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Second Quarter 2009 Review

July 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, changes in tax laws 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

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.

Second Quarter 2009
Outstanding Results

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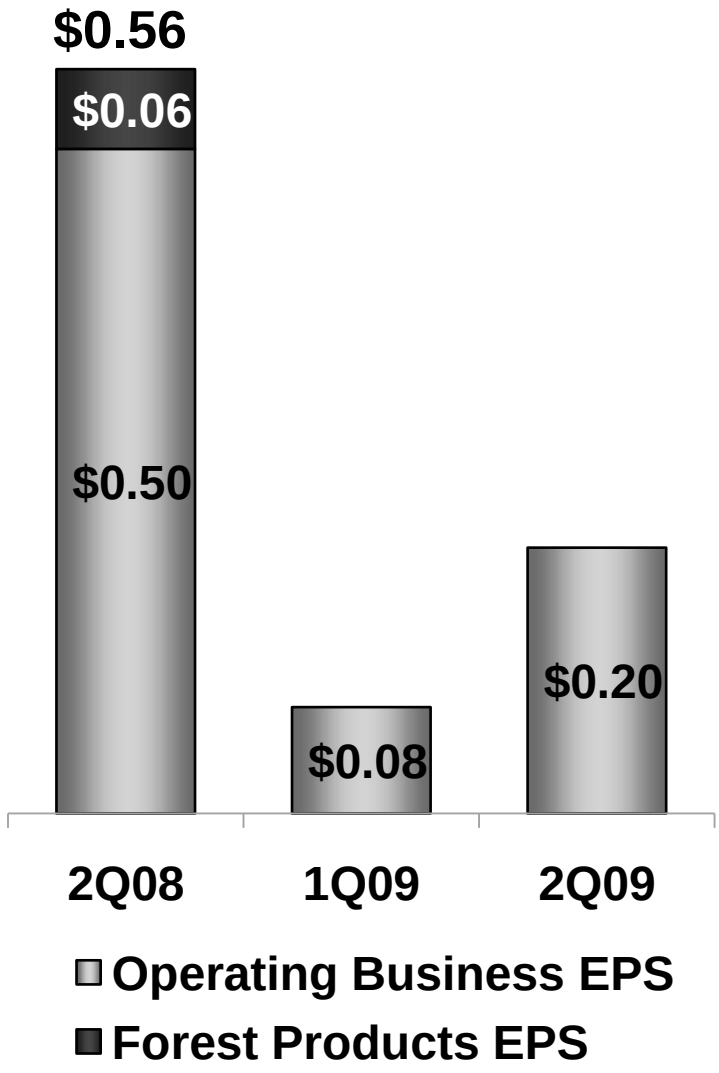
- **150% Earnings Increase**
- **180 BPS EBITDA Margin Increase**
- **$1.3 Billion in Free Cash Flow**
- **$600 Million Debt Reduction**
- **Exceeded $400 Million Run Rate in WY PKG Integration Synergies Two Years Ahead of Plan**



Earnings from continuing operations before special items

2Q09 Financial Snapshot

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$ Billion	2Q08	1Q09	2Q09
Sales	**$5.8**	**$5.7**	**$5.8**
EBITDA	**$0.7**	**$0.6**	**$0.7**
Free Cash Flow[1]	**$0.3**	**$0.7**	**$1.3**
Cash Balance	**$1.0[2]**	**$1.0**	**$1.7**

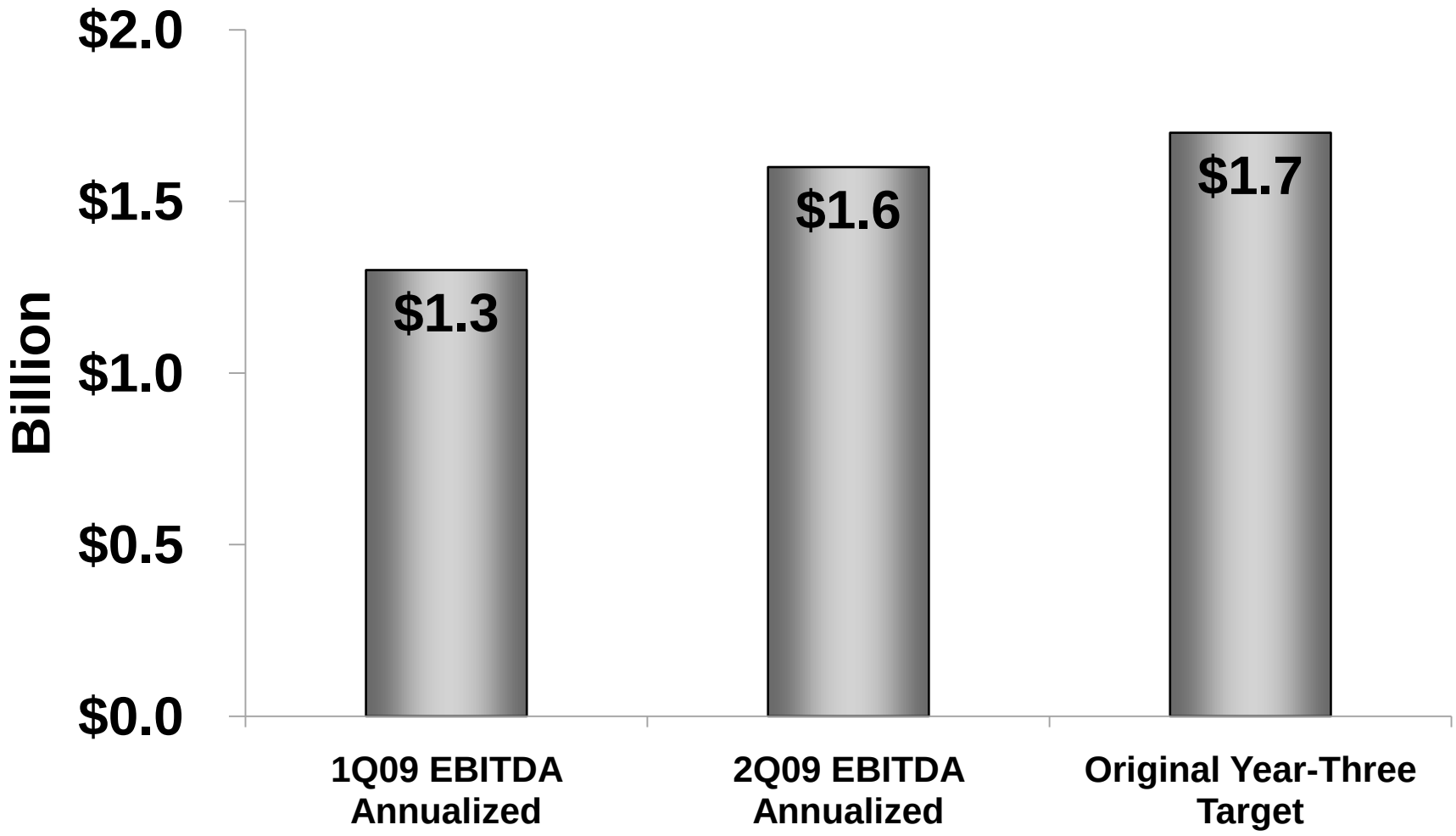
Earnings from continuing operations before special items; 1Q09 & 2Q09 includes WY PKG

[1] Cash provided by continuing operations less capital expenditures

[2] Excludes $3.0B proceeds from WY PKG bond issuance

N.A. Industrial Packaging Integration Progress

Earnings Well Ahead of Plan



North American earnings before special items

2Q09 vs. 1Q09 EPS

Volume Stabilized, Price Slippage, Input Cost Relief

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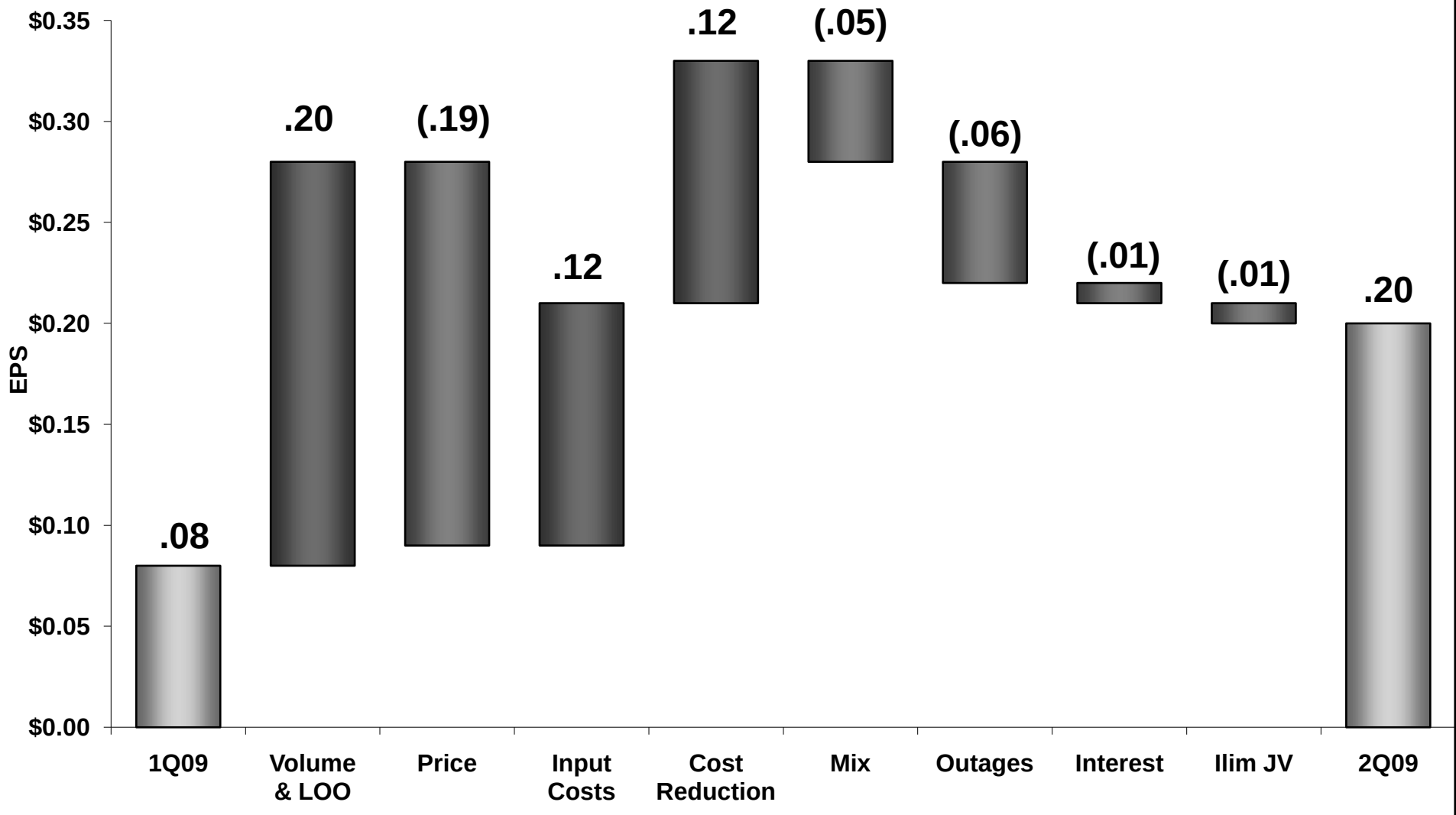

Earnings before special items

IP Transformation
28% Headcount Reduction

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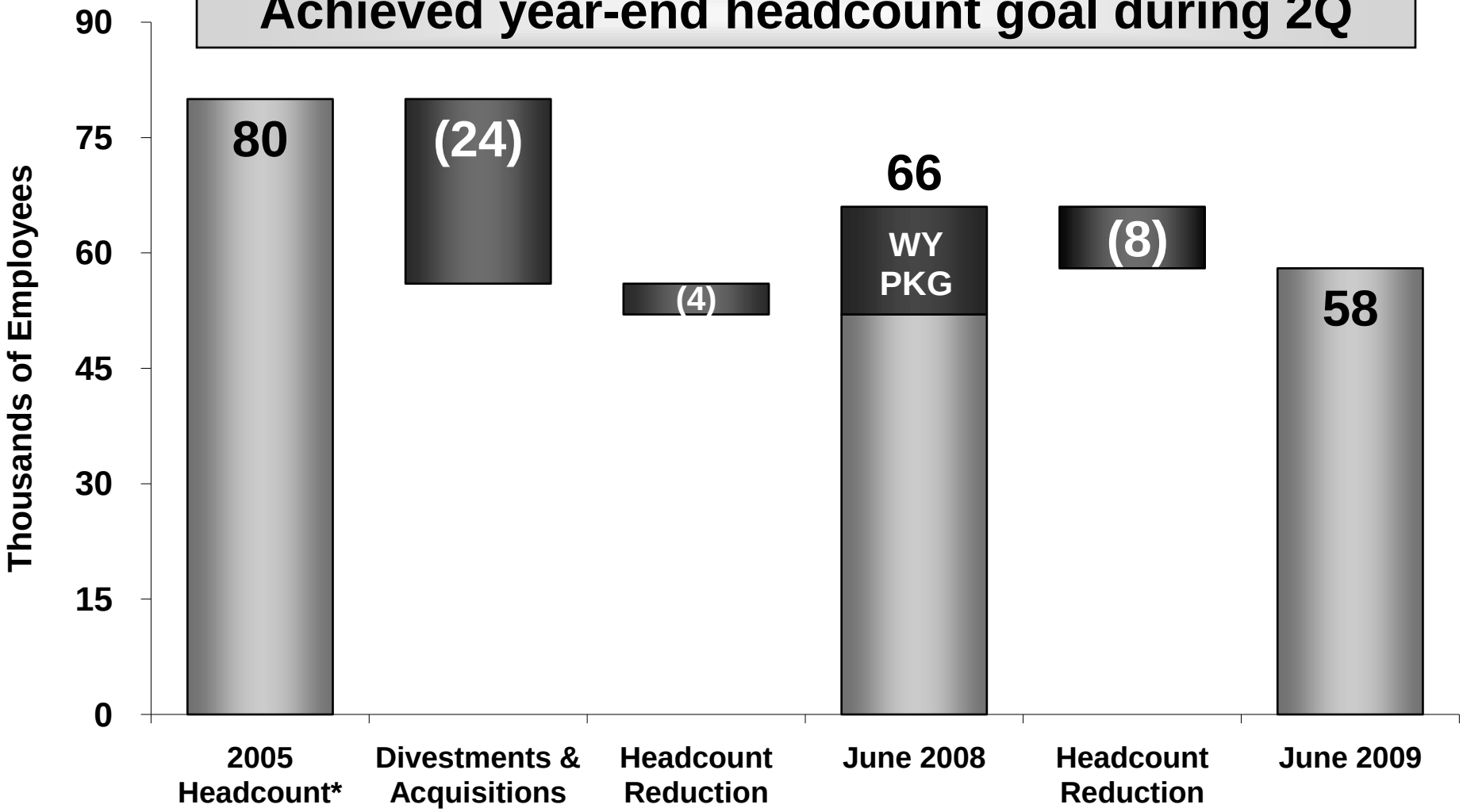
Achieved year-end headcount goal during 2Q



* At January 1, 2005
Excludes Ilim joint venture employees

Global Input & Freight Costs by Segment

$77 Million, or $0.12/Share Favorable vs. 1Q09

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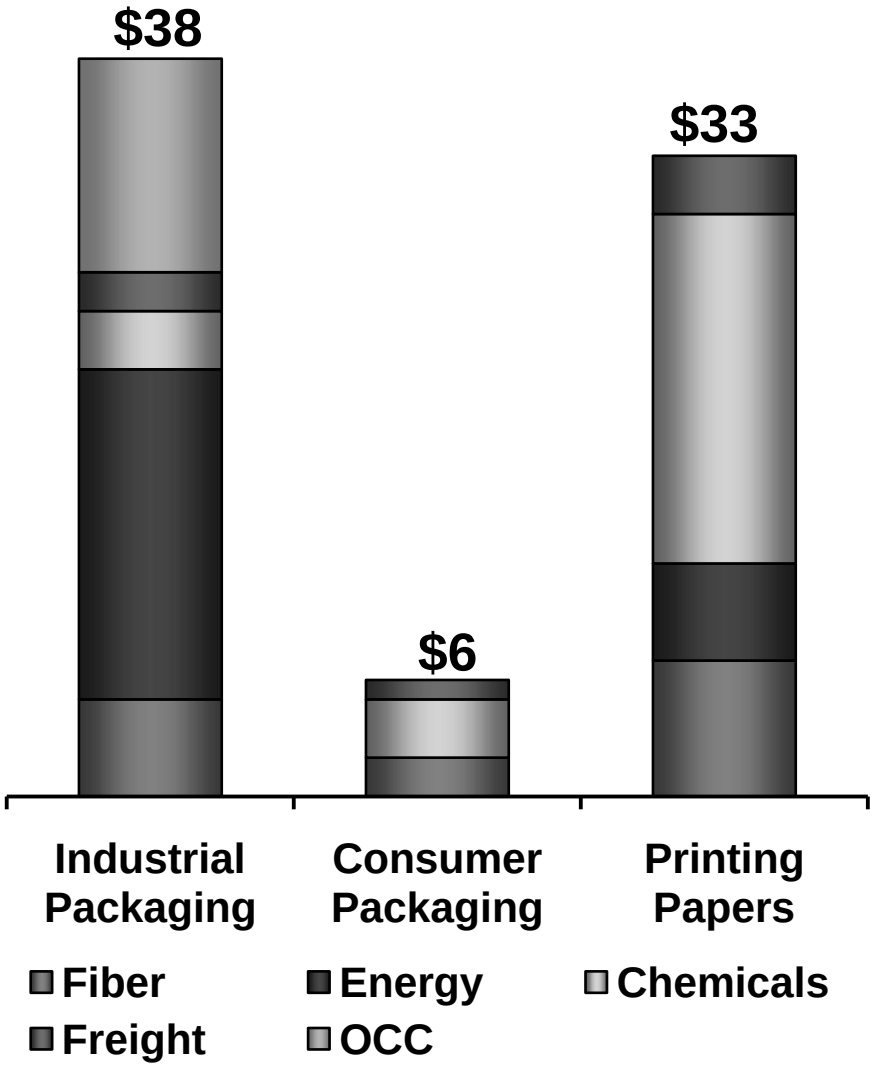
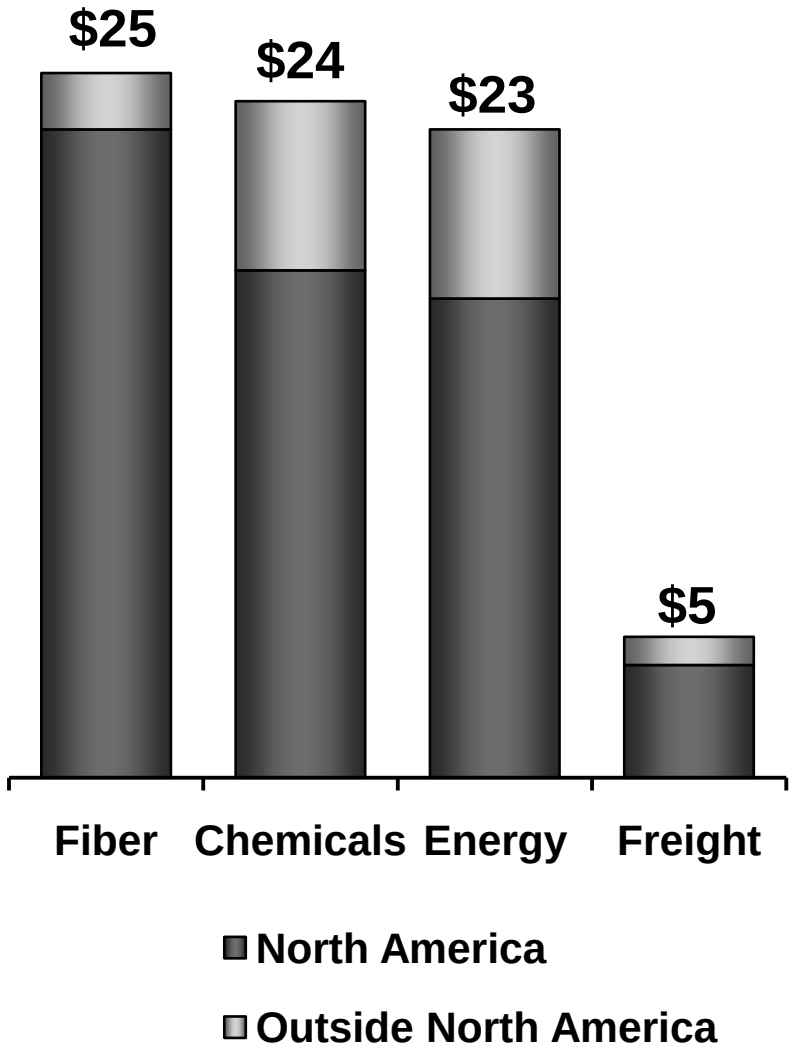
By Business

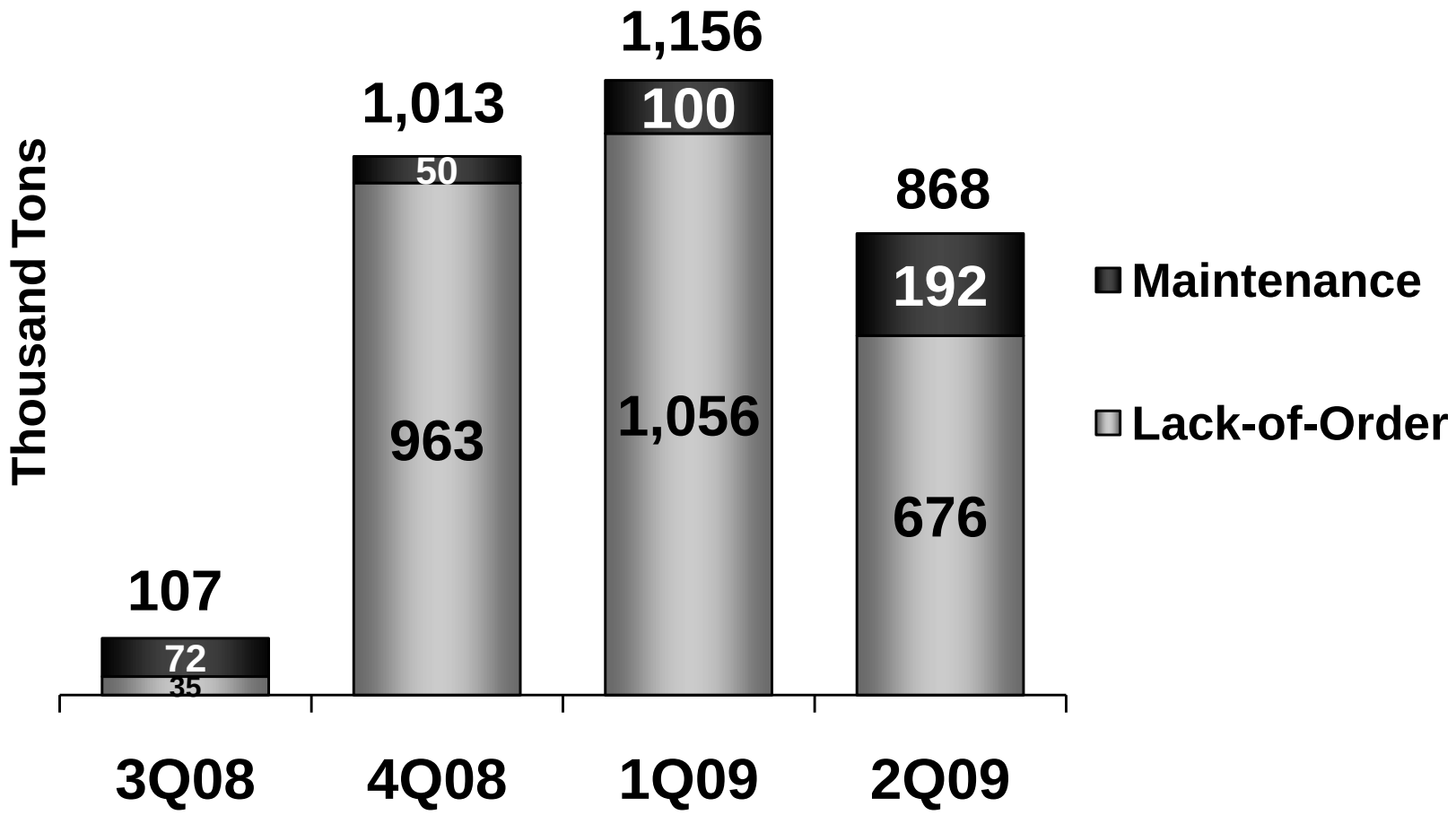


By Input Type



N.A. Lack of Order & Maintenance Downtime

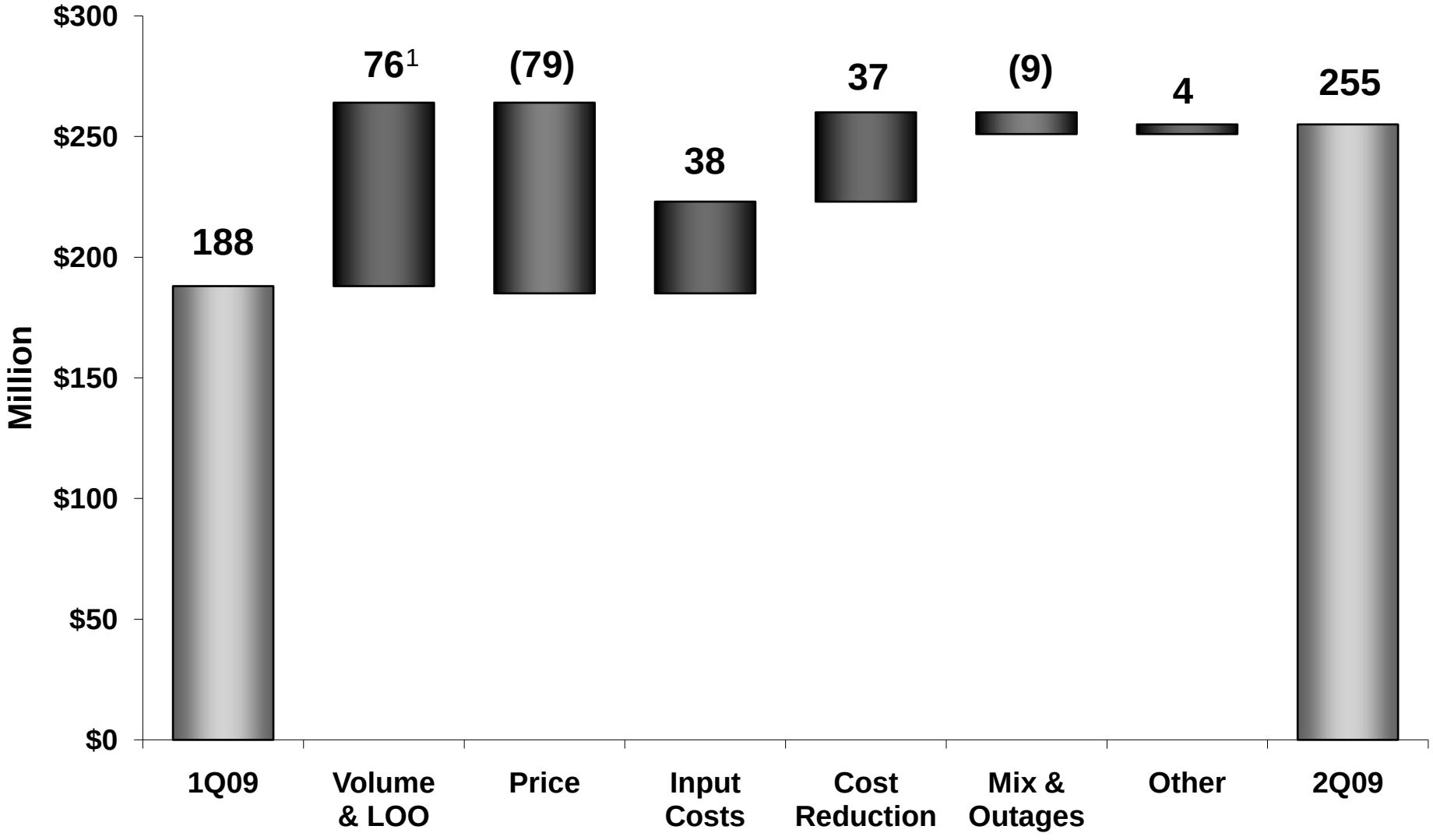
20% of Capacity in 2Q, Down from 27% in 1Q



Lack-of-order & maintenance downtime for North American Containerboard, Uncoated Papers, Market Pulp, & Coated Paperboard. See Appendix slide 32 for detail by business.

2009 LOO downtime excludes capacity from mills or machines that have been permanently shutdown (Franklin #3 - 32,000 tons and Louisiana mill - 120,000 tons) or indefinitely shut down (Valliant #3 - 97,000 tons)

Industrial Packaging Earnings
2Q09 vs. 1Q09



[1] Excludes trade volume
Earnings before special items

N.A. Industrial Packaging Performance

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- Box shipments up 5.8% vs. prior quarter
- Domestic containerboard prices stabilized
- Continued strong operations combined with cost reduction
- Some input cost pressure – OCC increasing
- Lean inventories

N.A. Industrial Packaging Synergies

Exceeded Year-Three Run Rate

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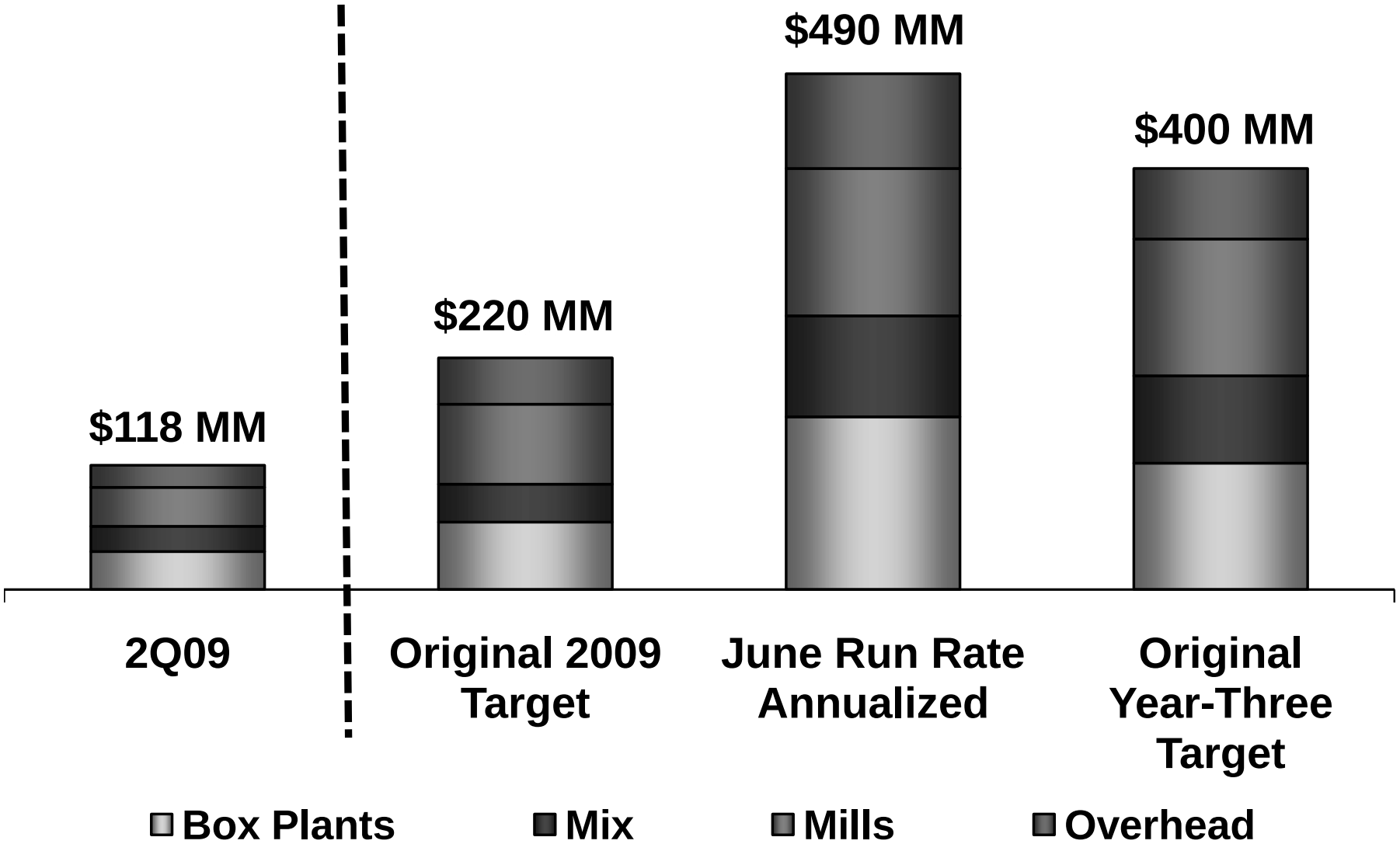
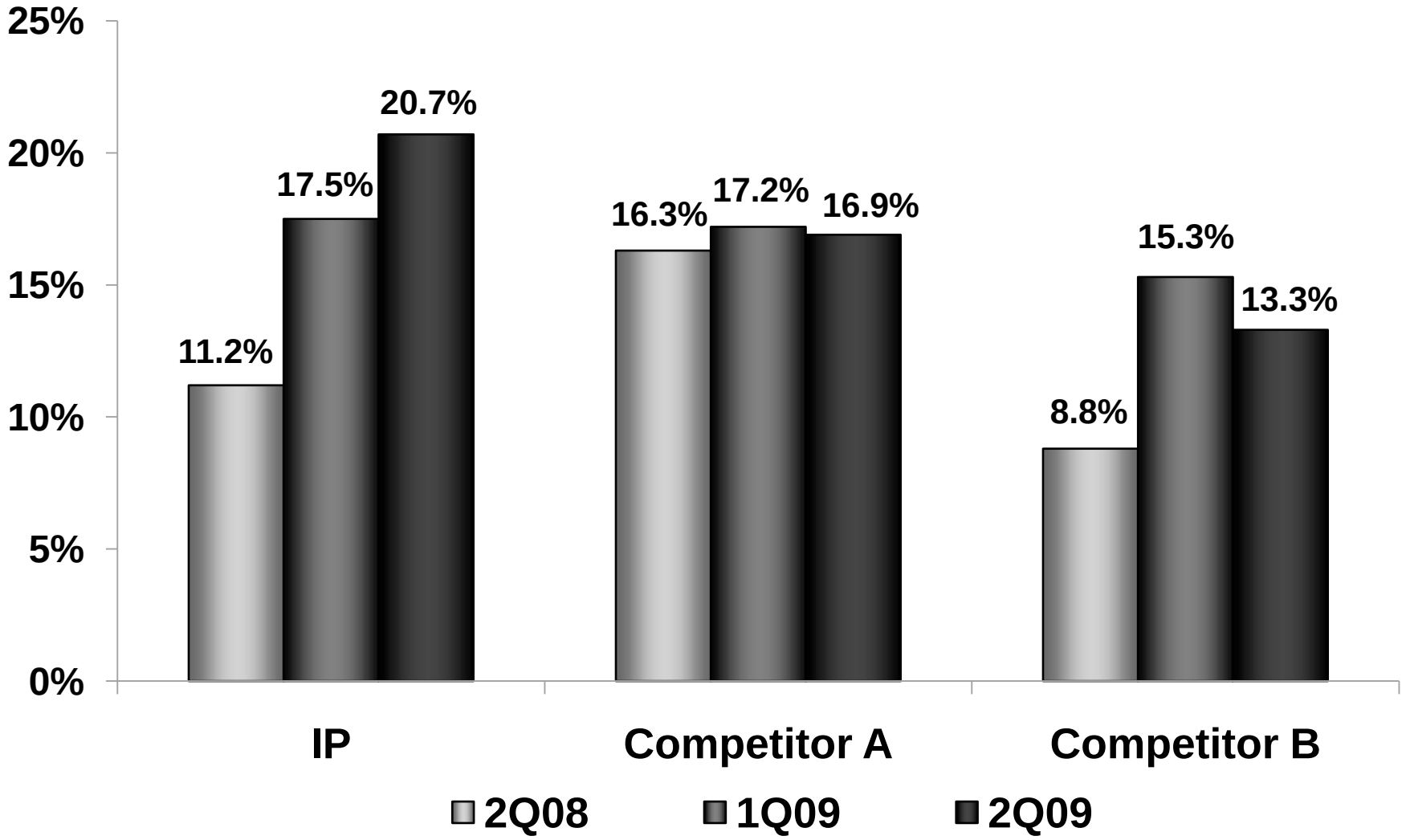
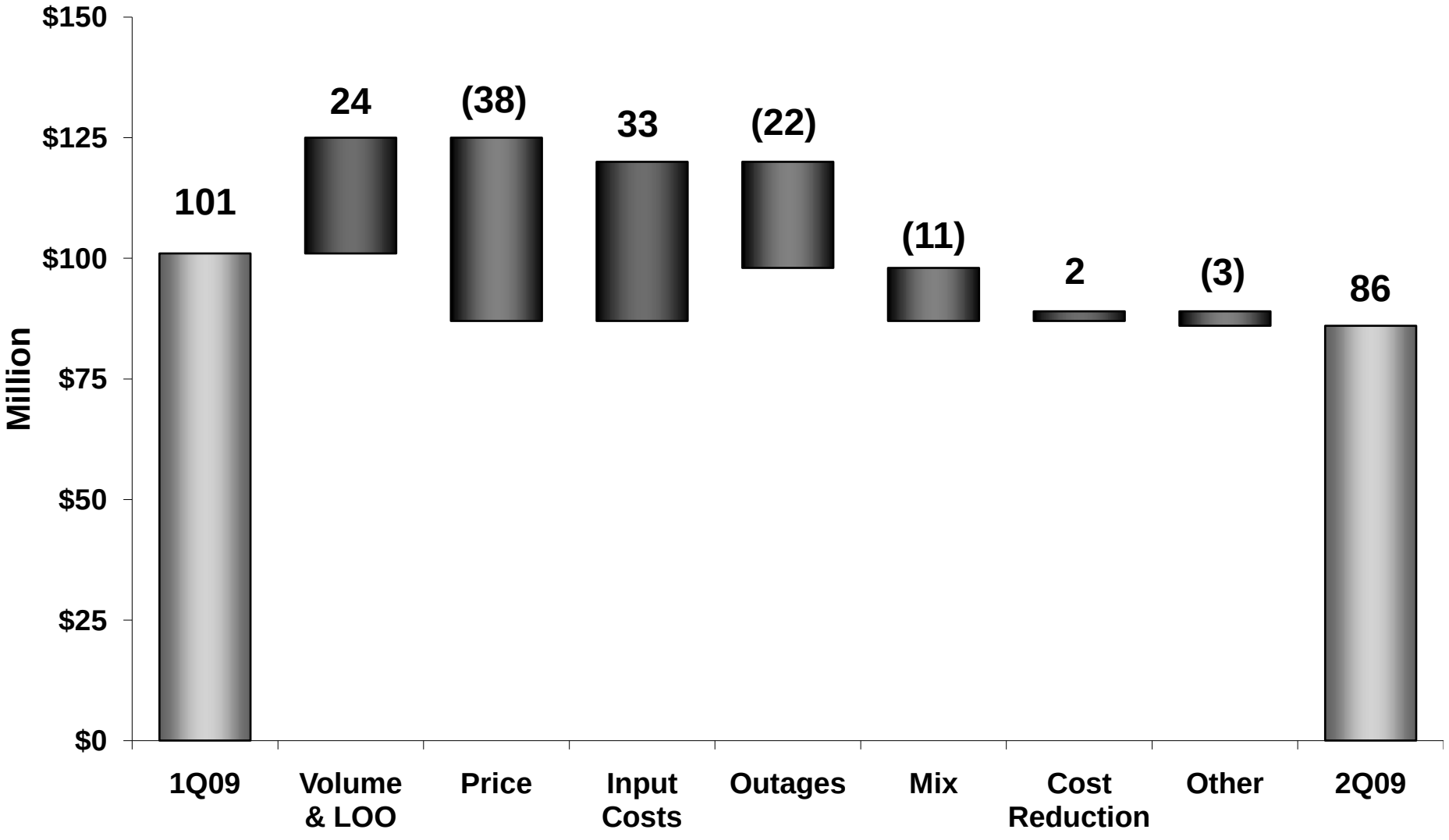


N.A. Industrial Packaging Relative Performance
Outperforming Competitors in 2009



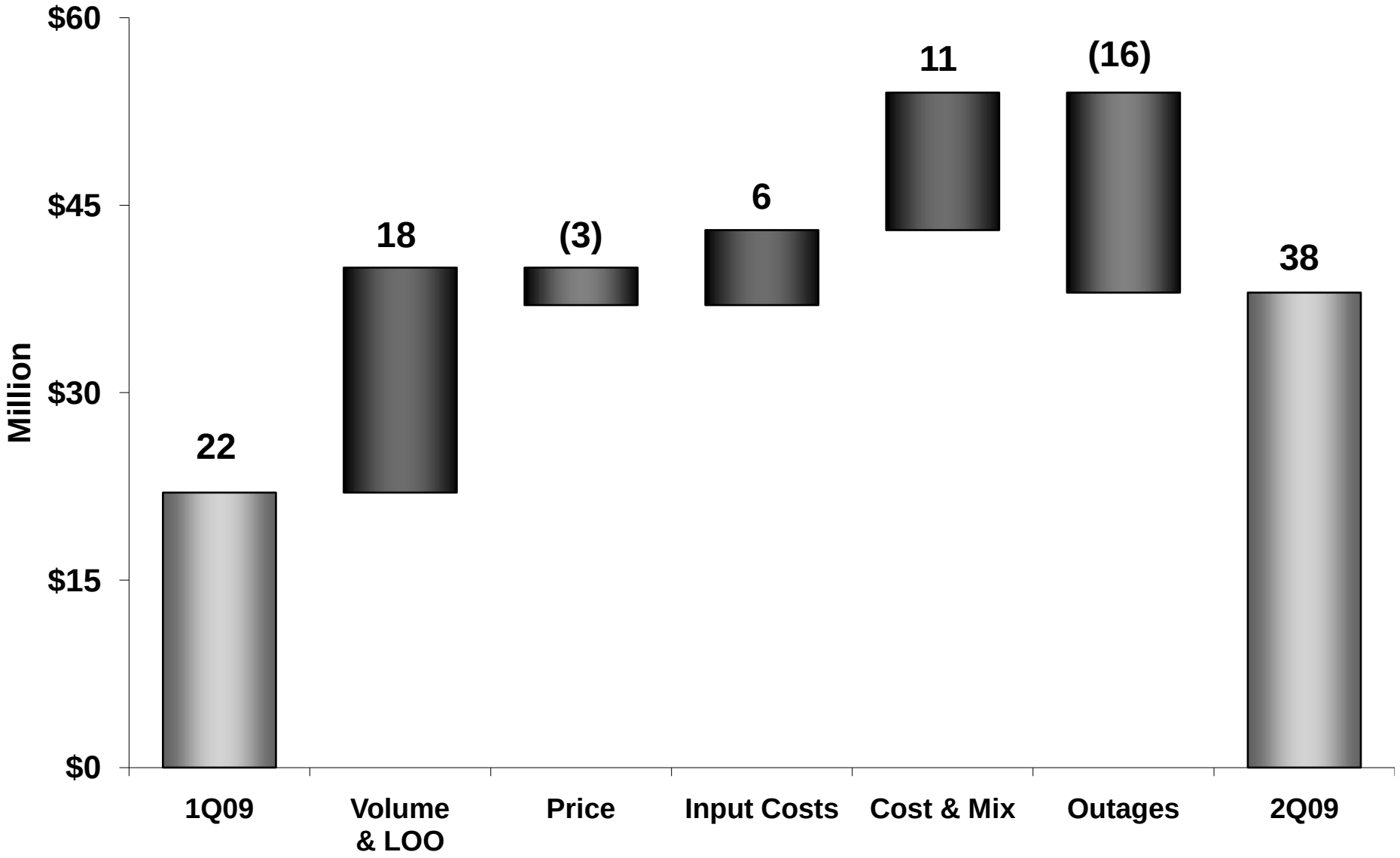
IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Competitor EBITDA margins obtained from public filings and IP analysis

Printing Papers Earnings
2Q09 vs. 1Q09



Earnings Before Special Items

Consumer Packaging Earnings
2Q09 vs. 1Q09



Earnings Before Special Items

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$ Million	2Q08	1Q09	2Q09
Sales	$1,970	$1,590	$1,595
Earnings	$26	($7)	$10

- Unit sales up, but offset by coated paper price deflation
- National accounts segment continues to outperform competition
- Continued cost reductions
  - Position eliminations
  - Warehouse space reduction
  - Inventory reduction

Ilim Joint Venture

$ Million	2Q08	1Q09	2Q09
Sales (100%)	$555	$395	$290
Earnings (IP Share)	$32	($26)	($30)

Business	2Q09 vs. 1Q09		2Q09 vs. 2Q08	
	Volume (000 Metric Tons)	Price / Ton	Volume (000 Metric Tons)	Price / Ton
Pulp	(1%)	($148)	(12%)	($292)
Containerboard	(5%)	($110)	(4%)	($128)

Ilim's results are reported on a one-quarter lag
IP's shares of Ilim's 2Q08, 1Q09 & 2Q09 earnings includes an after-tax foreign exchange gain of $14 million, and after-tax foreign exchange losses of $15 million and $22 million, respectively

International Operations
Highlights

- New Brazilian UFS machine production seven months ahead of ramp-up plan
- Improved mix on Svetogorsk coated paperboard
  - +$200 per ton on 60,000 tons
- Strong performance at Kwidzyn
- Sun JV coated paperboard shipments up 75% over 2Q08 levels

Free Cash Flow

$ Million	2Q08	1Q09	2Q09
Cash from Operations	$576	$649	$707
Alternative Fuel Mixture Tax Credits	-	$145	$688
Cash Provided by Continuing Operations	**$576**	**$794**	**$1,395**
Less Capital Investment	**($267)**	**($128)**	**($131)**
Free Cash Flow	**$309**	**$666**	**$1,264**

Debt Reduction Progress

Projecting $3.2 Billion Minimum Reduction

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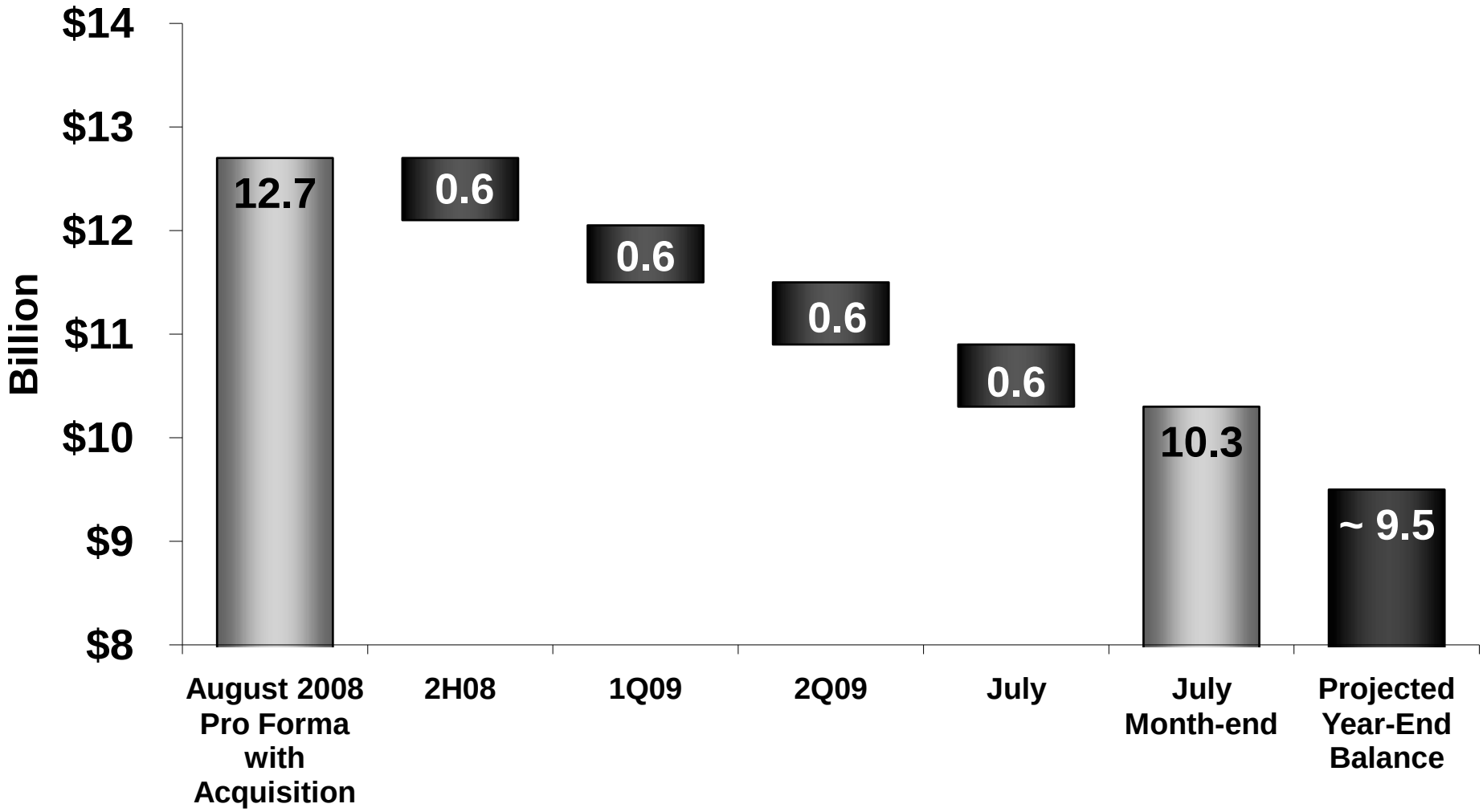
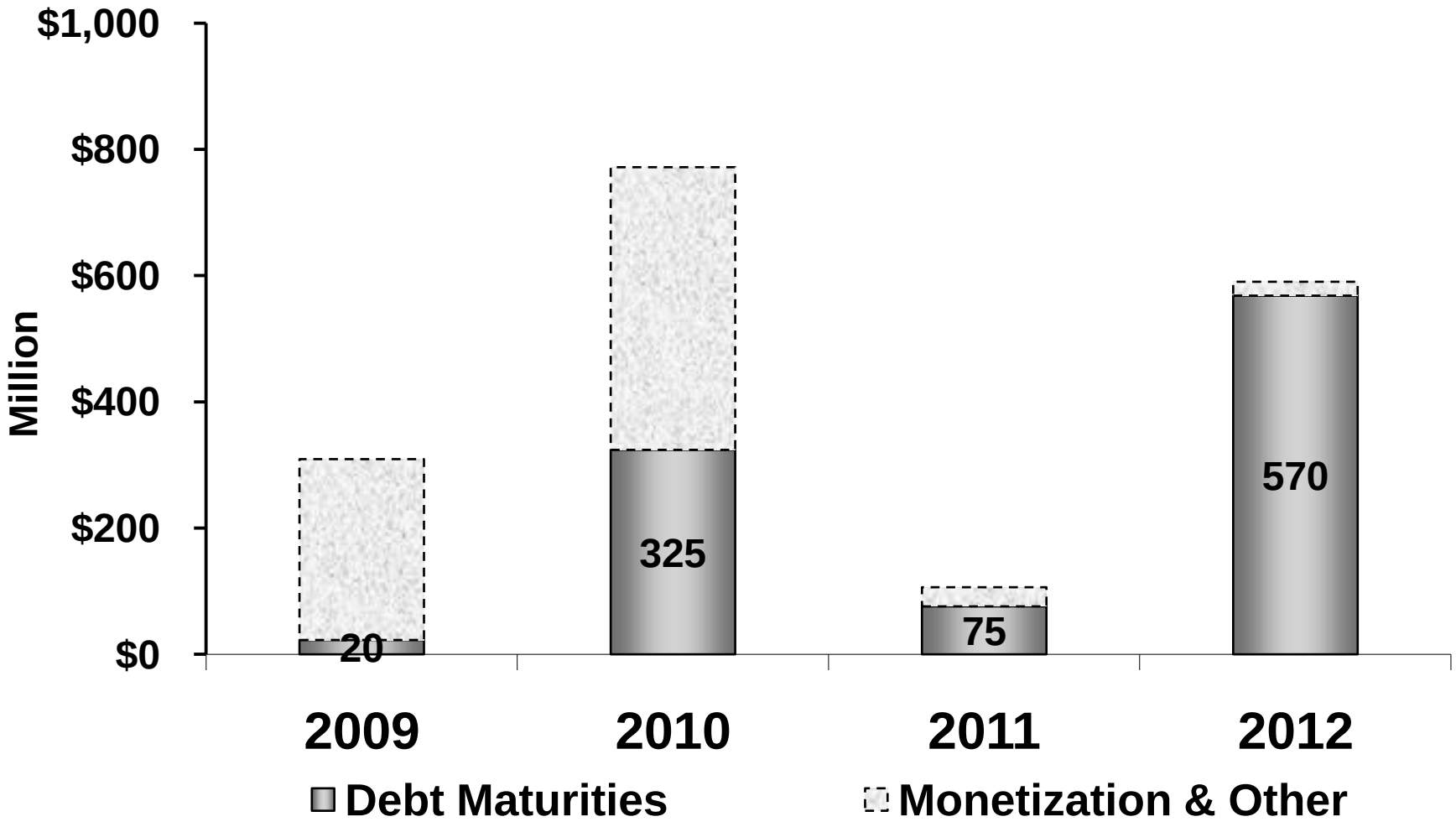


Debt Profile
Maturities as of July Month-end



Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

Second Quarter Summary
Solid Results Despite Recession

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- 180 BPS EBITDA Margin Expansion
- $120 Million in Integration Synergies
- $1.3 Billion Free Cash Flow
- $600 Million Debt Reduction in 2Q plus $600 Million Reduction in July

Third Quarter Outlook
Changes from 2Q09

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		North America		Europe	Brazil	Russia - Svetogorsk	Asia
Volume	Paper	Flat		Flat	Increase	Flat	Flat
	Packaging	Export Increase		Decrease			Increase
Pricing	Paper	Flat		Under Pressure	Flat	Flat	Flat
	Packaging	Decrease		Under Pressure			Increase
Maintenance Outages		$65 Million Decrease		Slight Decrease	Flat	Significant Decrease	
Input & Freight Costs		OCC Up	Flat	Flat	Slight Decrease	Slight Increase	Pulp Up

Ilim Joint Venture	Improved Equity Earnings

Priorities

- **Maximize Free Cash Flow**
- **Match our Supply to our Customers' Needs**
- **Continue Cost Reductions**
- **Continue Debt Reduction**

Appendix

Investor Relations Contacts

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Media Contact

Kathleen Bark	901-419-4333

Special Items Net of Taxes
2Q09

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	$ Million	EPS
Earnings Before Special Items	**$86**	**$0.20**
Special Items Net of Taxes:		
Alternative Fuel Mixture Credits	$294	
Tax Adjustments	($130)	
Etienne Impairment & Severance Costs	($63)	
Overhead Reduction Initiative	($21)	
Debt Extinguishment Costs	($16)	
Integration Costs	($11)	
Other Previously Announced Closures	($3)	
Total Special Items Net of Taxes	**$50**	**$0.12**
Net Earnings	**$136**	**$0.32**

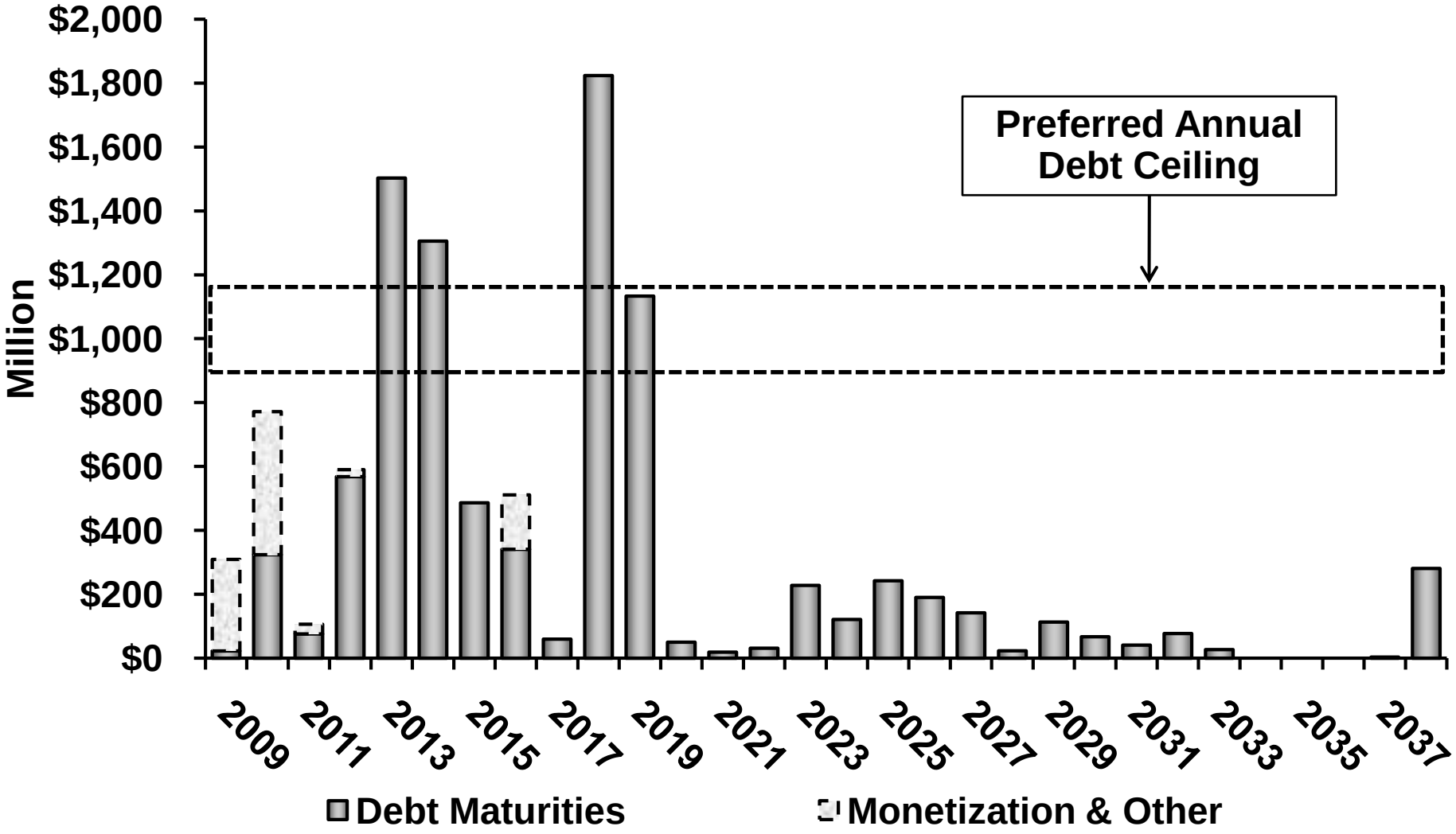
Key Financial Statistics

$ 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	$0.2
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

Debt Maturity Profile

Maturities as of July Month-end



Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

Cash & Committed Facilities
$4.2 Billion

$ Billion	Maturity	Facility	Cost
Quarter-End Cash	-	$1.7	-
$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		$4.2	-

Cost includes commitment fees

[1] $890 million available at quarter-end based on eligible receivable balances

[2] Conduit's rate

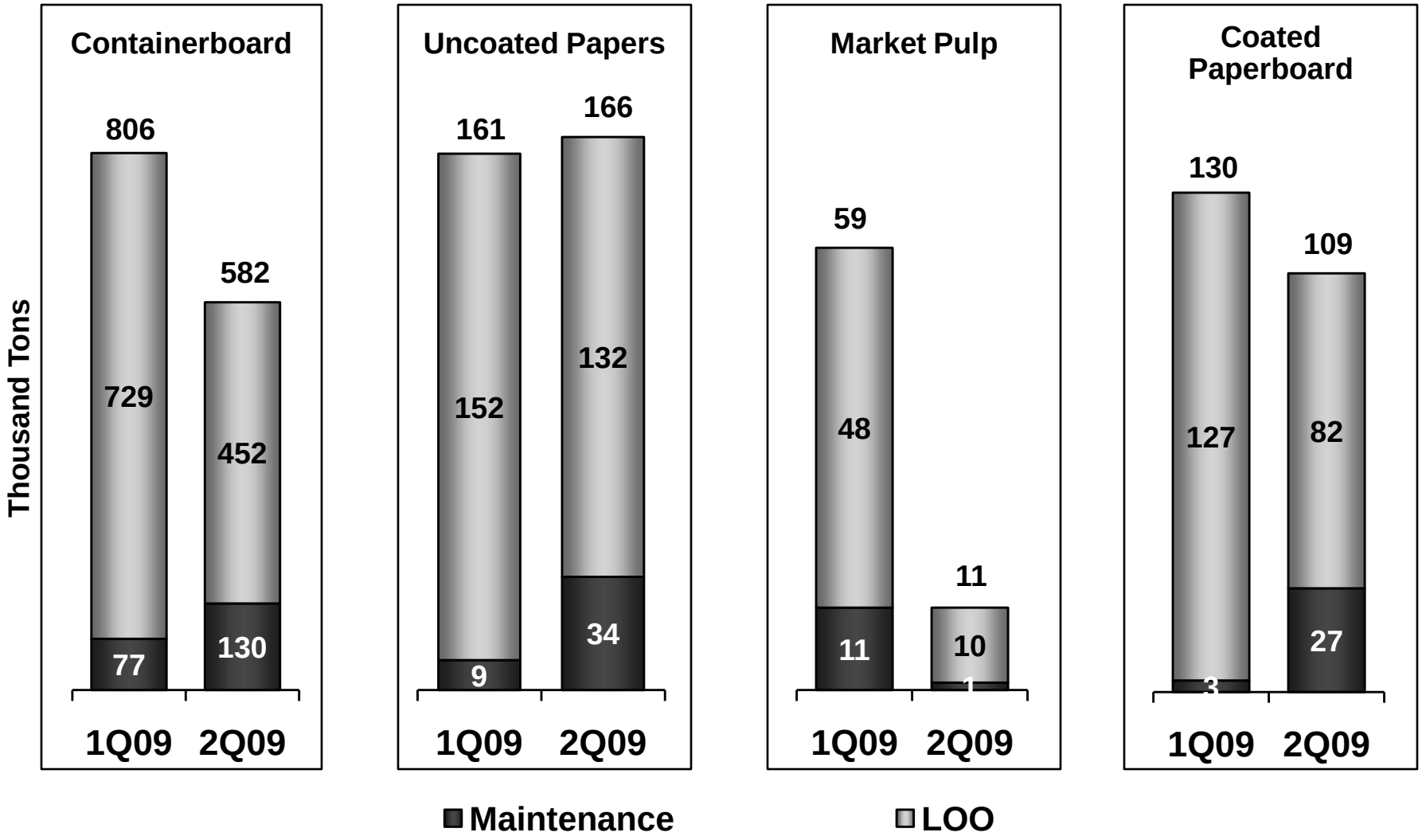
Debt Covenants & Credit Ratings

	Covenant	2Q09
Maximum Debt-to-Total Capital	60%	48.6%
Minimum Consolidated Net Worth	$9B	$11.5B

	Rating	Outlook
Standard & Poor's	BBB	Negative
Moody's	Baa3	Negative

N.A. Lack of Order & Maintenance Downtime

20% of Capacity in 2Q, Down from 27% in 1Q



LOO downtime excludes capacity from mills or machines that have been permanently shutdown (Franklin #3 - 32,000 tons and Louisiana mill - 120,000 tons) or indefinitely shut down (Valliant #3 - 97,000 tons)

Maintenance Outages Expenses

$ Millions	1Q09	2Q09	3Q09E	4Q09E
Industrial Packaging	**$44**	**$46**	**$6**	**$43**
North America	19	33	17	44
Europe	7	19	13	0
Brazil	5	0	3	0
Printing Papers Total	**$31**	**$52**	**$33**	**$44**
Consumer Packaging	**$4**	**$20**	**$11**	**$9**
Total Impact	**$79**	**$118**	**$50**	**$96**

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

Forest Products

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	2Q08	1Q09	2Q09
Sales ($ Million)	$55	$5	$10
Earnings ($ Million)	$41	$2	$3
Acres Sold	30,000	2,000	2,900
Price / Acre	$1,872	$2,108	$2,649

Pending sale of 143,000 acres now expected to close in 4Q09, at the earliest. When that transaction closes, remaining NPV of land portfolio will be $60 - $80 million.

Business Segment Price Realization

	Average Selling Price Realizations		
Industrial Packaging ($/ton)	**2Q08**	**1Q09**	**2Q09**
Containerboard	**$551[1]**	**$551**	**$494**
Corrugated Boxes	**$794[1]**	**$846**	**$818**
Printing Papers ($/ton)	**2Q08**	**1Q09**	**2Q09**
Uncoated Freesheet	**$988**	**$996**	**$959**
Pulp	**$651**	**$538**	**$511**

[1] Estimate based on IP legacy plus WY PKG history

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

Industrial Packaging

	2Q09 vs. 1Q09		2Q09 vs. 2Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Containerboard	**13%**	**($57)**	**(37%)[1]**	**($57)[1]**
N.A. Container	**7%**	**($28)**	**(16%)[1]**	**$24[1]**
European Container	**(1%)**	**(€24)**	**(7%)**	**(€55)**

[1] Estimate based on IP legacy plus WY PKG history
Average IP price realization (includes the impact of mix across all grades)

Printing Papers

	2Q09 vs. 1Q09		2Q09 vs. 2Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**2%**	**($37)**	**(19%)**	**($30)**
N.A. Pulp	**13%**	**($27)**	**(16%)**	**($140)**
European Paper	**(10%)**	**(€16)**	**(11%)**	**(€91)**
Brazilian Paper	**31%**	**($50)**	**11%**	**($59)**

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

Consumer Packaging

	2Q09 vs. 1Q09		2Q09 vs. 2Q08	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	**11%**	**($9)**	**(20%)**	**$84**
	Revenue	Price	Revenue	Price
Converting Businesses	**5%**	**NA**	**(5%)**	**NA**

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

Special Items

Special Items Pre-Tax:		2Q08	1Q09	2Q09
Industrial Packaging	Alternative Fuel Mixture Credits		$208	$208
	Integration Costs		($36)	($18)
	Facility Closure Costs			($63)
Printing Papers	Alternative Fuel Mixture Credits		$240	$197
	Facility Closure Costs		($29)	($4)
Consumer Packaging	Alternative Fuel Mixture Credits		$92	$77
	Reorganization	($13)	($2)	($1)
Corporate	Restructuring & Other Charges		($52)	($59)
	Sale of Forestlands	$3		
Total Special Items Pre-Tax		**($10)**	**$421**	**$337**

2Q09 EBITDA
before Special Items

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	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA $ per Ton	EBITDA Margin %
Industrial Packaging					
North American[1]	$241	$164	3,056	$133	20.7%
European	$14	$9	268	$86	9.6%
Printing Papers					
North American[2]	$61	$53	719	$159	16.5%
European & Russian	$16	$19	332	$105	11.3%
Brazilian	$23	$29	234	$222	23.9%
U.S. Market Pulp	($14)	$9	263	($15)	(3.5%)
Consumer Packaging					
U.S. Coated Paperboard	$11	$30	318	$129	11.7%

[1] Includes Recycling & Saturating Kraft businesses
[2] Includes Bleached Kraft business

Operating Profits by Industry Segment

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$ Million	2Q08	1Q09	2Q09
Industrial Packaging	$87	$188	$255
Printing Papers	$226	$101	$86
Consumer Packaging	$26	$22	$38
Distribution	$26	($7)	$10
Forest Products	$41	$2	$3
Operating Profit	**$406**	**$306**	**$392**
Net Interest Expense	($81)	($164)	($173)
Noncontrolling Interest / Equity Earnings Adjustment	$8	$6	$8
Corporate Items	($21)	($51)	($44)
Special Items	($10)	$421	$337
Earnings from continuing operations before income taxes, equity earnings & minority interest	**$302**	**$518**	**$520**
Equity Earnings, net of taxes - Ilim	**$32**	**($26)**	**($30)**

Geographic Business Segment Operating Results
from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	2Q08	1Q09	2Q09	2Q08	1Q09	2Q09
Industrial Packaging						
North American	$1,060	$1,885	$1,955	$65	$175	$241
European	$315	$240	$240	$20	$13	$14
Asian	$95	$55	$75	$2	$0	$0
Printing Papers						
North American	$880	$705	$685	$125	$84	$61
European	$445	$325	$315	$39	$25	$16
Brazilian	$255	$170	$215	$51	$20	$23
U.S. Market Pulp	$205	$125	$135	$11	($28)	($14)
Asian	$5	$0	$10	$0	$0	$0
Consumer Packaging						
North American	$625	$530	$565	$13	$4	$17
European	$75	$70	$80	$8	$14	$14
Asian	$95	$115	$125	$5	$4	$7
Distribution	$1,970	$1,590	$1,595	$26	($7)	$10

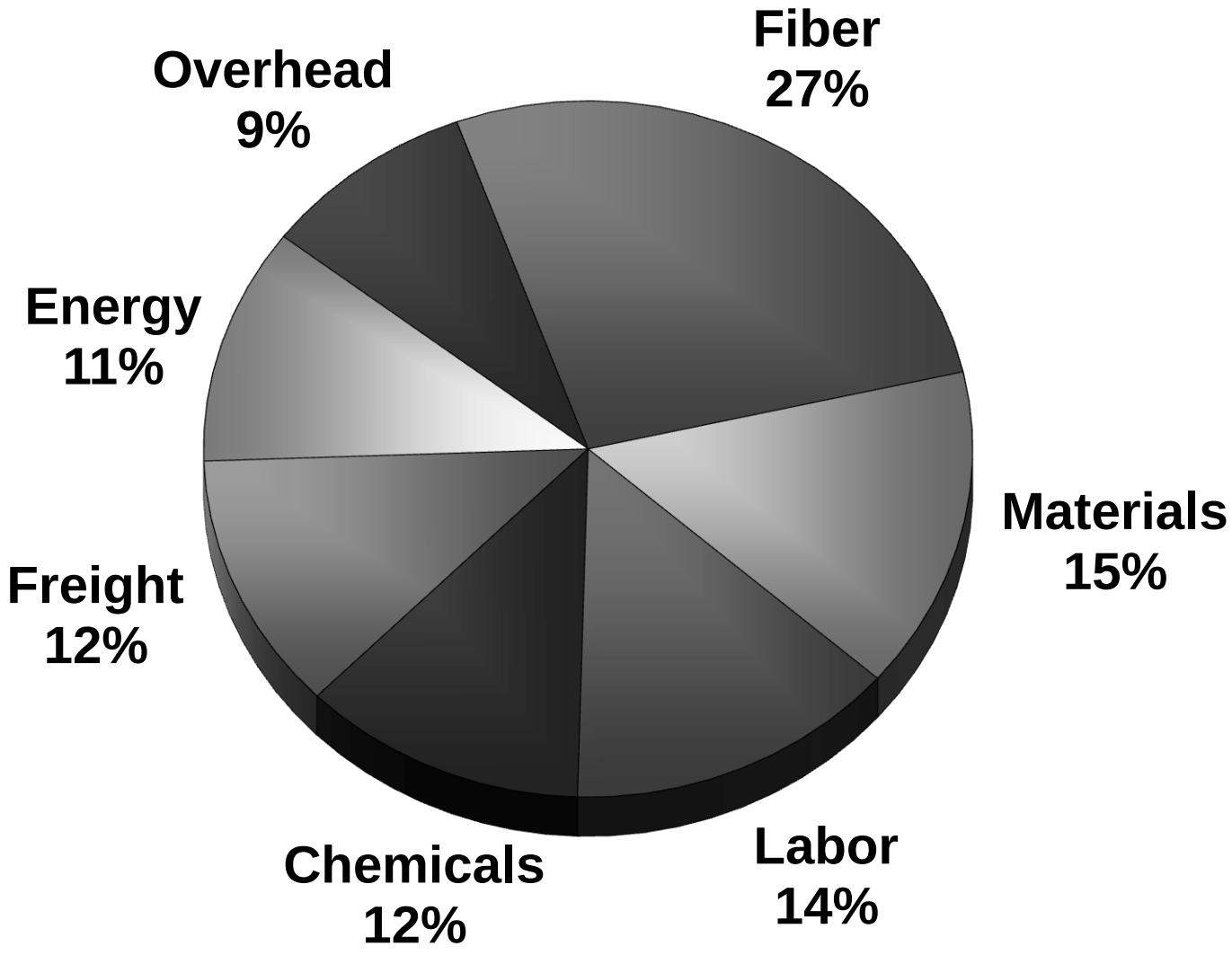
Excludes Forest Products

2009 Earnings

	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	33%	423	$0.08
2Q09	$183	($61)	($4)	($32)	$86	33%	425	$0.20
Special Items								
1Q09	$421	($198)	$0	$0	$223	47%	423	$0.53
2Q09	$337	($287)	$0	$0	$50	85%	425	$0.12
Earnings								
1Q09	$518	($230)	($4)	($27)	$257	44%	423	$0.61
2Q09	$520	($348)	($4)	($32)	$136	67%	425	$0.32

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

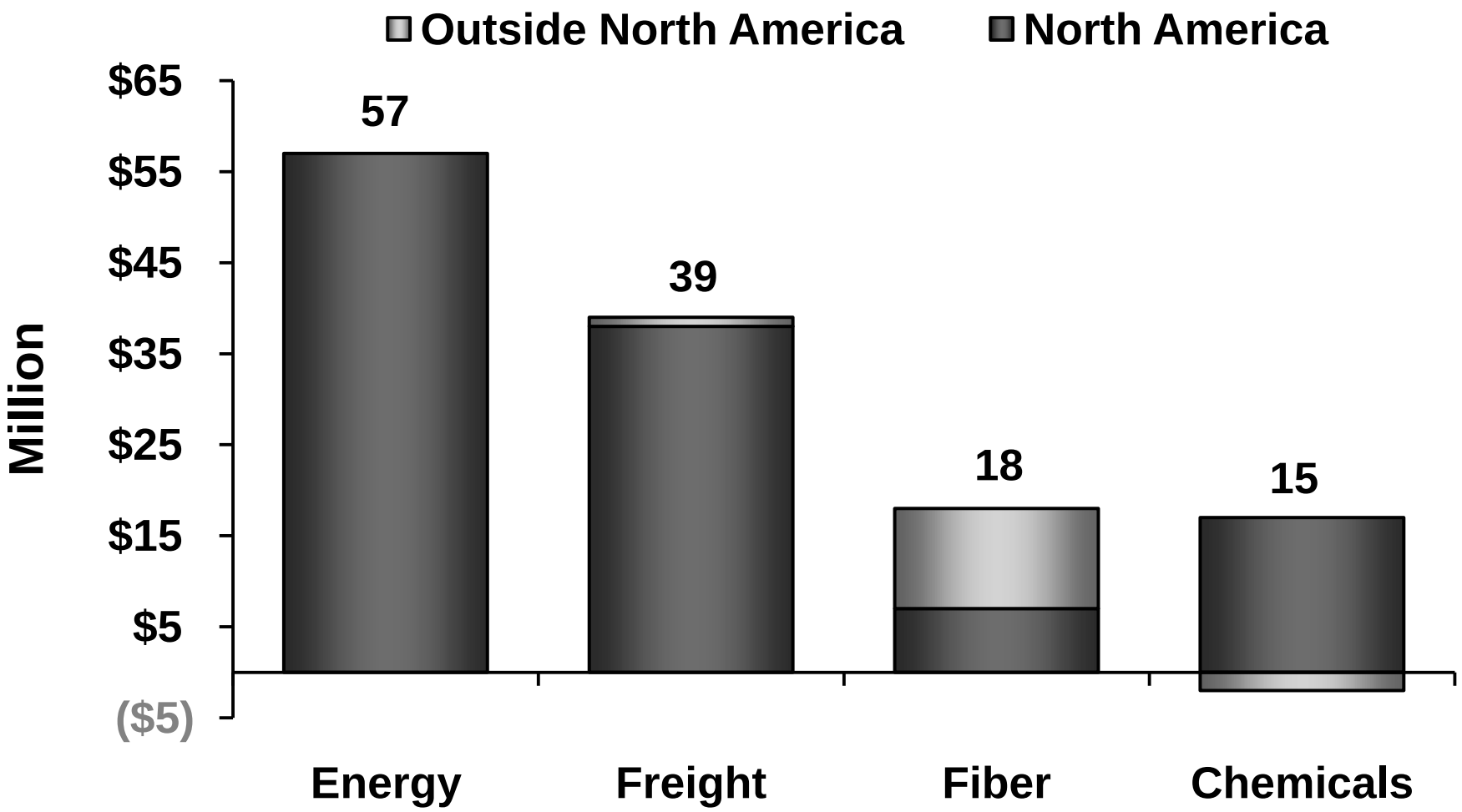
Total Cash Cost Components
2Q09



North American Mills Only

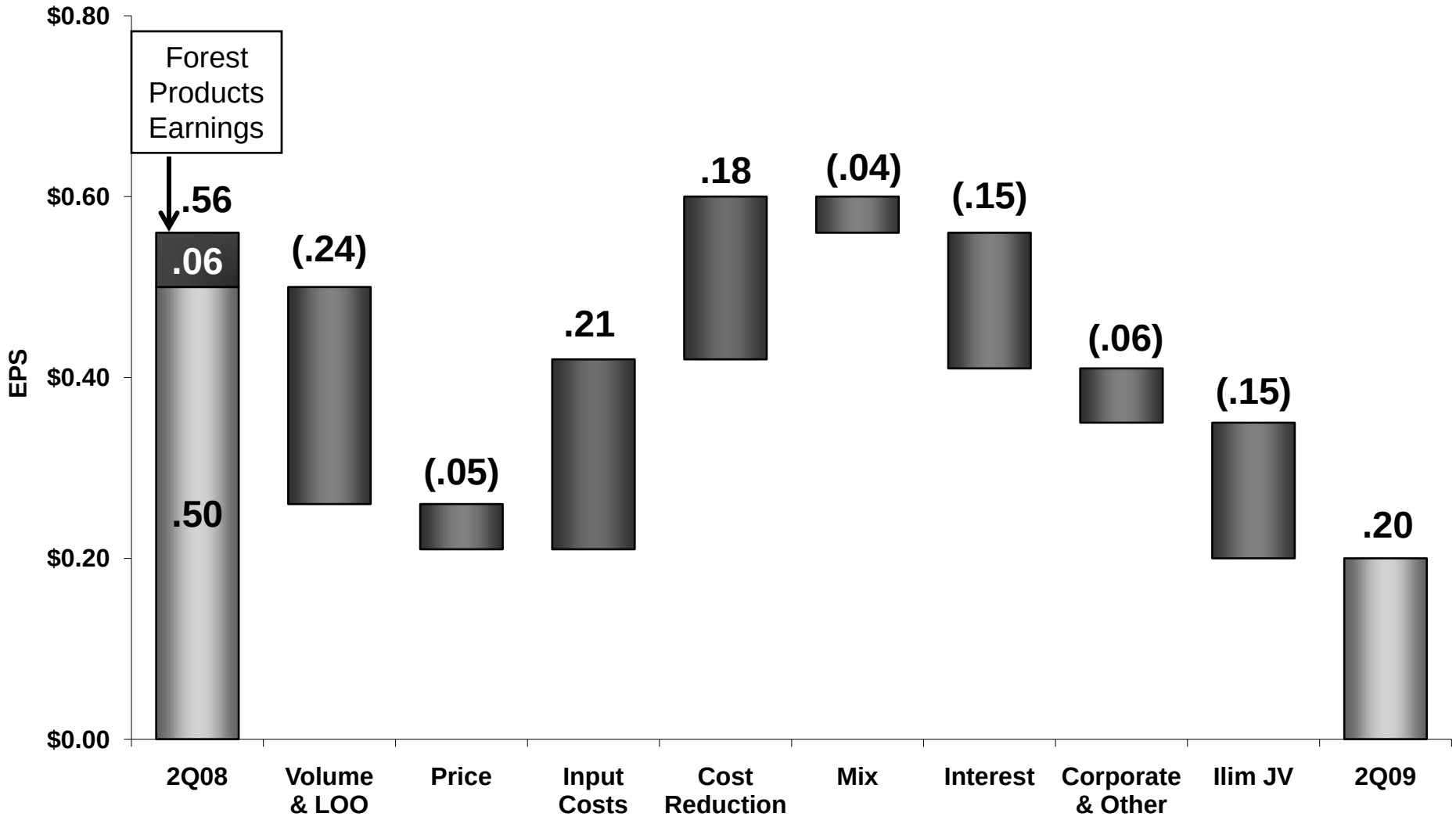
Global Input & Freight Costs by Input

$129MM, or $0.21/Share Favorable Impact vs. 2Q08



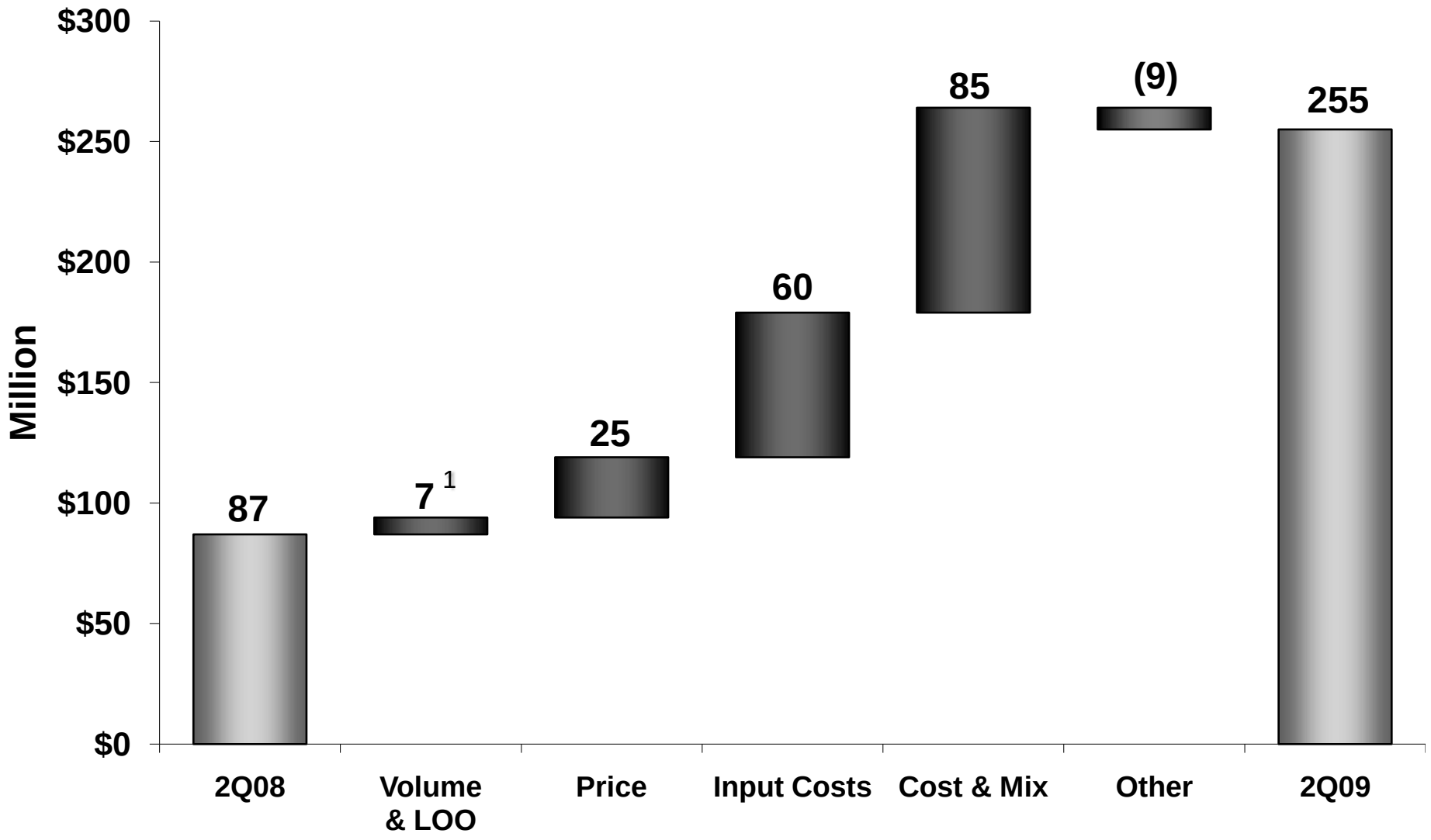
Input costs for continuing businesses; does not include WY PKG

2Q09 vs. 2Q08 EPS



Earnings from continuing operations before special items; volume includes earnings from WY PKG

Industrial Packaging Earnings
2Q09 vs. 2Q08



[1] Excludes trade volume and includes WY PKG earnings

Earnings Before Special Items

Printing Papers Earnings
2Q09 vs. 2Q08

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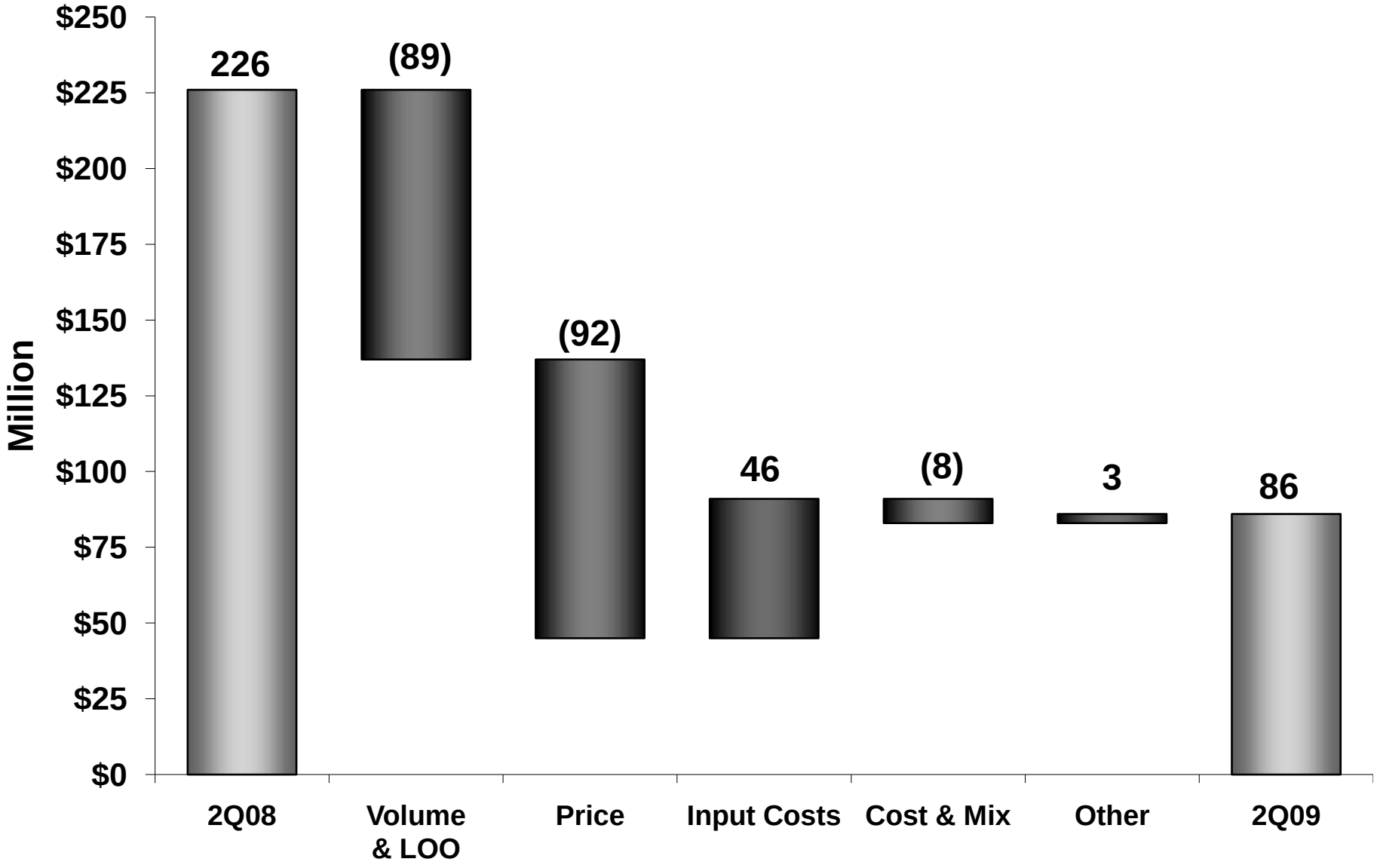
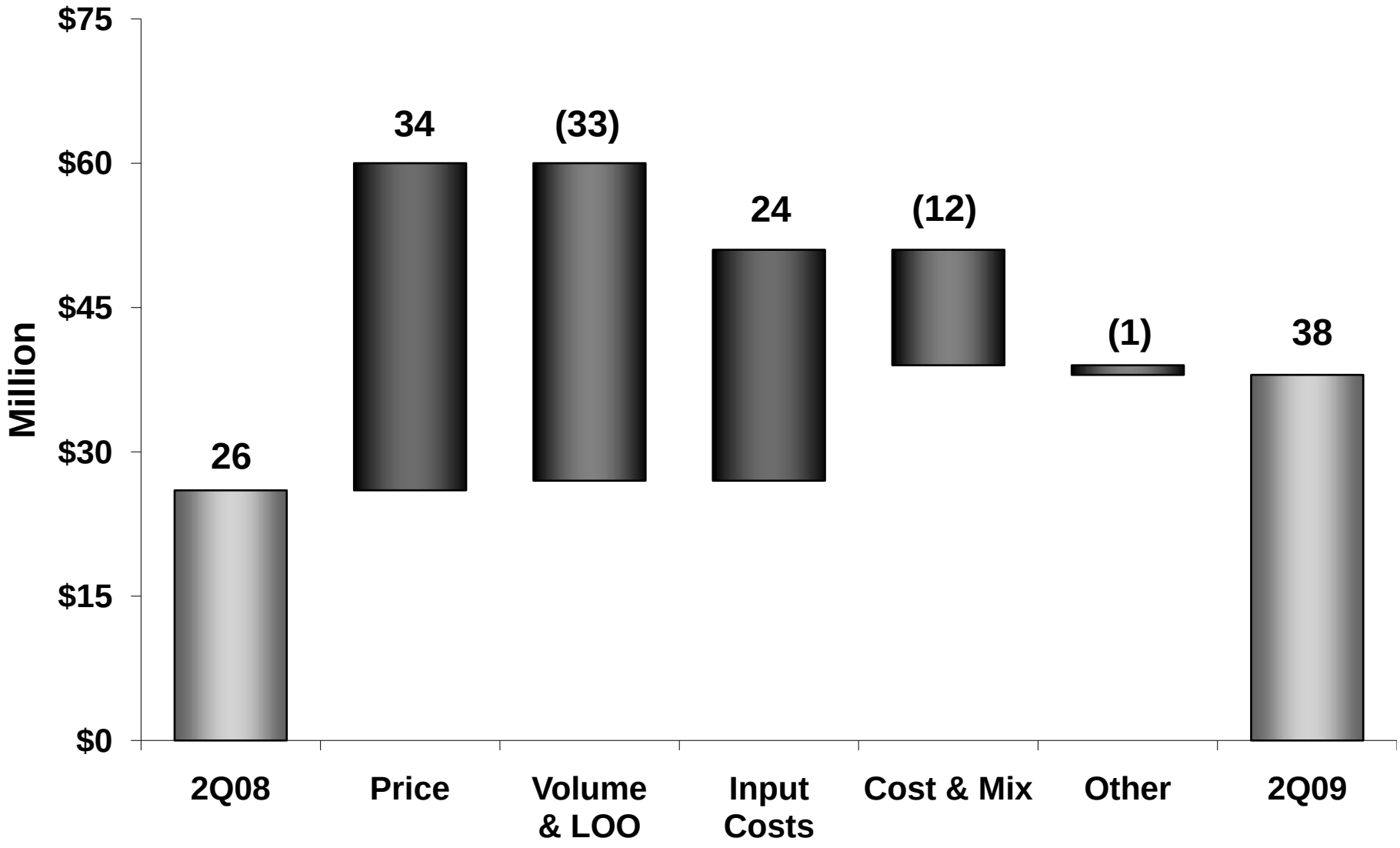


Earnings Before Special Items

Consumer Packaging Earnings
2Q09 vs. 2Q08



Earnings Before Special Items

Natural Gas Costs

28% Decrease vs. 1Q09 Average Cost

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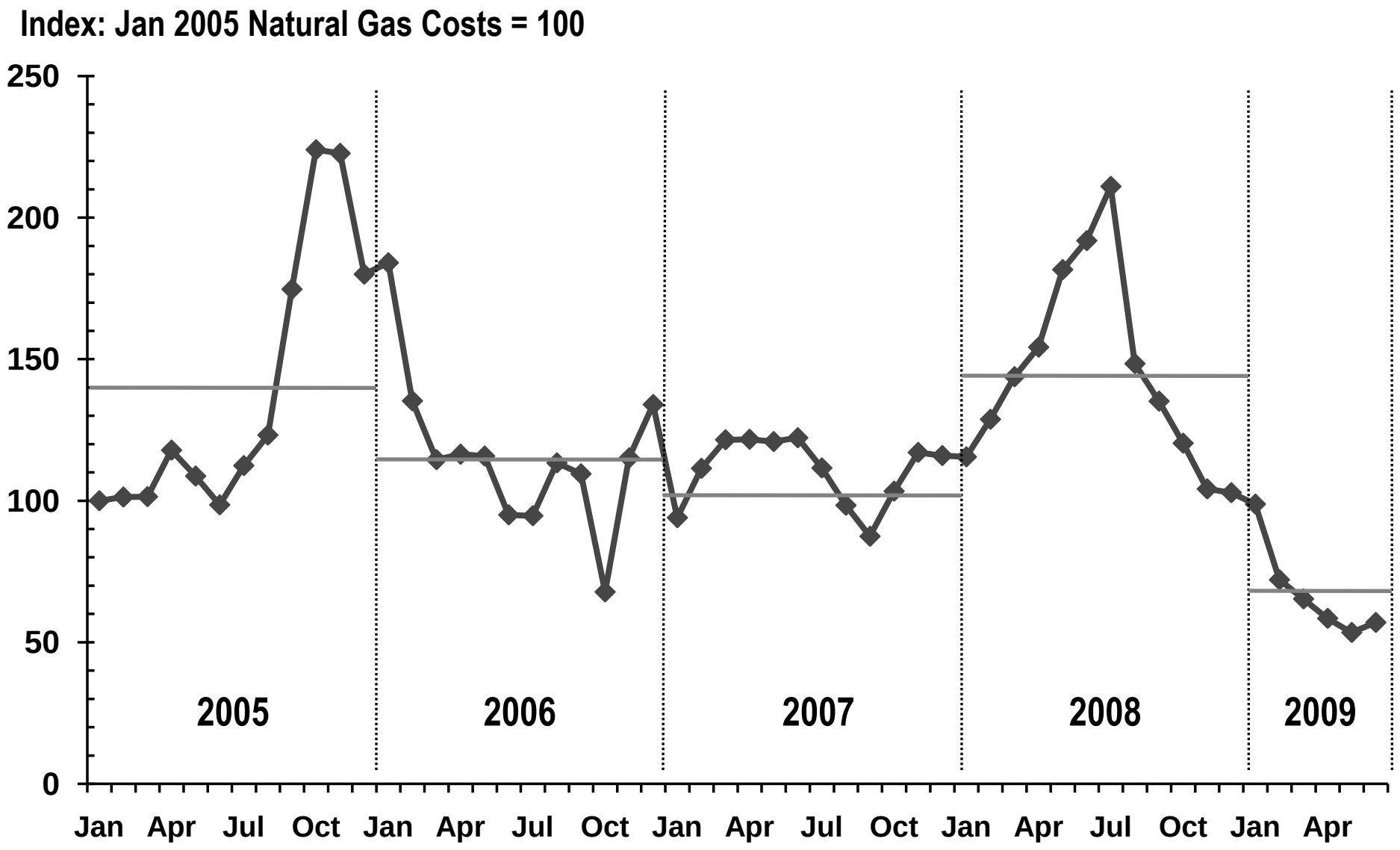

NYMEX Natural Gas closing prices

U.S. Mill Wood Costs

6% Decrease vs. 1Q09 Average Cost

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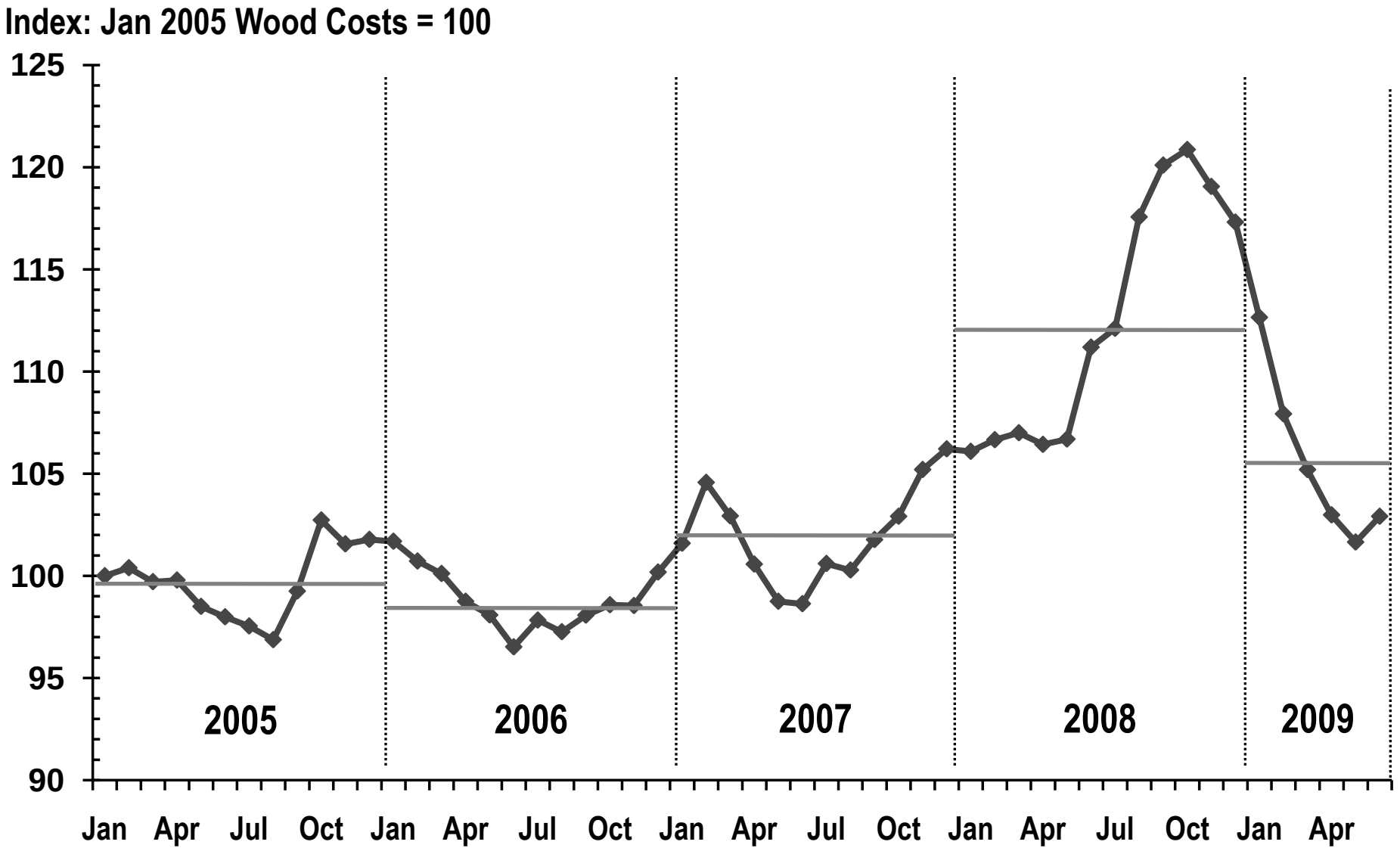

Delivered cost to U.S. facilities

U.S. Fuel Oil

32% Increase vs. 1Q09 Average Cost

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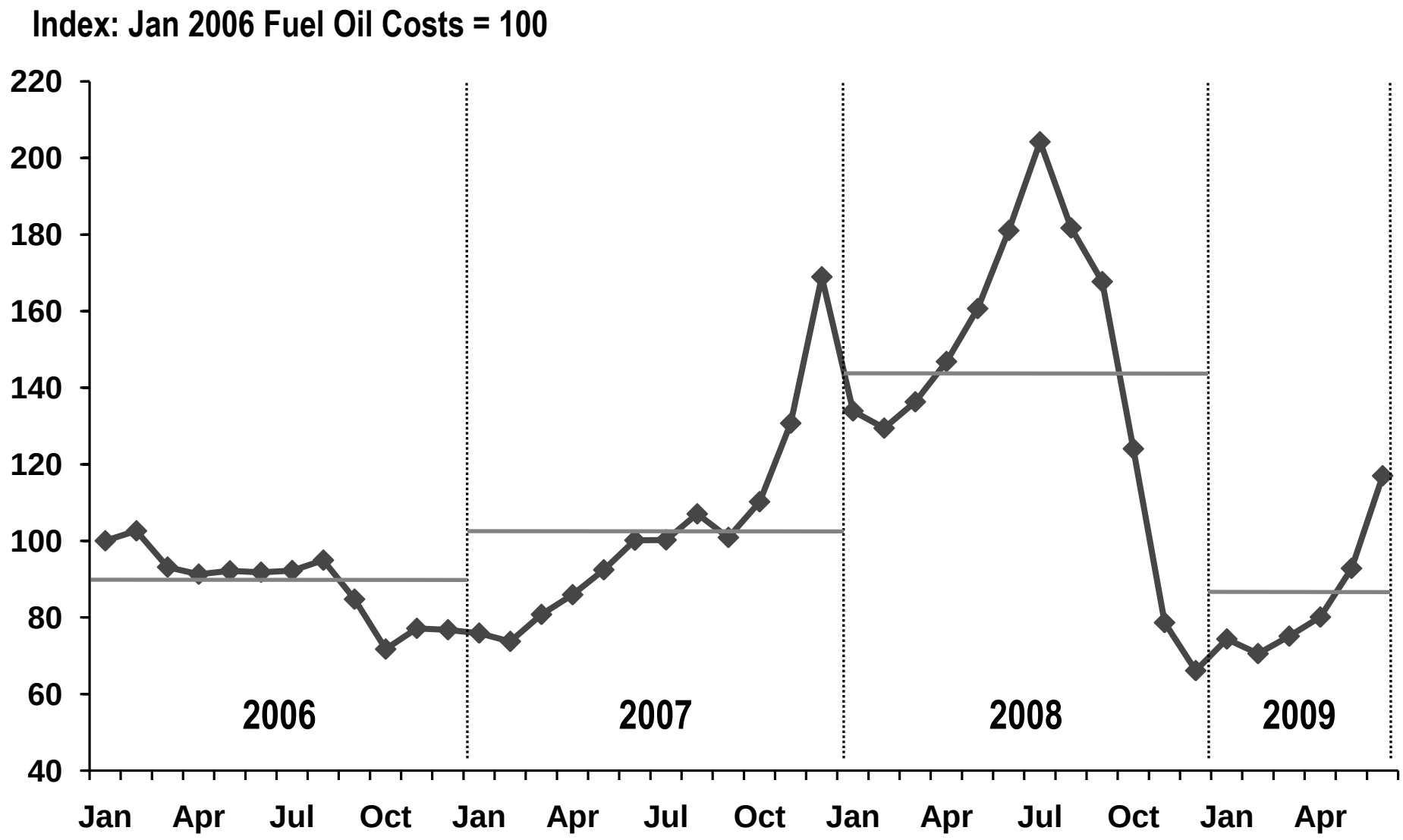

Delivered cost to U.S. facilities

U.S. Chemical Composite Index
20% Decrease vs. 1Q09 Average Cost

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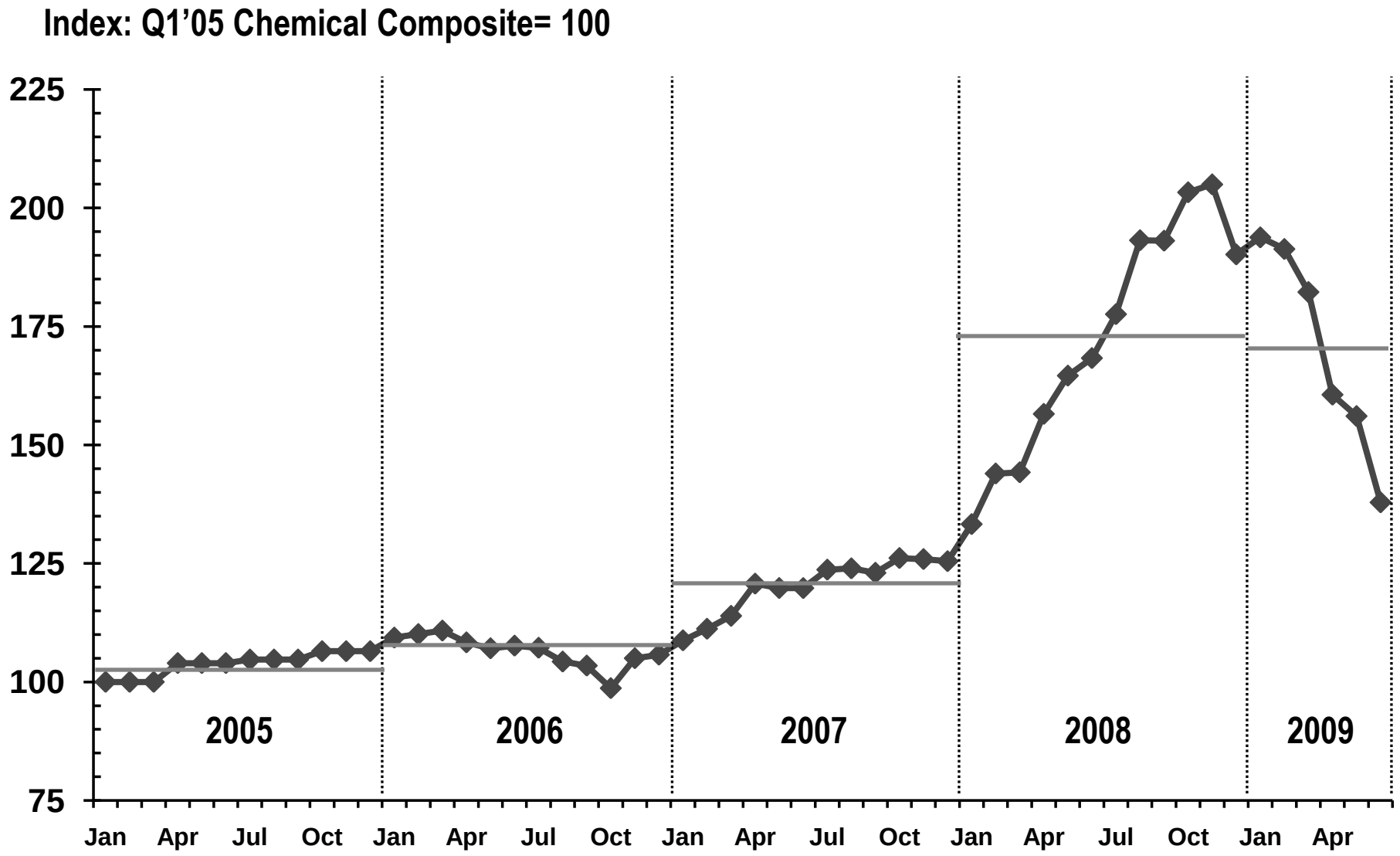

Delivered cost to U.S. facilities; includes Caustic Soda, Sodium Chlorate, Starch and Sulfuric Acid
2005 - 2008 excludes WY PKG

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