

INTERNATIONAL PAPER

Third Quarter 2009 Review

October 28, 2009



John V. Faraci
Chairman &
Chief Executive Officer



Tim S. Nicholls
Senior Vice President &
Chief Financial Officer

Forward-Looking Statements

INTERNATIONAL PAPER

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; (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 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

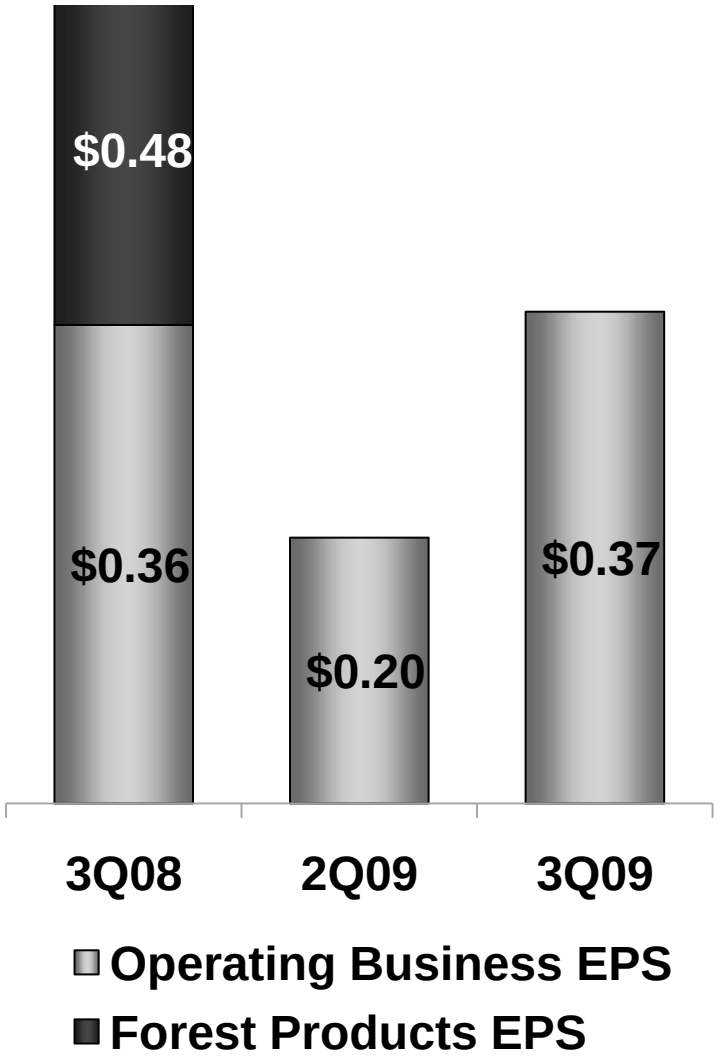
During the course of this presentation, certain non-U.S. GAAP financial information will be presented.

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

Third Quarter 2009
Solid Results

INTERNATIONAL PAPER

- **Stabilized Volumes**
- **Continued Margin Expansion**
- **$1.3 Billion in Free Cash Flow***
- **$1.3 Billion Debt Reduction**



Earnings from continuing operations before special items

* Cash provided by continuing operations less capital expenditures, including alternative fuel mixture credits

3Q09 Financial Snapshot

INTERNATIONAL PAPER

$ Billion	3Q08	2Q09	3Q09
Sales	$6.8	$5.8	$5.9
EBITDA	$1.0	$0.7	$0.8
Free Cash Flow	$0.7	$0.6*	$0.6*
Debt	$12.7	$10.9	$9.6
Cash Balance	$0.8	$1.7	$1.7

Earnings from continuing operations before special items

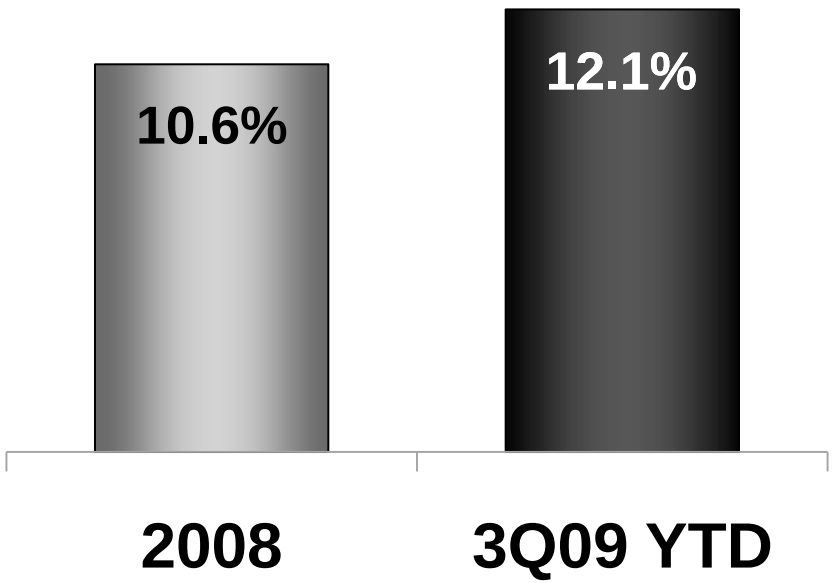
* Cash provided by continuing operations less capital expenditures, excluding alternative fuel credits of $0.7B in 2Q09, $0.5B in 3Q09 and cash received under European accounts receivable securitization of $0.2B in 3Q09

Overcoming Economic Challenges

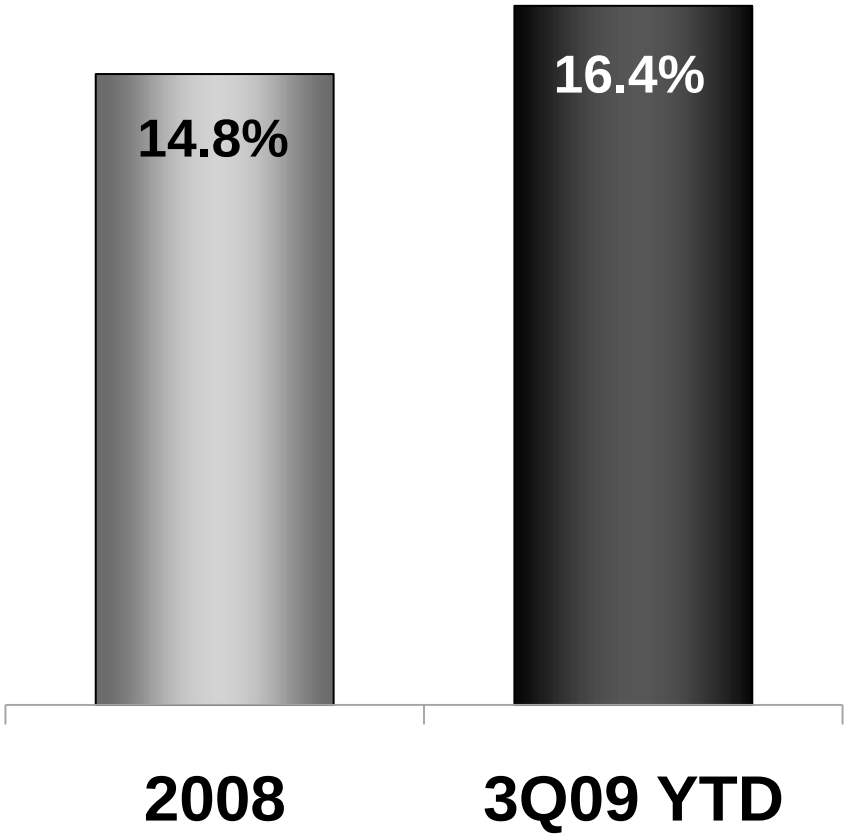
EBITDA Margin Expansion in Difficult Markets

INTERNATIONAL PAPER

EBITDA Margins



EBITDA Margins exc. *xpedx*



Operating profit before special items
Excludes Forest Products earnings

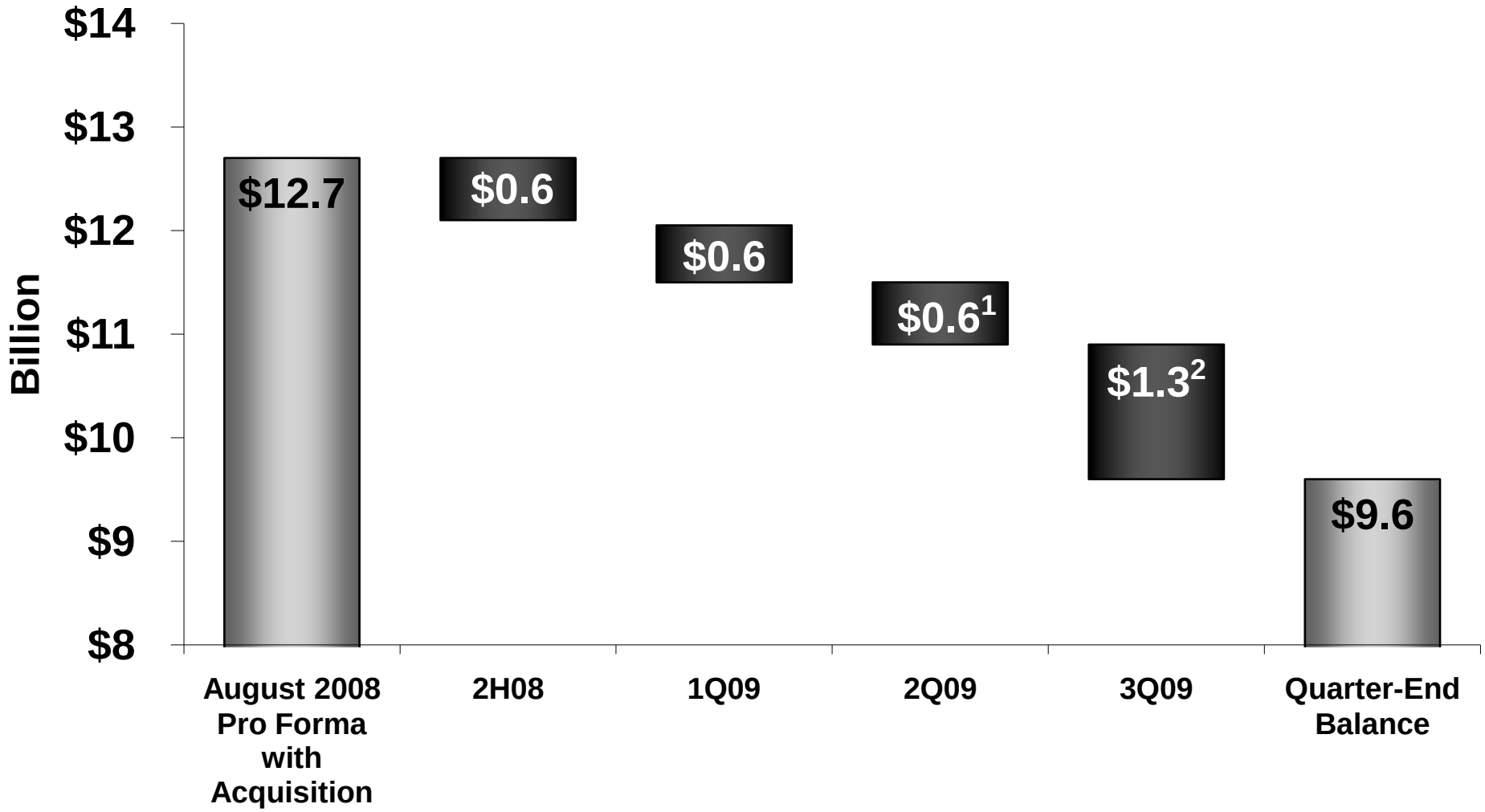
Free Cash Flow

$ Million	3Q08	2Q09	3Q09
Cash from Operations	$946	$707	$713*
Alternative Fuel Mixture Tax Credits	-	$688	$463
Cash Provided by Continuing Operations	**$946**	**$1,395**	**$1,381**
Less Capital Investment	**($250)**	**($131)**	**($108)**
Free Cash Flow	**$696**	**$1,264**	**$1,273**

* Excludes $205MM cash received under European accounts receivable securitization

Debt Reduction Progress

$3.1 Billion Reduction since Acquisition



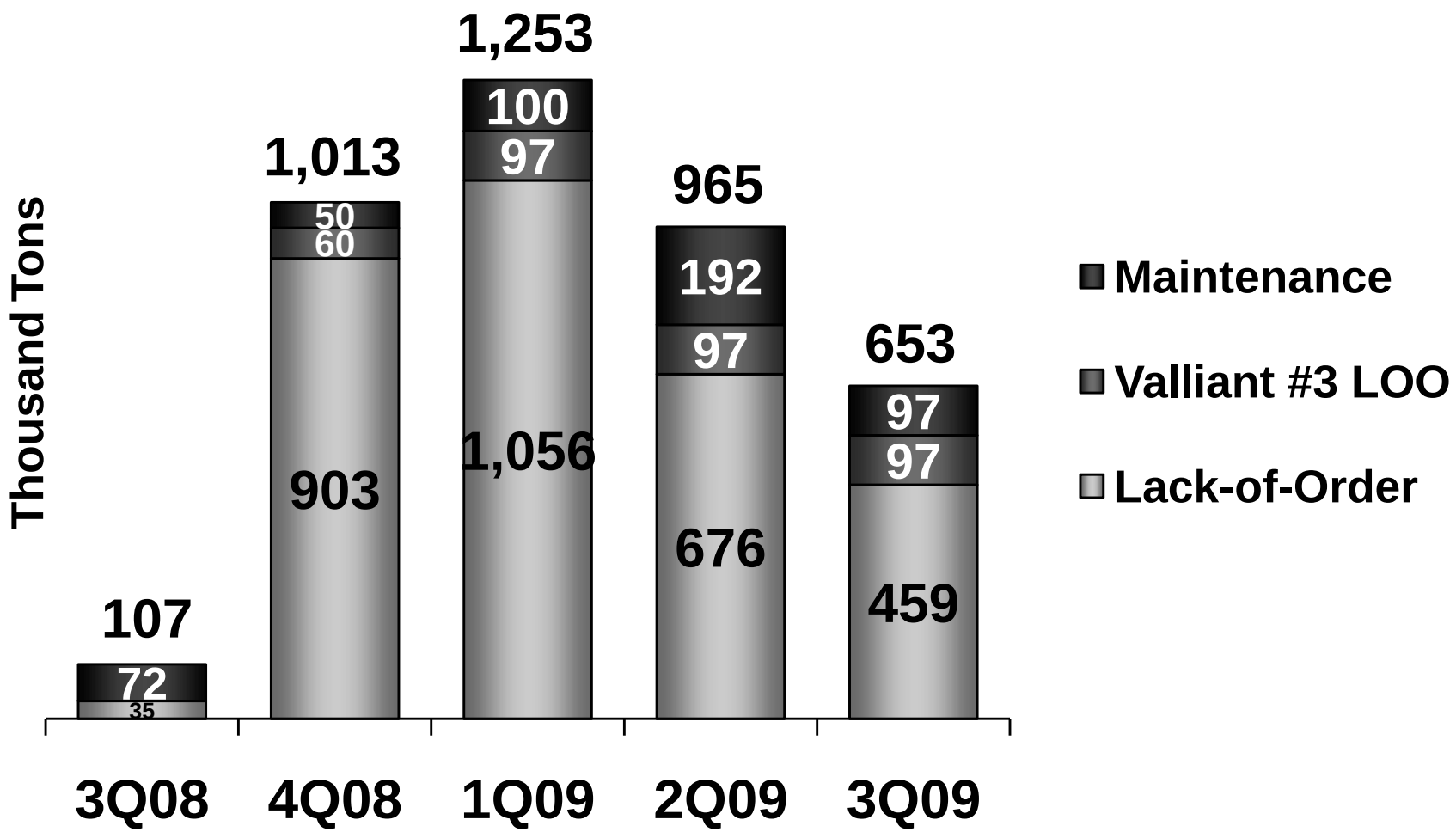
[1] Excludes the debt repayment of $1B from the proceeds of our May bond issuance: $1B 9.375% notes due 2019

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

N.A. Lack of Order & Maintenance Downtime

15% of Capacity in 3Q, Down from 29% Peak in 1Q

INTERNATIONAL PAPER



Lack-of-order & maintenance downtime for North American Containerboard, Uncoated Papers, Market Pulp, & Coated Paperboard. See Appendix slide 33 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) as of September 30, 2009

Capacity Management Summary

Adjusting Mill Capacity to Meet our Customers' Needs

INTERNATIONAL PAPER

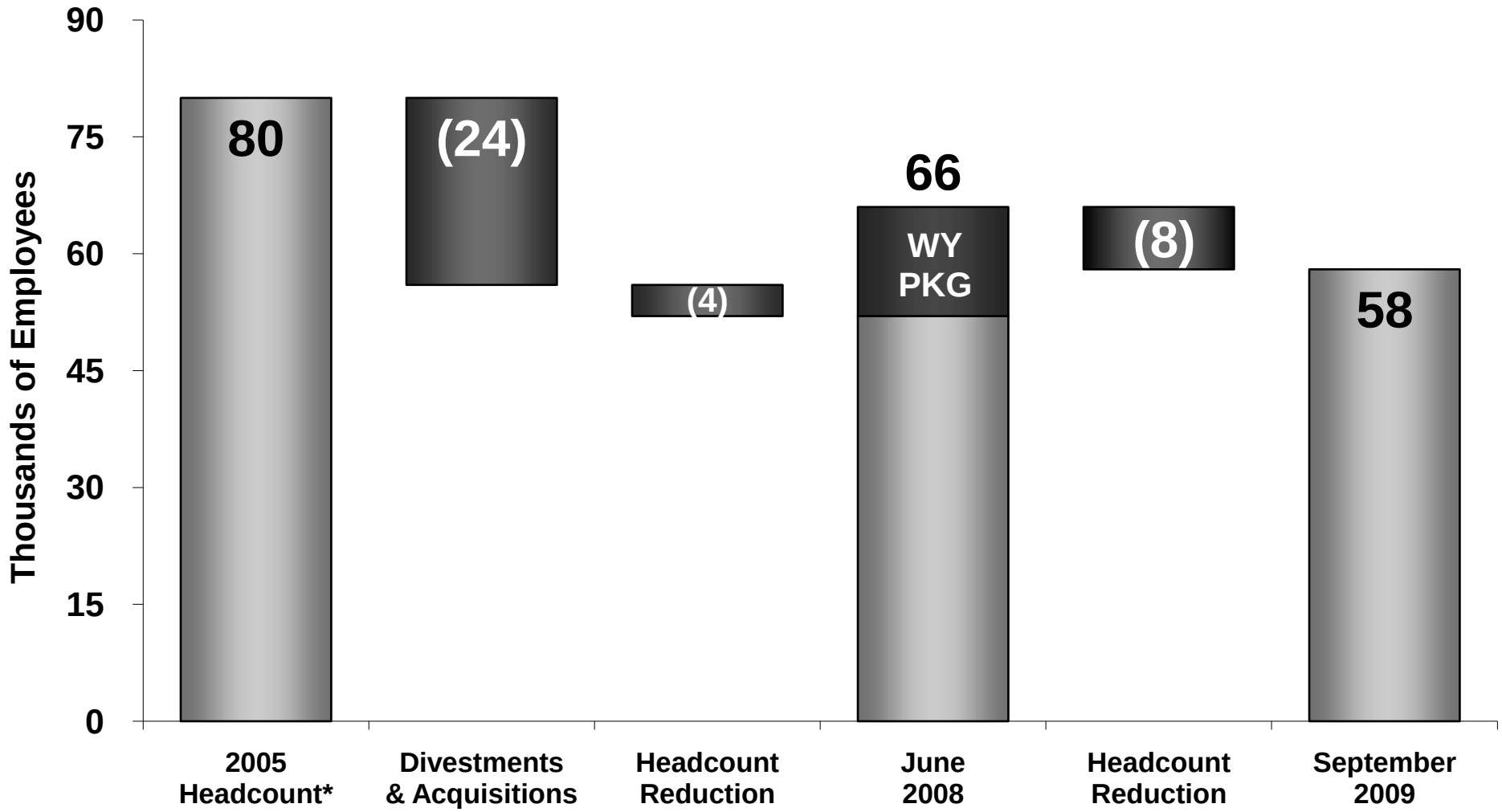
Mill	Products	Annual Capacity (Tons)	Number of Machines	% of IP Capacity	Estimated Closure
Franklin, VA	Uncoated Freesheet	600,000[1]	3	19%	Spring 2010
	Coated Paperboard	140,000	1	7%	By 2009 Year-End
Albany, OR	Containerboard	580,000	2	12%	Mid-December
Pineville, LA	Containerboard	390,000	1		
Valliant, OK	Containerboard	430,000[2]	1		

[1] Does not include 150,000-ton capacity of #3 machine previously closed in November 2008

[2] Capacity of #3 machine previously indefinitely idled in November 2008

Aggressive Restructuring & Cost Reduction

28% Headcount Reduction

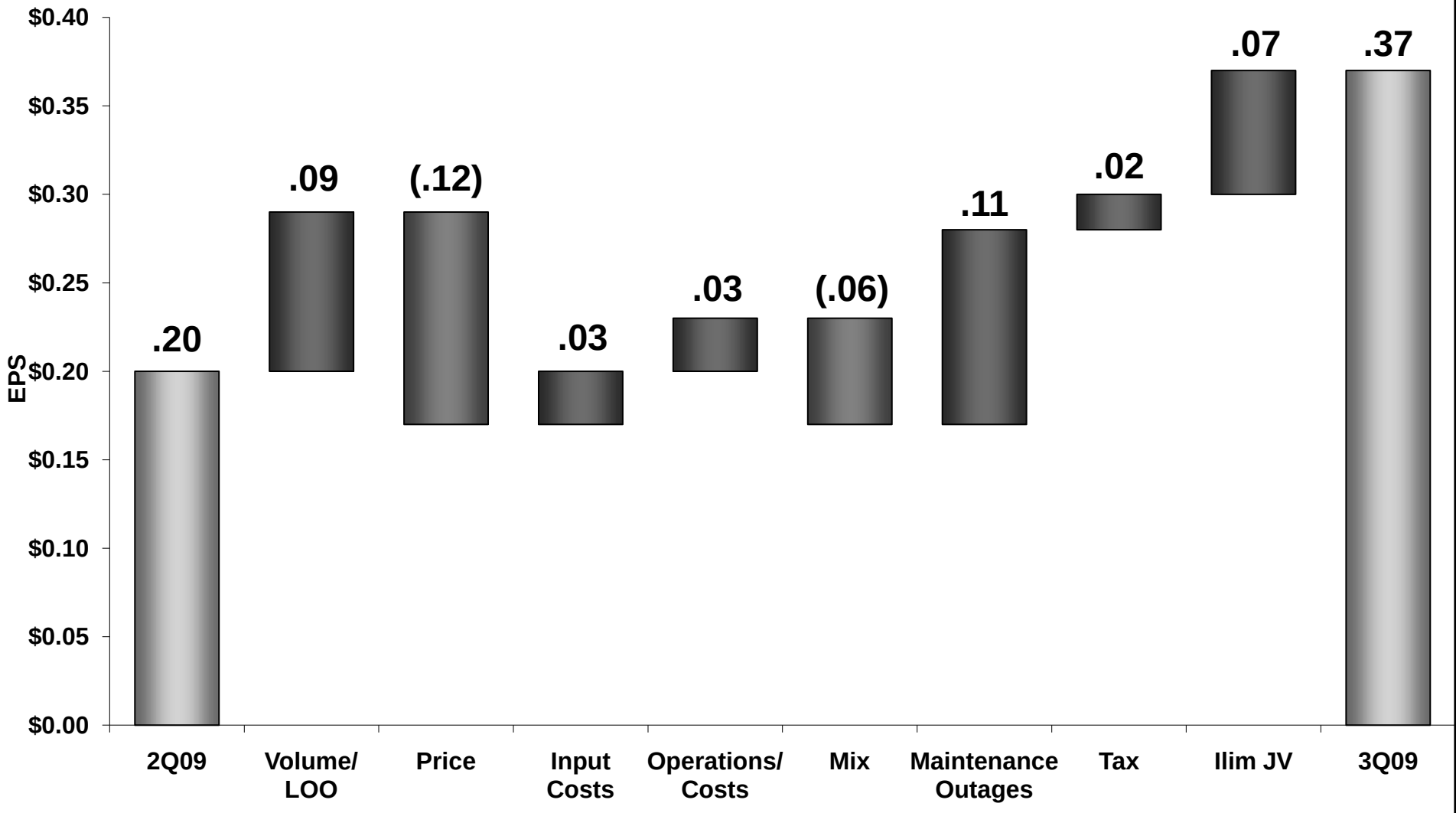


* At January 1, 2005
Excludes Ilim joint venture employees

3Q09 vs. 2Q09 EPS

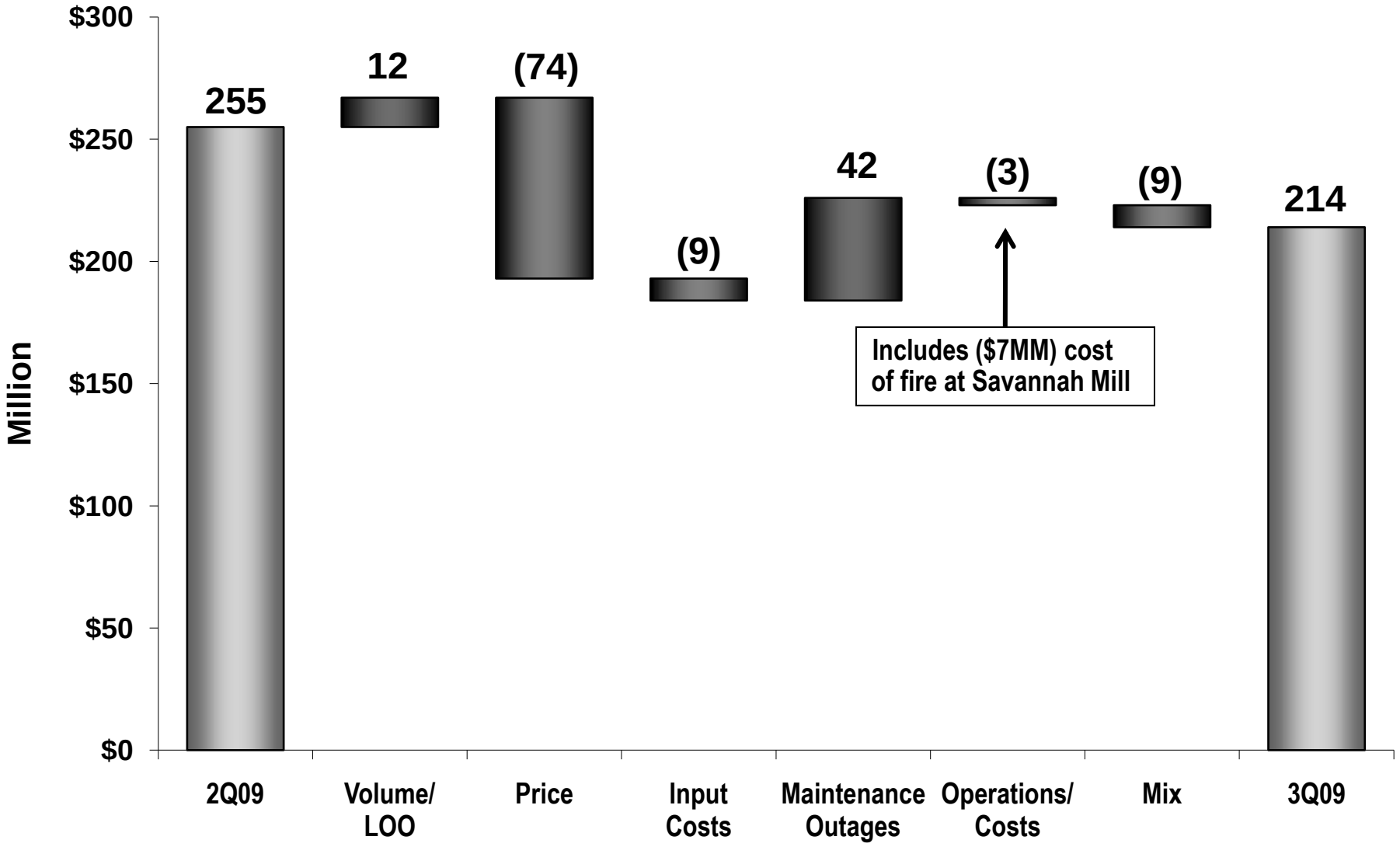
Volumes Improved, Strong Cost Management, Ilim Recovery

INTERNATIONAL PAPER



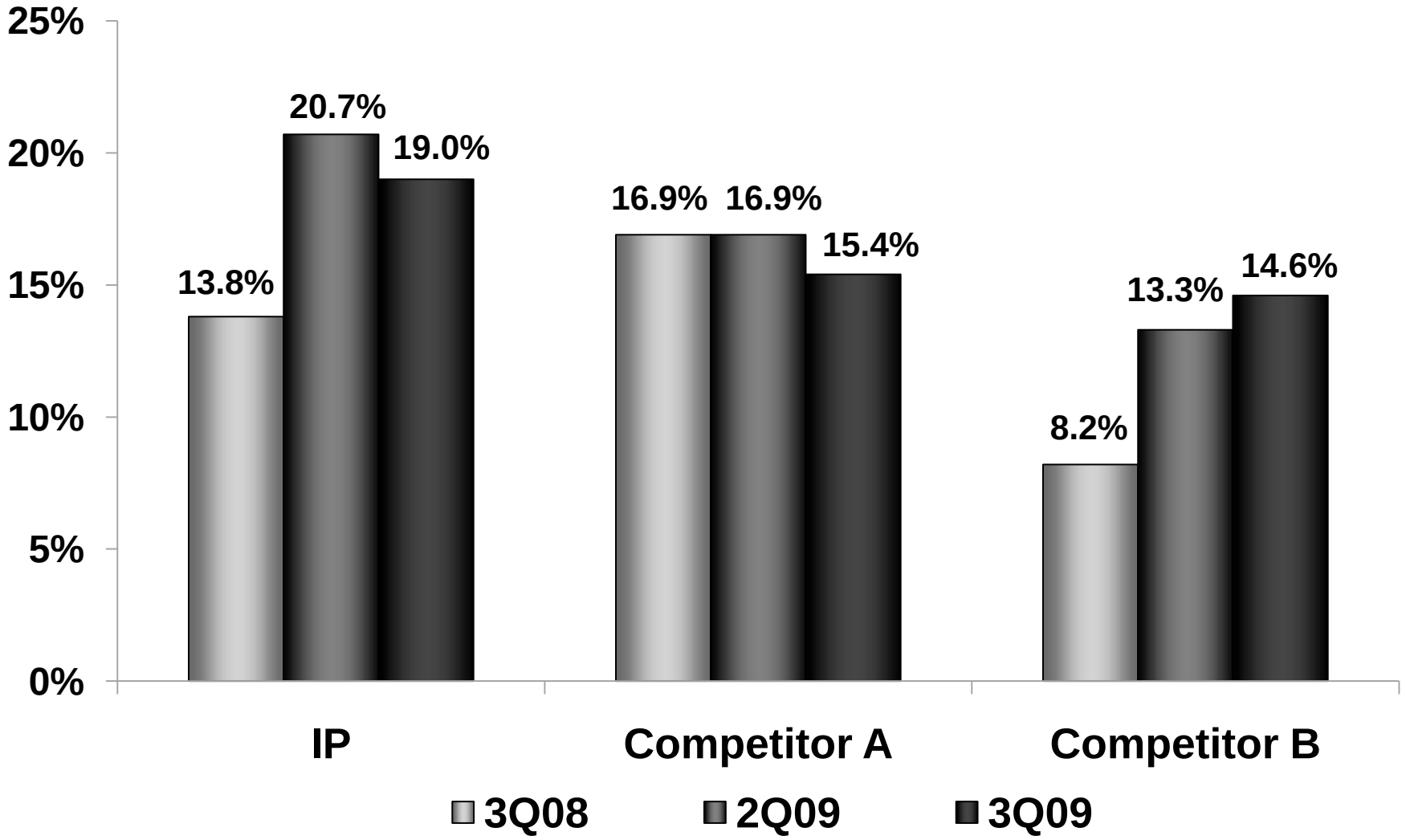
Earnings before special items

Industrial Packaging Earnings
3Q09 vs. 2Q09



Earnings before special items

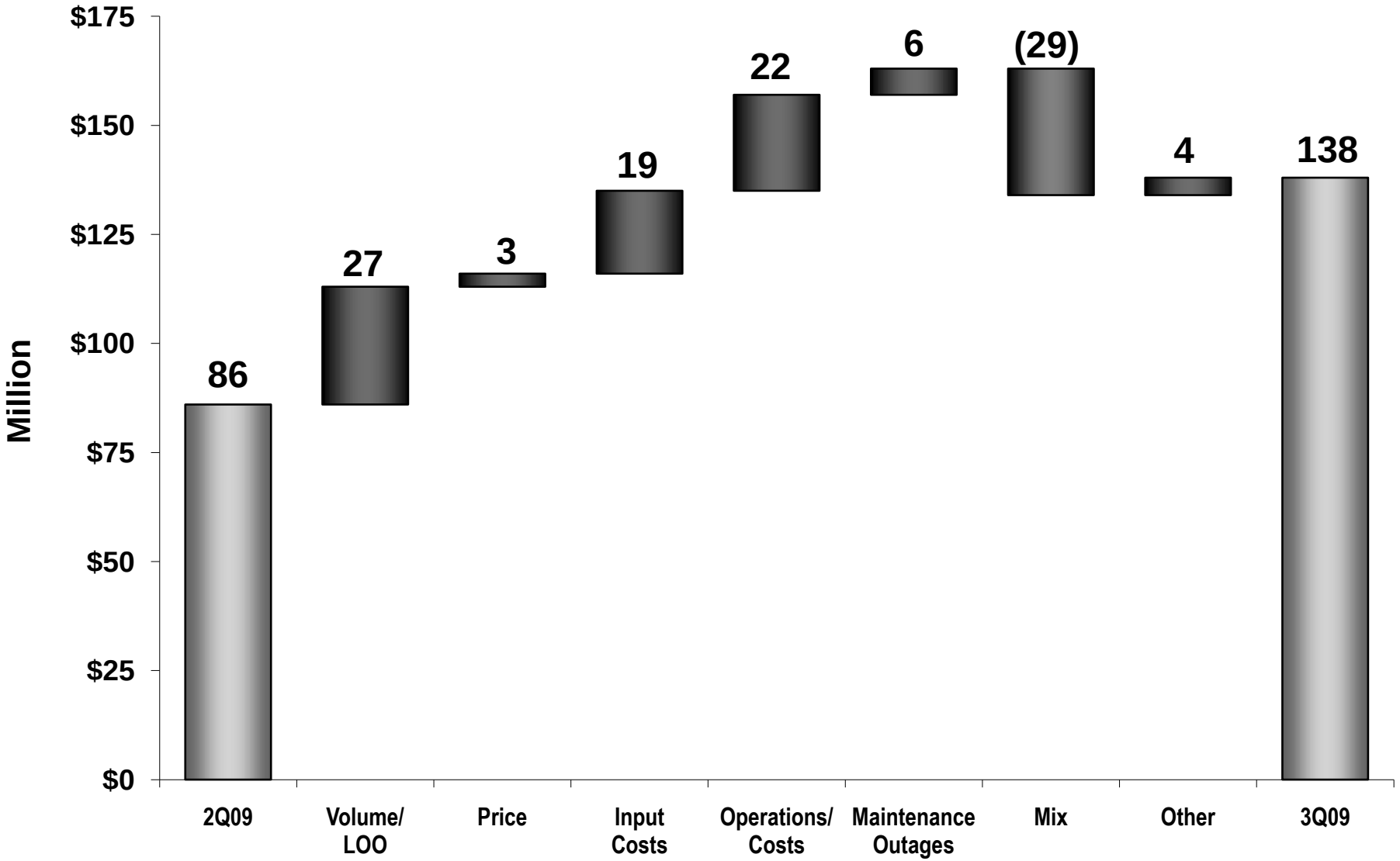
N.A. Industrial Packaging Relative EBITDA Margins
Outperforming Competitors in 2009



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

Printing Papers Earnings
3Q09 vs. 2Q09

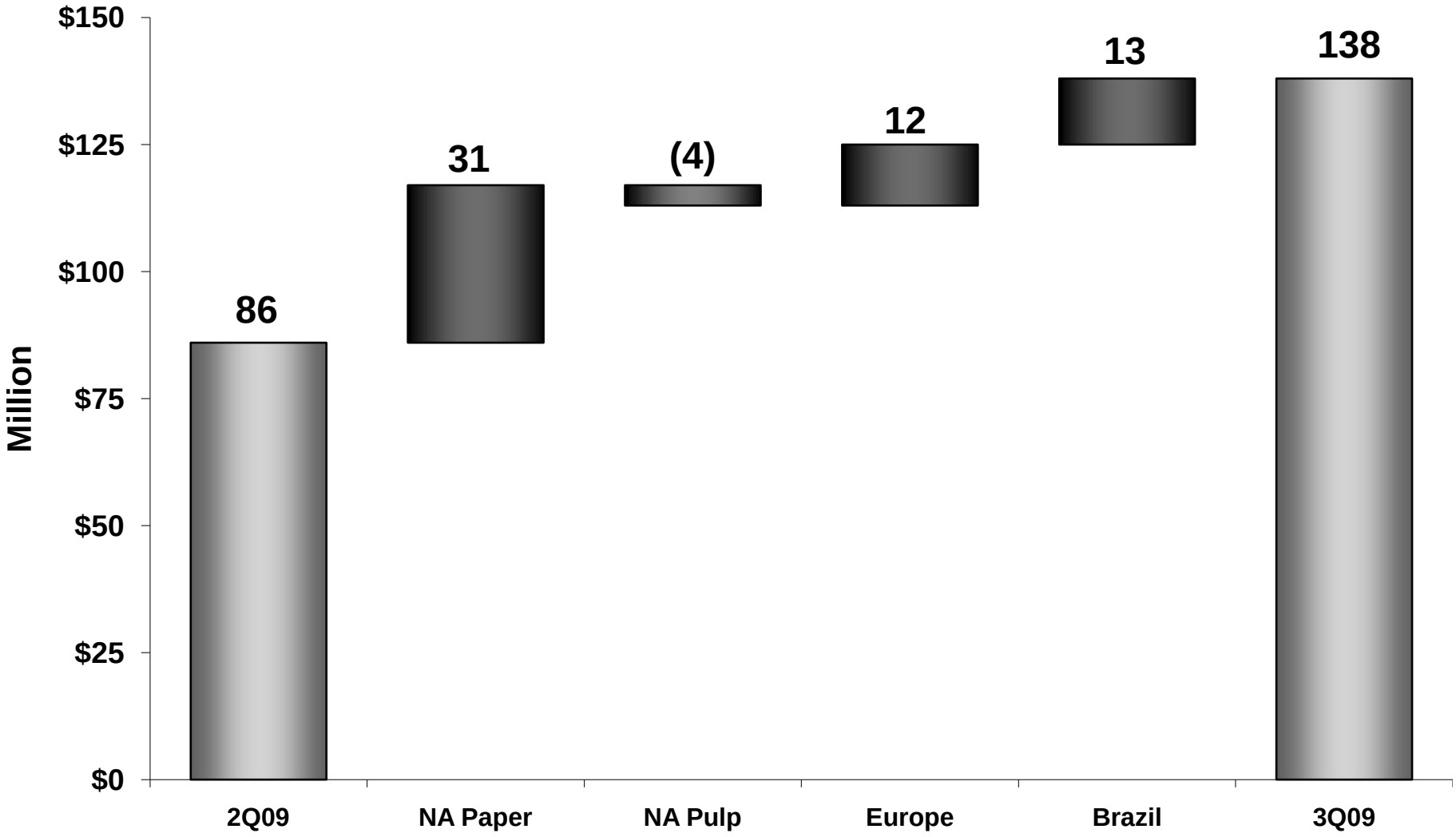
INTERNATIONAL PAPER



Earnings before special items

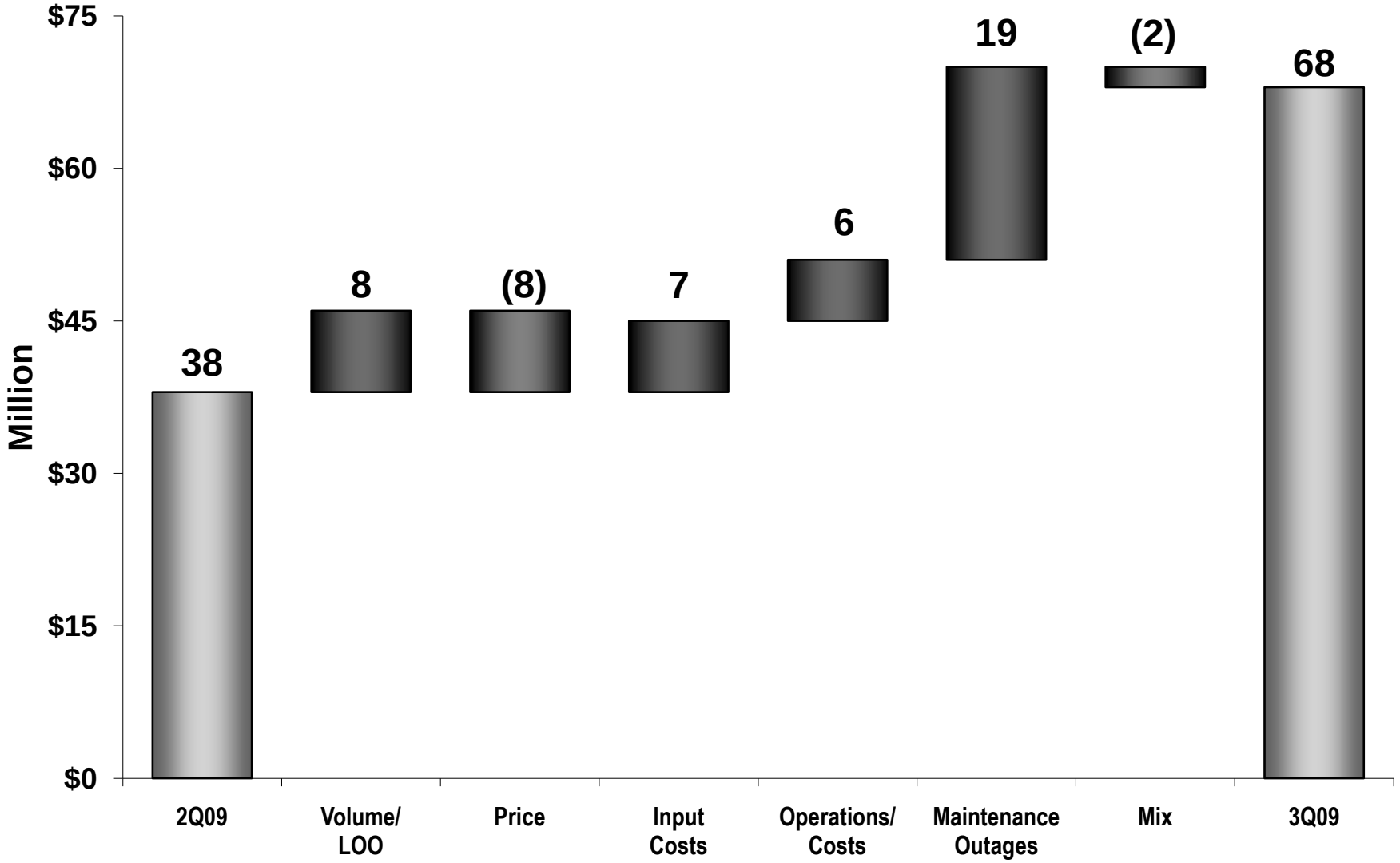
Printing Papers Earnings
3Q09 vs. 2Q09

INTERNATIONAL PAPER



Earnings before special items

Consumer Packaging Earnings
3Q09 vs. 2Q09



Earnings before special items

xpedx
3Q09 vs. 2Q09

INTERNATIONAL PAPER

$ Million	3Q08	2Q09	3Q09
Sales	$2,075	$1,595	$1,665
Earnings	$35	$10	$21

- Sales revenue up 5% vs. 2Q09
- Cost savings driving the bottom line
- Volume improvements in all segments
  - Printing, Packaging & Facility Supplies
- Winning new business in National Accounts





Ilim Joint Venture

$ Million	3Q08	2Q09	3Q09
Sales (100%)	$530	$290	$305
Earnings (IP Share)	$5	($30)	$0

	3Q09 vs. 2Q09		3Q09 vs. 3Q08	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	3%	$5	(4%)	($304)
Containerboard	7%	($26)	6%	($222)

Ilim's results are reported on a one-quarter lag
IP's shares of Ilim's 3Q08, 2Q09 & 3Q09 earnings includes after-tax foreign exchange losses of $3 million and $22 million, and an after-tax foreign exchange gain of $10 million, respectively

IP Asia – Building Breadth & Scale

Surpassed $1 Billion Revenue Run Rate

INTERNATIONAL PAPER

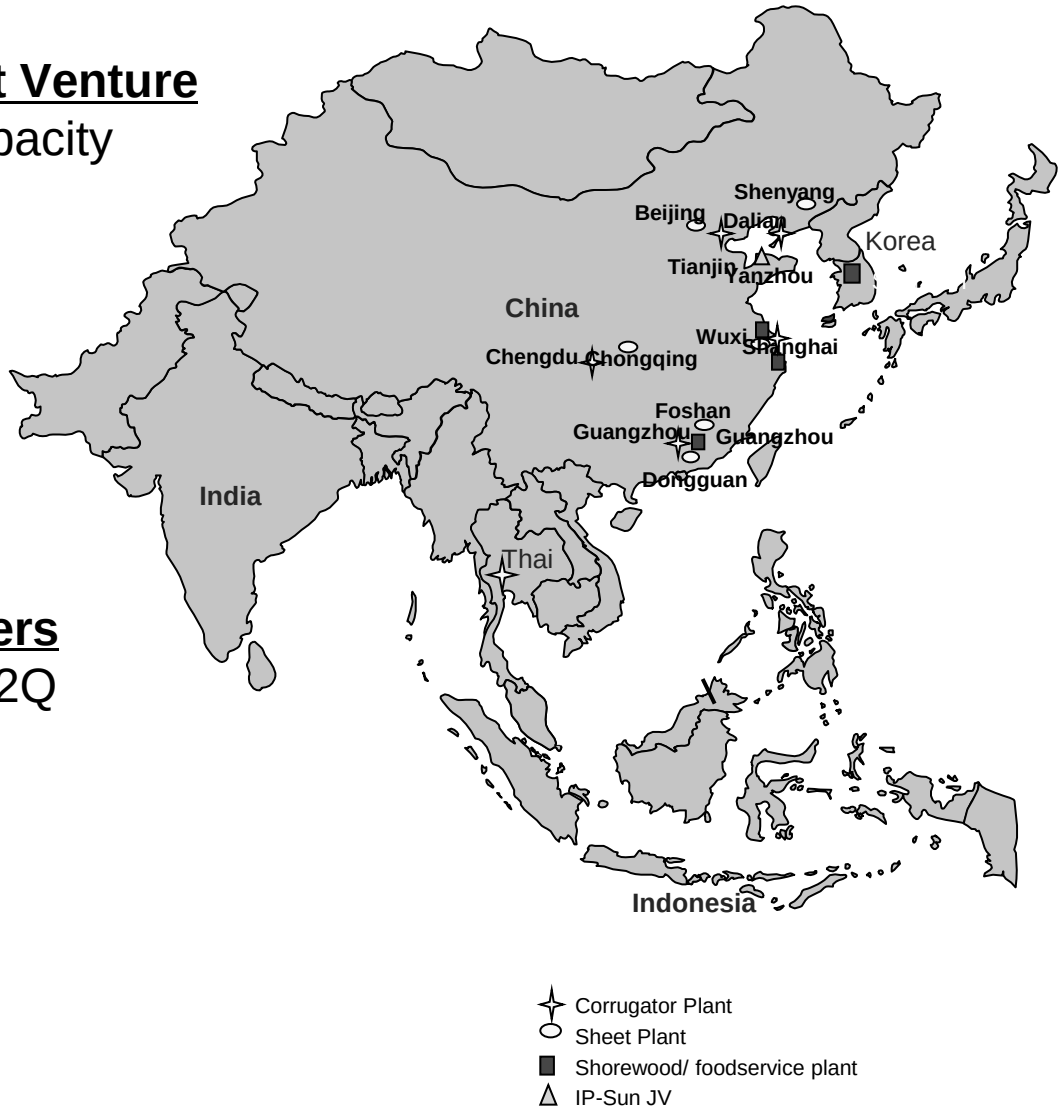
Consumer Packaging - Sun Joint Venture
- 3 machines with 900,000 tons capacity
- #1 in coated paperboard

Shorewood & Foodservice
- 4 facilities

Industrial Packaging
- 12 corrugated plants

Printing & Communications Papers
- UFS sales revenue up 50% over 2Q

Distribution
- Sales volume up 50% over 2Q

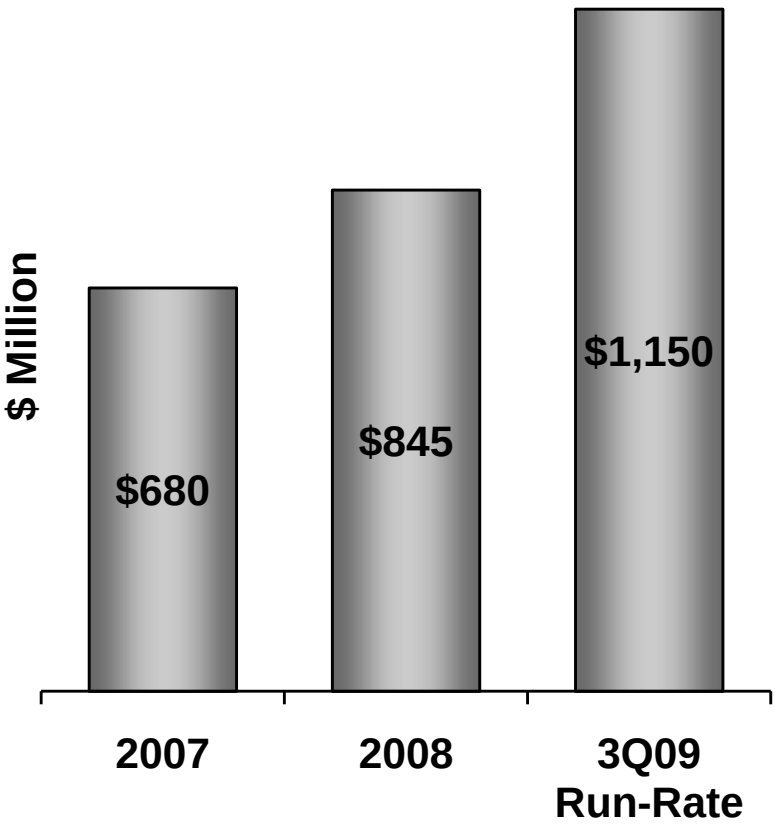


International Paper's Asian results are reported in the Industrial Packaging, Consumer Packaging and Printing Papers segments

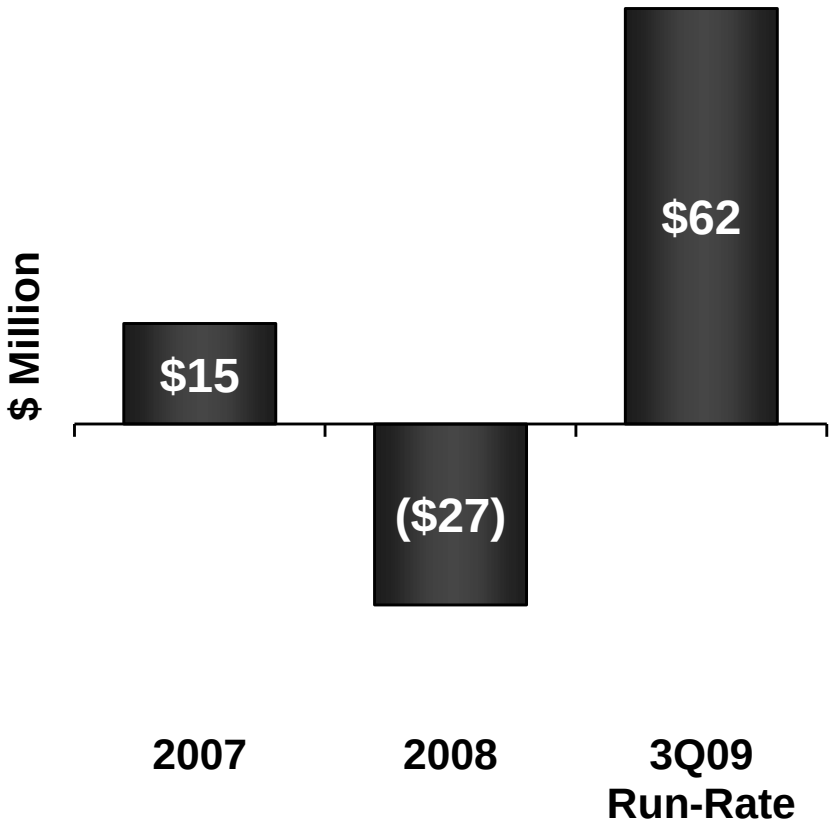
IP Asia
Strong Growth

INTERNATIONAL PAPER

Sales



Change in Earnings Contribution to IP



International Paper's Asian results are reported in the Industrial Packaging, Consumer Packaging and Printing Papers segments.

IP Brazil

$ Million	3Q08	2Q09	3Q09
Sales	$255	$215	$275
Earnings	$58	$23	$36
EBITDA Margin	35%	24%	25%

Business	3Q09 vs. 2Q09		3Q09 vs. 3Q08	
	Volume (000 Metric Tons)	Price / Ton	Volume (000 Metric Tons)	Price / Ton
Uncoated Freesheet	21%	($37)	31%	($110)
Domestic	16%	($25)	2%	$16
Export	25%	($48)	69%	($211)

IP Brazil results are reported in the Printing Papers segment

Third Quarter Summary

Solid Results Despite Recession

INTERNATIONAL PAPER

- Stabilized Volumes
- Margin Expansion
- Strong Free Cash Flow
- Accelerated Debt Reduction

Biomass Crop Assistance Program & Cellulosic Ethanol Tax Credits

INTERNATIONAL PAPER

Biomass Crop Assistance Program

- Investigating the program
- Need final, written regulations to understand
- Believe that the definition of biomass should be narrowly defined to ensure level playing field for paper industry
- Encourage implementation of Phase II to increase biomass supply

Cellulosic Ethanol Tax Credits

- We believe that pulp & paper producers do not qualify

Fourth Quarter Outlook
Changes from 3Q09

INTERNATIONAL PAPER

		North America	Europe	Brazil	Russia - Svetogorsk	Asia
Volume	Paper	Seasonally Soft	Stable	Seasonal Increase	Increasing	Stable
	Packaging	Seasonal Decrease	Seasonal Increase			Stable
Pricing	Paper	Pulp Increasing, Paper Stable	Improving	Stable	Stable	Stable
	Packaging	Box Pricing	Margin Pressure			Stable
Maintenance Outages		$31MM Unfavorable	$10MM Favorable	Flat	Flat	
Input & Freight Costs		Increasing	Increasing	Flat	Increasing	Pulp Up

xpedx	Stable	Ilim Joint Venture	Improving	Forest Products	Flat

Priorities

- **Realize Restructuring & Cost Reduction Benefits**
- **Match our Supply to our Customers' Needs**
- **Optimize Industrial Packaging Business**
- **Continue Debt Reduction**

Appendix

Investor Relations Contacts

Thomas A. Cleves	901-419-7566
Emily Nix	901-419-4987

Media Contact

Kathleen Bark	901-419-4333

Special Items Net of Taxes
3Q09

INTERNATIONAL PAPER

	$ Million	EPS
Earnings Before Special Items	**$157**	**$0.37**
Special Items Net of Taxes:		
Alternative Fuel Mixture Credits	$320	
Debt Extinguishment Costs	($63)	
Overhead Reduction Initiative	($24)	
Integration Costs	($11)	
Other Previously Announced Closures*	($8)	
Total Special Items Net of Taxes	**$214**	**$0.50**
Net Earnings	**$371**	**$0.87**

* Does not include closures announced on October 22, 2009

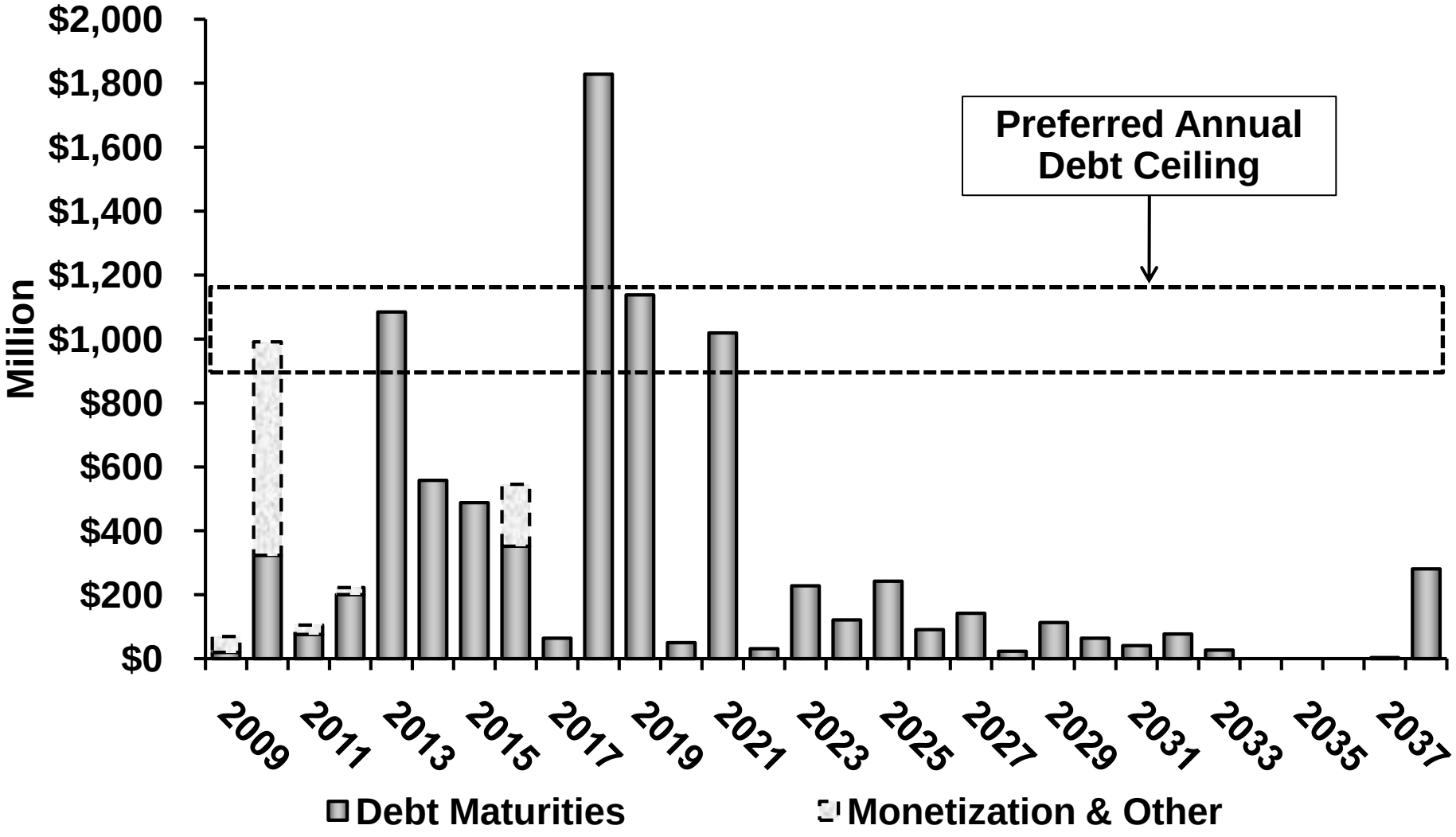
Key Financial Statistics

$ 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%	30-32%

[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 Quarter-End

INTERNATIONAL PAPER



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] $942 million available at quarter-end based on eligible receivable balances

[2] Conduit's rate

Debt Covenants & Credit Ratings

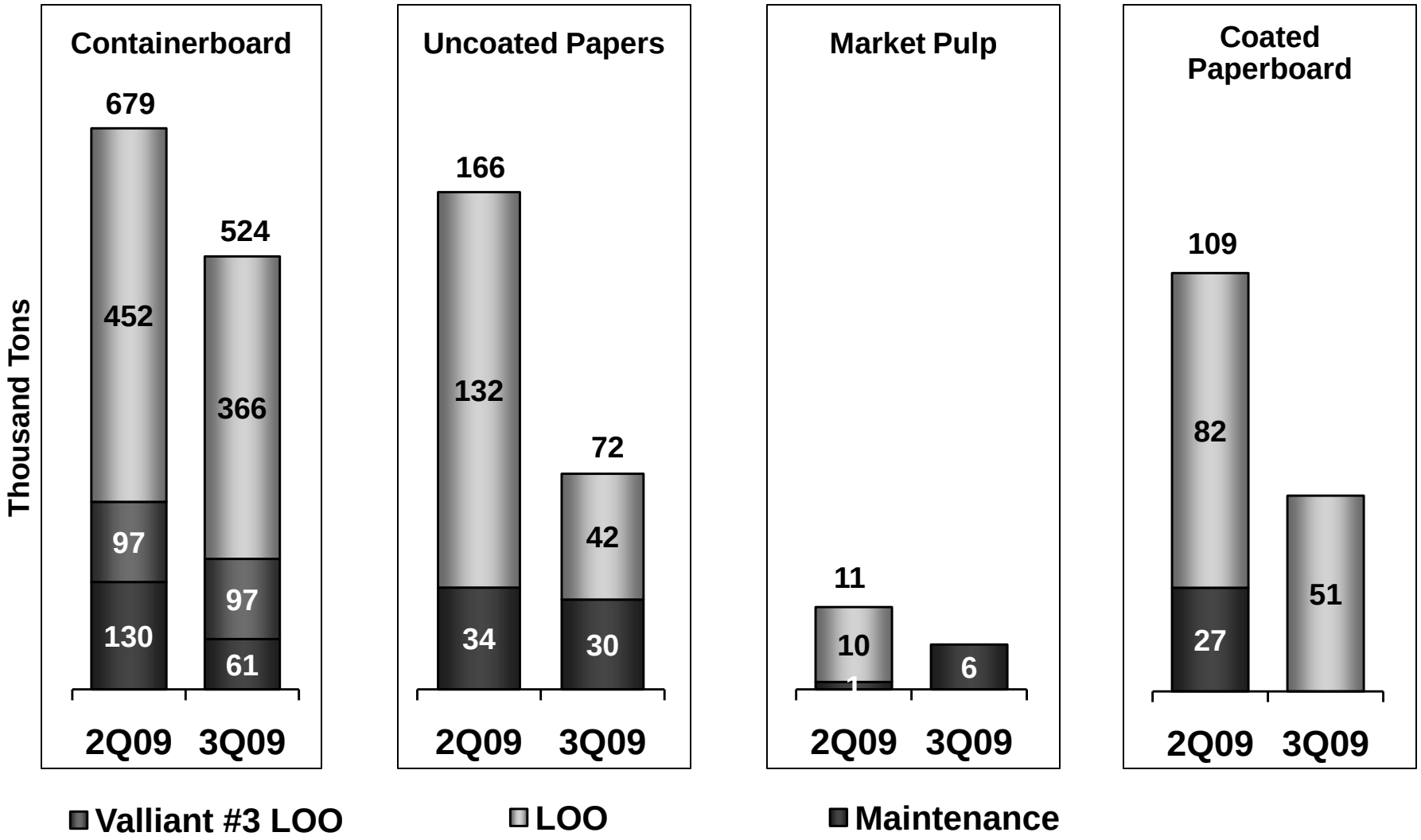
	Covenant	As of 9/30
Maximum Debt-to-Total Capital	60%	44.7%
Minimum Consolidated Net Worth	$9B	$11.9B

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

N.A. Lack of Order & Maintenance Downtime

15% of Capacity in 3Q, Improved from 22% in 2Q

INTERNATIONAL PAPER



LOO downtime excludes capacity from mills or machines that have been permanently shutdown (Franklin #3 - 32,000 tons and Louisiana mill - 120,000 tons) as of September 30, 2009

Maintenance Outages Expenses

$ Millions	1Q09	2Q09	3Q09	4Q09E
Industrial Packaging	**$44**	**$46**	**$4**	**$26**
North America	19	33	34	25
Europe	7	19	10	0
Brazil	5	0	2	0
Printing Papers Total	**$31**	**$52**	**$46**	**$25**
Consumer Packaging	**$4**	**$20**	**$1**	**$19**
Total Impact	**$79**	**$118**	**$51**	**$70**

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

Forest Products
3Q09 vs. 2Q09

INTERNATIONAL PAPER

	3Q08	2Q09	3Q09
Sales ($ Million)	**$55***	**$10**	**$5**
Earnings ($ Million)	**$305**	**$3**	**$2**
Acres Sold	**33,000**	**2,900**	**3,200**
Price / Acre	**$1,564**	**$2,649**	**$1,994**

The pending sale of 143,000 acres not expected to close in 4Q09. Interested parties are continuing their due diligence efforts and we will have a better view on this transaction later in 4Q09.

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

Industrial Packaging

	3Q09 vs. 2Q09		3Q09 vs. 3Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Container	(2%)	($33)	(15%)*	($15)*
European Container	(6%)	(€14)	(4%)	(€92)

* Estimate based on IP legacy plus WY PKG history

Printing Papers

	3Q09 vs. 2Q09		3Q09 vs. 3Q08	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**8%**	**($24)***	**(13%)**	**($79)**
N.A. Pulp	**15%**	**$2**	**(8%)**	**($131)**
European Paper	**(8%)**	**(€18)**	**(14%)**	**(€101)**

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

* The average selling price for 20# cut-size remained flat during the third quarter

Consumer Packaging

	3Q09 vs. 2Q09		3Q09 vs. 3Q08	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	2%	($23)	(19%)	$31
	Revenue	Price	Revenue	Price
Converting Businesses	0%	NA	(9%)	NA

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

Special Items

Special Items Pre-Tax:		3Q08	2Q09	3Q09
Industrial Packaging	Alternative Fuel Mixture Credits		$208	$221
	Integration Costs	($58)	($18)	($18)
	Facility Closure Costs*		($63)	($7)
Printing Papers	Alternative Fuel Mixture Credits		$197	$226
	Facility Closure Costs*	($107)	($4)	($1)
Consumer Packaging	Alternative Fuel Mixture Credits		$77	$78
	Reorganization	($8)	($1)	($2)
Corporate	Restructuring & Other Charges	($89)	($59)	($141)
	Sale of Forestlands	$3		
Total Special Items Pre-Tax		($259)	**$337**	**$356**

* Does not include closures announced on October 22, 2009

3Q09 EBITDA
before Special Items

INTERNATIONAL PAPER

	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA $ per Ton	EBITDA Margin %
Industrial Packaging					
North America[1]	$201	$156	2,469	$145	19.8%
Europe	$13	$8	252	$83	8.8%
Printing Papers					
North America[2]	$92	$58	775	$194	20.7%
Western Europe[3]	($5)	$5	68	$0	0%
Eastern Europe & Russia[3]	$43	$15	236	$246	28.7%
Brazil	$36	$32	282	$241	24.8%
U.S. Market Pulp	($18)	$10	301	($27)	(5.2%)
Consumer Packaging					
U.S. Coated Paperboard	$46	$35	324	$250	22.9%

[1] Excludes Recycling & Bag businesses; includes Saturating Kraft business
[2] Includes Bleached Kraft business
[3] Excludes Market Pulp

Operating Profits by Industry Segment

$ Million	3Q08	2Q09	3Q09
Industrial Packaging	$153	$255	$214
Printing Papers	$210	$86	$138
Consumer Packaging	$6	$38	$68
Distribution	$35	$10	$21
Forest Products	$305	$3	$2
Operating Profit	**$709**	**$392**	**$443**
Net Interest Expense	($144)	($173)	($169)
Noncontrolling Interest / Equity Earnings Adjustment	($1)	$8	$5
Corporate Items	($40)	($44)	($46)
Special Items	($259)	$337	$356
Earnings from continuing operations before income taxes, equity earnings & noncontrolling interest	**$265**	**$520**	**$589**
Equity Earnings, net of taxes - Ilim	**$5**	**($30)**	**$0**

Geographic Business Segment Operating Results
from Continuing Operations before Special Items

INTERNATIONAL PAPER

$ Million	Sales			Operating Profit		
	3Q08	2Q09	3Q09	3Q08	2Q09	3Q09
Industrial Packaging						
North American	$1,935	$1,955	$1,890	$140	$241	$201
European	$285	$240	$240	$11	$14	$14
Asian	$100	$75	$100	$2	$0	$0
Printing Papers						
North American	$905	$685	$725	$131	$61	$92
European	$425	$315	$300	$29	$16	$28
Brazilian	$255	$215	$275	$58	$23	$36
U.S. Market Pulp	$210	$135	$155	($9)	($14)	($18)
Asian	$5	$10	$15	$1	$0	$0
Consumer Packaging						
North American	$645	$565	$565	$7	$17	$44
European	$80	$80	$80	$1	$14	$17
Asian	$105	$125	$145	($2)	$7	$7
Distribution	$2,075	$1,595	$1,665	$35	$10	$21

Excludes Forest Products

2009 Earnings

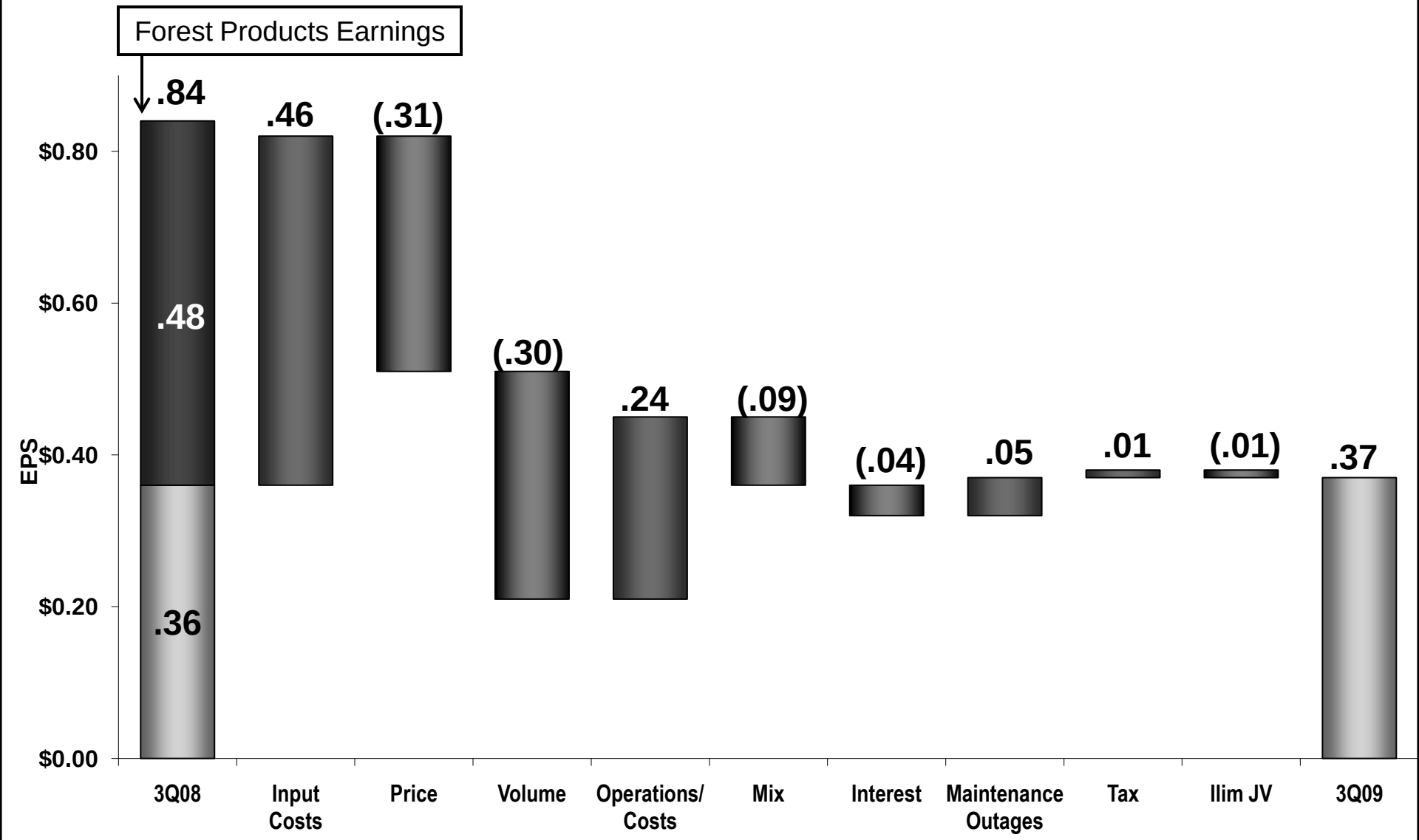
INTERNATIONAL PAPER

	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
3Q09	$233	($70)	($6)	$0	$157	30%	429	$0.37
Special Items								
1Q09	$421	($198)	$0	$0	$223	47%	423	$0.53
2Q09	$337	($287)	$0	$0	$50	85%	425	$0.12
3Q09	$356	($142)	$0	$0	$214	40%	429	$0.50
Earnings								
1Q09	$518	($230)	($4)	($27)	$257	44%	423	$0.61
2Q09	$520	($348)	($4)	($32)	$136	67%	425	$0.32
3Q09	$589	($212)	($6)	$0	$371	36%	429	$0.87

[1] Assuming dilution

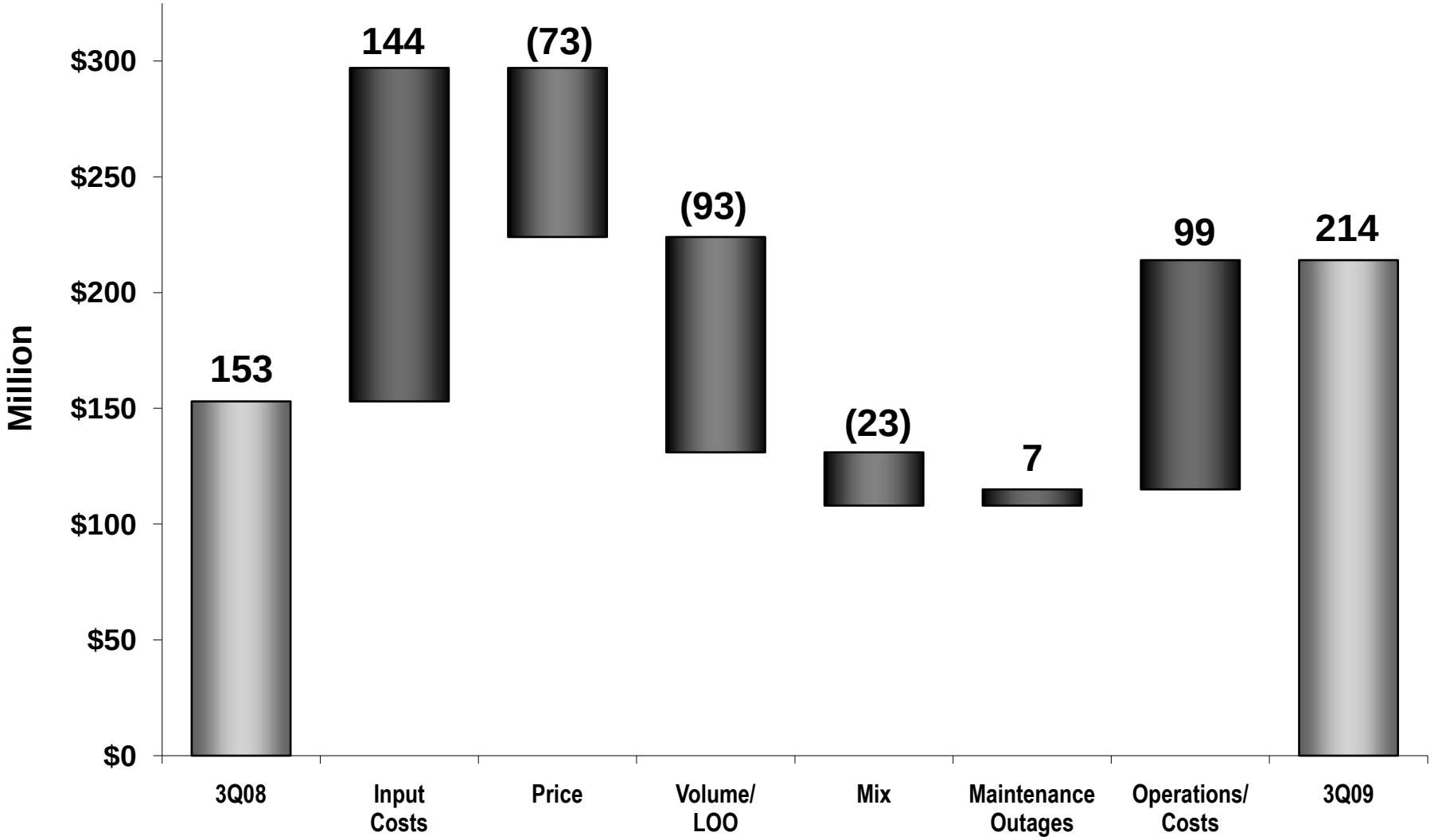
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations

3Q09 vs. 3Q08 EPS



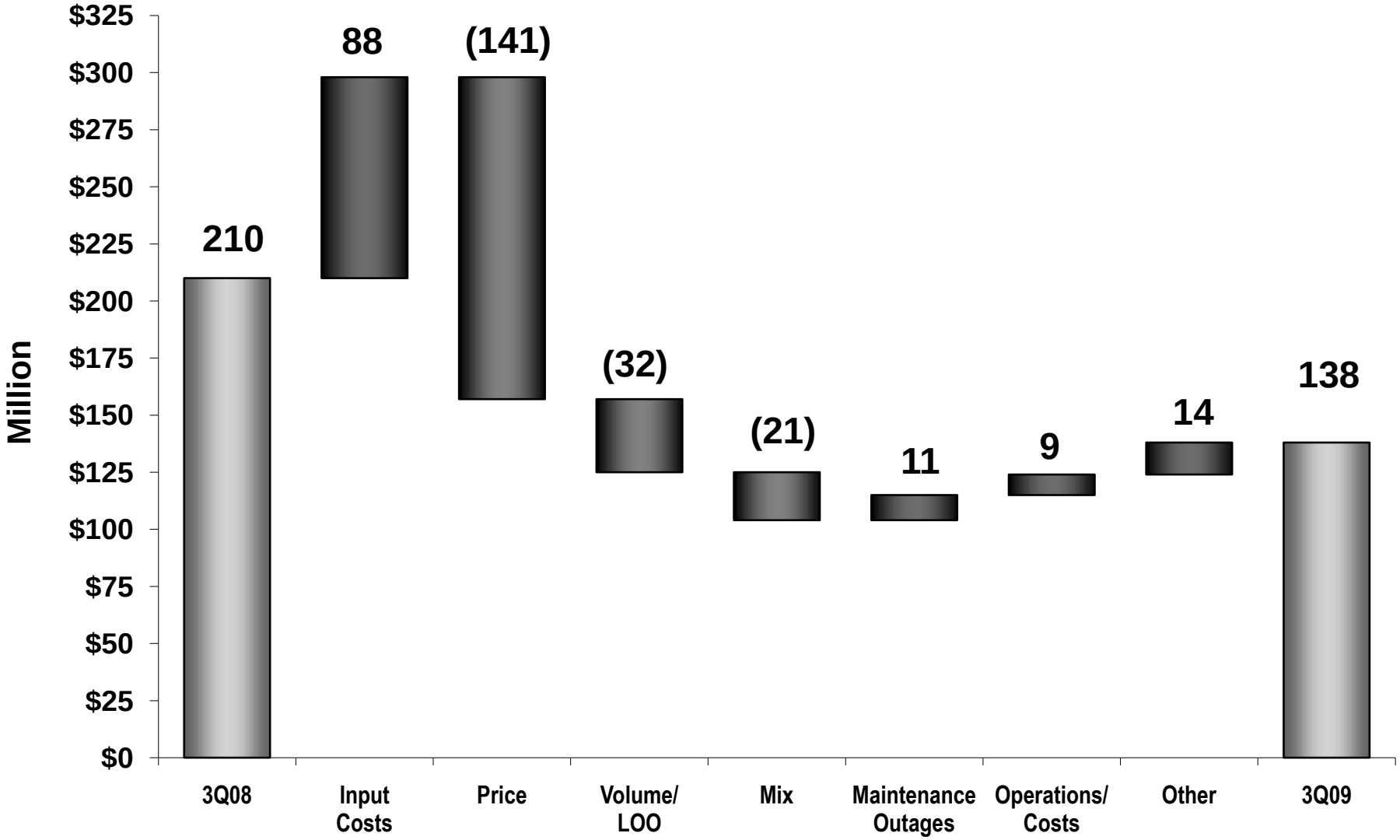
Earnings from continuing operations before special items; volume includes earnings from WY PKG

Industrial Packaging Earnings
3Q09 vs. 3Q08



Earnings before special items

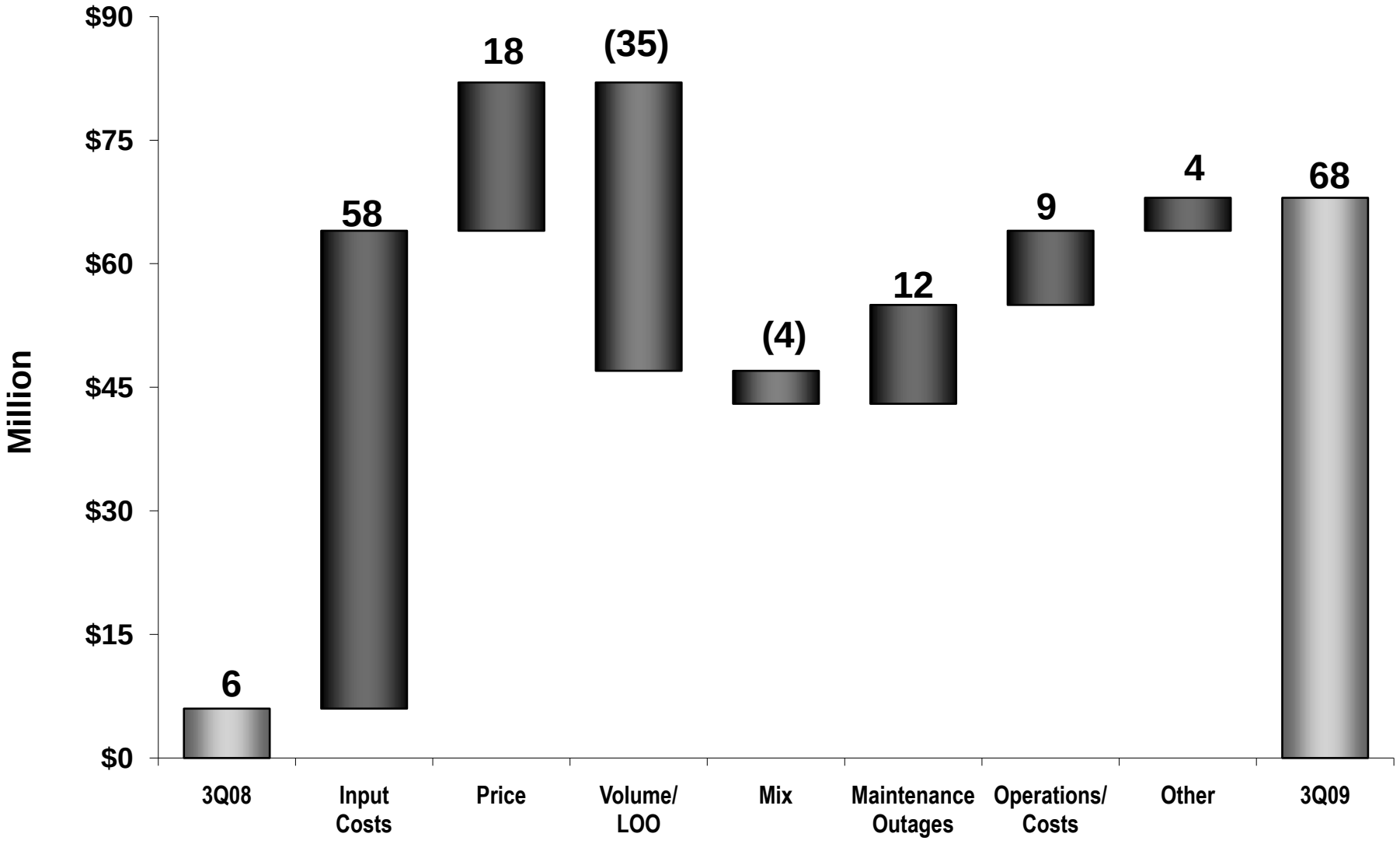
Printing Papers Earnings
3Q09 vs. 3Q08



Earnings before special items

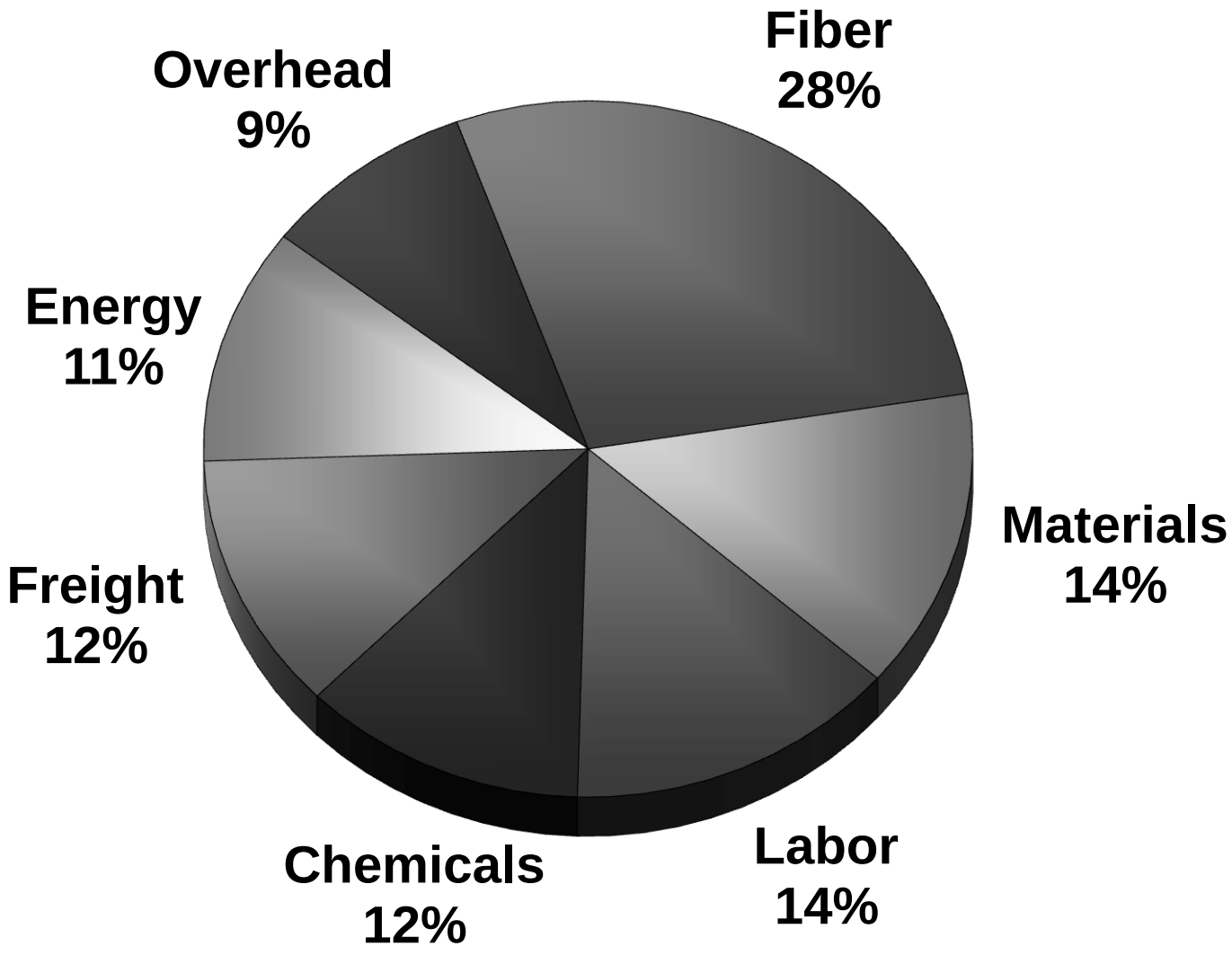
Consumer Packaging Earnings
3Q09 vs. 3Q08

INTERNATIONAL PAPER



Earnings before special items

Total Cash Cost Components
3Q09 YTD



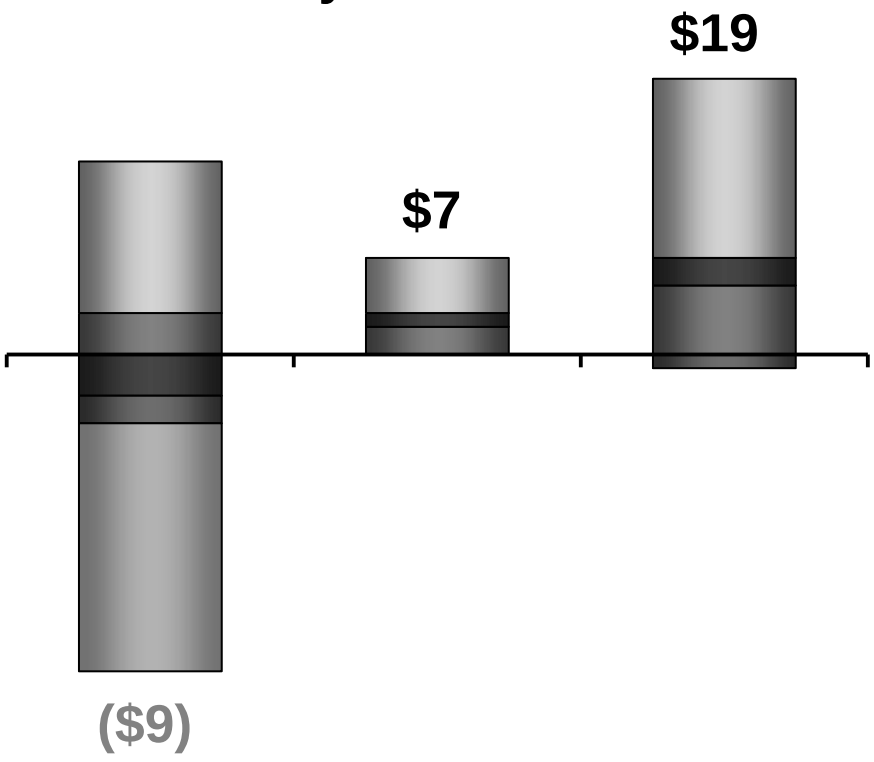
North American Mills Only

Global Input Costs by Segment

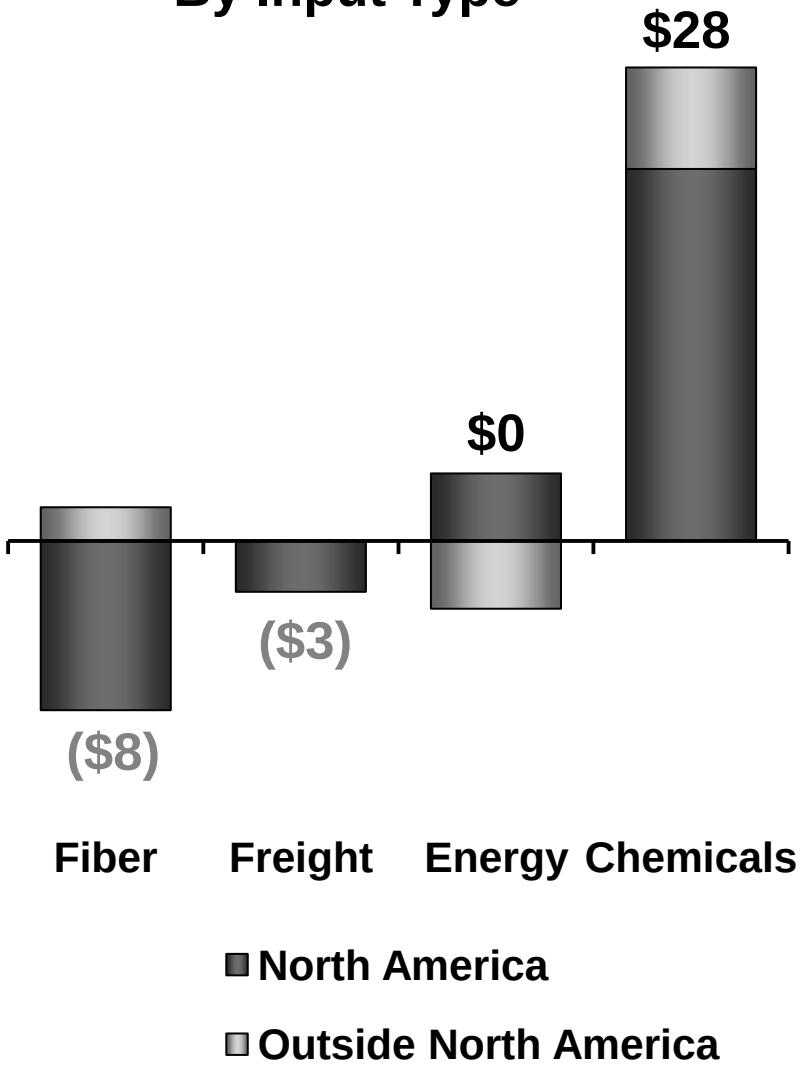
$17 Million, or $0.03/Share Favorable vs. 2Q09

INTERNATIONAL PAPER

By Business

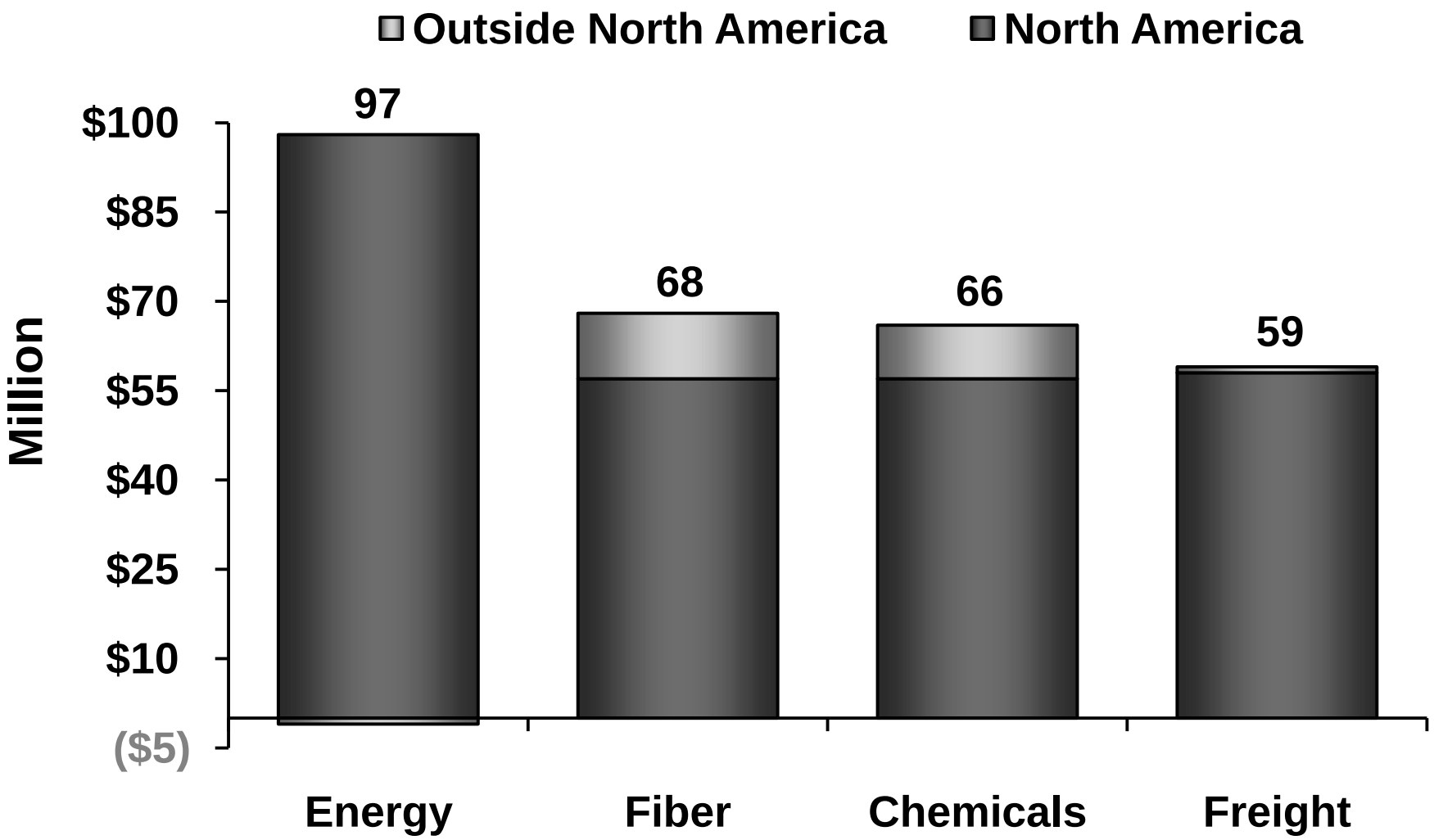


By Input Type



Global Input Costs by Input

$290MM, or $0.47/Share Favorable vs. 3Q08

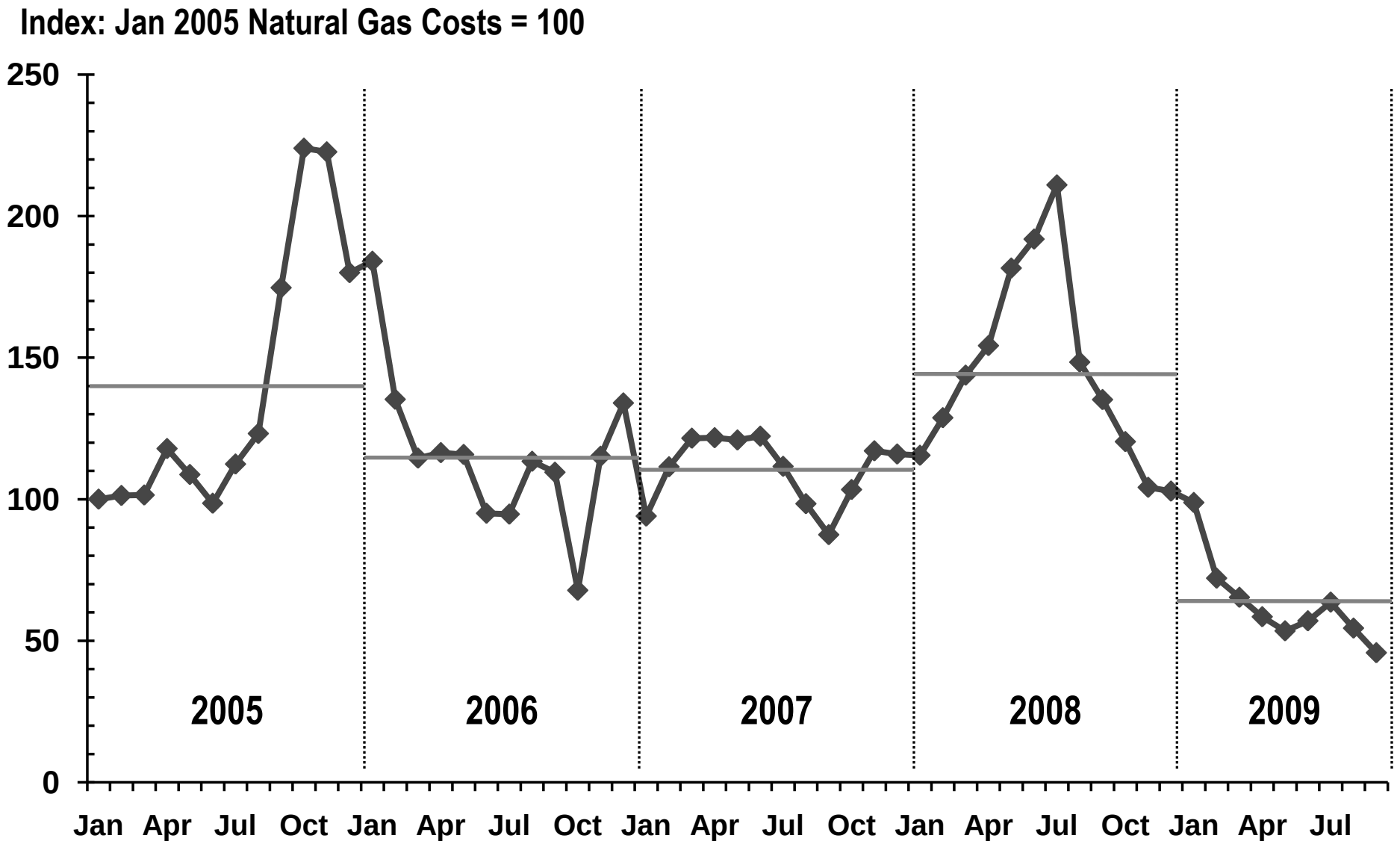


Input costs for continuing businesses; does not include WY PKG

Natural Gas Costs

3% Decrease vs. 2Q09 Average Cost

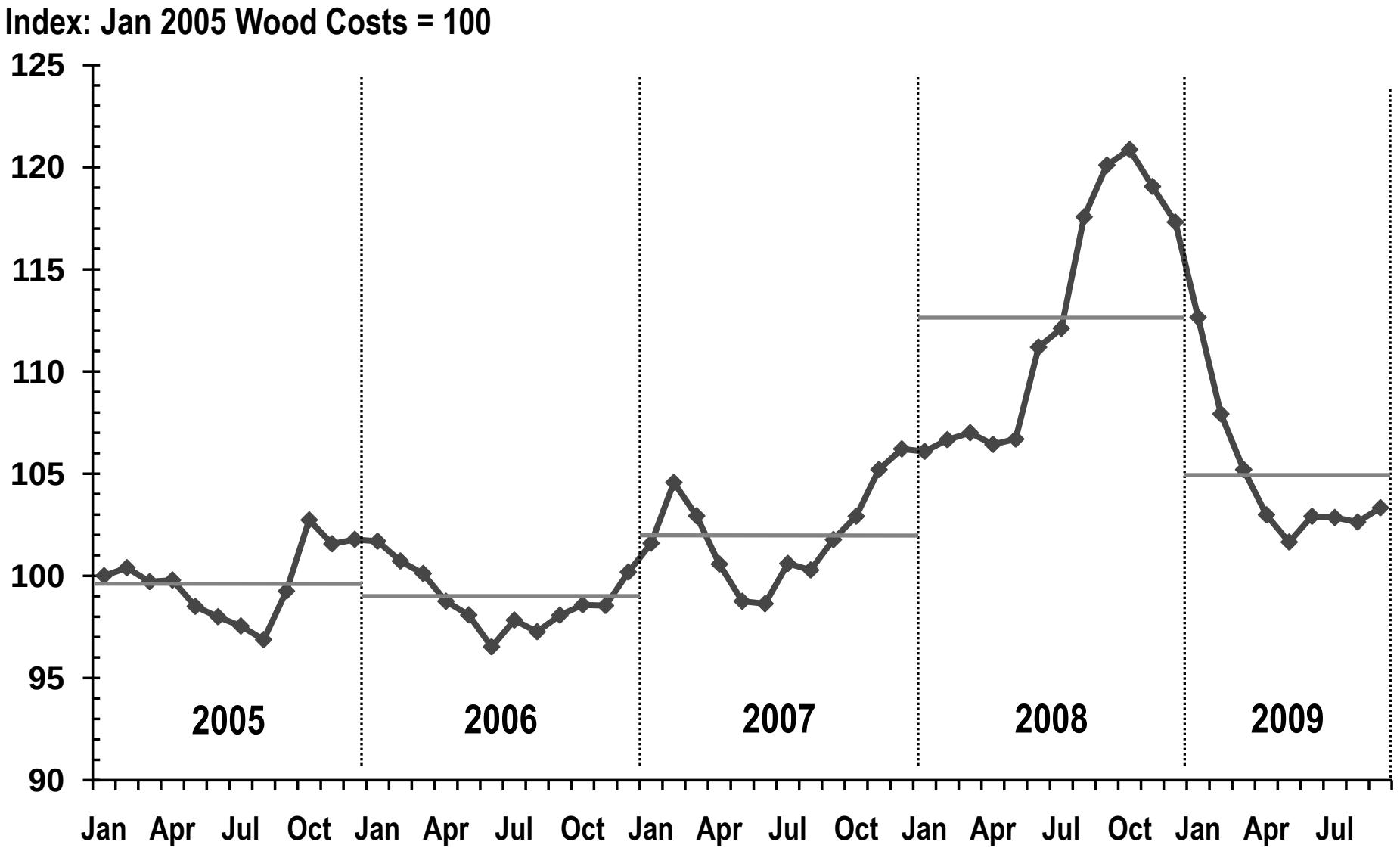
INTERNATIONAL PAPER



NYMEX Natural Gas closing prices

U.S. Mill Wood Costs
Flat vs. 2Q09 Average Cost

INTERNATIONAL PAPER

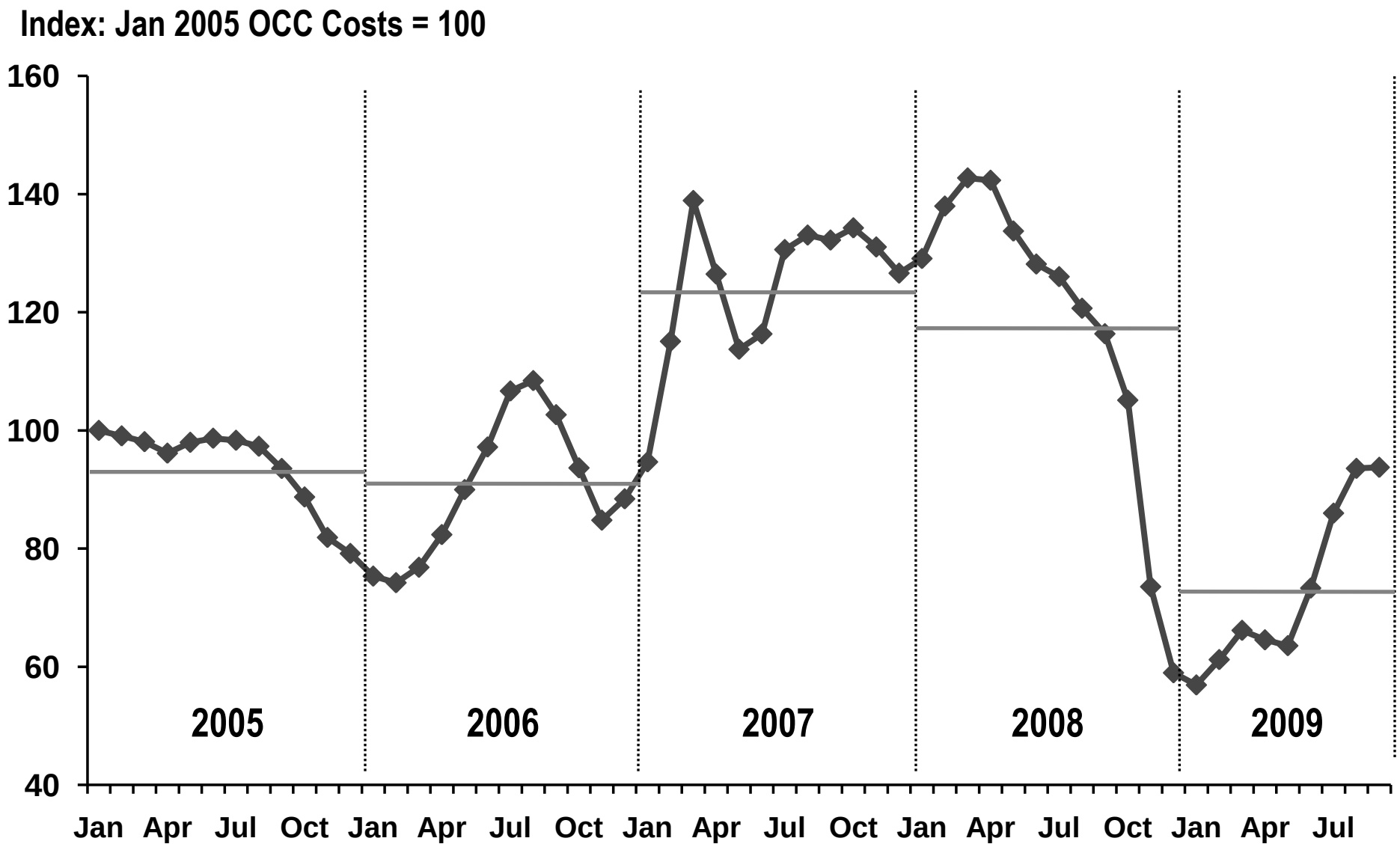


Delivered cost to U.S. facilities

U.S. Old Corrugated Containers Costs

36% Increase vs. 2Q09 Average Cost

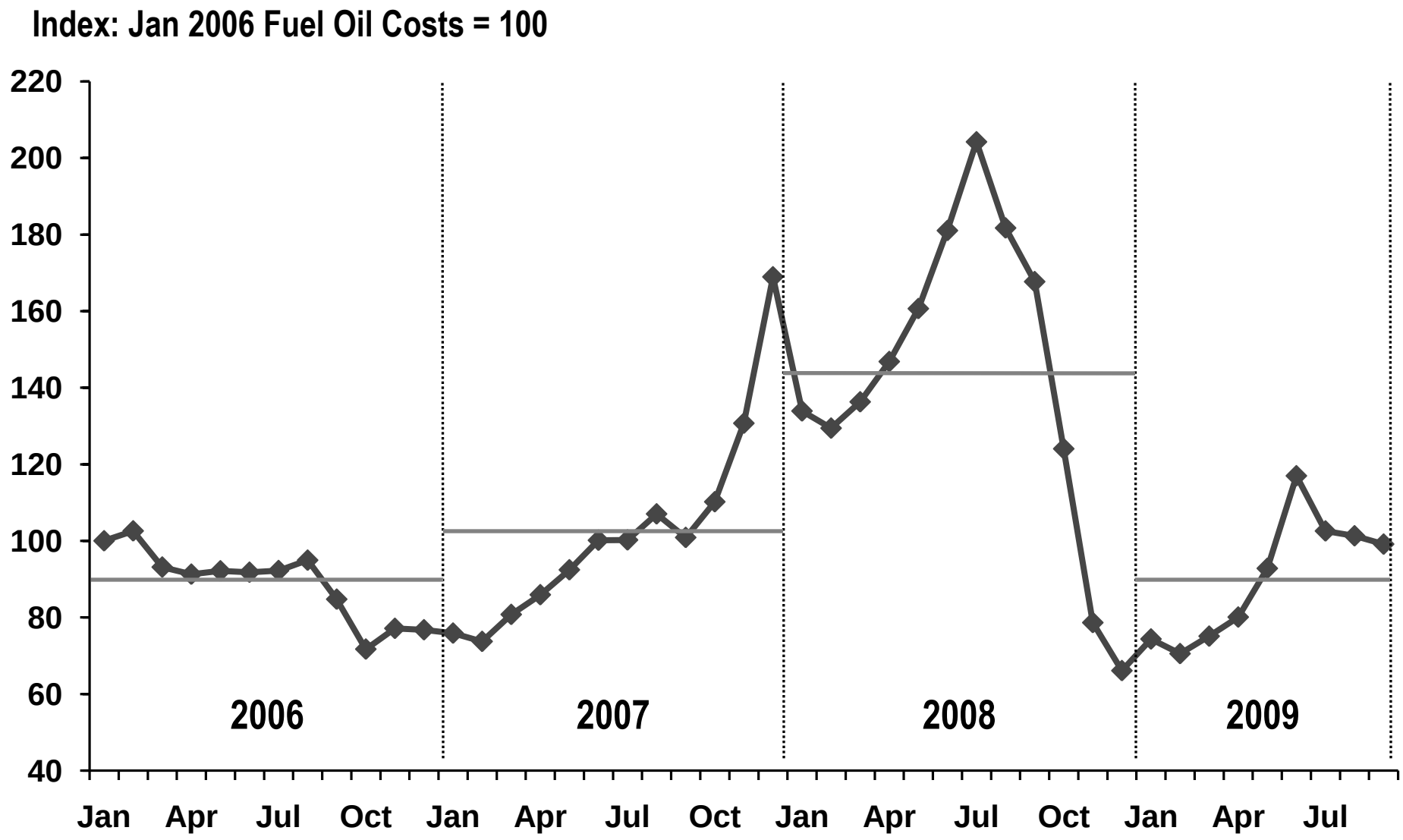
INTERNATIONAL PAPER



2005-2007 represents WY PKG delivered costs; 2008-2009 represents the integrated system

U.S. Fuel Oil
5% Increase vs. 2Q09 Average Cost

INTERNATIONAL PAPER

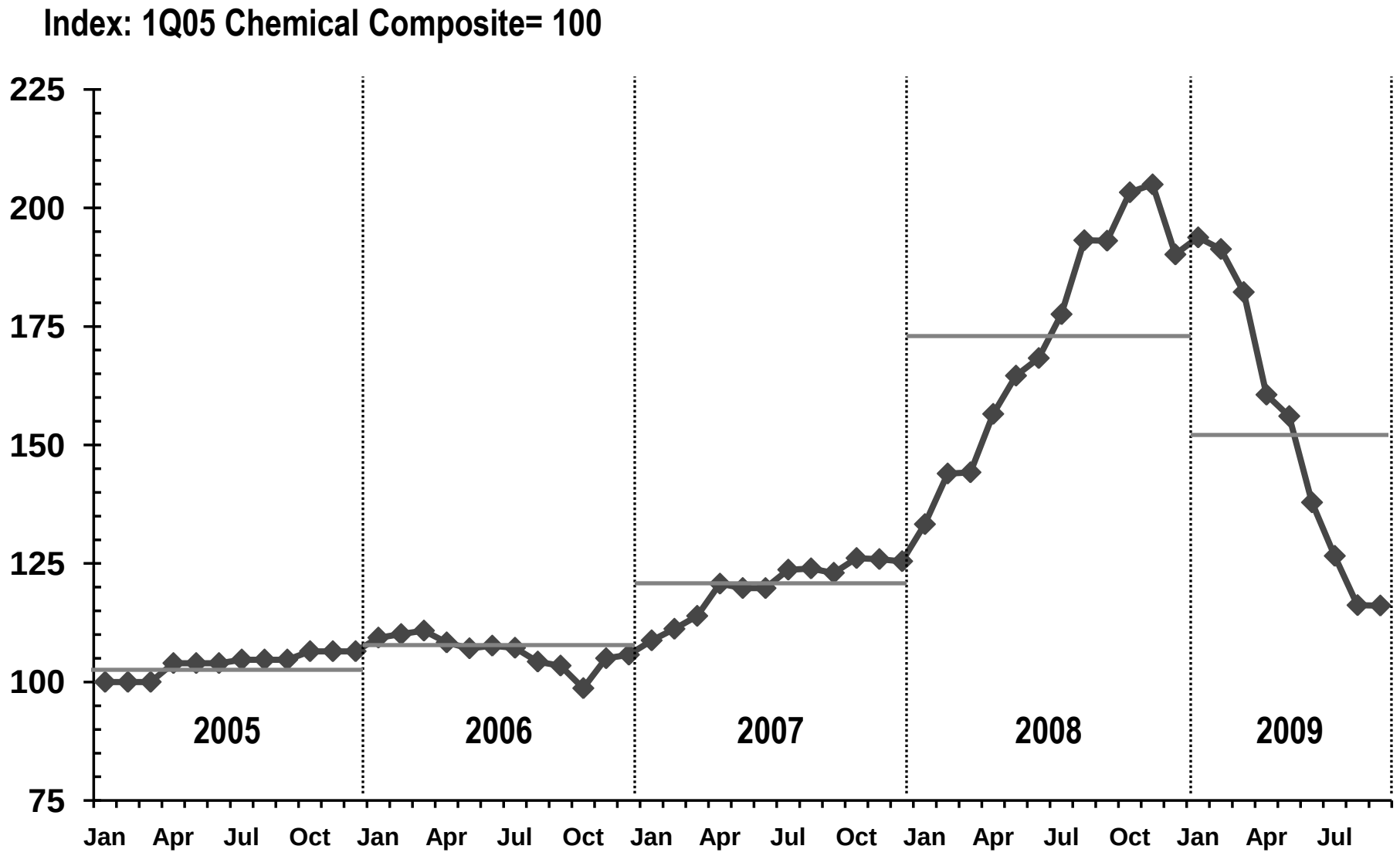


WTI Crude prices

U.S. Chemical Composite Index

21% Decrease vs. 2Q09 Average Cost

INTERNATIONAL PAPER



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

INTERNATIONAL PAPER

	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)	45,000	-
	Latex (Tons)	25,000	4,000

Does not include Asian or Ilim consumption
Estimates are based on normal operations and may be impacted by downtime