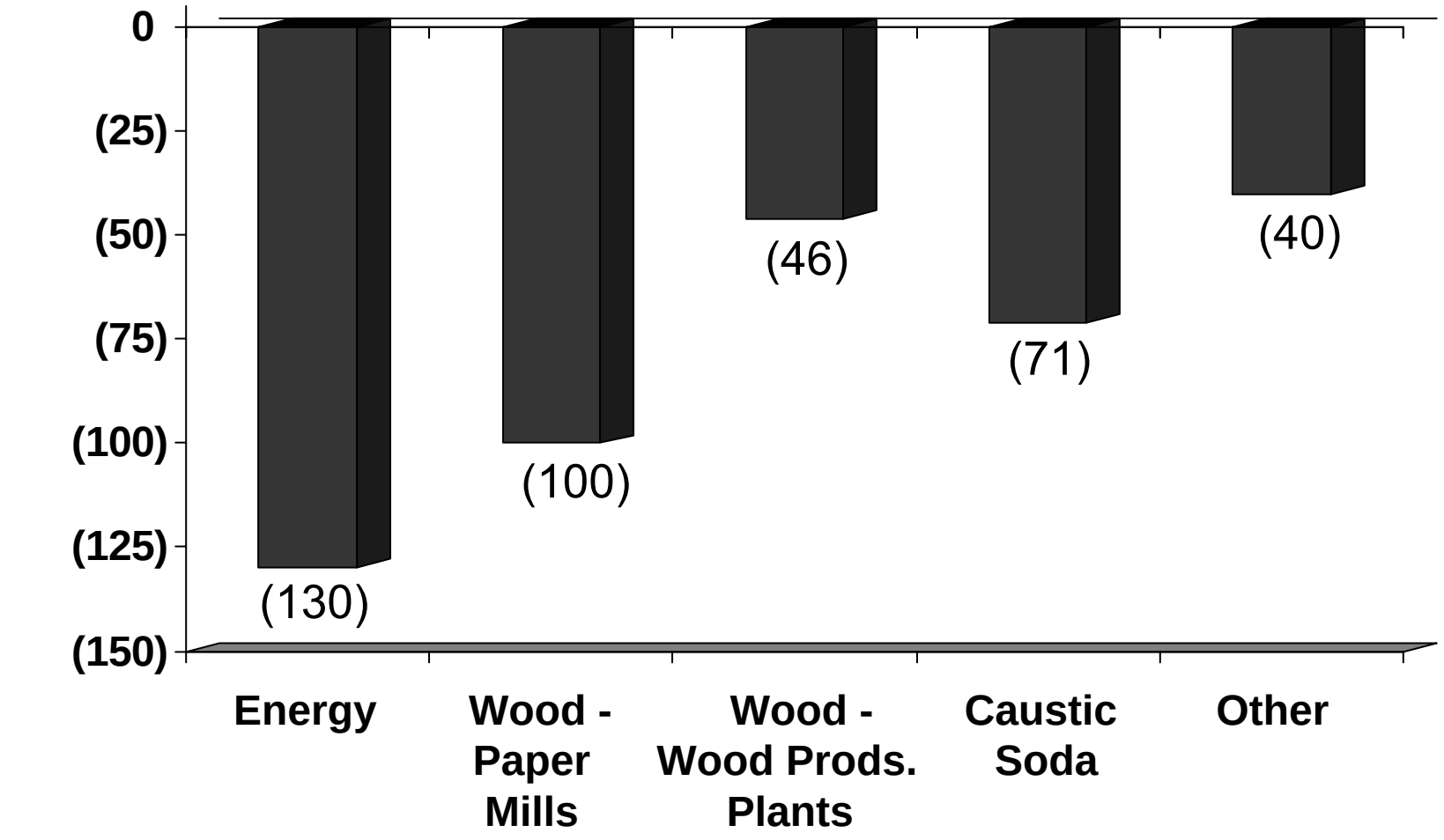
Total of $387 million or $0.58 per share negative impact in 9M'05 versus 9M'04



Natural Gas Costs

Trended significantly higher in 3Q'05

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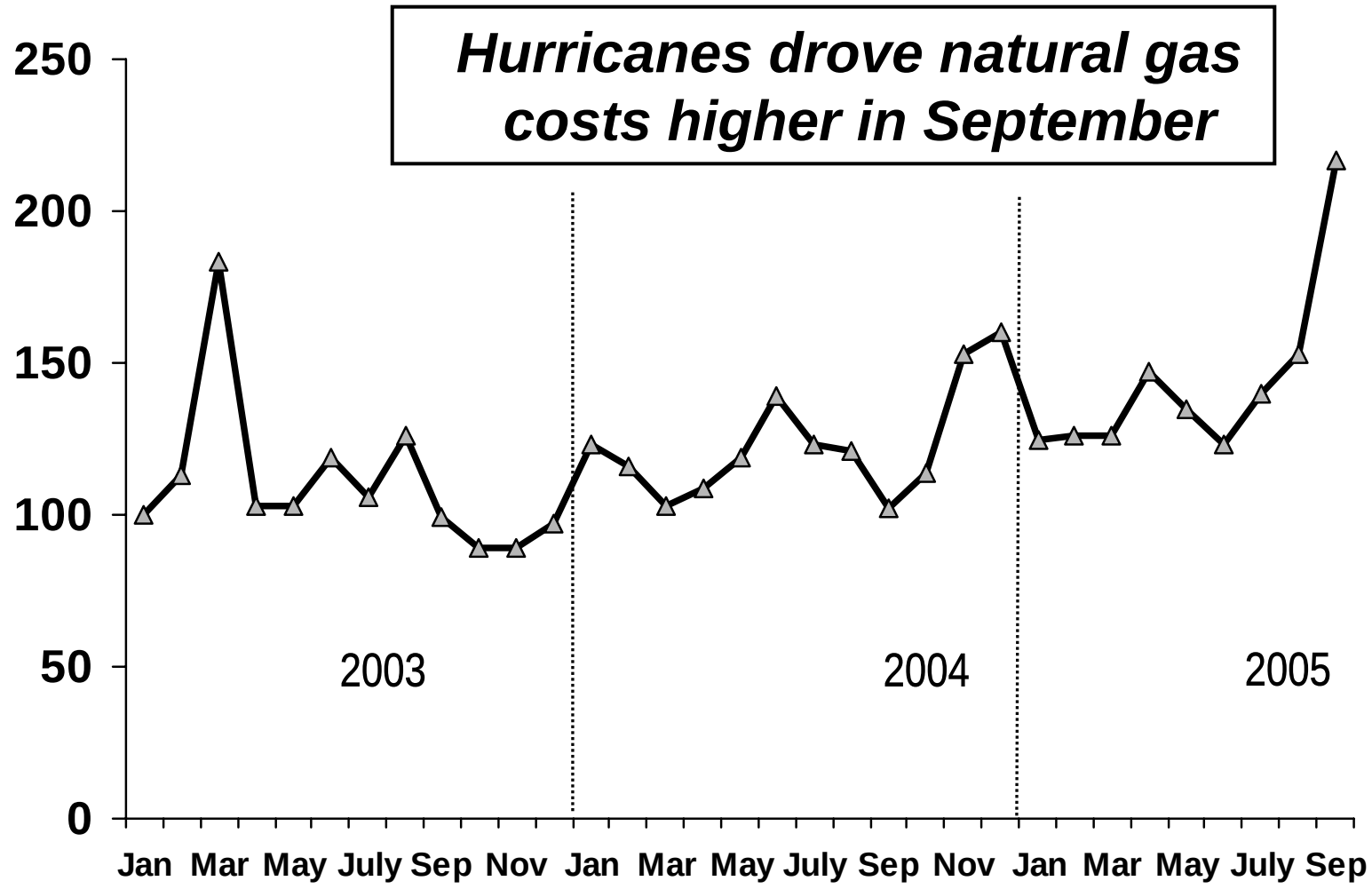
Index: Jan 2003 Natural Gas Costs = 100



U.S. Mills Wood Costs

Trended lower in 3Q'05

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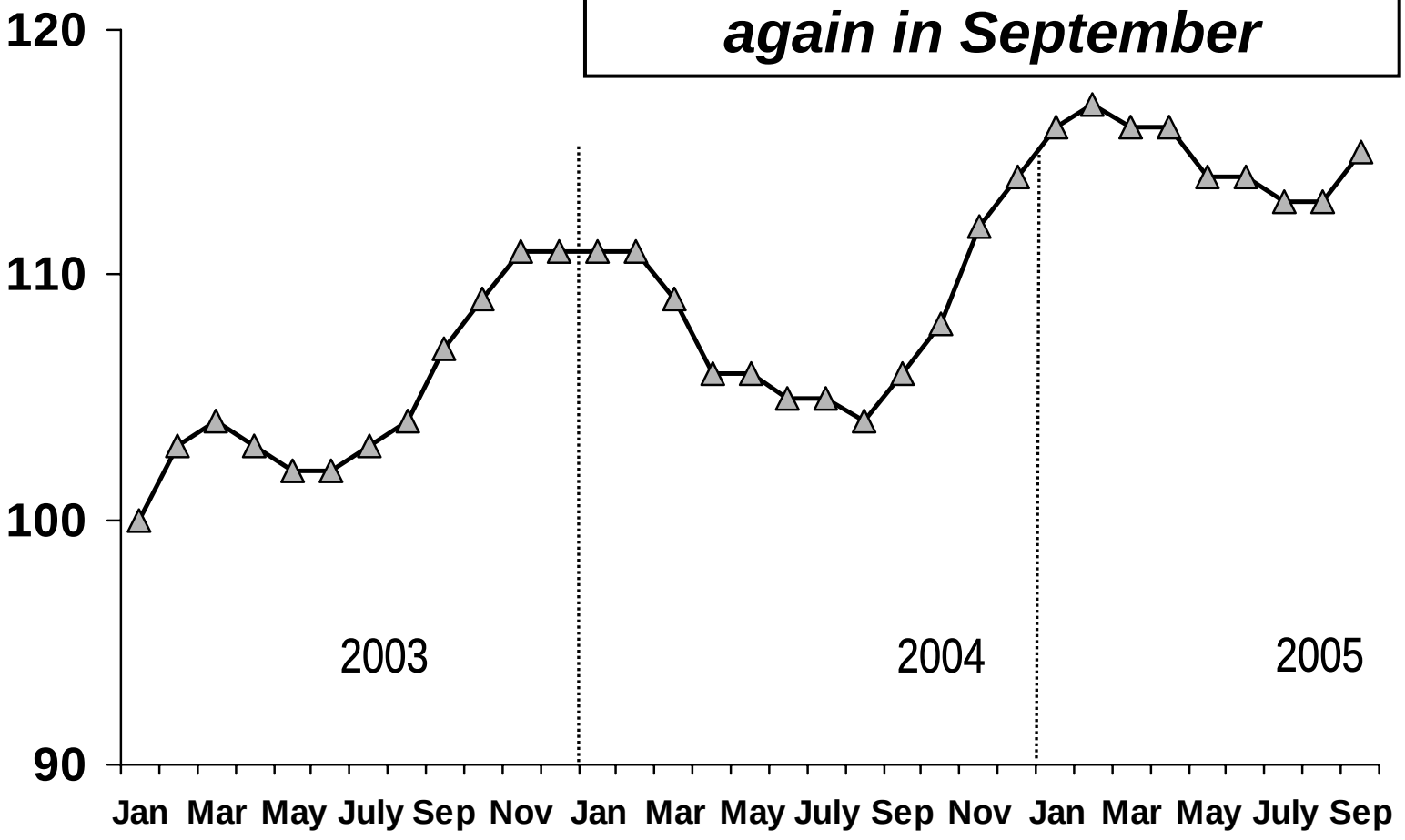
Index: Jan 2003 Wood Costs = 100

Wood costs began rising again in September



*** Delivered cost to U.S. pulp & paper mills**

Caustic Soda Costs

Trended lower in 3Q'05

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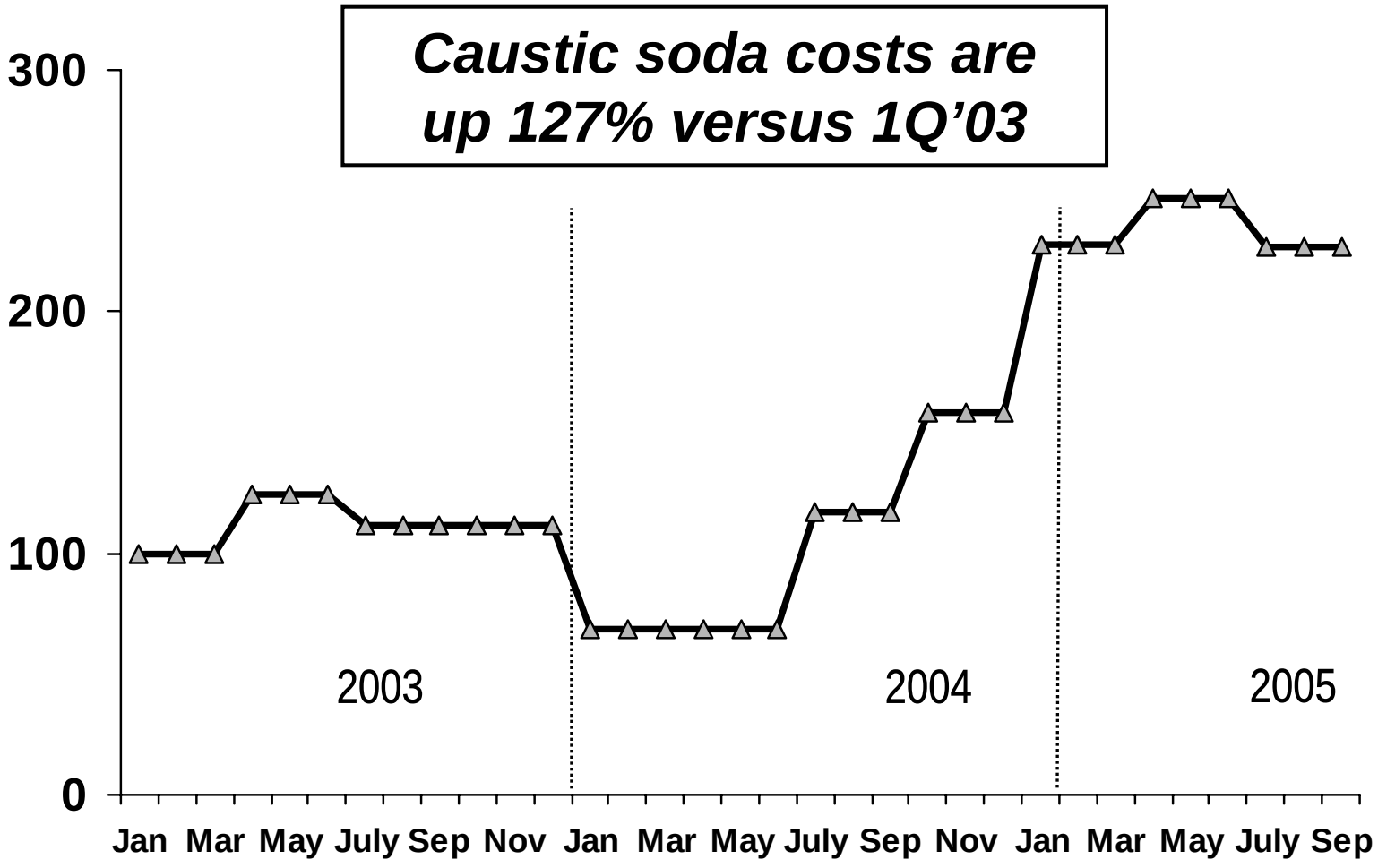
Index: Jan 2003 Caustic Soda Costs = 100



Energy

U.S. mills natural gas consumption

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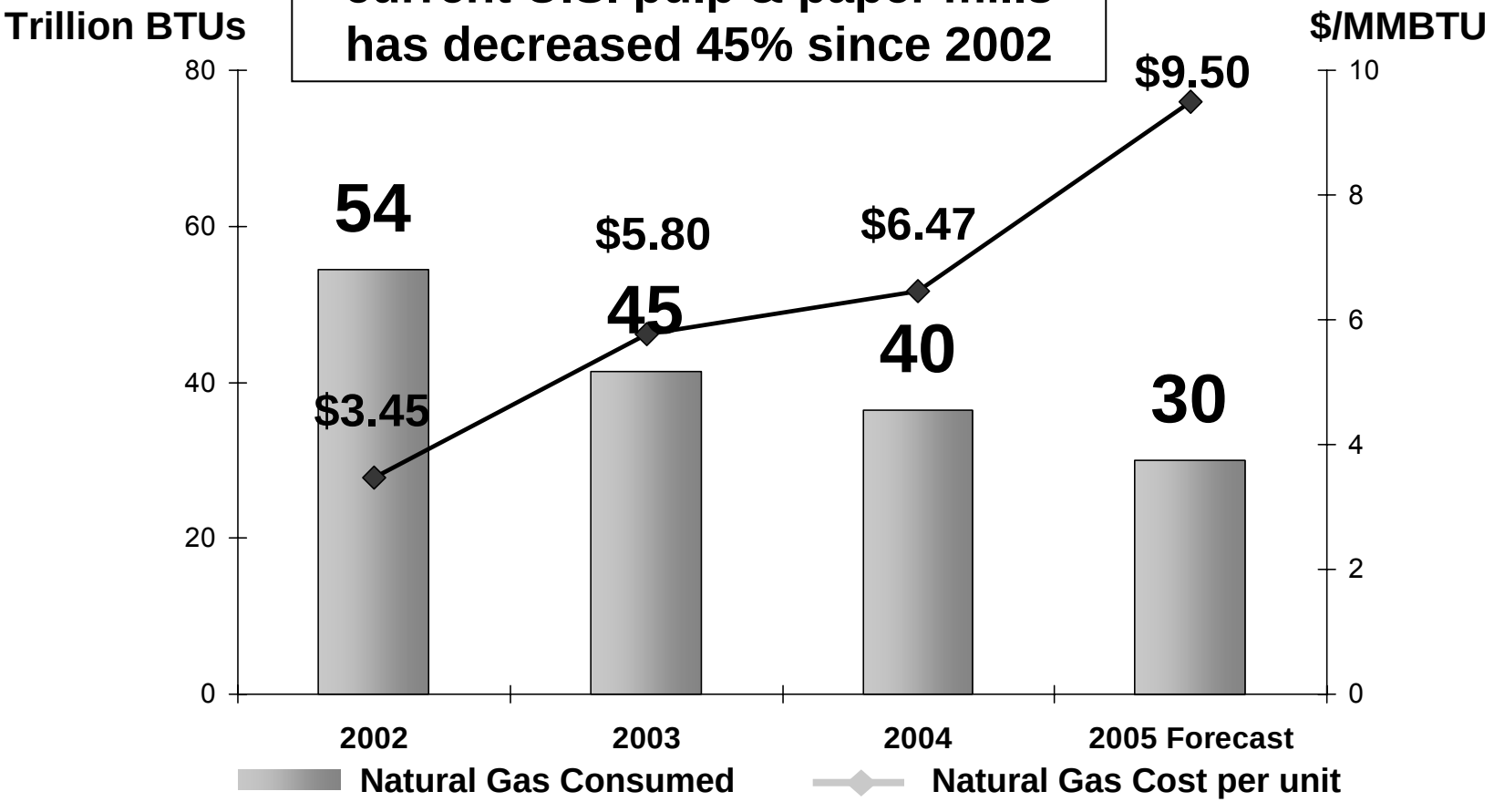
Natural gas consumption at current U.S. pulp & paper mills has decreased 45% since 2002



Total US Mill Energy Purchases before Natural Gas Hedges - $MM			
$580	$740	$780	$920

Energy

Substitute lower cost energy

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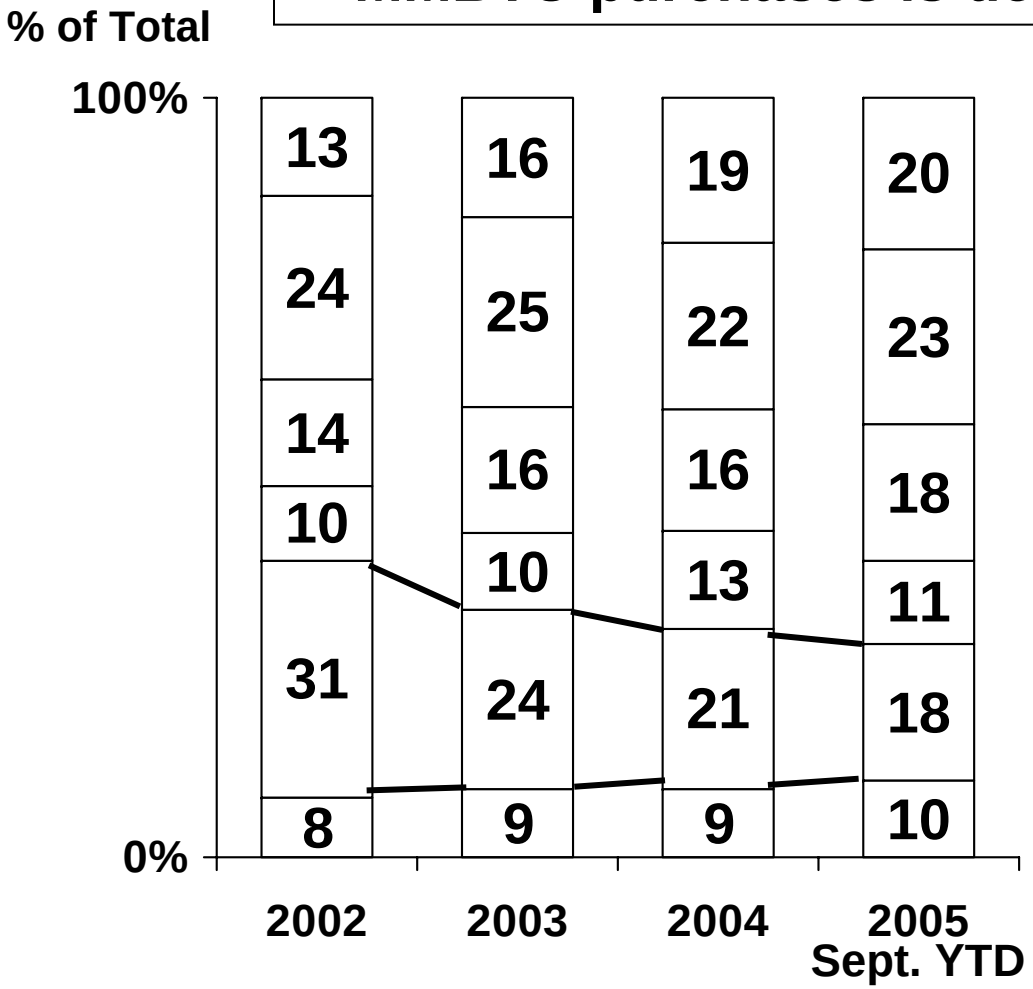
Natural gas as a % of total U.S. mills MMBTU purchases is decreasing



2005 Sept. YTD Avg Cost per mmbtu

Wood Waste	$1.80
Coal	$2.89
Fuel Oil	$6.15
Other*	$4.92
Natural Gas	$7.53
Electricity	$13.78

*Other includes shredded tires, recycled oil, purchased steam and any other fossil fuels

Energy

Reducing U.S. mill consumption per ton

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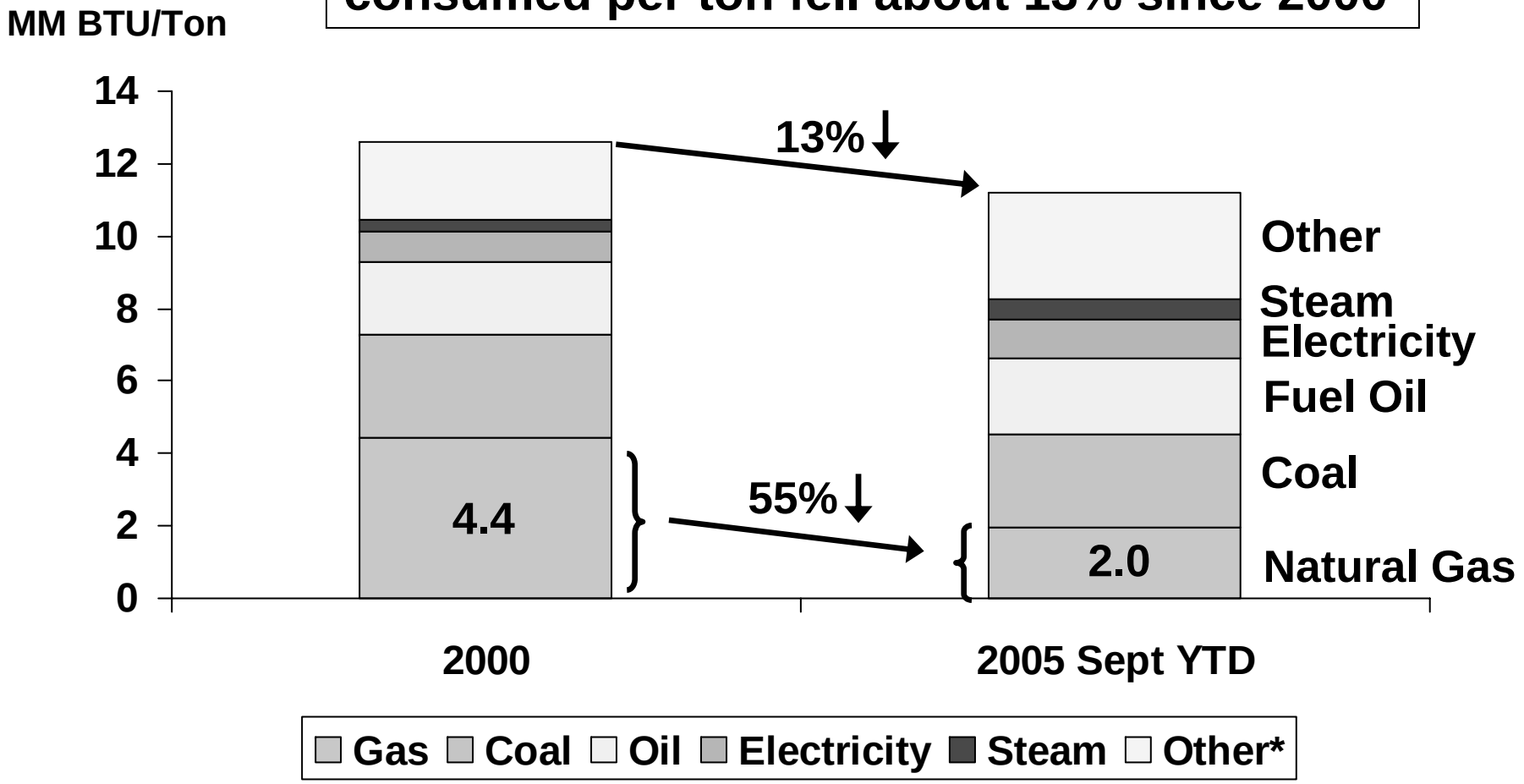
Natural gas consumed per ton of paper produced in 2005 fell 55% and total energy consumed per ton fell about 13% since 2000



* Other fuel category includes purchased bark, shredded tires & recycled motor oil

Domestic Facilities

Key input indicative purchase levels

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Energy	***Units***	***Annual Purchases***
Natural Gas	MMbtus	38,000,000*
# 6 Fuel Oil	BBLs	5,200,000*
Coal	Tons	1,500,000*
Fiber		
Wood	Tons	65,000,000
OCC[1]	Tons	600,000
Chemicals		
Caustic Soda	Tons	400,000
Sodium Chlorate	Tons	300,000
LD Polyethylene	Tons	100,000
Latex	Tons	45,000

[1] Old corrugated containers

* 2005 Run Rate


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