

INTERNATIONAL PAPER



John V. Faraci
Chairman &
Chief Executive Officer

Credit Suisse Global Paper & Packaging Conference

February 25, 2010

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 our 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 and changes in 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

INTERNATIONAL PAPER

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.

Significant Progress
Significant Opportunities

INTERNATIONAL PAPER

- **2009**
  - **Challenges**
  - **Results**

- **2010 & Beyond**
  - **New Challenges**
  - **Many Opportunities**

- **Priorities**
  - **Business**
  - **Company**

Start of 2009
Facing Significant Challenges

INTERNATIONAL PAPER

Integration of WY PKG Assets



Substantial Debt Load



Global Economy under Severe Stress

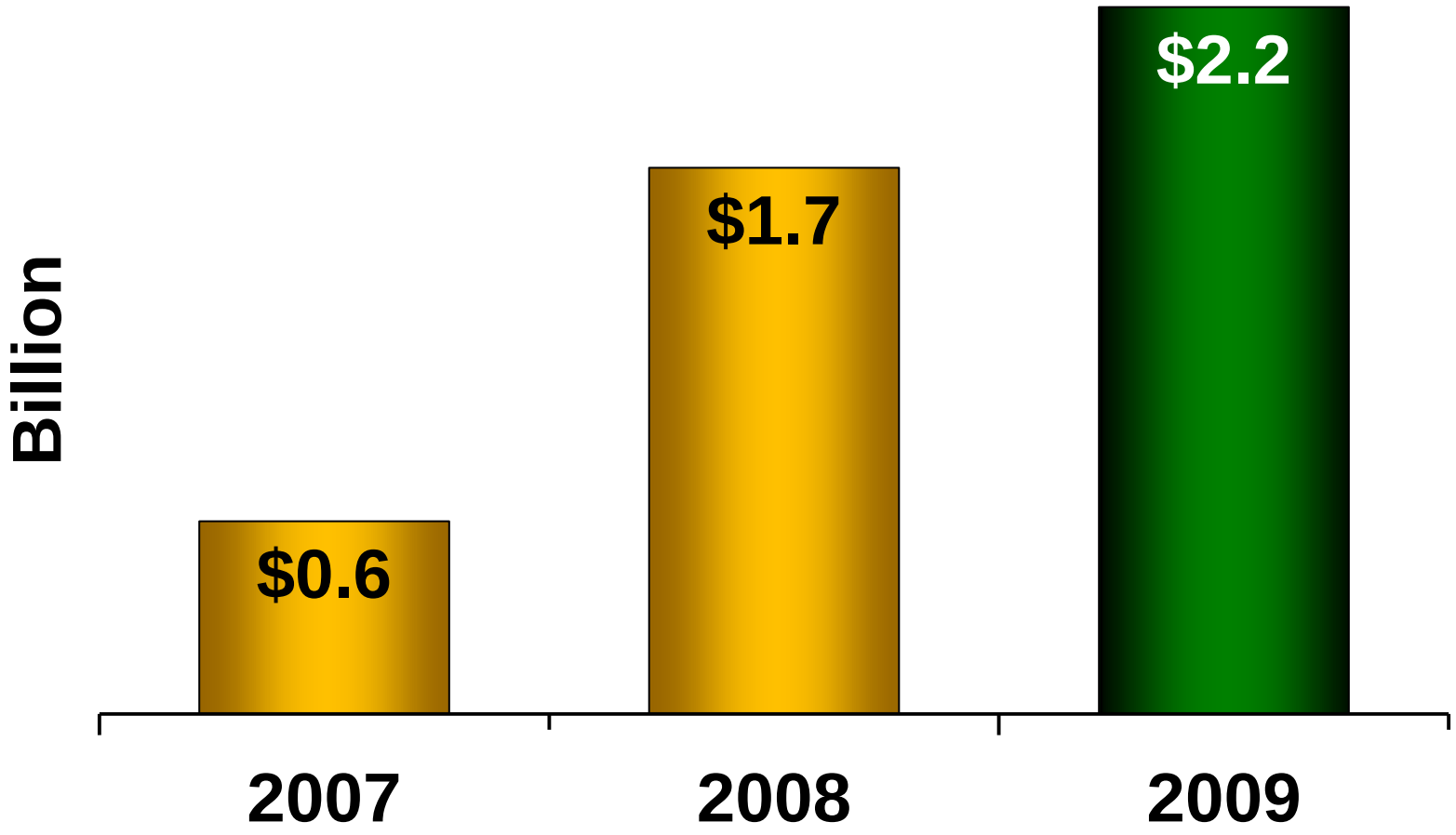


Start of 2009
Confident in Ability to Produce Results

INTERNATIONAL PAPER

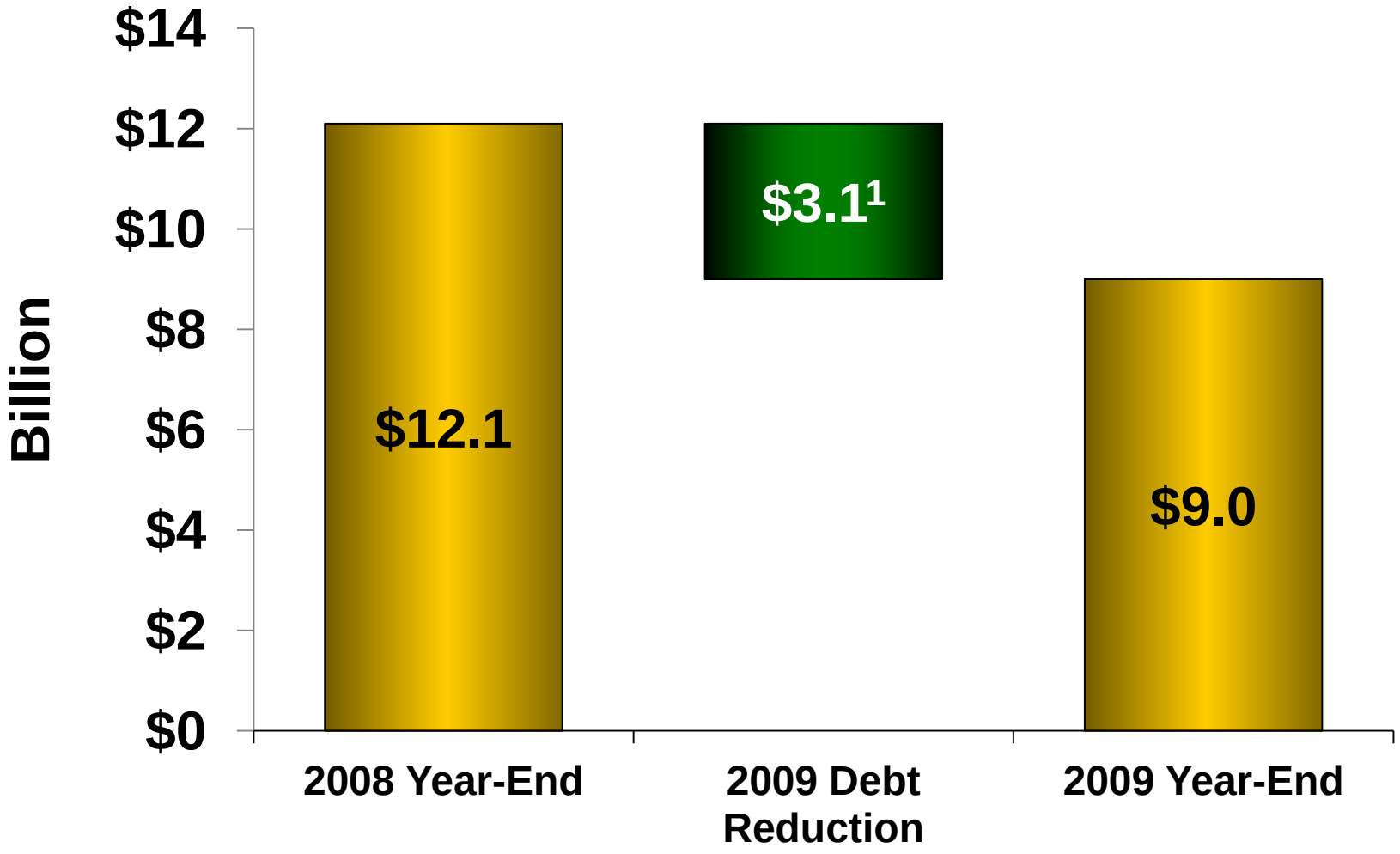
- Positioned in the three most attractive segments
- Strong management team
- Integration expertise
- Ability to generate free cash flow
- Debt reduction plans

2009 Results
Record Free Cash Flow



Cash provided by continuing operations less capital expenditures before dividends; 2009 excludes cash received from alternative fuel credits of $1.7 B and cash received under European accounts receivable securitization of $0.2 B

2009 Results
$3.1 Billion Debt Reduction



[1] Excludes debt repayments totaling $2.75 B from the proceeds of bond issuances

2009 Results

$4.3 Billion Balance Sheet Improvement

INTERNATIONAL PAPER

Debt Reduction



Increase in Cash on Hand



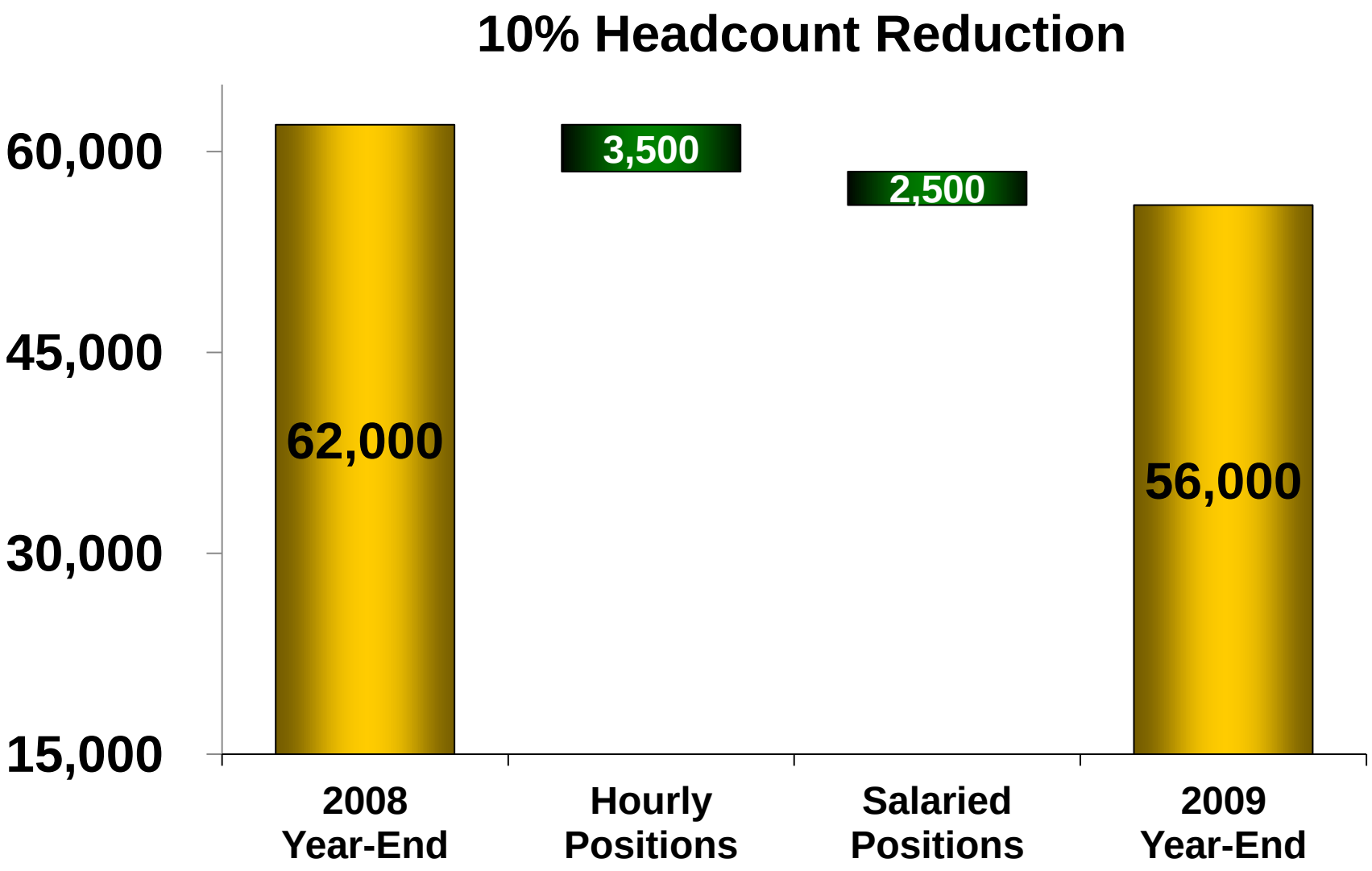
Decrease in Unfunded Pension Obligation



2009 Results

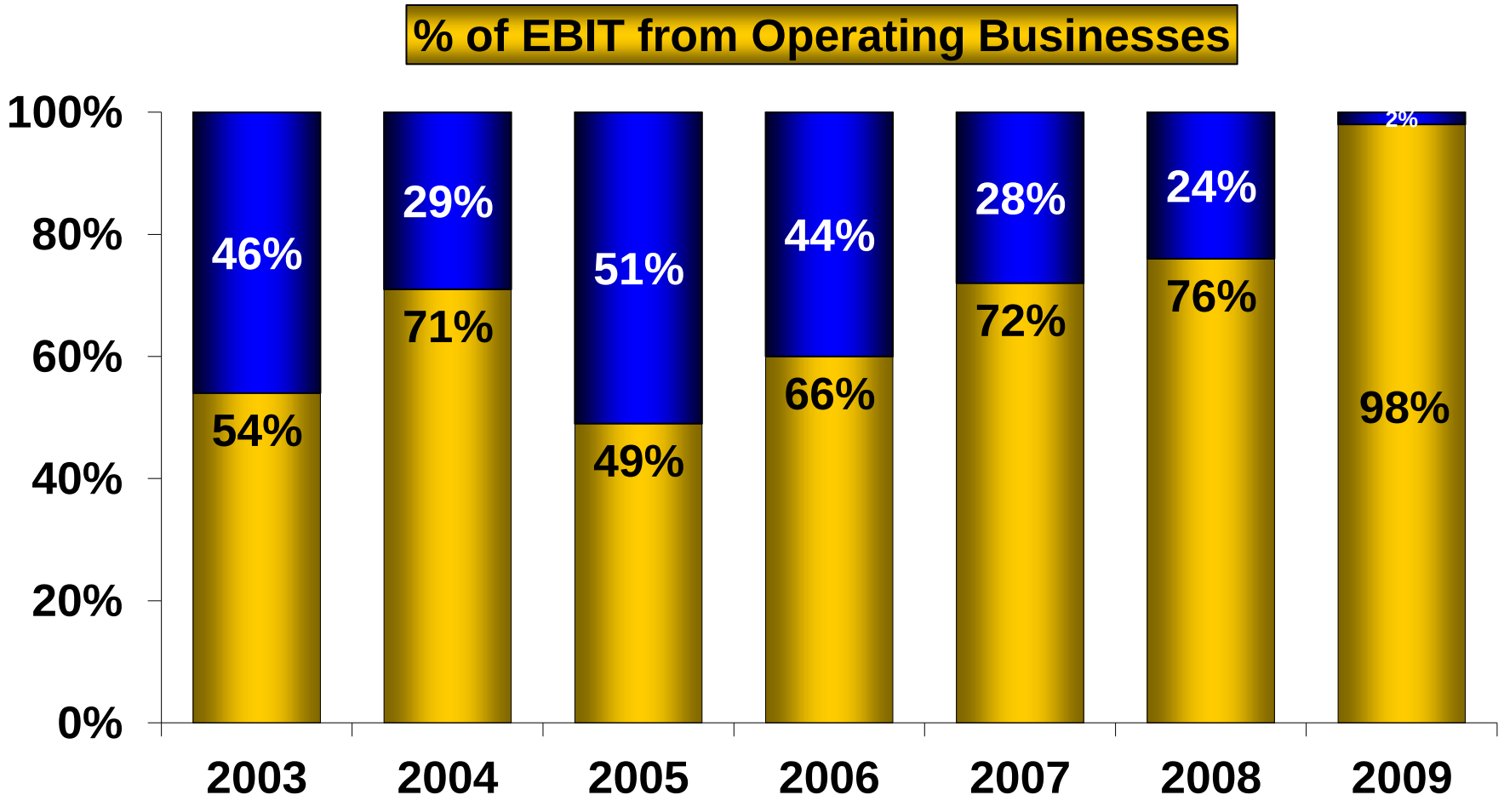
$500 Million Overhead Cost Reduction

INTERNATIONAL PAPER



2009 Results
Improving Earnings Quality

INTERNATIONAL PAPER



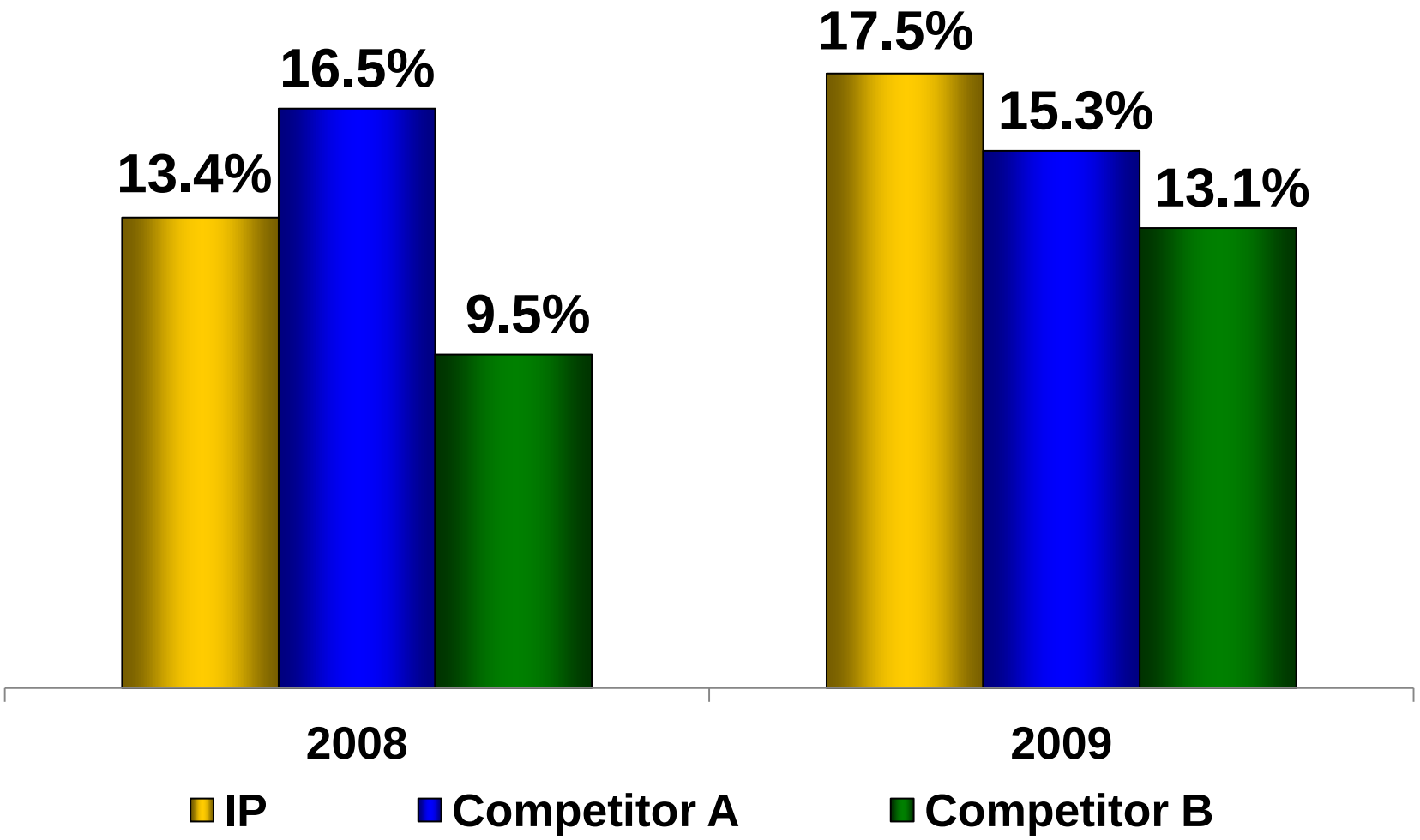
Forest Products EBIT ($B)	2003	2004	2005	2006	2007	2008	2009
	$0.6	$0.5	$0.7	$0.7	$0.5	$0.4	< $0.1

EBIT before special items including discontinued operations, but excluding the Wood Products business
Earnings as reported in the 10-K for each year at time of filing

2009 N.A. Industrial Packaging Results

Industry-Leading EBITDA Margins

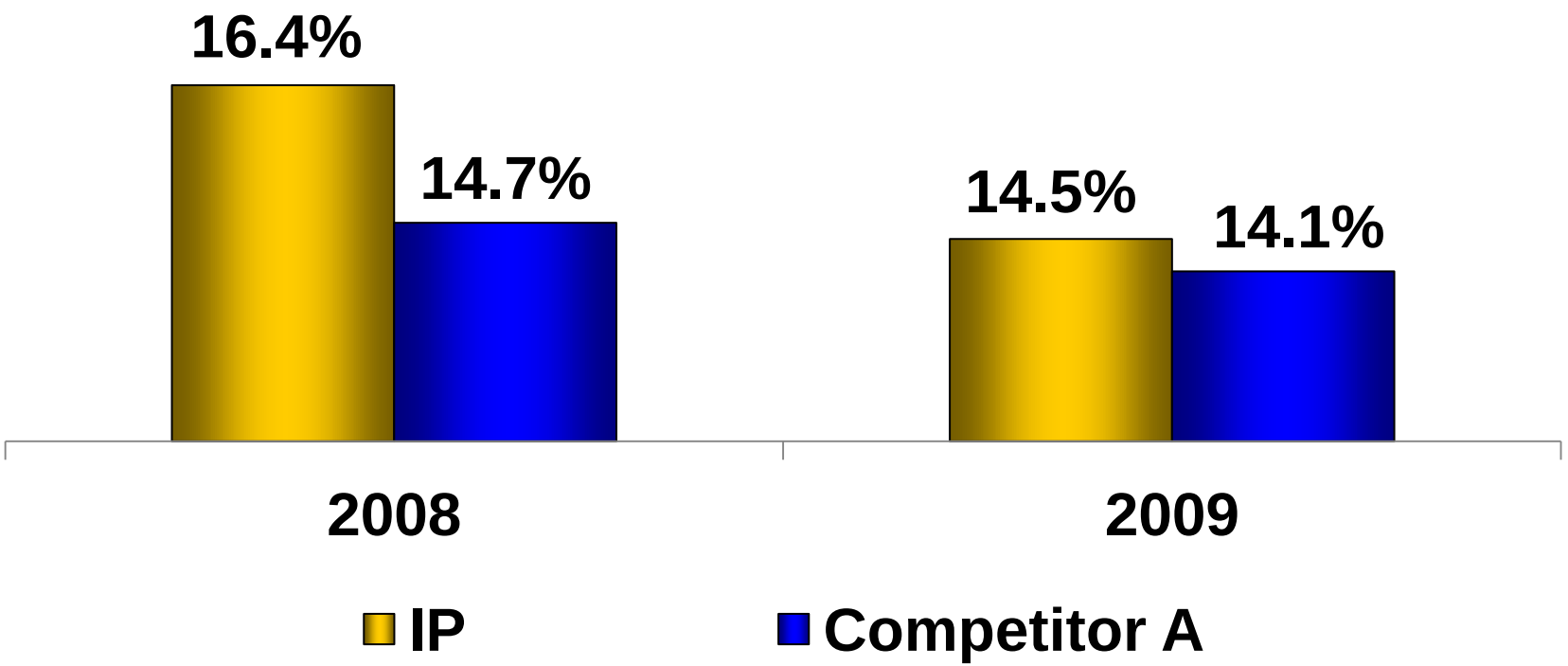
INTERNATIONAL PAPER



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

2009 N.A. Printing Papers Results
Industry-Leading EBITDA Margins

INTERNATIONAL PAPER

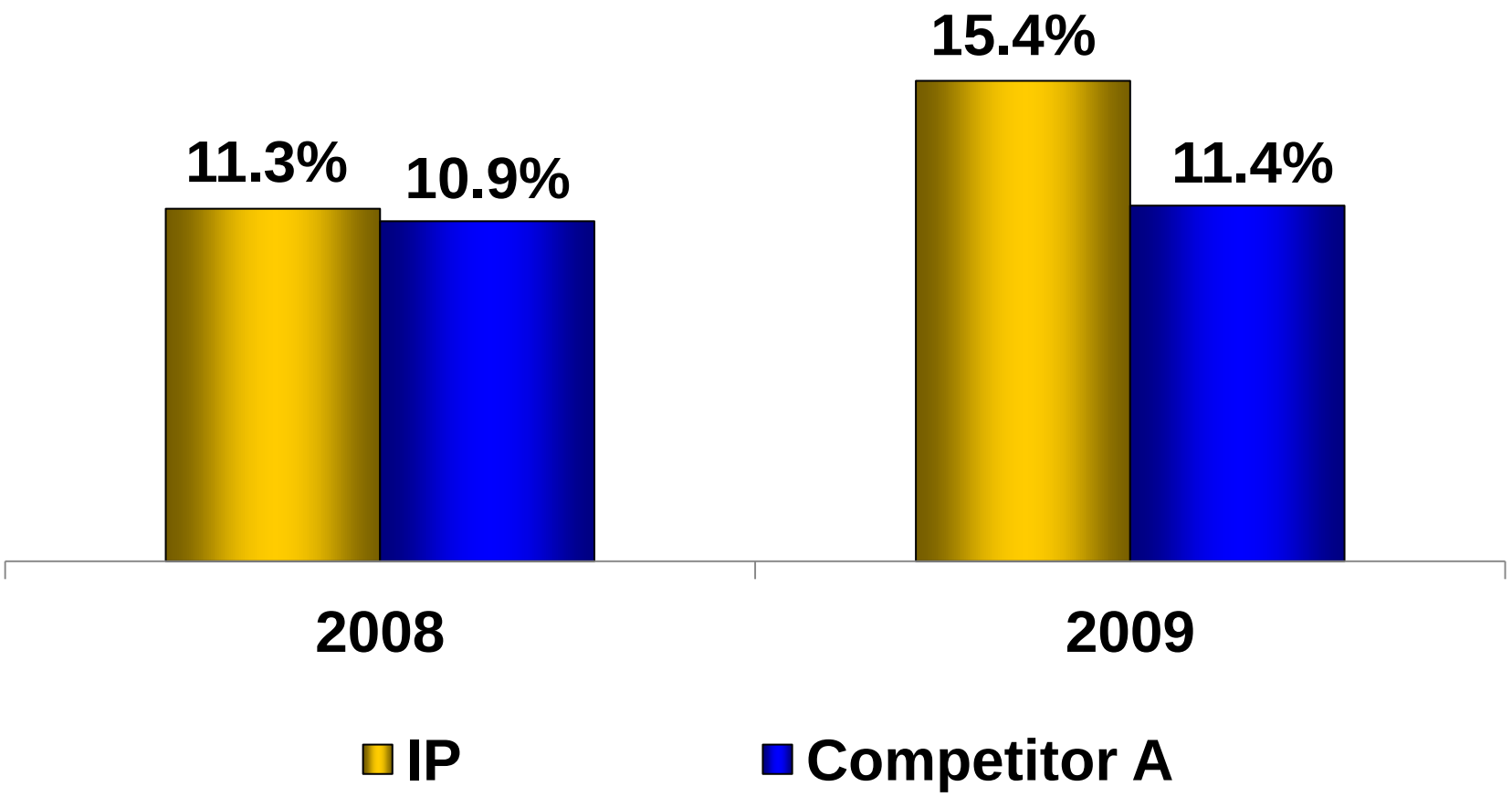


IP EBITDA margins based on North American Printing Papers operating profit before special items
Competitor EBITDA margin estimates obtained from public filings and IP analysis

2009 N.A. Coated Paperboard Results

Industry-Leading EBITDA Margins

INTERNATIONAL PAPER

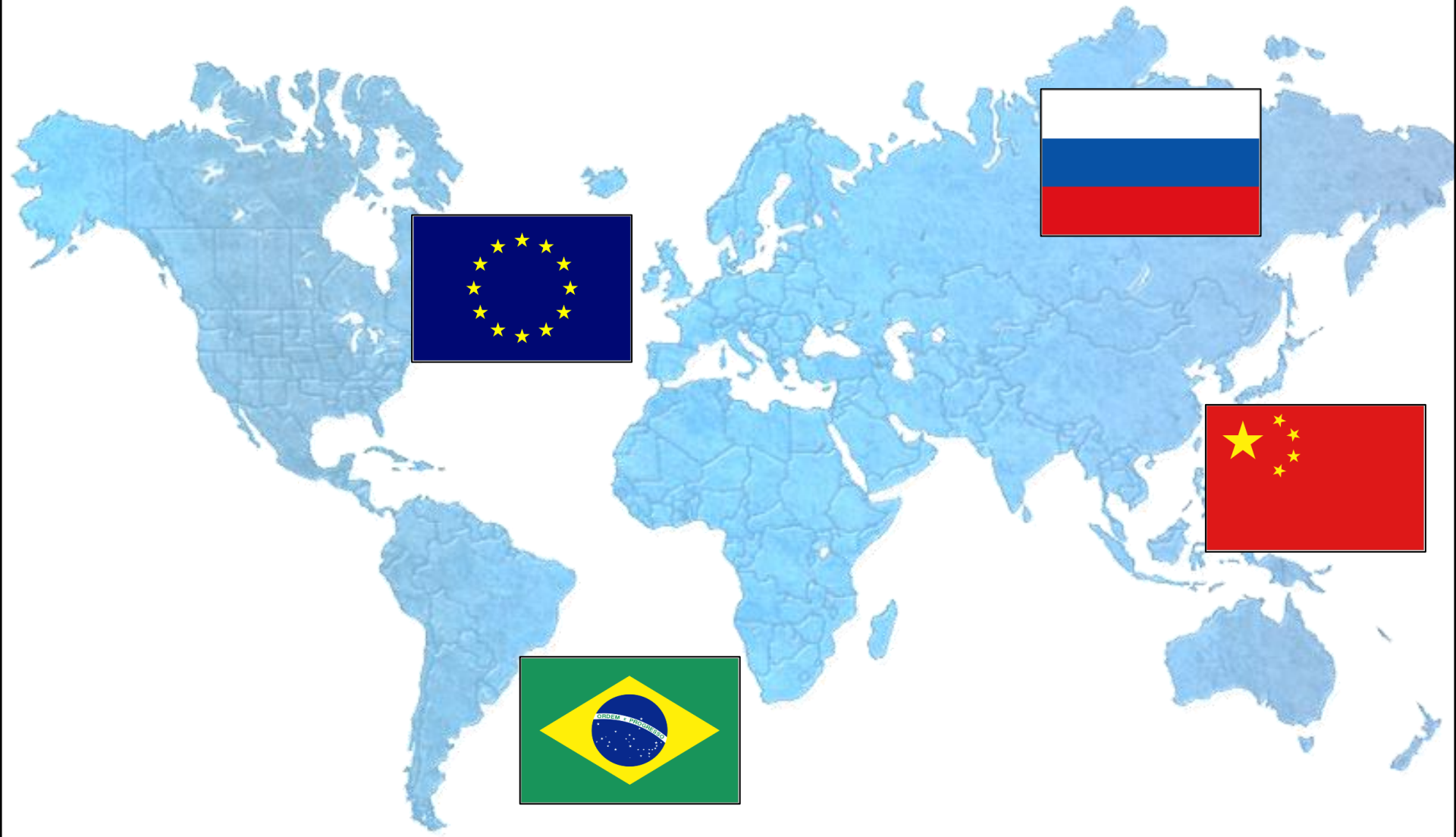


IP EBITDA margins based on North American Coated Paperboard operating profit before special items
Competitor EBITDA margin estimates obtained from public filings and IP analysis

2009 EBITDA from Global Operations

24% of Total IP EBITDA

INTERNATIONAL PAPER



2009 International Paper Results
Progress Summary

INTERNATIONAL PAPER

- $2.2 Billion Free Cash Flow
- $4.3 Balance Sheet Improvement
  - Including $3.9 Billion Net Debt Reduction
- $500 Million Overhead Cost Reduction
- $500 Million Integration Synergies Run Rate
- Industry-Leading EBITDA Margins
- 2.6 MM-Ton Excess Capacity Reduction
- Contributions from Global Operations
- Cost-of-Capital Returns in Select Businesses

1st Half of 2010

Earnings Momentum Building in 2Q

INTERNATIONAL PAPER

1Q

- Input Cost Escalation
- Higher Maintenance Outages

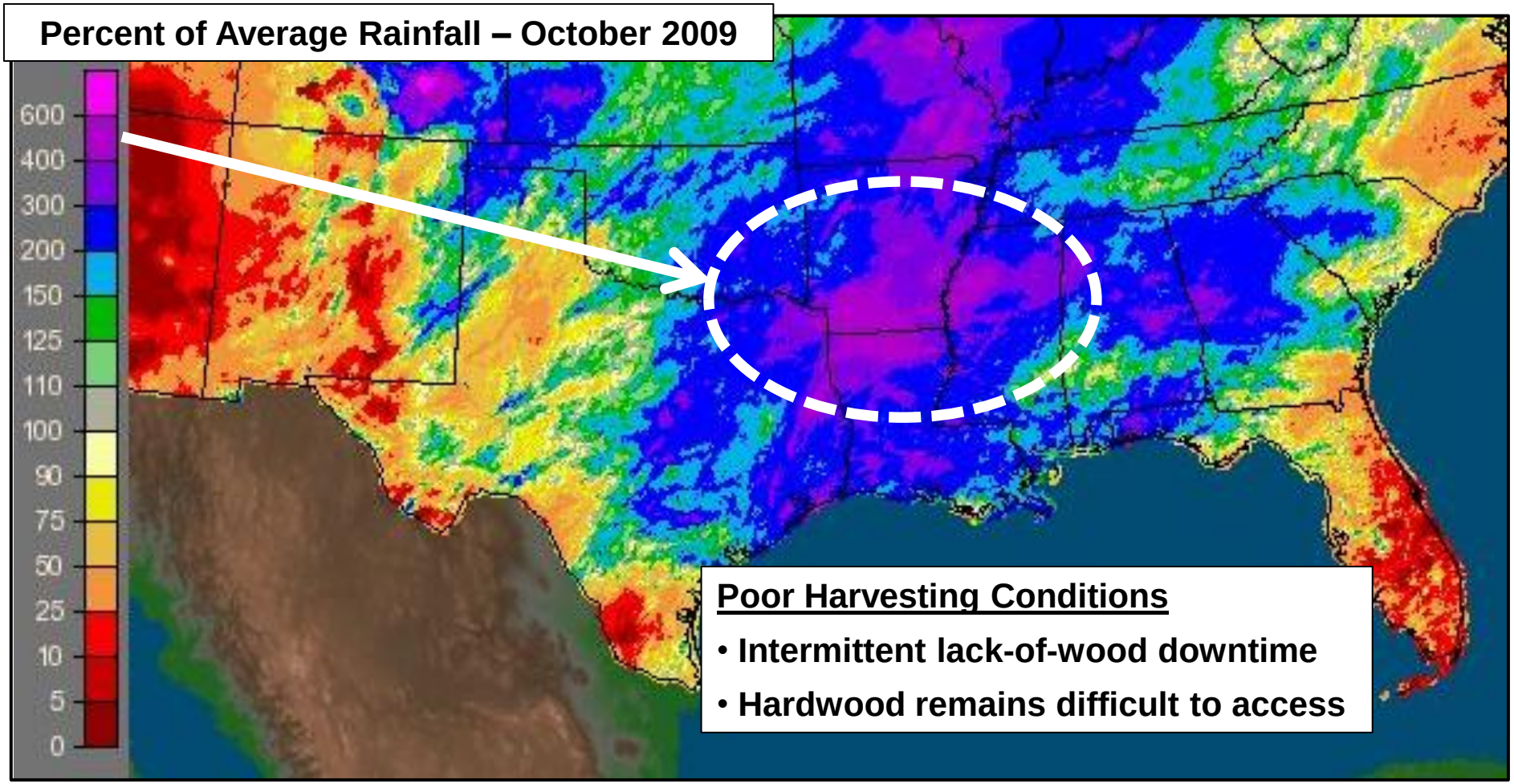
2Q

- Input Cost Stabilization
- Price Increase Realization

Wood Cost Escalation

Record Rainfall Limits Access to Wood

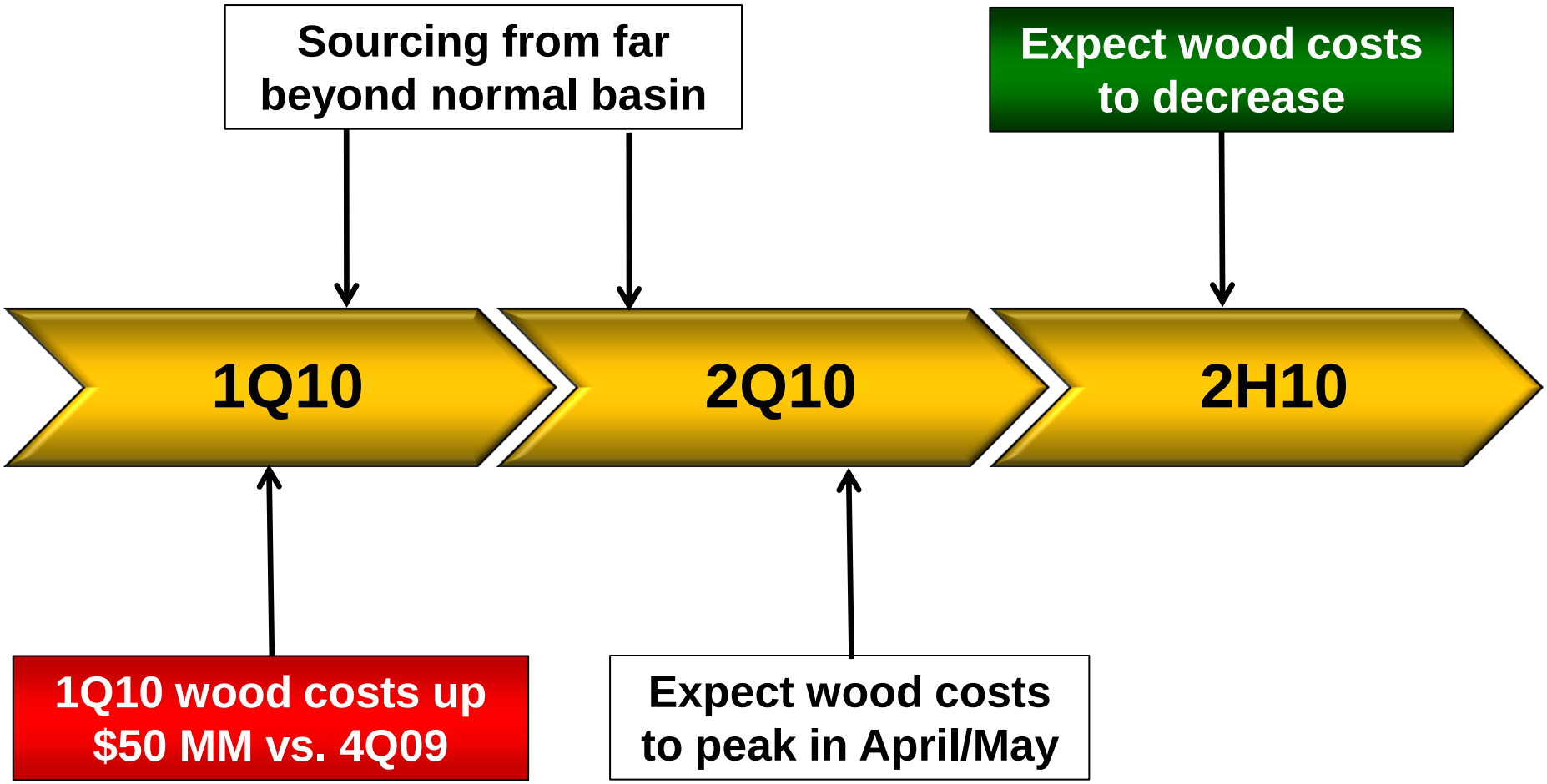
INTERNATIONAL PAPER



Wood Cost Escalation

Industry-Wide Shortage in U.S. South

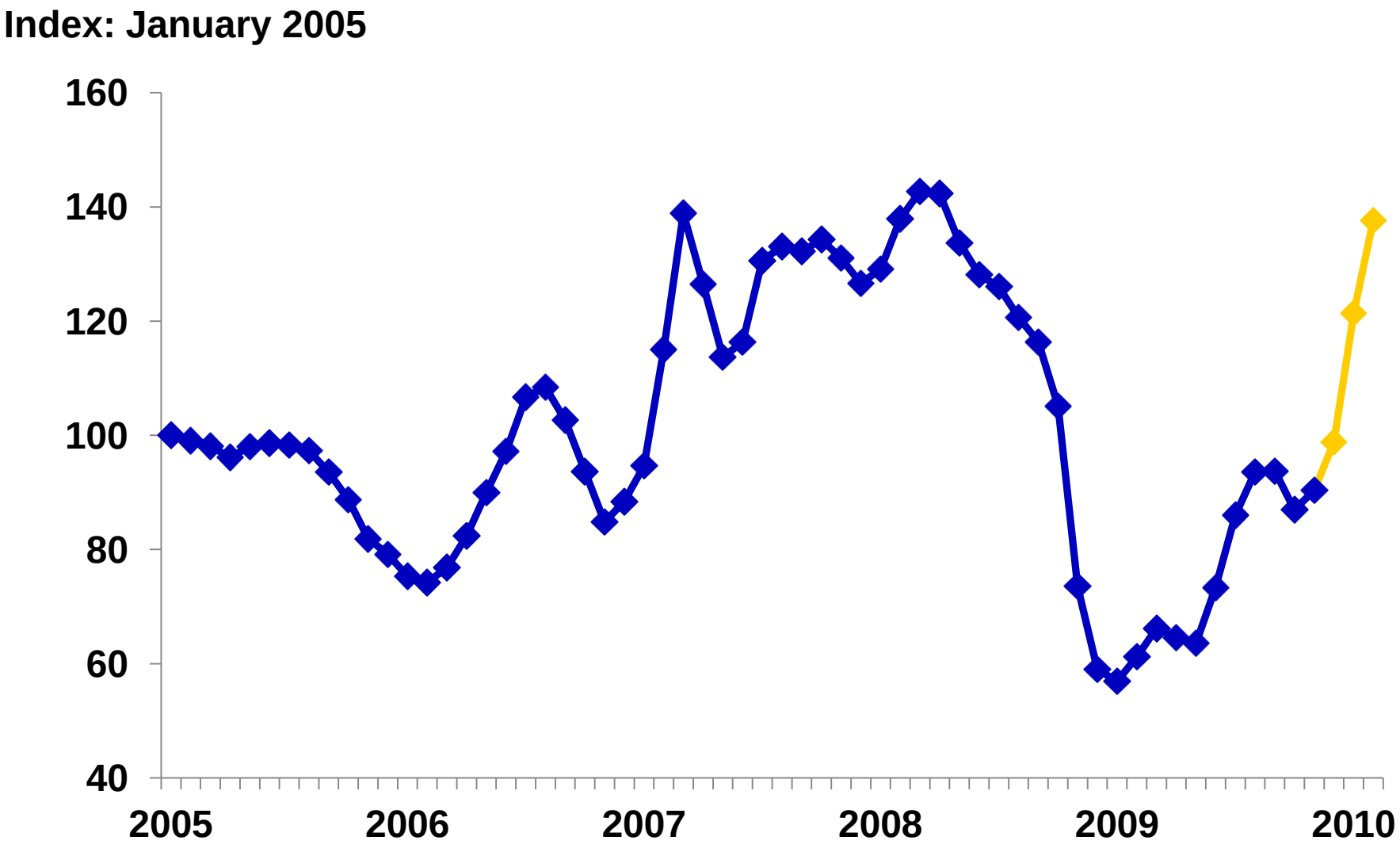
INTERNATIONAL PAPER



OCC Cost Escalation

Significant Cost Inflation in 1Q10

INTERNATIONAL PAPER



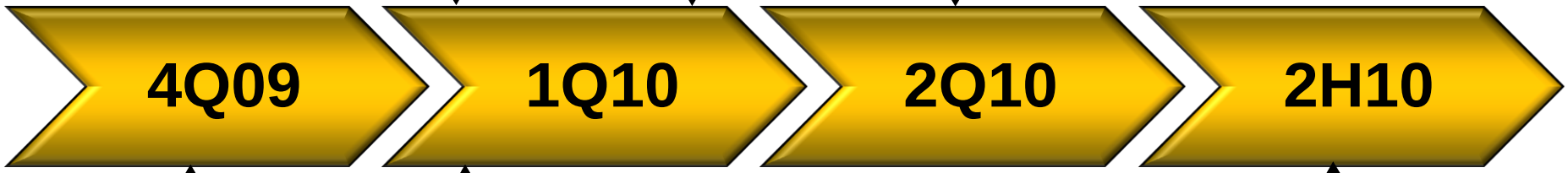
OCC Cost Escalation

Supply / Demand Balance Stressed

INTERNATIONAL PAPER

High OCC prices will incent higher recovery
Prices well above trendline.

1Q10 OCC costs up $50 MM vs. 4Q09

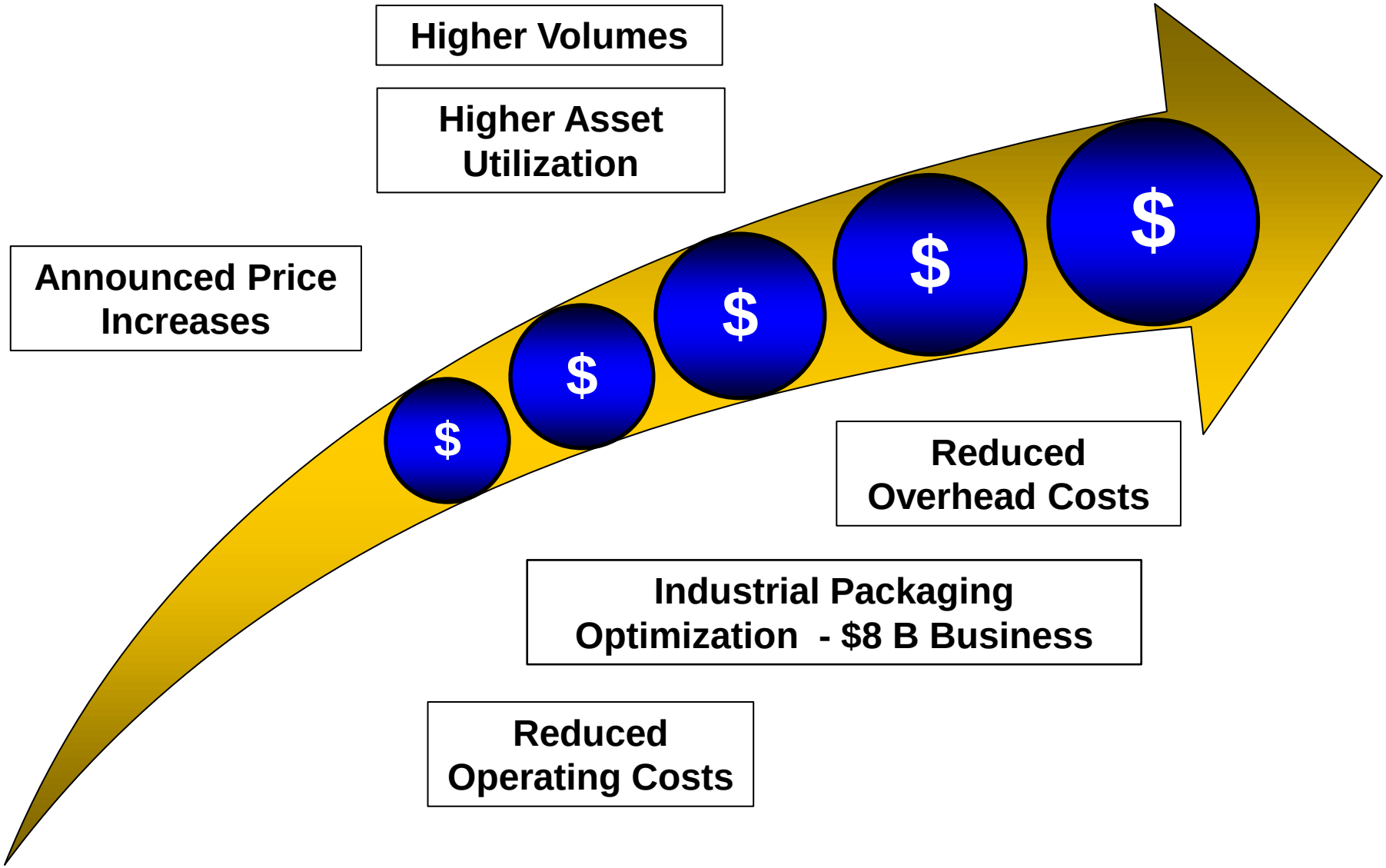


Low collection, wood shortages & high OCC exports push prices higher

Expect prices to soften from 1Q10, but to remain above trendline

Earnings Runway
Offsetting Increased Input Costs

INTERNATIONAL PAPER



Earnings Runway

Potential Impact of Price Increase Realization

INTERNATIONAL PAPER

Previously Announced IP Price Increases		
Business	**Increase per Ton**	**IP Capacity (MM Tons)**
N. A. Industrial Packaging	$50	10.0
N. A. Uncoated Freesheet	$40	2.6
N. A. Coated Paperboard	$40	1.8
Global Pulp	$30 - $40	3.0
Brazil Export Cut-Size	$50	.4
Brazil Domestic Cut-Size	$50	.2
Brazil Domestic Offset	$65	.2
European Cut-Size	€30 - €40	.4
Russian Cut-Size	$30	.3
Sun Coated Paperboard	$25	.9
Total Potential Annual Impact	$500 - $850 MM	

Earnings Runway
Impact of Reduced Fixed Costs

INTERNATIONAL PAPER

Printing Papers	Franklin, Inverurie	$130 MM
Industrial Packaging	Albany, Pineville, Etienne	$75 MM
Consumer Packaging	Franklin	$20 MM
Annualized Fixed Cost Reduction		$225 MM

Earnings Runway
Impact of Improved Volumes

INTERNATIONAL PAPER

Volume

- Reduced lack-of-order downtime costs
- Higher capacity utilization
- Sun JV – Full production of new board machine
- Brazil – Full year of new paper machine
- Ilim JV – Pulp demand recovery

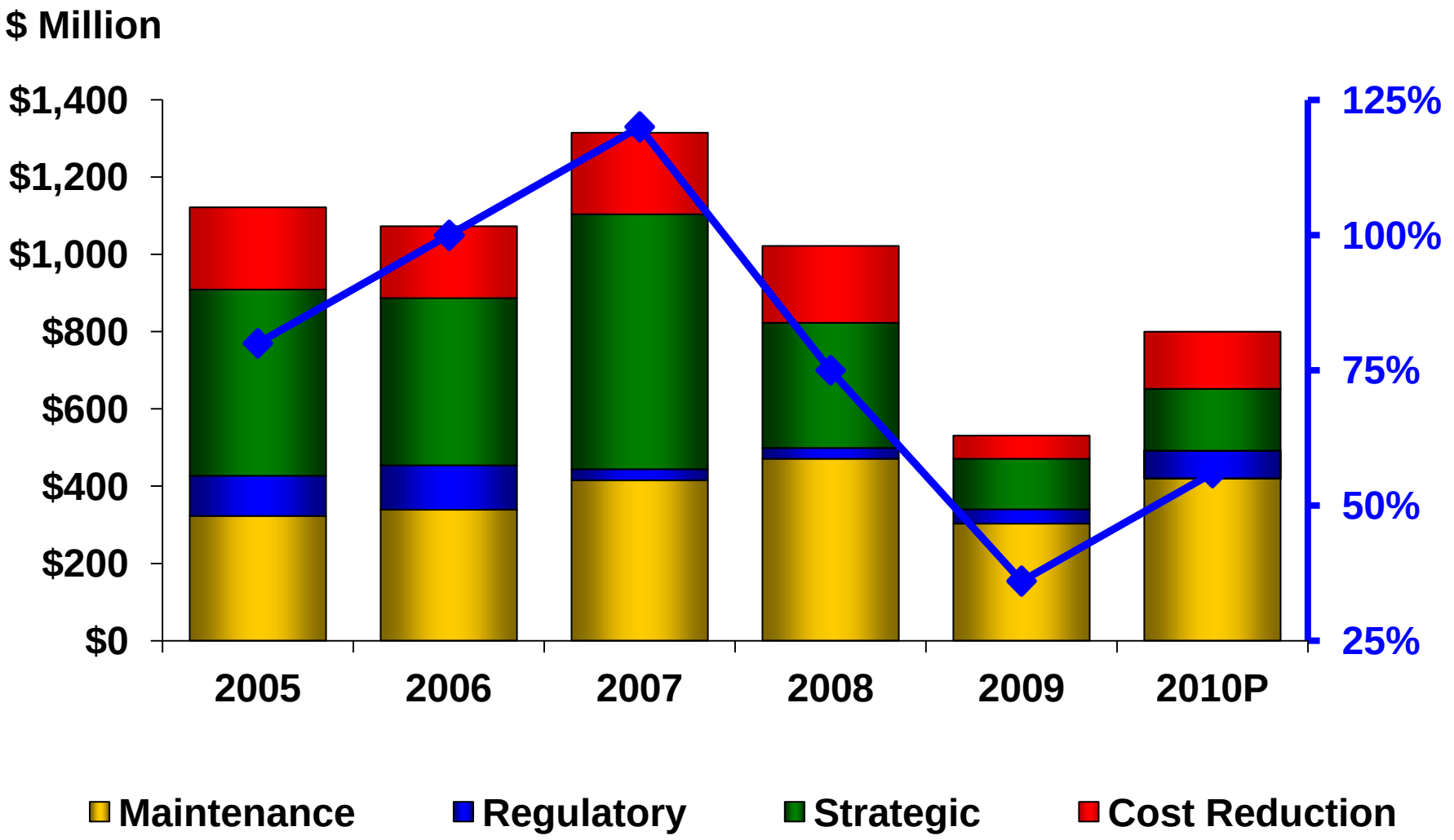
Earnings Runway
N.A. Industrial Packaging Optimization

INTERNATIONAL PAPER

- Successful Integration of WY PKG Assets
  - $500 Million of Integration Benefits
- $300 Million of Optimization Opportunities
- Industry-Leading EBITDA Margins
- Low-Cost Mills for Competitive Advantage
- Competitive & Profitable Box System

2010 Capex Increase
Funding High-Return Projects

INTERNATIONAL PAPER



High-Return, Short-Payback Capital Projects

Funding Projects with > 50% Returns

INTERNATIONAL PAPER

1. Consumption Reduction

- **50% - 100% returns**
- **$100 - $120 MM at >50% IRR**



2. Fuel Switching

- 15 - 25% returns





3. Electricity Self-Generation

- 10 - 25% returns

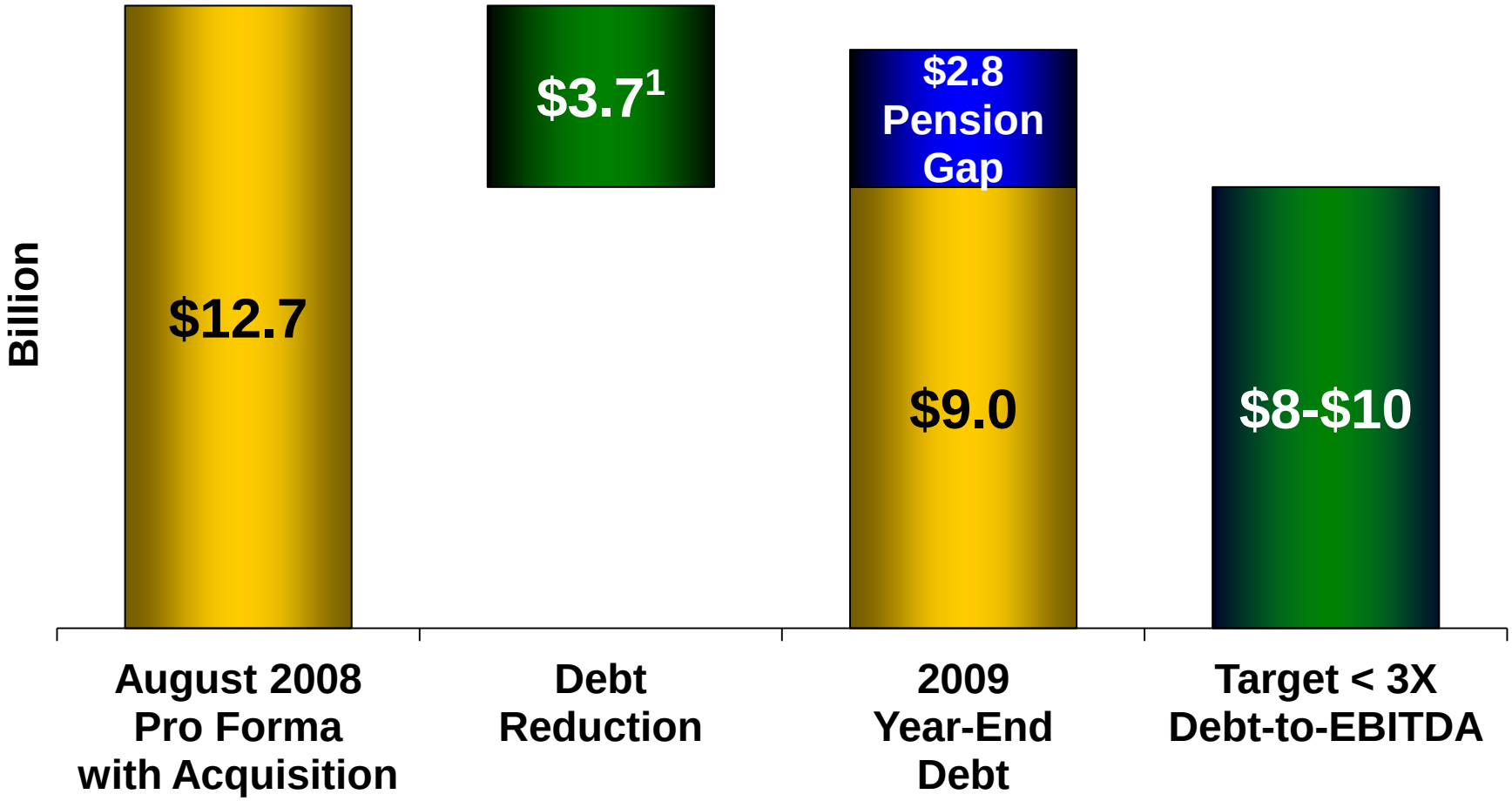


Business Priorities

INTERNATIONAL PAPER

- Realize previously announced price increases
- Capture Industrial Packaging optimization benefits
- Realize mill shutdown fixed cost savings
- Continue to improve cost structure
- Increase volumes with economic recovery
- Execute high-return, short-payback capital projects

Company Priorities
Achieve < 3X Debt-to-EBITDA



[1] Excludes debt repayments totaling $2.75 B from the proceeds of bond issuances

Company Priorities

INTERNATIONAL PAPER

What We've Done

- Record Free Cash Flow
- Significant Debt Reduction
- Significant Overhead Cost Reduction
- Industry-Leading Margins

What We're Doing

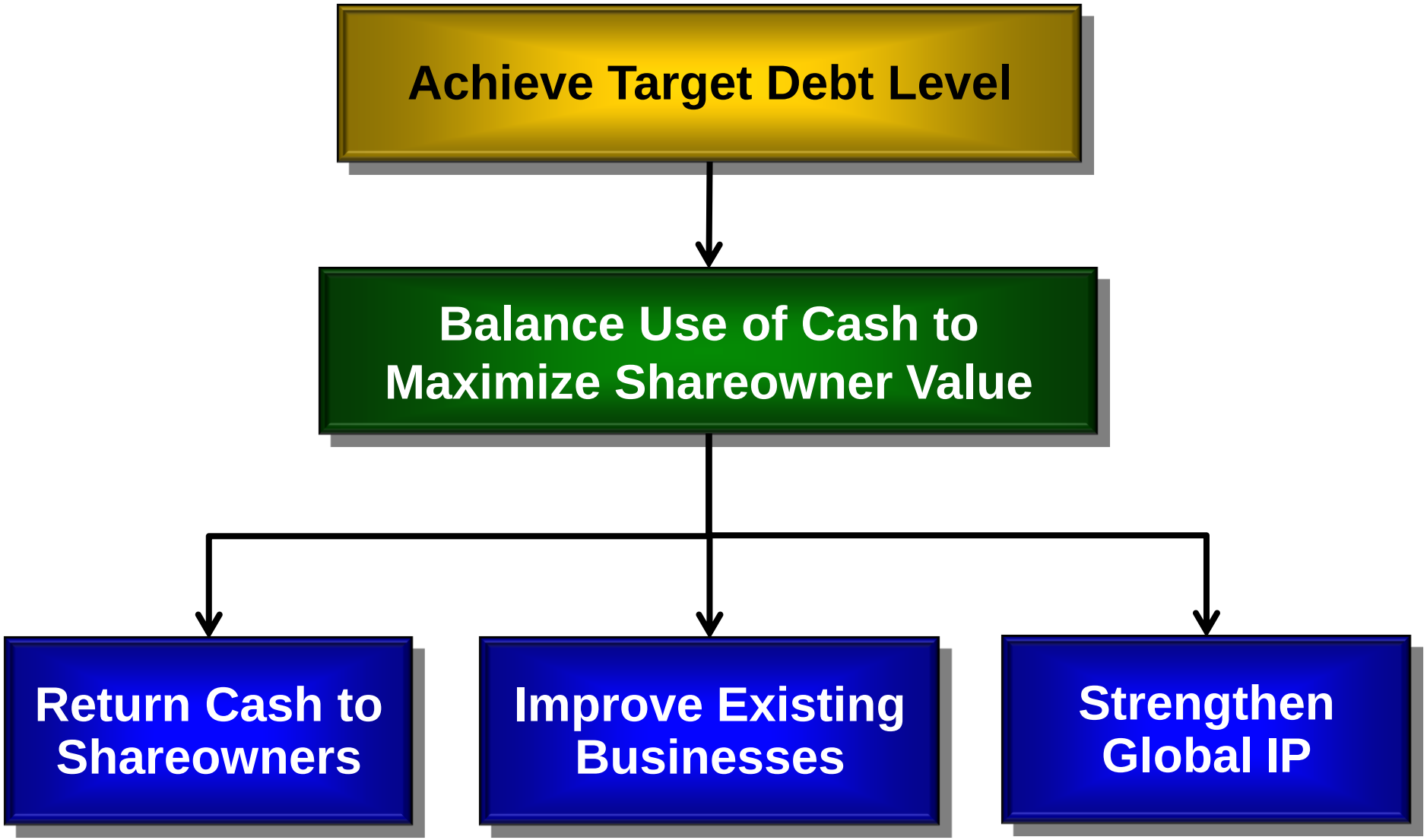
- Focusing on free cash flow & returns
- Realizing optimization savings
- Reducing fixed costs
- Realizing announced price increases
- Taking advantage of global operations

What We'll Do

- Continue to de-lever
- Improve margins & earnings in all businesses
- Improve ROI in all businesses
- Balance the use of cash

Company Priorities
Capital Allocation

INTERNATIONAL PAPER



Company Priorities
IP Vision & Strategy

INTERNATIONAL PAPER

Vision

Leadership position in attractive markets with low-cost assets that can generate strong free cash flow and above cost-of-capital returns

Elements of Strategy

- Packaging & Paper
- Scale Businesses
- Leadership Positions
- Operational Excellence
- North America + Low-Cost Regions
- Attractive Markets