

INTERNATIONAL PAPER



John V. Faraci
Chairman &
Chief Executive Officer



Tim S. Nicholls
Senior Vice President &
Chief Financial Officer

Second Quarter 2010 Review

July 28, 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.

Second Quarter 2010
Headlines

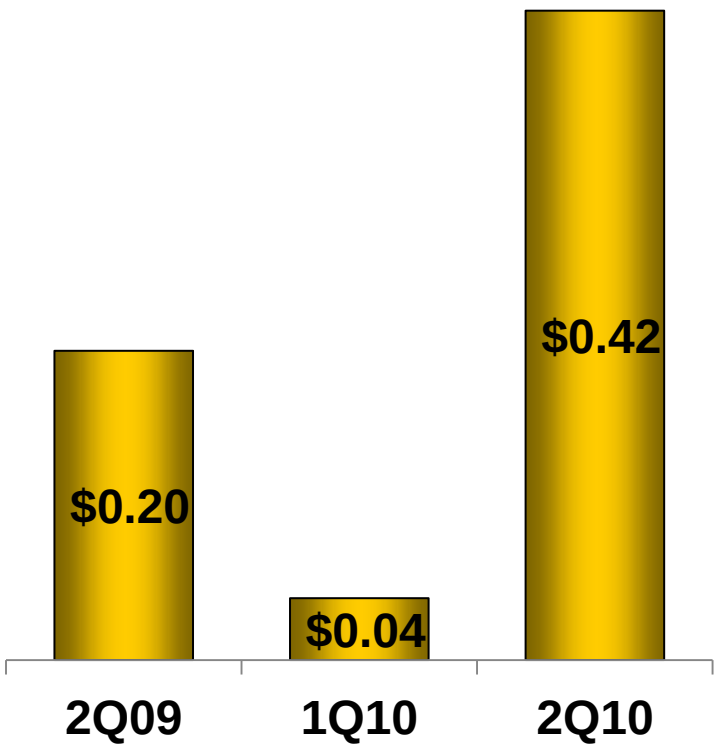


- **Revenue Growth**
- **Margin Expansion**
- **Strong Free Cash Flow Generation**
- **All businesses posted strong results**

Second Quarter 2010
Significant Earnings Improvement

INTERNATIONAL PAPER

Earnings per Share



- Balanced Global Results
- Record Earnings
  - European Paper
  - European Packaging
  - Asia
- Strong Operations
- Continued Cost Reduction
- Declining (but Elevated) Fiber Costs
- Highest Maintenance Outages of Year

Earnings from continuing operations before special items

2Q10 Financial Snapshot

INTERNATIONAL PAPER

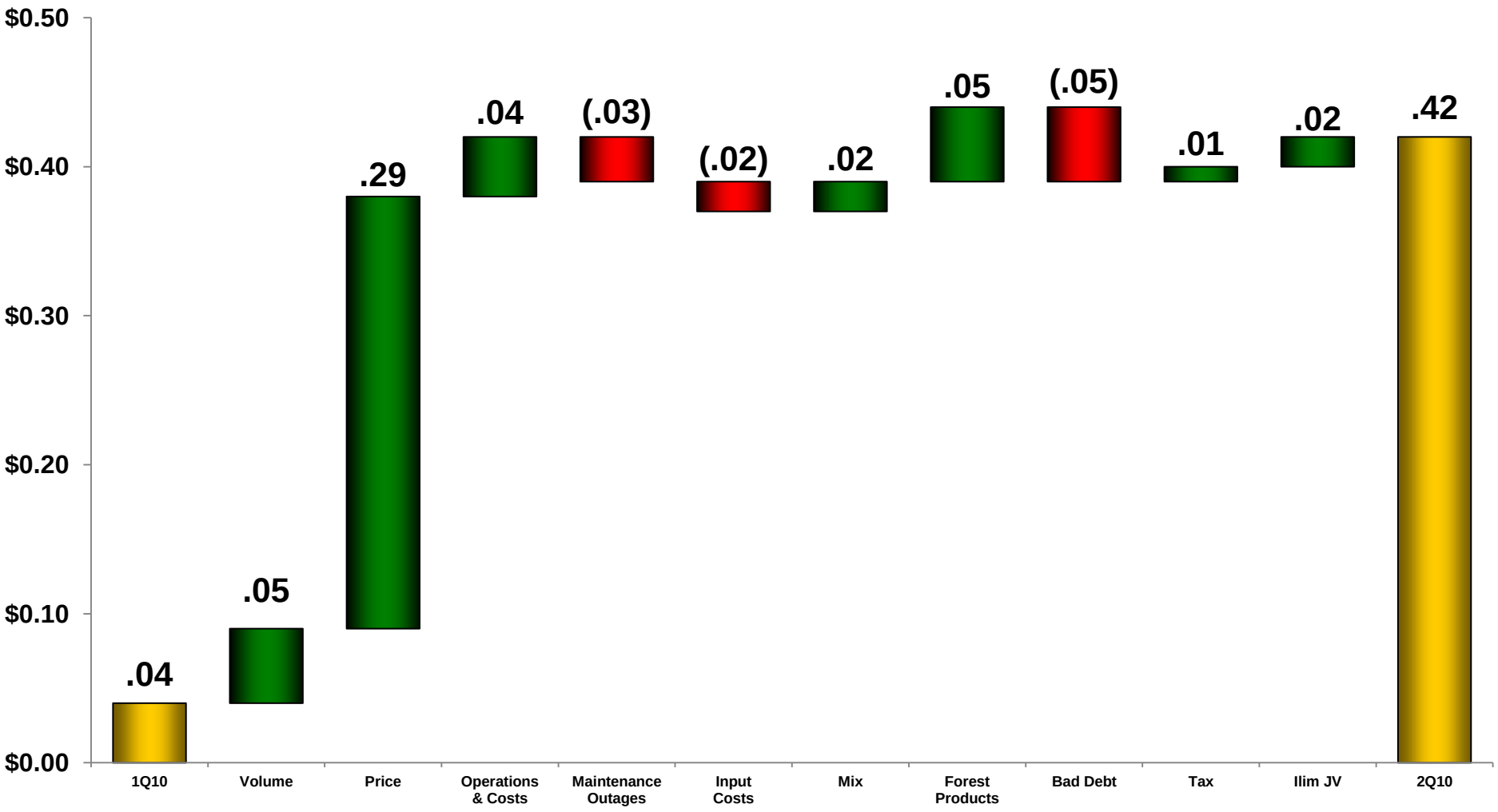
	2Q09	1Q10	2Q10
Sales ($B)	$5.8	$5.8	$6.1
EBITDA[1] ($MM)	$723	$560	$782
Free Cash Flow[2] ($MM)	$576	$39	$356
Debt ($B)	$10.9	$9.0	$8.9
Cash Balance ($B)	$1.7	$1.7	$1.9

[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 $688 MM in 2Q09 and $132 MM in 2Q10

2Q10 vs. 1Q10 EPS

Price Realization, Improved Volumes

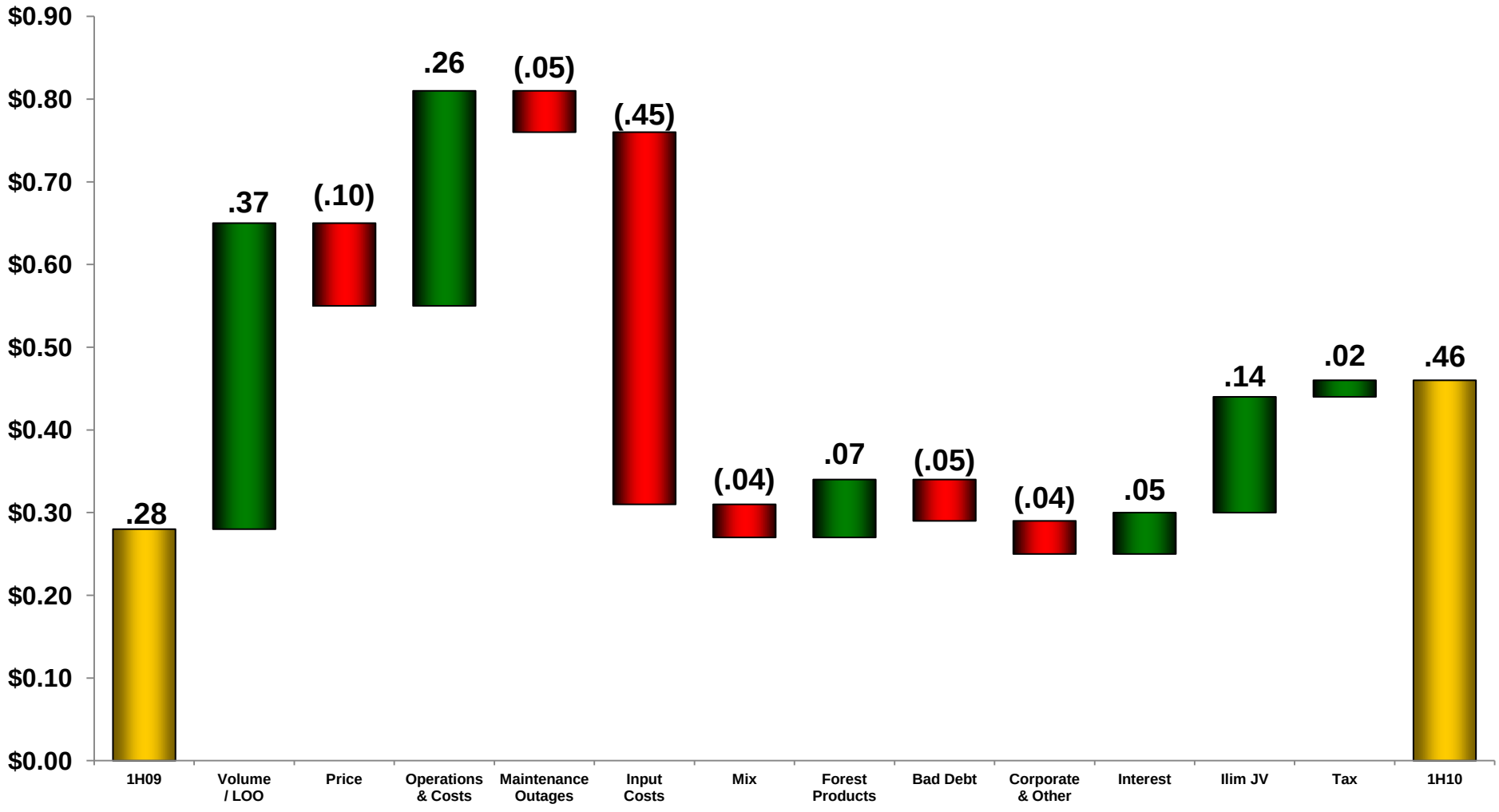


Earnings before special items

1H10 vs. 1H09 EPS

Improved Volumes & Operations, Higher Fiber Costs

INTERNATIONAL PAPER

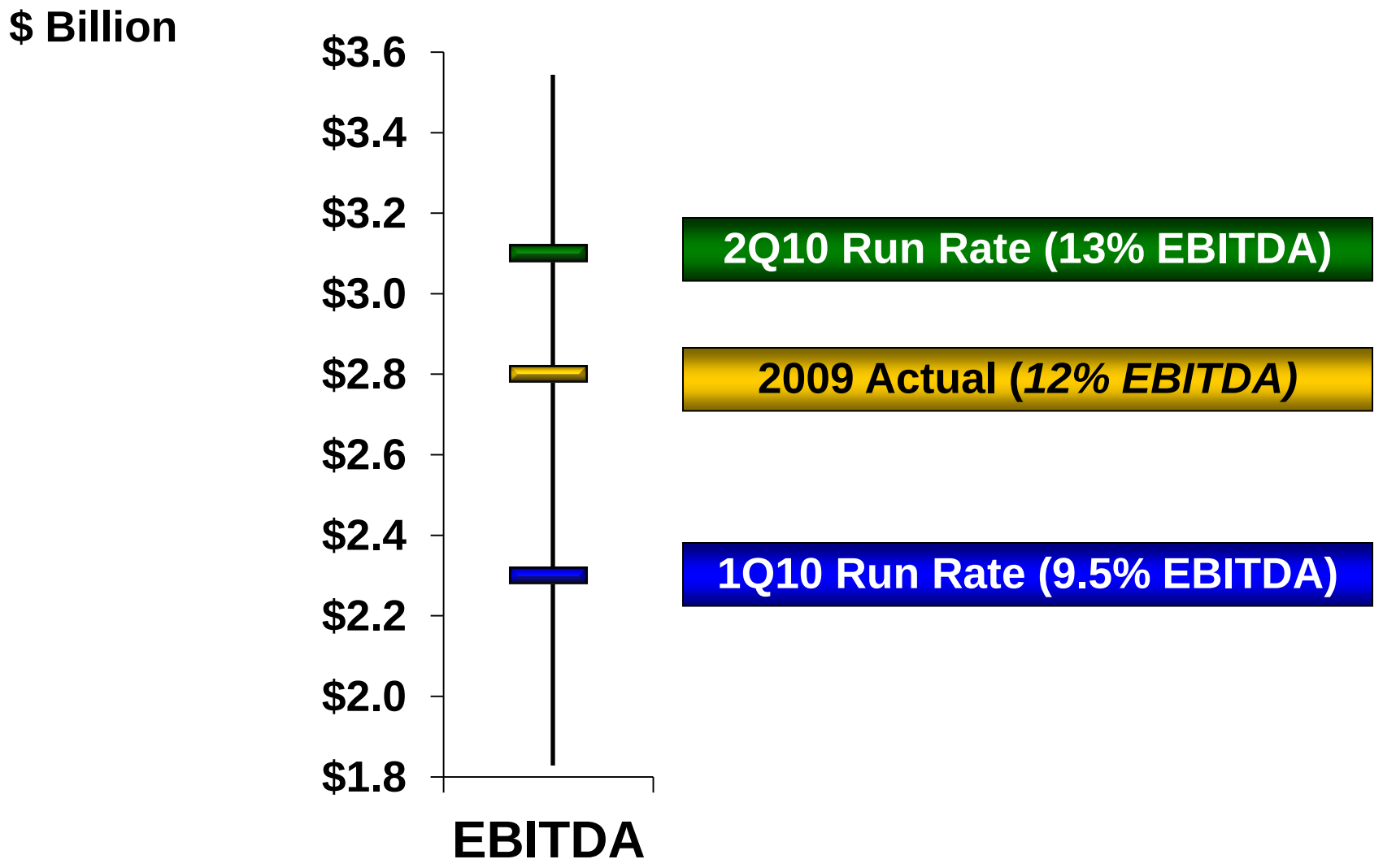


Earnings from continuing operations before special items

Total IP EBITDA & Margin

Improving EBITDA Annualized Run Rate

INTERNATIONAL PAPER

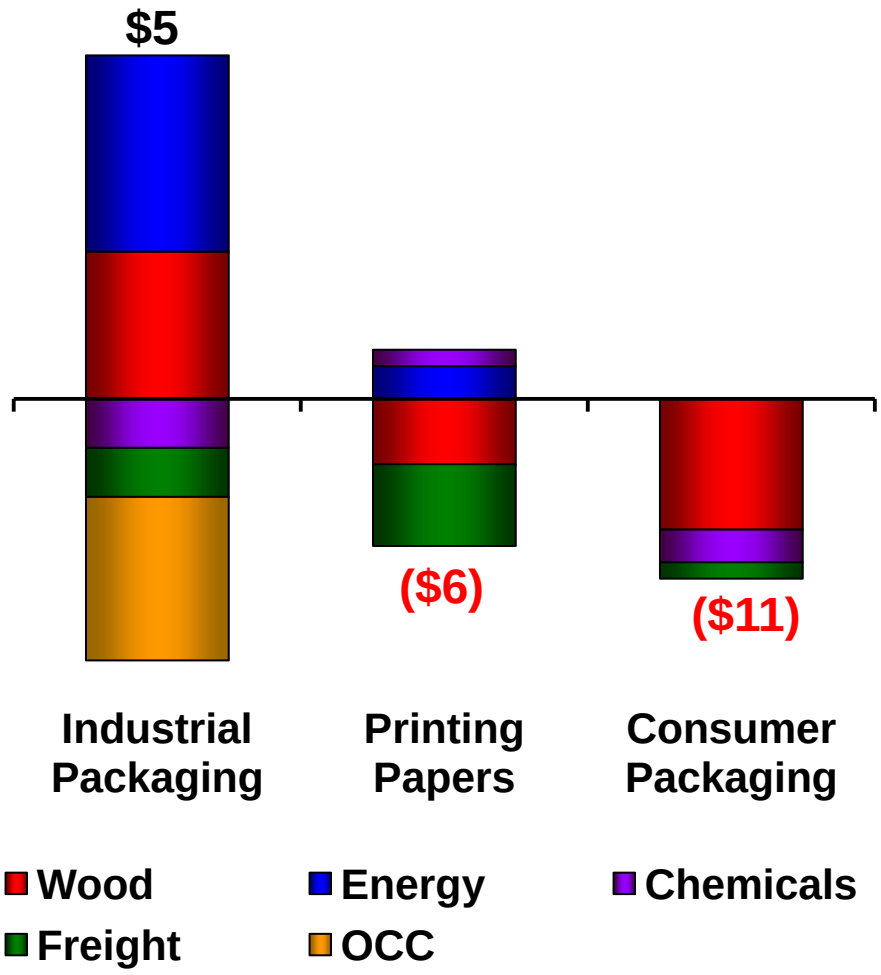


Global Input Costs vs. 1Q10

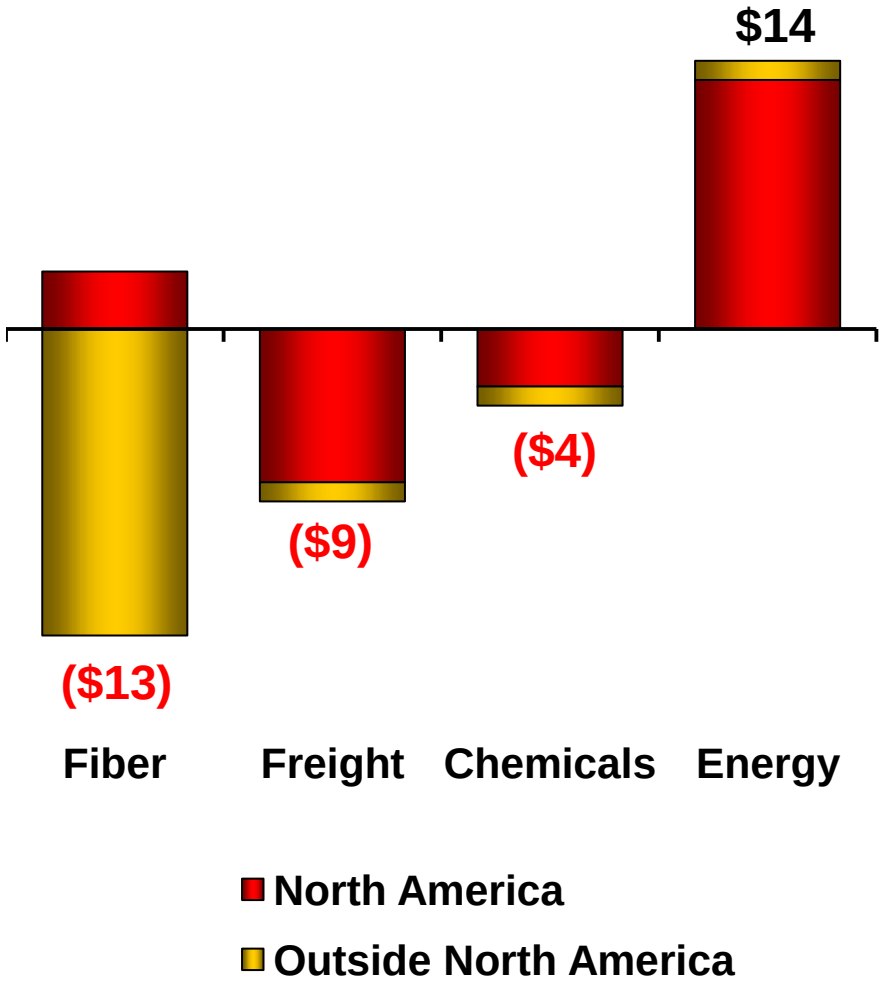
$12 MM, or $0.02/Share Unfavorable

INTERNATIONAL PAPER

By Business



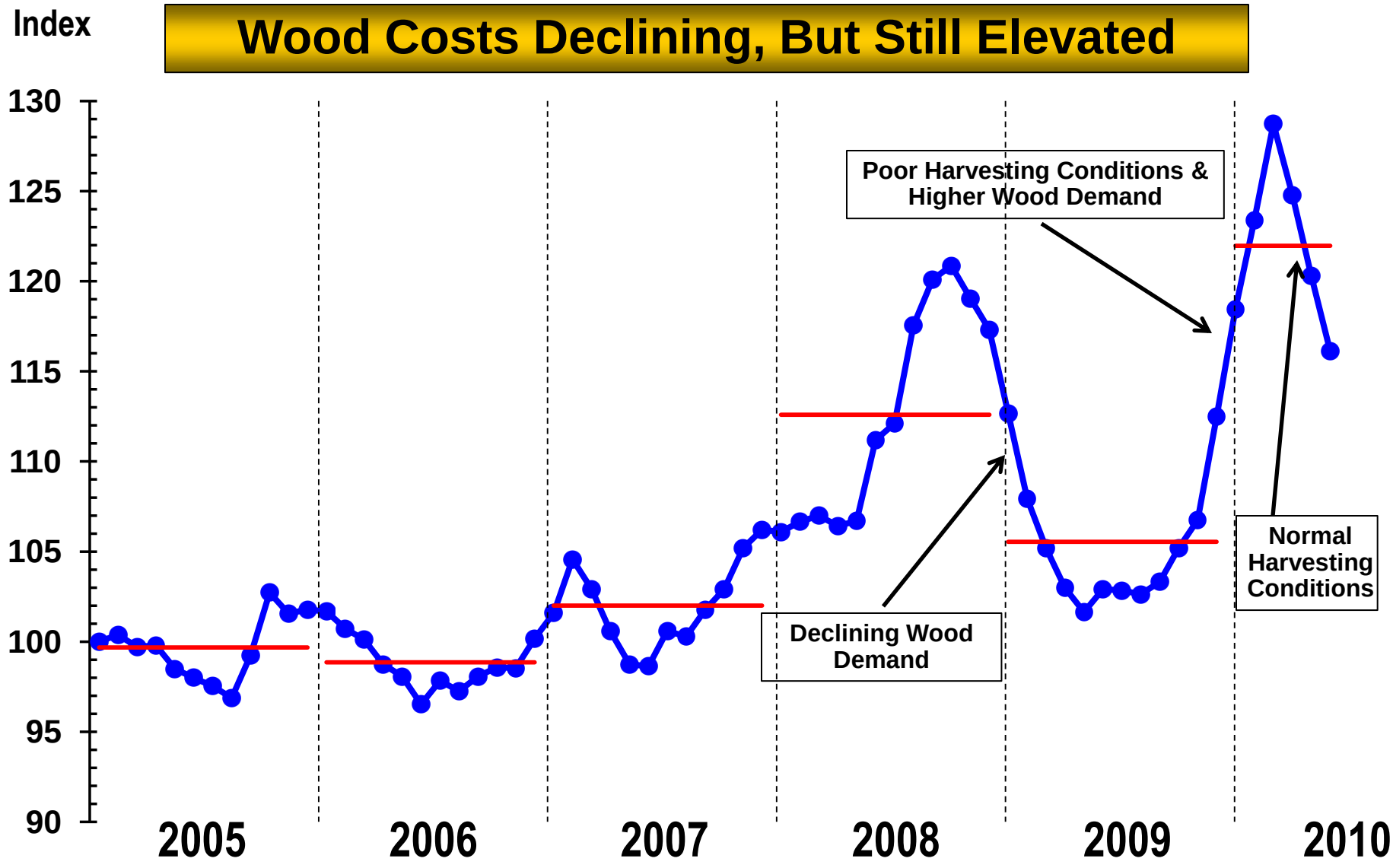
By Input Type



U.S. Mill Wood Delivered Cost Trends

3% Decrease vs. 1Q10 Average Cost

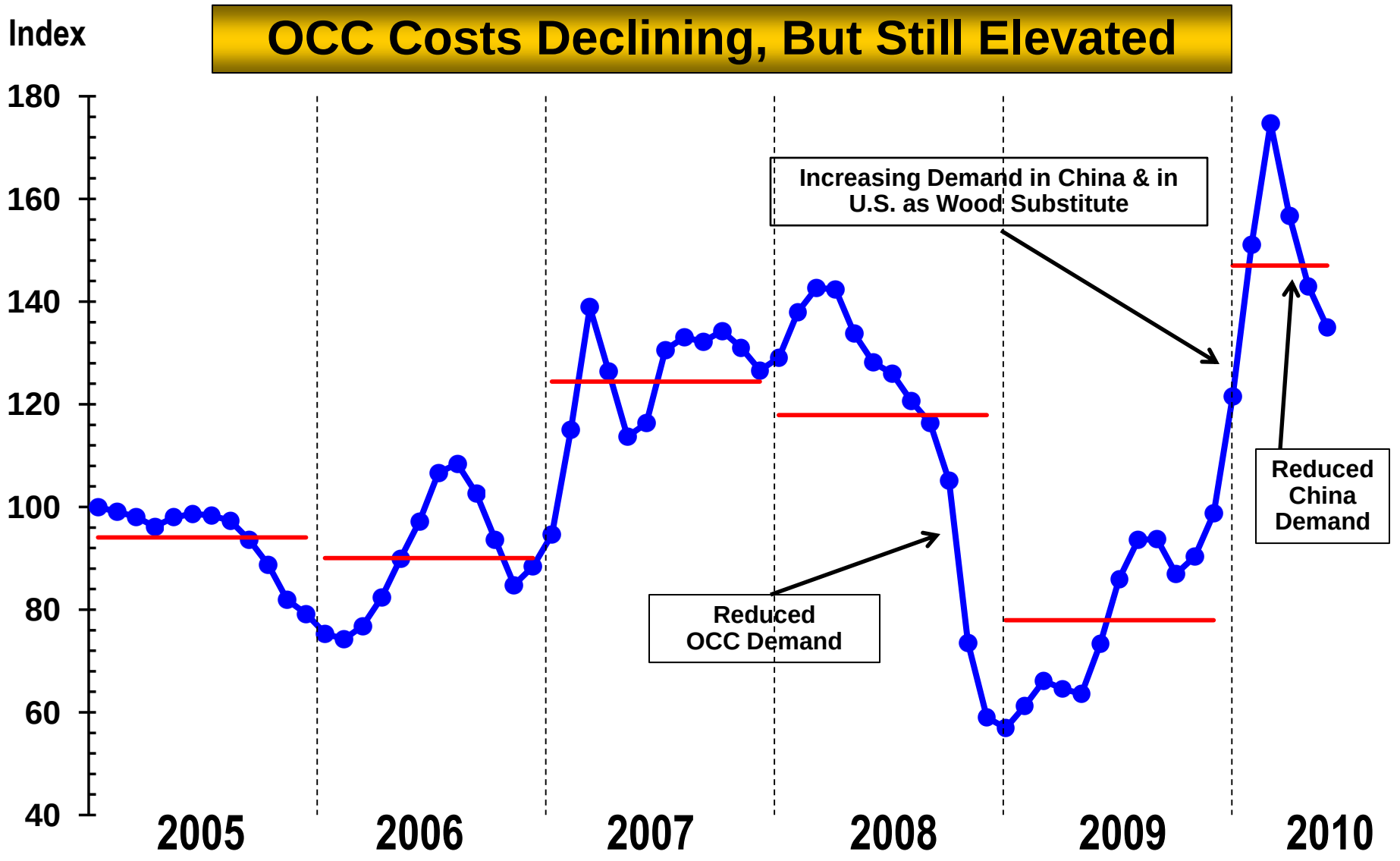
INTERNATIONAL PAPER



U.S. OCC Delivered Cost Trends

3% Decrease vs. 1Q10 Average Cost

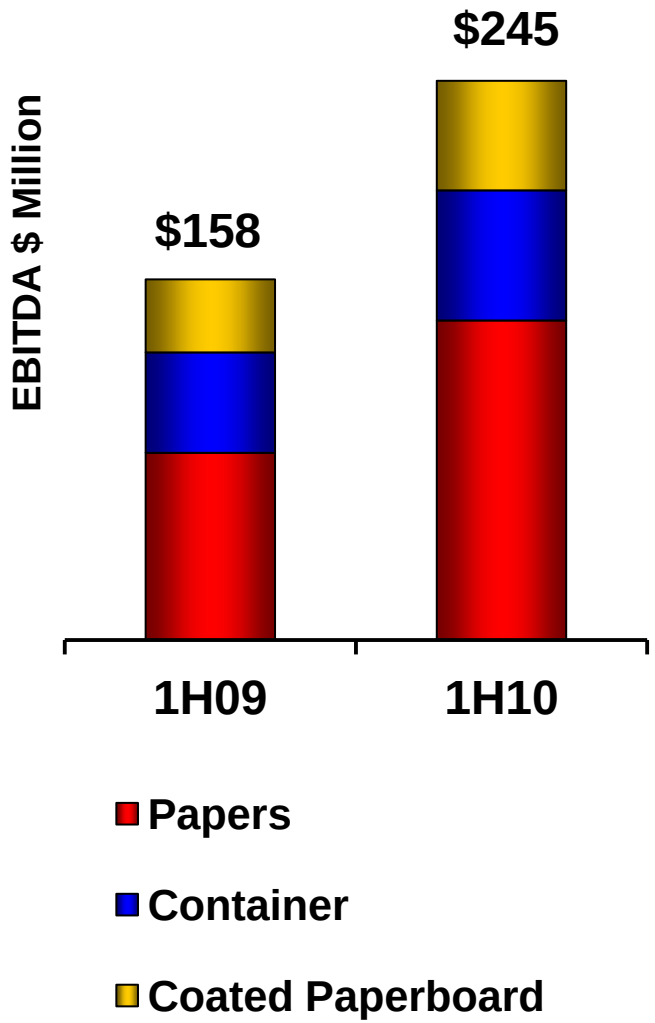
INTERNATIONAL PAPER



2005-2007 represents WY PKG delivered costs; 2008-2010 represents delivered costs to the integrated system

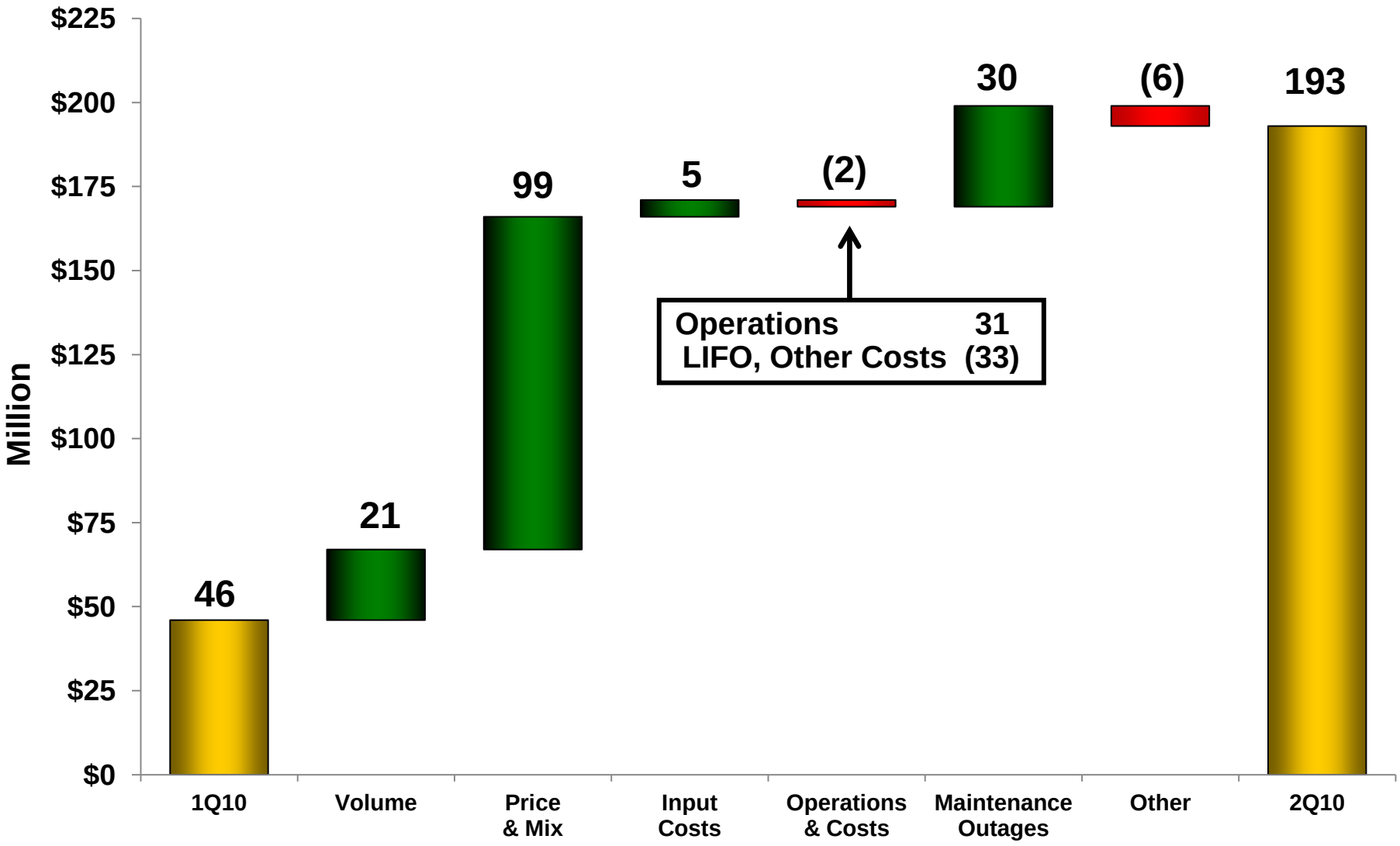
IP Europe, Middle East & Africa

1H10: 11% of IP Sales & 18% of IP EBITDA



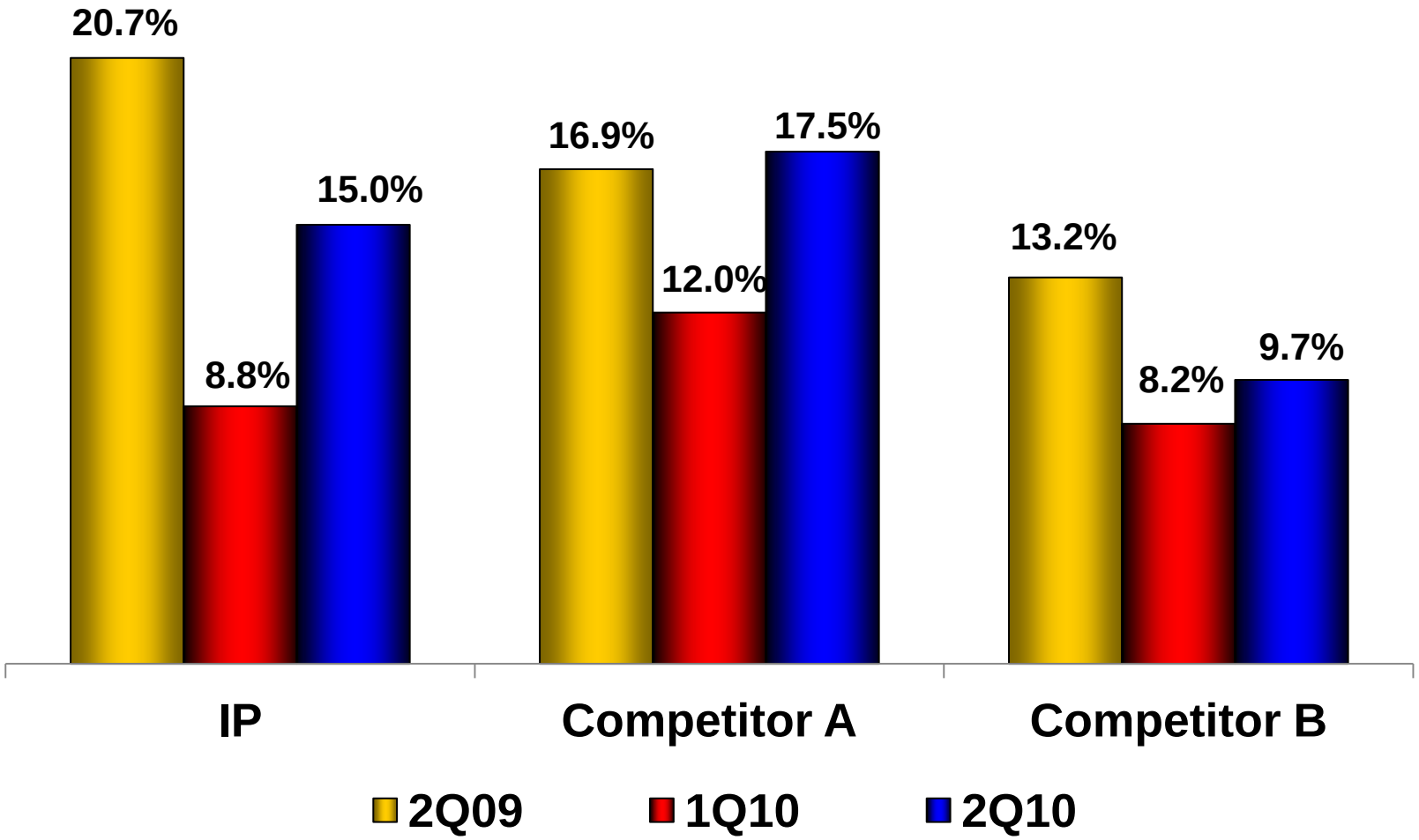
- EBITDA margins increased from 12% to 19%
- Record Paper Earnings
- Record Container Earnings
- Cost-of-Capital Returns in Paper & Packaging
- Inverurie & Etienne mill shutdowns completed

Industrial Packaging Earnings
2Q10 vs. 1Q10



Earnings before special items

N.A. Industrial Packaging Relative EBITDA Margins



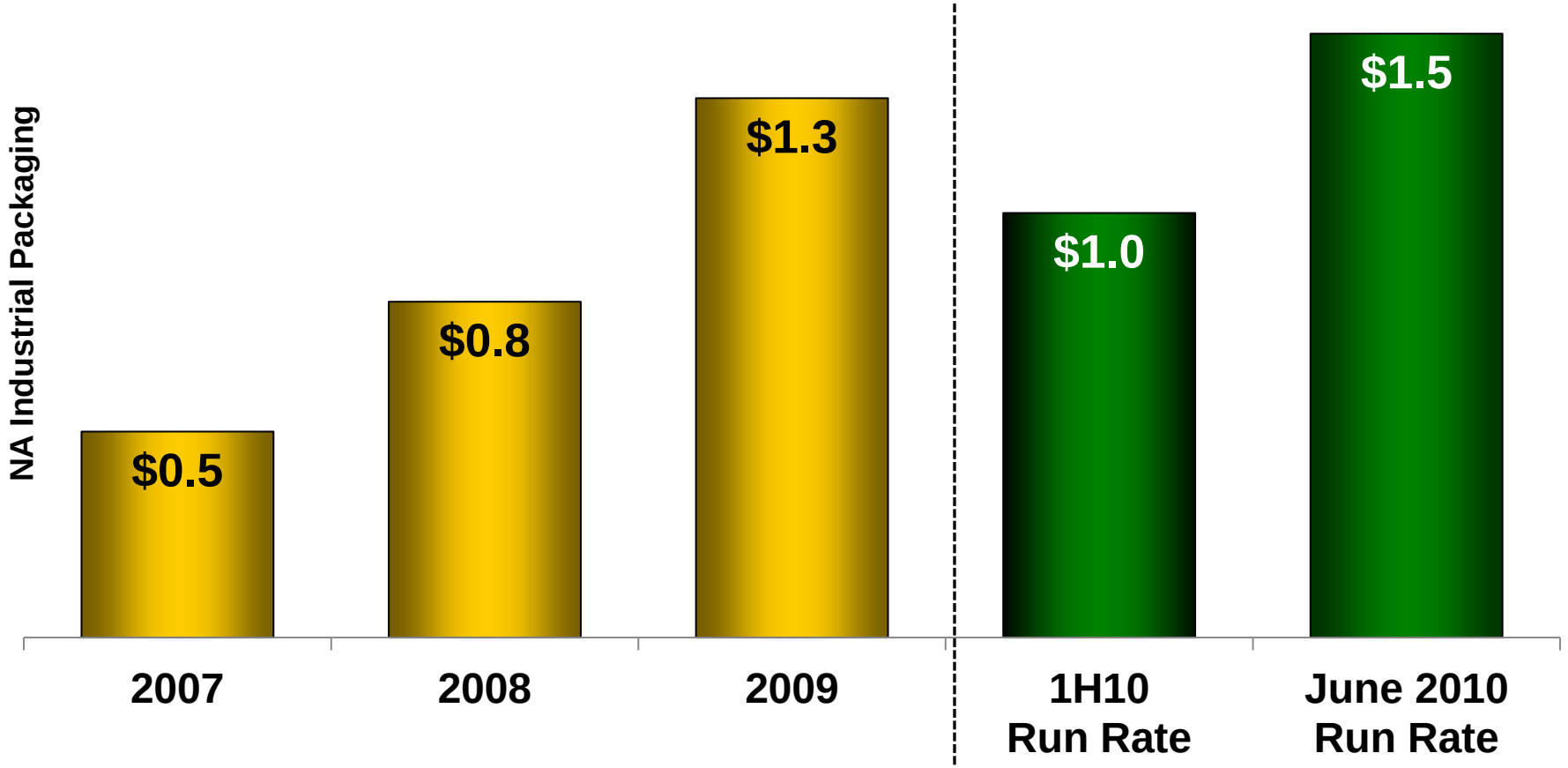
IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Competitor EBITDA margin estimates obtained from public filings and IP analysis

Progress on Industrial Packaging Integration

Approaching Cost-of-Capital Returns

INTERNATIONAL PAPER

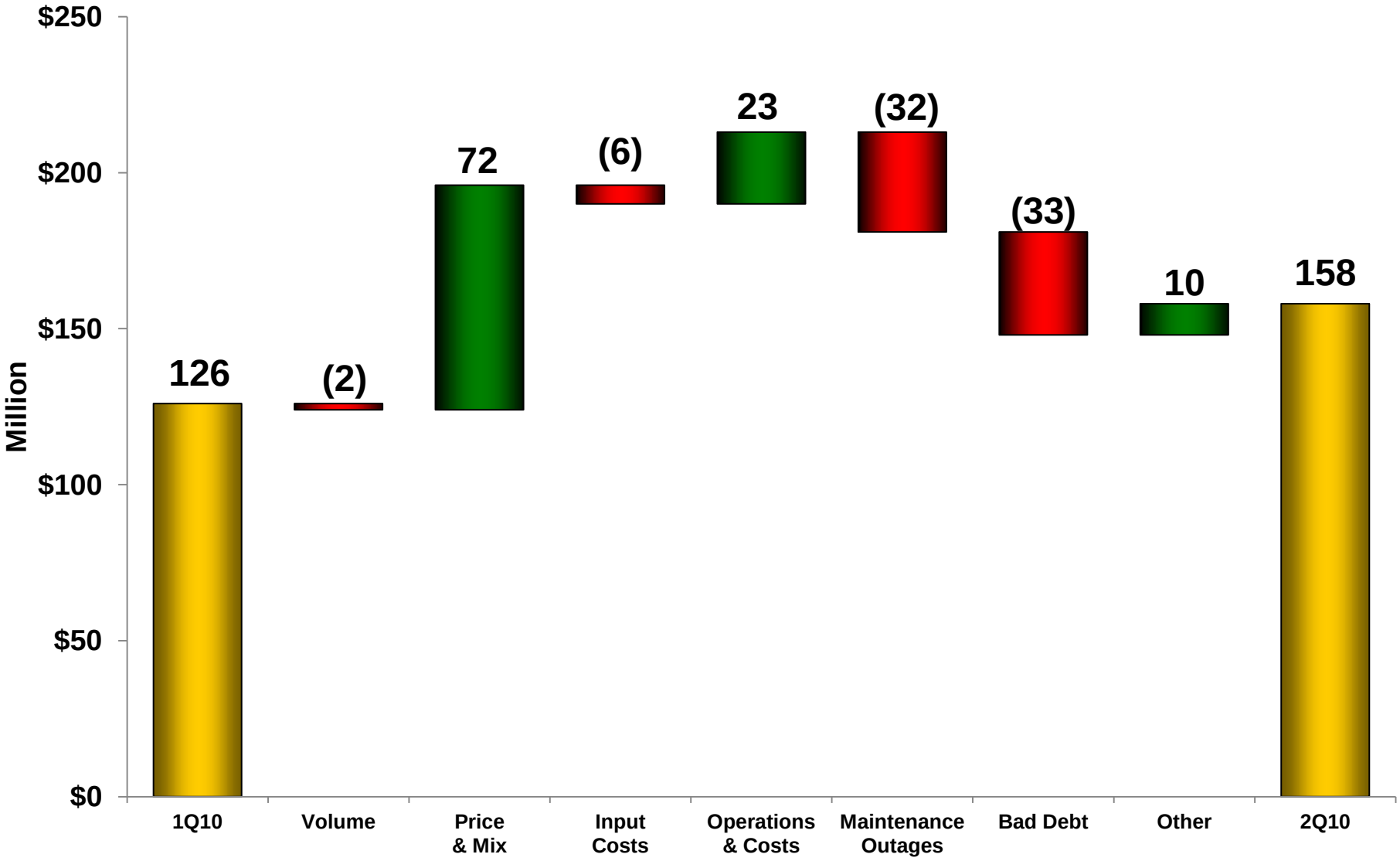
June Run Rate of $1.5 Billion EBITDA and 8% ROI



Earnings before special items

Printing Papers Earnings
2Q10 vs. 1Q10

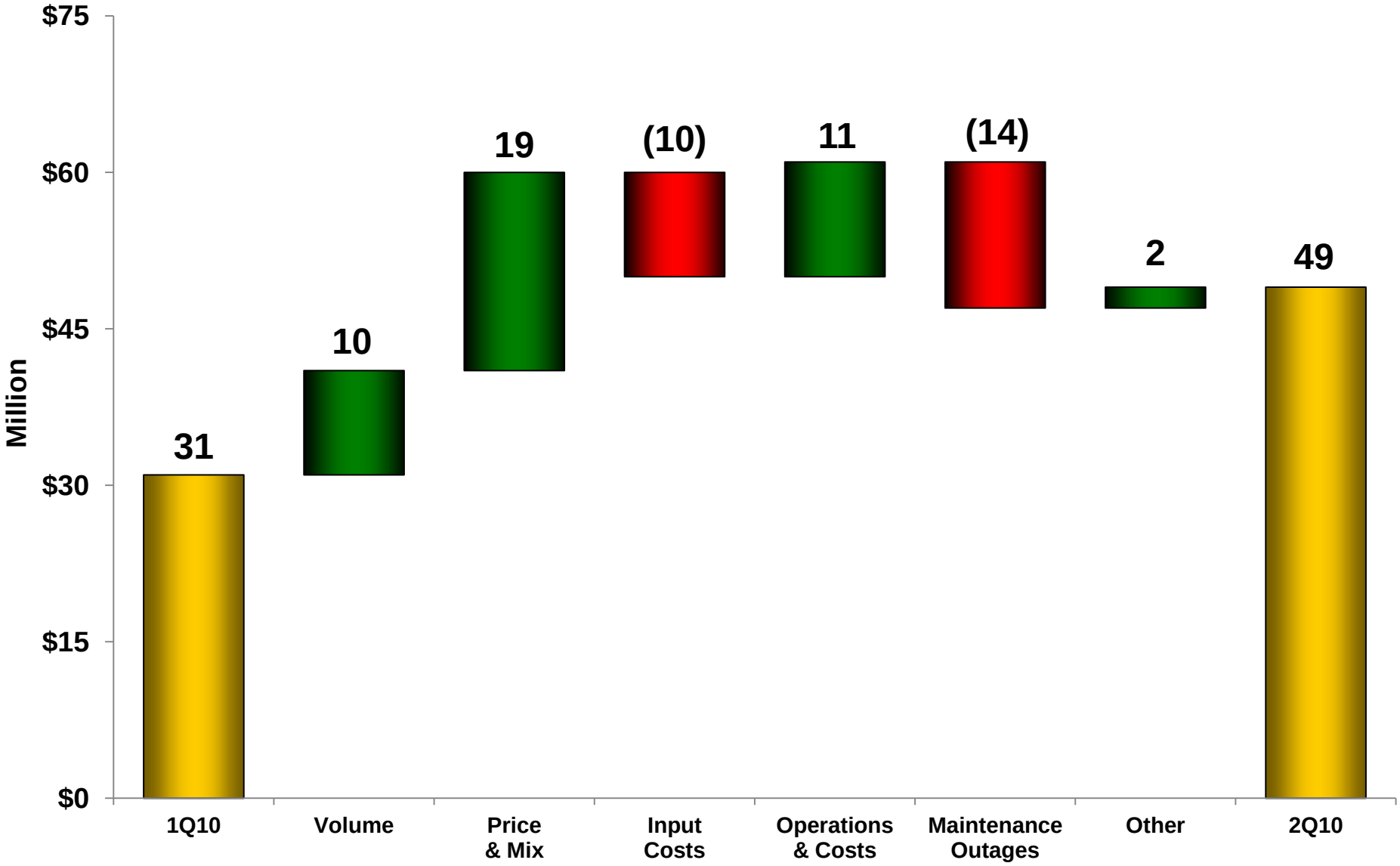
INTERNATIONAL PAPER



Earnings before special items

Consumer Packaging Earnings
2Q10 vs. 1Q10

INTERNATIONAL PAPER



Earnings before special items

Progress on Fixed Cost Reductions

All Fixed Cost Reductions Achieved by 2Q

INTERNATIONAL PAPER

$ Million	Mill	2nd-Quarter Annualized Run-Rate Fixed Cost Savings
Industrial Packaging	Albany, Pineville	$60
Printing & Communications Papers	Franklin	$90
Coated Paperboard	Franklin	$20
In addition, the closure of the Inverurie & Etienne mills have been completed, and the associated operating losses have been eliminated.		

xpedx
Improvement from 1Q10

INTERNATIONAL PAPER

$ Million	2Q09	1Q10	2Q10
Sales	$1,595	$1,580	$1,630
Earnings	$10	$21	$26

Daily Sales Change	vs. 1Q10
Printing	1.6%
Packaging	2.6%
Facility Supplies*	(2.1%)

- Revenues up 3% from 1Q10
- Strong year-over-year earnings growth driven by aggressive operating cost management

* Facility supplies daily sales change reflects the loss of a large national account; daily sales rate up 9.1% excluding this impact

Forest Products

Mineral Rights Sale; Land Sale Agreement

INTERNATIONAL PAPER

- Mineral rights sale to Natural Resource Partners in June
  - $43 MM revenue
  - $39 MM operating profit
- Agreement to sell 163,000 acres to Rock Creek Capital
  - $200 MM sales price plus ongoing profits interest
  - Expect $50 MM in 3Q operating profit
  - Expected to close in 3Q10
- Completion of land sales program

Sun Joint Venture
Record EBIT in 2Q10

INTERNATIONAL PAPER

- 2009: 4 MM tons of coated paperboard demand in China
- Projected 2010 – 2013 Demand CAGR: 8% - 9%
- 3 existing board machines
  - 915,000 tons of capacity
  - Sold out since March 2009
- New 4th board machine approved by Sun & IP boards
  - 550,000-ton annual capacity
  - ~$300 MM investment ($55 MM of IP cash)
  - Yanzhou, China
  - Start up in 1Q12
- 5th board machine in planning stage



Ilim Joint Venture

$ Million	2Q09	1Q10	2Q10
Sales (100%)	$290	$395	$435
Earnings (IP Share)	($30)	($3)	$5

	2Q10 vs. 1Q10		2Q10 vs. 2Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	4%	$56	14%	$202
Containerboard	1%	$22	15%	$54

Ilim's results are reported on a one-quarter lag
IP's shares of Ilim's 2Q09 & 1Q10 earnings includes an after-tax foreign exchange loss of $22 MM and $2 MM, respectively.
The foreign exchange impact in 2Q10 was minimal.

Ilim Joint Venture Update



- **Stabilized Russian Economy**
- **Improved Results after Russian Crisis**
  - Siberian pulp business continues to improve
  - Koryazhma mill improving with domestic market
- **Ilim JV Paid Cash Dividends of $330 Million**
  - IP received $152 million, or ~ 25% of capital invested
- **Resuming Capital Projects to Strengthen Ilim**
  - Focus on value-added paper products for Ilim West
  - Leverage competitive advantage of Siberian pulp mills

Ilim Joint Venture
Resuming Capital Investment Plan

INTERNATIONAL PAPER

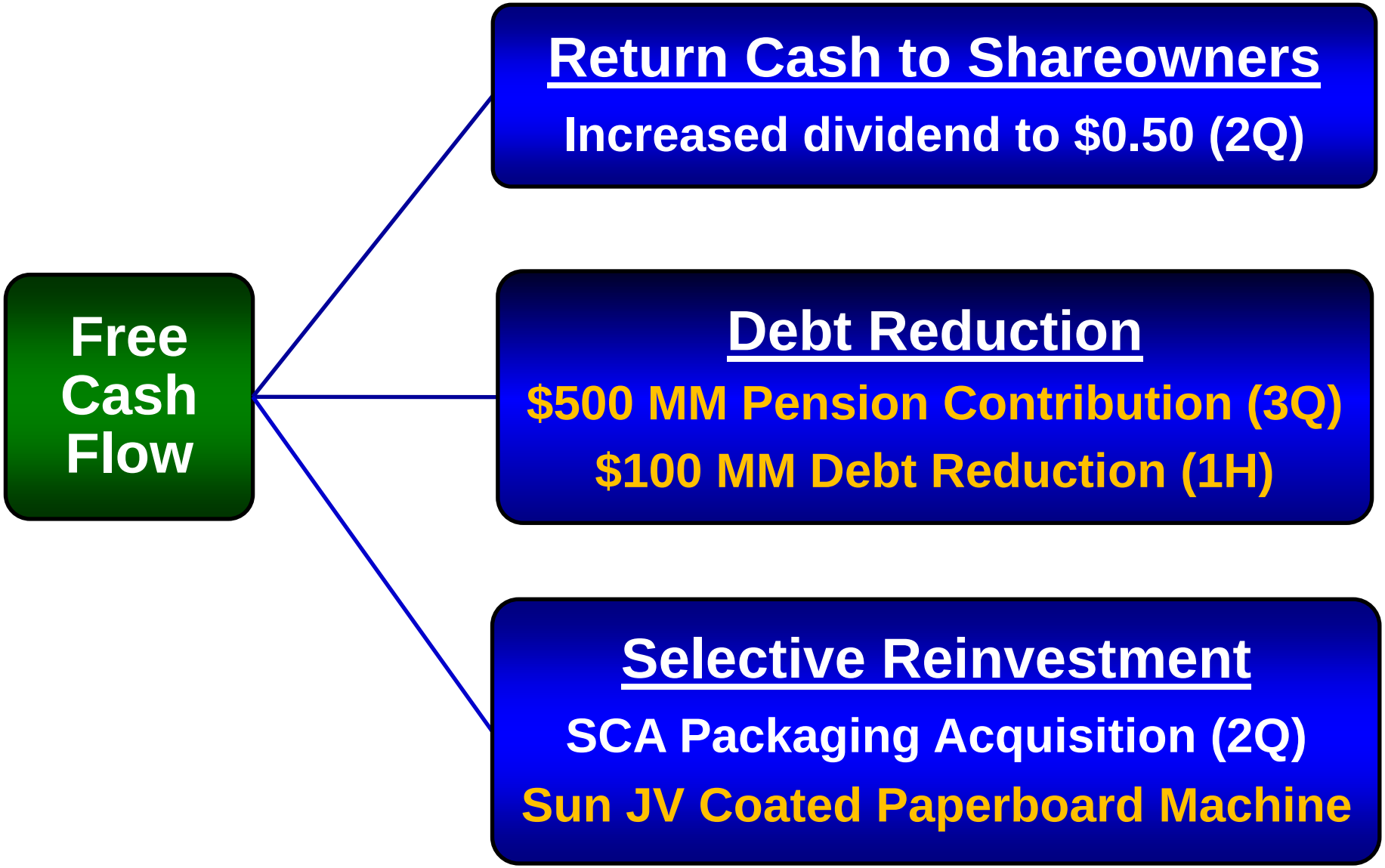


1. **Expand Siberian pulp business**
   - 790,000-ton NBSK pulp line at Bratsk
   - 550,00-ton net increase in capacity
   - $700 MM in capital
   - Recovery boiler start-up in 3Q11
   - Pulp line start-up in 2Q12

2. **Integrate Koryazhma pulp into domestic market**
   - Install paper machine at Koryazhma
   - 165,000 tons of UFS; 55,000 tons of coating base
   - $270 MM in capital
   - Shift from export pulp to uncoated freesheet
   - Evaluating 75,000-ton off-line coater
   - Paper machine start-up in 2012

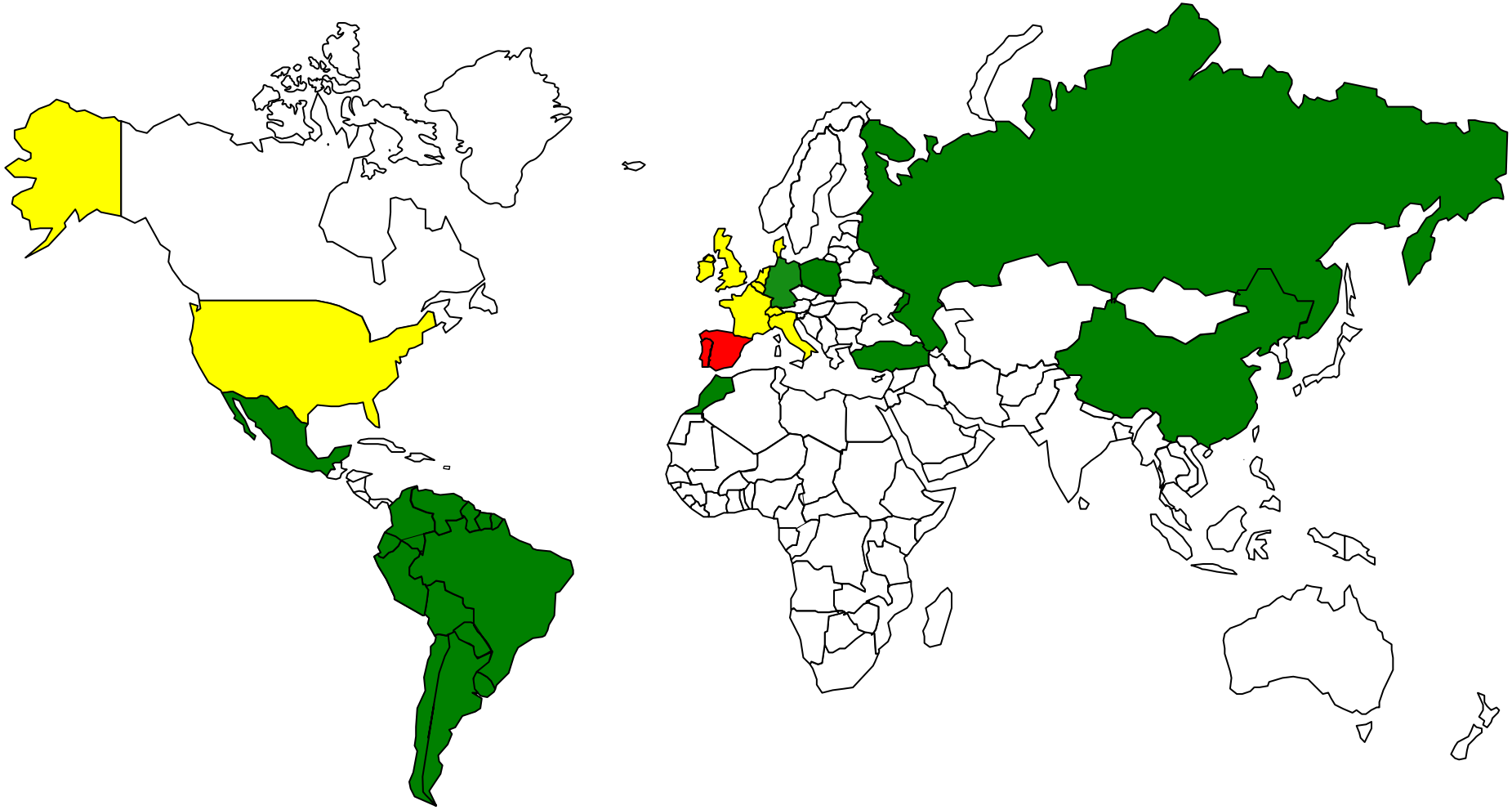
Balanced Capital Allocation to Increase Shareowner Value

INTERNATIONAL PAPER



Current Macroeconomic Conditions

INTERNATIONAL PAPER



Third Quarter Outlook
Changes from 2Q10

INTERNATIONAL PAPER

		North America	Europe	Brazil	Asia
Volume	Paper	Growth at Slower Rate	Stable	Stable	
	Packaging	Growth at Slower Rate	Seasonal Decrease		Stable
Pricing	Paper	Continued Realization	Stable	Increasing	
	Packaging	Significant Increase	Stable		CPB Decreasing, Box Stable
Maintenance Outages		~$77 MM Decrease	~$4 MM Increase	Stable	
Input & Freight Costs		Moderating	Linerboard Increasing	Stable	Pulp Decreasing, Linerboard Increasing

xpedx	Slight Decrease

Ilim	Increase

Other Costs	Significant Increase

Summary
Significant Earnings & Cash Flow

INTERNATIONAL PAPER

2Q10 Summary

- Volume recovery
- Significant price increase realization
- Strong operations
- Declining fiber costs

3Q10 Outlook

- N.A. demand growing at slower rate
- Further realization of announced price increases
- Moderating wood costs
- Uncertain OCC costs
- Significant reduction in maintenance outages

Appendix

Investor Relations Contacts

Thomas A. Cleves	901-419-7566
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
Net Interest Expense	$492	$669	$600 - $625
Corporate Items	$103	$181	$200 - $225
Effective Tax Rate	31.5%	30%	30-32%

Before special items and excluding Ilim

Free Cash Flow

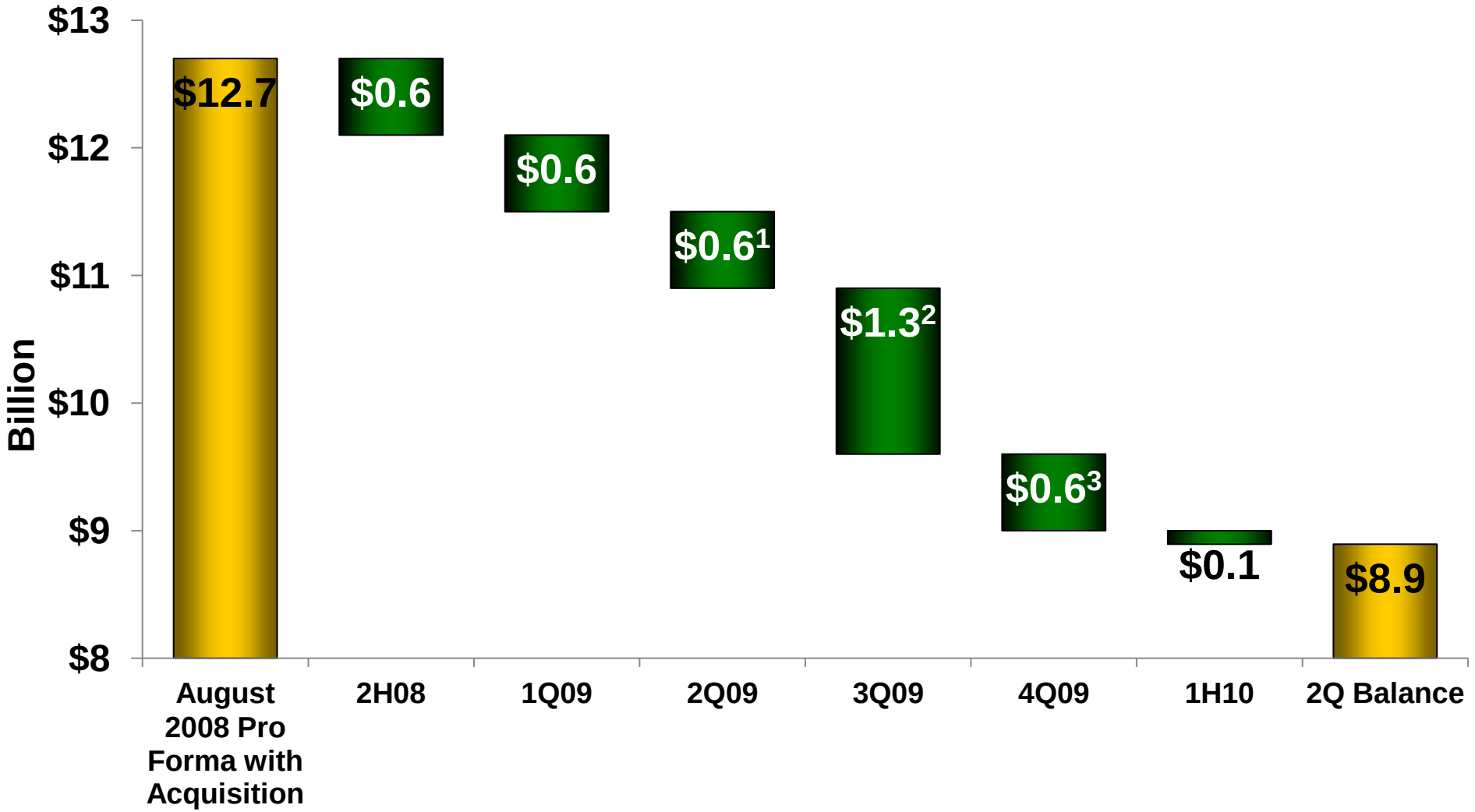
INTERNATIONAL PAPER

$ Million	2Q09	1Q10	2Q10
Cash from Operations	$707	$159	$509
Cash Received from Alternative Fuel Mixture Tax Credits (AFMTC)	$688	$0	$132
Cash Provided by Continuing Operations	**$1,395**	**$159**	**$641**
Less Capital Investment	**($131)**	**($120)**	**($153)**
Free Cash Flow	**$1,264**	**$39**	**$488**
Free Cash Flow Excluding AFMTC	**$576**	**$39**	**$356**

Debt Reduction Progress

$3.8 Billion Reduction since Acquisition

INTERNATIONAL PAPER



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

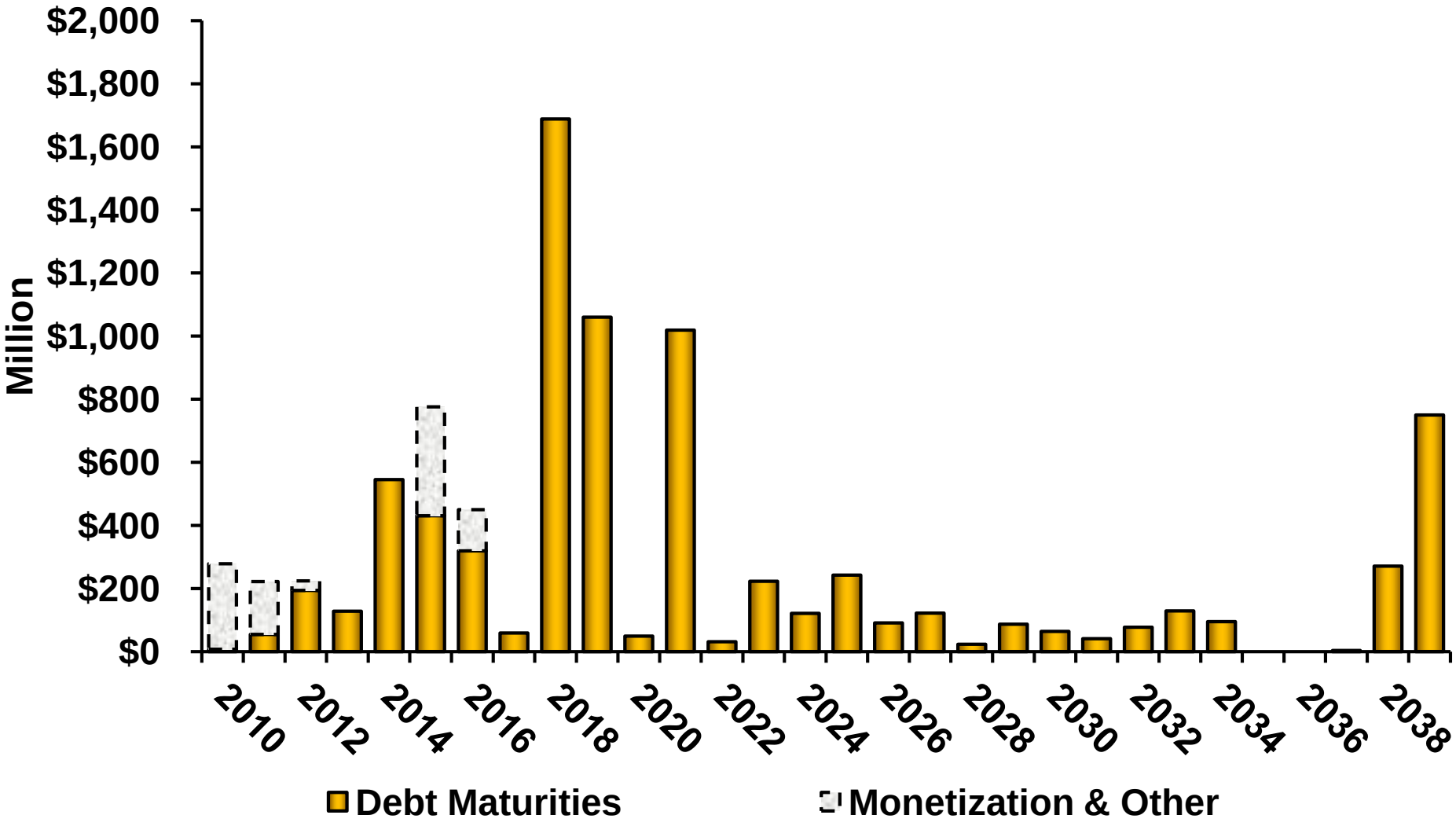
[2] Excludes the debt repayment of $1 B from the proceeds of our August bond issuance: $1 B 7.5% notes due 2021

[3] Excludes the debt repayment of $750 MM from the proceeds of our November bond issuance: $750 MM 7.3% notes due 2039

Debt Maturity Profile

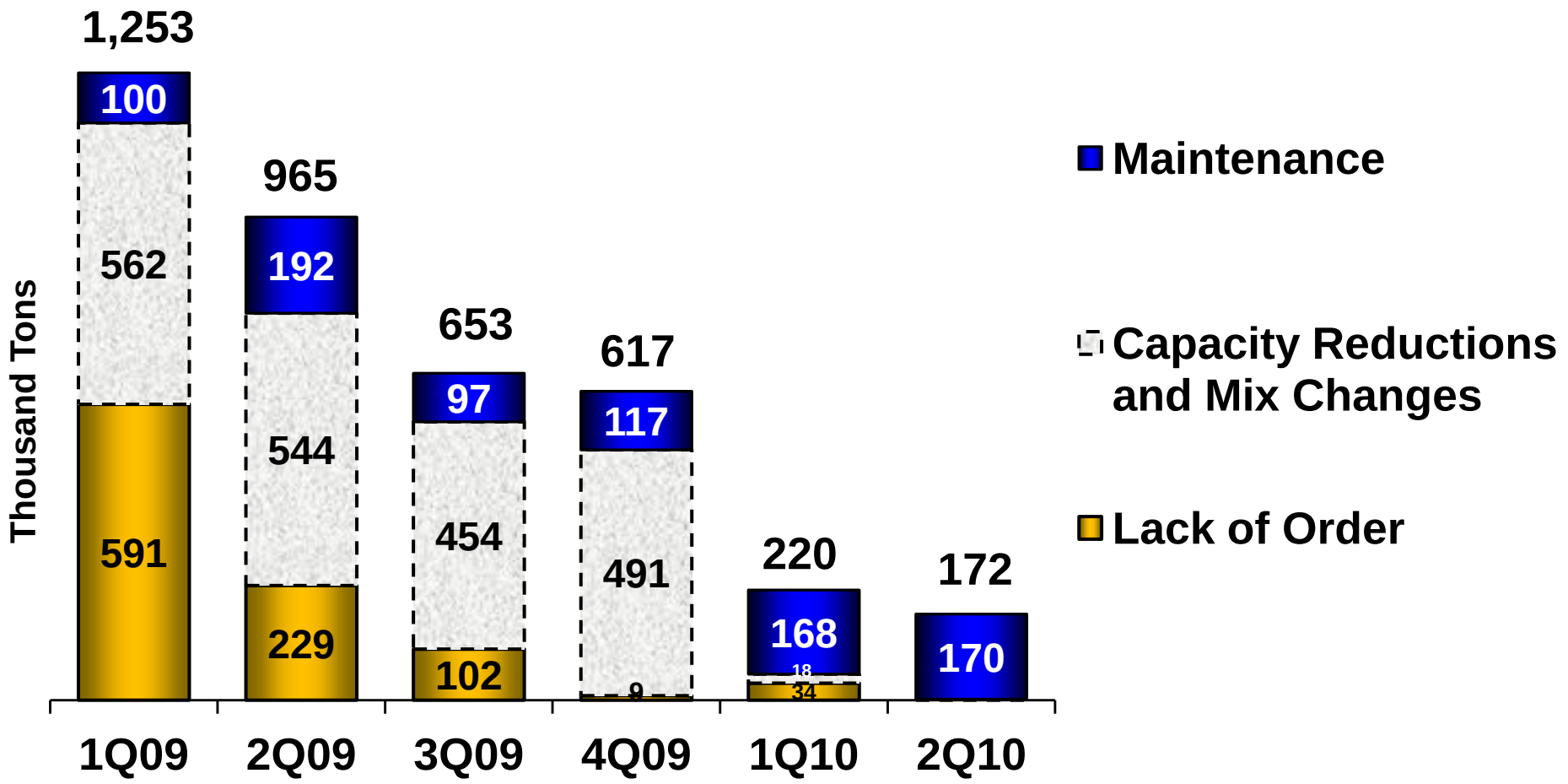
Maturities as of Quarter-End

INTERNATIONAL PAPER



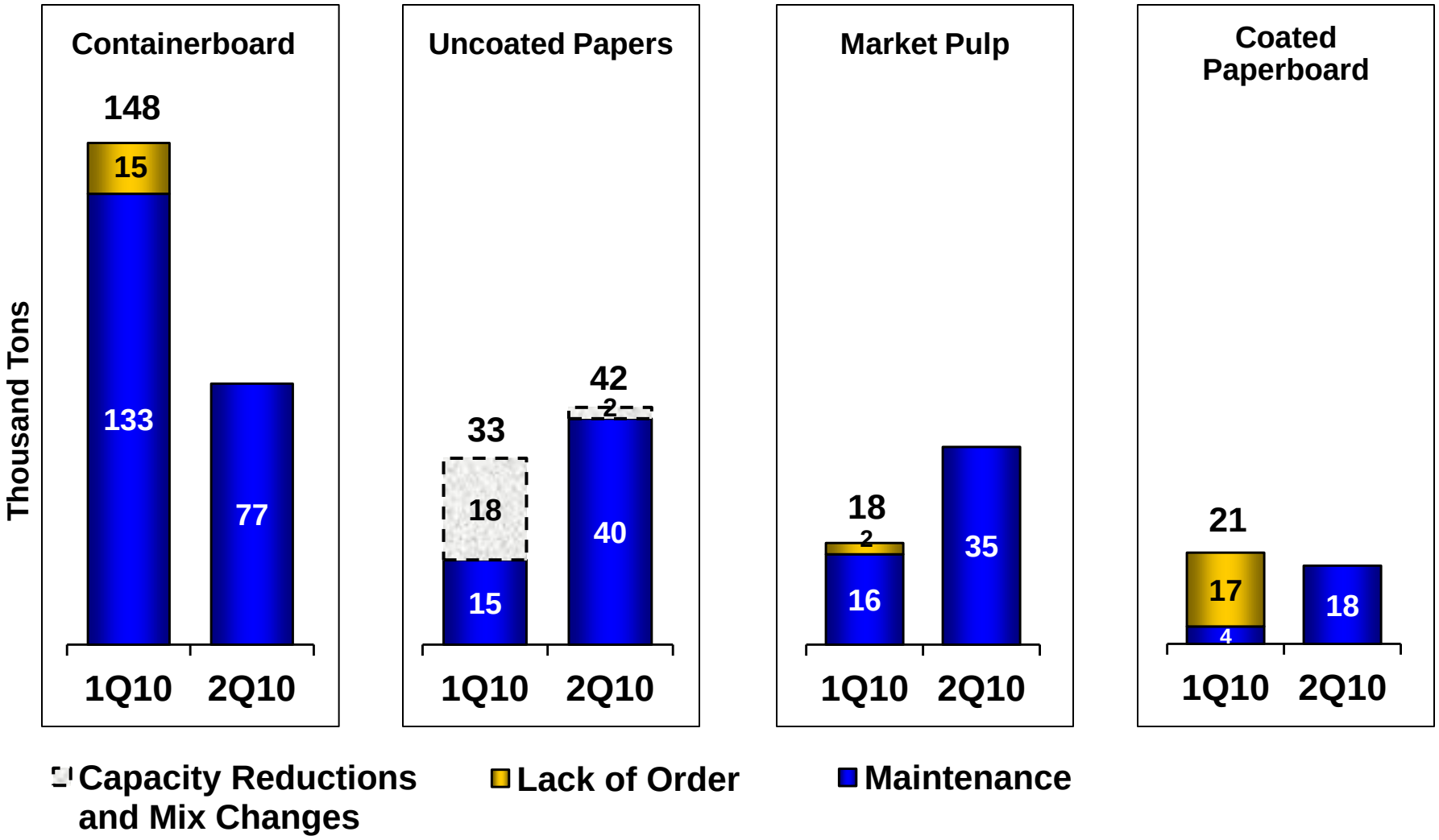
Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

North American Downtime
5% of Capacity in 2Q



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

INTERNATIONAL PAPER

$ Million	1Q10	2Q10	3Q10E	4Q10E	2010E
Industrial Packaging	**$70**	**$41**	**$4**	**$24**	**$139**
North America	$27	$45	$24	$21	$117
Europe	0	10	14	16	$40
Brazil	0	5	5	0	$10
Printing Papers Total	**$27**	**$60**	**$43**	**$37**	**$167**
Consumer Packaging	**$6**	**$19**	**$0**	**$17**	**$42**
Total Impact	**$103**	**$120**	**$47**	**$78**	**$348**

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

Rock Creek Capital Agreement

INTERNATIONAL PAPER

	Acres	Cash Value	Potential Value of Partnership Interest	Total Value
Original 2009 Sale Agreement	143,000	$220	$55	$275
Rock Creek Capital Agreement	163,000	$200	$35	$235

- 10,000 acres of the land in the Original 2009 Sale Agreement was subsequently sold for $25 MM
- 30,000 acres worth $36 MM were added to the Rock Creek Capital Agreement
- Lower total value of the Rock Creek Capital Agreement reflects the different land mix and the change in market value driven by a later and slower recovery in real estate
- Competitive bidding process indicated that land value had declined by ~15% over the last 12 – 18 months

After the Rock Creek transaction, IP will have ~24,000 acres of land worth up to $15 million

Industrial Packaging

	2Q10 vs. 1Q10		2Q10 vs. 2Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
N.A. Container	8%	$43	3%	($6)
European Container*	1%	€26	9%	(€3)

N.A. Price Improvement per Ton vs. December 2009 Price	June 2010 Price Δ
Corrugated Boxes	$70

* European Container volumes reflect box shipments only, including the shipments by the non-consolidated joint venture in Turkey

Printing Papers

	2Q10 vs. 1Q10		2Q10 vs. 2Q09	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**(5%)**	**$39**	**(4%)**	**$27**
N.A. Pulp	**(13%)**	**$106**	**(18%)**	**$228**
European Paper	**1%**	**€28**	**(7%)**	**€0**

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

Consumer Packaging

	2Q10 vs. 1Q10		2Q10 vs. 2Q09	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	4%	$28	12%	($7)
	Revenue	Price	Revenue	Price
Converting Businesses	4%	NA	(6%)	NA

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

Special Items Pre-Tax
from Continuing Operations

INTERNATIONAL PAPER

Special Items Pre-Tax ($Million)		2Q09	1Q10	2Q10
Industrial Packaging	Alternative Fuel Mixture Credits	$208		
	Facility & Machine Closure Costs	($18)	($5)	($1)
	Integration Costs	($63)		
Printing Papers	Alternative Fuel Mixture Credits	$197		
	Facility Closure Costs	($4)	($204)	($111)
Consumer Packaging	Alternative Fuel Mixture Credits	$77		
	Reorganization	($1)	($3)	($1)
Corporate	Restructuring & Other Charges	($59)	($3)	($31)
Total Special Items Pre-Tax		**$337**	**($215)**	**($144)**

Special Items Net of Taxes
from Continuing Operations

INTERNATIONAL PAPER

	2Q10	
	$ Million	EPS
Earnings Before Special Items	$181	$0.42
Special Items Net of Taxes:		
Franklin Mill Shutdown	($68)	
Debt Extinguishment	($11)	
Tax Adjustment	($7)	
Other	($2)	
Total Special Items Net of Taxes	($88)	($0.21)
Net Earnings	$93	$0.21

2Q10 EBITDA

before Special Items

INTERNATIONAL PAPER

	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA per Ton	EBITDA Margin
Industrial Packaging					
North America[1]	$171	$143	2,608	$120	15.8%
Europe	$19	$7	259	$100	11.2%
Printing Papers					
North America[2]	$46	$51	688	$141	14.3%
Western Europe[3]	$7	$5	70	$171	16.2%
Eastern Europe & Russia[3]	$39	$13	240	$217	26.3%
Brazil	$39	$34	282	$259	26.6%
U.S. Market Pulp	$18	$13	215	$144	19.5%
Consumer Packaging					
U.S. Coated Paperboard	$14	$35	354	$138	12.5%

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

Operating Profits by Industry Segment

INTERNATIONAL PAPER

$ Million	2Q09	1Q10	2Q10
Industrial Packaging	$255	$46	$193
Printing Papers	$86	$126	$158
Consumer Packaging	$38	$31	$49
Distribution	$10	$21	$26
Forest Products	$3	$8	$40
Operating Profit	**$392**	**$232**	**$466**
Net Interest Expense	($173)	($149)	($157)
Noncontrolling Interest / Equity Earnings Adjustment	$8	$8	$7
Corporate Items	($44)	($51)	($54)
Special Items	$337	($215)	($144)
Earnings (Loss) from continuing operations before income taxes, equity earnings & noncontrolling interest	**$520**	**($175)**	**$118**
Equity Earnings (Loss), net of taxes - Ilim	**($30)**	**($3)**	**$5**

Geographic Business Segment Operating Results
Before Special Items

INTERNATIONAL PAPER

$ Million	Sales			Operating Profit		
	2Q09	1Q10	2Q10	2Q09	1Q10	2Q10
Industrial Packaging						
North American	$1,955	$1,890	$2,120	$241	$23	$172
European	$240	$245	$235	$14	$24	$19
Asian	$75	$85	$85	$0	($1)	$2
Printing Papers						
North American	$685	$685	$675	$61	$70	$46
European	$315	$315	$320	$16	$48	$55
Brazilian	$215	$225	$275	$23	$11	$39
U.S. Market Pulp	$135	$155	$160	($14)	($3)	$18
Asian	$10	$25	$15	$0	$0	$0
Consumer Packaging						
North American	$565	$550	$580	$17	($1)	$17
European	$80	$85	$80	$14	$20	$19
Asian	$125	$170	$185	$7	$12	$13
Distribution	$1,595	$1,580	$1,630	$10	$21	$26

Excludes Forest Products

2010 Earnings from Continuing Operations

INTERNATIONAL PAPER

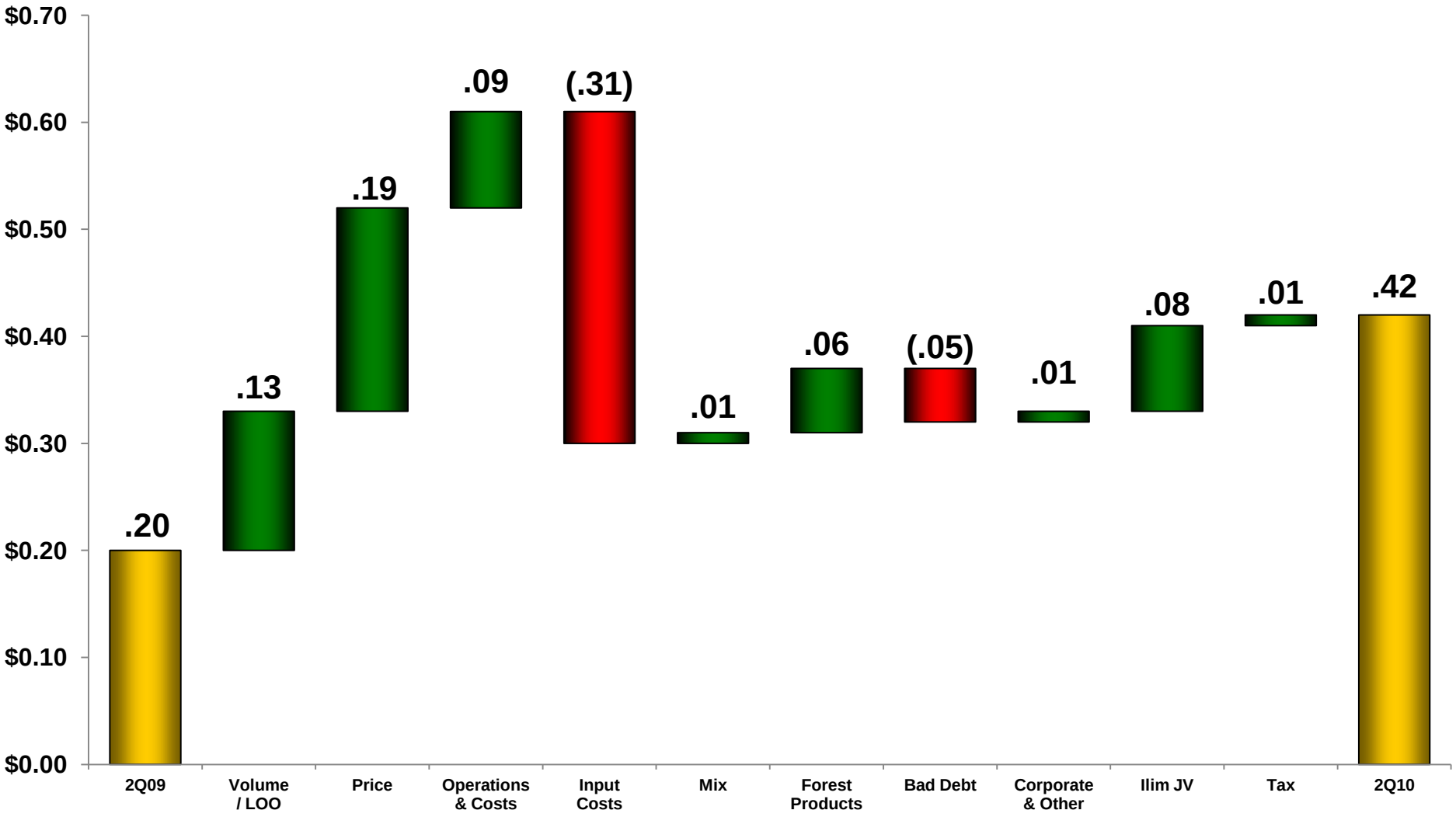
	Pre-Tax $MM	Tax $MM	Non-controlling Interest $MM	Equity Earnings	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items								
1Q10	$40	($13)	($9)	($2)	$16	32%	429	$0.04
2Q10	$262	($81)	($7)	$7	$181	31%	433	$0.42
Special Items								
1Q10	($215)	$37	$0	$0	($178)	17%	429	($0.42)
2Q10	($144)	$56	$0	$0	($88)	39%	434	($0.21)
Earnings								
1Q10	($175)	$24	($9)	($2)	($162)	14%	429	($0.38)
2Q10	$118	($25)	($7)	$7	$93	21%	433	$0.21

[1] Assuming dilution

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

2Q10 vs. 2Q09 EPS

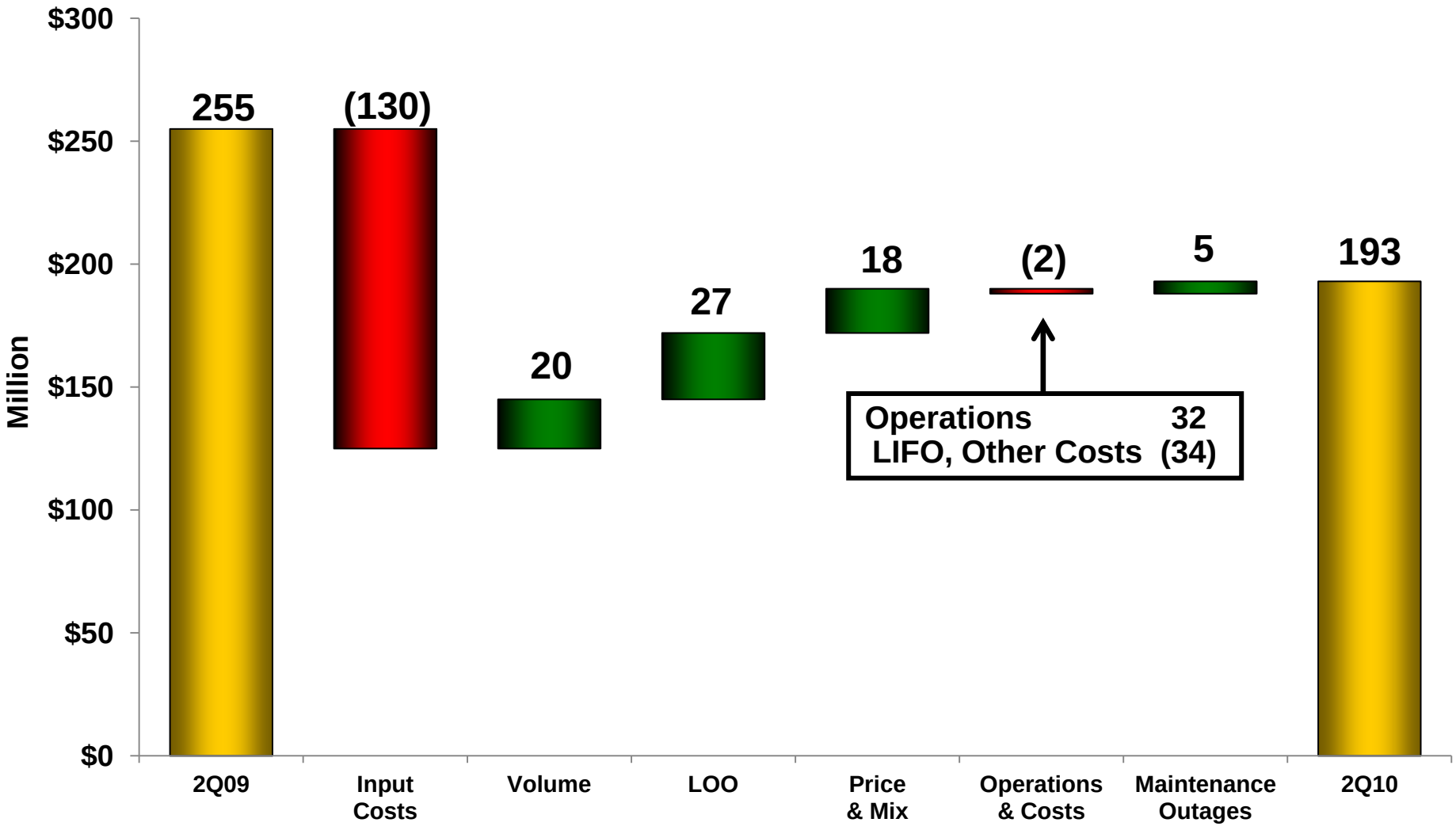
INTERNATIONAL PAPER



Earnings from continuing operations before special items

Industrial Packaging Earnings
2Q10 vs. 2Q09

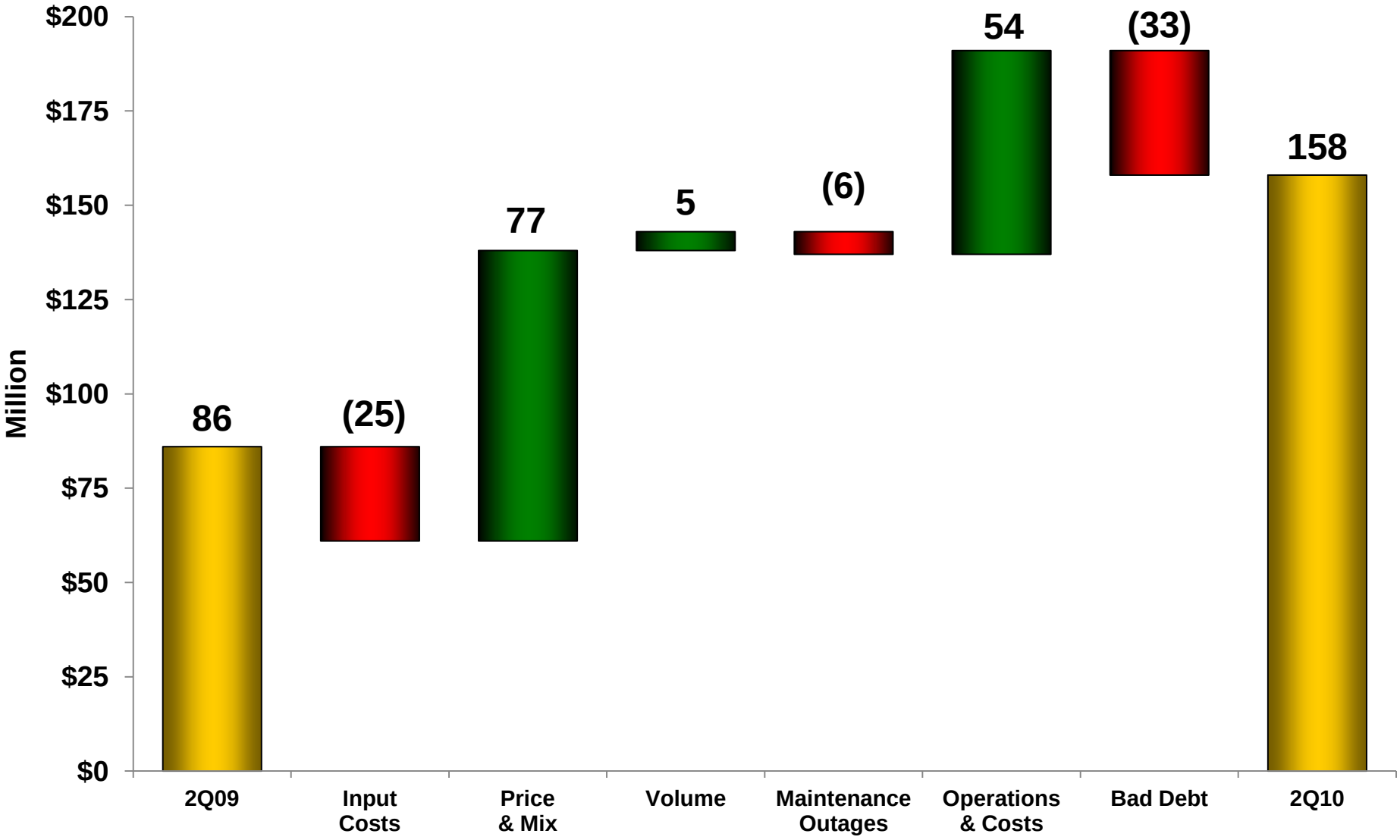
INTERNATIONAL PAPER



Earnings before special items

Printing Papers Earnings
2Q10 vs. 2Q09

INTERNATIONAL PAPER



Earnings before special items

IP Brazil

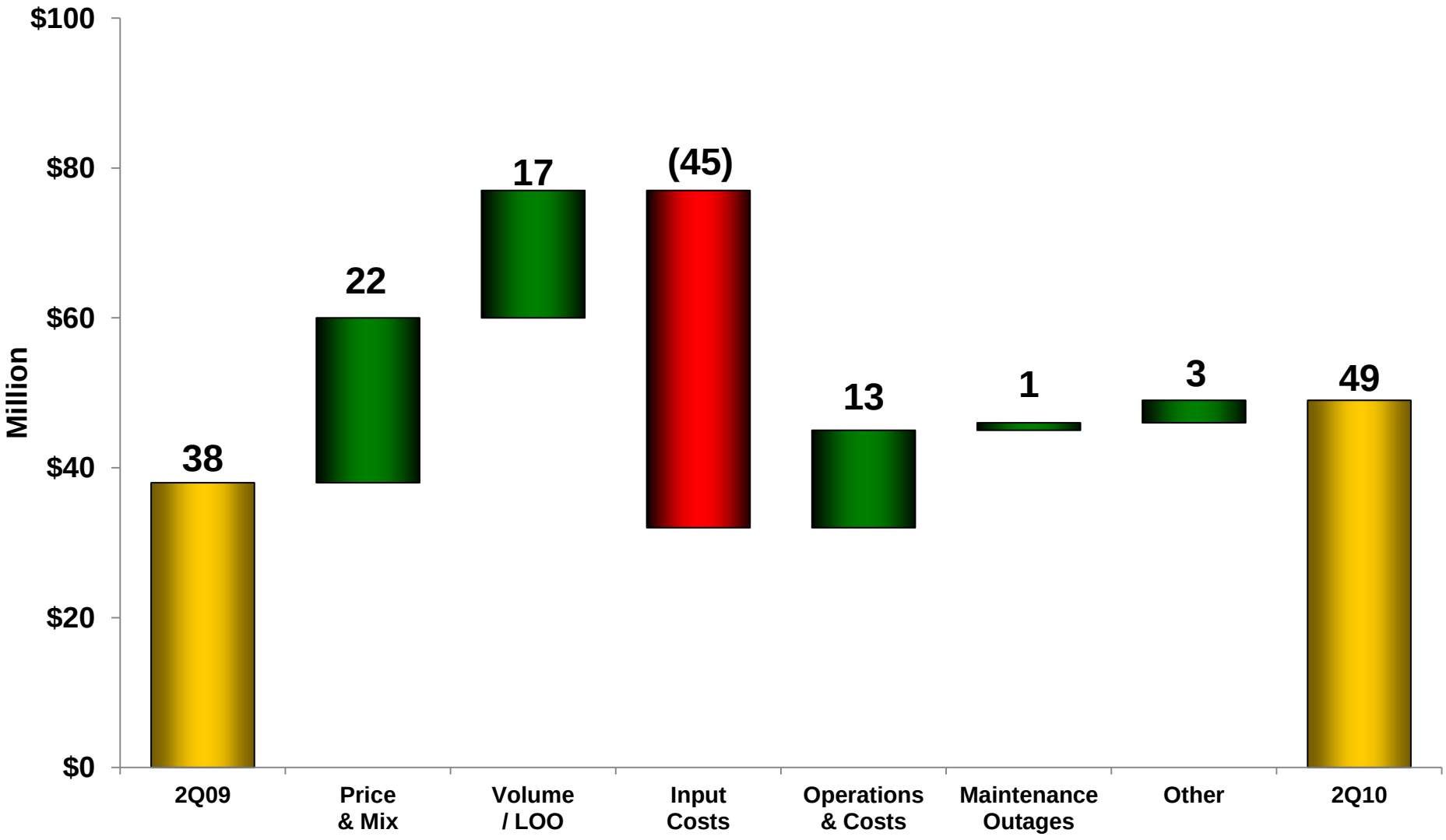
$ Million	2Q09	1Q10	2Q10
Sales	$215	$225	$275
Earnings	$23	$11	$39
EBITDA Margin	24%	20%	27%

	2Q10 vs. 1Q10		2Q10 vs. 2Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Uncoated Freesheet	14%	$43	20%	($9)
Domestic	3%	$54	(7%)	($37)
Export	21%	$36	44%	$6

IP Brazil results are reported in the Printing Papers segment

Consumer Packaging Earnings
2Q10 vs. 2Q09

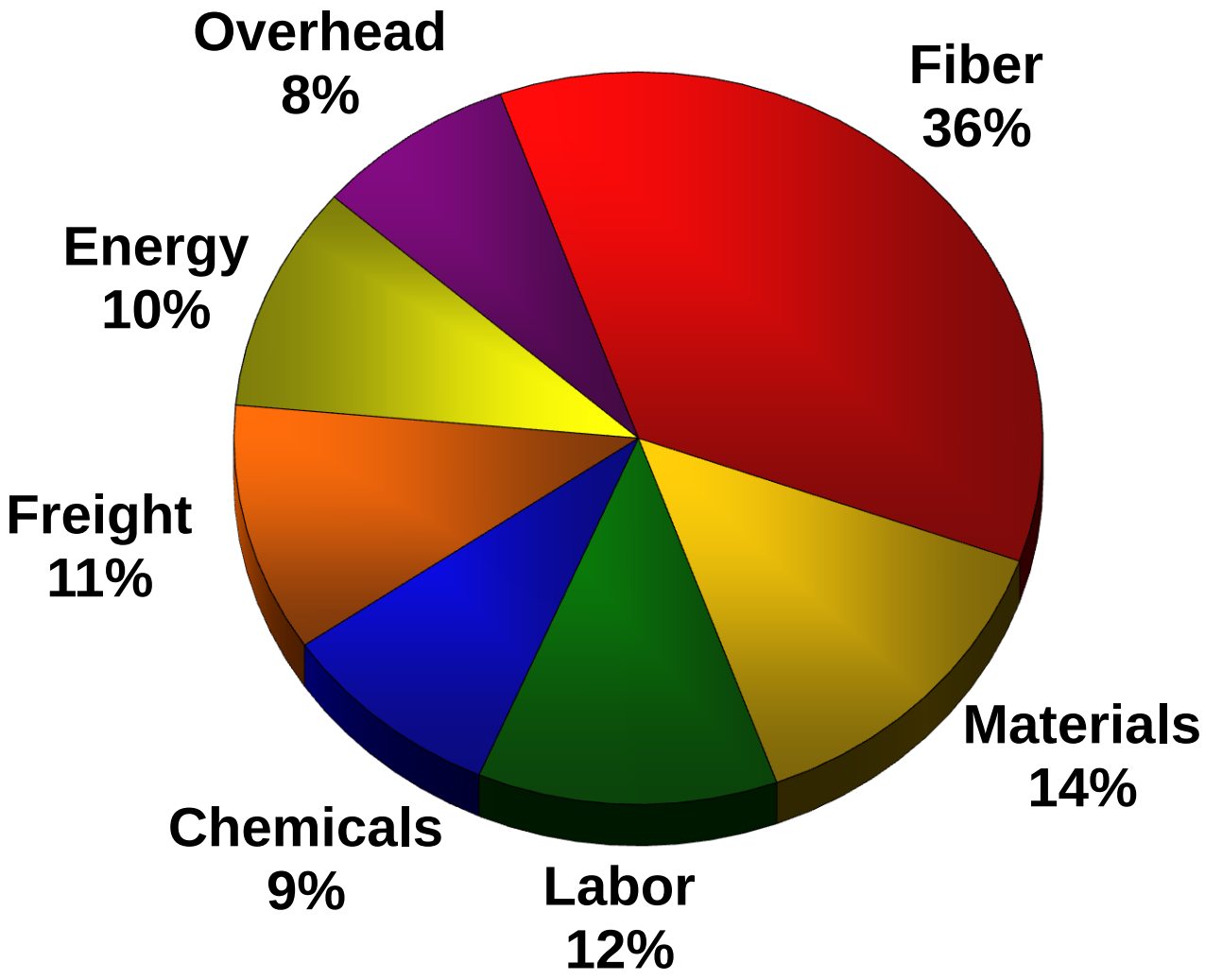
INTERNATIONAL PAPER



Earnings before special items

Total Cash Cost Components
2Q10 YTD

INTERNATIONAL PAPER

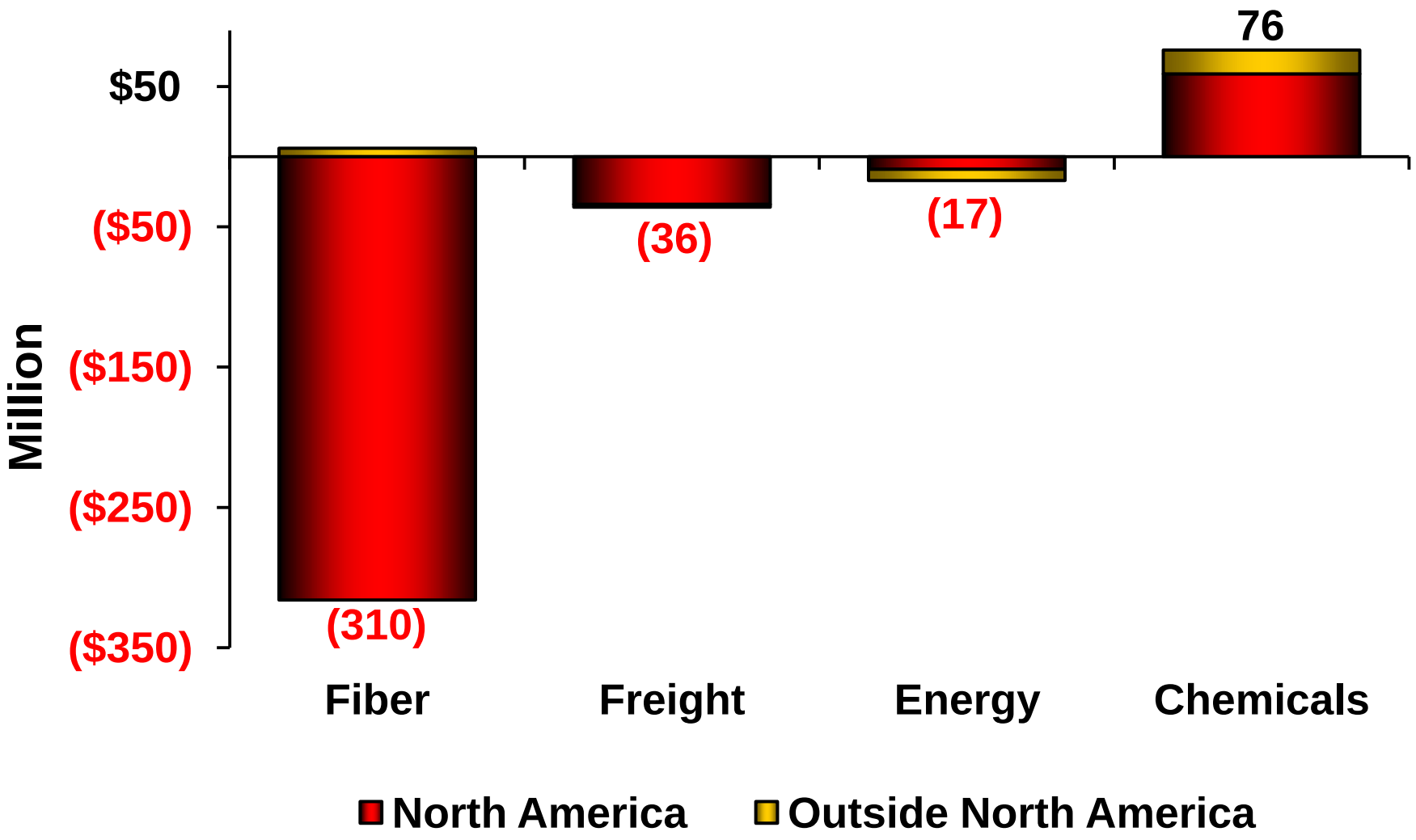


North American Mills Only

Global Input & Freight Costs vs. 1H09

$287 MM, or $0.45/Share Unfavorable

INTERNATIONAL PAPER

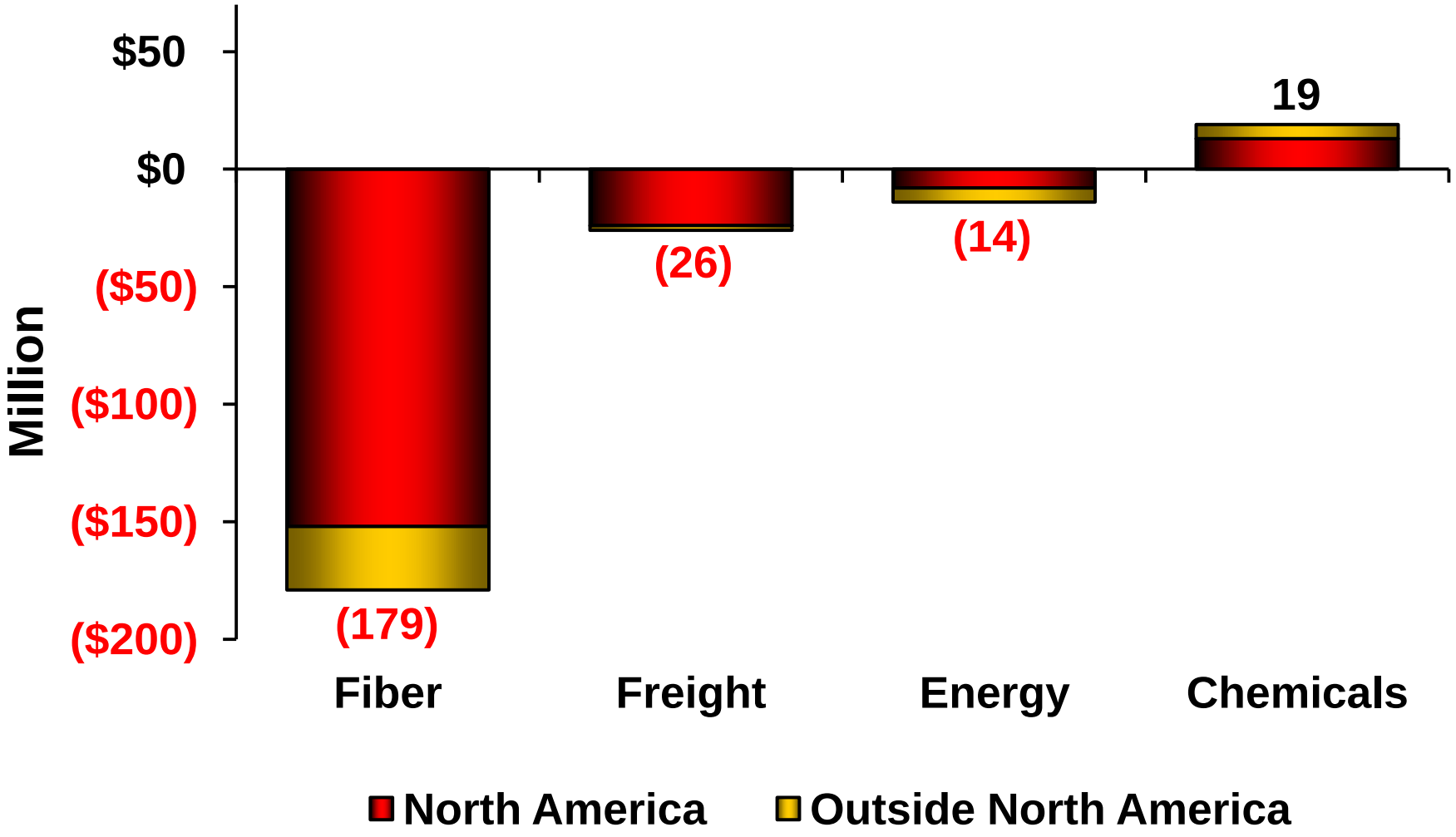


Input costs for continuing businesses

Global Input & Freight Costs vs. 2Q09

$200 MM, or $0.32/Share Unfavorable

INTERNATIONAL PAPER

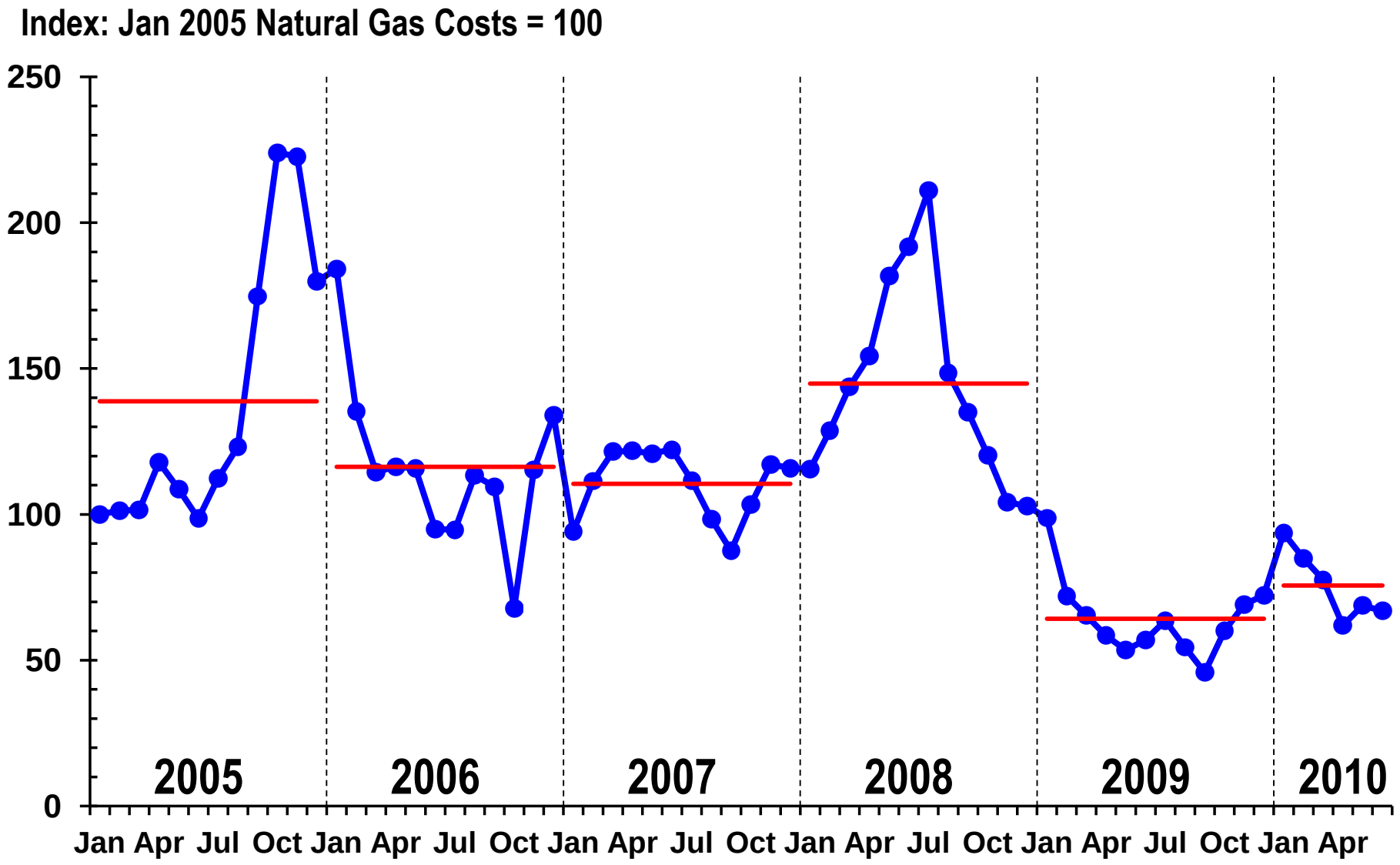


Input costs for continuing businesses

Natural Gas Costs

23% Decrease vs. 1Q10 Average Cost

INTERNATIONAL PAPER

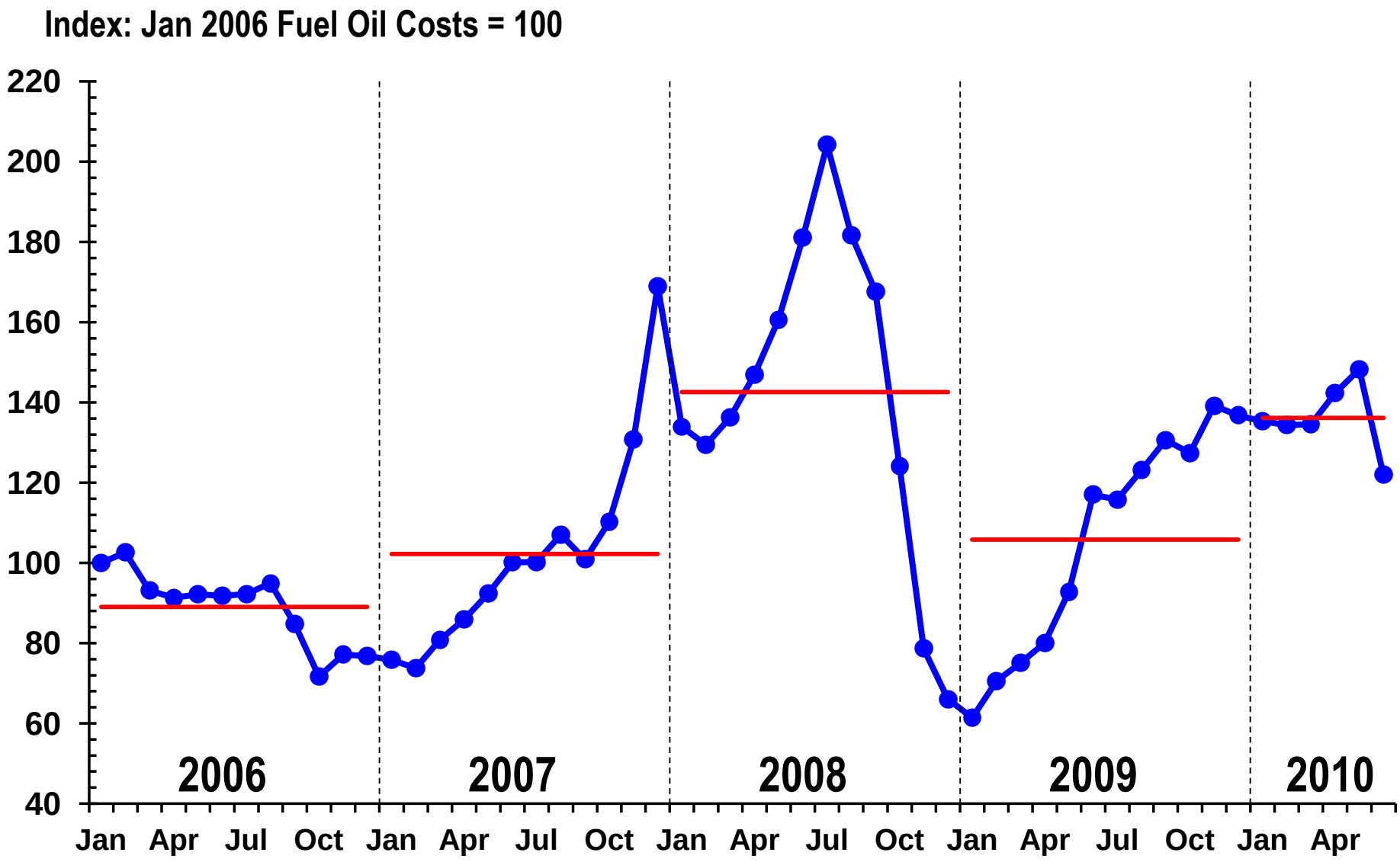


NYMEX Natural Gas closing prices

U.S. Fuel Oil

2% Increase vs. 1Q10 Average Cost

INTERNATIONAL PAPER

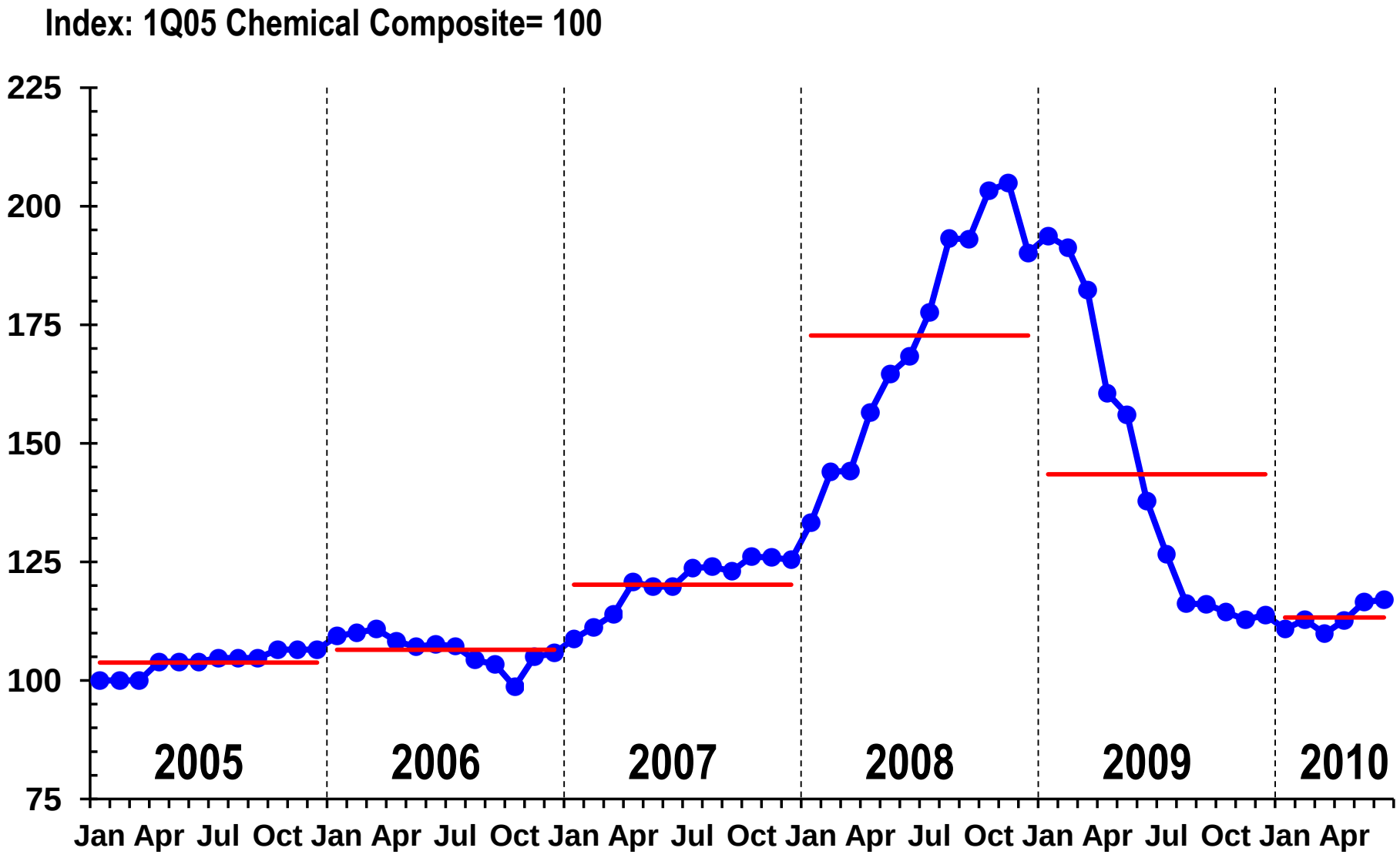


WTI Crude prices

U.S. Chemical Composite Index

4% Increase vs. 1Q10 Average Cost

INTERNATIONAL PAPER



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

2010 Global Consumption

Annual Purchase Estimates for Key Inputs

INTERNATIONAL PAPER

	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