

INTERNATIONAL PAPER

UBS Global Paper and Forest Products Conference

Recovering from the downturn: industry challenges and opportunities

September 16, 2009



John V. Faraci
Chairman &
Chief Executive 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

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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.

Economic Recession

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Economic Recession

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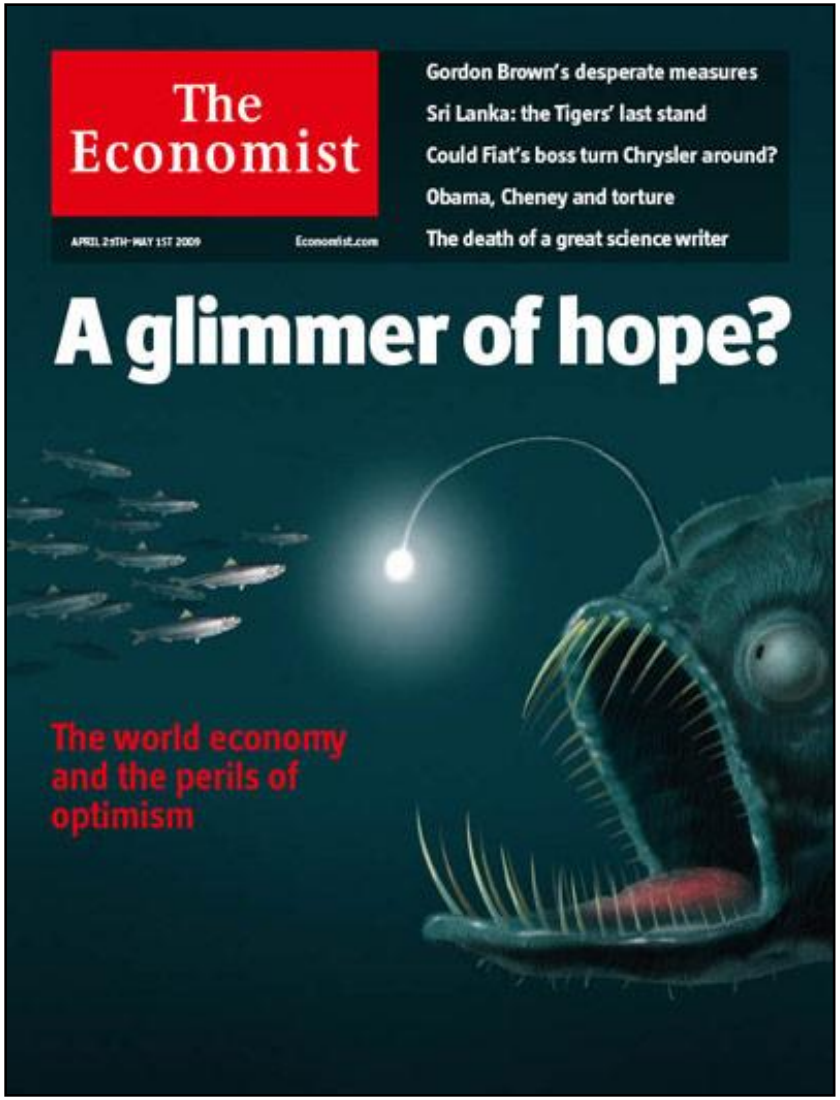

Agenda

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1) Improved Strategic Position

2) 1H09 Review

3) Emerging Market Operations

4) Cash Generation

5) Cash Allocation

6) Potential Opportunities

IP Transformation
Improved IP's Strategic Position

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- **More Focused – Global Paper & Packaging**
- **Reduced Capital Intensity**
- **Stronger Businesses**
- **More Global**
- **Lower Cost**
- **More Profitable**
- **More Sustainable Cash Flow**

1H09 Review
Maximizing Cash and Reducing Debt

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Execution

- Matching our Production to Customers' Needs
- Driving Integration Synergies
- Reducing Overhead Expenses
- Cost Reduction Programs

Environment

- Weak Demand
- Input Cost Relief

Exceptional Free Cash Flow

$1.9 Billion YTD Debt Reduction

1H09 Financial Snapshot

Solid Results Despite Challenging Economy

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$ Billion	1H08	1H09
Sales	$11.5	$11.5
EBITDA	$1.3	$1.3
EBITDA Margin	11.4%	11.6%
Free Cash Flow[1]	$0.5	$1.9
Cash Balance at June 30	$1.0[2]	$1.7

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

[1] Cash provided by continuing operations less capital expenditures; includes alternative fuel mixture tax credits

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

N.A. Lack of Order & Maintenance Downtime

24% of Capacity in 1H09

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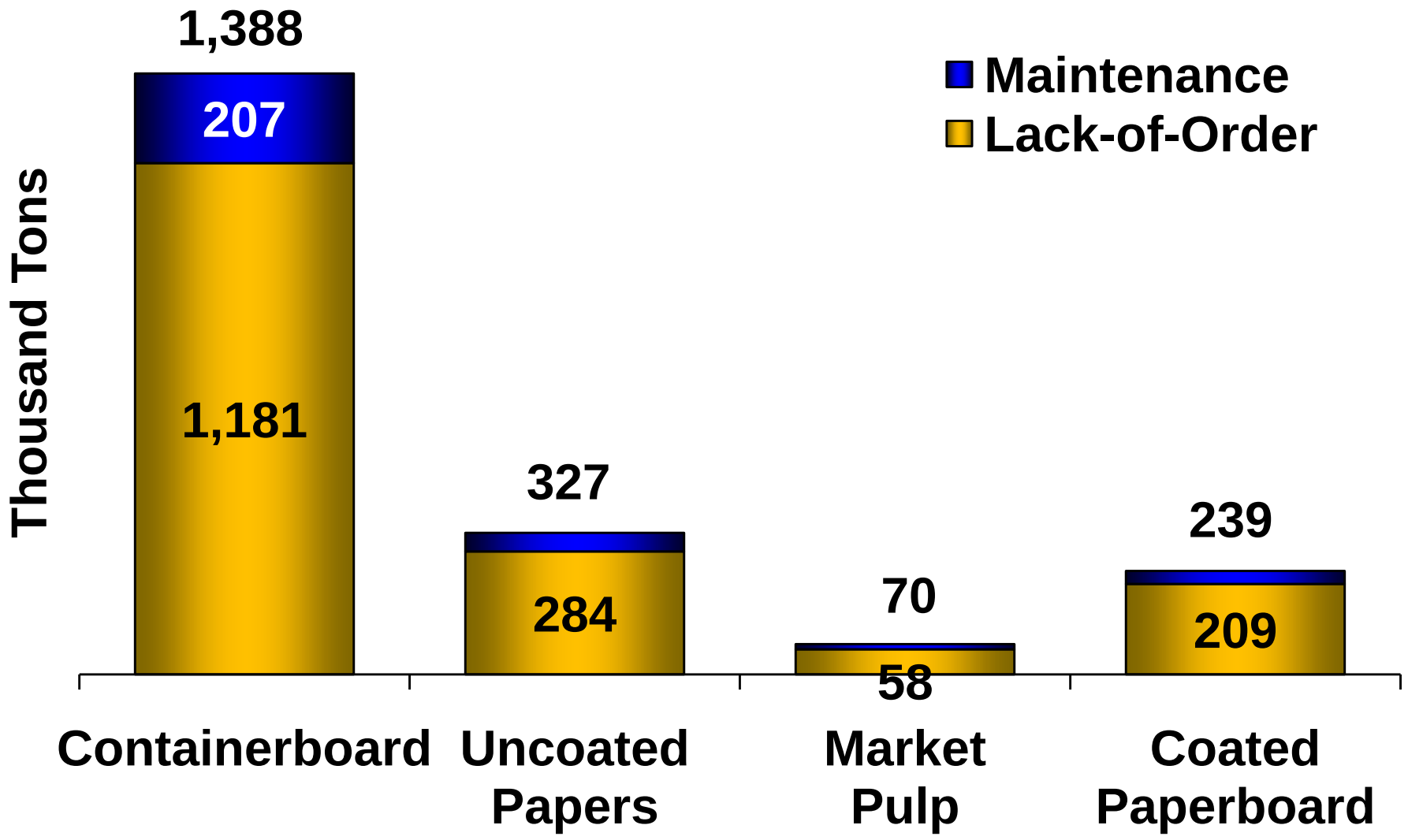

LOO downtime excludes capacity from mills or machines that have been permanently shutdown (Franklin #3 - 32,000 tons and Louisiana mill - 120,000 tons) or indefinitely shut down (Valliant #3 - 97,000 tons)

North American Industrial Packaging

Industry-Leading Margins

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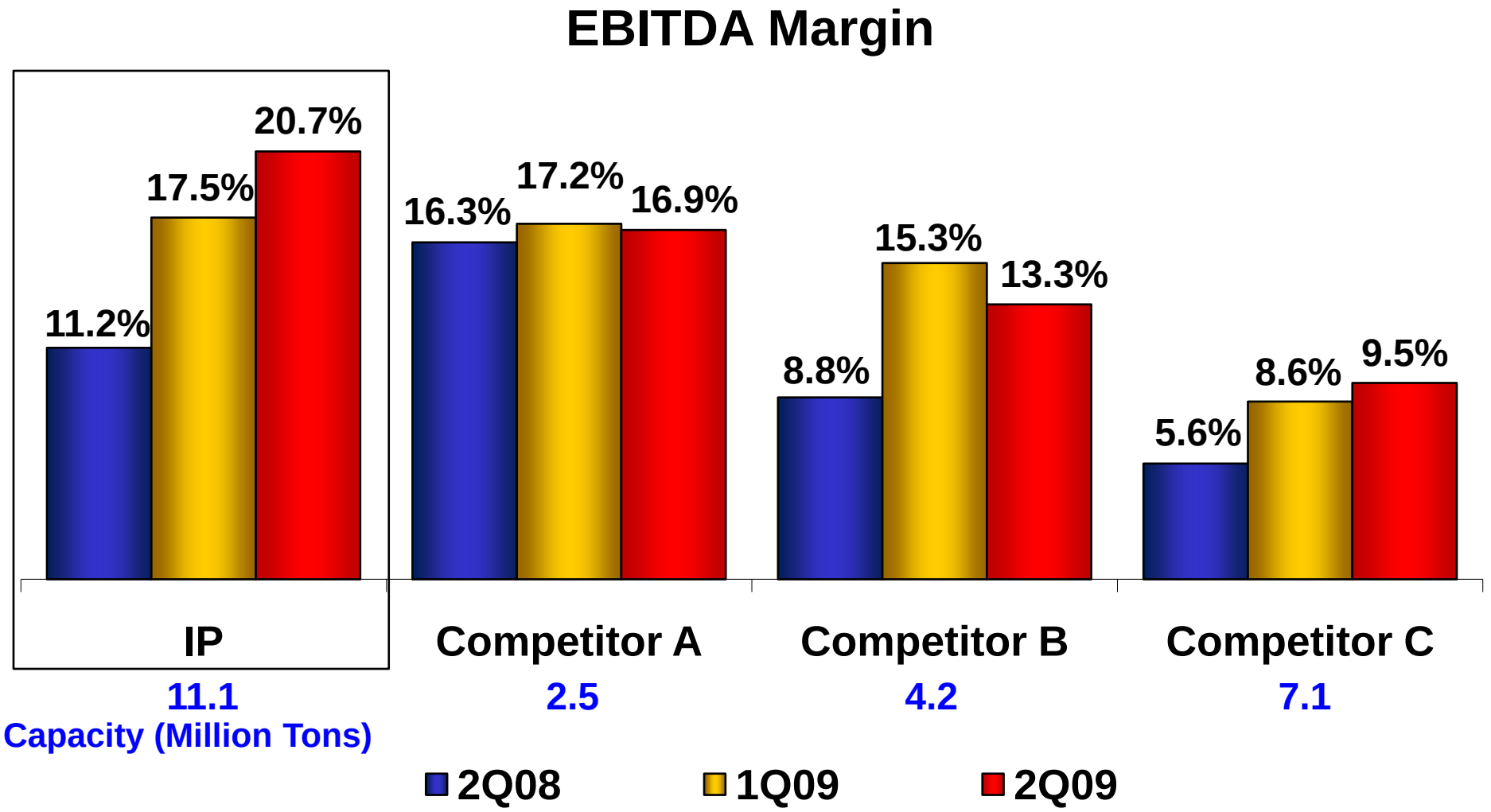

Source: Earnings calls, press releases, public filings, IP analysis
EBITDA based on operating profit before special items
EBITDA margin equals EBITDA divided by sales

Increasing Free Cash Flow

Industrial Packaging Integration Synergies

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Category	Amount ($ Million)
Reduce Salaried Headcount	$200
Optimize Mill & Box Plants	$120
Improve Box Margins	$105
Reduce Mill Freight	$40
Rationalize Box Plants	$35
Total Forecasted Synergies	> $500

Does not include $90 million in procurement savings

North American Printing Papers
Industry-Leading Margins

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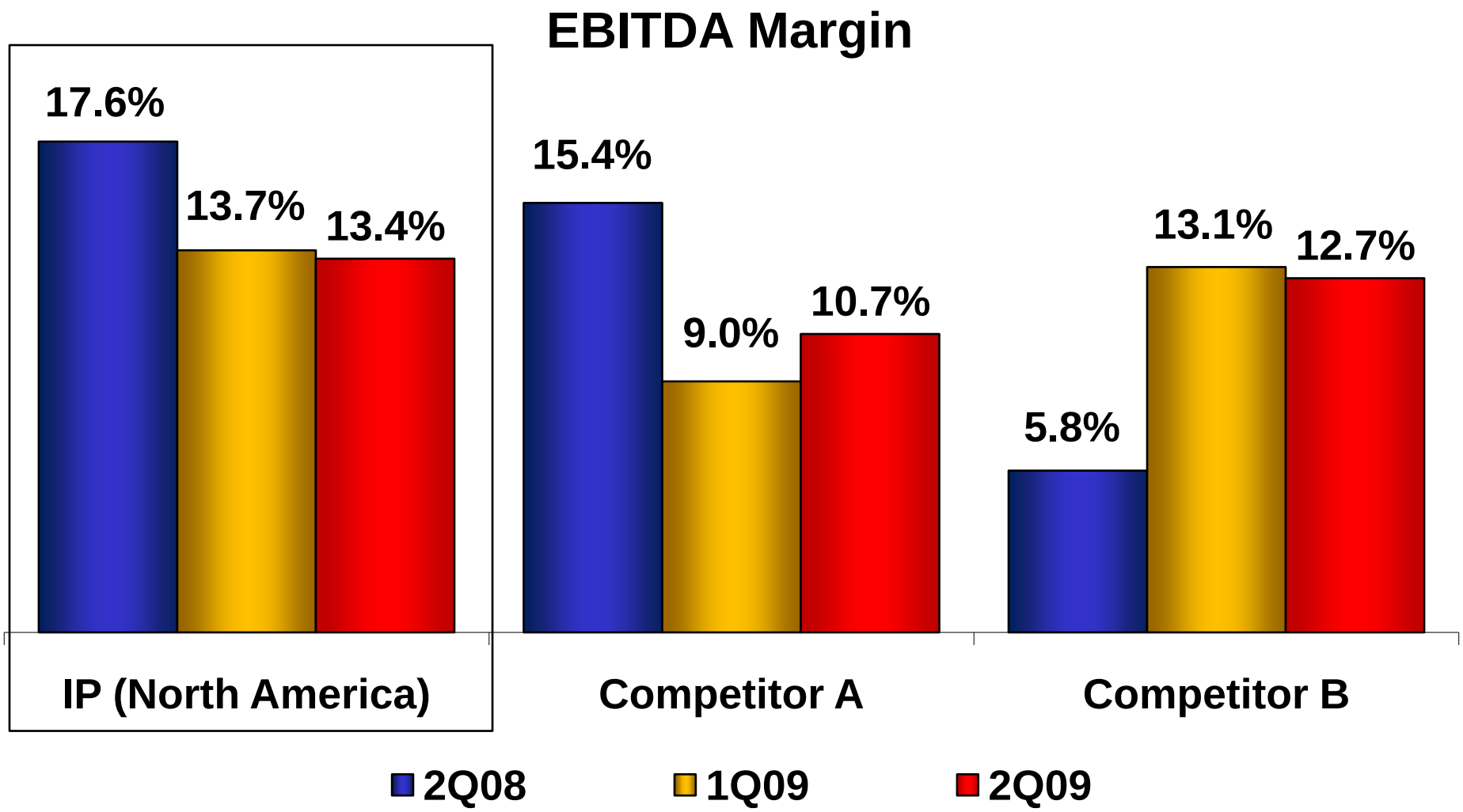

Source: Earnings calls, press releases, public filings, IP analysis
EBITDA based on operating profit before special items
EBITDA margin equals EBITDA divided by sales

North American Coated Paperboard

Industry-Leading Margins

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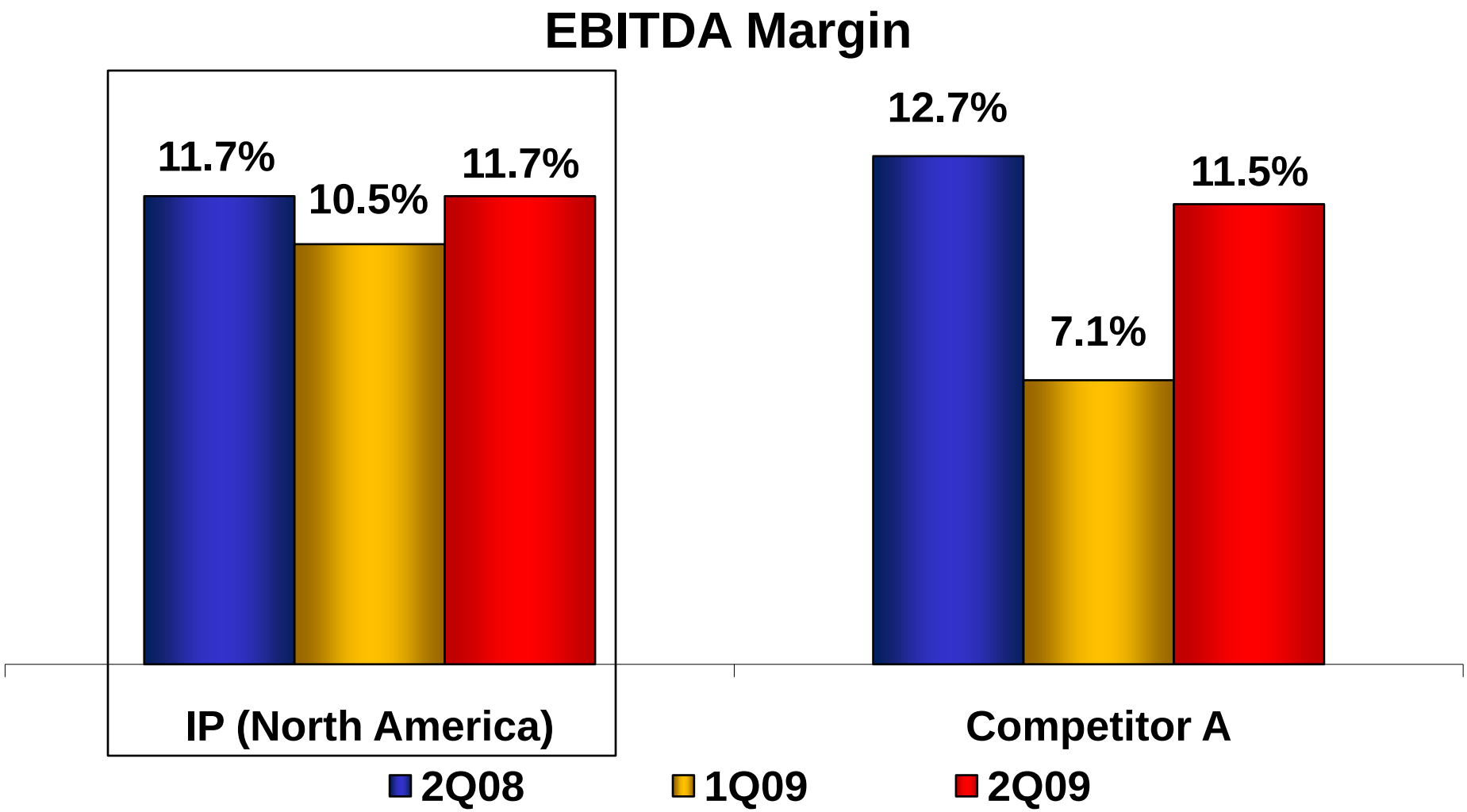

Source: Earnings calls, press releases, public filings, IP analysis
EBITDA based on operating profit before special items
EBITDA margin equals EBITDA divided by sales

Emerging Market Operations
New Machines in China and Brazil

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China - Sun JV

- Coated paperboard machine
- 400,000 metric tons
- High demand growth region
- Low-cost manufacturing



Brazil - Três Lagoas

- Uncoated freesheet machine
- 200,000 metric tons
- Overall machine efficiency: 90%



Russian and Eastern European Operations
Highlights

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- Volume & price rebounding in Russia & China
- Cash dividend of $62MM received from Ilim JV in 4Q08
- Improved mix on Svetogorsk coated paperboard
- Strong performance at Kwidzyn

Increasing Free Cash Flow

28% Headcount Reduction

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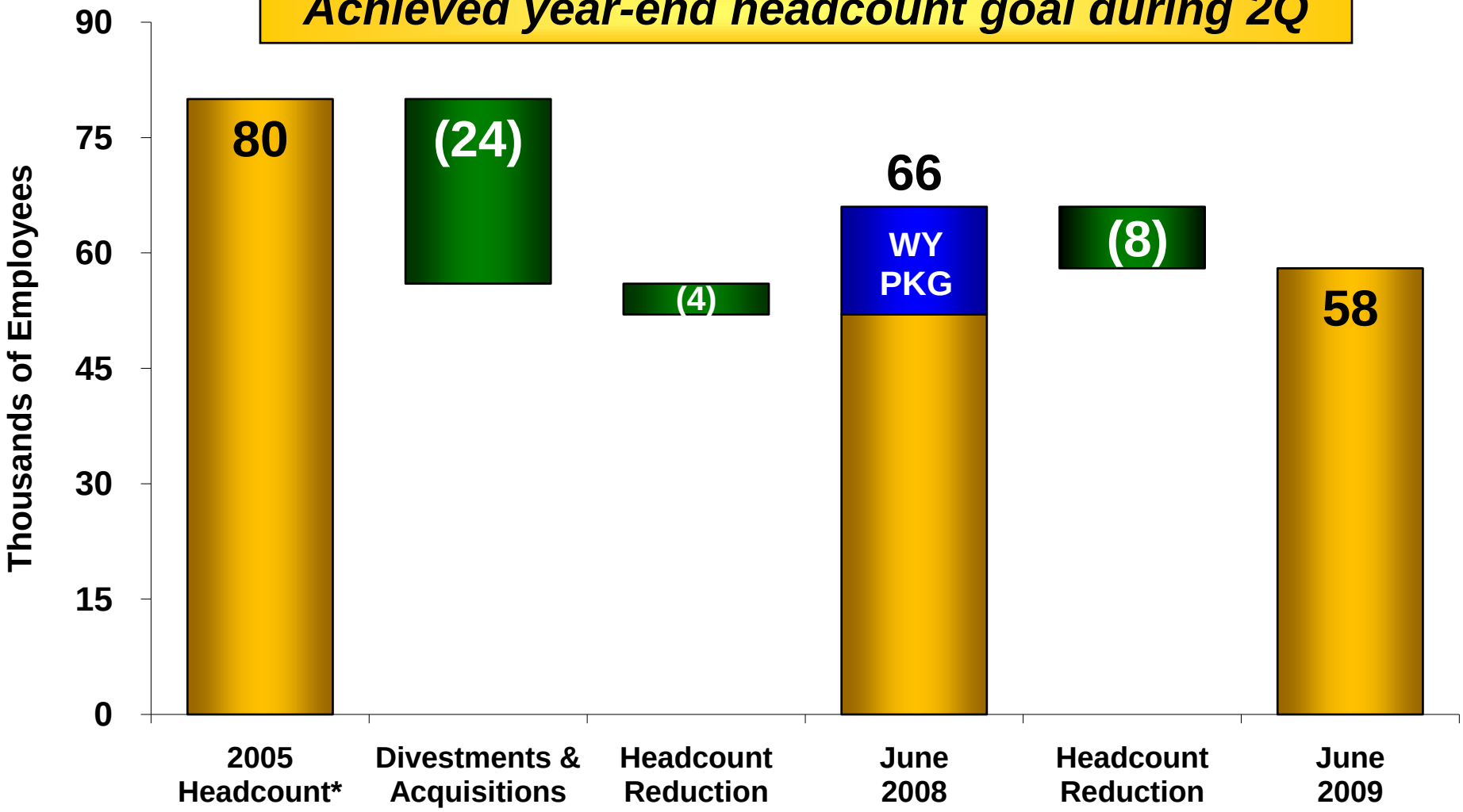
Achieved year-end headcount goal during 2Q



* At January 1, 2005
Excludes Ilim joint venture employees

Increasing Free Cash Flow
Reducing Capital Spending

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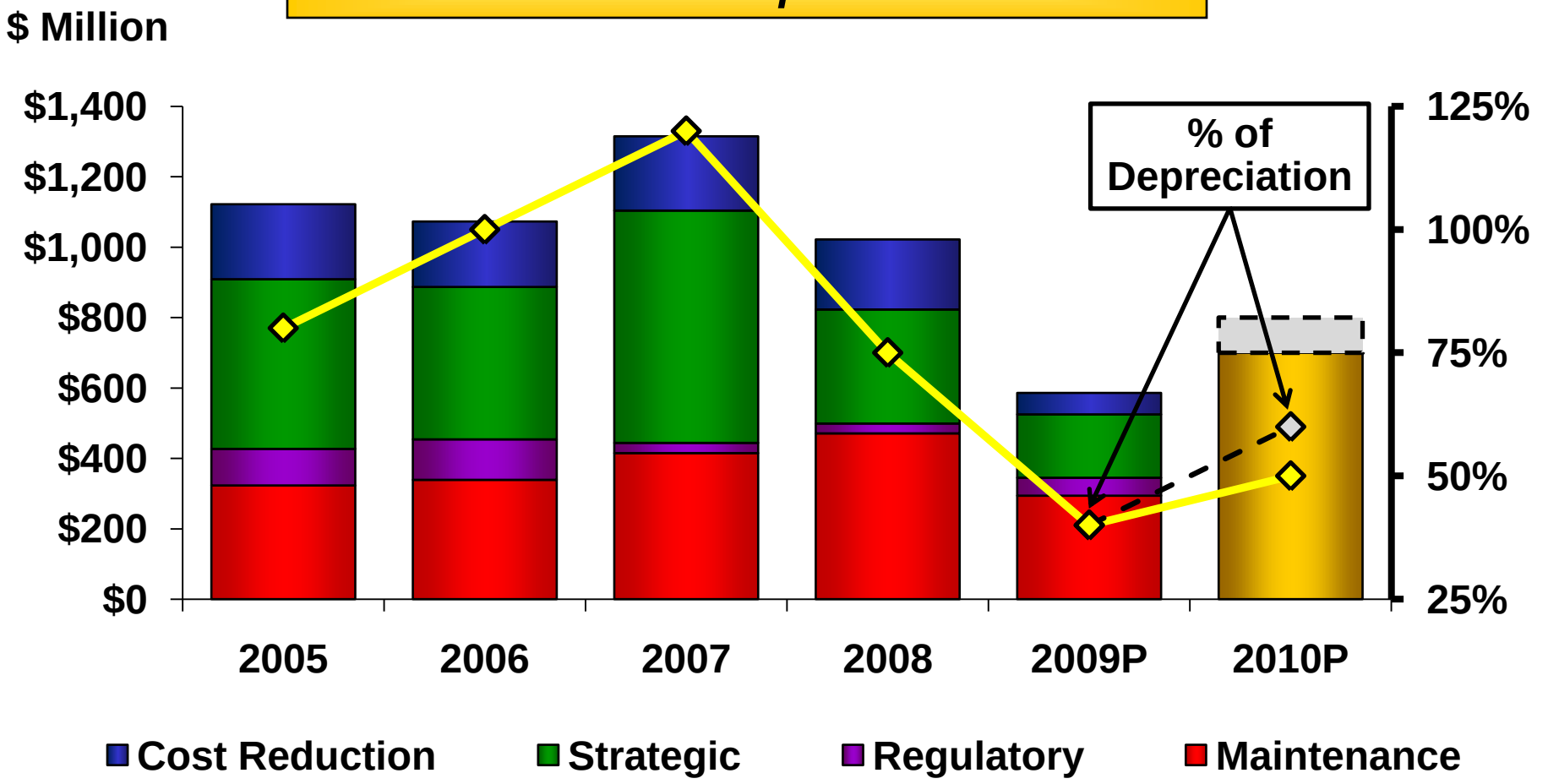
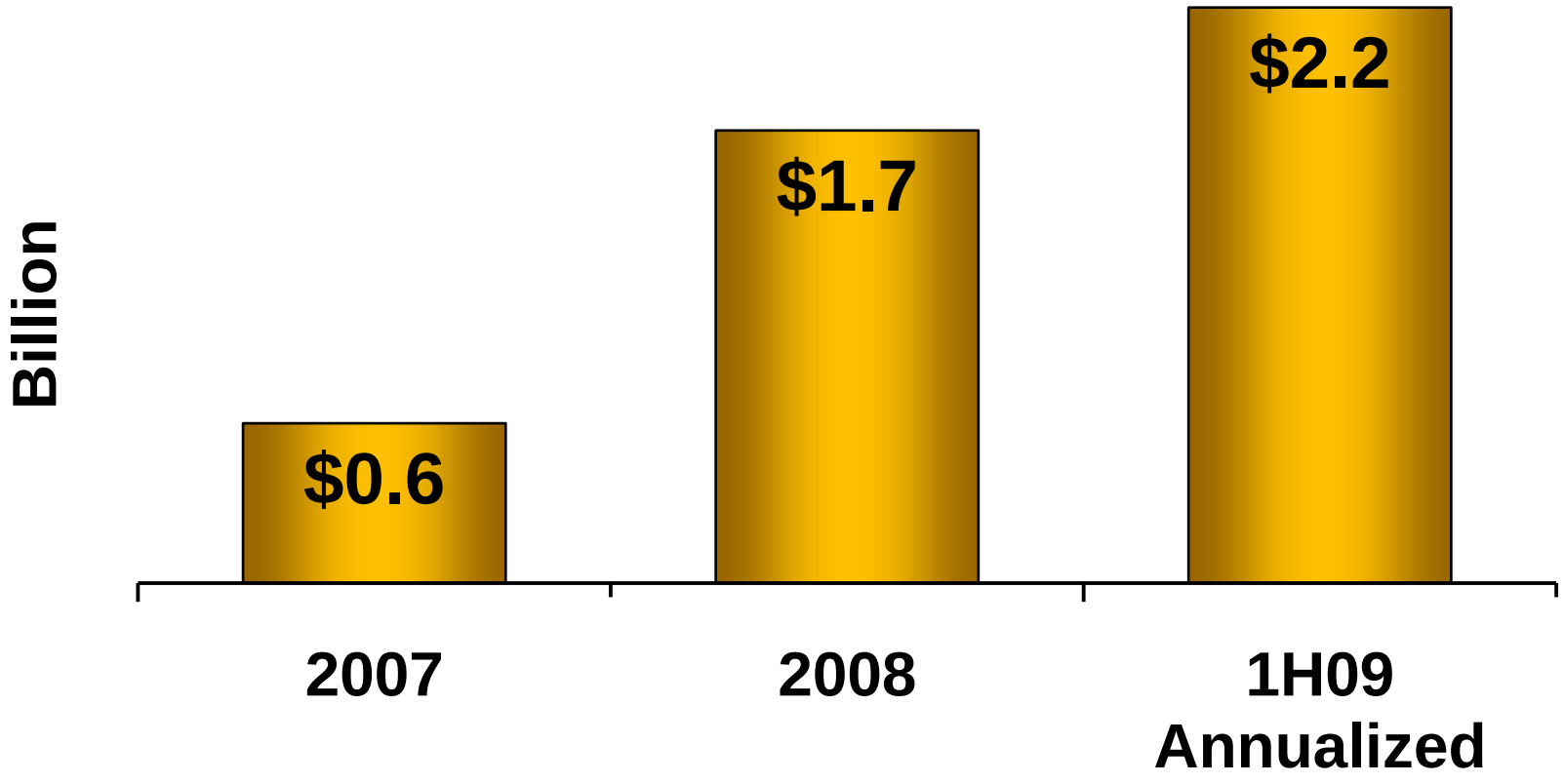
Normalized Target for Capital Spending
60-70% of Depreciation



Increasing Free Cash Flow
Improving in a Tough Environment



Free cash flow before dividends.
1H09 Annualized is free cash flow before dividends; excludes alternative fuel mixture tax credits.

Debt Reduction Progress

Reduced Debt by $2.5 Billion since Acquisition

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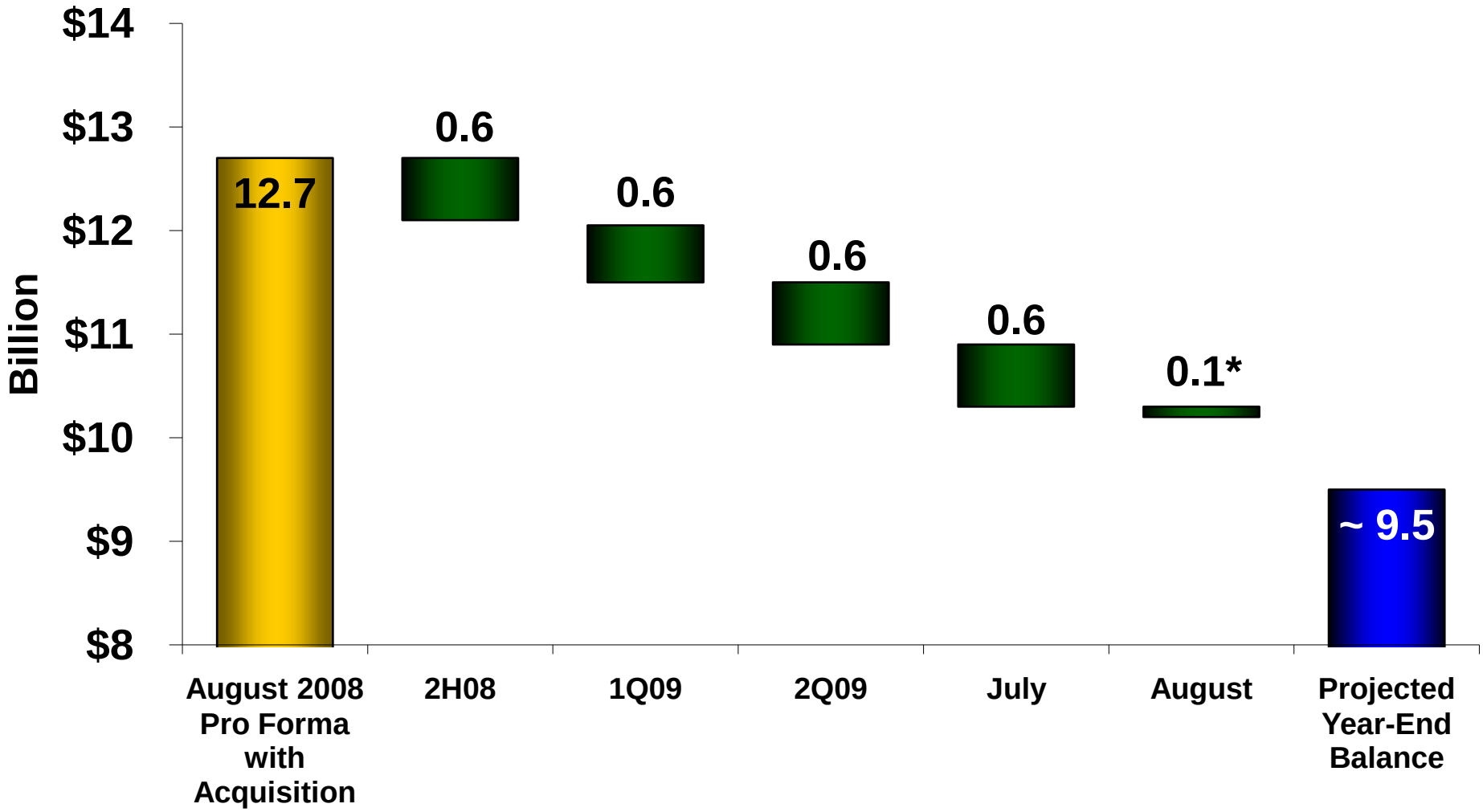

* Excludes the debt repayment of $1B from the proceeds of our August bond issuance: $1B 7.5% notes due 2021

Debt Reduction

Targeting < 3X Debt-to-EBITDA

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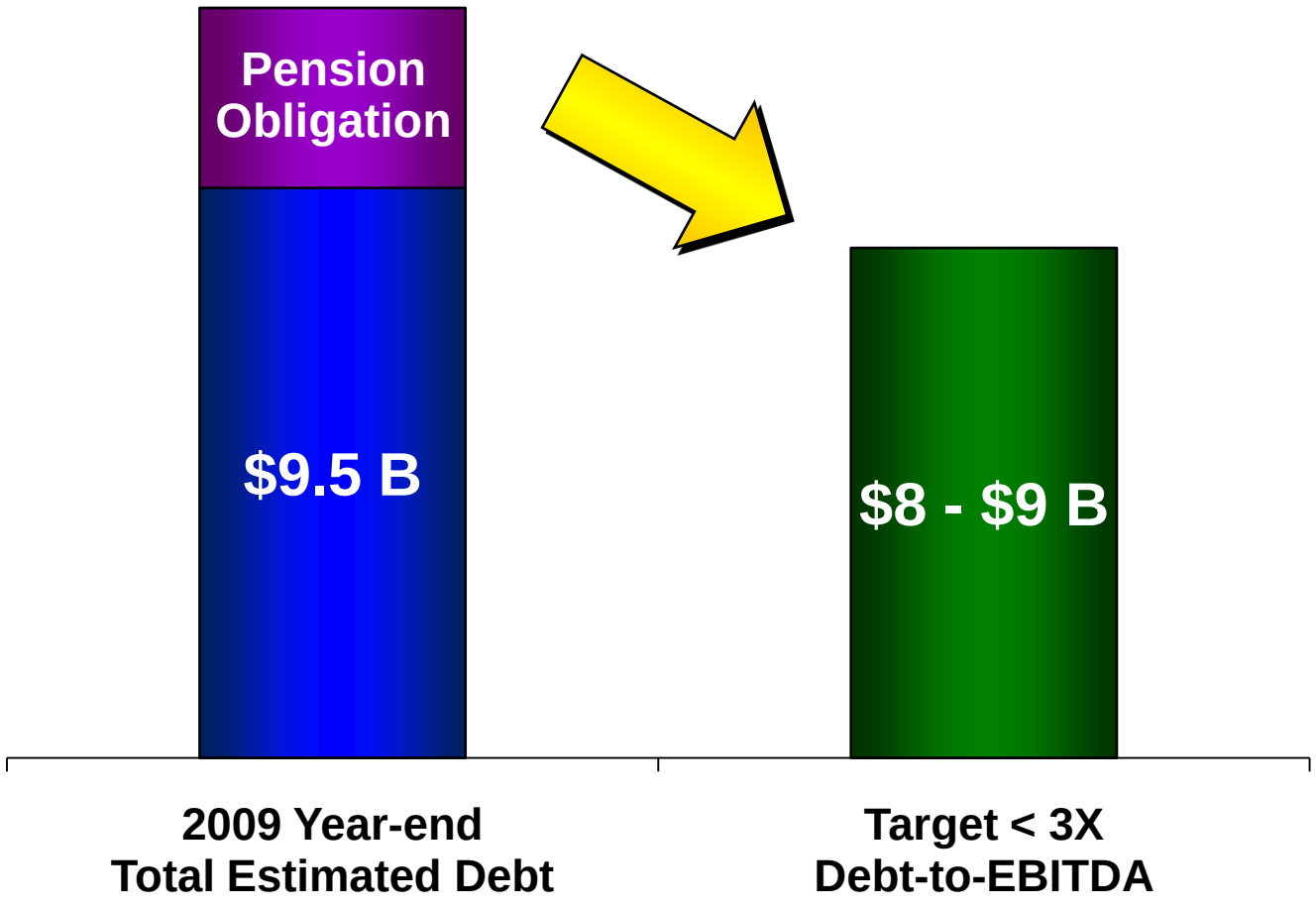

Liquidity Management & Debt Reduction

Maturities before Repayments & Refinancing

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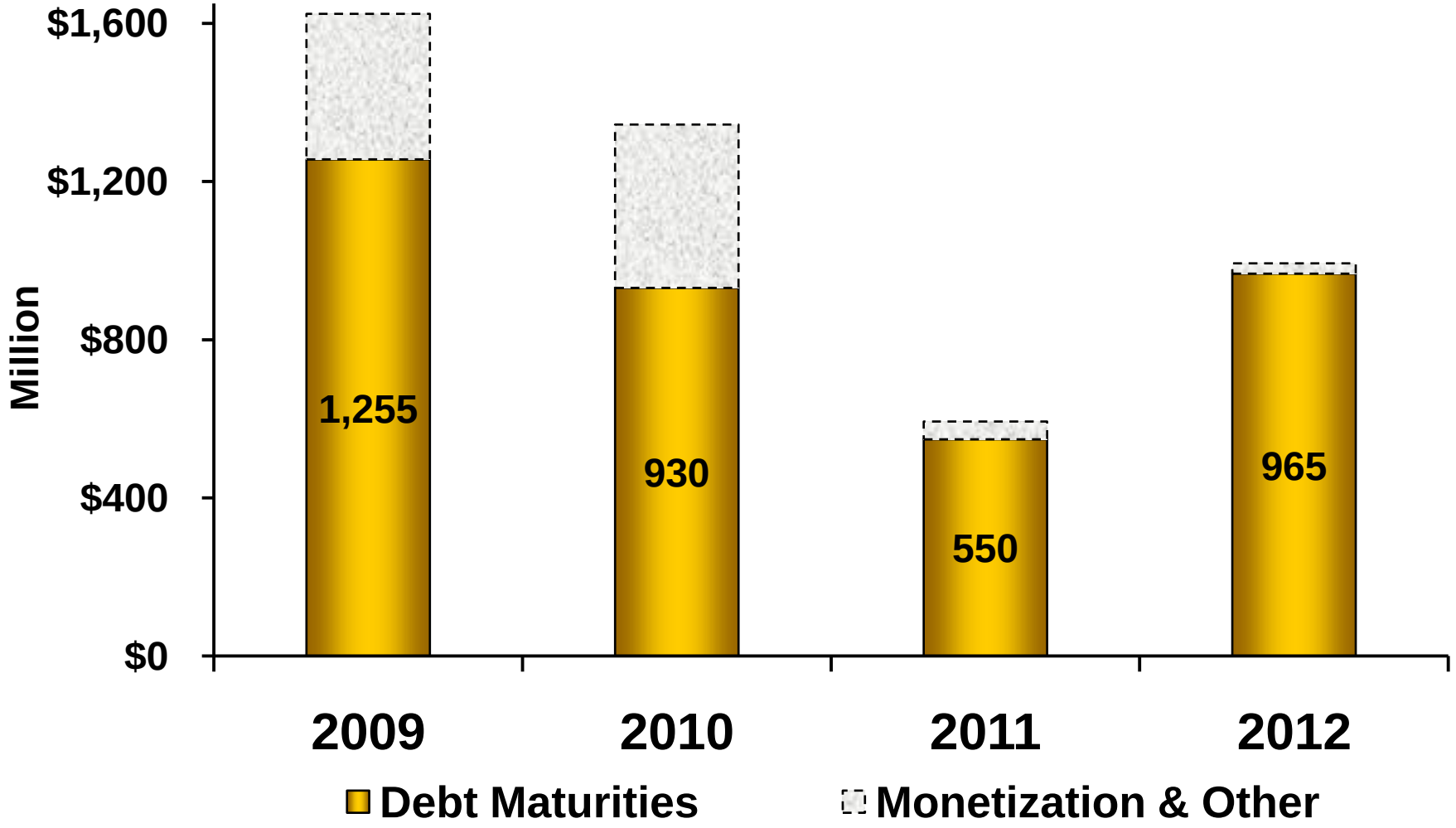
$3.7 Billion Maturing through 2012



Debt maturity profile as of December 31, 2008

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

Liquidity Management & Debt Reduction

Maturities as of August Month-end

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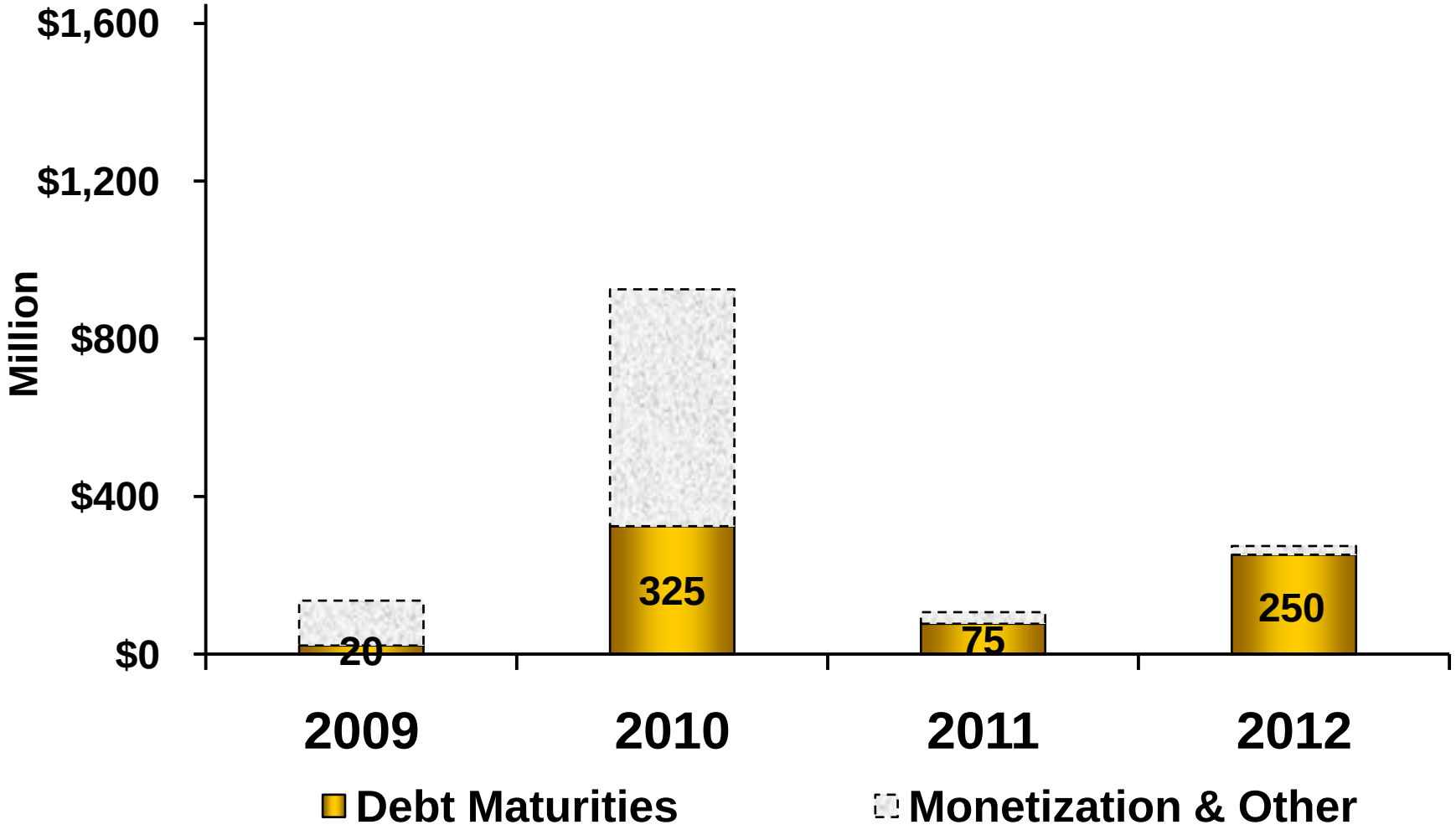
$0.7 Billion Maturing through 2012



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

Debt Maturity Profile

Maturities as of August Month-end

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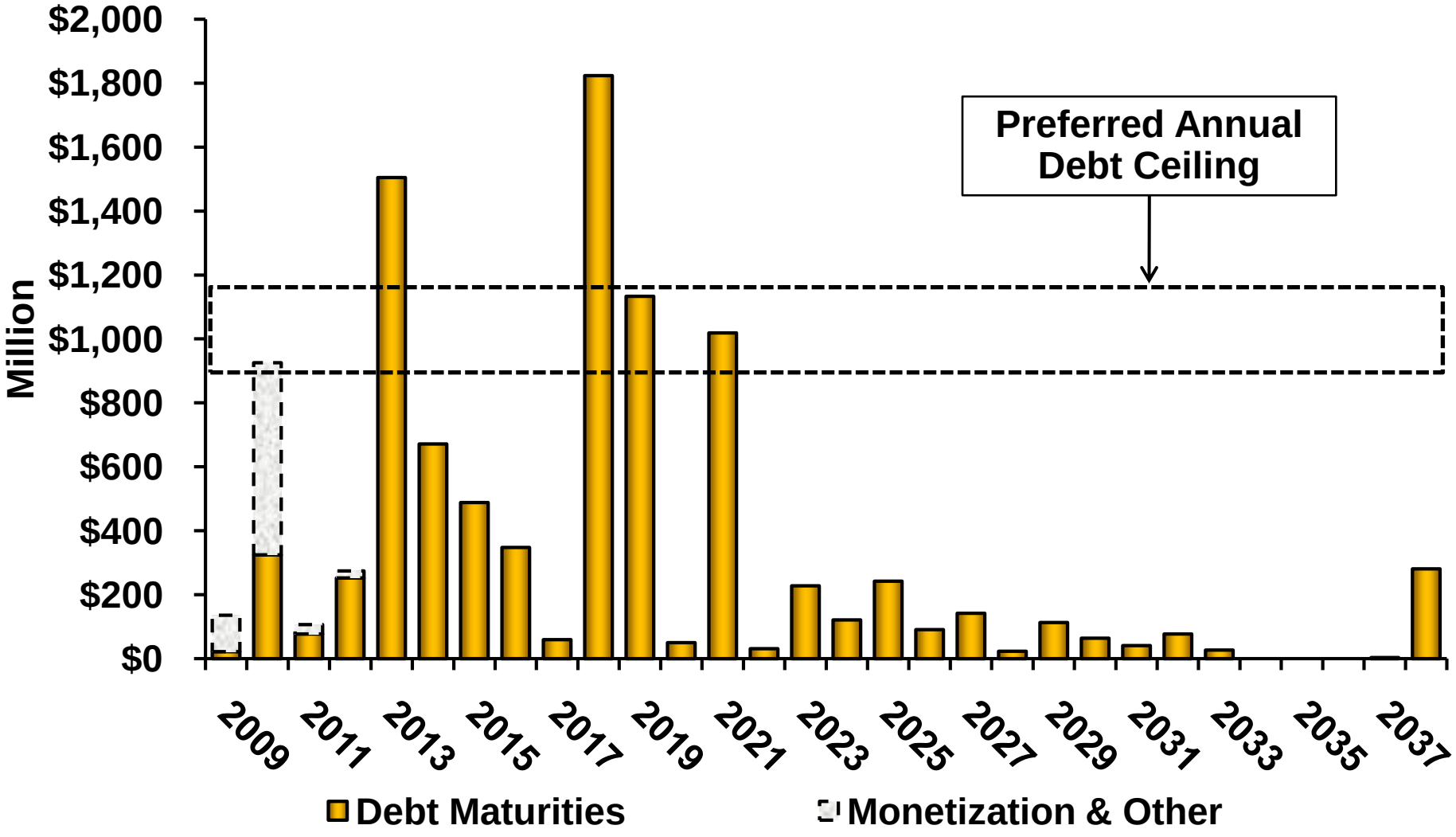

Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

Where We Go From Here
Priorities

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Improve Margins
Match our Production to our Customers' Needs
Continue Cost Reductions
Maximize Synergies

↓

Maximize Free Cash Flow

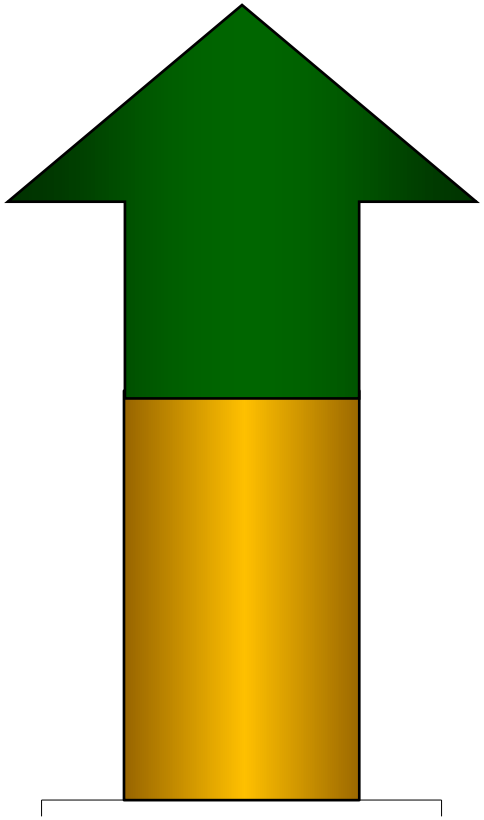
↓

Achieve Debt Reduction Target

↓

Increase Shareholder Value

Potential Opportunities to Increase Value



Cash Flow
& Earnings

- Further Cost Reduction
- Recovery in North American and European Demand
- Resumption of Emerging Market Growth
- Potential for Price Improvement
- Reduction of Underutilized Capacity



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