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First Quarter 2009 Review

April 30, 2009



John V. Faraci
Chairman &
Chief Executive Officer



Tim S. Nicholls
Senior Vice President &
Chief Financial Officer

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) increases in interest rates and our ability to meet our debt service obligations; (ii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition we face, cyclicality and changes in consumer preferences, demand and pricing for its products; (iii) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit availability, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or potential litigation; and (v) whether we experience a material disruption at one of our manufacturing facilities and risks inherent in conducting business through a joint venture. 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.

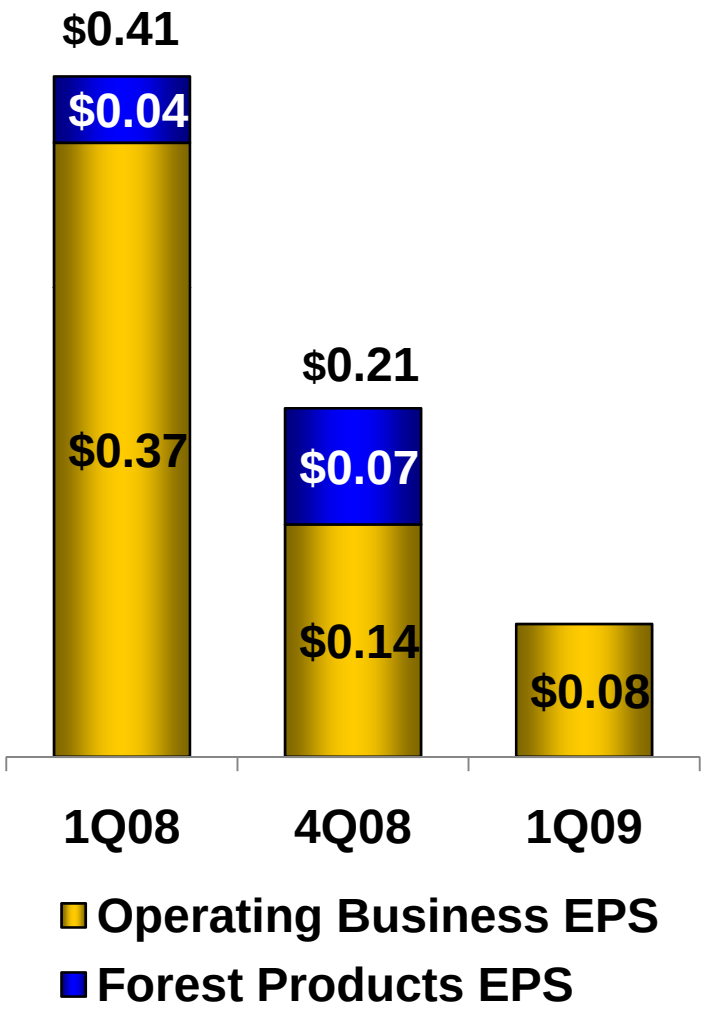
A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under Investors.

First Quarter 2009 Results Summary

Solid Results Despite Weak Economy

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- Solid Results
- Input Cost Relief
- Excellent Operations
- Integration Synergies
- Reduced Overhead Expenses
- Strong Free Cash Flow
- Debt Refinancing & Reduction



Earnings from continuing operations before special items

1Q09 Financial Snapshot

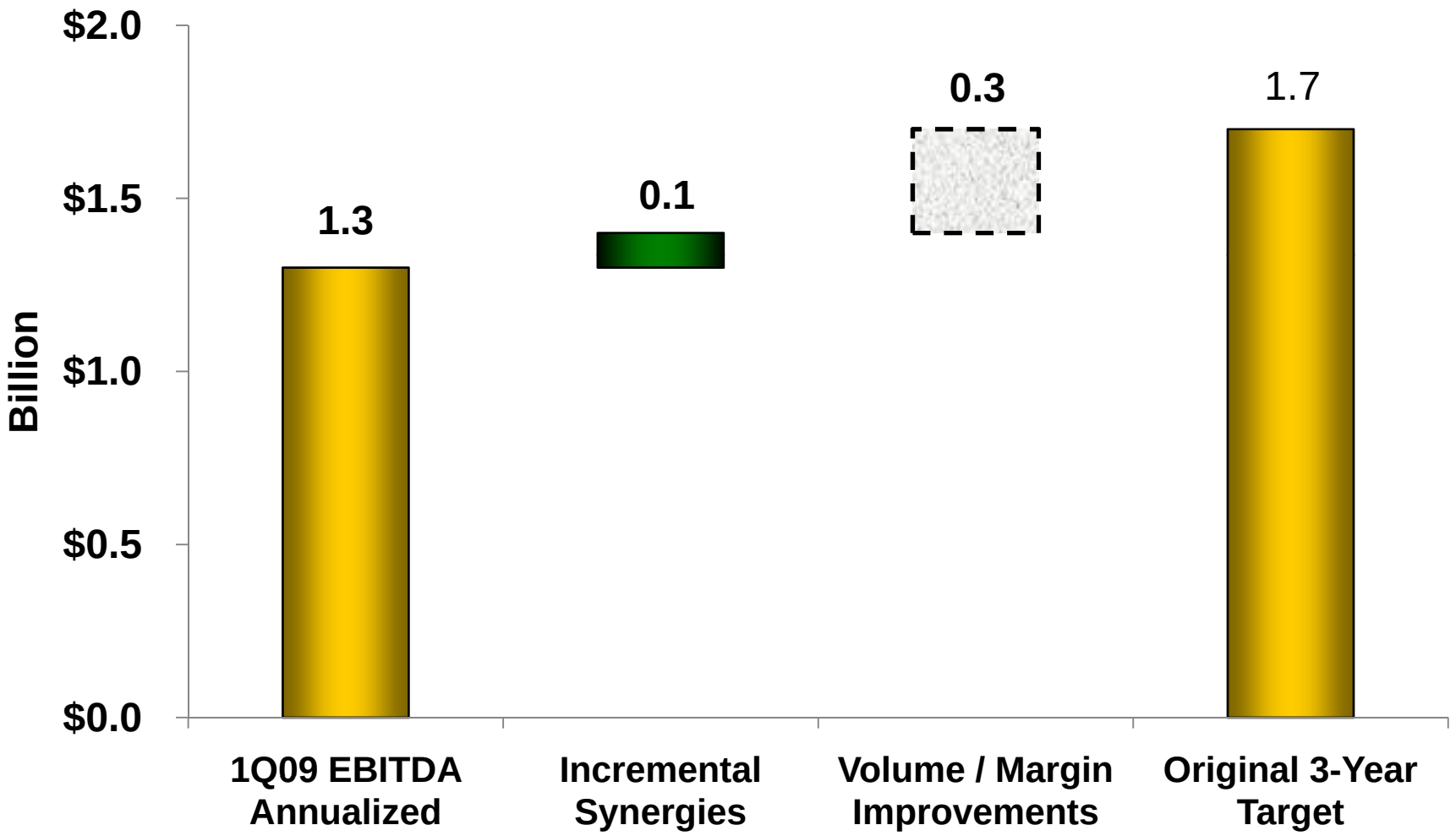
$ Billion	1Q08	4Q08	1Q09
Sales	$5.7	$6.5	$5.7
EBITDA	$0.6	$0.7	$0.6
Free Cash Flow[1]	$0.2	$0.4	$0.7
Cash Balance	$0.9	$1.1	$1.0

Earnings from continuing operations before special items; 4Q08 & 1Q09 includes CBPR

[1] Cash provided by continuing operations less capital expenditures

Industrial Packaging Integration Progress

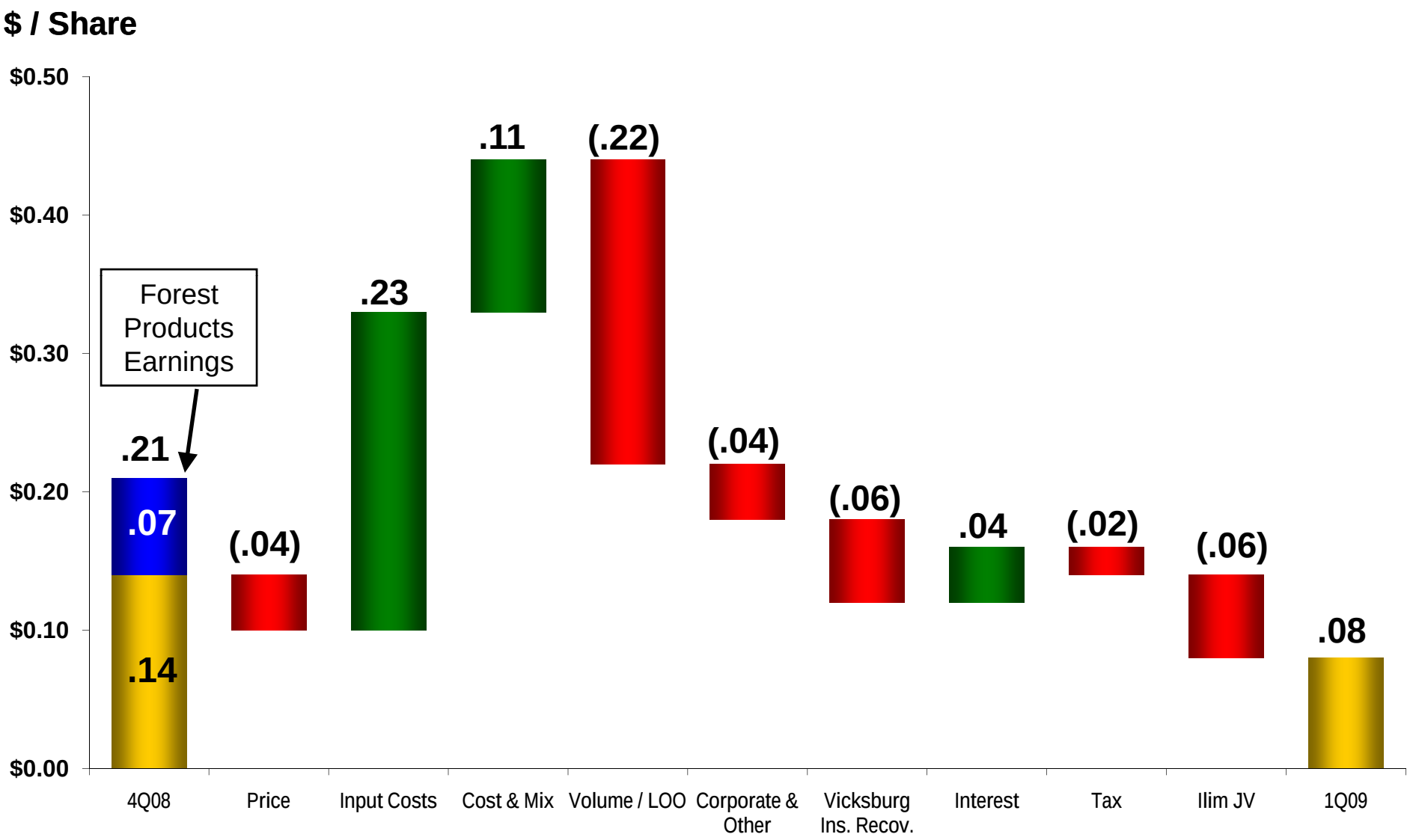
On Track Despite Economic Recession



1Q09 vs. 4Q08 EPS

Weak Volume , Input Cost Relief & Strong Operations

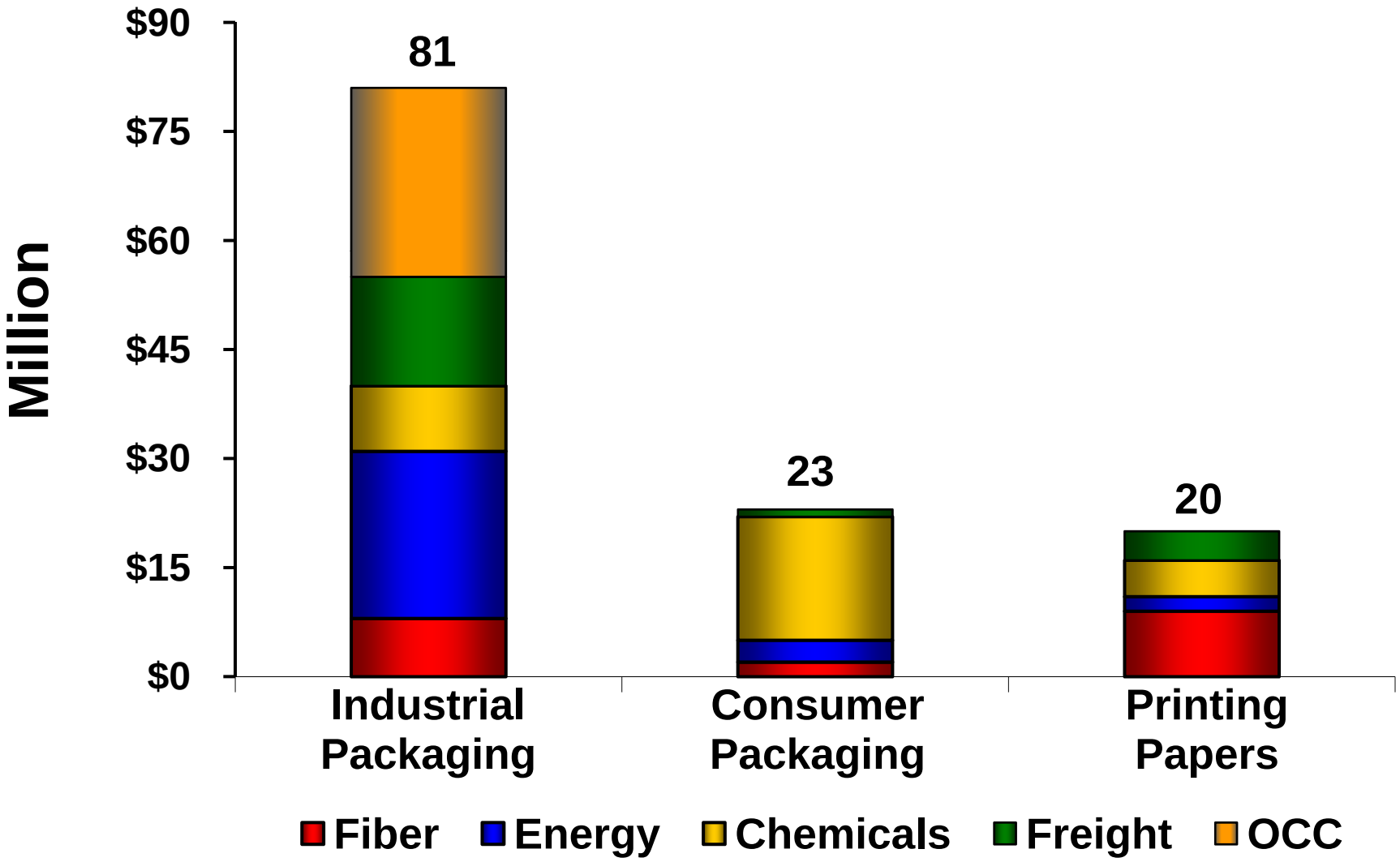
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Earnings from continuing operations before special items

Global Input & Freight Costs by Segment

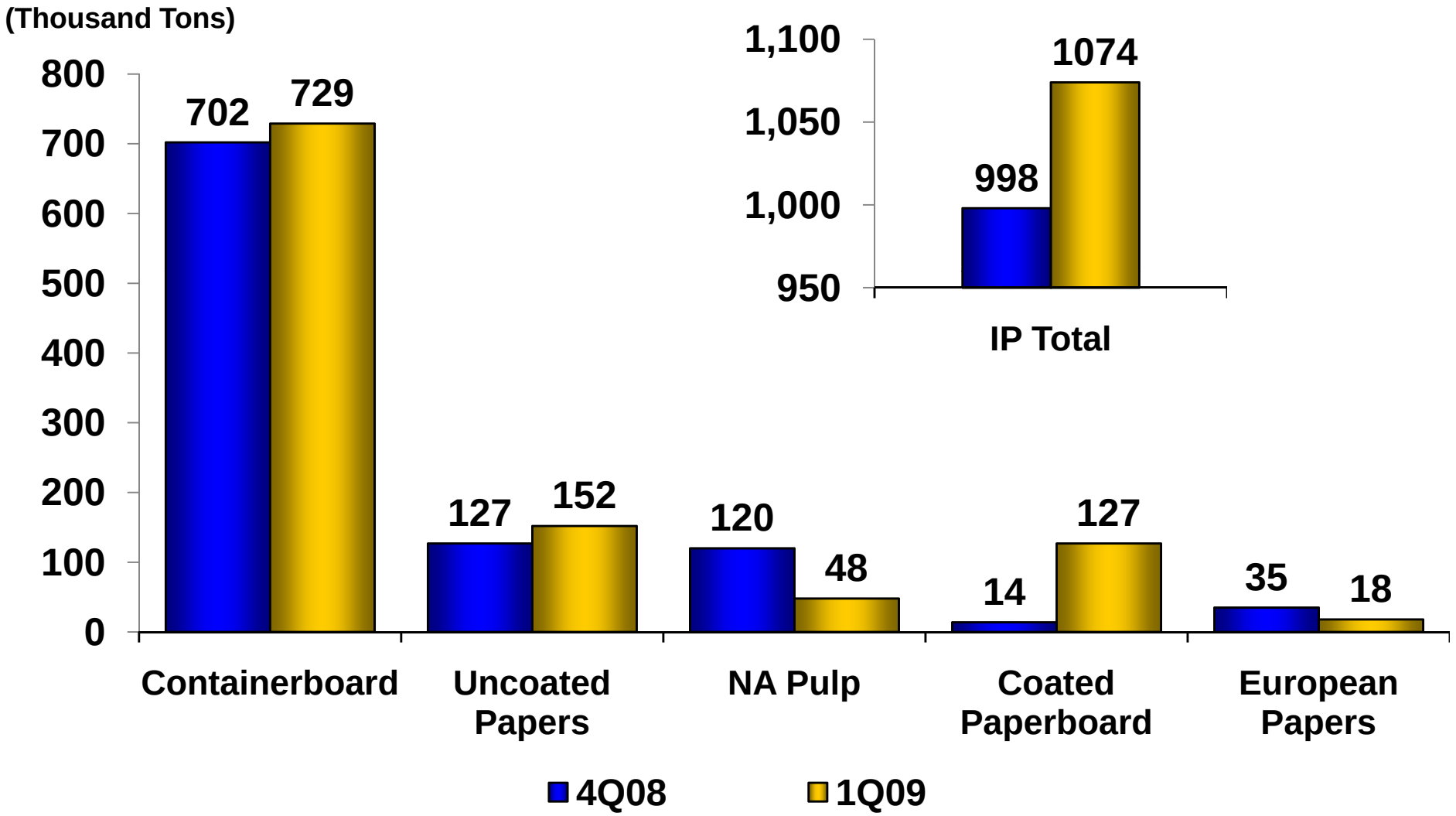
$124MM, or $0.23/Share Favorable vs. 4Q08



Input costs for continuing businesses

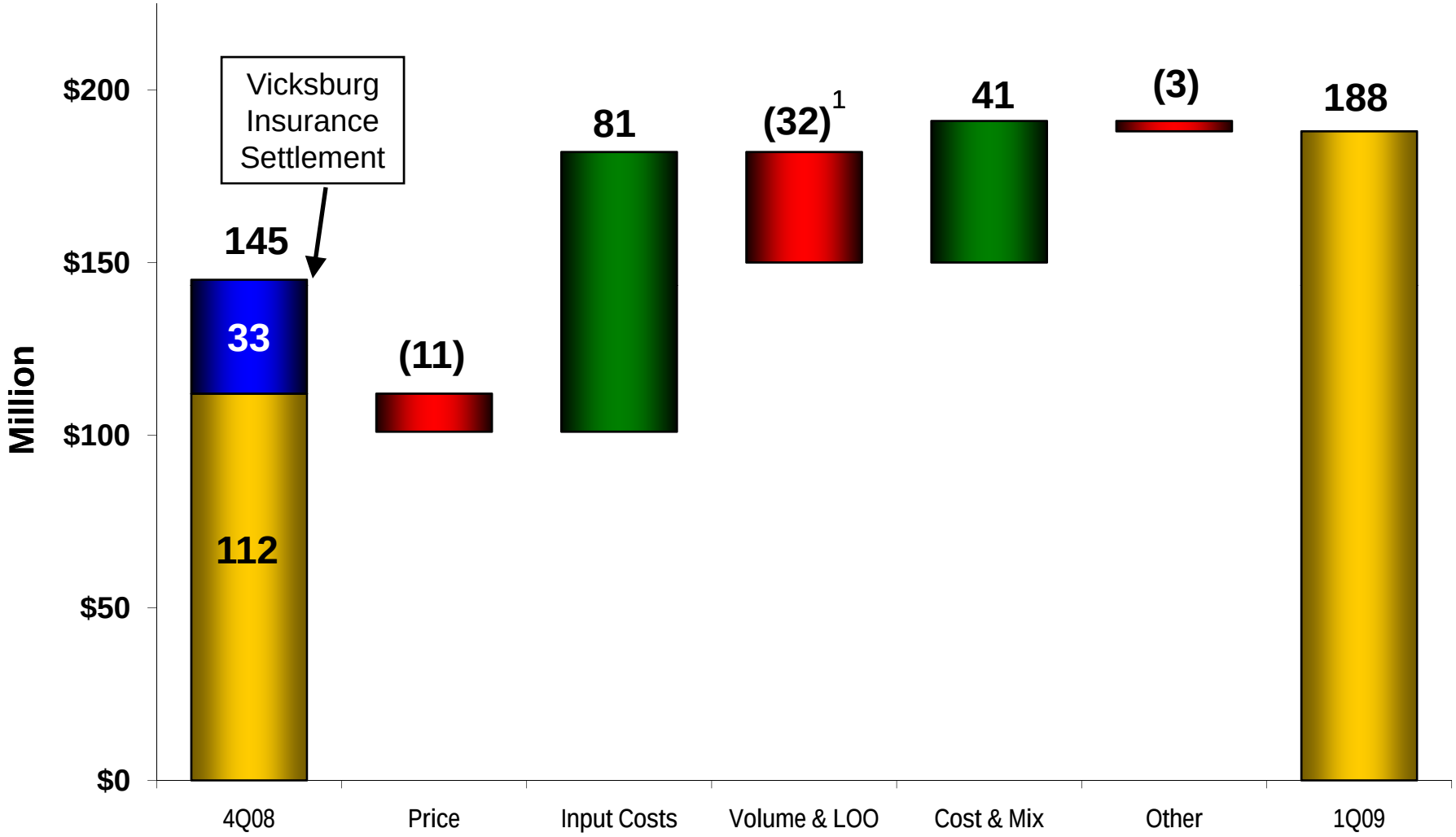
Lack of Order Downtime

1.1 Million Tons in 1Q09



None of the businesses recorded LOO downtime in 1Q08.
1Q09 LOO downtime excludes capacity from mills or machines that have been permanently or indefinitely shut down:
Valliant #3 (97,000 tons), Franklin #3 (32,000 tons) and Louisiana mill (120,000 tons)

Industrial Packaging Earnings
1Q09 vs. 4Q08

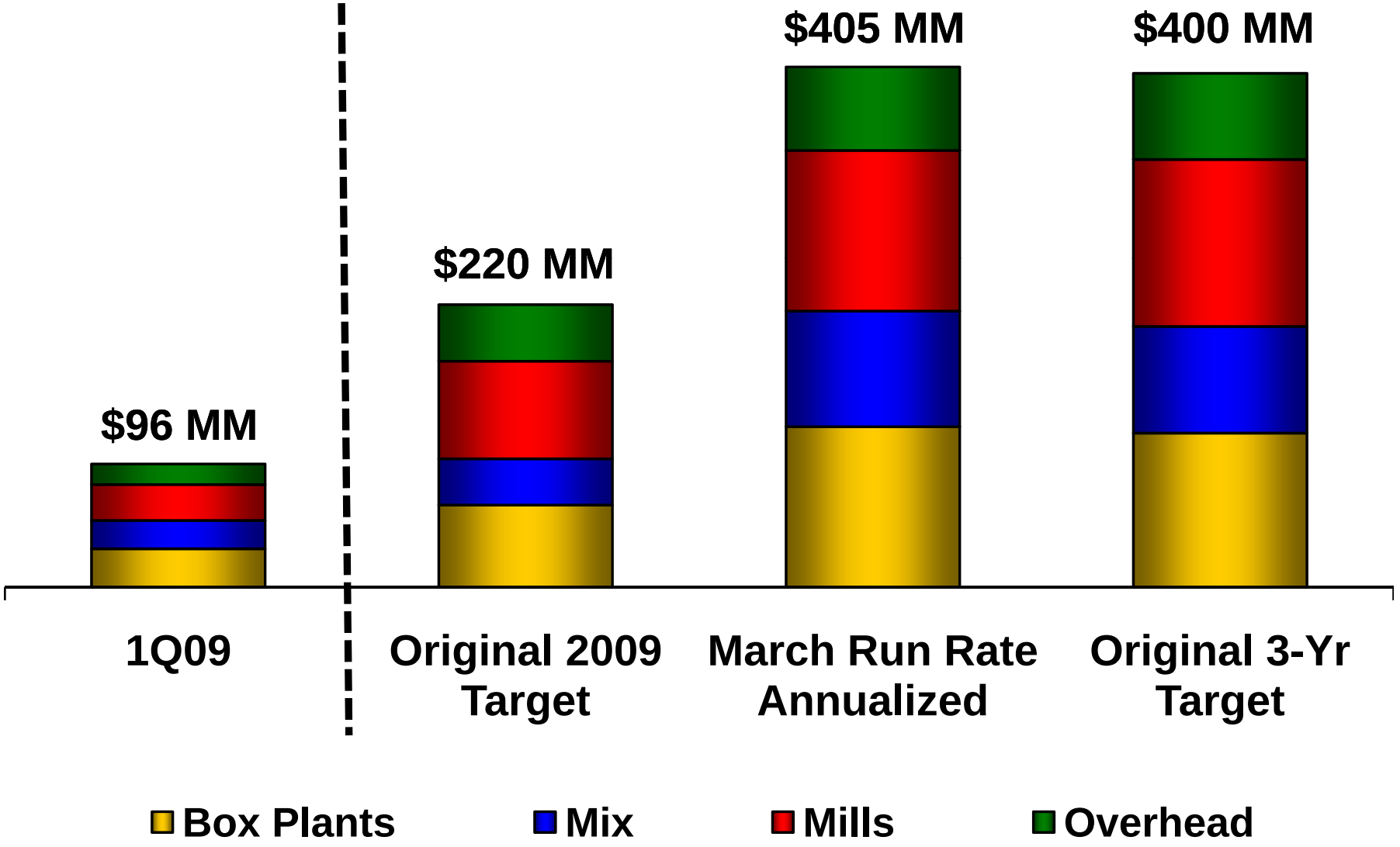


[1] Excludes trade volume
Earnings before special items

Industrial Packaging Synergies

Achieved Three-Year Run Rate after 8 Months

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Industrial Packaging Merger Benefits

Achieving Higher Savings at a Faster Rate

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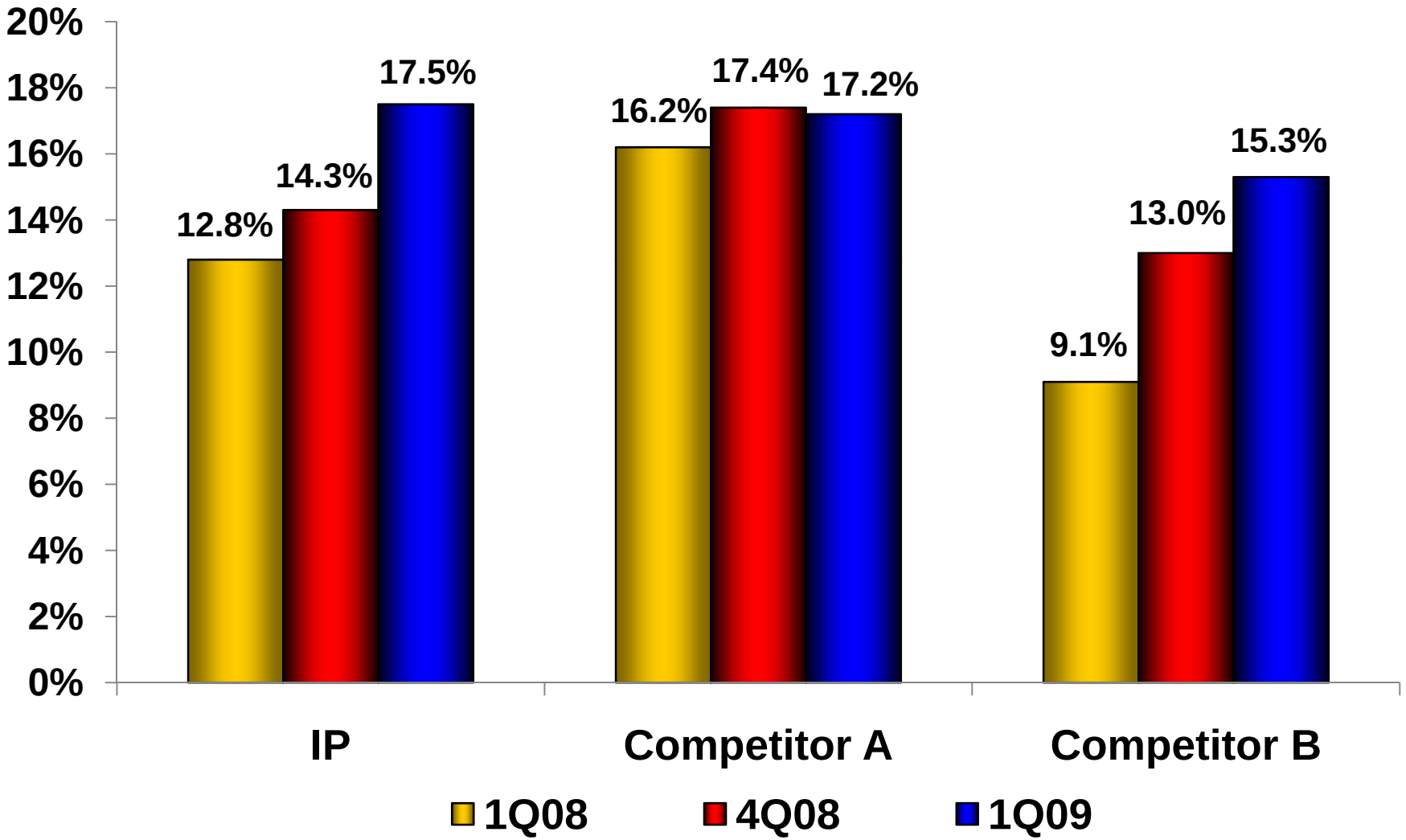
	Total IPG Employees	# of Box Plants	Commercial Improvements per CBPR Ton	Total Synergies $MM
Base	**23,700**	**120**	**--**	**--**
Planned	**21,900**	**109**	**+$23**	**$400**
Current Run Rate	**20,700**	**108**	**+$19**	**$405**
New 2010 Target	**20,100**	**<108**	**+$23**	**$500***

* Excludes $80 million of procurement savings

Industrial Packaging Relative Performance

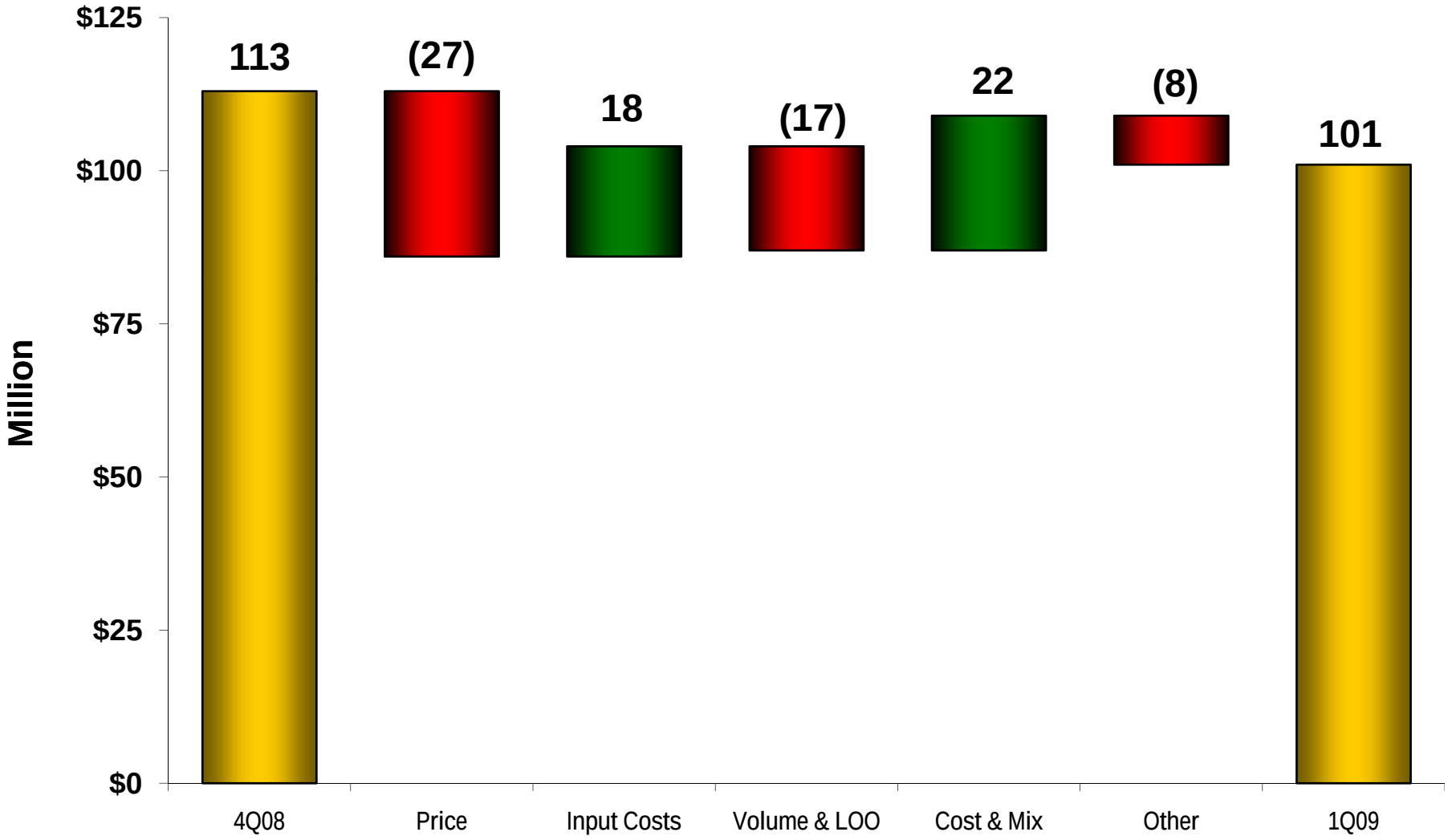
Outperforming Competitors in 1Q09

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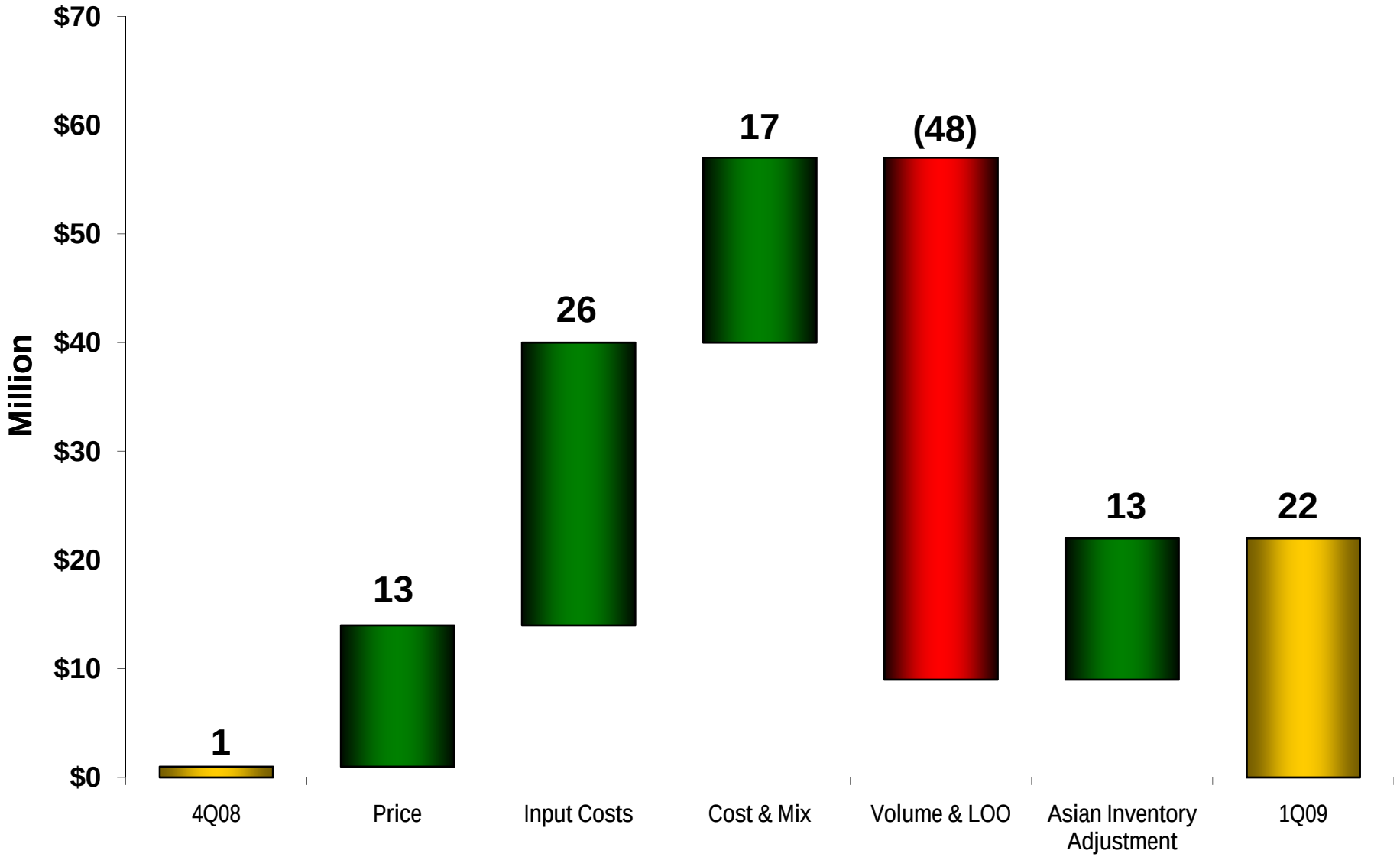
IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Competitor EBITDA margins obtained from public filings and IP analysis

Printing Papers Earnings
1Q09 vs. 4Q08



Earnings Before Special Items

Consumer Packaging Earnings
1Q09 vs. 4Q08



Earnings Before Special Items

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$ Million	1Q08	4Q08	1Q09
Sales	$1,985	$1,940	$1,590
Earnings	$16	$26	($7)

- Weak paper and packaging demand
- Declining prices & gross margin dollars for coated freesheet & coated groundwood (>60% of total paper sales)
- Reduced headcount by 4%, or 270 positions
- Solid free cash flow

Forest Products

	1Q08	4Q08	1Q09
Sales ($ Million)	$25	$65	$5
Earnings ($ Million)	$25	$38	$2
Acres Sold	13,000	30,000	2,000
Price / Acre	$1,871	$2,106	$2,108

Pending sale of 143,000 acres now expected to close in 3Q09. When that transaction closes, remaining NPV of land portfolio will be $60 - $80 million

Ilim Joint Venture
1Q09

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$ Million	1Q08	4Q08	1Q09
Sales (100%)	$530	$530	$395
Earnings (IP Share)	$17	$0	($26)

	1Q09 vs. 4Q08		1Q09 vs. 1Q08	
Business	Volume (000 Metric Tons)	Price / Ton	Volume (000 Metric Tons)	Price / Ton
Pulp	(9%)	($139)	(12%)	($103)
Containerboard	2%	($58)	3%	($5)

Ilim's results are reported on a one-quarter lag
IP's shares of Ilim's 1Q08, 4Q08 & 1Q09 earnings include $4 million, $11 million and $15 million of after-tax foreign exchange losses, respectively

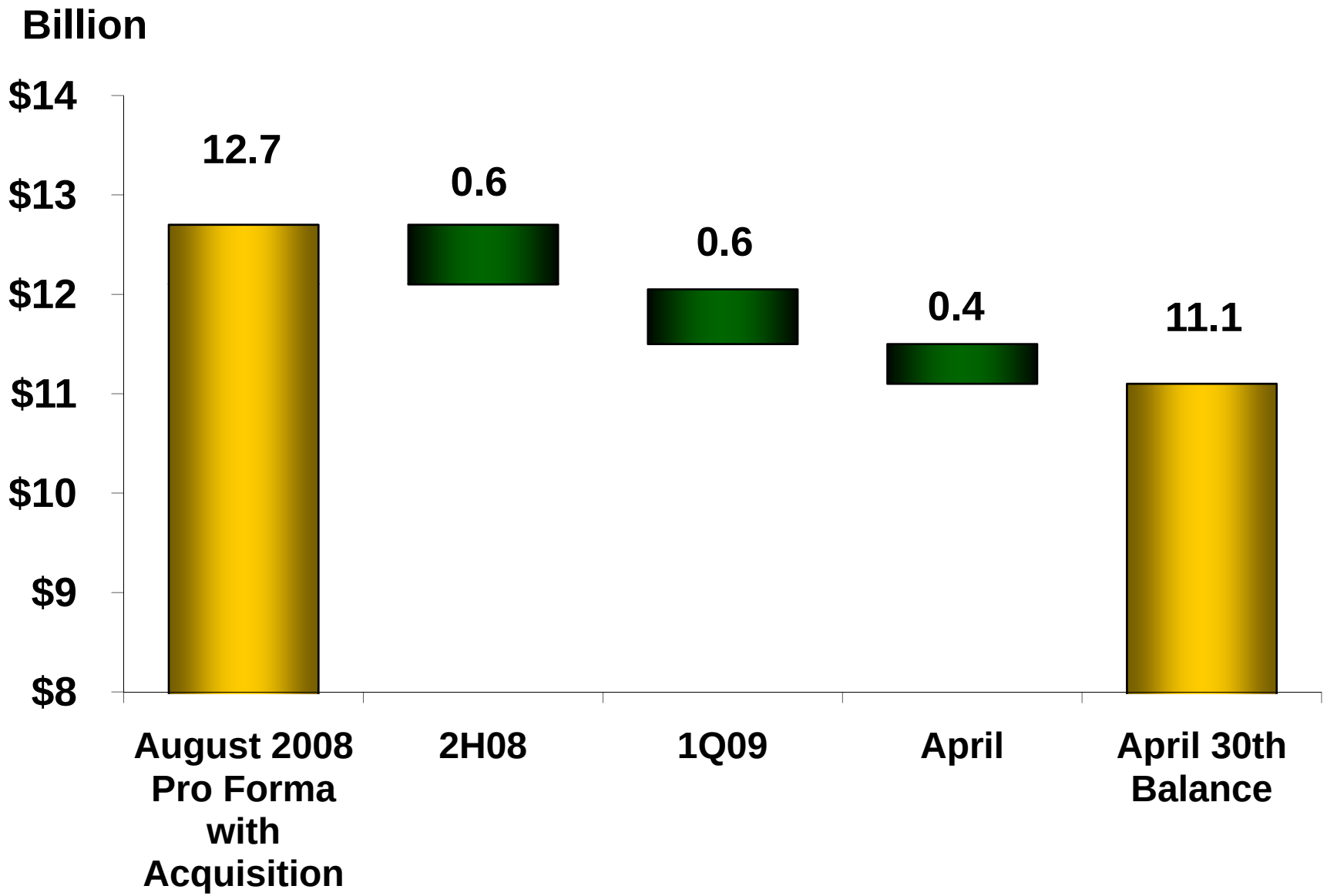
Free Cash Flow

($ Million)	1Q08	4Q08	1Q09
Cash from Operations	$434	$713	$649
Alternative Fuel Mixture Tax Credits	-	-	$145
Cash Provided by Continuing Operations	**$434**	**$713**	**$794**
Less Capital Investment	**($215)**	**($270)**	**($128)**
Free Cash Flow	**$219**	**$443**	**$666**

Debt Reduction Progress

$1.6 Billion in 9 Months

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Cash & Committed Facilities
$3.5 Billion

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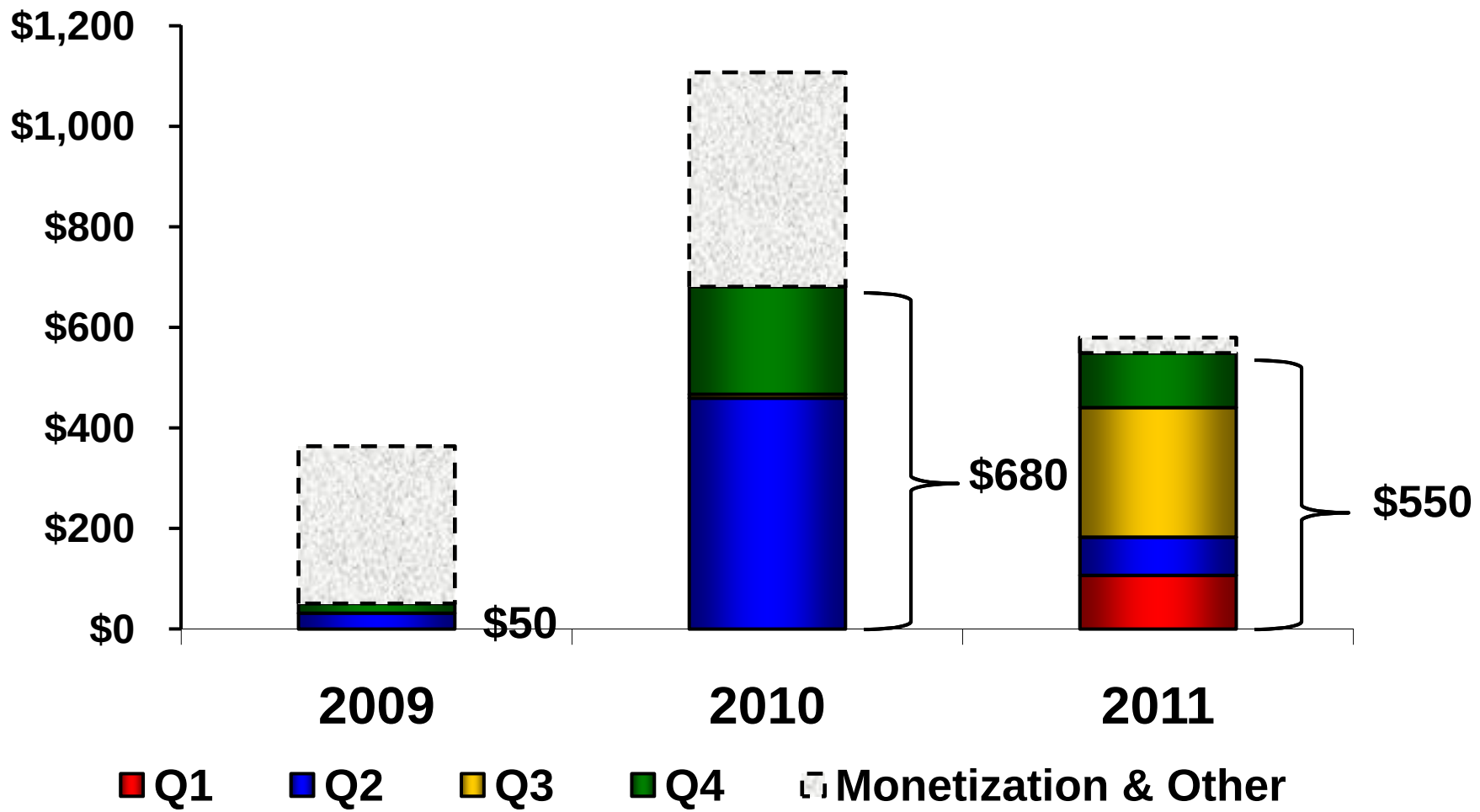
$ Billion	Maturity	Facility	Cost
Quarter-End Cash	-	$1.0	-
$1.0B[1] Accounts Receivables Program	JAN 2010	Zero Drawn	CP Rate[2] + 150 bps
$1.5B Corporate Revolver	MAR 2011	Zero Drawn	LIBOR + 50 to 60 bps
Total Cash & Committed Facilities		$3.5	-

Cost includes commitment fees

[1] $871 million available at quarter-end based on eligible receivable balances

[2] Conduit's rate

Debt Maturities by Quarter
2009 - 2011



U.S. debt as of April 30; foreign debt as of March 31
Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

Pension Funding Update

No Cash Contributions Expected in 2009/10

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- **December 2008 Legislation Funding Requirements**
  - 94% of liability for 2009
  - 96% of liability for 2010
  - 100% of liability beyond 2010
  - Allows asset smoothing which defers investment loss
- **March 2009 Regulatory Relief**
  - Provided relief in yield curve determination
  - Select discount rate between August 2008 – December 2008
  - Estimated 10 - 20% reduction in 2009 liability
- **Impact of Relief**
  - IP credit balance likely to satisfy any 2009/10 funding requirements
  - No required cash contributions likely until 2011

Alternative Fuel Mixture Tax Credits

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- IP generates >70% of integrated mill energy needs from renewable bio-fuels

- Transforming pulping waste into bio-energy is environmentally beneficial

- **IP is not burning additional fossil fuel to qualify for these credits**

- Black liquor energy is sustainable & merits tax treatment similar to other renewable energy sources

Alternative Fuel Mixture Tax Credits

$558 Million Pre-Tax in 4Q08 & 1Q09

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Tax Credit Claims	$ Millions
Received in 1Q09	$145
Accrued in 1Q09	$413
Total Credits 4Q08 – 1Q09	**$558***

* Before $18 million of associated expenses and $210 million of taxes

First Quarter Summary
Solid Results Despite Recession

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- Solid Results in Challenging Environment
- 1.1MM tons of Lack of Order Downtime
- Excellent Operations
- $96 Million in Integration Synergies
- $30 Million in Overhead Expense Reduction
- $124 Million Input Cost Relief
- $666 Million Free Cash Flow
- $600 Million Debt Reduction

Second Quarter Outlook

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- **Challenging Economic Environment**
- **Major Variables - Volume, Downtime, & Pricing**
- **Increased Maintenance Outages**
- **Lower Ilim Equity Earnings**

Priorities

- **Aggressively Manage Cost**
- **Match Supply to Customers' Needs**
- **Strengthen Balance Sheet**

Questions & Answers

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Investor Relations Contacts

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Appendix

Special Items Net of Taxes
1Q09

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	$ Million	EPS
Earnings from Continuing Operations & Before Special Items	**$34**	**$0.08**
Special Items Net of Taxes:		
Alternative Fuel Mixture Credits	$330	
Facilities Closure Costs	($33)	
Overhead Reduction Initiative	($32)	
Integration Costs	($22)	
Tax Adjustments	($20)	
Total Special Items Net of Taxes	**$223**	**$0.53**
Net Earnings	**$257**	**$0.61**

Key Financial Statistics

$ Billion	2007[1]	2008	2009 Estimate
Capital Spending	$1.3	$1.0	$0.6
Depreciation & Amortization	$1.1	$1.3	$1.5[3]
Net Interest Expense	$0.3	$0.5	$0.7
Corporate Items[2]	$0.2	$0.1	$0.25
Effective Tax Rate[2]	30%	31.5%	32% - 34%

[1] Excludes discontinued operations
[2] Before special items and excluding Ilim
[3] Estimated depreciation impacted by extensive lack-of-order downtime

Maintenance Outages Expenses

$58 Million Seasonal Increase

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$ Millions	1Q09	2Q09E	3Q09E	4Q09E
North America	19	38	39	28
Europe	7	19	13	0
Brazil	5	0	3	0
Printing Papers Total	**$31**	**$57**	**$55**	**$28**
Industrial Packaging	**$44**	**$58**	**$6**	**$43**
Consumer Packaging	**$4**	**$22**	**$11**	**$9**
Total Impact	**$79**	**$137**	**$72**	**$80**

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

Business Segment Price Realization

	Average Selling Price Realizations		
Industrial Packaging ($/ton)	**1Q08**	**4Q08**	**1Q09**
Containerboard	**$545E**	**$584**	**$551**
Corrugated Boxes	**$785E**	**$836**	**$846**
Printing Papers ($/ton)	**1Q08**	**4Q08**	**1Q09**
Uncoated Freesheet	**$950**	**$1,005**	**$996**
Pulp	**$646**	**$577**	**$538**

Average IP U.S. selling price realizations (includes the impact of mix across all grades)
Industrial Packaging price realizations include CBPR

Industrial Packaging

	1Q09 vs. 4Q08		1Q09 vs. 1Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Containerboard	**(23%)**	**($32)**	**(49%)E**	**$8E**
N.A. Container	**(5%)**	**$10**	**(17%)E**	**$61E**
European Container	**(3%)**	**(€21)**	**(9%)**	**(€26)**

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

Printing Papers

	1Q09 vs. 4Q08		1Q09 vs. 1Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**(7%)**	**($10)**	**(24%)**	**$46**
N.A. Pulp	**(21%)**	**($39)**	**(9%)**	**($108)**
European Paper	**3%**	**(€56)**	**(1%)**	**(€72)**
Brazilian Paper	**(16%)**	**($39)**	**(15%)**	**$19**

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

Consumer Packaging

	1Q09 vs. 4Q08		1Q09 vs. 1Q08	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	(25%)	$38	(28%)	$107
	Revenue	Price	Revenue	Price
Converting Businesses	(10%)	NA	(3%)	NA

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

Special Items

Special Items Pre-Tax:		1Q08	4Q08	1Q09
Printing Papers	Alternative Fuel Mixture Credits			$240
	Facility Closure Costs		($153)	($29)
Industrial Packaging	Alternative Fuel Mixture Credits			$208
	Integration Costs		($26)	($36)
	Facility Closure Costs		($8)	
Consumer Packaging	Alternative Fuel Mixture Credits			$92
	Reorganization	($5)	($4)	($2)
Corporate	Restructuring & Other Charges	($36)	($53)	($52)
	Impairments of Goodwill		($1,777)	
Total Special Items Pre-Tax		**($41)**	**($2,021)**	**$421**

Debt Covenants

	Covenant	1Q09
Maximum Debt-to-Total Capital	60%	50.3%
Minimum Consolidated Net Worth	$9B	$11.4B

1Q09 EBITDA

from Continuing Operations before Special Items

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	Operating Profit $ Millions	D & A $ Millions	Tons (000)	EBITDA per Ton
Industrial Packaging				
North American	$175	$156	2,863	$116
European	$13	$8	270	$78
Printing Papers				
North American	$84	$51	706	$191
European	$25	$22	370	$127
Brazilian	$20	$24	180	$244
U.S. Market Pulp	($28)	$6	317	($69)
Consumer Packaging				
U.S. Coated Paperboard	$6	$28	290	$117
Total	**$295**	**$295**	**4,996**	**$118**

Operating Profits by Industry Segment

from Continuing Operations before Special Items

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$ Million	1Q08	4Q08	1Q09
Industrial Packaging	$97	$145	$188
Printing Papers	$185	$113	$101
Consumer Packaging	$14	$1	$22
Distribution	$16	$26	($7)
Forest Products	$25	$38	$2
Operating Profit	**$337**	**$323**	**$306**
Net Interest Expense	($81)	($186)	($164)
Noncontrolling Interest / Equity Earnings Adjustment	$4	($13)	$6
Corporate Items	($21)	($21)	($51)
Special Items	($41)	($2,021)	$421
Earnings (Loss) from continuing operations before income taxes, equity earnings & minority interest	**$198**	**($1,918)**	**$518**
Equity Earnings, net of taxes - Ilim	**$17**	**$0**	**($26)**

Geographic Business Segment Operating Results

from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	1Q08	4Q08	1Q09	1Q08	4Q08	1Q09
Industrial Packaging						
North American	$1,050	$2,125	$1,885	$79	$130	$175
European	$315	$255	$240	$18	$15	$13
Asian	$80	$75	$55	$0	$0	$0
Printing Papers						
North American	$885	$765	$705	$106	$73	$84
European	$435	$350	$325	$42	$36	$25
Brazilian	$225	$215	$170	$33	$44	$20
U.S. Market Pulp	$165	$170	$125	$4	($39)	($28)
Asian	$5	$5	$0	$0	($1)	$0
Consumer Packaging						
North American	$600	$635	$530	$2	$16	$4
European	$75	$70	$70	$9	$5	$14
Asian	$95	$95	$115	$3	($20)	$4
Distribution	$1,985	$1,940	$1,590	$16	$26	($7)

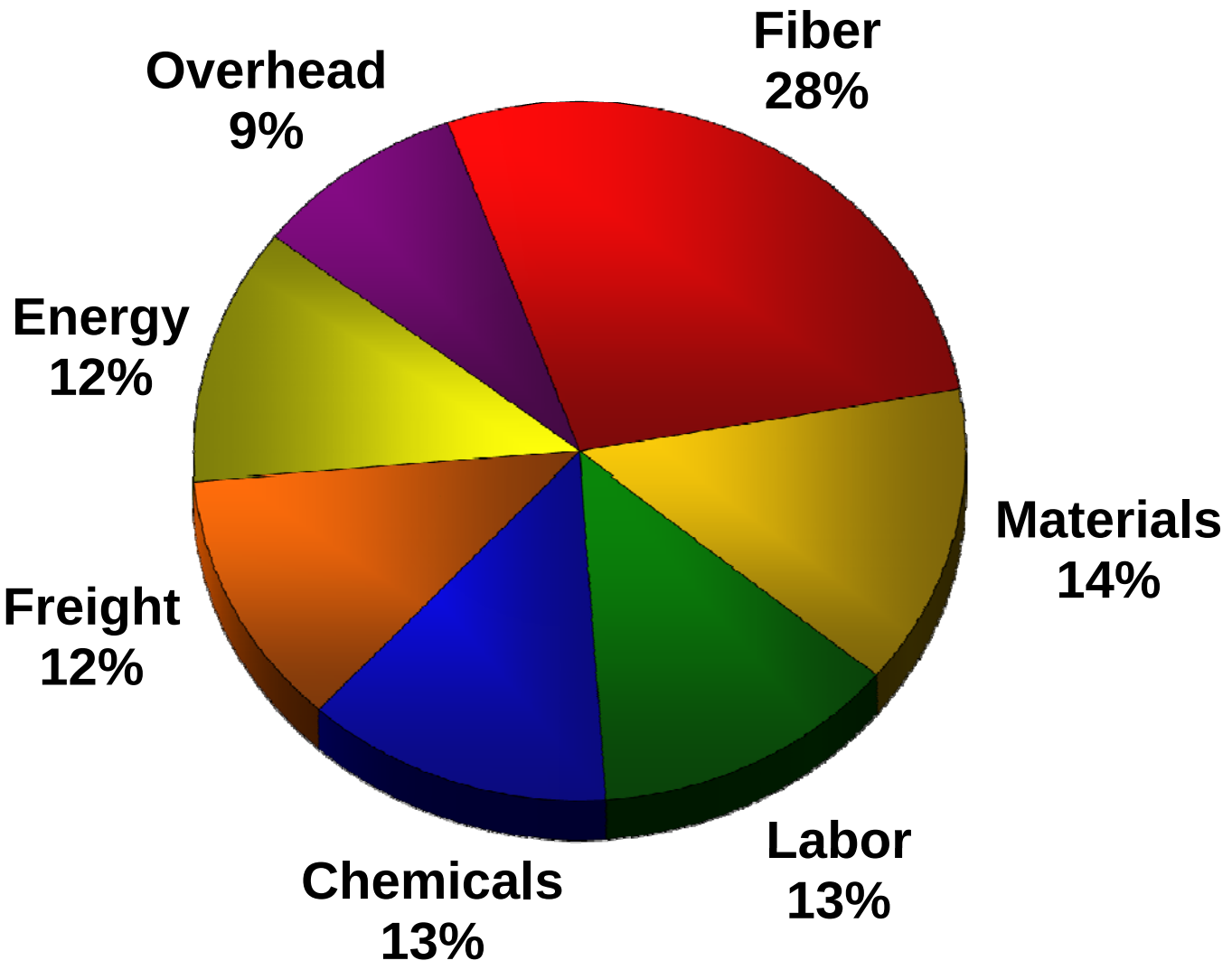
Excludes Forest Products

2009 Earnings from Continuing Operations

	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								
1Q09	$97	($32)	($4)	($27)	$34	32%	423	$0.08
Special Items								
1Q09	$421	($198)	$0	$0	$223	47%	423	$0.53
Earnings from Continuing Operations								
1Q09	$518	($230)	($4)	($27)	$257	44%	423	$0.61

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

Total Cash Cost Components
1Q09

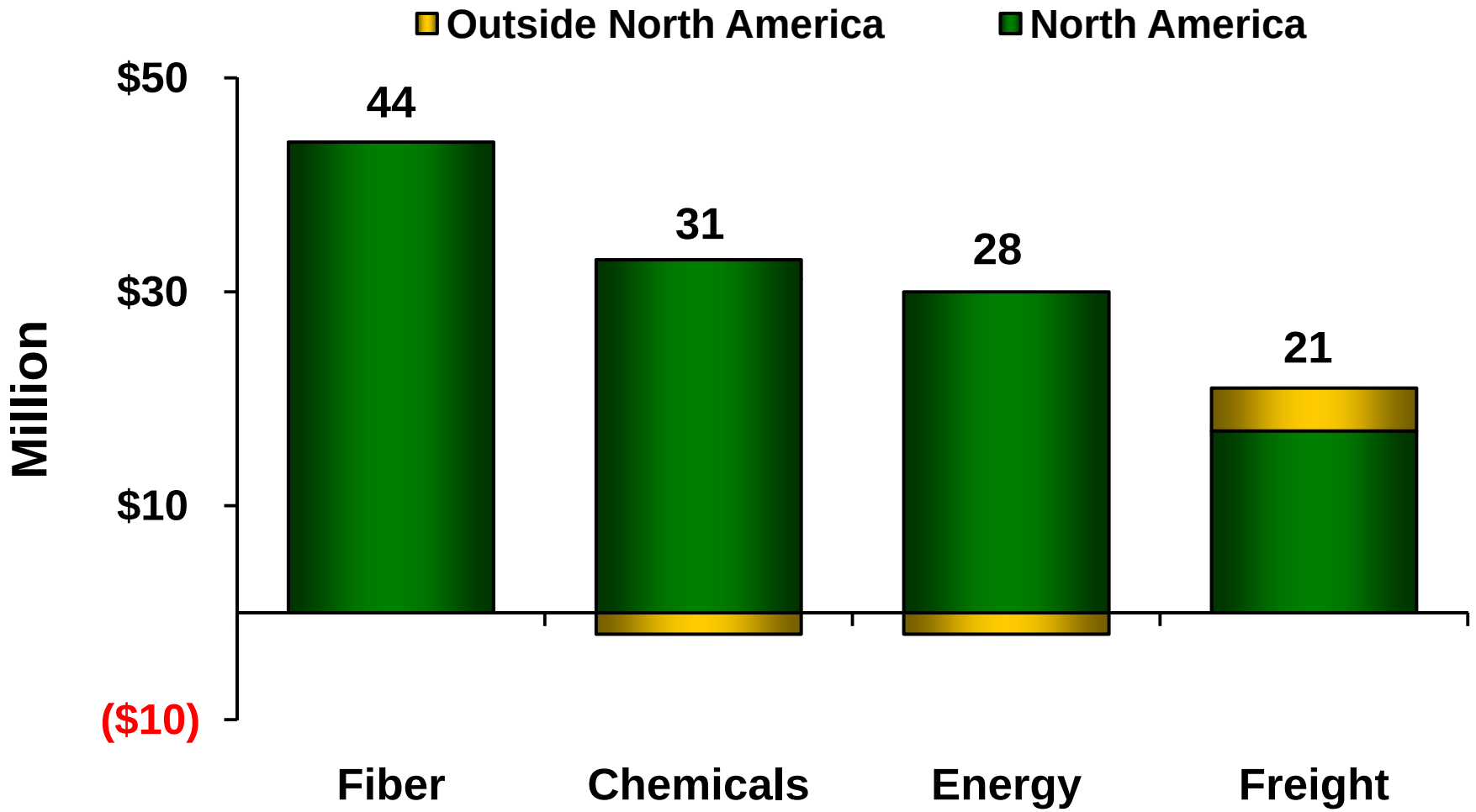


North American Mills Only

Global Input & Freight Costs by Input

$124MM, or $0.23/Share Positive Impact vs. 4Q08

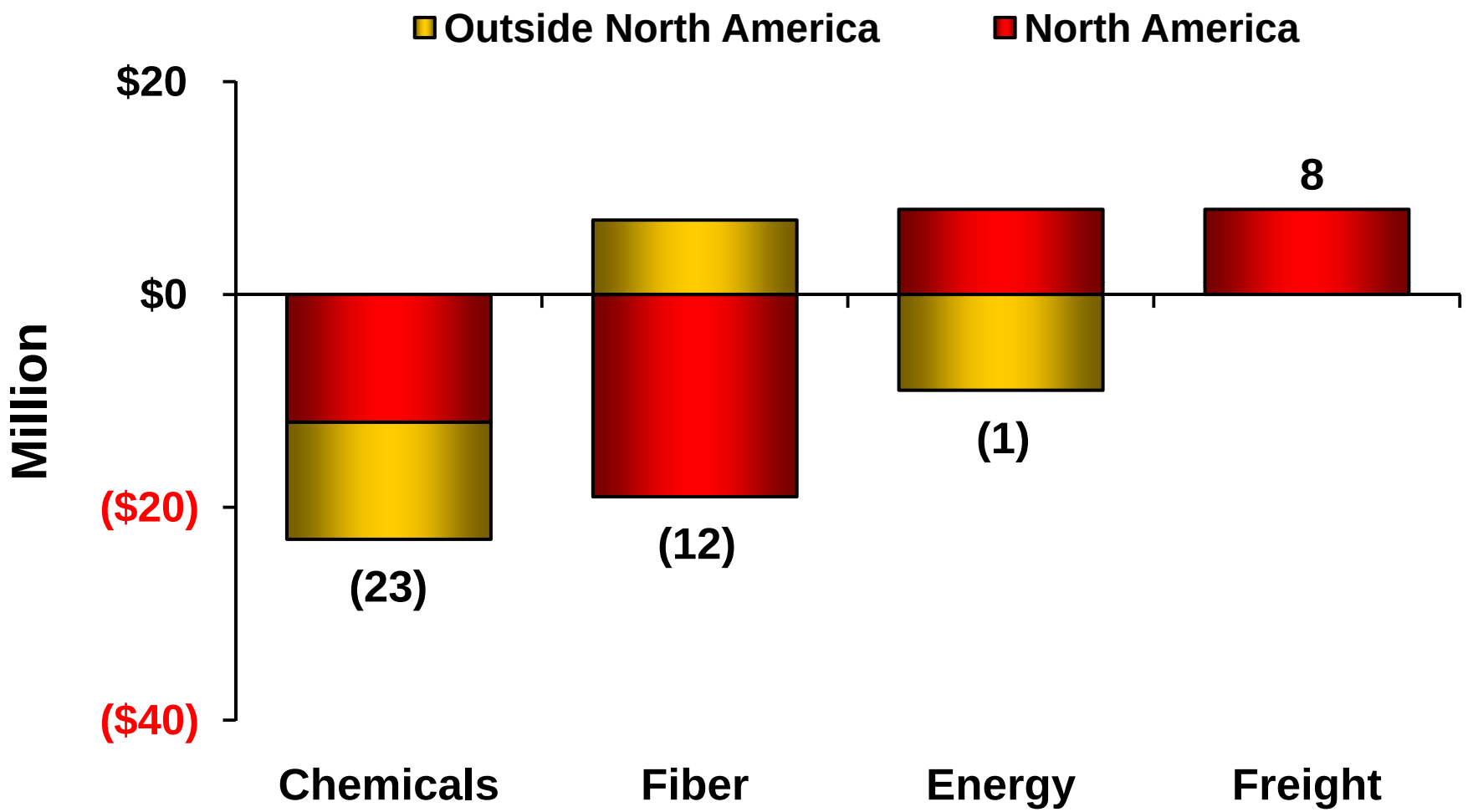
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Input costs for continuing businesses

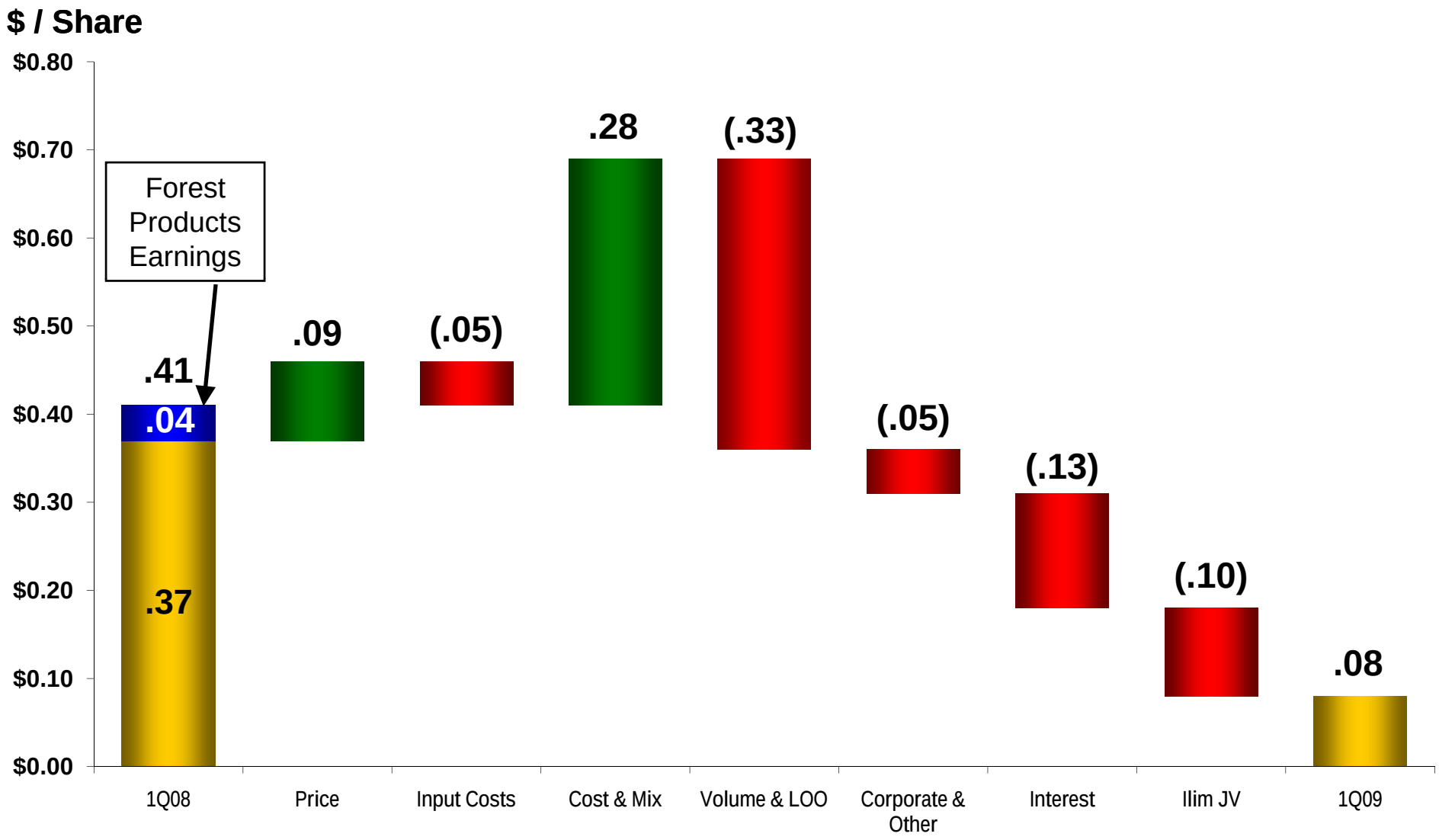
Global Input & Freight Costs by Input

$28MM, or $0.05/Share Negative Impact vs. 1Q08



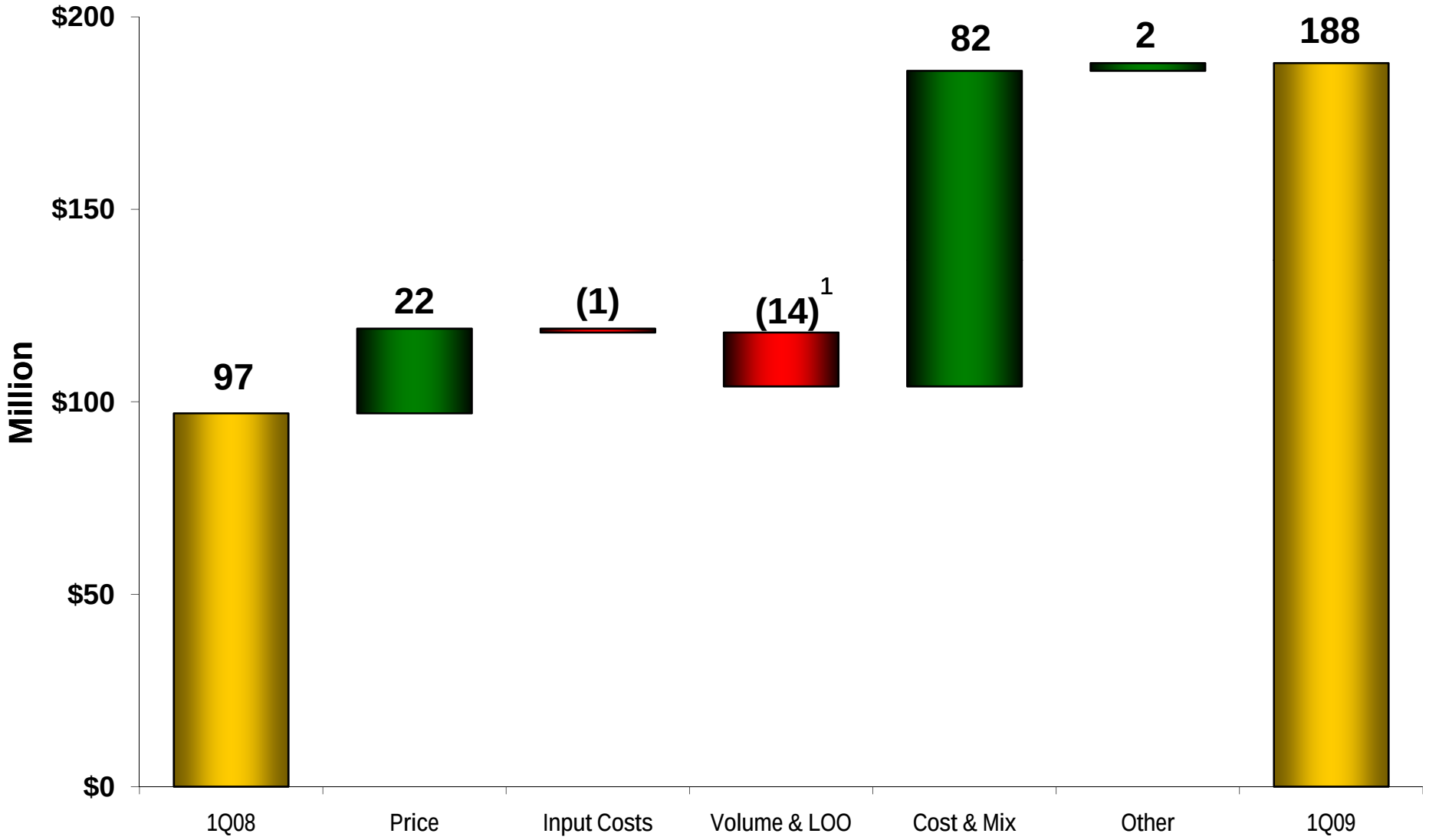
Input costs for continuing businesses; does not include CBPR

1Q09 vs. 1Q08 EPS



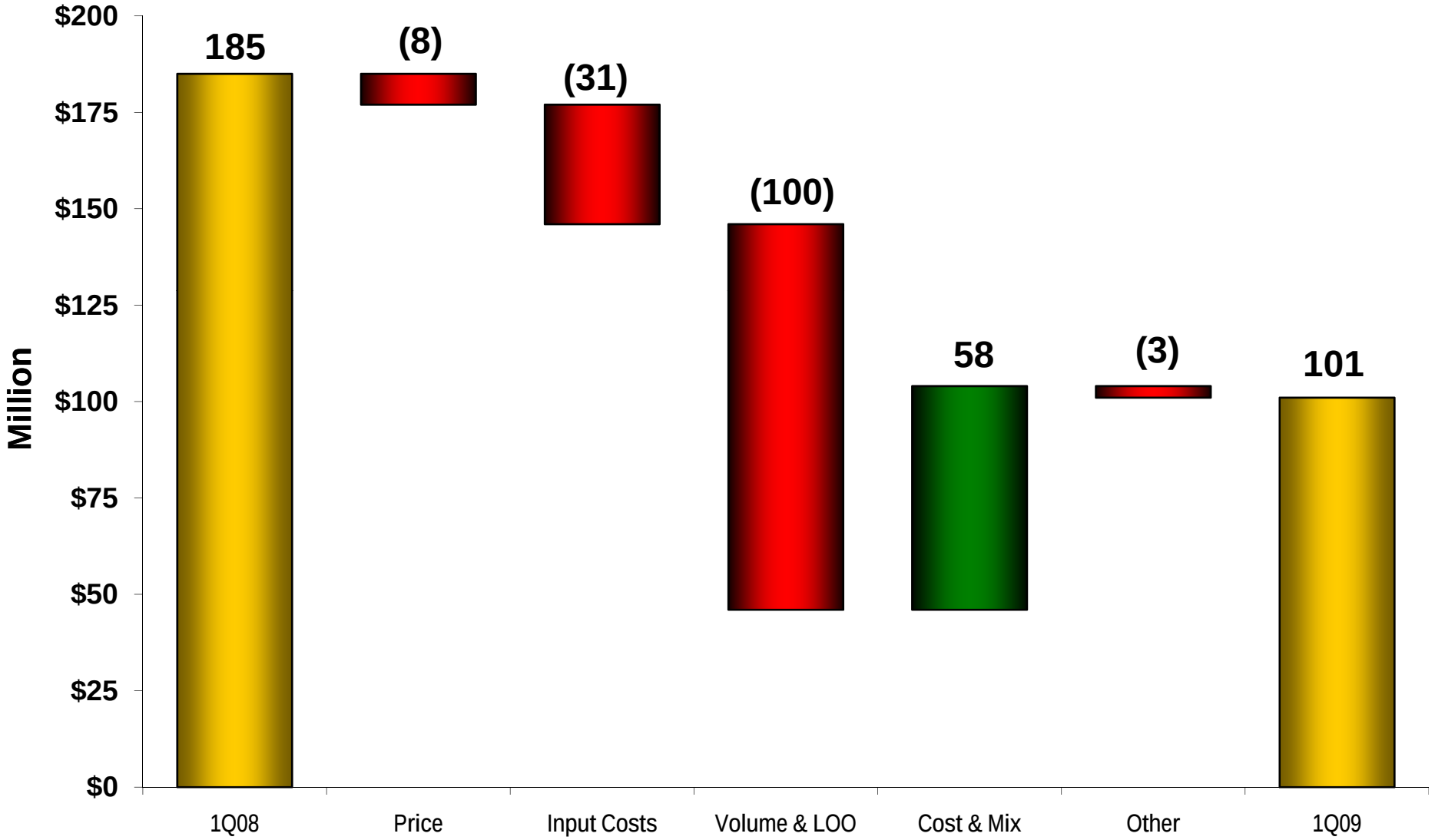
Earnings from continuing operations before special items; volume includes earnings from CBPR

Industrial Packaging Earnings
1Q09 vs. 1Q08



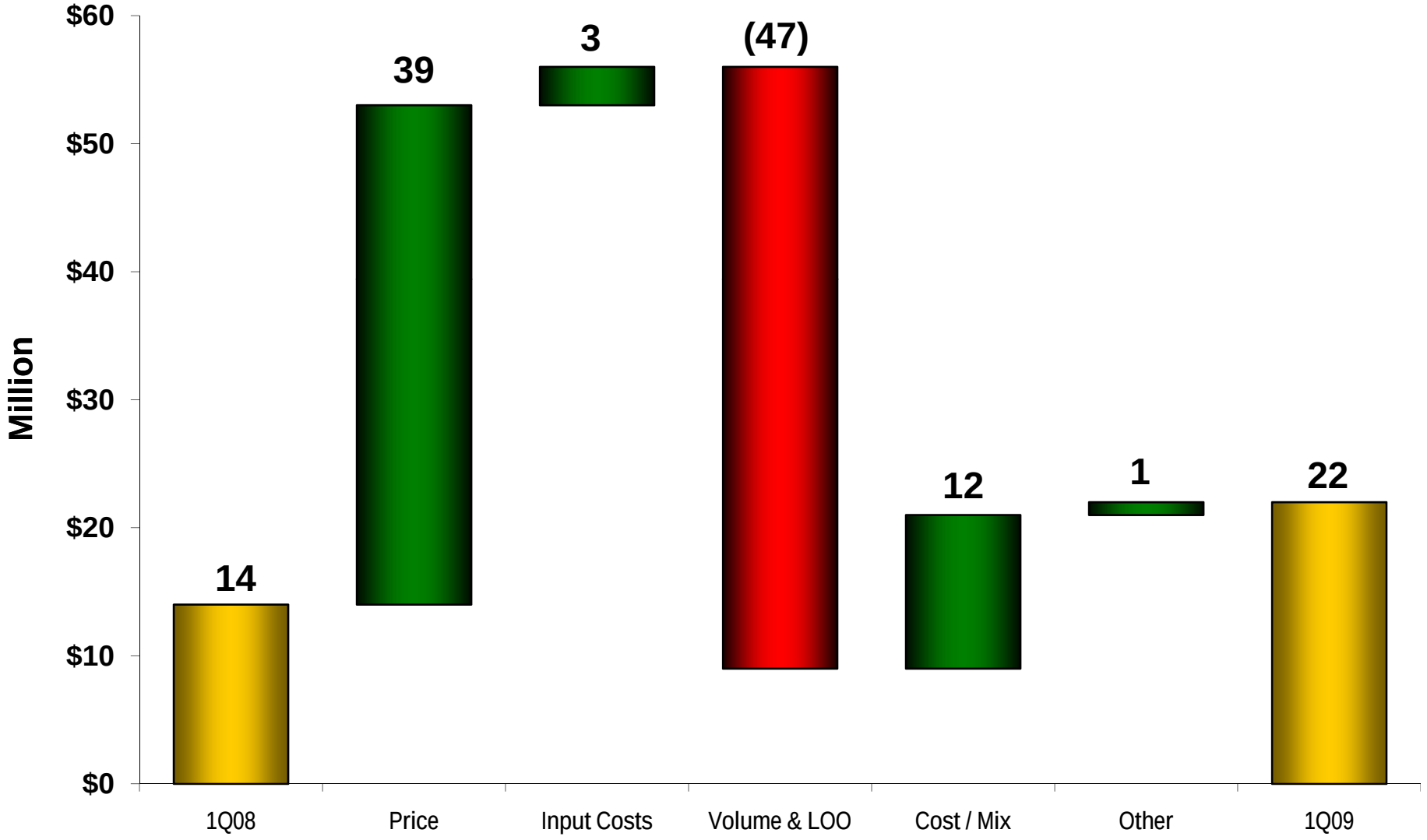
[1] Excludes trade volume and includes CBPR earnings
Earnings Before Special Items

Printing Papers Earnings
1Q09 vs. 1Q08



Earnings Before Special Items

Consumer Packaging Earnings
1Q09 vs. 1Q08



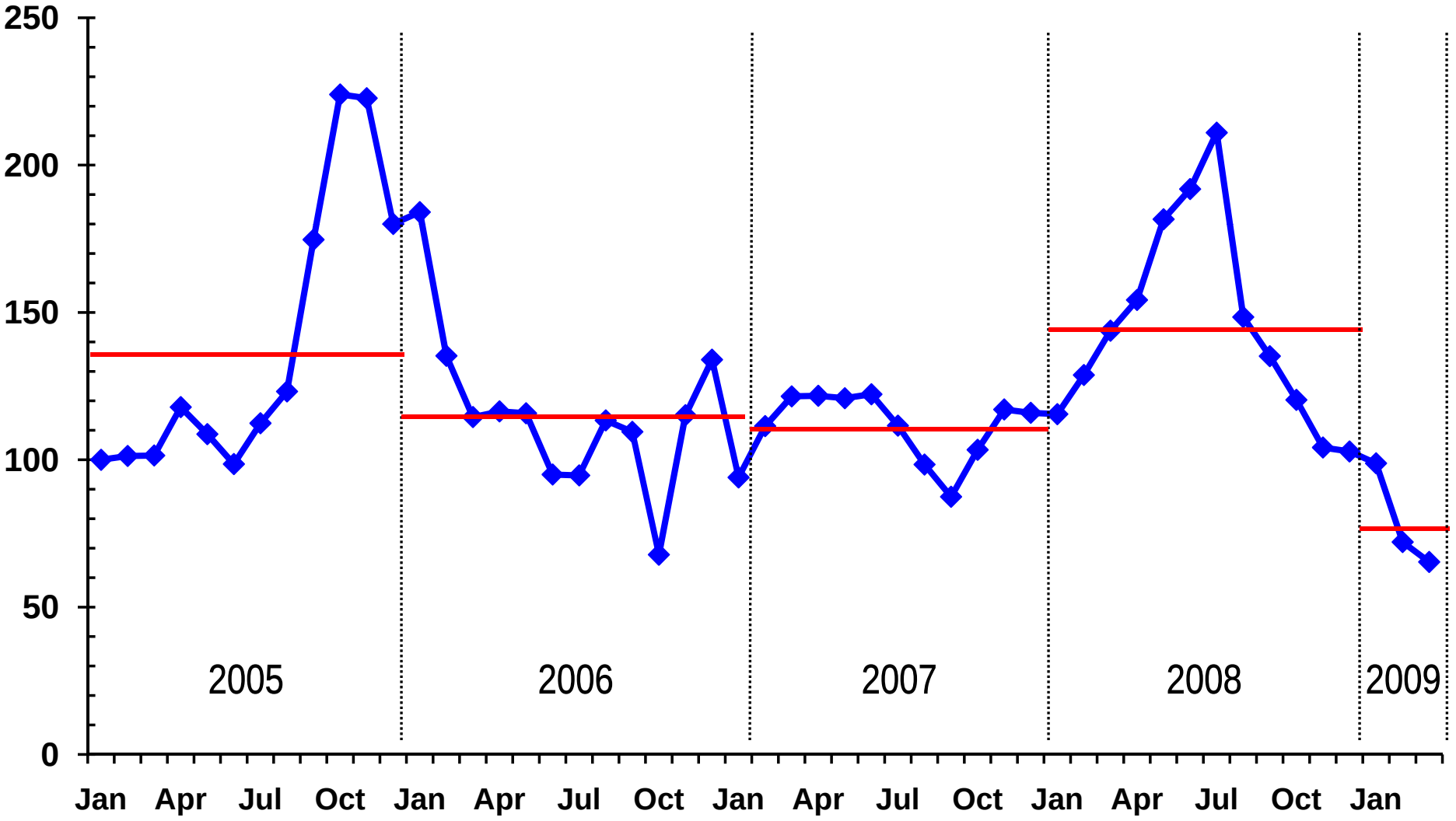
Earnings Before Special Items

Natural Gas Costs

28% Decrease vs. 4Q08 Average Cost

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Index: Jan 2005 Natural Gas Costs = 100



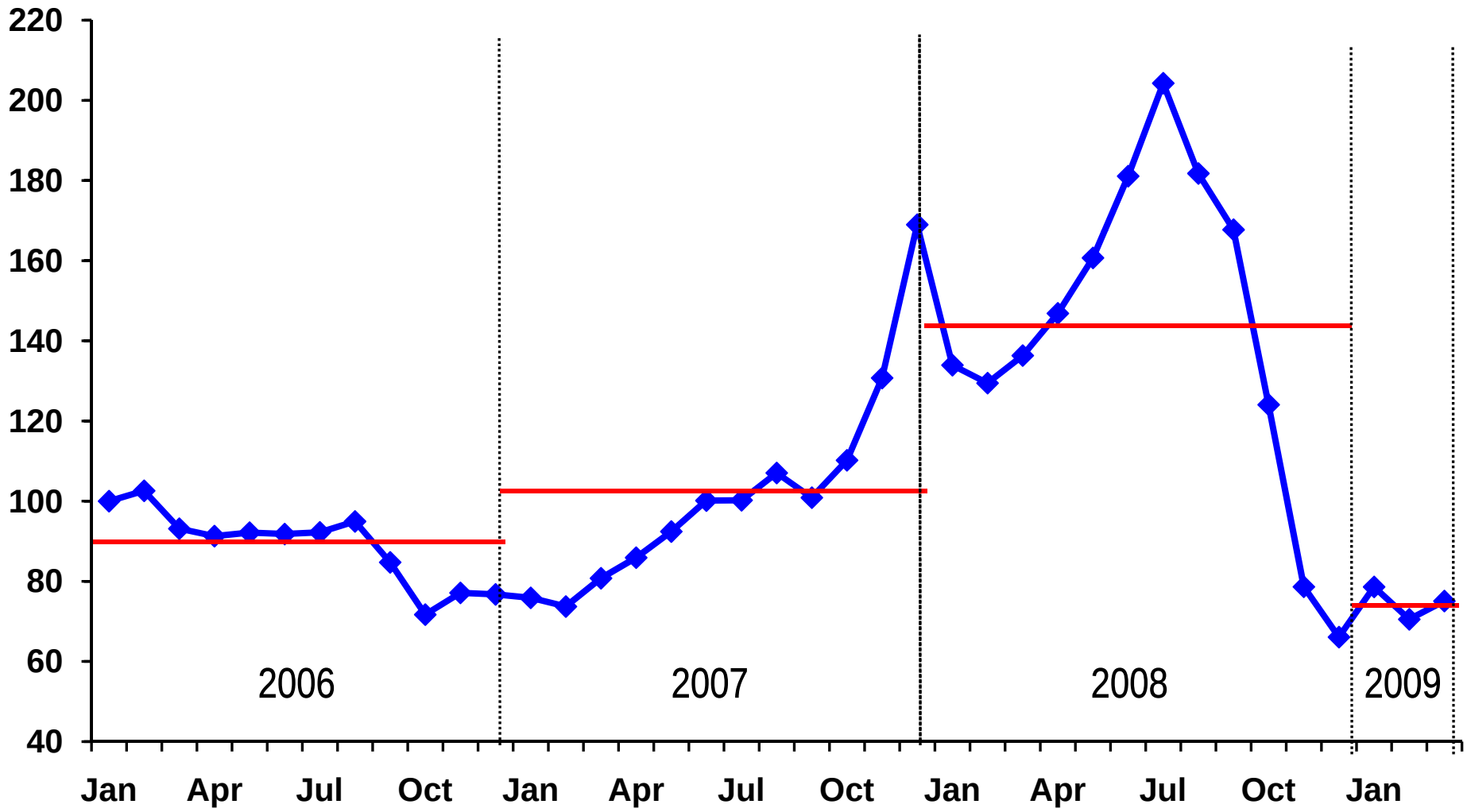
NYMEX Natural Gas closing prices

U.S. Fuel Oil

17% Decrease vs. 4Q08 Average Cost

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Index: Jan 2006 Fuel Oil Costs = 100



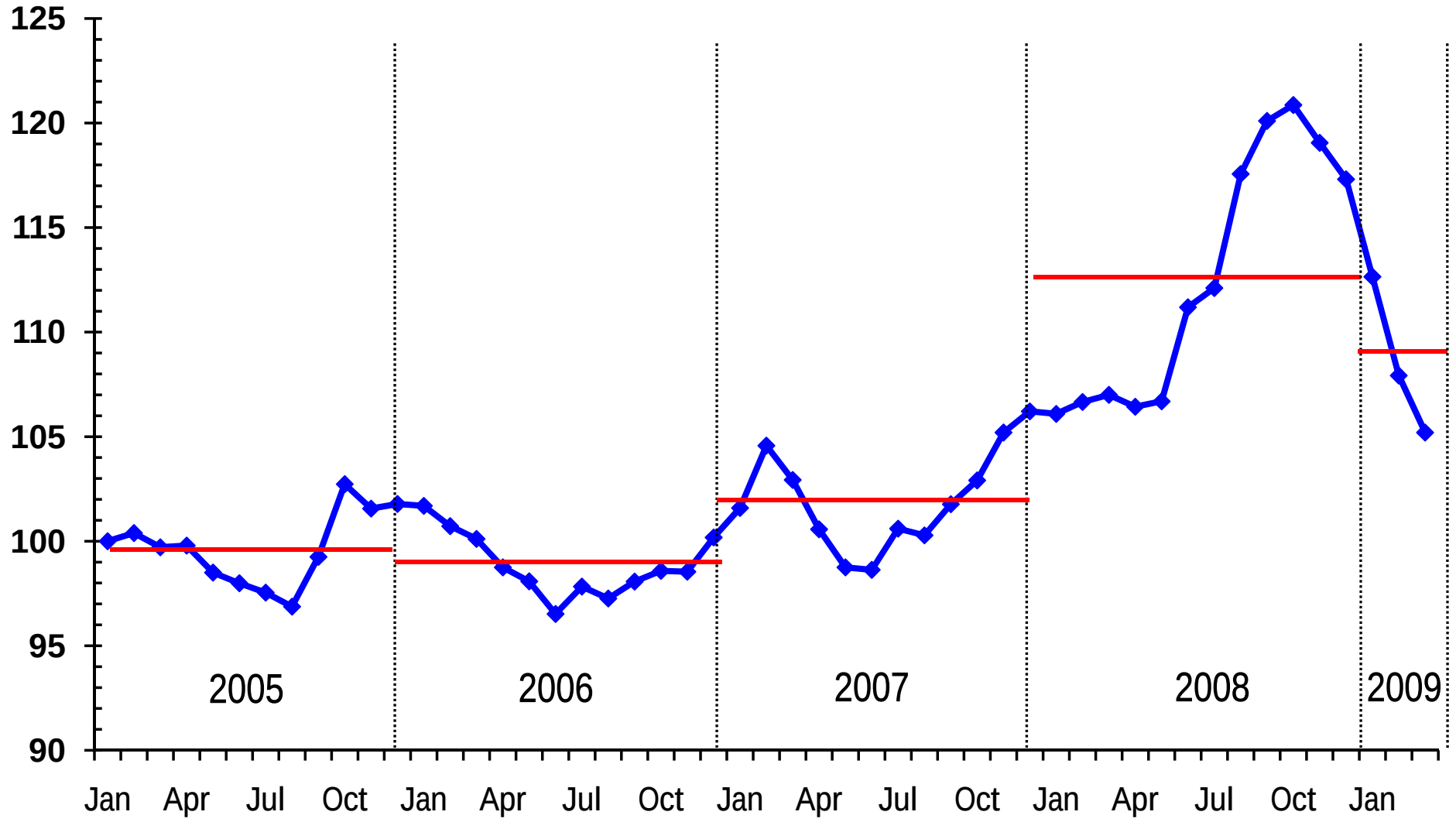
Delivered cost to U.S. facilities

U.S. Mill Wood Costs

9% Decrease vs. 4Q08 Average Cost

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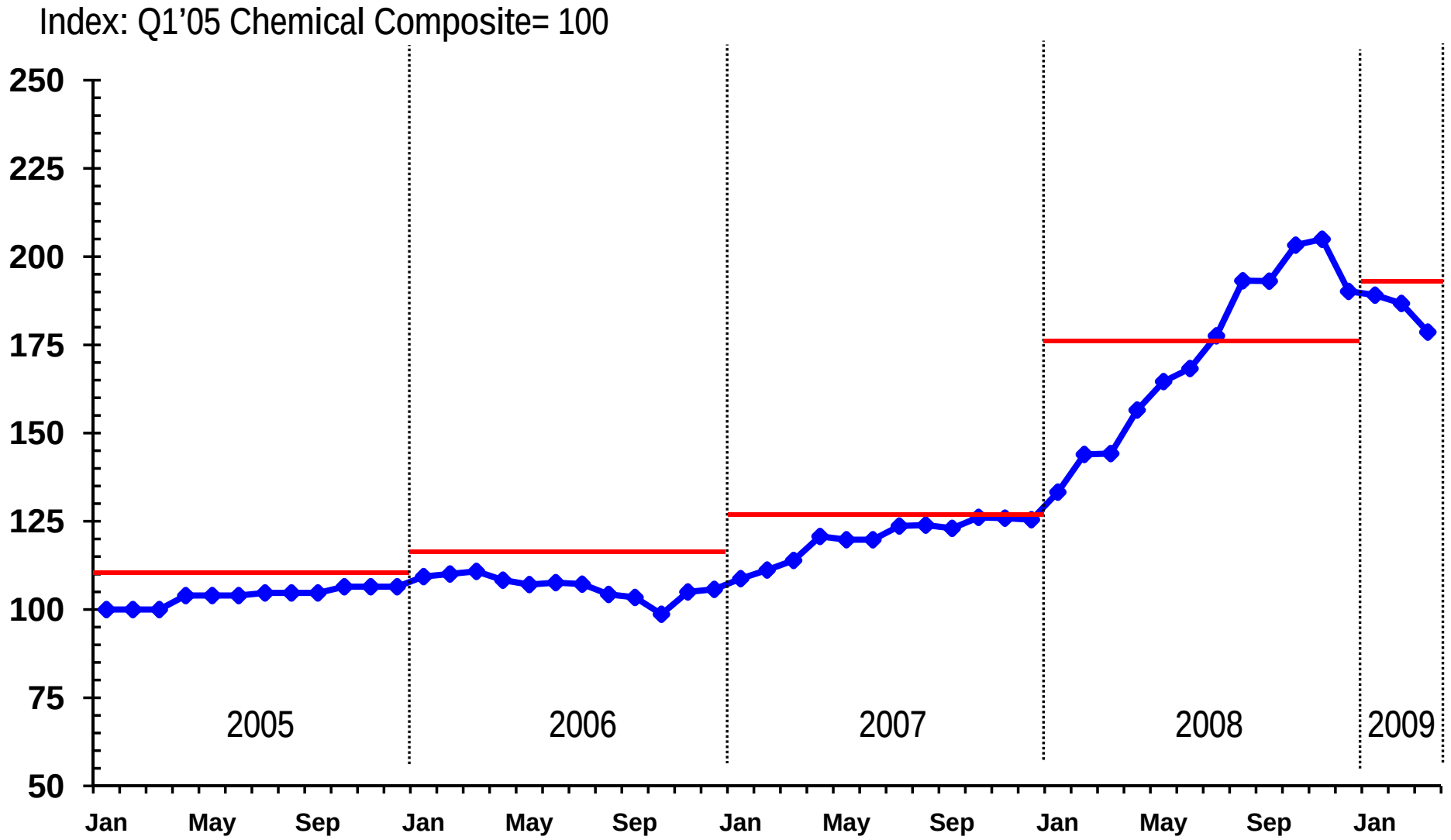
Index: Jan 2005 Wood Costs = 100



Delivered cost to U.S. facilities

U.S. Chemical Composite Index
7% Decrease vs. 4Q08 Average Cost

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Delivered cost to U.S. facilities; includes Caustic Soda, Sodium Chlorate, Starch and Sulfuric Acid
2005 - 2008 excludes CBPR

Global Consumption

Annual Purchase Estimates for Key Inputs

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	Commodity	U. S.	Non – U. S.
Energy	Natural Gas (MM BTUs)	50,500,000	16,000,000
	Fuel Oil (Barrels)	2,100,000	500,000
	Coal (Tons)	1,100,000	230,000
Fiber	Wood (Tons)	50,000,000	8,400,000
	Old Corrugated Containers (Tons)	3,500,000	310,000
Chemicals	Caustic Soda (Tons)	330,000	60,000
	Starch (Tons)	490,000	110,000
	Sodium Chlorate (Tons)	225,000	50,000
	LD Polyethylene (Tons)	50,000	-
	Latex (Tons)	25,000	4,000

Does not include Asian or Ilim consumption; excludes consumption by permanent & indefinite machine shutdowns
Estimates are based on normal operations and may be impacted by downtime