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First Quarter 2010 Review

April 29, 2010

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; (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

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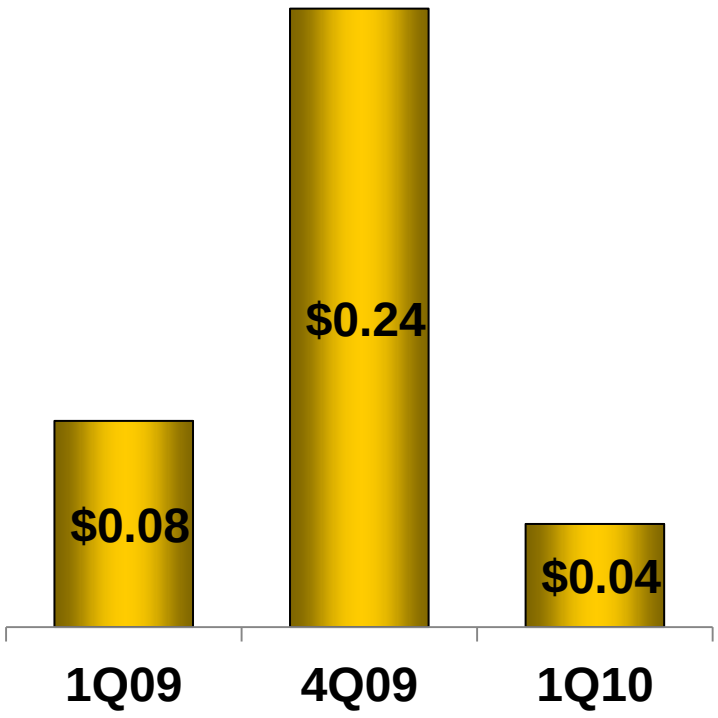
During the course of this presentation, certain non-U.S. GAAP financial information will be presented.

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 2010
In Line with Expectations

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Earnings per Share



Earnings from continuing operations before special items

- Cyclical trough earnings quarter
- Significant N.A. fiber cost inflation & heavy maintenance outages
- Price only modest benefit
- Strong results in European Paper & Packaging
- Reduced operating costs
- Demand improving at quarter's end
- Substantial price improvement occurring at end of 1Q
- 2Q significantly better than 1Q

1Q10 Financial Snapshot

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	1Q09	4Q09	1Q10
Sales ($B)	$5.7	$6.0	$5.8
EBITDA[1] ($MM)	$604	$669	$560
Free Cash Flow[2] ($MM)	$521	$530	$39
Debt ($B)	$11.5	$9.0	$9.0
Cash Balance ($B)	$1.0	$1.9	$1.7

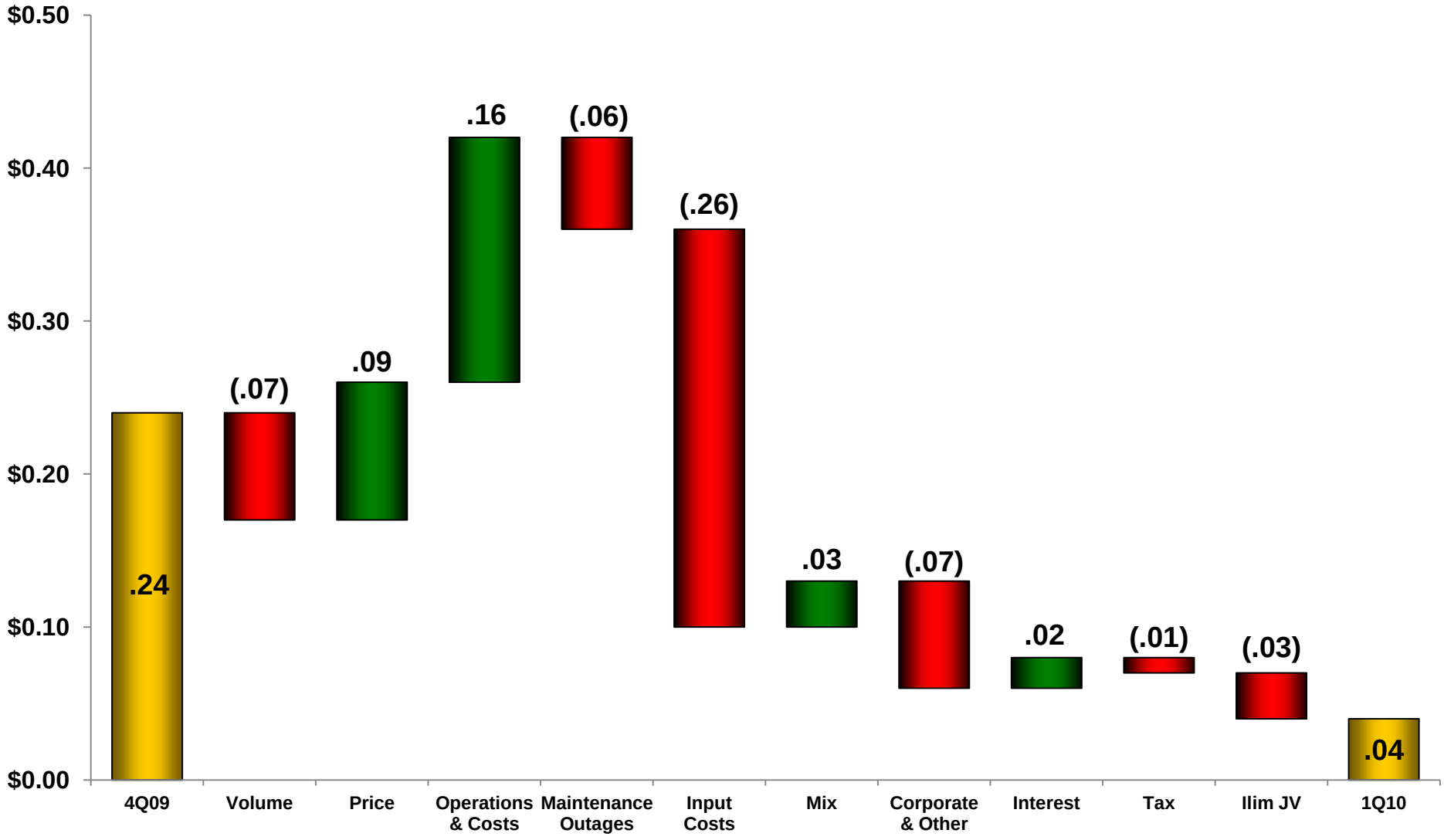
[1] Earnings from continuing operations before special items

[2] Cash provided by continuing operations less capital expenditures, excluding cash received from alternative fuel credits of $0.1 B in 1Q09 and $0.4 B in 4Q09

1Q10 vs. 4Q09 EPS

Higher Input Costs, Reduced Operating Costs

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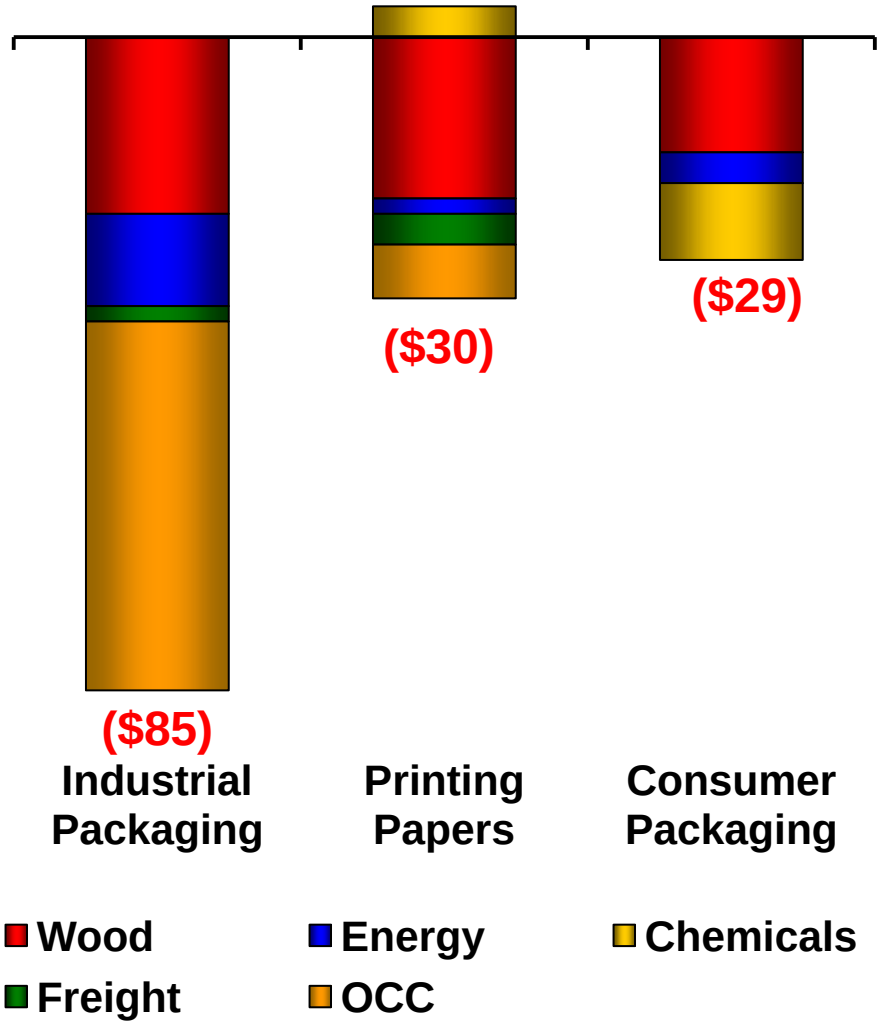
Earnings before special items

Global Input Costs

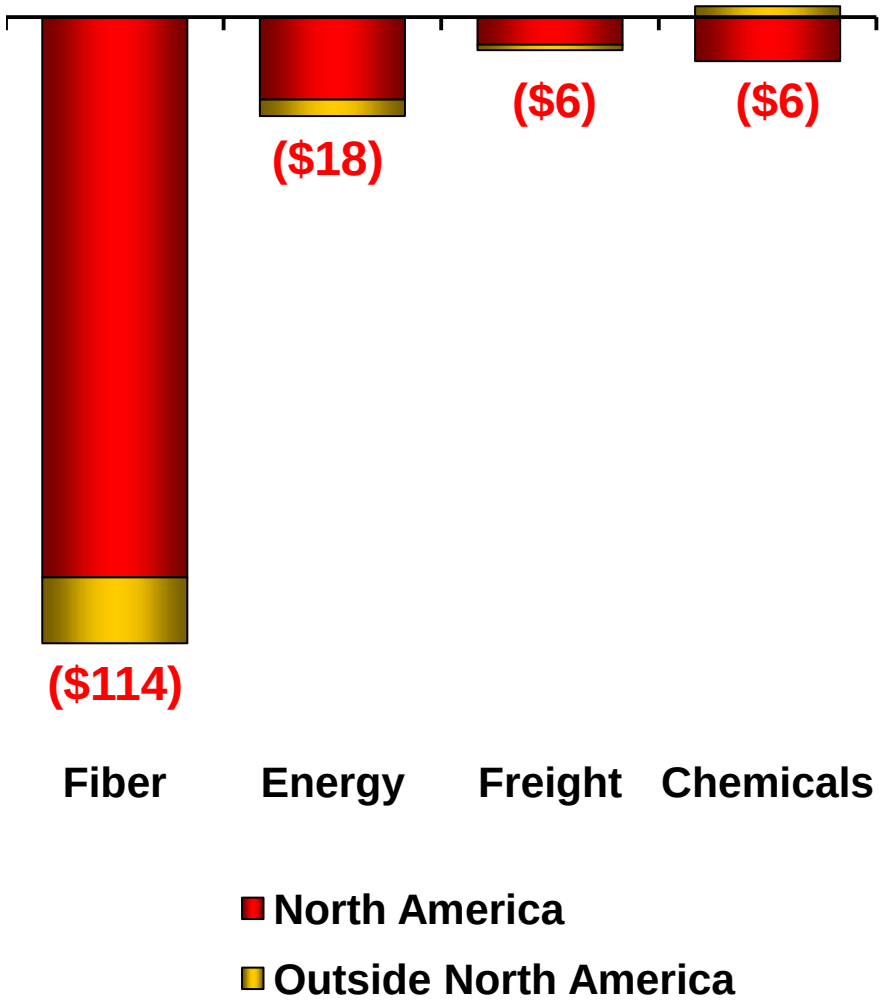
$100 MM North American Fiber Cost Spike

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By Business



By Input Type

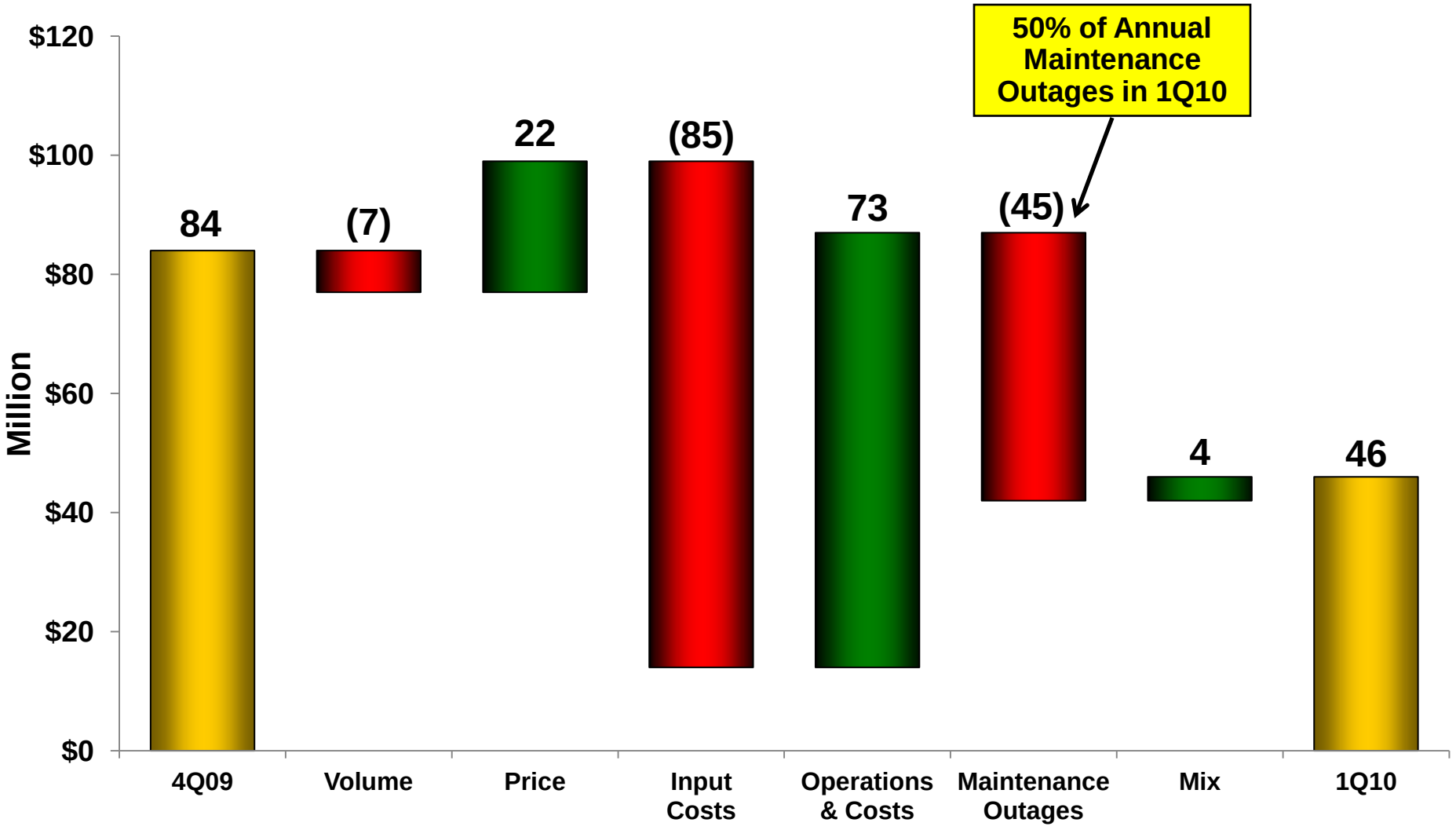


Business Highlights
1Q10

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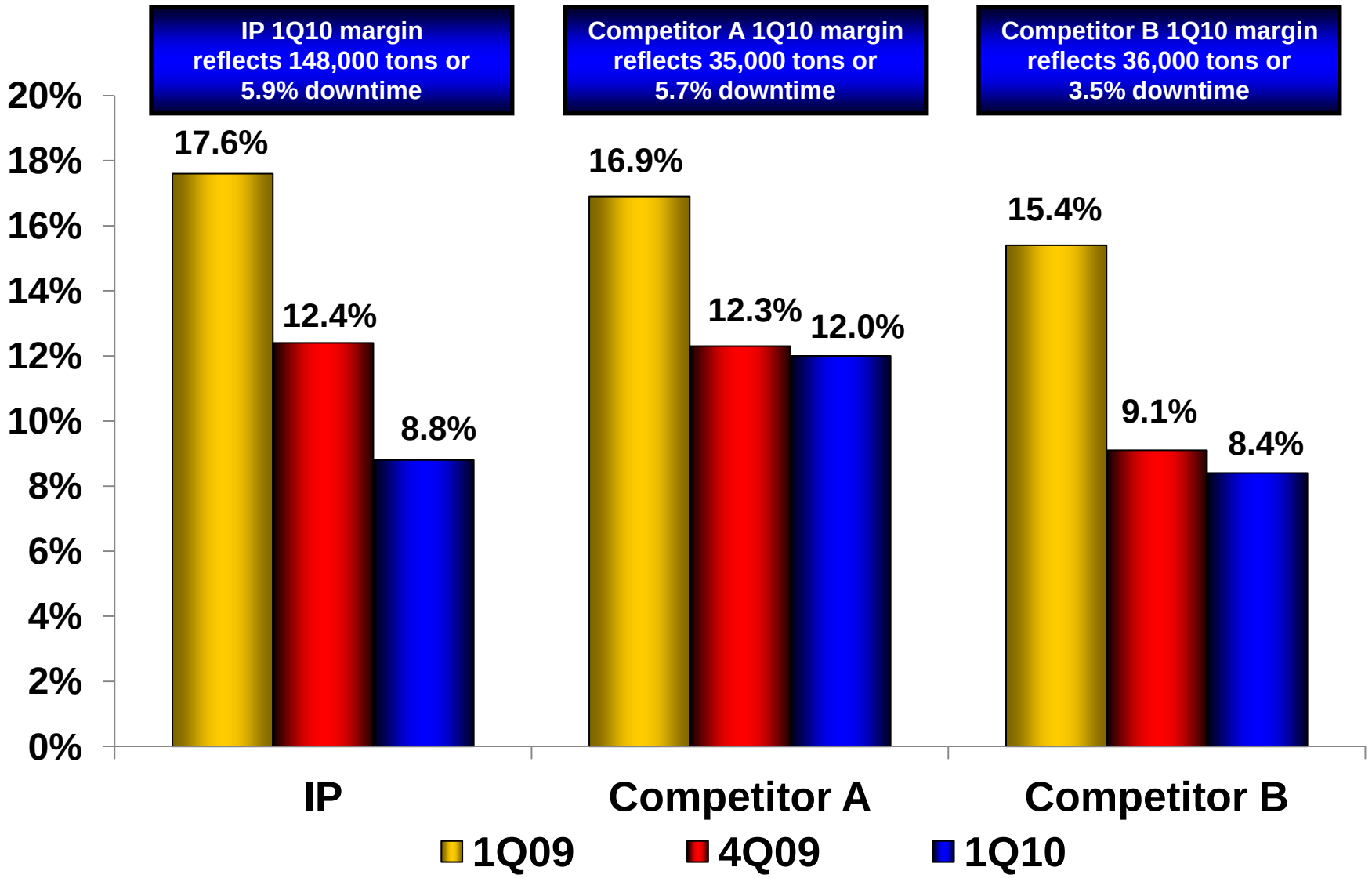
- **Solid Earnings**
  - **Europe & Russia (All Segments)**
  - **xpedx**
  - **Sun JV**
- **Reduced Fixed Costs**
  - **Inverurie (UFS)**
  - **Etienne (Liner)**
  - **Albany & Pineville (Containerboard)**
  - **Franklin (Coated Paperboard)**
  - **xpedx**

Industrial Packaging Earnings
1Q10 vs. 4Q09



Earnings before special items

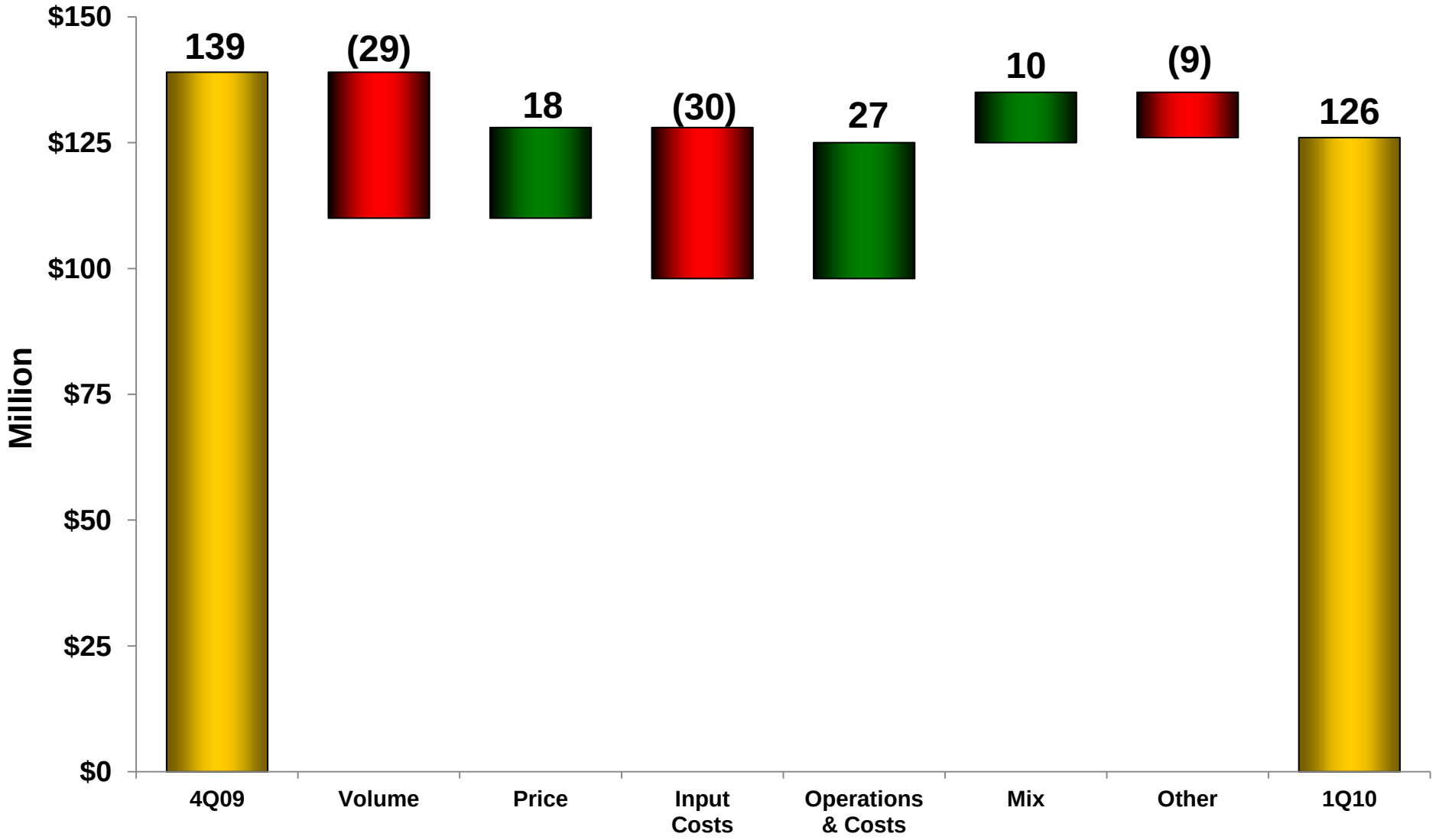
N.A. Industrial Packaging Relative EBITDA Margins



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

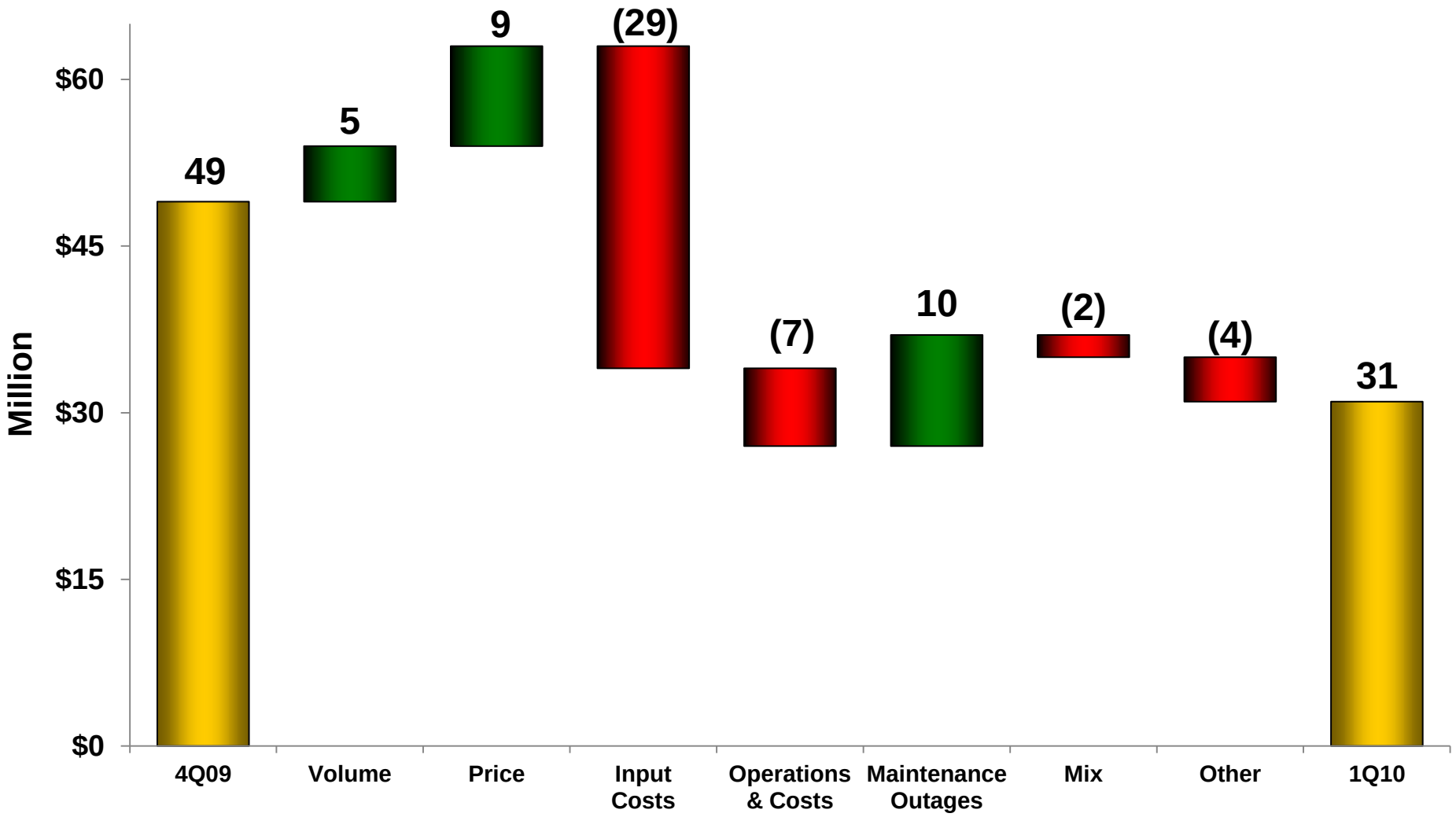
Printing Papers Earnings
1Q10 vs. 4Q09

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Earnings before special items

Consumer Packaging Earnings
1Q10 vs. 4Q09



Earnings before special items

$ Million	1Q09	4Q09	1Q10
Sales	$1,590	$1,675	$1,580
Earnings	($7)	$31	$21

- Seasonal volume decrease
- Strong year-over-year earnings improvement driven by reduced operating costs
- Also, strong quarter-over-quarter improvement after 4Q inventory accounting adjustment
- 9% year-over-year headcount reduction

4Q09 earnings include a $17 MM favorable LIFO inventory valuation adjustment

Ilim Joint Venture

$ Million	1Q09	4Q09	1Q10
Sales (100%)	$395	$350	$395
Earnings (IP Share)	($26)	$6	($3)

	1Q10 vs. 4Q09		1Q10 vs. 1Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	5%	$76	8%	$1
Containerboard	(3%)	$40	9%	($91)

Ilim's results are reported on a one-quarter lag
IP's shares of Ilim's 1Q09, 4Q09 & 1Q10 earnings includes an after-tax foreign exchange loss of $15 MM, an after-tax foreign exchange gain of $2 MM and an after-tax foreign exchange loss of $2 MM, respectively

First Quarter Summary
Cyclical Trough – Worst is Behind Us

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1Q10 Summary

- N.A. Fiber Cost Spike
- High Maintenance Outages
- Reduced Operational Costs
- Price Improvement at Quarter-End

2Q10 Outlook

- Realization of Announced Price Increases
- Improving Demand
- Declining Input Costs
- Higher Outages Costs
- Reduced Fixed Costs

Earnings Runway

Potential Impact of Price Increase Realization

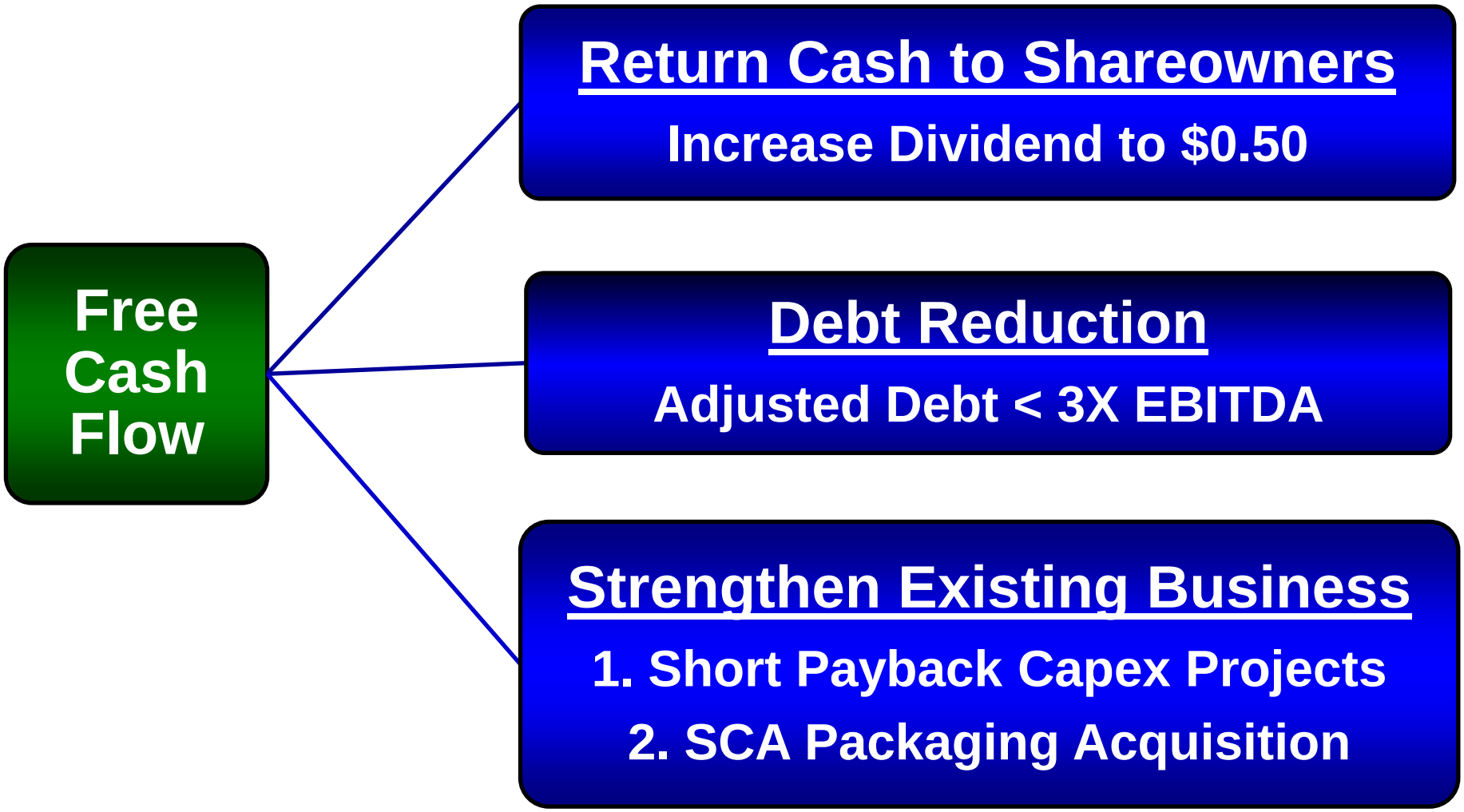
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Announced IP Price Increases

Segment	Total IP Capacity (MM Tons)	Announced Effective Date	Increase per Ton
N. A. Industrial Packaging	10.0	January	$50
		April	$60
N. A. Uncoated Freesheet	2.3	February	$40 excl. Envelopes & Forms
		May	$60
N. A. Bristols	0.3	March	$40
N. A. Coated Paperboard	1.8	March	$50 – Cupstock
		April	$50 – Folding Carton
Global Pulp	3.0	Monthly (January – May)	$30 - $50
Brazil Export Cut-Size	.4	January	$50
		April	$50
Brazil Domestic Cut-Size	.2	March	$50
Brazil Domestic Offset	.2	March	$70
European Cut-Size	.4	March	€10
		May	€20
Russian Cut-Size	.3	April	$30
Sun Coated Paperboard	.9	Monthly (January – April)	$25

Balanced Capital Allocation to Increase Shareowner Value

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Dividend Increase

Returning Cash to Shareowners

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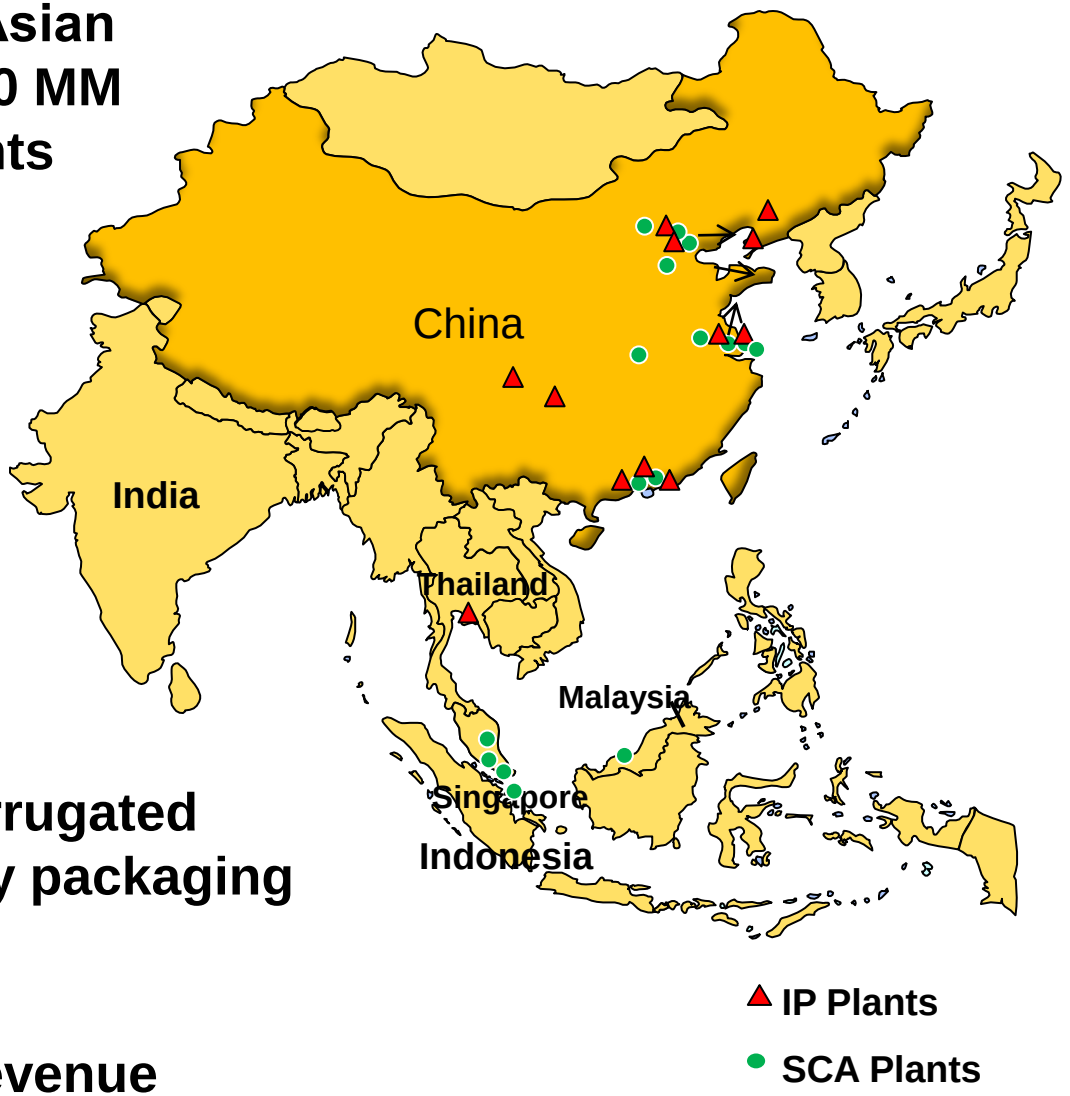
- **Improving Global Economy**
- **Normal Credit Markets**
- **$3.7 B Debt Reduction**
- **Annual Dividend: $0.10 to $0.50**

Strengthening IP Asia

Acquiring SCA's Asian Packaging Business

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- Agreed to purchase SCA's Asian packaging business for $200 MM less post-closing adjustments
- Expect to complete the purchase in 2Q10
- SCA facilities complement IP's existing corrugated packaging system
- SCA system includes 13 corrugated box plants and two specialty packaging facilities
- $340 MM Combined 2009 Revenue



Second Quarter Outlook
Changes from 1Q10

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		North America	Europe	Brazil	Asia
Volume	Paper	Stable	Stable	Increasing	Increasing
	Packaging	Increasing	Stable		
Pricing	Paper	Increasing	Increasing	Increasing	Increasing
	Packaging	Significant Increase	Stable		
Maintenance Outages		~$8 MM Increase	~$11 MM Increase	~$5 MM Increase	
Input & Freight Costs		Decreasing	Linerboard Increasing	Stable	Pulp Increasing

xpedx	Modest Improvement

Ilim	Increase

Corporate Expense	Stable

Appendix

Investor Relations Contacts

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Emily Nix	901-419-4987

Media Contact

Patty Neuhoff	901-419-4052

Key Financial Statistics

$ Million	2008	2009	2010 Estimate
Capital Spending	$1,002	$534	$800
Depreciation & Amortization	$1,347	$1,472	$1,450[1]
Net Interest Expense	$492	$669	$600 - $625
Corporate Items[1]	$103	$181	$200 - $225
Effective Tax Rate[1]	31.5%	30%	30-32%

[1] Before special items and excluding Ilim

Free Cash Flow

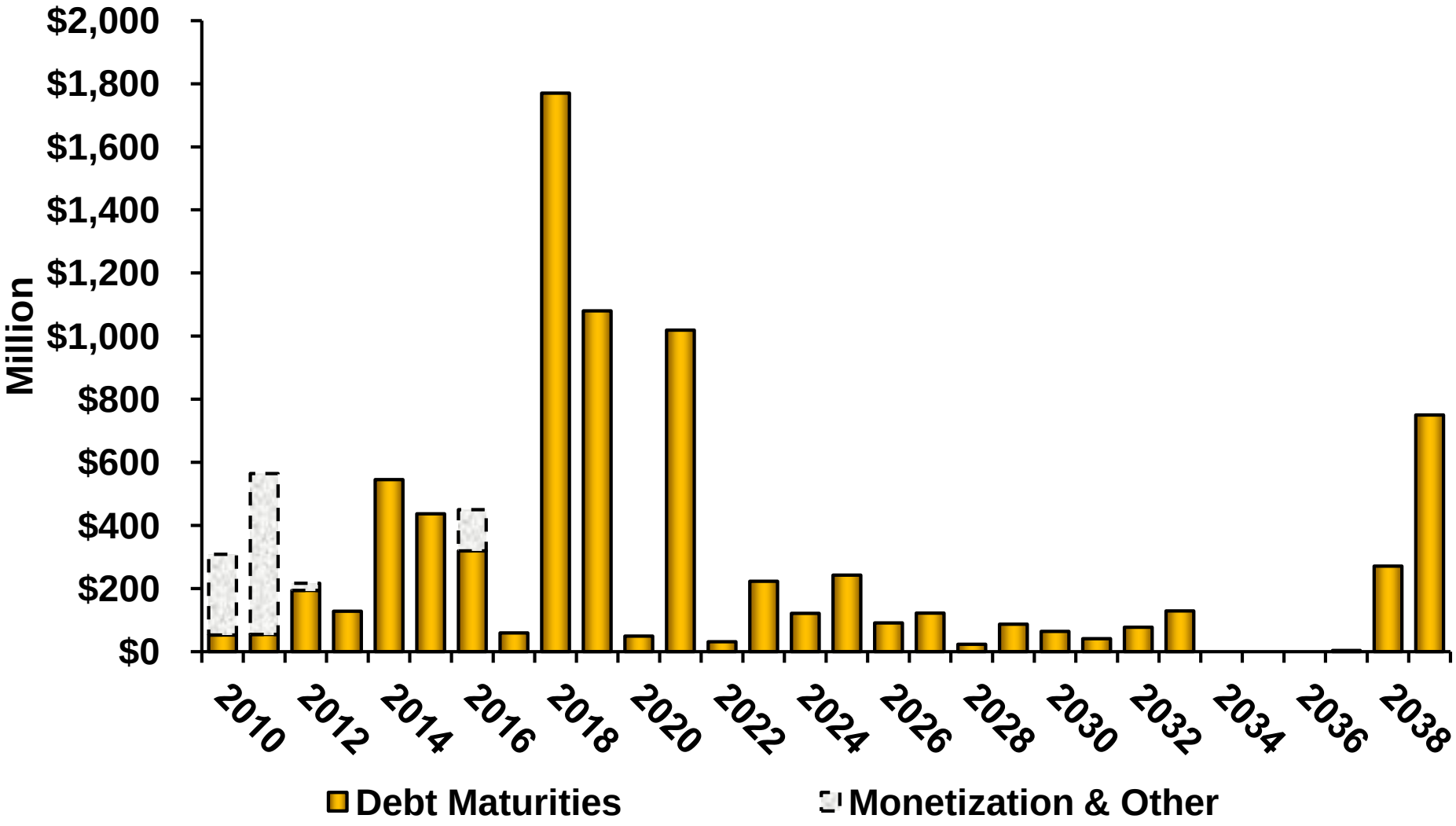
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$ Million	1Q09	4Q09	1Q10
Cash from Operations	$649	$697	$159
Cash Received from Alternative Fuel Mixture Tax Credits (AFMTC)	$145	$388	$0
Cash Provided by Continuing Operations	**$794**	**$1,085**	**$159**
Less Capital Investment	**($128)**	**($167)**	**($120)**
Free Cash Flow	**$666**	**$918**	**$39**
Free Cash Flow Excluding AFMTC	**$521**	**$530**	**$39**

Debt Maturity Profile

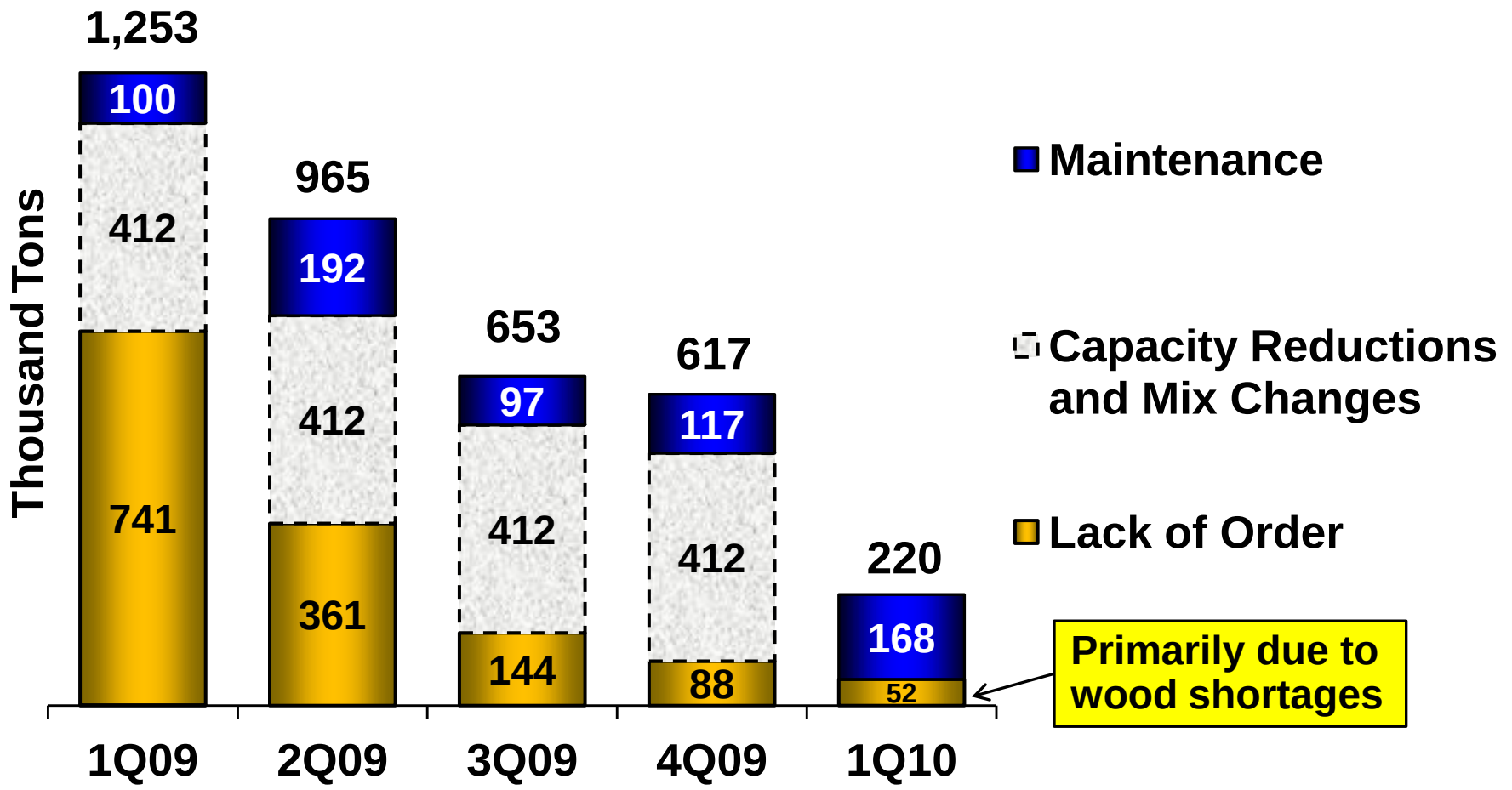
Maturities as of Quarter-End

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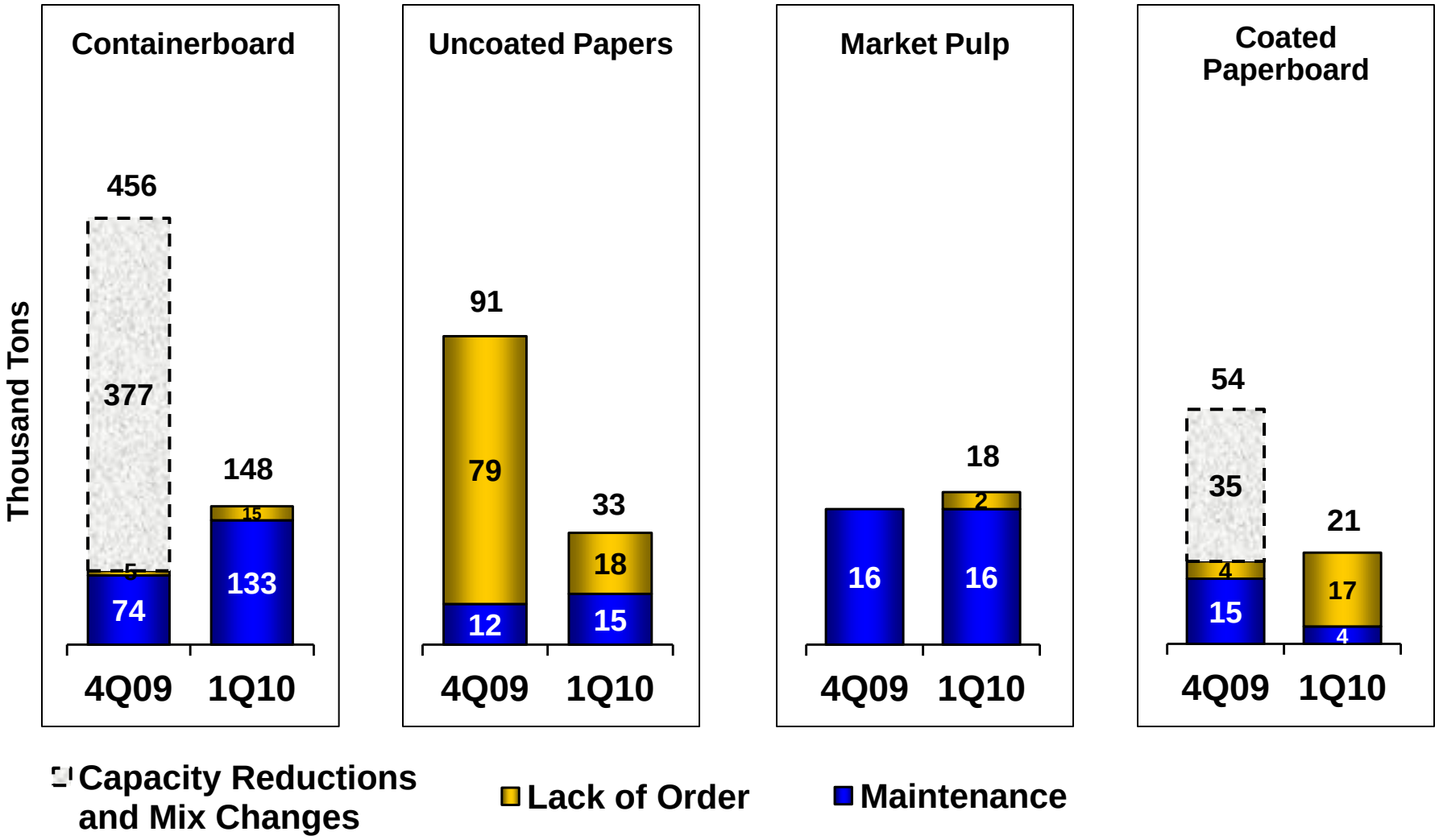
Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

North American Downtime
6% of Capacity in 1Q



Lack-of-order & maintenance downtime for North American Containerboard, Uncoated Papers, Market Pulp, & Coated Paperboard. See the following slide for detail by business.
Lack of order downtime excludes capacity from mills or machines that have been permanently shutdown

North American Downtime



Lack of order downtime excludes capacity from mills or machines that have been permanently shutdown

Maintenance Outages Expenses

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$ Million	1Q10	2Q10E	3Q10E	4Q10E
Industrial Packaging	**$70**	**$45**	**$6**	**$25**
North America	$27	$48	$18	$37
Europe	0	11	15	15
Brazil	0	5	0	0
Printing Papers Total	**$27**	**$64**	**$33**	**$52**
Consumer Packaging	**$6**	**$19**	**$0**	**$16**
Total Impact	**$103**	**$128**	**$39**	**$93**

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

Forest Products

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	1Q09	4Q09	1Q10
Sales ($ MM)	$5	$25	$10
Earnings ($ MM)	$2	$18	$8
Acres Sold	2,000	7,700[1]	3,300
Price / Acre	$2,108	$2,655[1]	$2,418

[1] 4Q09 figures exclude a 17,000-acre sale of a partnership interest at $369 per acre.

At the end of 1Q10, our land portfolio has ~200,000 acres with an estimated value of $225 - $250 million

Industrial Packaging

Business	1Q10 vs. 4Q09		1Q10 vs. 1Q09	
	Volume	Price / Ton	Volume	Price / Ton
N.A. Container	2%	$1	2%	($74)
European Container	1%	€7	(4%)	(€53)

N.A. Price Improvement per Ton vs. 12/31/09	1Q10 Exit Price Δ	4/28/10 Price Δ
Domestic Containerboard	$27	$49
Boxes	$27	$39

Printing Papers

	1Q10 vs. 4Q09		1Q10 vs. 1Q09	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**(4%)**	**$23**	**2%**	**($49)**
N.A. Pulp	**(15%)**	**$83**	**7%**	**$94**
European Paper	**(7%)**	**€5**	**(17%)**	**(€44)**

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

Consumer Packaging

	1Q10 vs. 4Q09		1Q10 vs. 1Q09	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	10%	($3)	19%	($44)
	Revenue	Price	Revenue	Price
Converting Businesses	(6%)	NA	(5%)	NA

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

Special Items Pre-Tax
from Continuing Operations

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Special Items Pre-Tax ($Million)		1Q09	4Q09	1Q10
Industrial Packaging	Alternative Fuel Mixture Credits	$208	$212	
	Facility & Machine Closure Costs		($670)	($5)
	Integration Costs	($36)	($15)	
	Other		($2)	
Printing Papers	Alternative Fuel Mixture Credits	$240	$221	
	Facility Closure Costs	($29)	($223)	($204)
Consumer Packaging	Alternative Fuel Mixture Credits	$92	$83	
	Facility Closure Costs		($67)	
	Reorganization	($2)	($2)	($3)
xpedx	Reorganization		($5)	
Corporate	Restructuring & Other Charges	($52)	($82)	($3)
Total Special Items Pre-Tax		**$421**	**$356**	**($215)**

Special Items Net of Taxes
from Continuing Operations

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	1Q10	
	$ Million	EPS
Earnings Before Special Items	**$16**	**$0.04**
Special Items Net of Taxes:		
Franklin Mill Shutdown	($124)	
Tax Adjustments	($46)*	
Other Facility Closures	($6)	
Other Corporate	($2)	
Total Special Items Net of Taxes	**($178)**	**($0.42)**
Net Earnings	**($162)**	**($0.38)**

* Tax adjustments include a non-cash charge of $32 million to reduce deferred tax assets related to post-retirement prescription drug coverage (Medicare Part D reimbursements)

1Q10 EBITDA

before Special Items

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	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA per Ton	EBITDA Margin
Industrial Packaging					
North America[1]	$18	$143	2,481	$65	9.1%
Europe	$24	$7	258	$120	12.6%
Printing Papers					
North America[2]	$70	$58	722	$177	18.7%
Western Europe[3]	$5	$5	68	$147	13.7%
Eastern Europe & Russia[3]	$42	$14	241	$232	26.9%
Brazil	$11	$34	248	$181	19.8%
U.S. Market Pulp	($3)	$15	248	$48	7.6%
Consumer Packaging					
U.S. Coated Paperboard	$3	$33	339	$106	9.8%

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

Operating Profits by Industry Segment
from Continuing Operations

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$ Million	1Q09	4Q09	1Q10
Industrial Packaging	$188	$84	$46
Printing Papers	$101	$139	$126
Consumer Packaging	$22	$49	$31
Distribution	($7)	$31	$21
Forest Products	$2	$18	$8
Operating Profit	**$306**	**$321**	**$232**
Net Interest Expense	($164)	($163)	($149)
Noncontrolling Interest / Equity Earnings Adjustment	$6	$4	$8
Corporate Items	($51)	($40)	($51)
Special Items	$421	($550)	($215)
Earnings (Loss) from continuing operations before income taxes, equity earnings & noncontrolling interest	**$518**	**($428)**	**($175)**
Equity Earnings (Loss), net of taxes - Ilim	**($26)**	**$6**	**($3)**

Geographic Business Segment Operating Results

from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	1Q09	4Q09	1Q10	1Q09	4Q09	1Q10
Industrial Packaging						
North American	$1,885	$1,855	$1,890	$175	$68	$23
European	$240	$260	$245	$13	$17	$24
Asian	$55	$95	$85	$0	($1)	($1)
Printing Papers						
North American	$705	$700	$685	$84	$70	$70
European	$325	$340	$315	$25	$46	$48
Brazilian	$170	$300	$225	$20	$33	$11
U.S. Market Pulp	$125	$160	$155	($28)	($11)	($3)
Asian	$0	$25	$25	$0	$1	$0
Consumer Packaging						
North American	$530	$540	$550	$4	$22	($1)
European	$70	$85	$85	$14	$21	$20
Asian	$115	$160	$170	$4	$6	$12
Distribution	$1,590	$1,675	$1,580	($7)	$31	$21

Excludes Forest Products

2010 Earnings from Continuing Operations

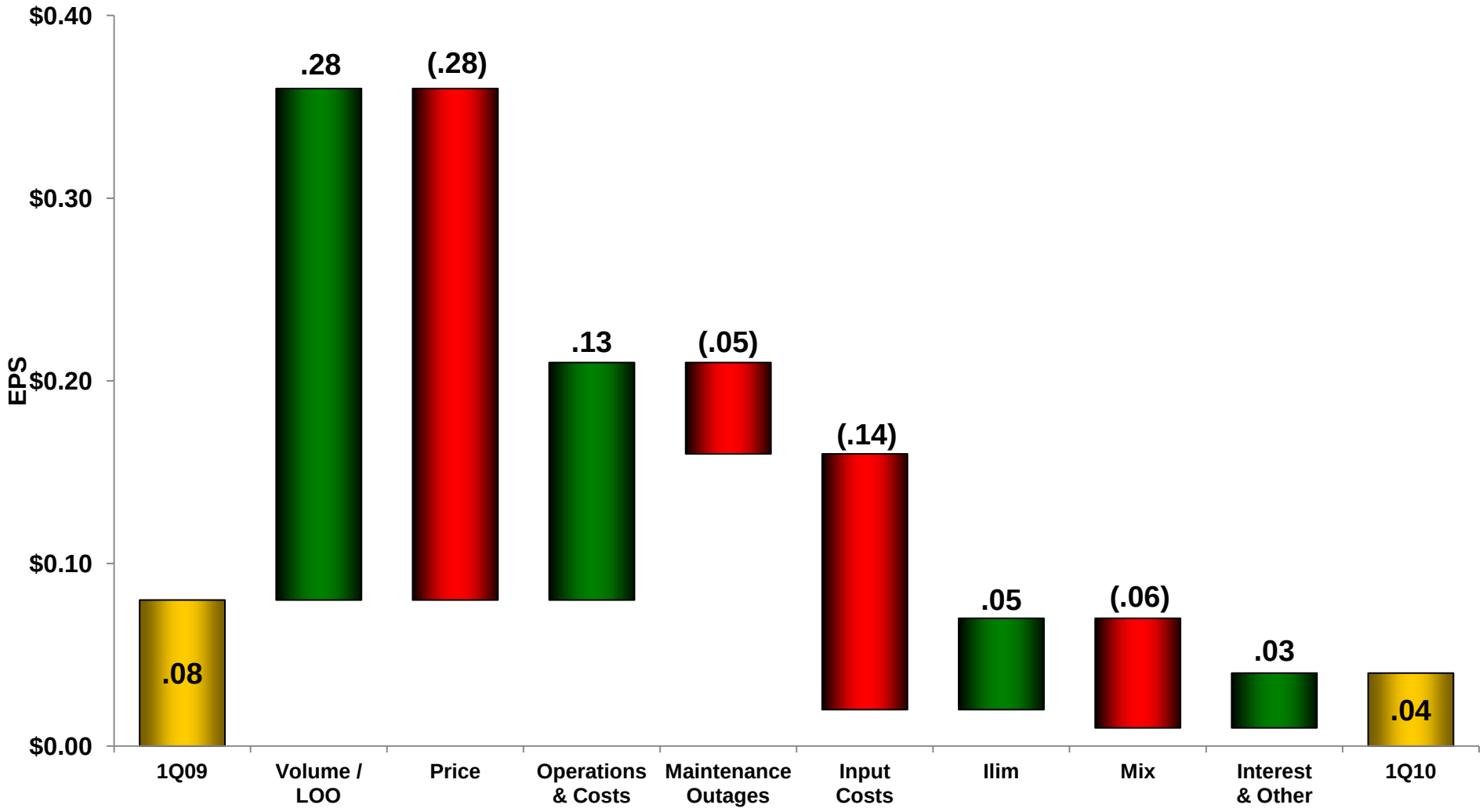
	Pre-Tax $MM	Tax $MM	Non-controlling Interest $MM	Equity Earnings	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items								
1Q10	$40	($13)	($9)	($2)	$16	32%	429	$0.04
Special Items								
1Q10	($215)	$37	$0	$0	($178)	17%	429	($0.42)
Earnings								
1Q10	($175)	$24	($9)	($2)	($162)	14%	429	($0.38)

[1] Assuming dilution

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

1Q10 vs. 1Q09 EPS

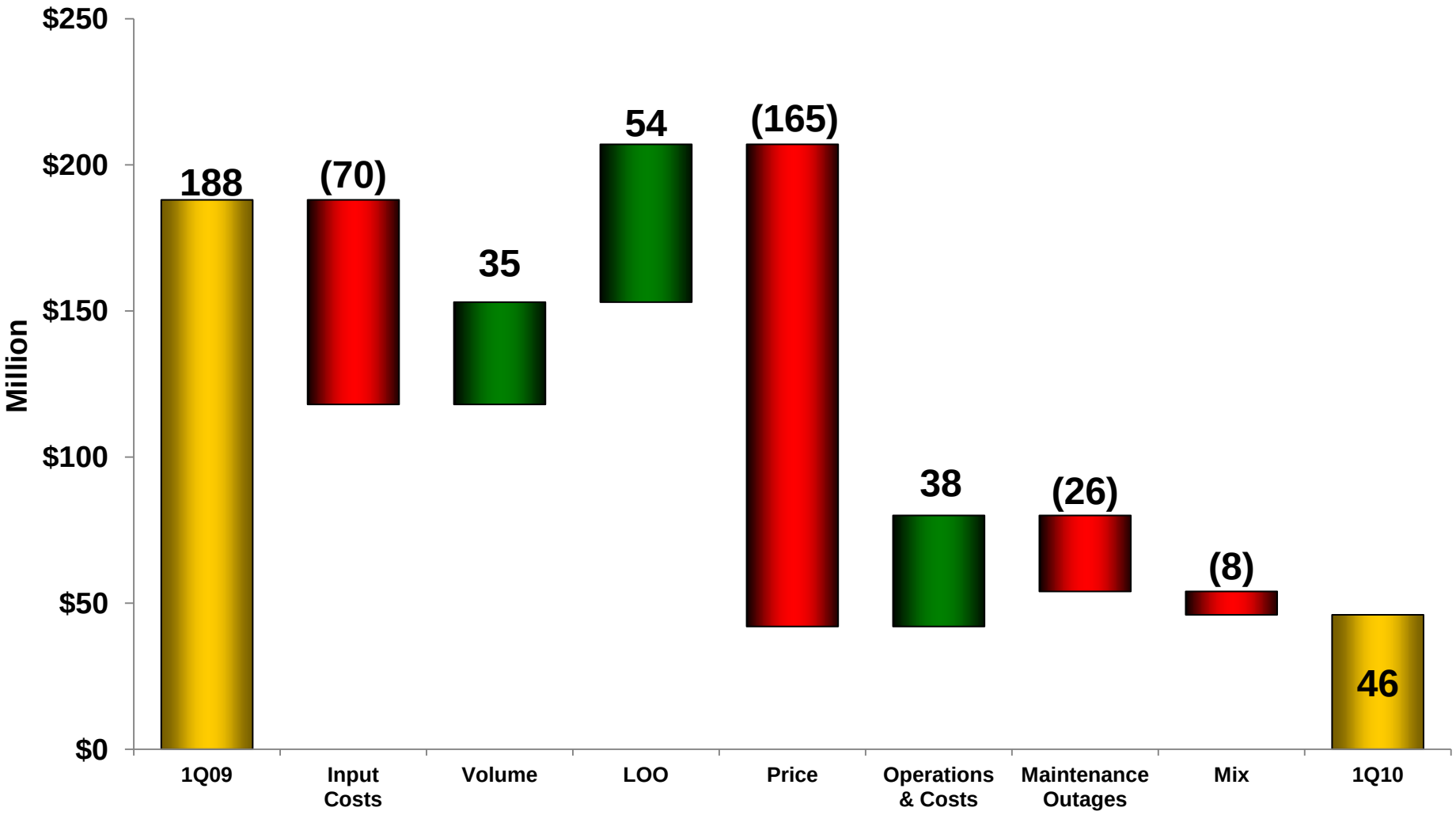
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Earnings from continuing operations before special items

Industrial Packaging Earnings
1Q10 vs. 1Q09

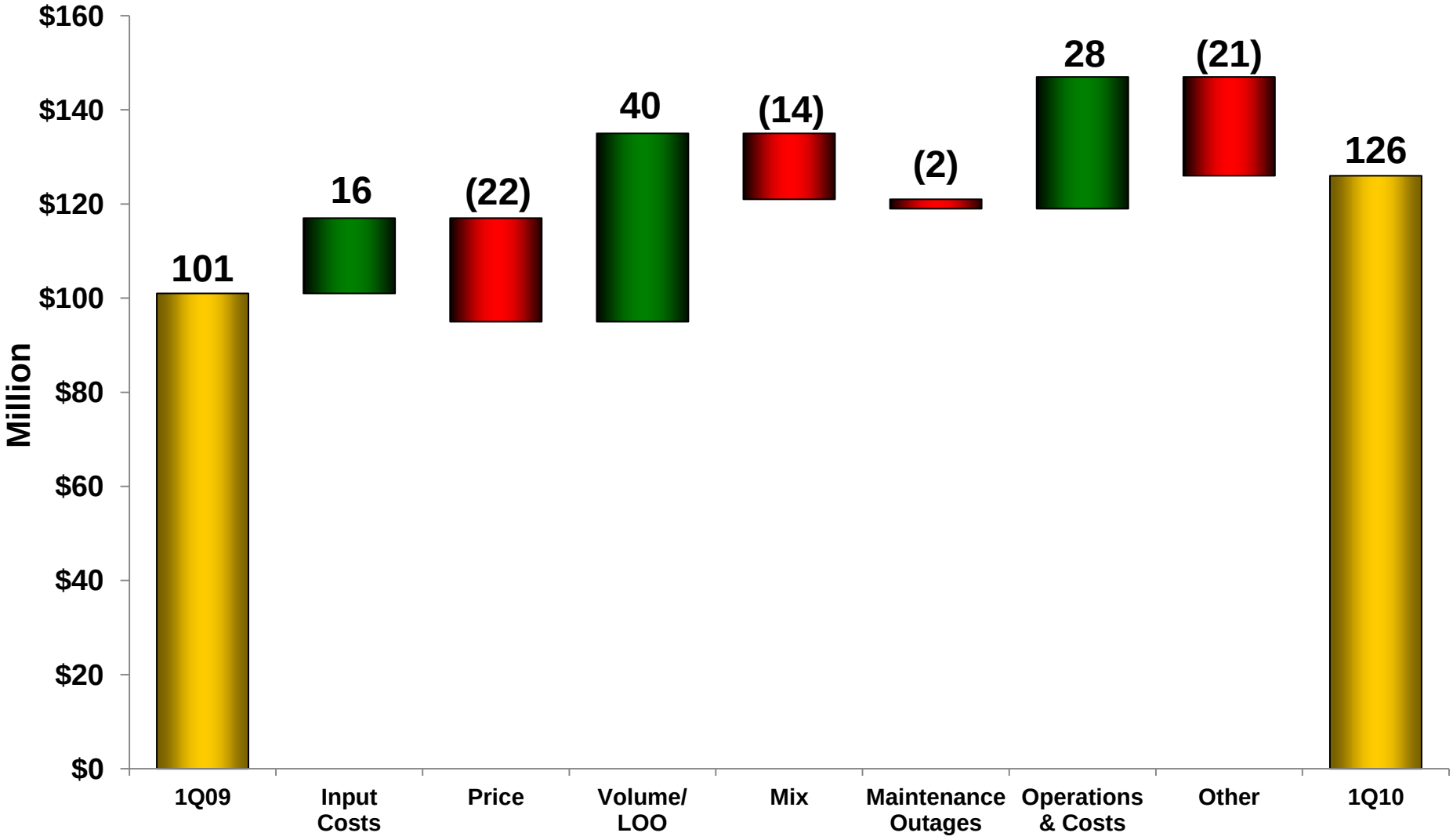
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Earnings before special items

Printing Papers Earnings
1Q10 vs. 1Q09

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Earnings before special items

IP Brazil

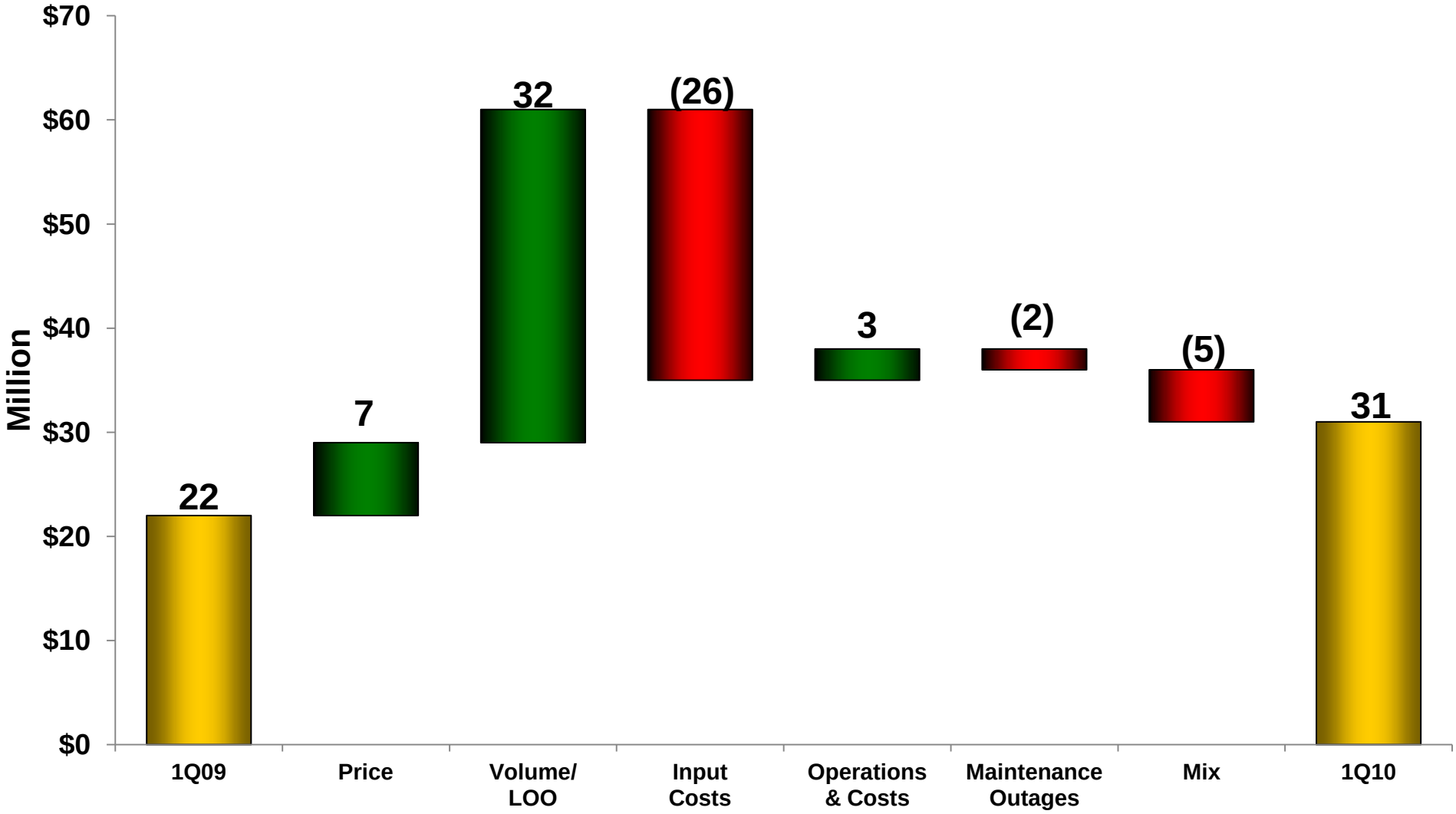
$ Million	1Q09	4Q09	1Q10
Sales	$170	$300	$225
Earnings	$20	$33	$11
EBITDA Margin	26%	23%	20%

	1Q10 vs. 4Q09		1Q10 vs. 1Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Uncoated Freesheet	(22%)	$6	35%	($84)
Domestic	(23%)	($22)	(3%)	($92)
Export	(21%)	$25	85%	($78)

IP Brazil results are reported in the Printing Papers segment

Consumer Packaging Earnings
1Q10 vs. 1Q09

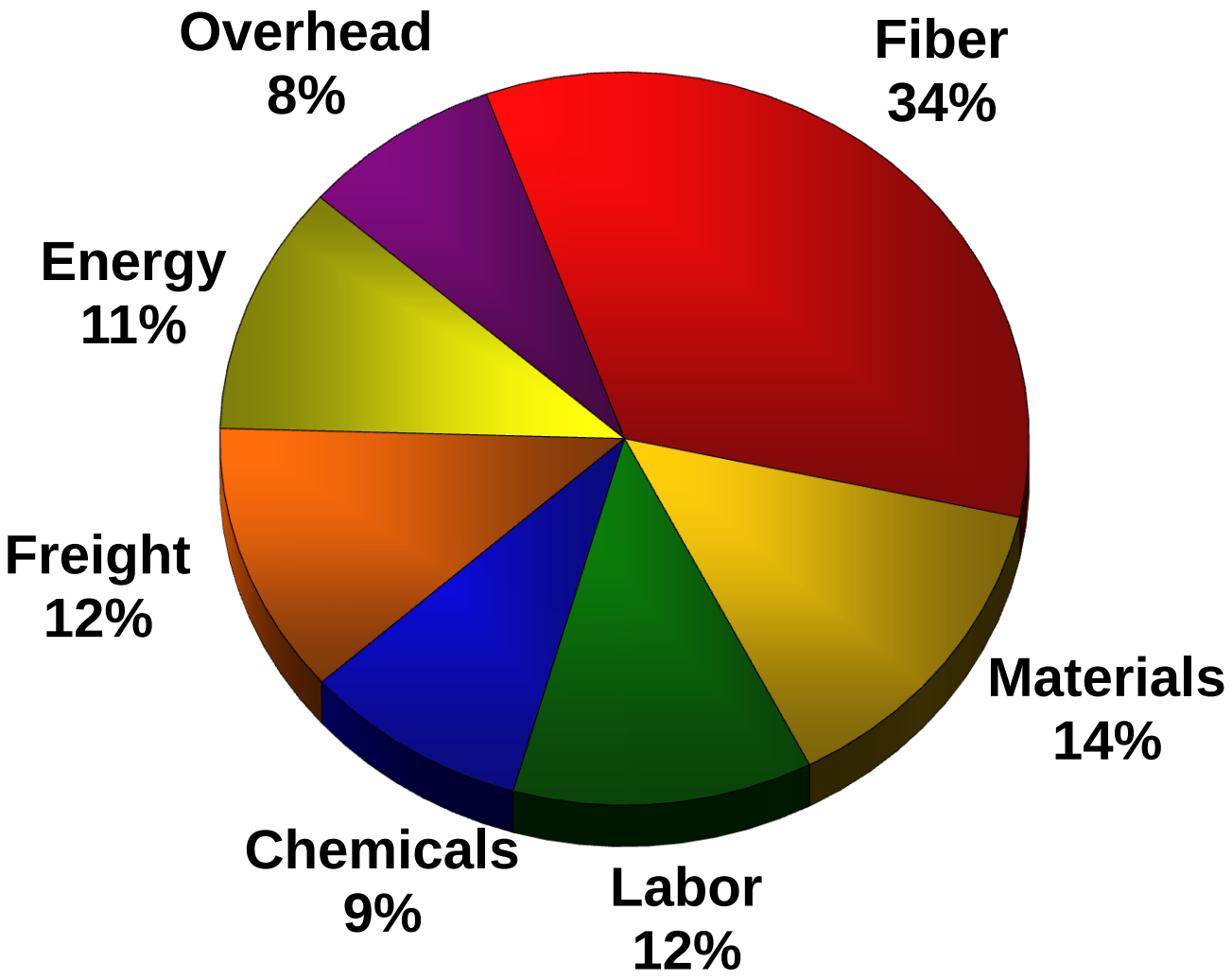
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Earnings before special items

Total Cash Cost Components
1Q10

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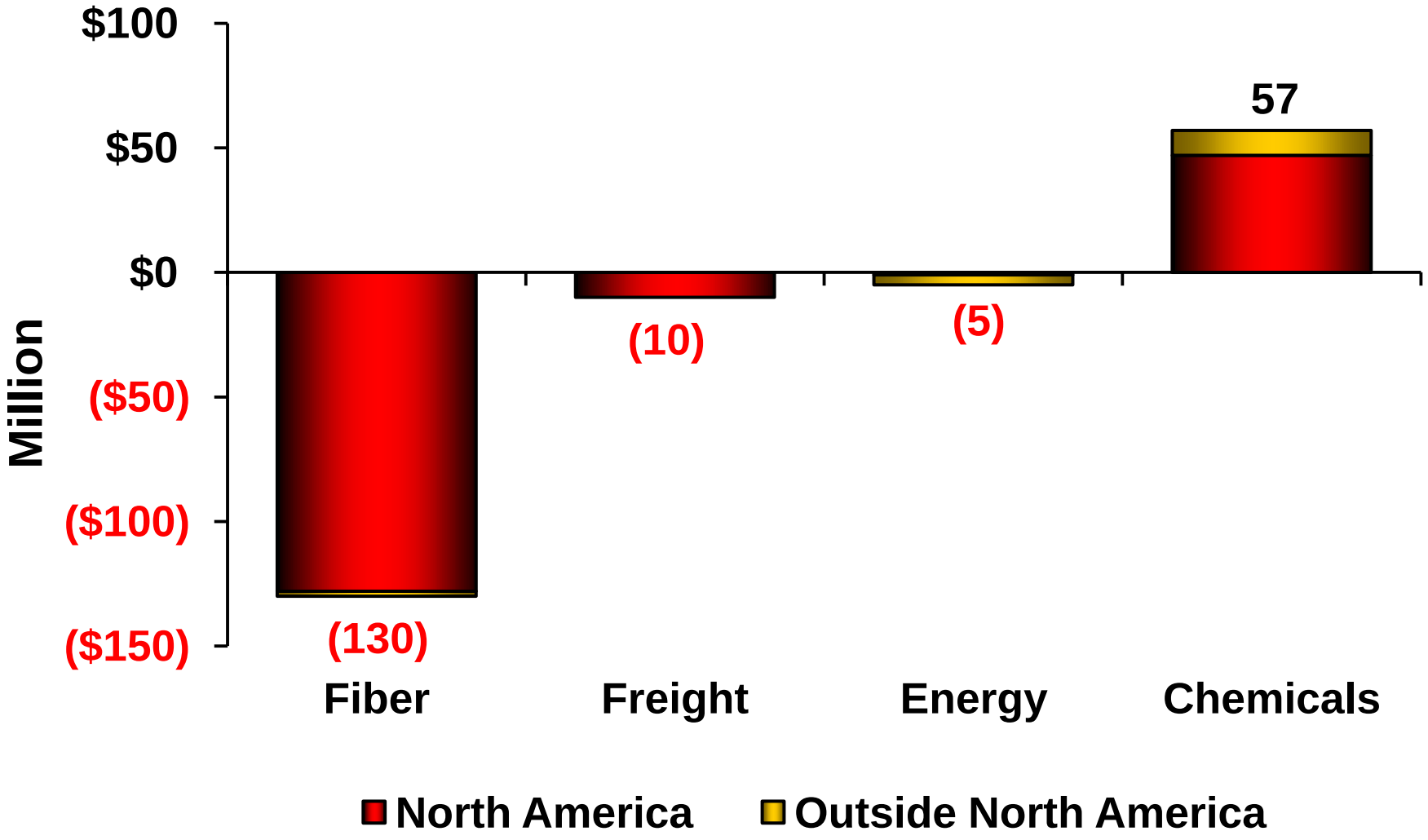


North American Mills Only

Global Input & Freight Costs by Input

$88 MM, or $0.14/Share Unfavorable vs. 1Q09

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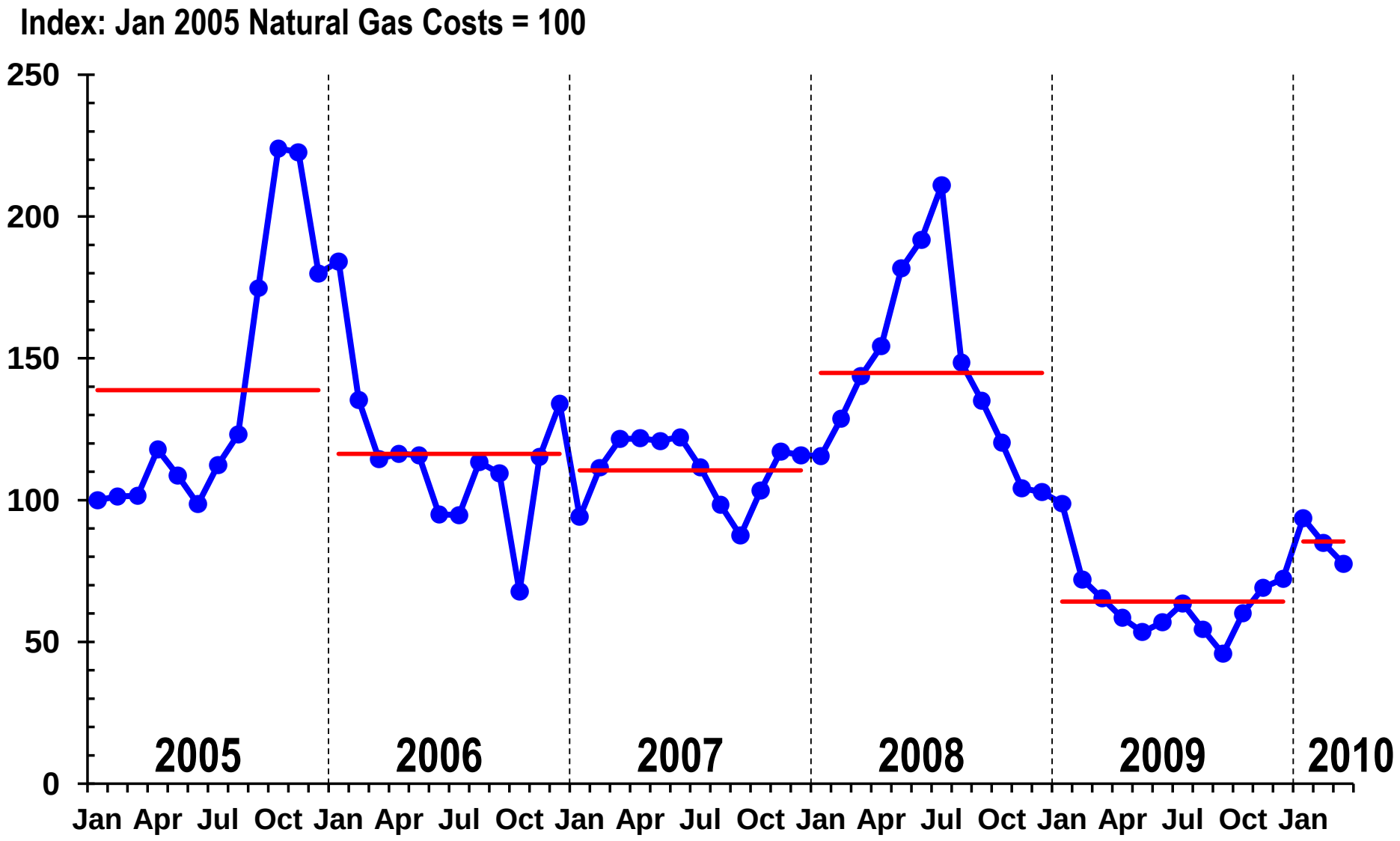


Input costs for continuing businesses

Natural Gas Costs

27% Increase vs. 4Q09 Average Cost

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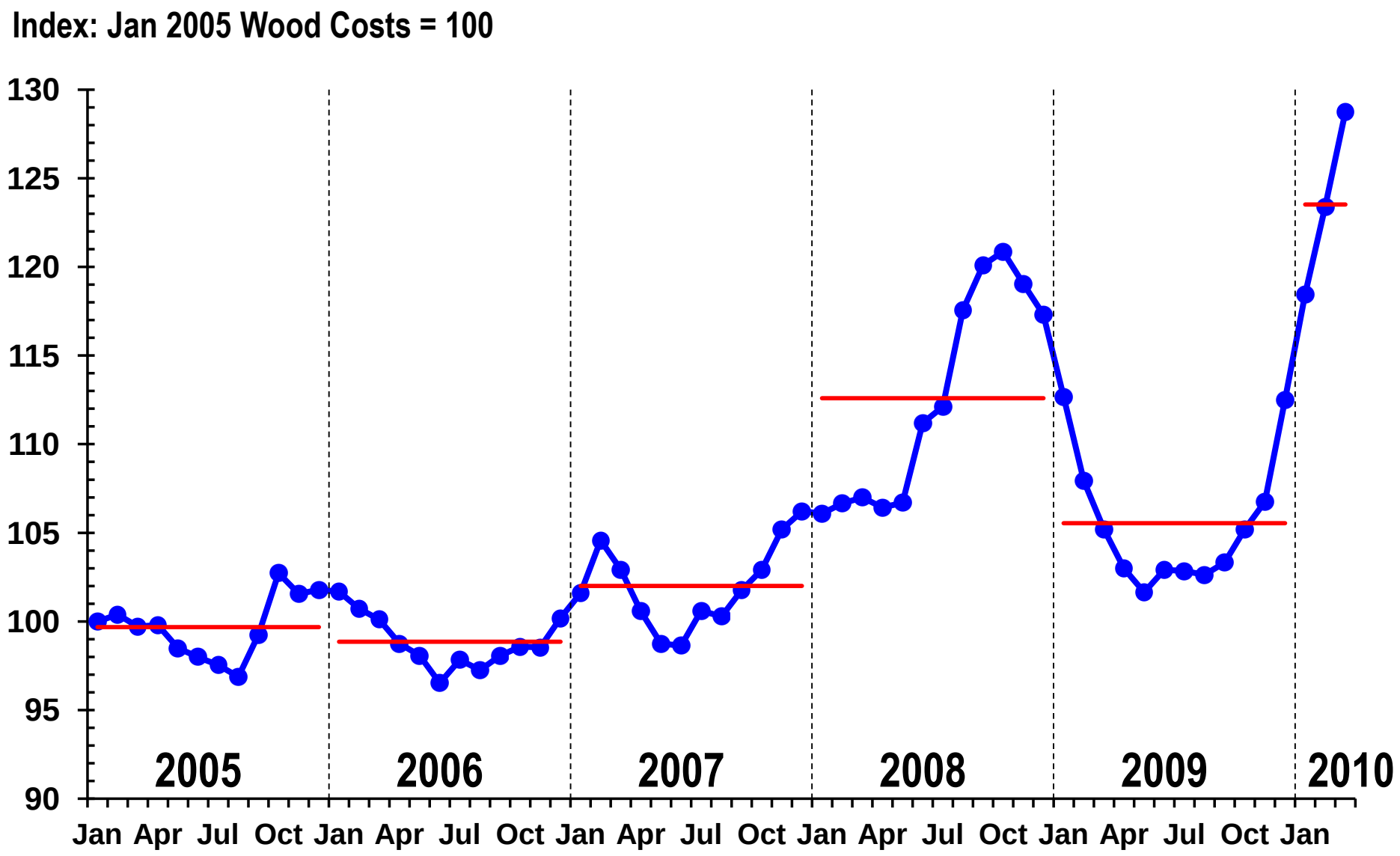


NYMEX Natural Gas closing prices

U.S. Mill Wood Costs

14% Increase vs. 4Q09 Average Cost

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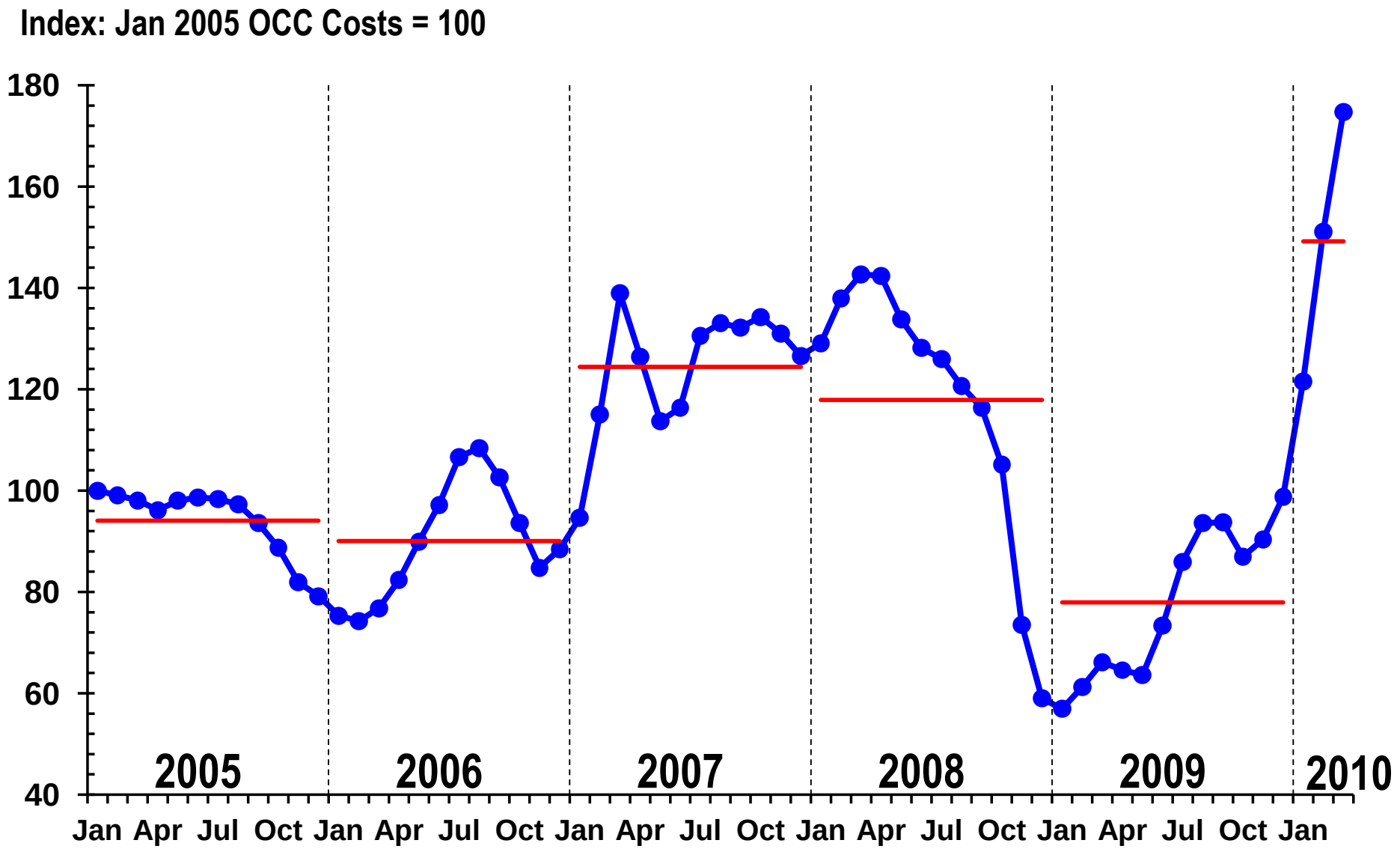


Delivered cost to U.S. facilities

U.S. Old Corrugated Containers Costs

62% Increase vs. 4Q09 Average Cost

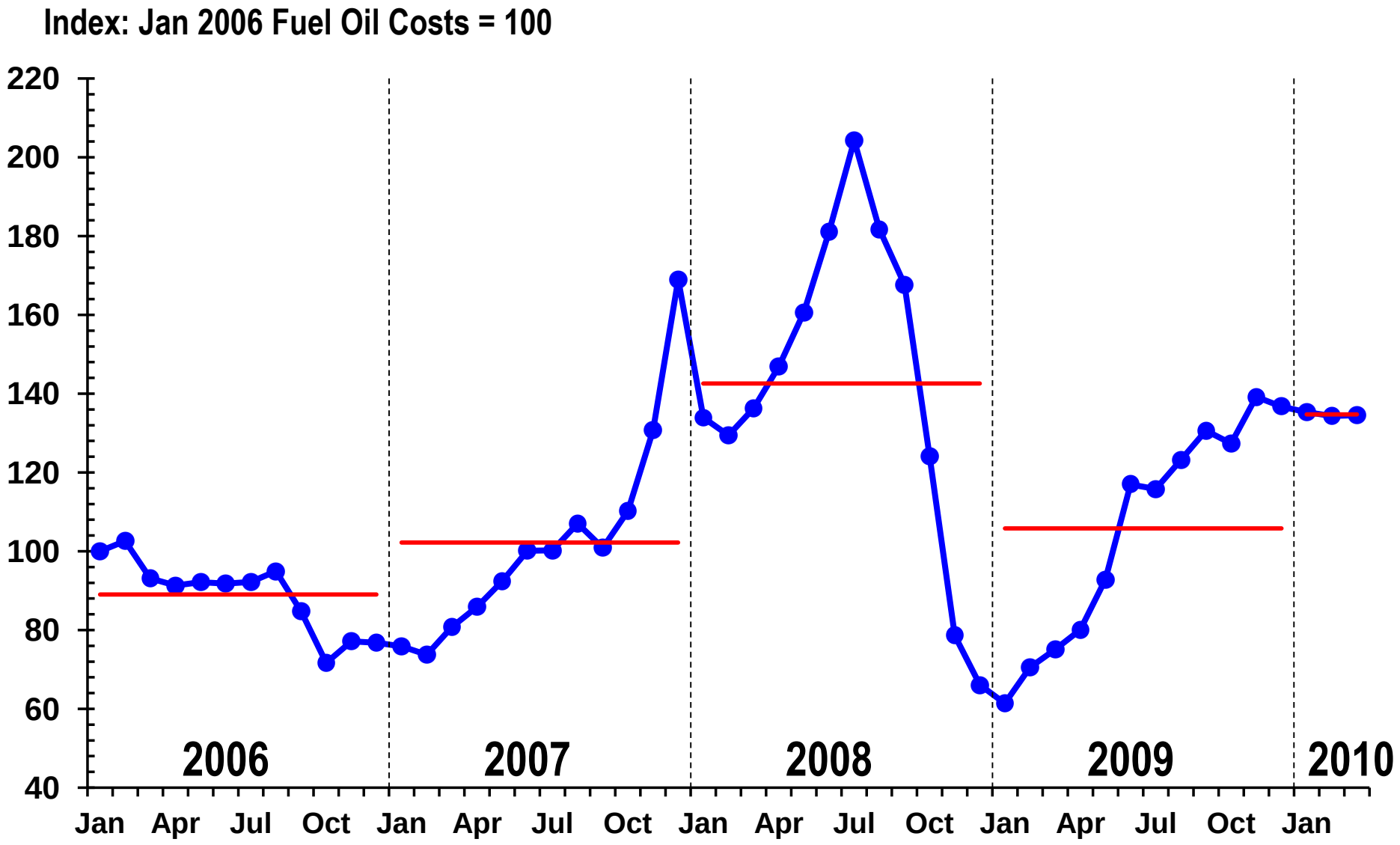
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2005-2007 represents WY PKG delivered costs; 2008-2009 represents delivered costs to the integrated system

U.S. Fuel Oil
Flat vs. 4Q09 Average Cost

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WTI Crude prices

2010 Global Consumption

Annual Purchase Estimates for Key Inputs

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	Commodity	U. S.	Non – U. S.
Energy	Natural Gas (MM BTUs)	42,000,000	13,000,000
	Fuel Oil (Barrels)	1,500,000	500,000
	Coal (Tons)	860,000	260,000
Fiber	Wood (Tons)	44,200,000	8,800,000
	Old Corrugated Containers (Tons)	3,000,000	310,000
Chemicals	Caustic Soda (Tons)	250,000	70,000
	Starch (Tons)	394,000	96,000
	Sodium Chlorate (Tons)	180,000	40,000
	LD Polyethylene (Tons)	39,000	-
	Latex (Tons)	22,000	4,000

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