



John V. Faraci
Chairman &
Chief Executive Officer

Third Quarter 2008 Review

October 30, 2008

Forward-Looking Statements

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These slides and statements made during this presentation 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) the company's ability to realize anticipated profit improvement from its transformation plan, including our ability to realize the expected benefits of our acquisition of the assets of Weyerhaeuser Company’s containerboard, packaging and recycling business in light of integration difficulties and other challenges; (ii) increases in interest rates and our ability to meet our debt service obligations; (iii) industry conditions, including but not limited to changes in the cost or availability of raw materials and energy, transportation costs, competition we face, the company's product mix, demand and pricing for its products; (iv) global economic conditions and political changes, including but not limited to changes in currency exchange rates, credit availability, the company's credit ratings issued by recognized credit rating organizations and pension and health care costs; (v) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or potential litigation; and (vi) whether we experience a material disruption at one of our manufacturing facilities. 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 internationalpaper.com under Investors.

Third Quarter 2008 Results Summary
Solid Results Despite Cost Inflation

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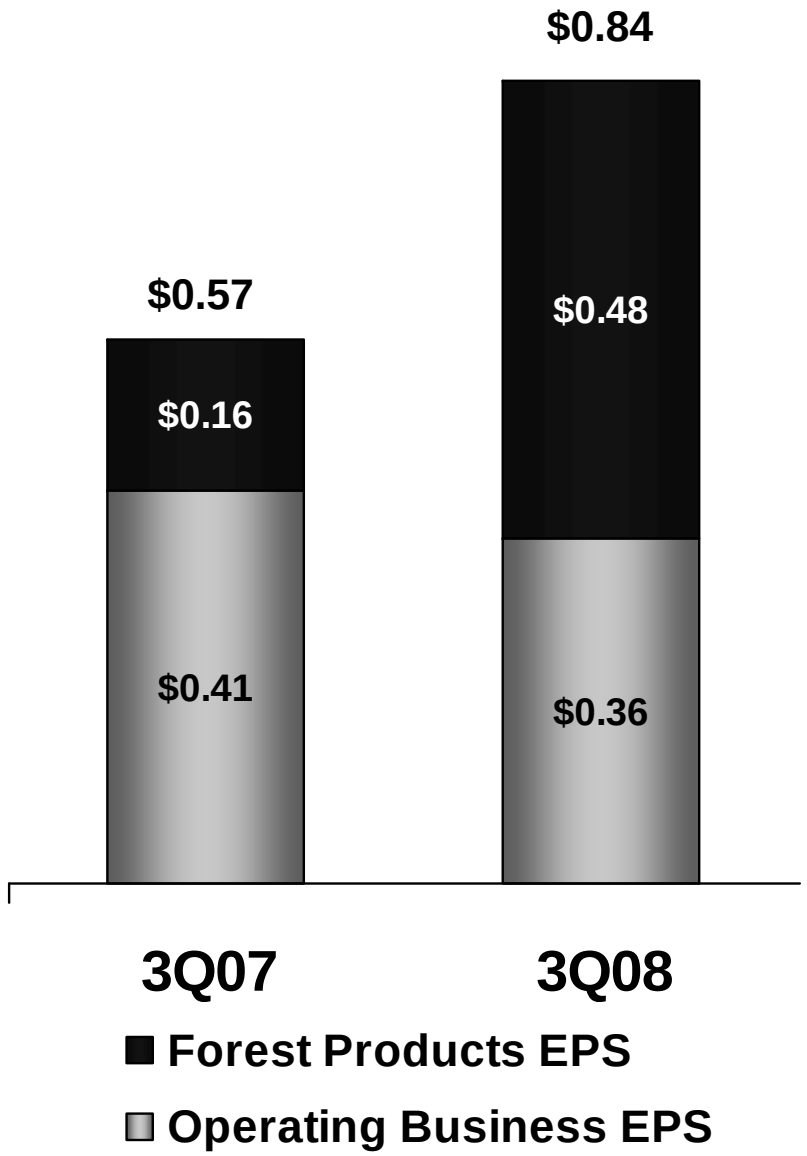
- **Input Cost Escalation**
- **Mineral Rights Earnings**
- **Selling Price Improvements**
- **Soft North American & European Demand**
- **Initial CBPR Contributions**
- **Reduced Operating Costs**
- **Strong Free Cash Flow**



Earnings from continuing operations before special items

3Q08 vs. 3Q07 EPS

Higher Prices, Volume & Mix, Unfavorable Input Costs

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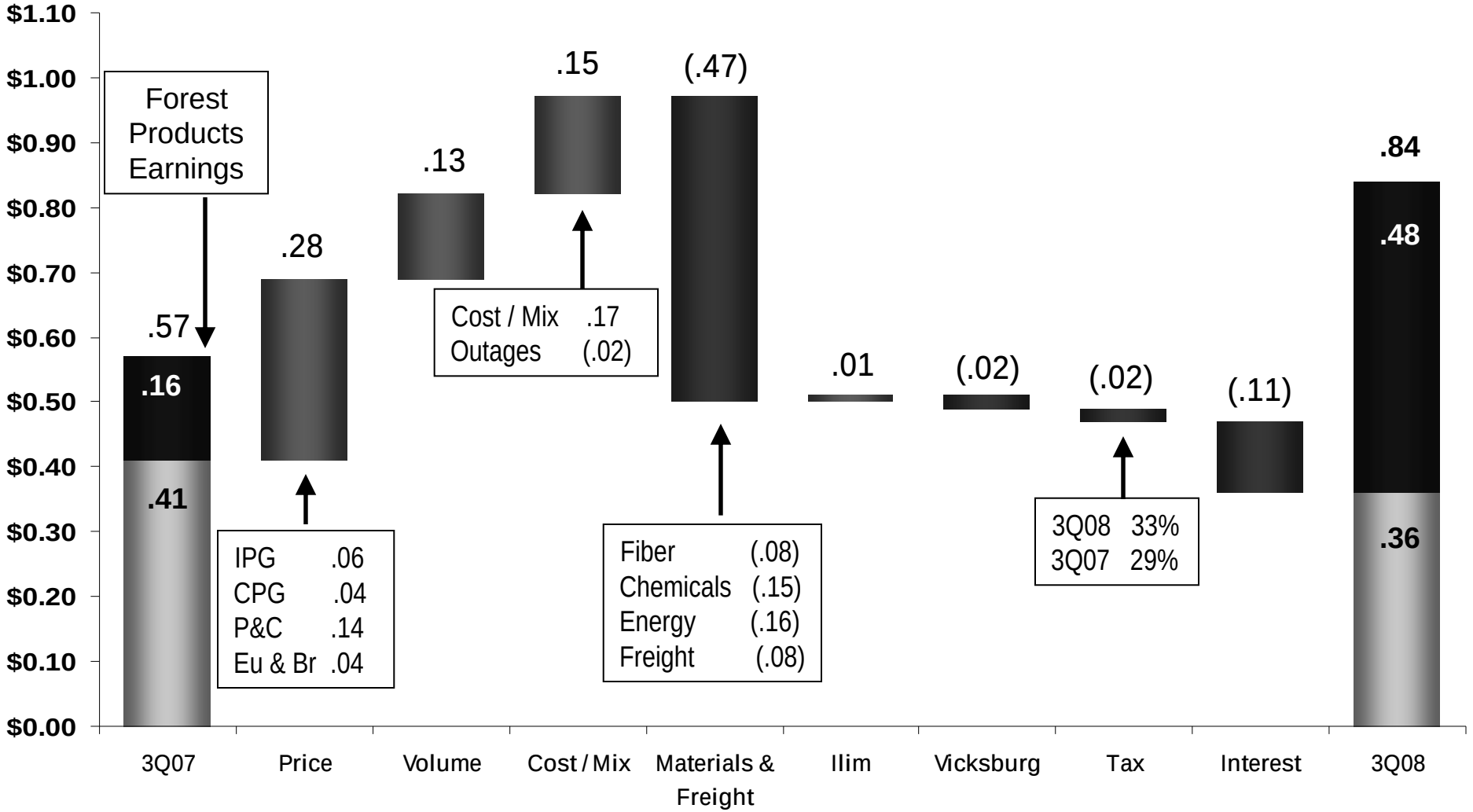
$ / Share



Earnings from continuing operations before special items; volume includes earnings from CBPR

Increasing Global Input & Freight Costs

$286MM, or $0.47/Share Impact vs. 3Q07

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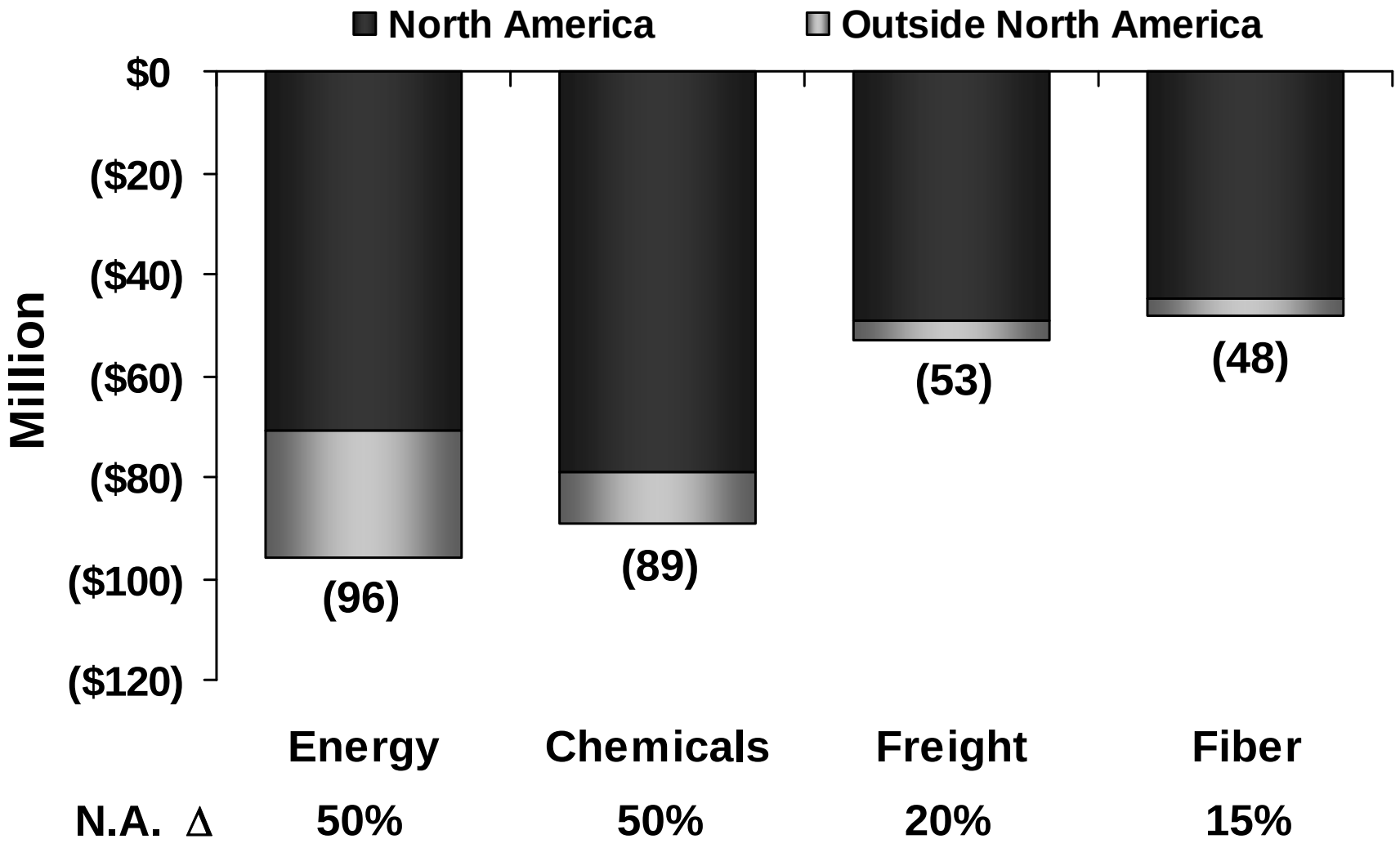
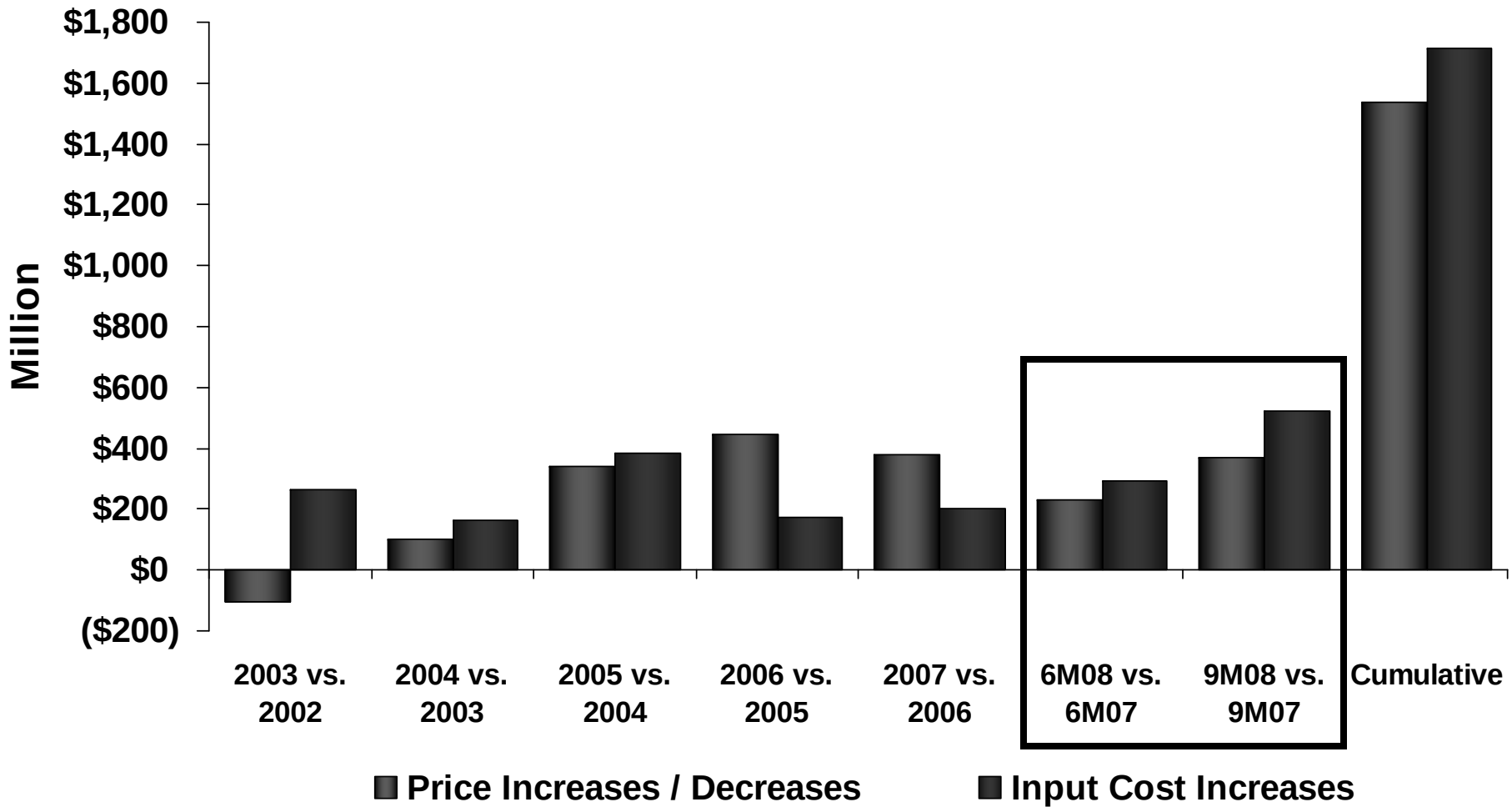


Input costs for continuing businesses; does not include CBPR
Percentage change reflects estimated North American input cost increases

North American Input Cost Escalation

Input Cost Inflation Exceeded Price Increases



North American Papers & Packaging; does not include CBPR

Printing Papers Earnings
3Q08 vs. 3Q07

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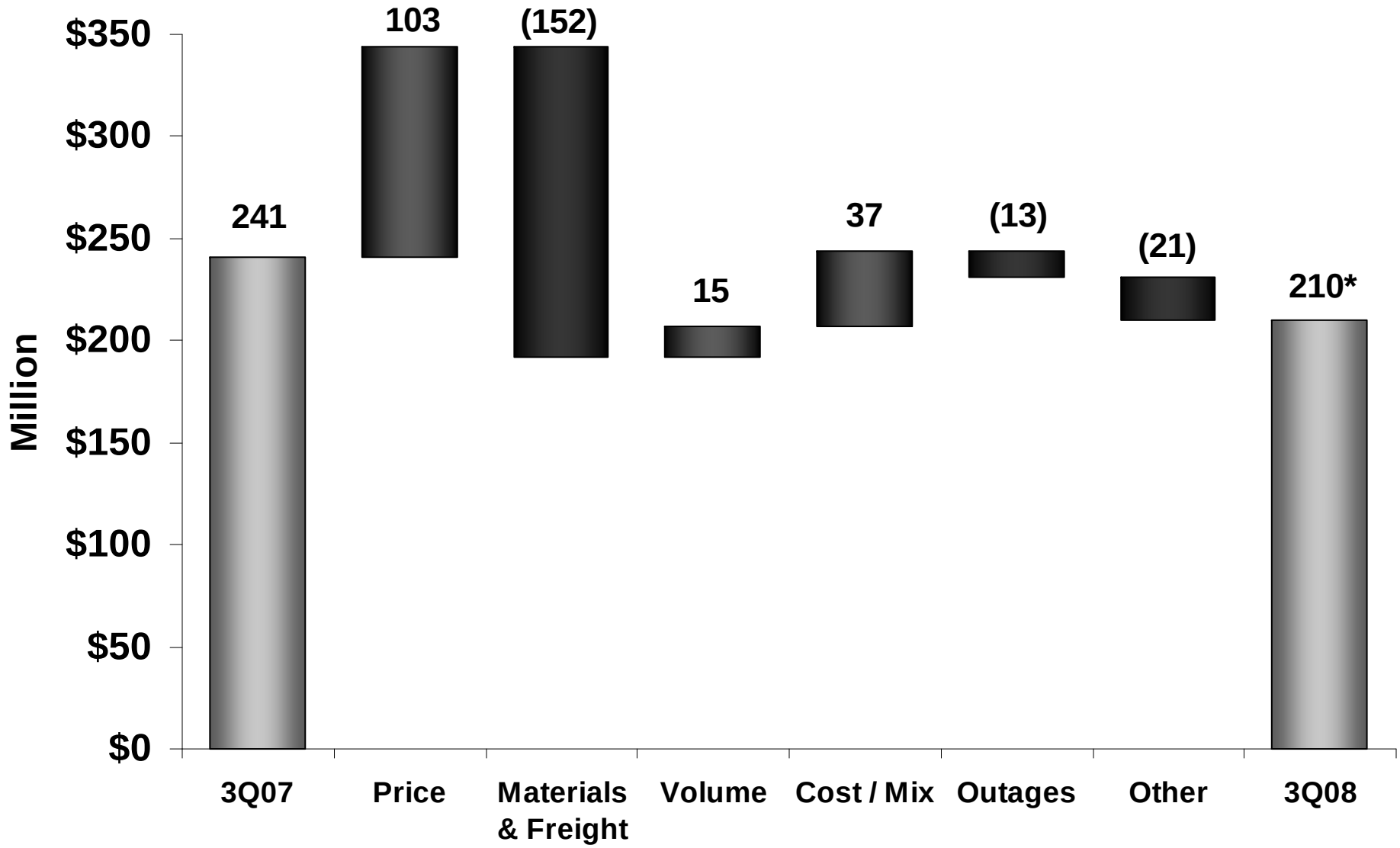


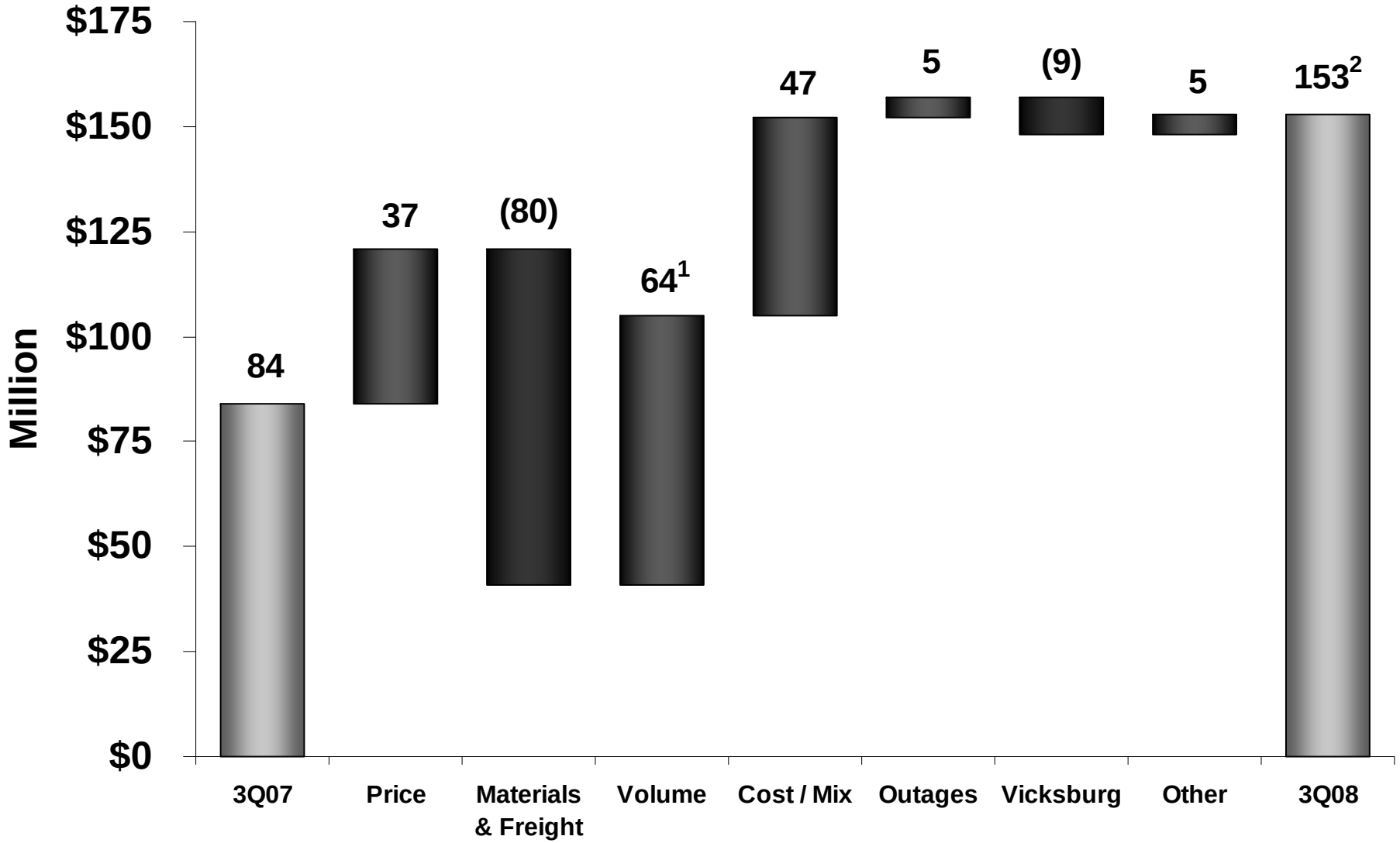
* Excludes a special impairment charge of $107 million to write down the Inverurie mill assets to estimated fair market value

Printing Papers

	3Q08 vs. 3Q07		3Q08 vs. 2Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**(6%)**	**$101**	**0%**	**$25**
N.A. Pulp	**22%**	**$40**	**5%**	**($6)**
European Paper	**1%**	**(€5)**	**(5%)**	**(€8)**
Brazilian Paper	**(4%)**	**$17**	**3%**	**$31**

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

Industrial Packaging Earnings
3Q08 vs. 3Q07



[1] Excludes trade volume and includes CBPR earnings

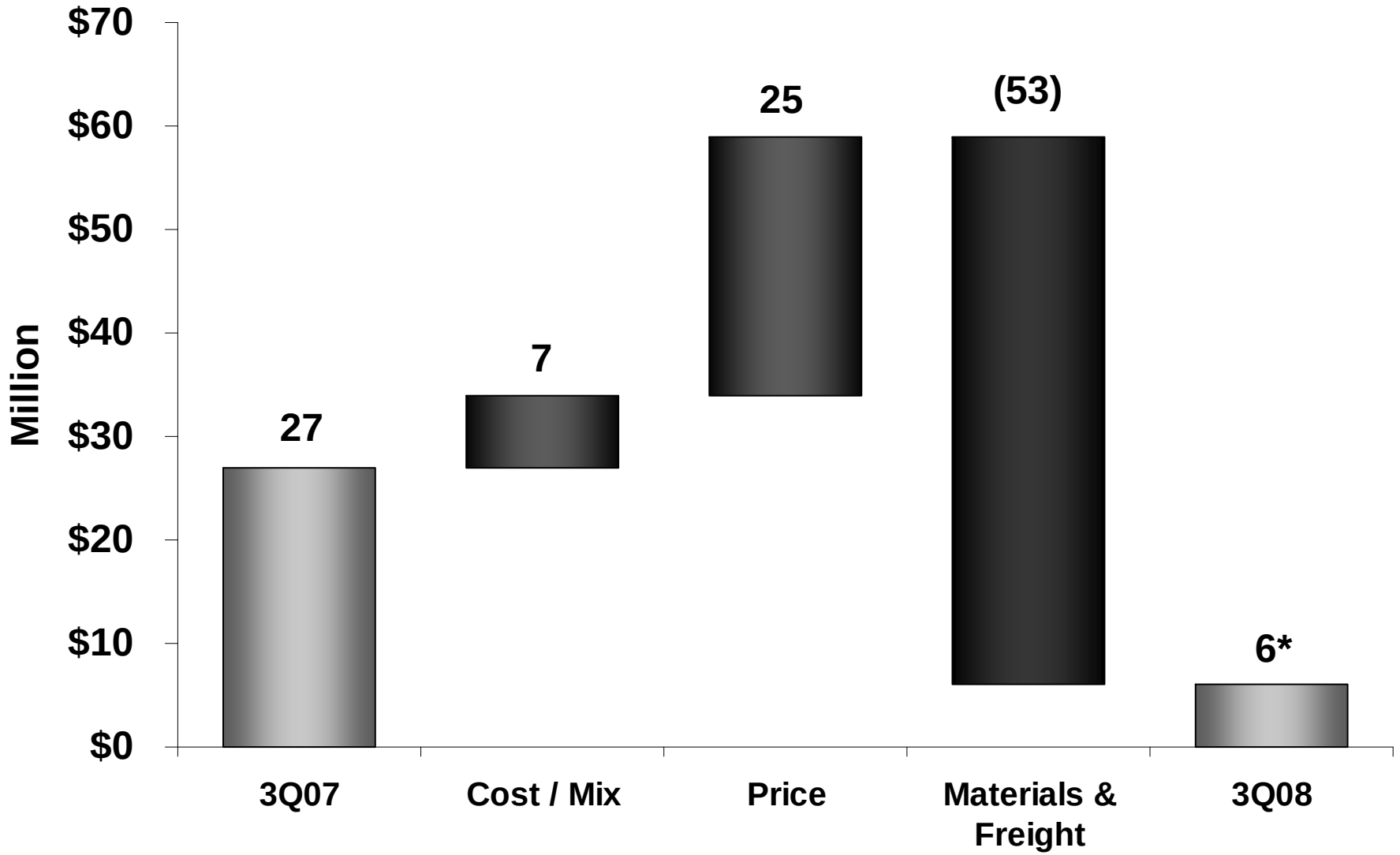
[2] Excludes special charges of $39 million related to the write-up of inventory to fair value in connection with the CBPR acquisition and $19 million for CBPR integration costs

Industrial Packaging

	3Q08 vs. 3Q07		3Q08 vs. 2Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Containerboard	**0%**	**$45**	**(6%)**	**$11**
N.A. Container	**(1%)**	**$72**	**(1%)**	**$13**
European Container	**(5%)**	**€42**	**(9%)**	**€23**

Volume and price exclude CBPR
Average IP price realization (includes the impact of mix across all grades)

Consumer Packaging Earnings
3Q08 vs. 3Q07



*Excludes a special charge of $8 million related to the reorganization of Shorewood's Canadian operations

Consumer Packaging

	3Q08 vs. 3Q07		3Q08 vs. 2Q08	
Business	**Volume**	**Price/Ton**	**Volume**	**Price/Ton**
U.S. Coated Paperboard	**2%**	**$67**	**2%**	**$29**
Business	**Revenue**	**Price**	**Revenue**	**Price**
Converting Businesses	**4%**	**NA**	**5%**	**NA**

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

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$ Million	3Q07	2Q08	3Q08
Sales	$1,880	$1,970	$2,075
Earnings	$30	$26	$35
Fuel & Freight	($16)	($21)	($20)

- Record operating profit
- Solid volumes in paper, packaging and facility supplies
- Benefiting from operating cost reductions that reflect on going business redesign

Forest Products

	3Q07	2Q08	3Q08
Sales ($ Million)	**$120**	**$55**	**$55***
Earnings ($ Million)	**$96**	**$41**	**$305**
Acres Sold	**36,000**	**30,000**	**33,000**
Price / Acre	**$2,991**	**$1,872**	**$1,564**

- **Mineral rights sold for $260 million**
- **Remaining land portfolio of 237,000 acres**

* Mineral rights sale is not reflected in sales but in Other Income

Ilim Joint Venture 3Q08 Results

IP's After-Tax Share: $5MM or $0.01 EPS

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$ Million	2Q08	3Q08
Sales (100%)	$555	$530
Earnings (IP Share)	$32	$5

	3Q08 vs. 2Q08	
Business	Volume (000 Metric Tons)	Price / Ton
Pulp	(6%)	$20
Containerboard	(3%)	$56

Ilim's results are reported on a one-quarter lag
IP's share of Ilim's 2Q08 earnings include a $14 million favorable after-tax foreign exchange impact
IP's share of Ilim's 3Q08 earnings include a $4 million unfavorable after-tax foreign exchange impact

Special Items
3Q08

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	$ Million	Earnings per Share
Earnings from Continuing Operations & Before Special Items	**$356**	**$0.84**
Special Items:		
Inverurie Mill Asset Impairment Charge	($84)	
CBPR Acquisition Costs & Supply Chain Write-off	($69)	
U.S. Taxes on non-U.S. Gain	($29)	
Legal Reserves	($22)	
Other	($3)	
Total Special Items	**($207)**	**($0.49)**
Net Earnings	**$149**	**$0.35**

9M08 vs. 9M07 EPS

Higher Prices, Volume & Mix, Higher Input Costs

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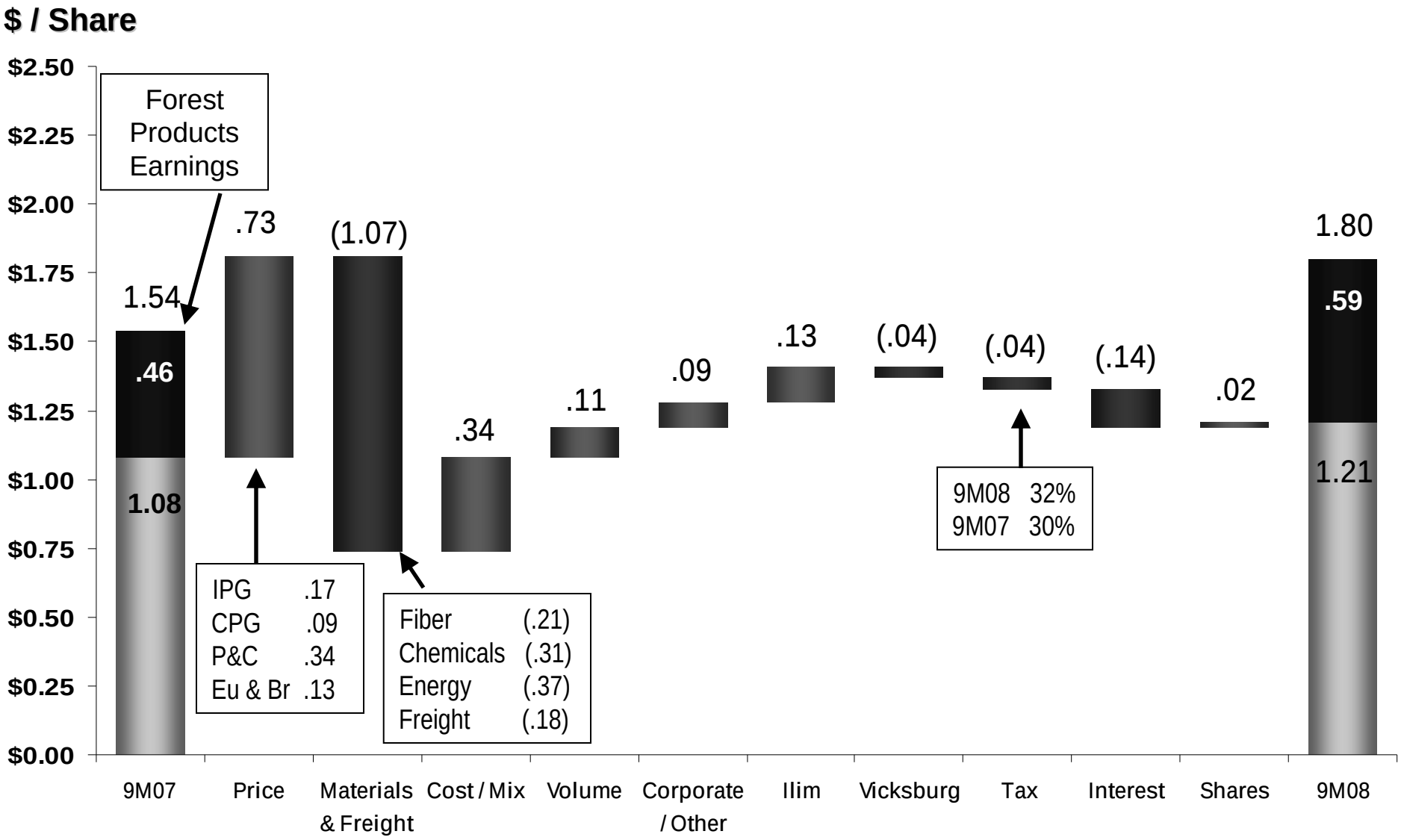

Earnings from continuing operations before special items; volume includes earnings from CBPR

Free Cash Flow Improvement

Free Cash Flow ($ Million)	9M07	9M08	Δ
Cash Provided by Continuing Operations	$1,407	$1,956*	$549
Less Capital Investment	($804)	($732)	$72
Free Cash Flow	$603	$1,224*	$621

* Includes $260 million from mineral rights sale

The World Has Changed
Weak Market Conditions in 4Q08

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- **Sharp Demand Declines**
- **Weak Economic Activity**
- **Significant Currency Volatility**
- **Capacity Curtailments**

4Q08 Outlook
Changes from 3Q08

		North America	Ex-North America
Pricing	Paper	Steady	Brazil Improving Europe Under Pressure
	Market Pulp	Decreasing	Decreasing
	Packaging	Improving Realization	Steady
Volume	Paper	Declining	Steady
	Packaging	Declining	Seasonal Improvement

Input and Freight Costs
No Significant Input Cost Relief in 4Q

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	Commodity	4Q Cost Trend
Energy	Natural Gas	↓
	Fuel Oil	↓
	Electricity	↔
	Coal	↑
Fiber	Wood	↑
	Old Corrugated Containers	↓
Chemicals	Caustic Soda	↑
	Starch	↓
	Sodium Chlorate	↔
Freight	Transportation	↓

4Q08 Outlook
Changes from 3Q08

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	North America	Ex-North America
Input & Freight Costs	**Remain High**	**Remain High**
Maintenance Outages	**Flat**	**Decrease**
Operations	**Steady**	**Steady**

3Q08 Summary

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- **Solid Quarter**
- **Continued Input Cost Inflation**
- **Selling Price Improvement**
- **Good Operations**
- **Strong Start on CBPR Integration**
- **Strong Cash Flow**

Questions & Answers

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Appendix

Key Financial Statistics

	2006[1]	2007[1]	2008 Estimate
Capital Spending ($ Billion)	$1.1	$1.3	$1.1
Depreciation & Amortization ($ Billion)	$1.2	$1.1	$1.4
Net Interest Expense ($ Million)	$521	$297	$475 - $500
Corporate Items[2] ($ Million)	$276	$206	$140 - $160
Effective Tax Rate[2]	29%	30%	32 - 33%

[1] Excludes discontinued operations and Coated Papers
[2] Before special items and excluding Ilim

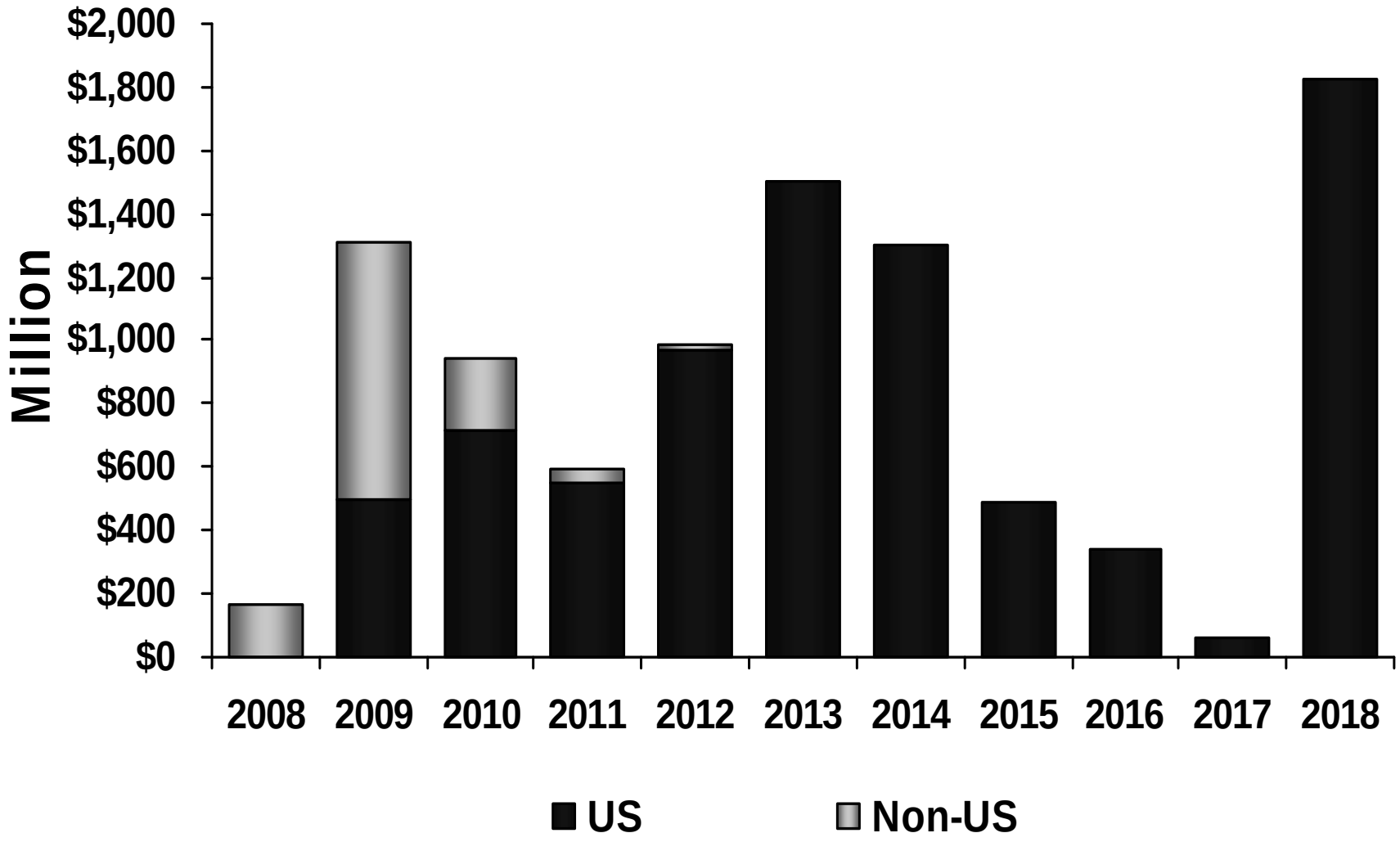
Cash & Committed Liquidity

Facility	Maturity	Capacity ($MM)	Cost
Cash[1]	-	$800	-
Receivables Facility (Zero Drawn[2])	OCT 2009	$1,000	CP Rate + 30 bps
Corporate Revolver (Zero Drawn[1])	MAR 2011	$1,500	LIBOR + 40 - 50 bps
Total Cash & Committed Liquidity		$3,300	

[1] As of September 30, 2008

[2] Zero drawn as of October 30, 2008 and $40 million drawn as of September 30, 2008

Debt Maturity Profile



Planned Maintenance Outages

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$ Millions	1Q08	2Q08	3Q08	4Q08E
North America	$28	$41	$32	$19
Europe	0	9	29	0
Brazil	0	2	7	0
Printing Papers Total	**$28**	**$52**	**$68**	**$19**
Industrial Packaging	**$24**	**$40**	**$3**	**$11**
Consumer Packaging	**$1**	**$13**	**$10**	**$14**
Total Impact	**$53**	**$105**	**$81**	**$44**

Dollar impact of planned maintenance outages are estimates and subject to change

Operating Profits by Industry Segment

from Continuing Operations before Special Items

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$ Million	3Q07	2Q08	3Q08
Printing Papers	$241	$226	$210
Industrial Packaging	84	87	153
Consumer Packaging	27	26	6
Distribution	30	26	35
Forest Products	96	41	305
Operating Profit	**$478**	**$406**	**$709**
Net Interest Expense	$(77)	$(81)	$(144)
Minority Interest / Equity Earnings Adjustment	$4	$8	$(1)
Corporate Items	$(56)	$(21)	$(40)
Special Items	$(34)	$(10)	$(259)
Earnings from continuing operations before income taxes, equity earnings & minority interest	**$315**	**$302**	**$265**
Equity Earnings, net of taxes - Ilim	**NA**	**$32**	**$5**

Geographic Business Segment Operating Results
from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	3Q07	2Q08	3Q08	3Q07	2Q08	3Q08
Printing Papers						
North American	$870	$880	$905	$135	$125	$131
European	370	445	425	34	39	29
Brazilian	250	255	255	54	51	58
U.S. Market Pulp	165	205	210	18	11	(9)
Asian	5	5	5	0	0	1
Industrial Packaging						
North American	$975	$1,060	$1,935	$74	$65	$140
European	265	315	285	10	20	11
Asian	65	95	100	0	2	2
Consumer Packaging						
North American	$620	$625	$645	$20	$13	$7
European	70	75	80	3	8	0
Asian	85	95	105	4	5	(1)
Distribution	$1,880	$1,970	$2,075	$30	$26	$35

Excludes Forest Products

2008 Earnings from Continuing Operations

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	Pre-Tax $MM	Tax $MM	Minority Interest $MM	Equity Earnings	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items								
1Q08	$239	$(75)	$(5)	$16	$175	31.5%	423	$0.41
2Q08	312	(100)	(7)	30	235	32.5	423	0.56
3Q08	524	(170)	(3)	5	356	32.5	423	0.84
Special Items								
1Q08	$(41)	$16	$0	$0	$(25)	39%	423	$(0.06)
2Q08	(10)	3	0	0	(7)	30	423	(0.02)
3Q08	(259)	52	0	0	(207)	20	423	(0.49)
Earnings from Continuing Operations								
1Q08	$198	$(59)	$(5)	$16	$150	30%	423	$0.35
2Q08	302	(97)	(7)	30	228	32	423	0.54
3Q08	265	(118)	(3)	5	149	45	423	0.35

[1] Assuming dilution

[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations

Business Segment Price Realization

	Average Selling Price Realizations		
Printing Papers ($/ton)	**3Q07**	**2Q08**	**3Q08**
Uncoated Freesheet	$912	$988	$1,013
Market Pulp	605	651	645
Industrial Packaging ($/ton)	**3Q07**	**2Q08**	**3Q08**
Containerboard	$521	$556	$567
Corrugated Boxes	792	851	864

Average IP U.S. selling price realizations (includes the impact of mix across all grades)
Does not include CBPR

3Q08 vs. 2Q08 EPS

Higher Prices,* Volume & Mix, *Higher Input Costs

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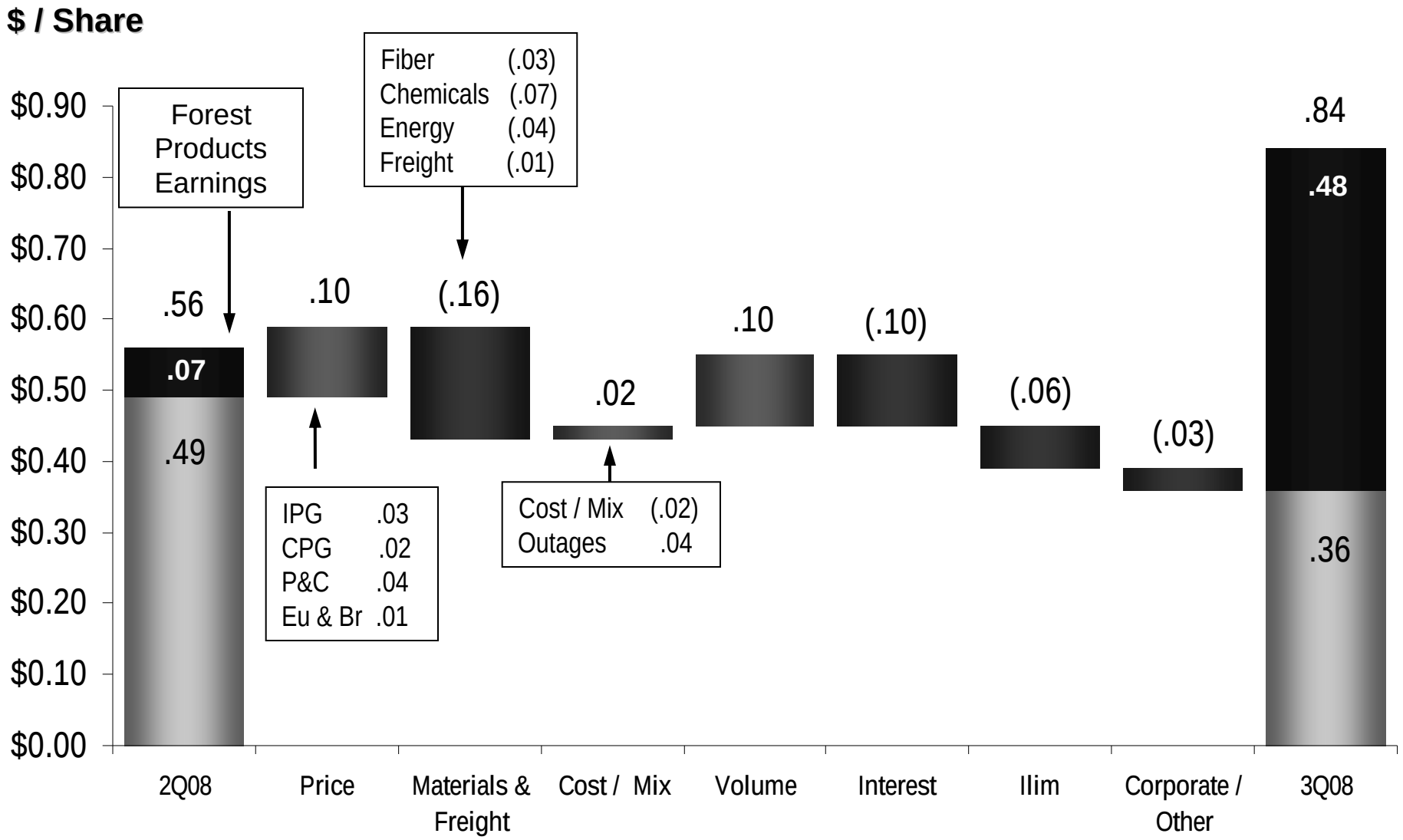

Earnings from continuing operations before special items; volume includes earnings from CBPR

Printing Papers Earnings
3Q08 vs. 2Q08

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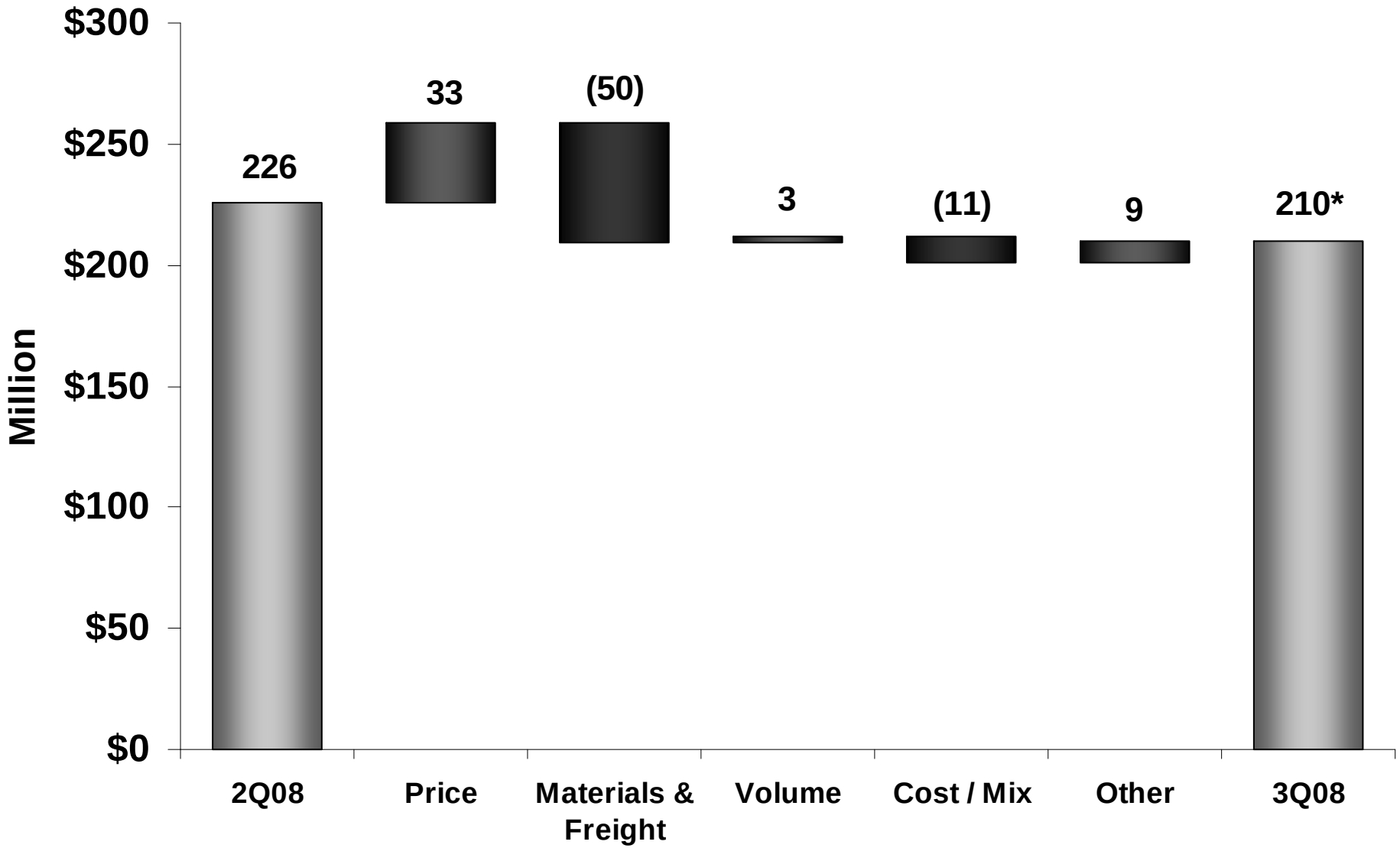

* Excludes a special impairment charge of $107 million to write down the Inverurie mill assets to estimated fair market value

Industrial Packaging Earnings
3Q08 vs. 2Q08

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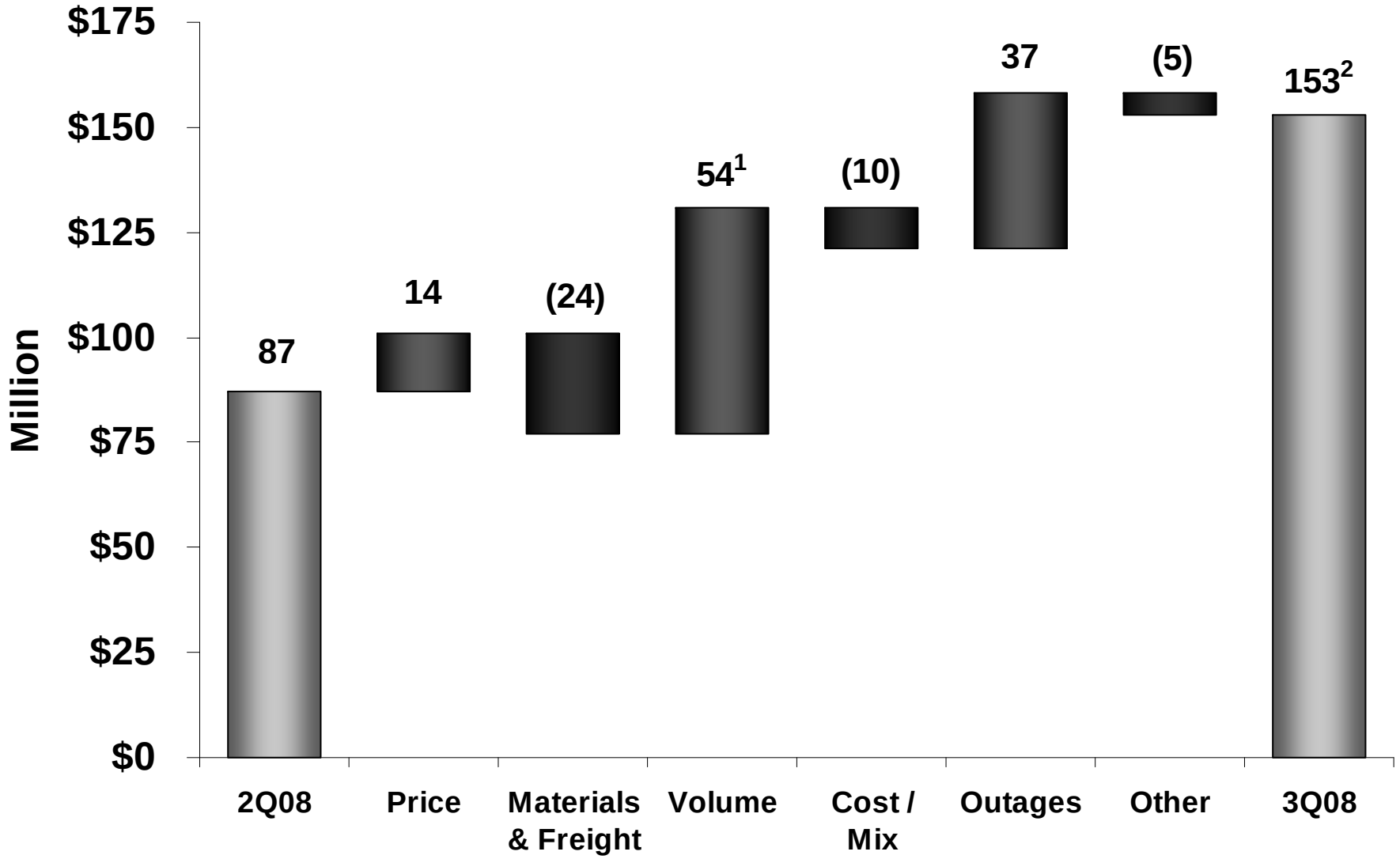
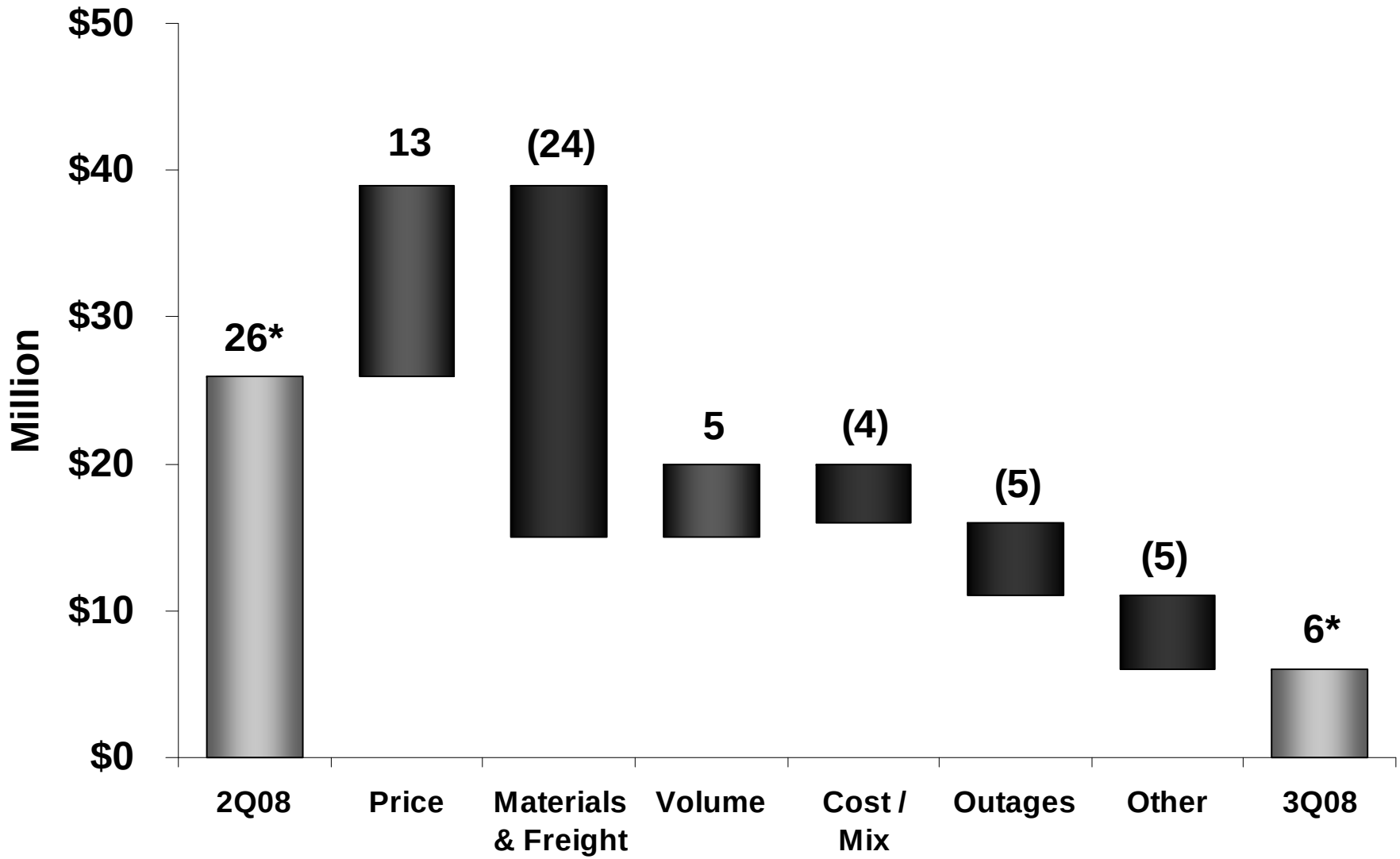


[1] Excludes trade volume and includes CBPR earnings

[2] Excludes special charges of $39 million related to the write-up of inventory to fair value in connection with the CBPR acquisition and $19 million for CBPR integration costs

Consumer Packaging Earnings
3Q08 vs. 2Q08



* Excludes special charges of $13 and $8 million in 2Q08 and 3Q08, respectively, related to the reorganization of Shorewood's Canadian operations

Improving Logistics Efficiency
Progress in Consumption Reduction

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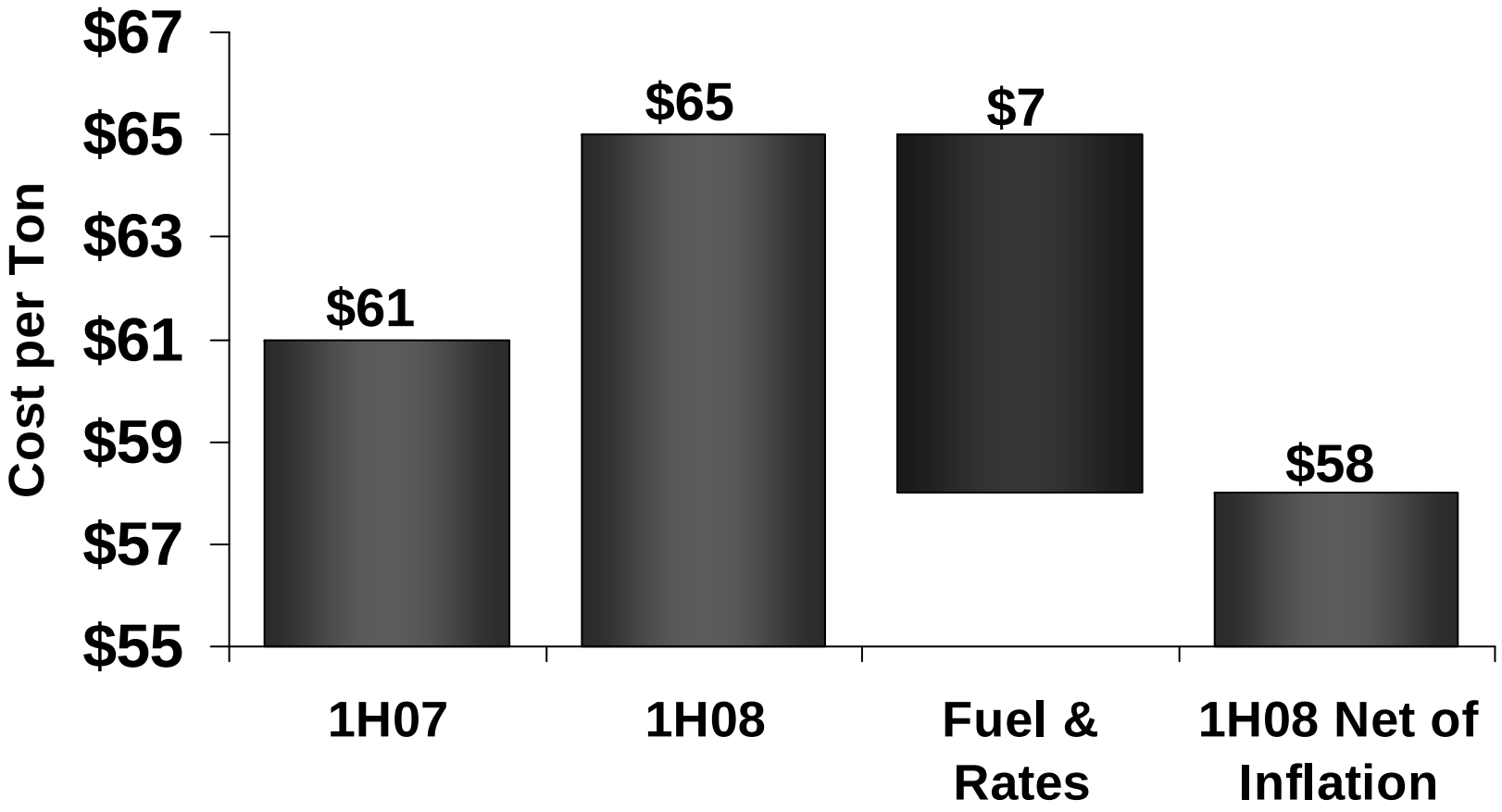
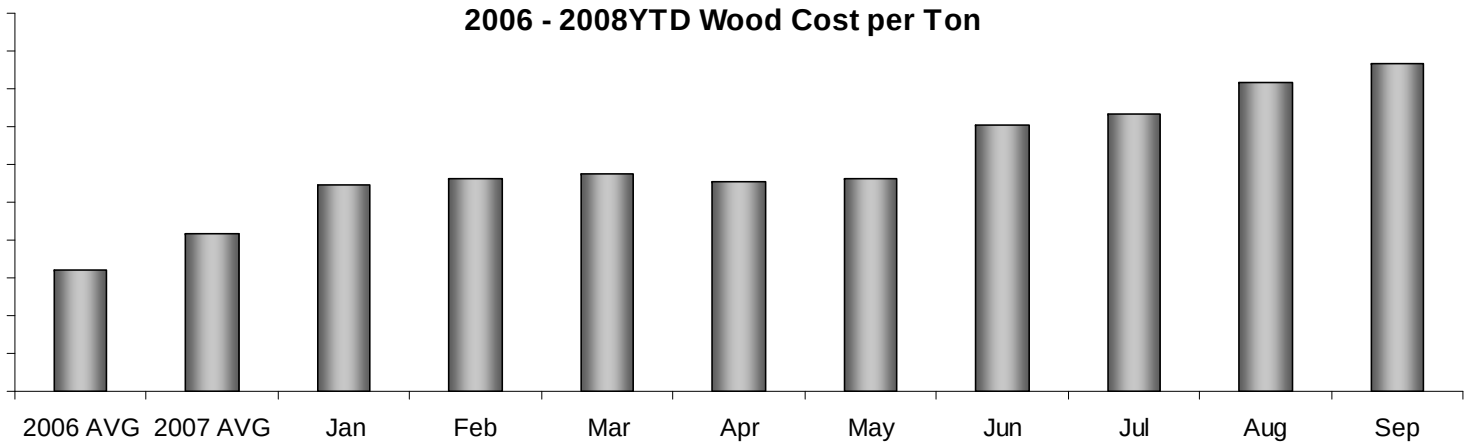
Distribution Costs/Ton
U.S. Paper & Packaging

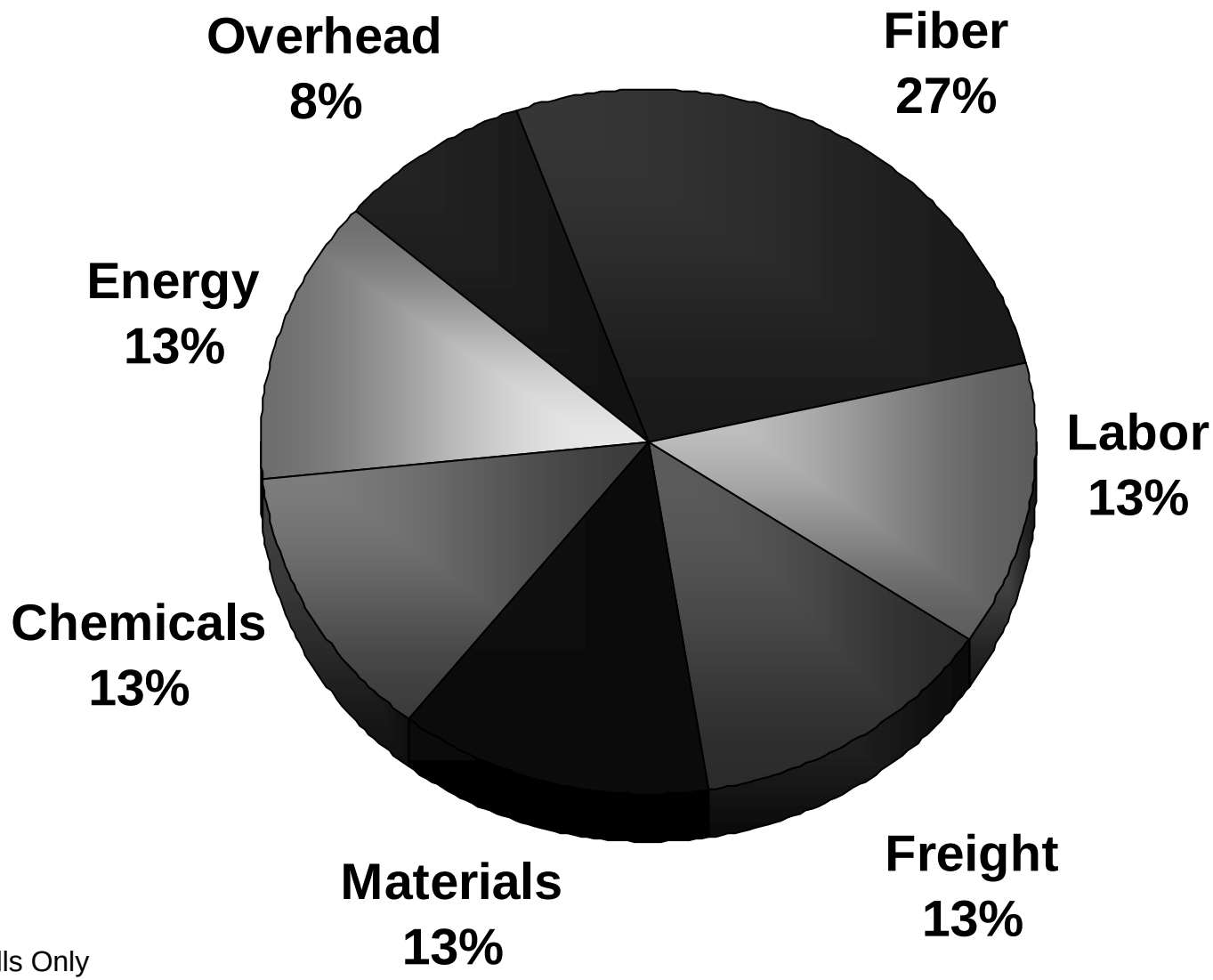


IP Wood Cost per Ton
*E*xpecting *Continuing Escalation*



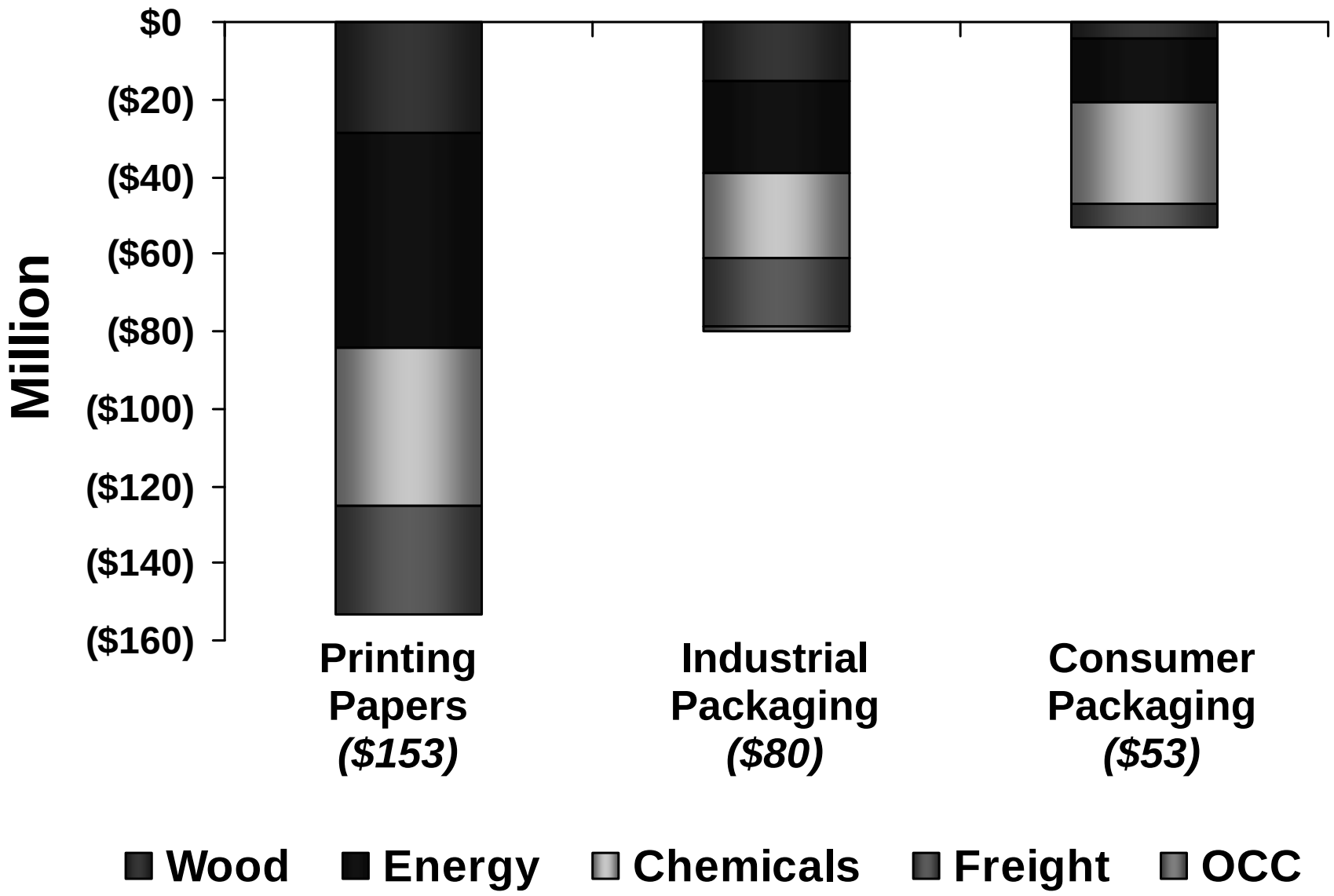
Factors	Impact on 4Q08 Wood Cost
Reduced Harvest Volume	↑↑
Lack of Residual Wood Chips	↑↑
Paper & Packaging Industry Demand	↓↓
Insufficient Logging Capacity	↑↑
Decreasing Diesel Fuel Cost	↓↓
Total Impact	↑↑

Total Cash Cost Components
9M08



North American Mills Only
Does not include CBPR

Global Input & Freight Costs by Segment
$286 Million Global Impact vs. 3Q07



Input costs for continuing businesses; does not include CBPR

Increasing Global Input & Freight Costs
$99MM, or $0.16/Share Impact vs. 2Q08

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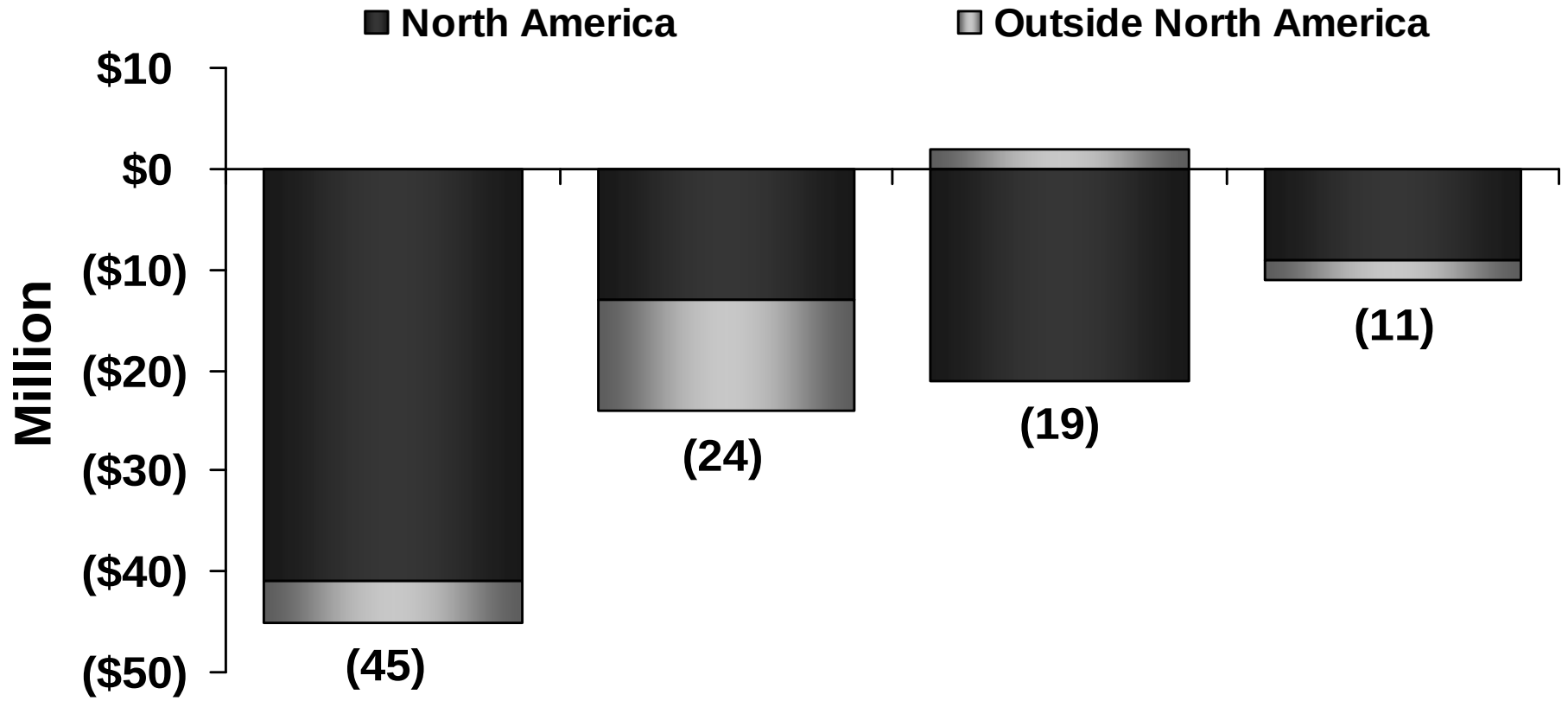

Input costs for continuing businesses; does not include CBPR
Percentage change reflects North American input costs

Increasing Global Input & Freight Costs

$657MM, or $1.07/Share Impact vs. 9M07

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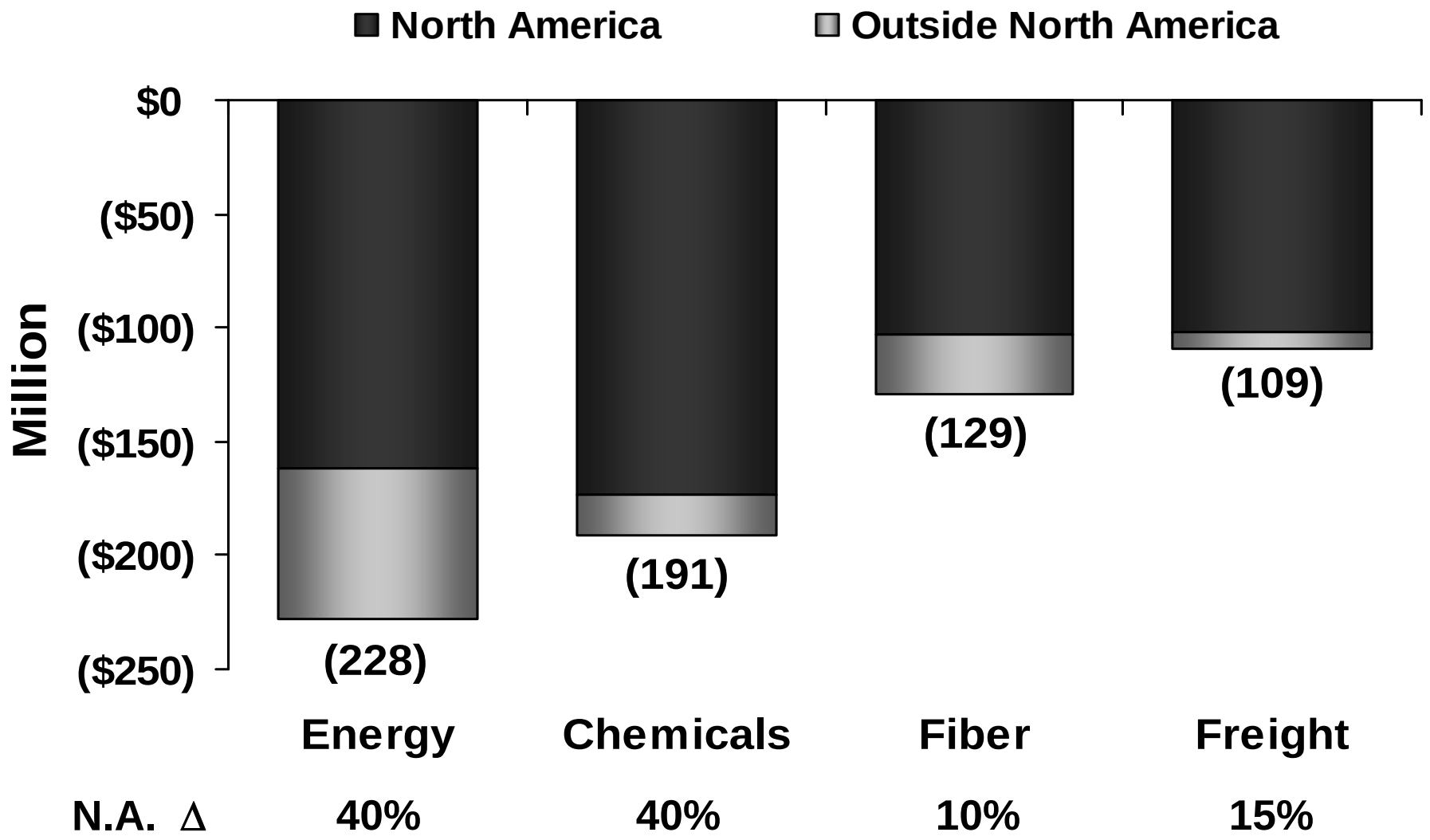

Input costs for continuing businesses; does not include CBPR
Percentage change reflects North American input costs

Natural Gas Costs
66% Increase vs. 3Q07 Average Cost

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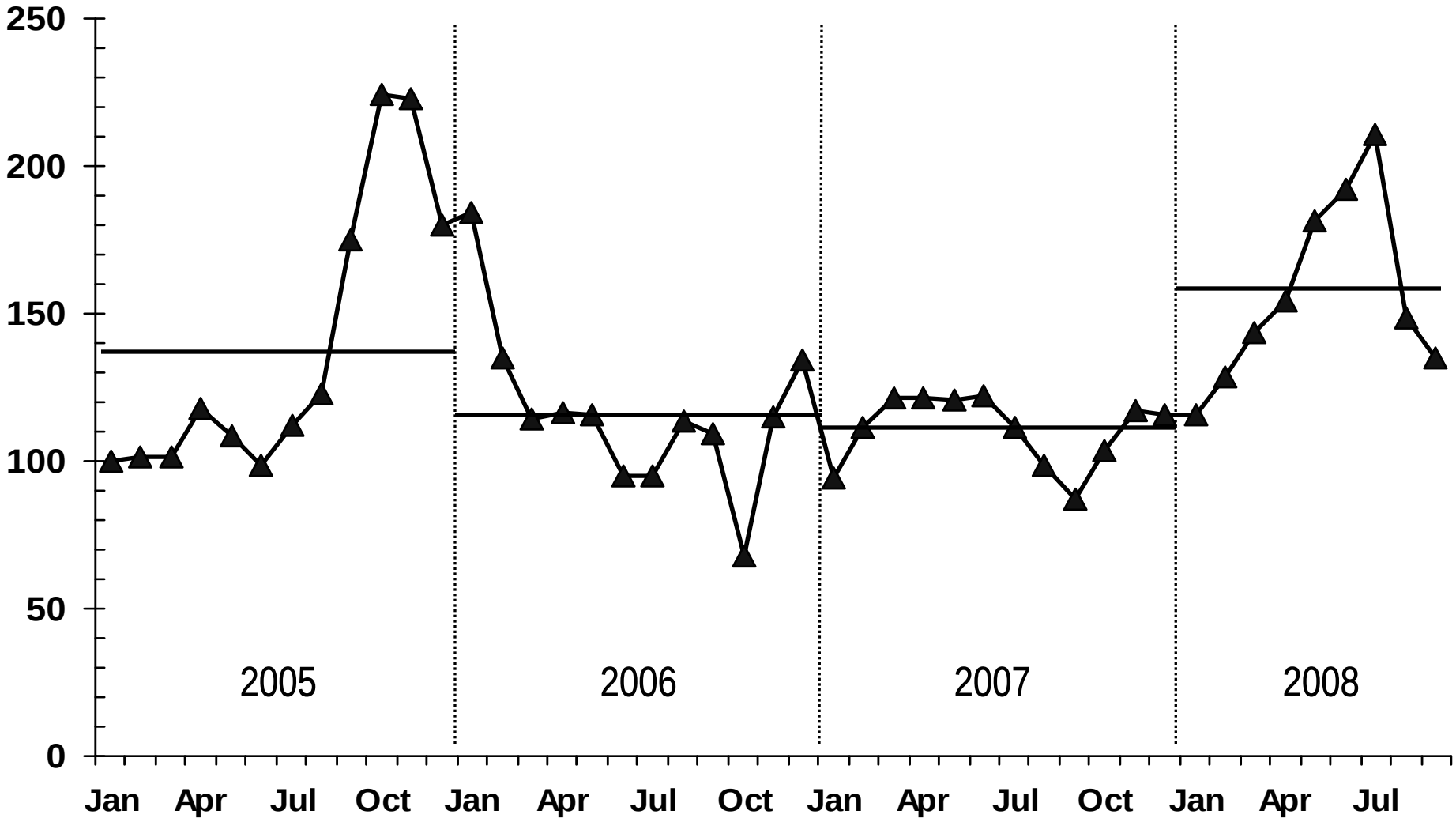
Index: Jan 2005 Natural Gas Costs = 100



NYMEX Natural Gas closing prices

U.S. Fuel Oil
79% Increase vs. 3Q07 Average Cost

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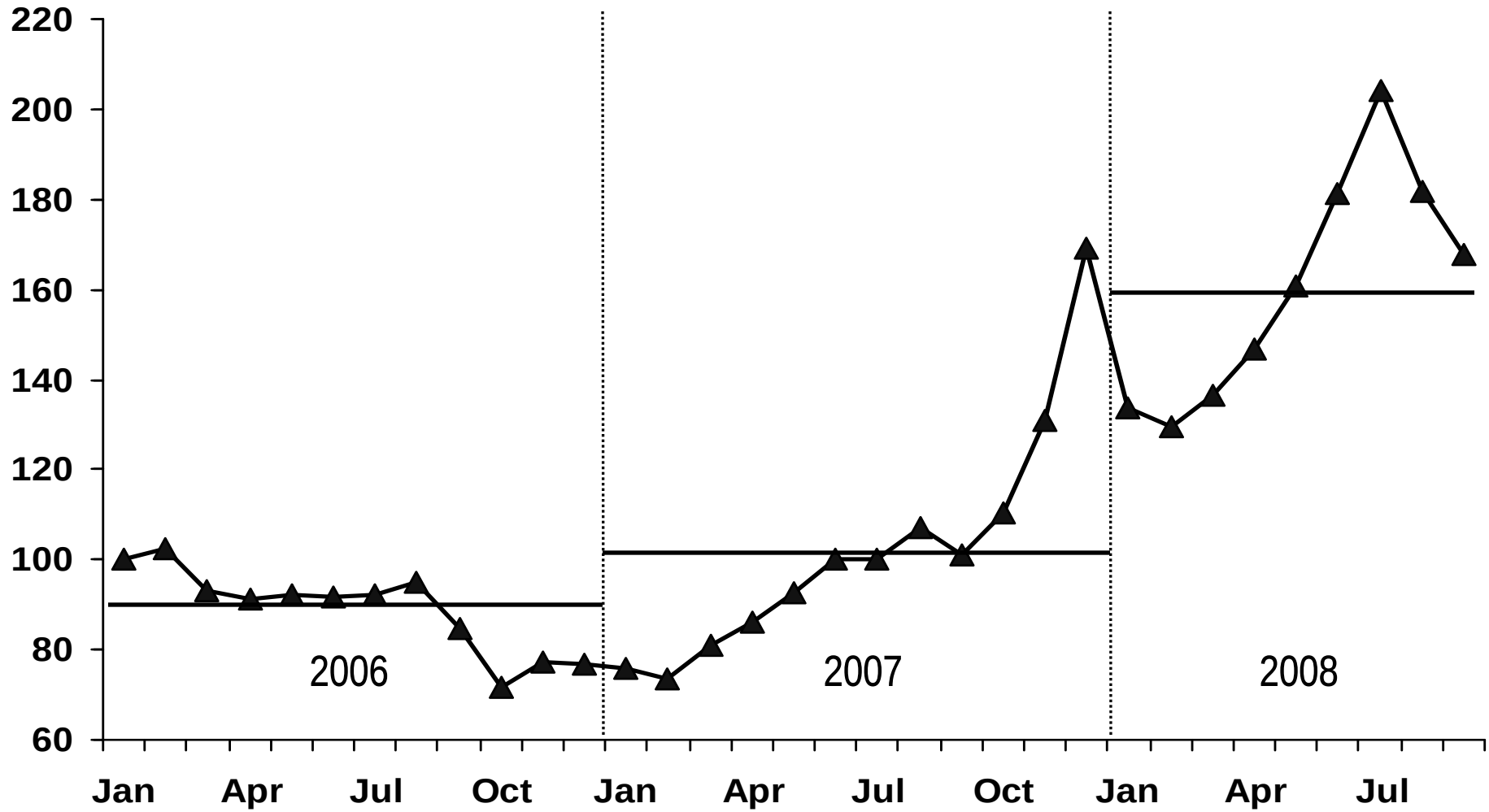
Index: Jan 2006 Fuel Oil Costs = 100



Delivered cost to U.S. facilities
Does not include CBPR

U.S. Mill Wood Costs
13% Increase vs. 3Q07 Average Cost

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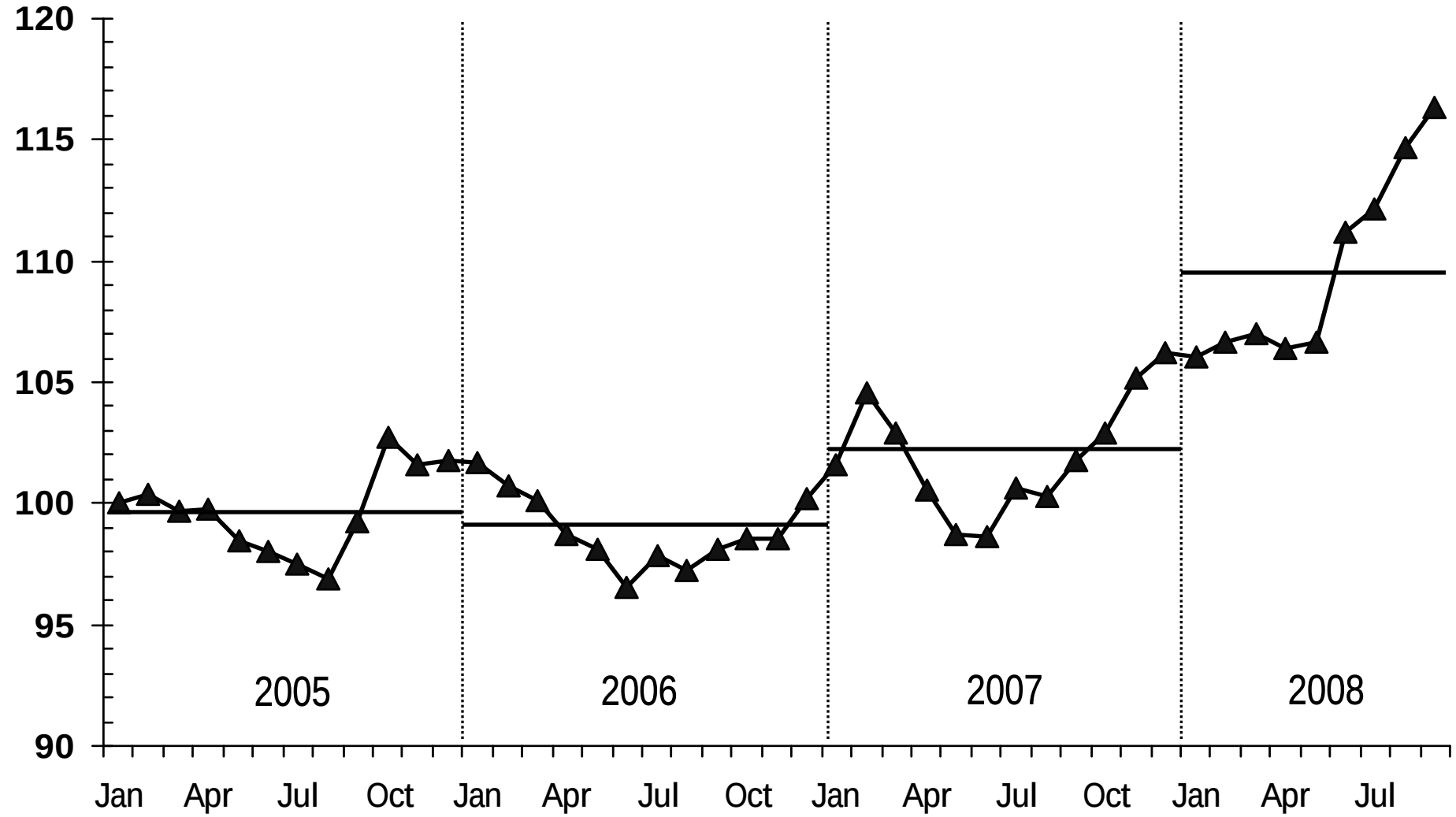
Index: Jan 2005 Wood Costs = 100



Delivered cost to U.S. facilities
Does not include CBPR

U.S. Caustic Soda Costs
75% Increase vs. 3Q07 Average Cost

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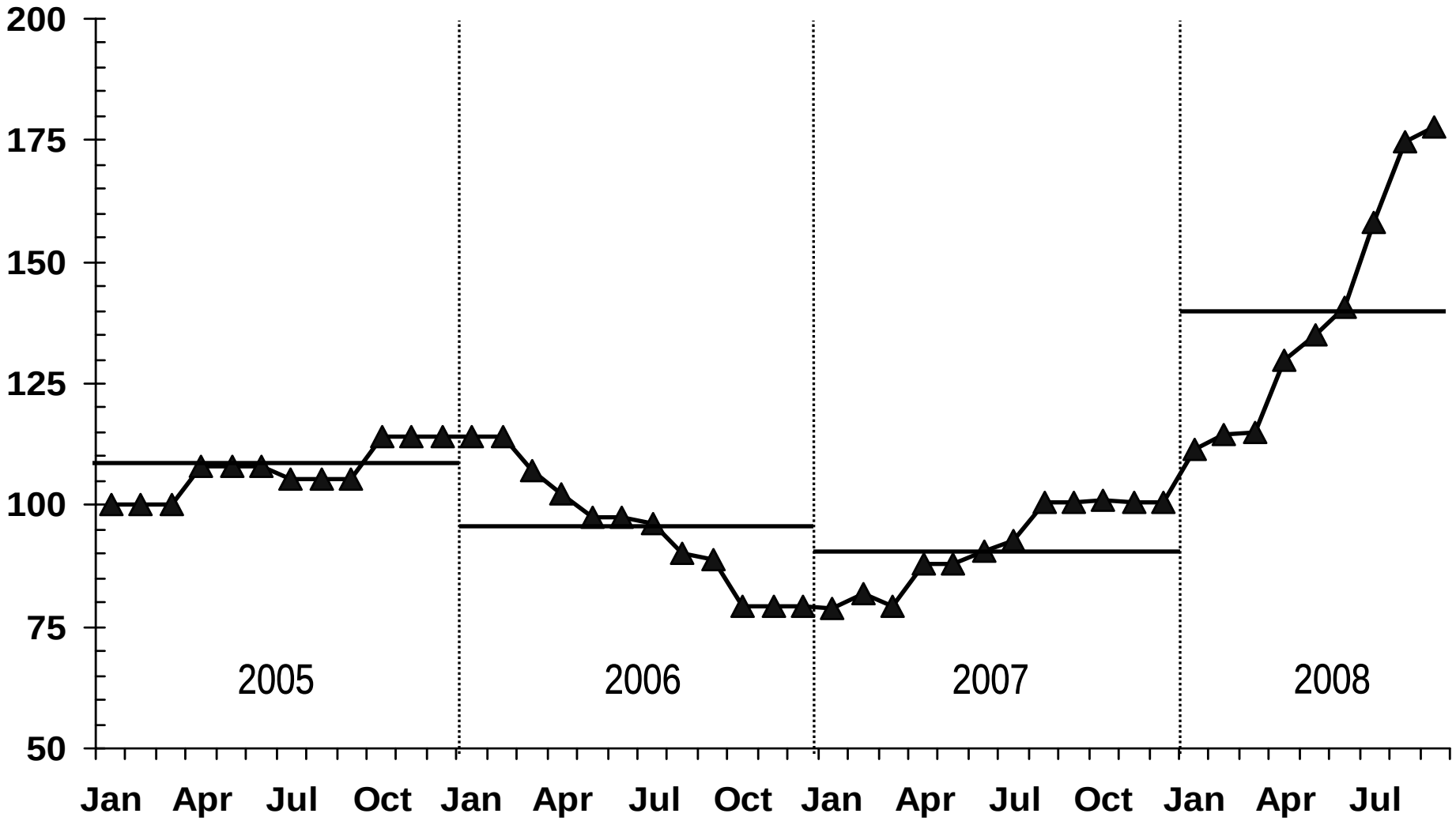
Index: Jan 2005 Caustic Soda Costs = 100



Delivered cost to U.S. facilities
Does not include CBPR

U.S. Starch Costs
19% Increase vs. 3Q07 Average Cost

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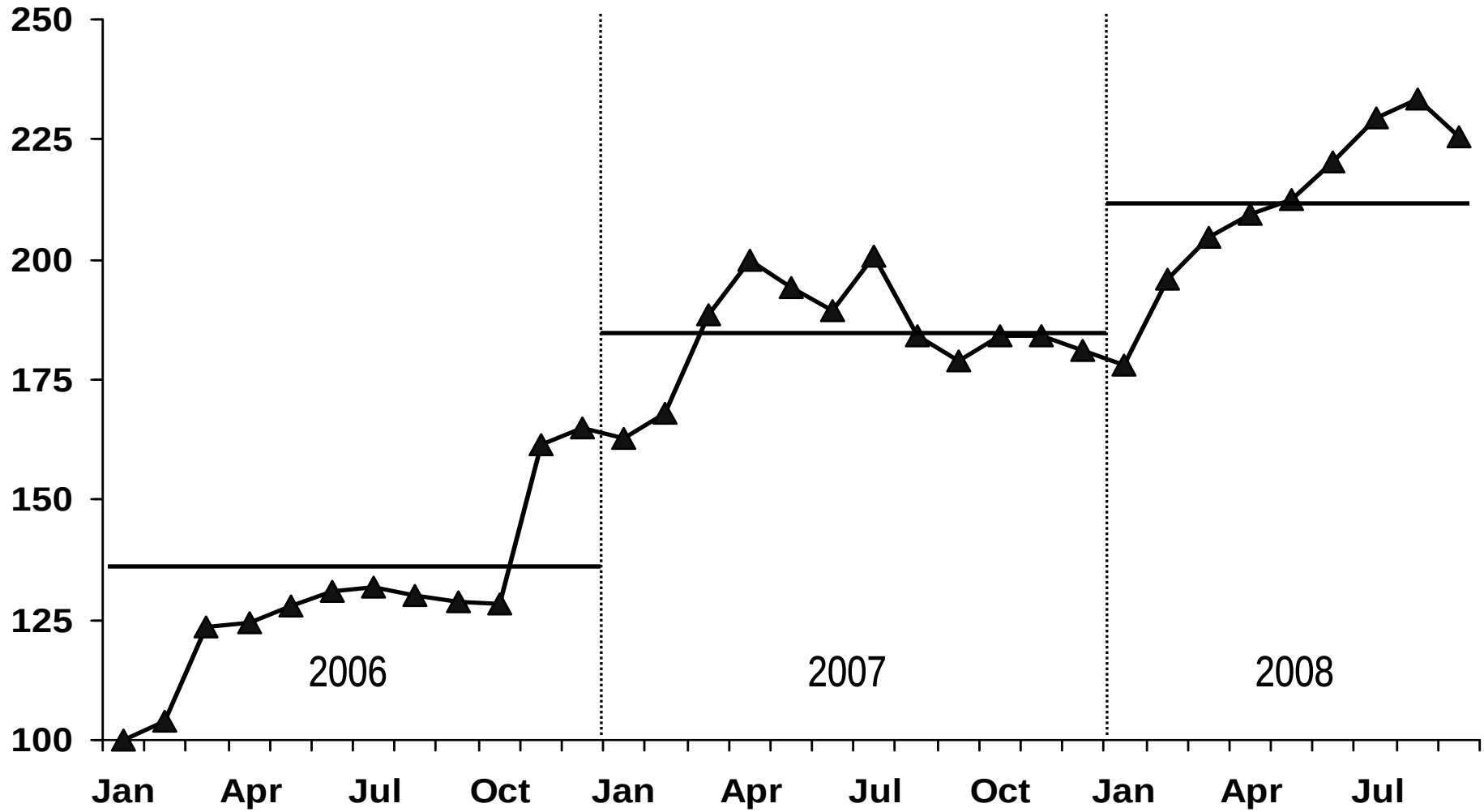
Index: Jan 2006 Starch Costs = 100



Delivered cost to U.S. facilities
Does not include CBPR

Global Consumption
Annual Purchase Estimates for Key Inputs

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	Commodity	U.S.	Non – U.S.
Energy	Natural Gas (MM BTUs)	55,000,000	16,000,000
	Fuel Oil (Barrels)	2,100,000	500,000
	Coal (Tons)	1,200,000	230,000
Fiber	Wood (Tons)	52,000,000	8,400,000
	Old Corrugated Containers (Tons)	3,500,000	310,000
Chemicals	Caustic Soda (Tons)	350,000	60,000
	Starch (Tons)	500,000	110,000
	Sodium Chlorate (Tons)	250,000	50,000
	LD Polyethylene (Tons)	40,000	-
	Latex (Tons)	25,000	4,000

Does not include Asian or Ilim consumption; includes consumption by Valliant #3 and Albany #2 machines