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Chairman &
Chief Executive Officer



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Third Quarter 2010 Review

October 27, 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

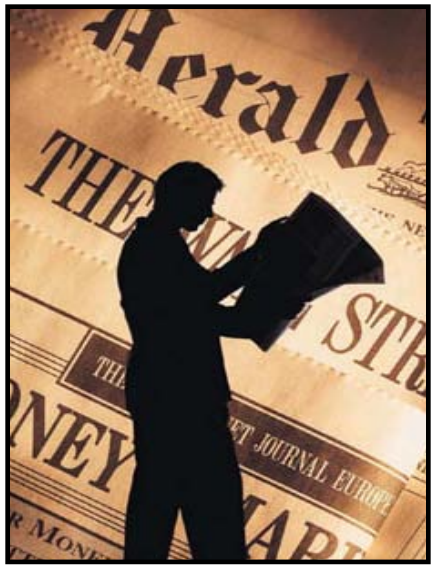
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During the course of this presentation, certain non-U.S. GAAP financial information will be presented.

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

Third Quarter 2010
Headlines

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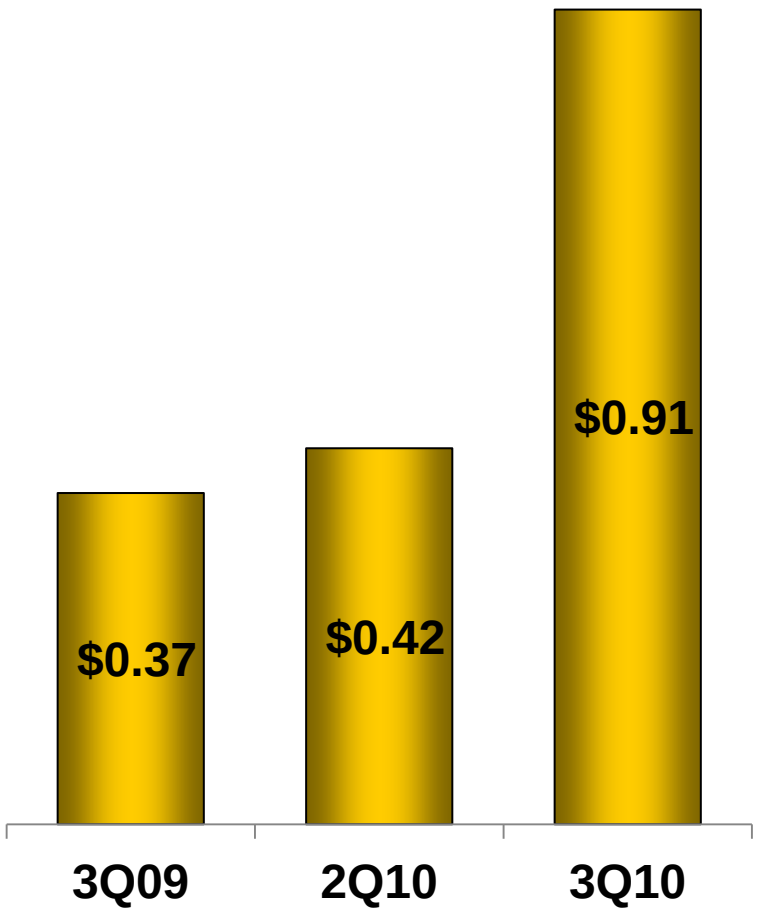


- **Outstanding Earnings**
  - **All global segments**
  - **More than double 2Q**
- **Strong Free Cash Flow**
  - **More than double 2Q**
- **Cost-of-Capital Returns**
- **$1.2 B Pension Contribution & $200 MM Debt Reduction**

Third Quarter 2010
Significant Earnings Improvement

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Earnings per Share



Earnings from continuing operations before special items

- **Excellent Earnings in All Three U.S. Mill Businesses**
- **Continued Strong Earnings in EMEA Paper and Packaging**
- **Strong Contribution from Ilim Joint Venture**
- **Restructuring Benefits**
- **Incremental Price Increase Realization**
- **Continued Strong Operations**

3Q10 Financial Snapshot

Strong EBITDA & Free Cash Flow

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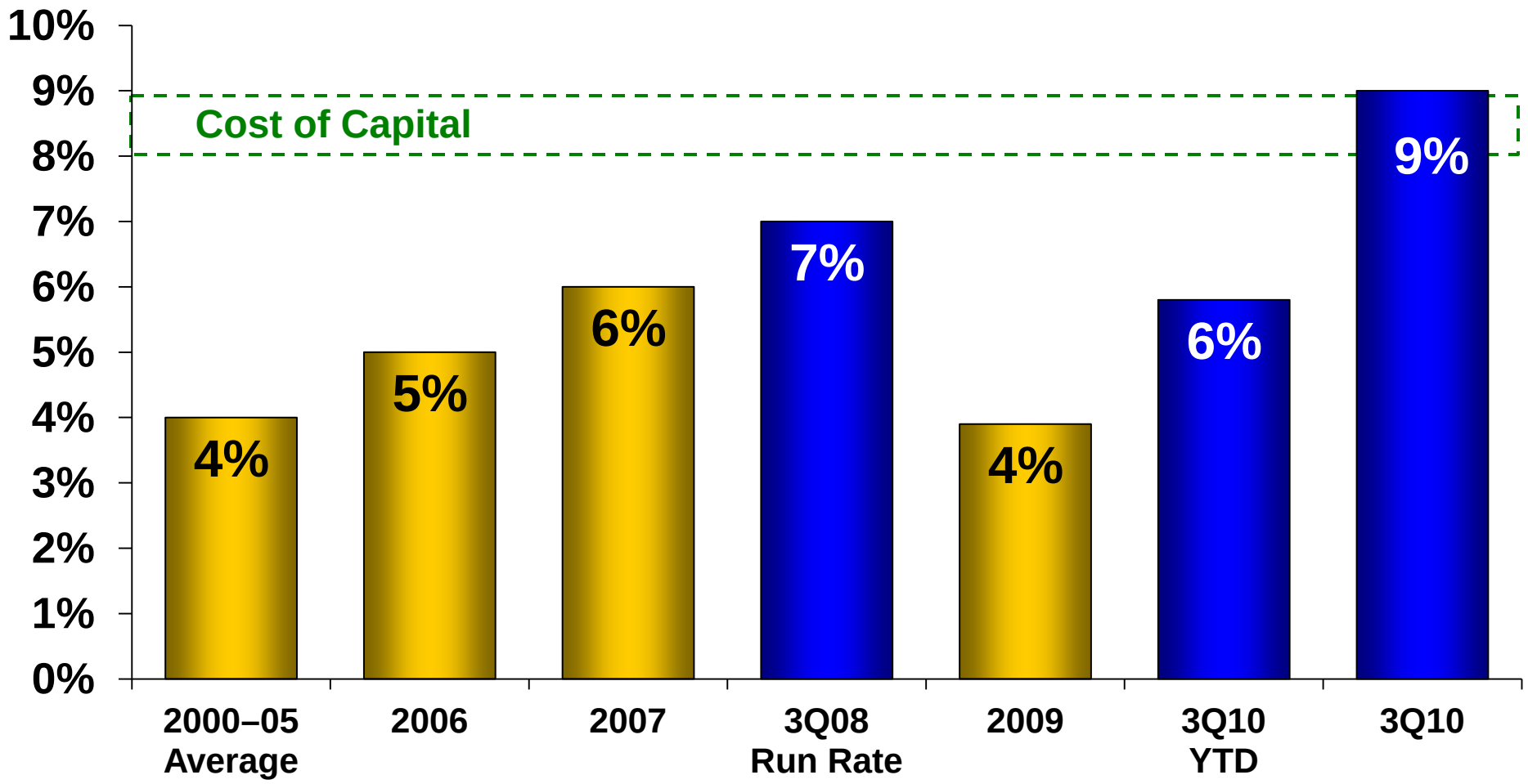
	3Q09	2Q10	3Q10
Sales ($B)	$5.9	$6.1	$6.7
EBITDA[1] ($MM)	$780	$782	$1,061
EBITDA Margin	13%	13%	16%
Free Cash Flow[2] ($MM)	$605	$356	$753
Debt ($B)	$9.6	$8.9	$8.7
Cash Balance ($B)	$1.7	$1.9	$1.4

[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 $463 MM in 3Q09, $132 MM in 2Q10, cash received under European accounts receivable securitization of $0.2B in 3Q09, and cash paid for voluntary pension contributions of $1.2 B in 3Q10.

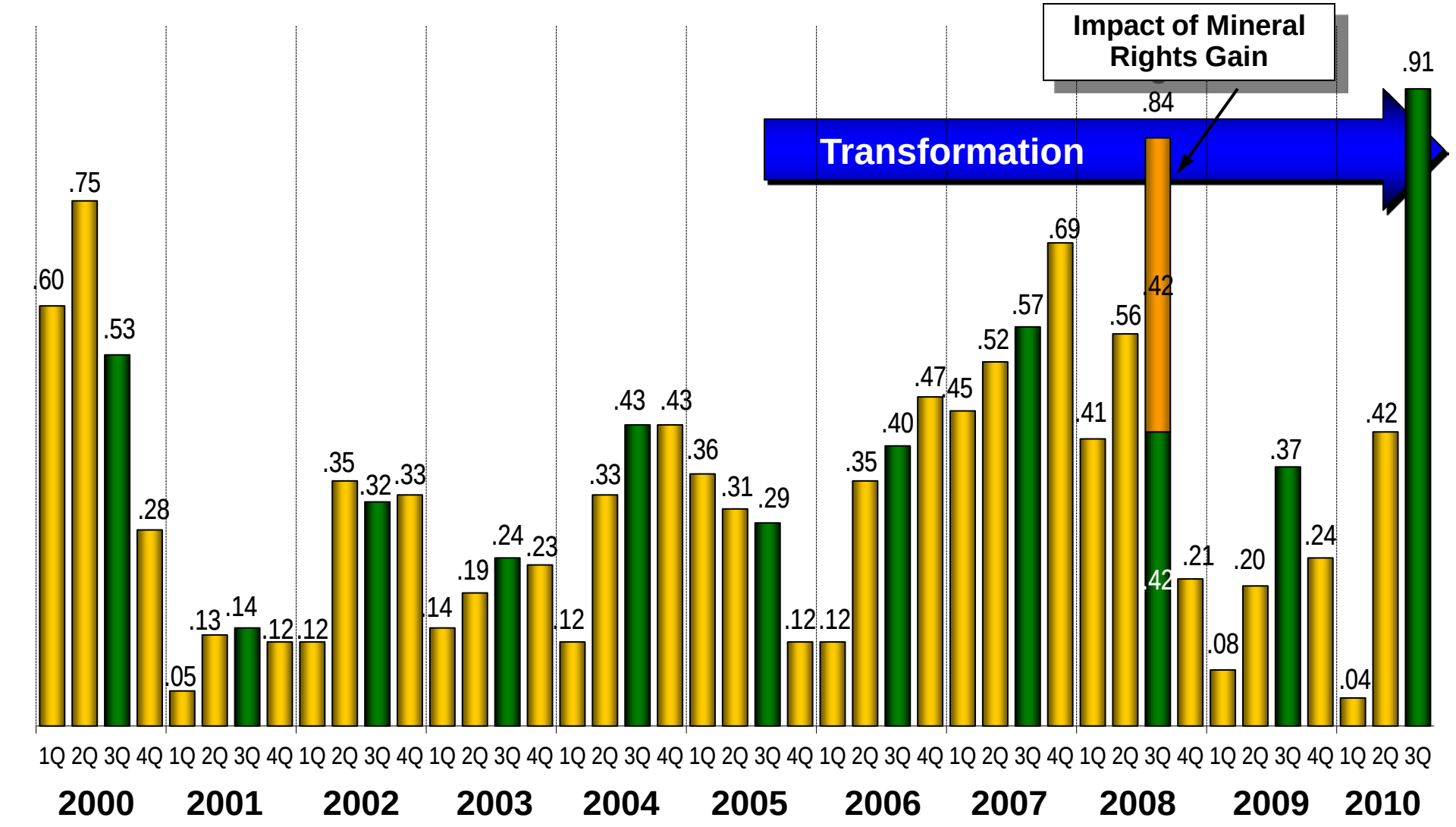
Transformation Enabling Improved Returns

Recovering from Global Recession



Operating EPS
Record Quarterly Earnings

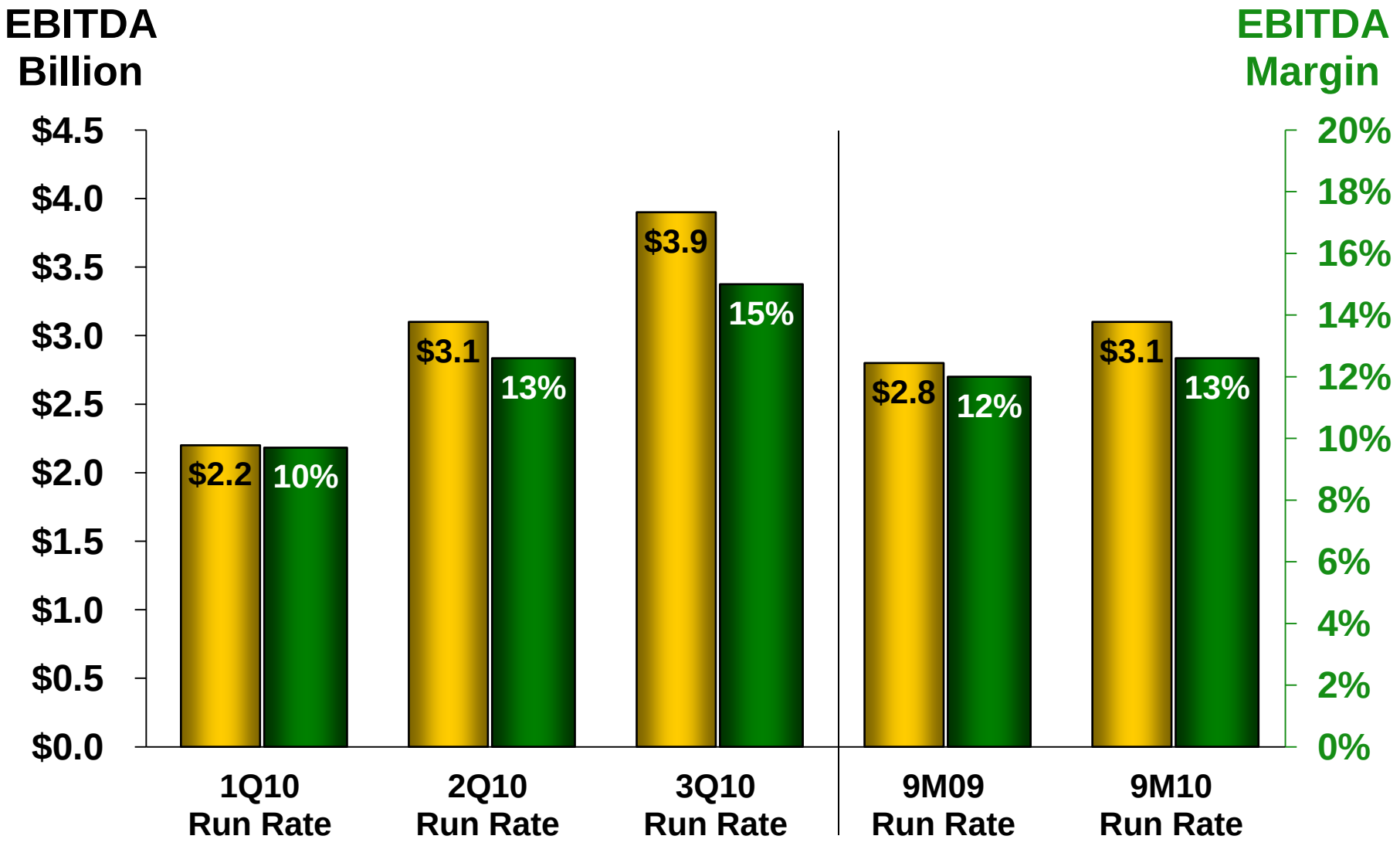
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Earnings from continuing operations before special items as reported at the time

EBITDA Momentum Accelerating

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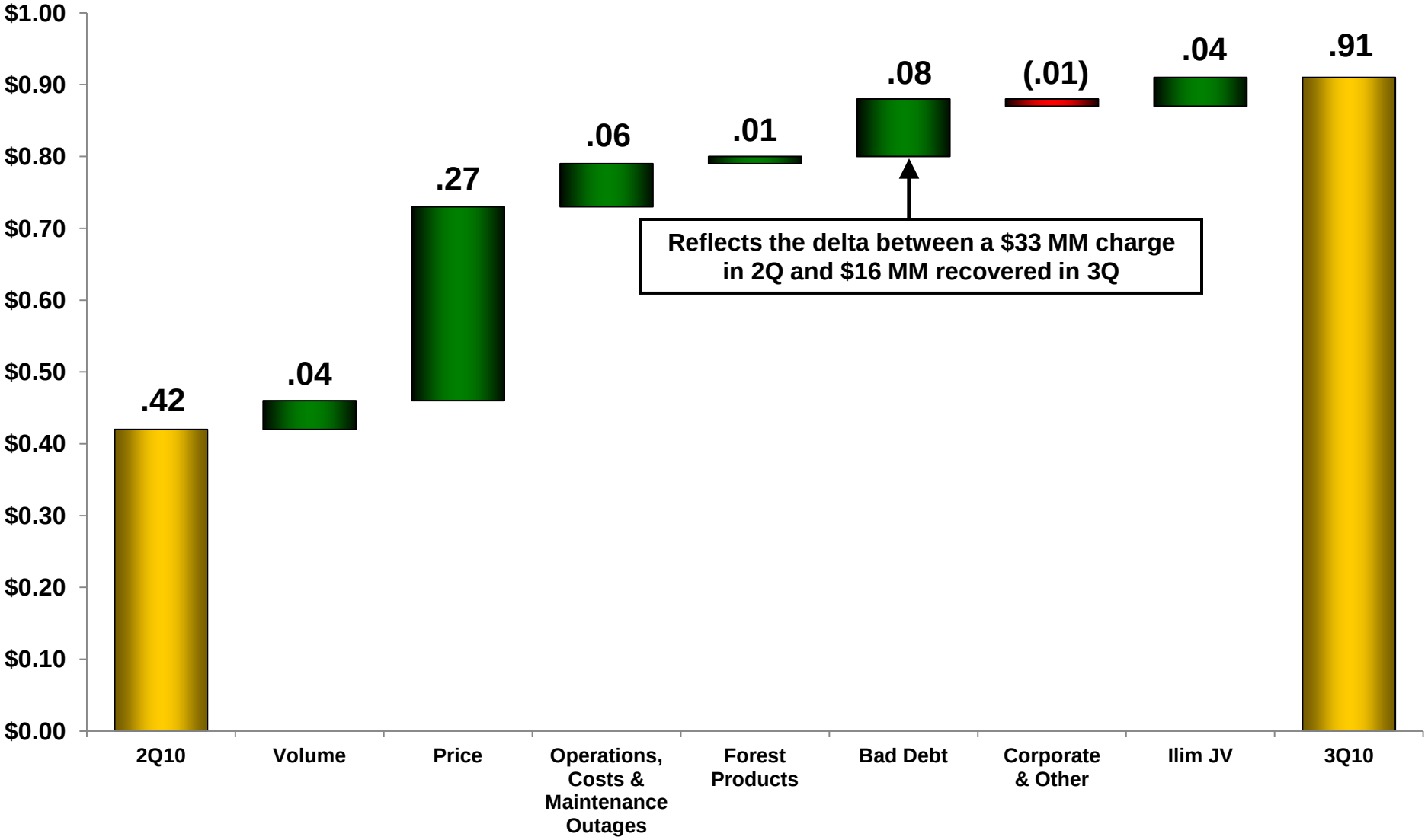


EBITDA and EBITDA Margins before special items, excluding Forest Products

3Q10 vs. 2Q10 EPS

Price Realization, Improved Volumes, Strong Operations

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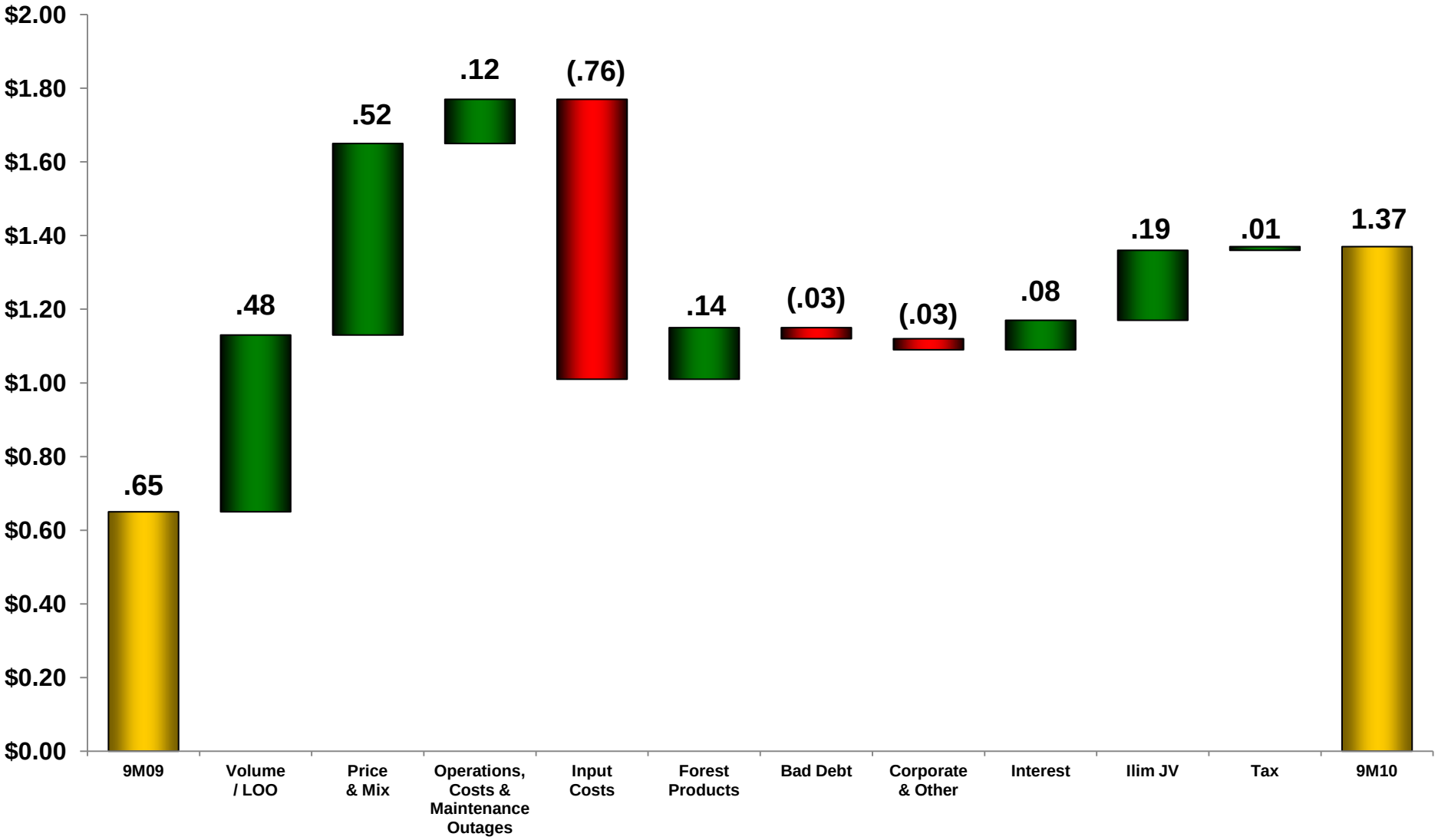


Earnings before special items

9M10 vs. 9M09 EPS

Higher Prices, Improved Volumes, Elevated Fiber Costs

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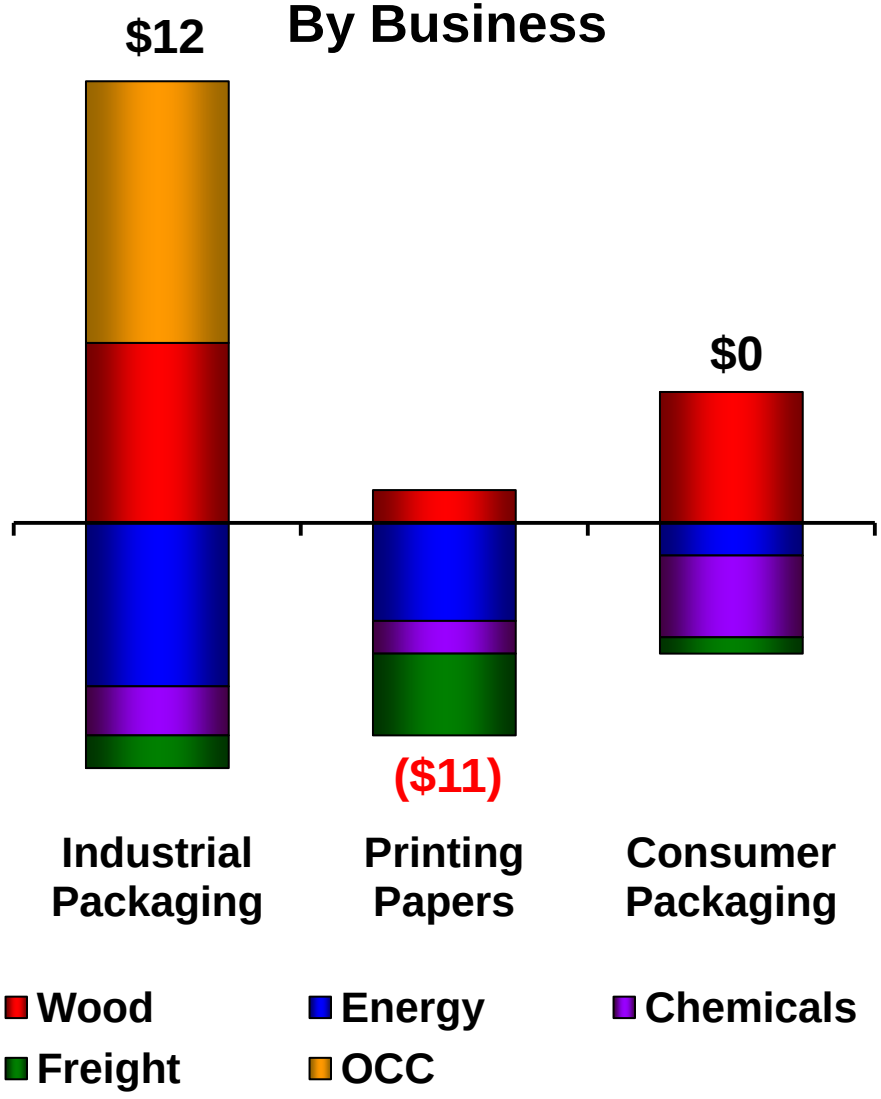
Earnings from continuing operations before special items

Stable Global Input Costs vs. 2Q10

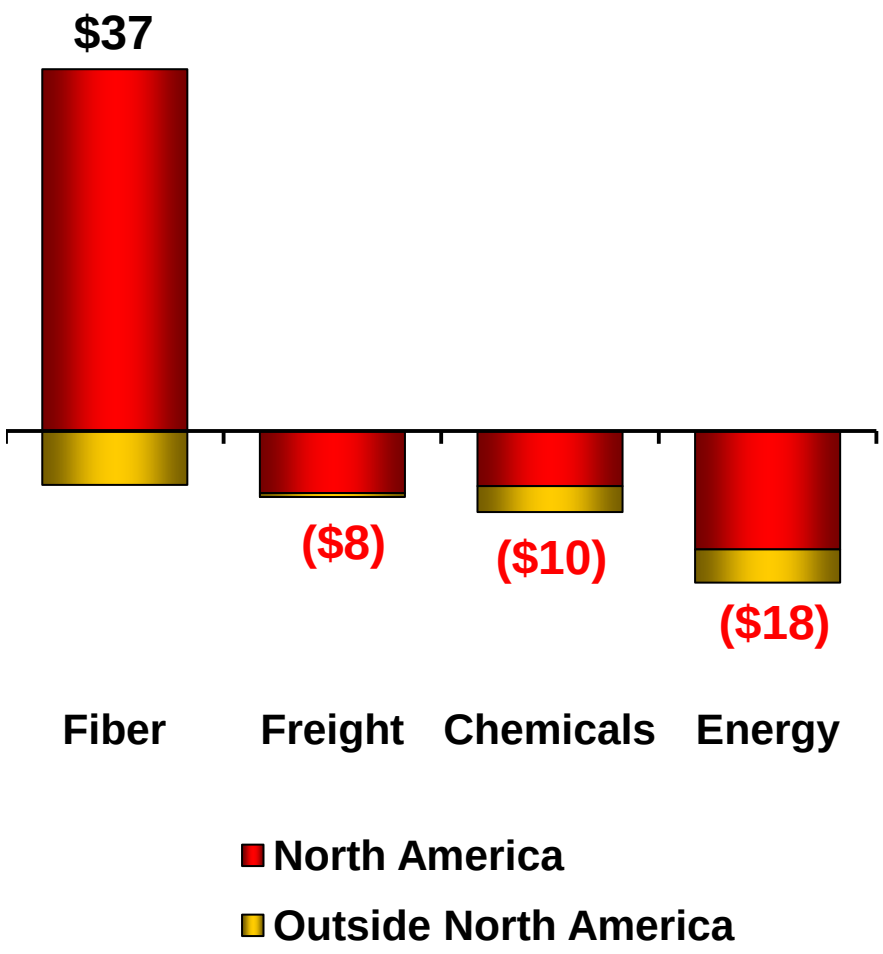
$1 MM Favorable, or $0.00/Share

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By Business

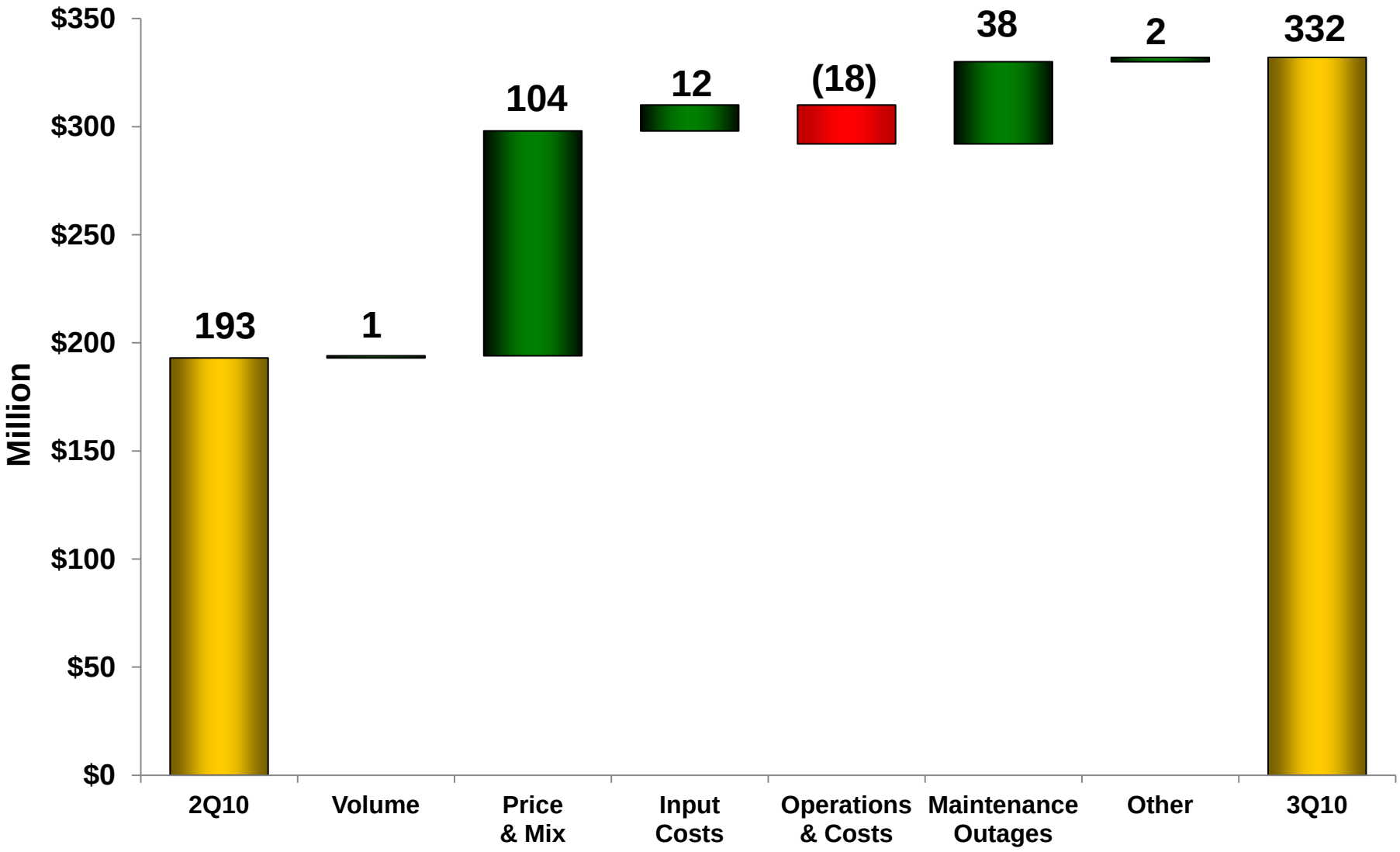


By Input Type



Industrial Packaging Earnings
3Q10 vs. 2Q10

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Earnings before special items

Industrial Packaging

Volume Recovery, Price Increase Realization

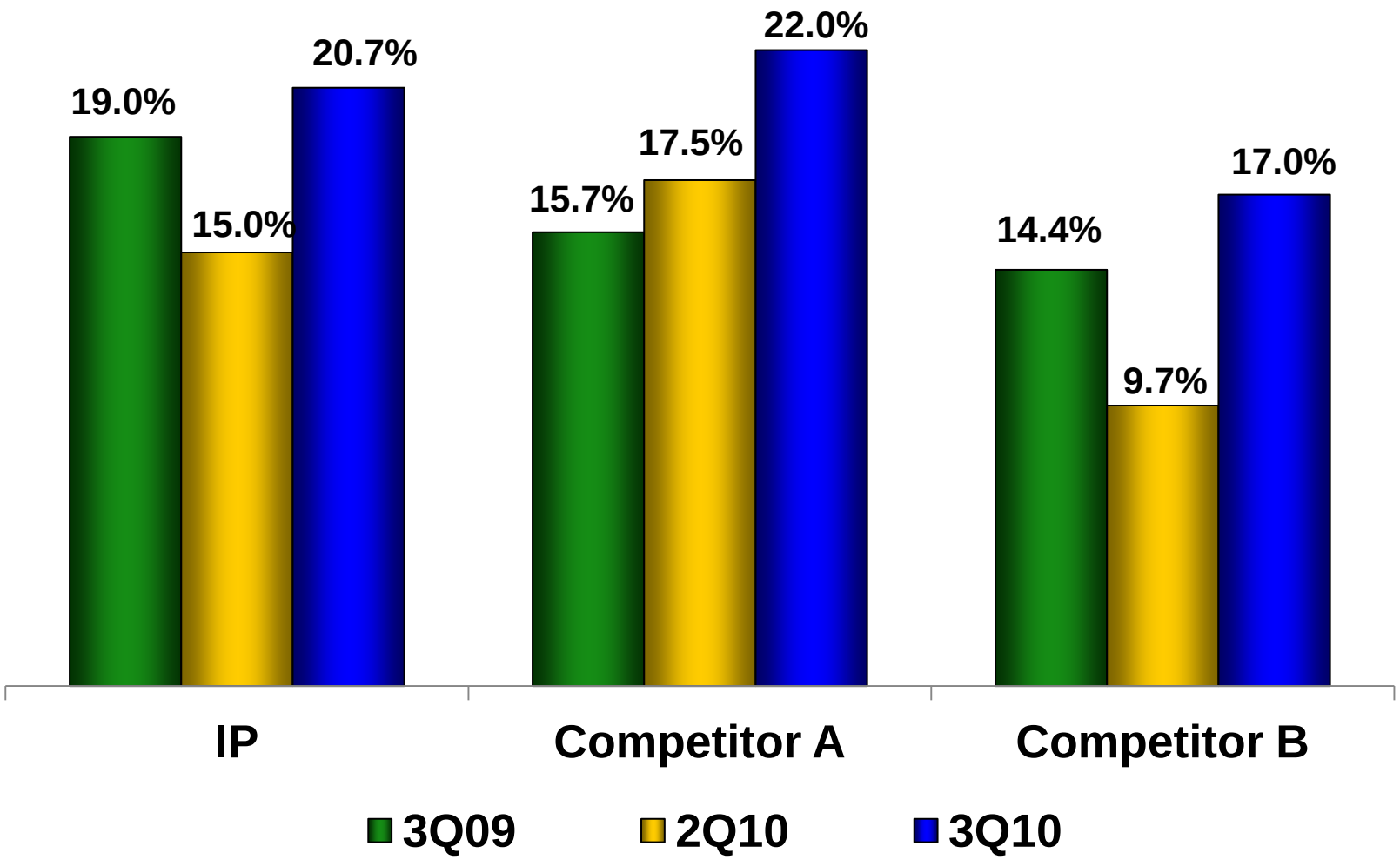
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	3Q10 vs. 2Q10		3Q10 vs. 3Q09	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Container	(1%)	$38	4%	$72
European Container*	(4%)	€36	6%	€47

N.A. Price Improvement per Ton vs. December 2009 Price	Sept 2010 Price / Ton Δ
Corrugated Boxes	$95

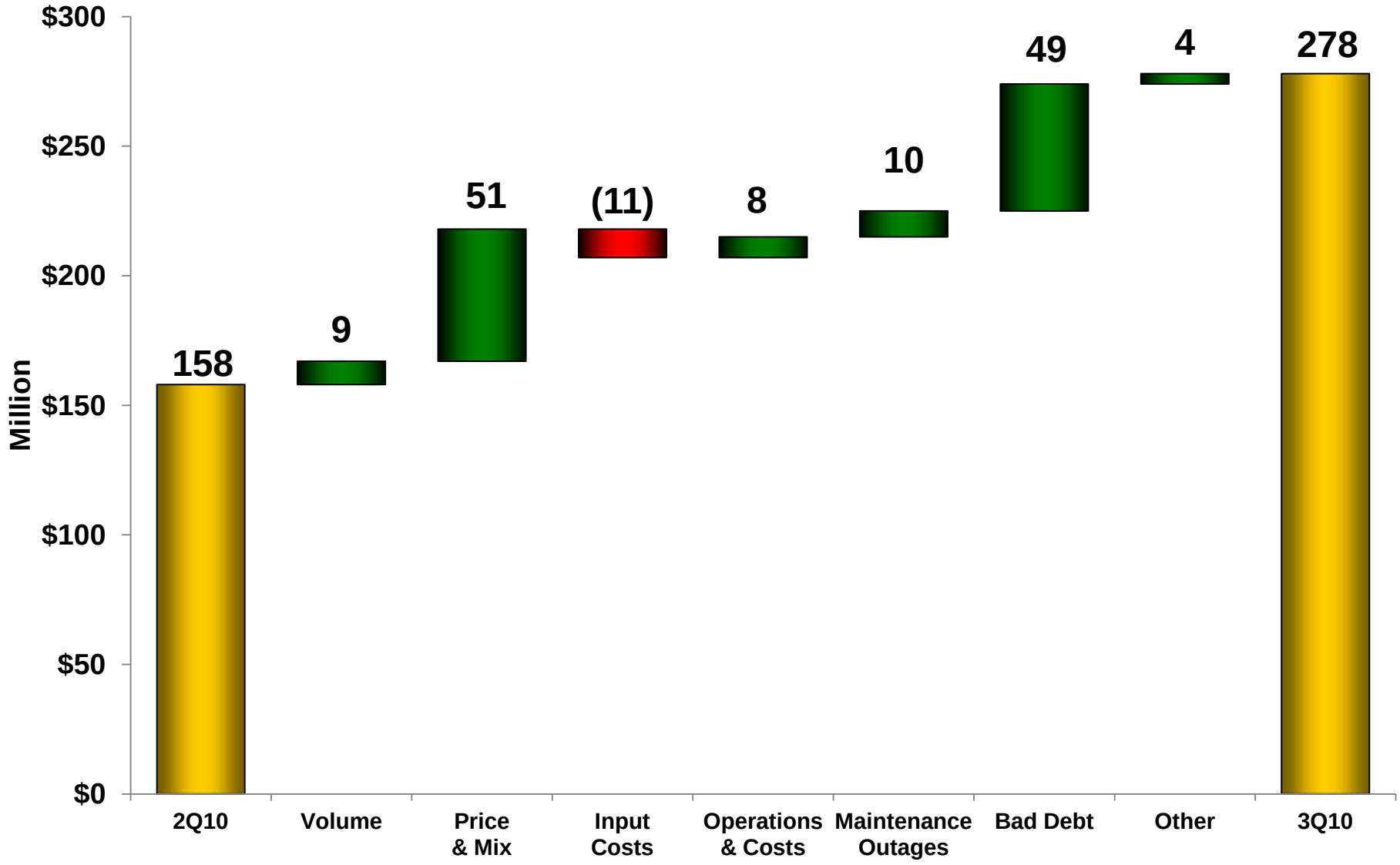
* European Container volumes reflect box shipments only, including the shipments by the non-consolidated joint venture in Turkey

N.A. Industrial Packaging Relative EBITDA Margins



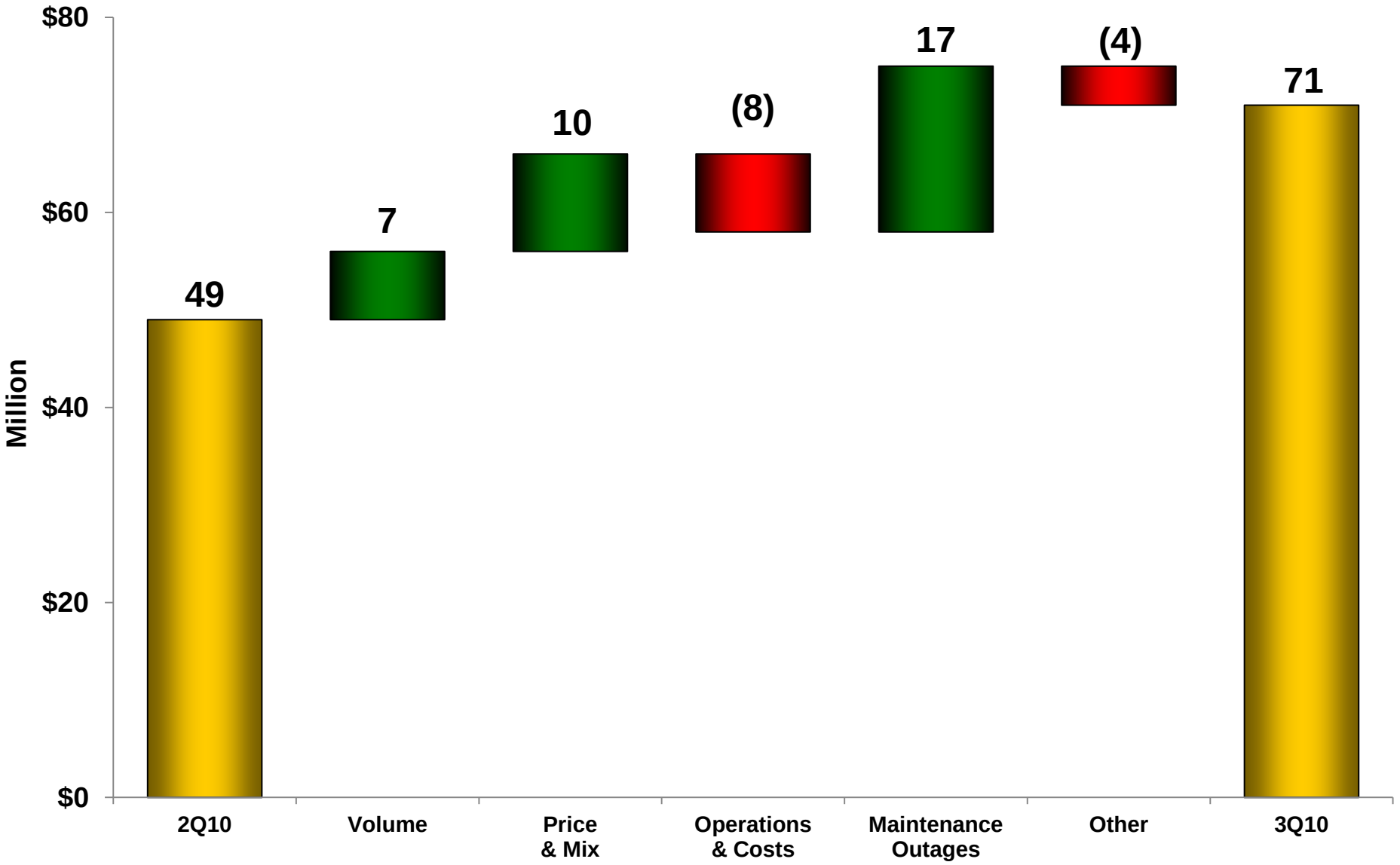
IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Competitor EBITDA margin estimates obtained from public filings and IP analysis

Printing Papers Earnings
3Q10 vs. 2Q10



Earnings before special items

Consumer Packaging Earnings
3Q10 vs. 2Q10



Earnings before special items

xpedx
3Q10 vs. 2Q10

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$ Million	3Q09	2Q10	3Q10
Sales	$1,665	$1,630	$1,755
Earnings	$21	$26	$22

Daily Sales Change	vs. 2Q10
Printing	8.6%
Packaging	7.0%
Facility Supplies	4.4%

- Revenues up 8% from 2Q10
- Daily sales rate best since 4Q08

Forest Products

Substantial Completion of Land Sales

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$ Million	3Q09	2Q10	3Q10
Earnings	$2	$40	$49

Rock Creek Transaction Closed	
Sales Price	$199MM
Retained Profit Interest in Partnership	20%
Cash Received at Closing	$160MM
To Be Received within 3 Years	$39MM (plus Interest)

IP has minimal land remaining for sale and will no longer report land sales separately after 4Q10

Ilim Joint Venture
3Q10 vs. 2Q10

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$ Million	3Q09	2Q10	3Q10
Sales (100%)	$305	$435	$465
Earnings (IP Share)	$0	$5	$22

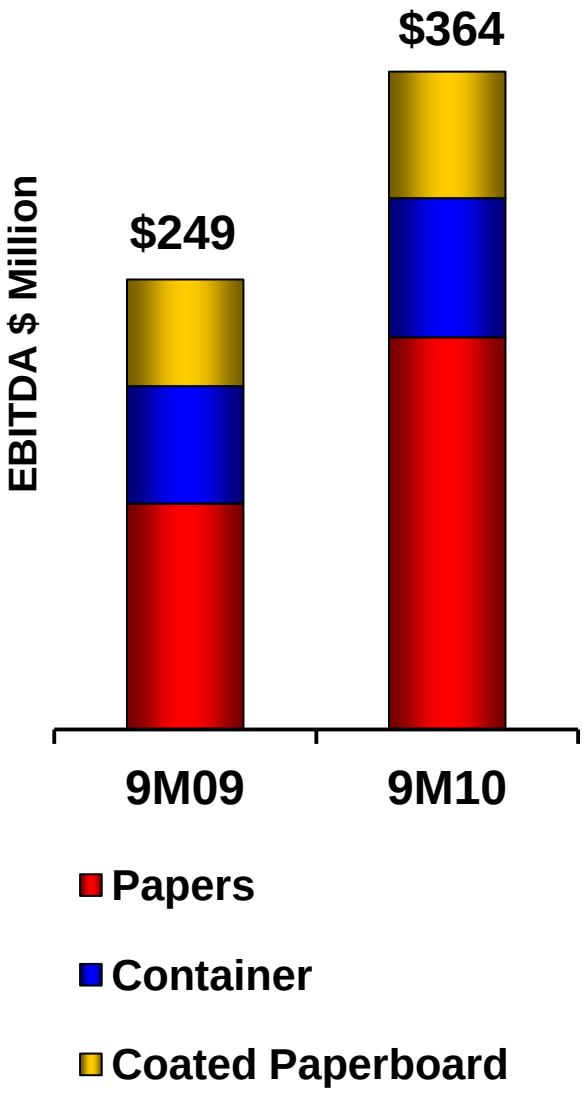
	3Q10 vs. 2Q10		3Q10 vs. 3Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	(7%)	$131	3%	$327
Containerboard	(6%)	$61	1%	$141

Ilim's results are reported on a one-quarter lag

IP's shares of Ilim's reported earnings for 3Q09 & 3Q10 include an after-tax foreign exchange gain of $10 MM and an after-tax foreign exchange loss of $6 MM, respectively. The foreign exchange impact in 2Q10 was minimal.

IP Europe, Middle East & Africa

9M10: 10% of IP Sales & 15% of IP EBITDA



- On Pace for Record Annual Earnings
- Continued Demand Recovery
- Price Increases Realized
- Solid Operations

Return on Investment	9M10
European Papers, excl. Russia	19%
Russian Papers	15%
EMEA Container	11%

Cellulosic Biofuel Tax Credit
Analyzing the Potential Benefit to IP

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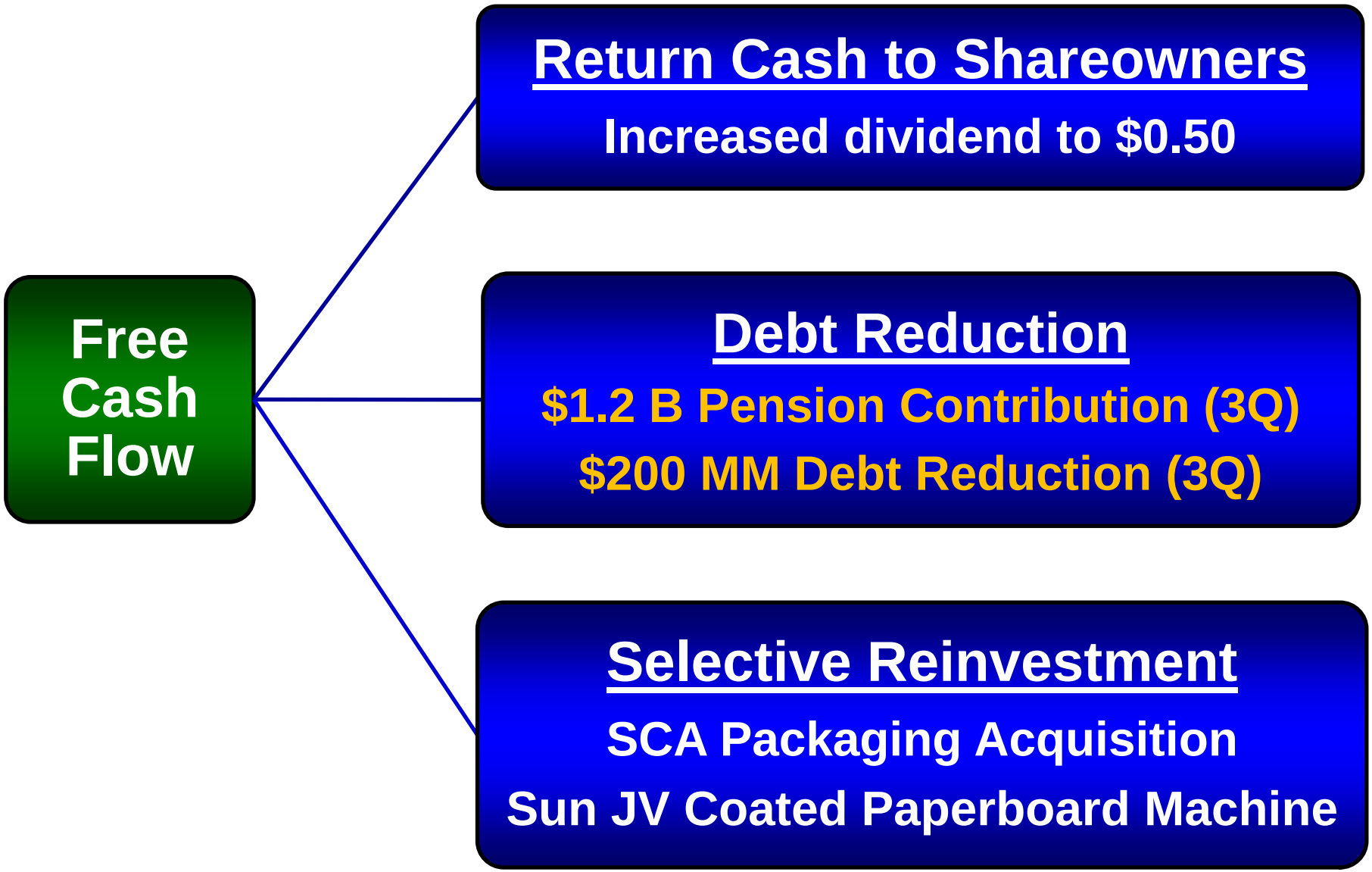


IP produced 3.5 billion gallons of black liquor in 2009

- **CBTC is $1.01/gallon credit against taxable income (excess may be carried forward until 2015)**
- **OCT 5th – IRS rules companies may qualify for AFMTC and CBTC within 2009**
- **Companies can pick & choose in order to maximize benefit**
- **To claim higher CBTC credit, companies would have to repay cash received for AFMTC & file amended tax returns**
- **IP cannot quantify the value of CBTC because it depends on future taxable earnings, but it could be significant**

Balanced Capital Allocation to Increase Shareowner Value

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Fourth Quarter Outlook
Changes from 3Q10

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		North America	Europe	Brazil	Asia
Volume	Paper	Seasonal Decrease	Stable	Stable	
	Packaging	Seasonal Decrease	Seasonal Increase		Stable
Pricing	Paper	Paper Stable; Pulp Decrease	Stable	Stable	
	Packaging	Stable	Improving		Stable
Maintenance Outages		~$37MM Increase	Stable	~$6MM Decrease	
Input & Freight Costs		Higher OCC & Chemicals	Stable	Stable	Stable

xpedx	Seasonal Decrease

Ilim	Stable

Forest Products	$50MM Decrease

3Q Summary & 4Q Outlook

Strong, but Seasonally Lower, 4Q EPS & FCF

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3Q10 Summary

- Volume ended strong as quarter progressed
- Incremental price increase realizations
- Strong operations
- Flat input costs

Strong 3Q Earnings & Free Cash Flow

4Q10 Outlook

- Seasonal demand declines
- Stable prices
- Higher maintenance outages
- Increasing OCC & chemicals costs
- No more Forest Products earnings

Strong, but Seasonally Lower, 4Q EPS & FCF

Appendix

Investor Relations Contacts

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

Media Contact

Tom Ryan	901-419-4333

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

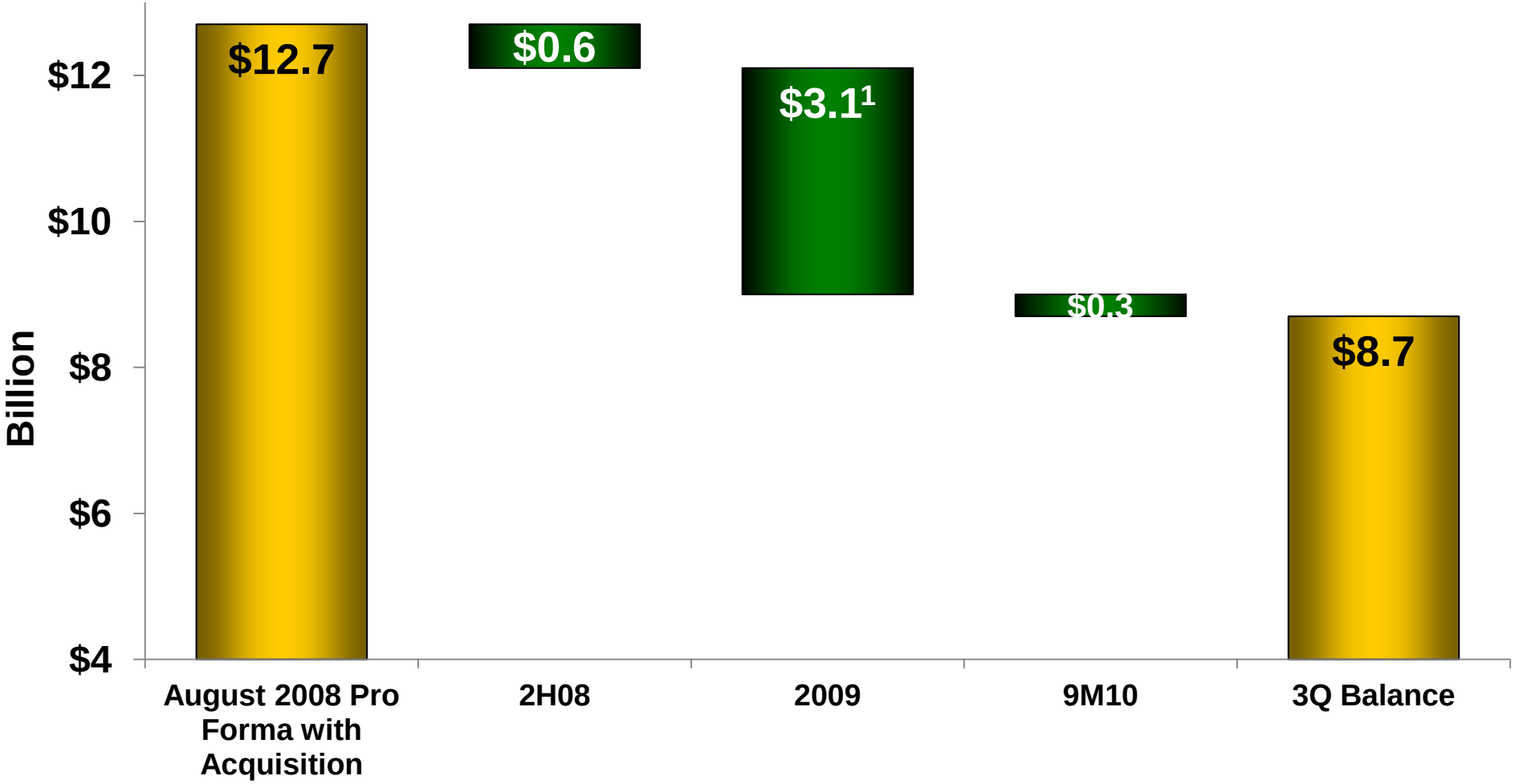
$ Million	3Q09	2Q10	3Q10
Cash from Operations	$713[1]	$509	$937[2]
Cash Received from Alternative Fuel Mixture Tax Credits (AFMTC)	$463	$132	$0
Cash Provided by Operations, as Adjusted	**$1,381**	**$641**	**$937**
Less Capital Investment	**($108)**	**($153)**	**($184)**
Free Cash Flow	**$1,273**	**$488**	**$753**
Free Cash Flow Excluding AFMTC	**$605**	**$356**	**$753**

[1] Excludes $205 MM cash received under European accounts receivable securitization in 3Q09
[2] Excludes $1.2 B cash paid for voluntary pension contributions.

Balance Sheet Debt Reduction Progress

$4 Billion Reduction since Acquisition

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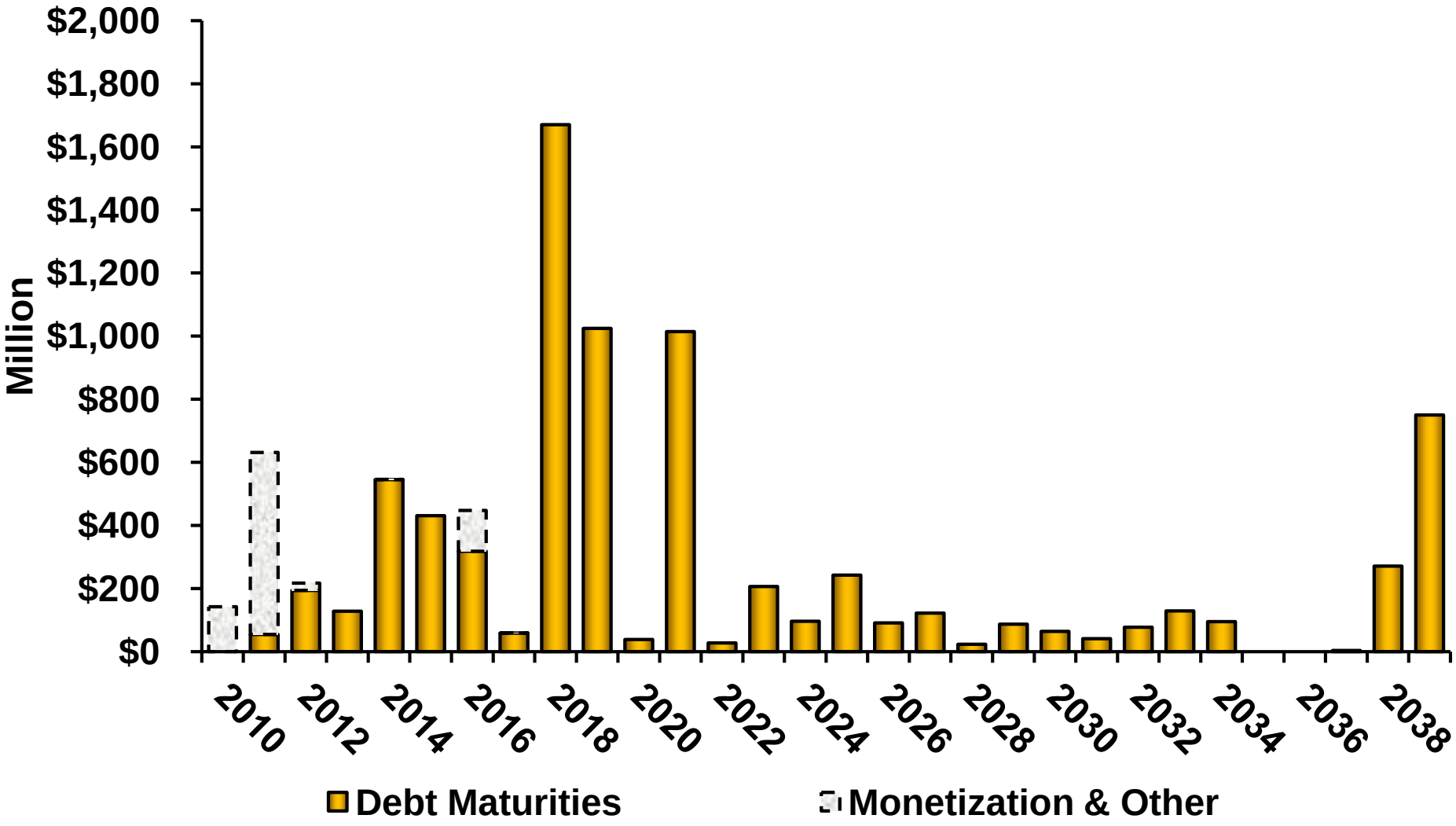
[1] Excludes the debt repayment of $1 B from the proceeds of our May bond issuance: $1 B 9.375% notes due 2019

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

[1] 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

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

Maintenance Outages Expenses

$ Million	1Q10	2Q10	3Q10	4Q10E	2010E
Industrial Packaging	**$70**	**$41**	**$3**	**$26**	**$140**
Printing Papers Total	**$27**	**$60**	**$52**	**$44**	**$183**
North America	$27	$45	$30	$28	$130
Europe	0	10	14	14	$38
Brazil	0	5	8	2	$15
Consumer Packaging	**$6**	**$19**	**$0**	**$16**	**$41**
Total Impact	**$103**	**$120**	**$55**	**$86**	**$364**

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

Printing Papers

	3Q10 vs. 2Q10		3Q10 vs. 3Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
N.A. Paper	3%	$21	(9%)	$72
N.A. Pulp	30%	$19	(7%)	$244
European Paper	0%	€34	2%	€53

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

Consumer Packaging

	3Q10 vs. 2Q10		3Q10 vs. 3Q09	
	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	3%	$37	12%	$53
	Revenue	Price	Revenue	Price
Converting Businesses	5%	NA	(1%)	NA

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

3Q10 EBITDA

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	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA per Ton	EBITDA Margin
Industrial Packaging					
North America[1]	$319	$138	2,607	$175	21.9%
Europe	$14	$7	251	$84	8.9%
Printing Papers					
North America[2]	$125	$49	707	$246	24.4%
Western Europe[3]	$6	$5	62	$177	15.3%
Eastern Europe & Russia[3]	$44	$14	249	$233	27.2%
Brazil	$46	$33	262	$302	28.7%
U.S. Market Pulp	$49	$14	279	$226	29.9%
Consumer Packaging					
U.S. Coated Paperboard	$56	$38	364	$258	22.4%

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

Operating Profits by Industry Segment

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$ Million	3Q09	2Q10	3Q10
Industrial Packaging	$214	$193	$332
Printing Papers	$138	$158	$278
Consumer Packaging	$68	$49	$71
Distribution	$21	$26	$22
Forest Products	$2	$40	$49
Operating Profit	**$443**	**$466**	**$752**
Net Interest Expense	($169)	($157)	($152)
Noncontrolling Interest / Equity Earnings Adjustment	$5	$7	$5
Corporate Items	($46)	($54)	($58)
Special Items	$356	($144)	$0
Earnings from continuing operations before income taxes, equity earnings & noncontrolling interest	**$589**	**$118**	**$547**
Equity Earnings, net of taxes - Ilim	**$0**	**$5**	**$22**

Geographic Business Segment Operating Results
Before Special Items

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$ Million	Sales			Operating Profit		
	3Q09	2Q10	3Q10	3Q09	2Q10	3Q10
Industrial Packaging						
North American	$1,890	$2,120	$2,210	$201	$172	$320
European	$240	$235	$235	$13	$18	$14
Asian	$100	$85	$165	$0	$2	($2)
Printing Papers						
North American	$725	$675	$715	$92	$46	$125
European	$300	$320	$325	$28	$55	$58
Brazilian	$275	$275	$275	$36	$39	$46
U.S. Market Pulp	$155	$160	$210	($18)	$18	$49
Asian	$15	$15	$25	$0	$0	$0
Consumer Packaging						
North American	$565	$580	$615	$44	$17	$51
European	$80	$80	$85	$17	$19	$17
Asian	$145	$185	$170	$7	$13	$3
Distribution	$1,665	$1,630	$1,755	$21	$26	$22

Excludes Forest Products

2010 Earnings from Continuing Operations

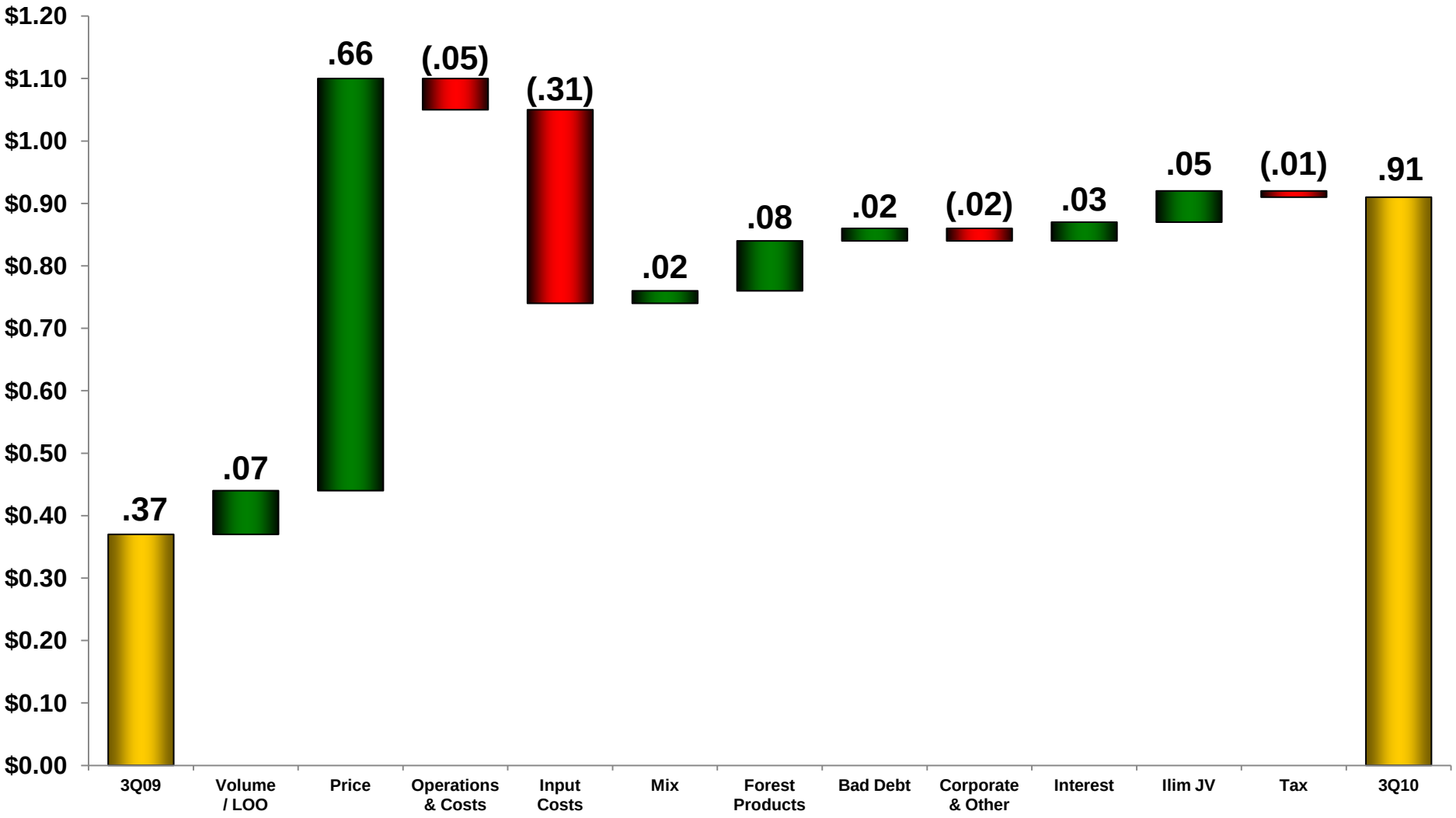
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	Pre-Tax $MM	Tax $MM	Non-controlling Interest $MM	Equity Earnings	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items								
1Q10	$40	($13)	($9)	($2)	$16	32%	429	$0.04
2Q10	$262	($81)	($7)	$7	$181	31%	433	$0.42
3Q10	$547	($170)	($2)	$22	$397	31%	434	$0.91
Special Items								
1Q10	($215)	$37	$0	$0	($178)	17%	429	($0.42)
2Q10	($144)	$56	$0	$0	($88)	39%	433	($0.21)
3Q10	$0	$0	$0	$0	$0	0%	434	$0
Earnings								
1Q10	($175)	$24	($9)	($2)	($162)	14%	429	($0.38)
2Q10	$118	($25)	($7)	$7	$93	21%	433	$0.21
3Q10	$547	($170)	($2)	$22	$397	31%	434	$0.91

[1] Assuming dilution

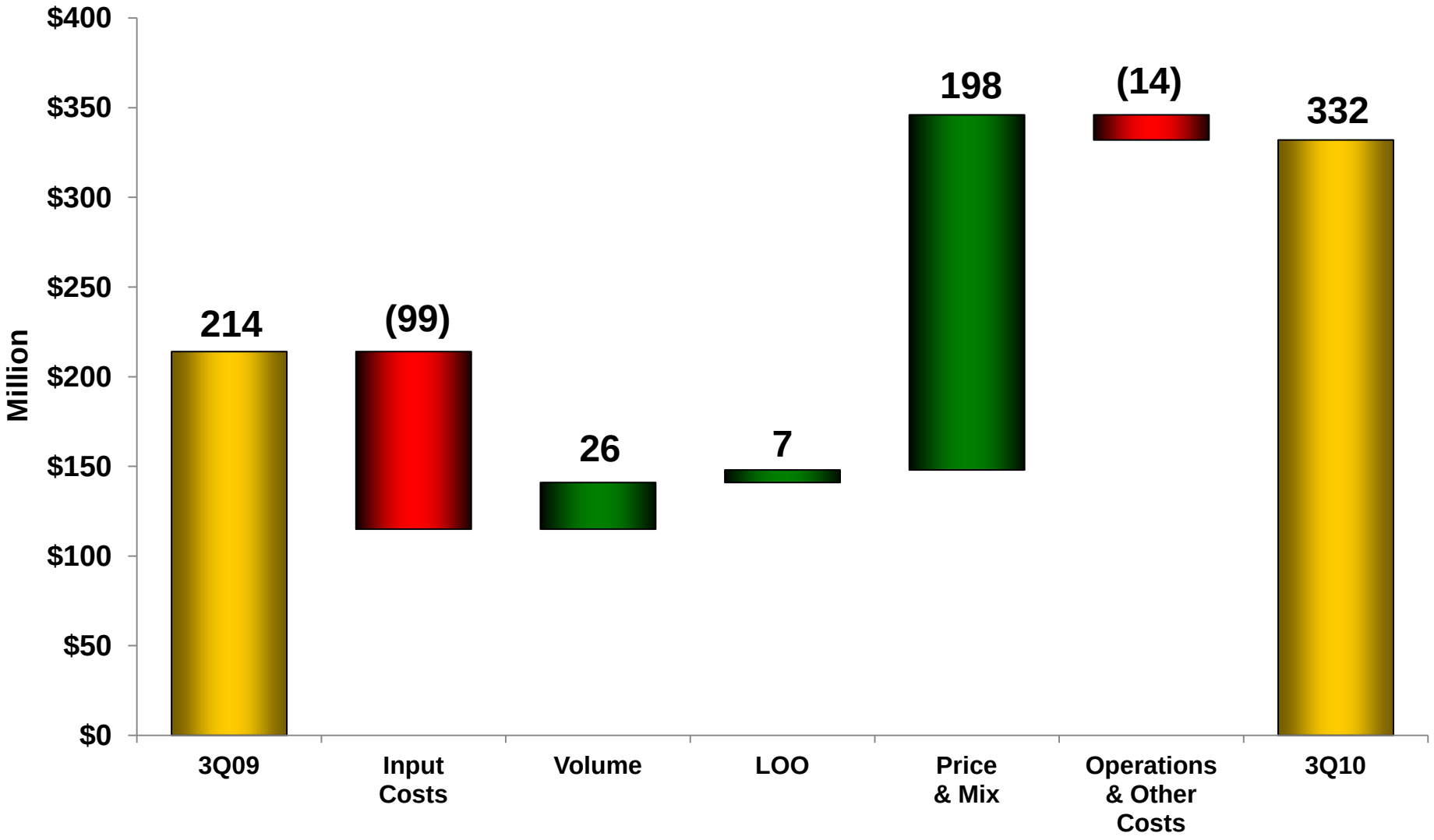
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at Webcasts and Presentations

3Q10 vs. 3Q09 EPS



Earnings from continuing operations before special items

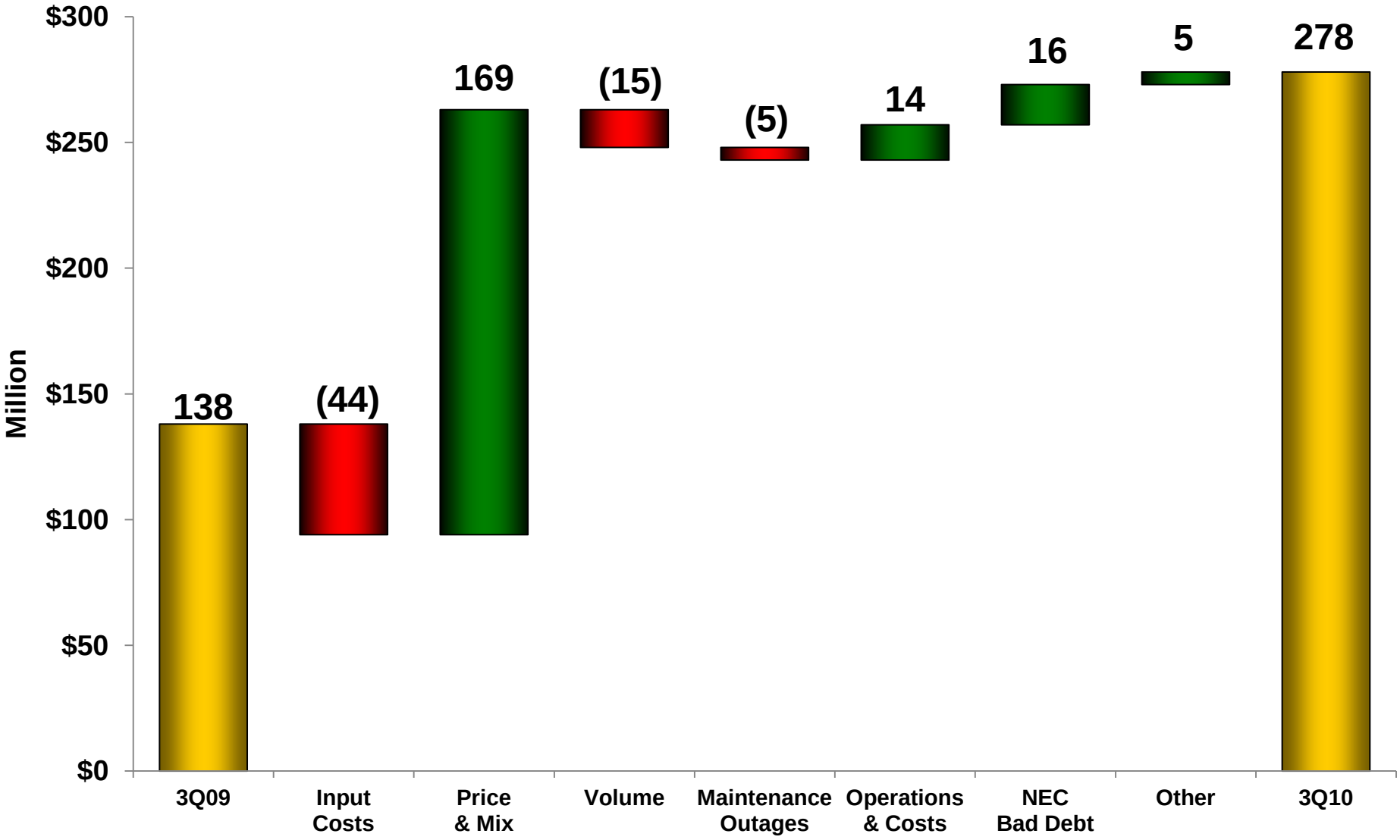
Industrial Packaging Earnings
3Q10 vs. 3Q09



Earnings before special items

Printing Papers Earnings
3Q10 vs. 3Q09

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Earnings before special items

IP Brazil

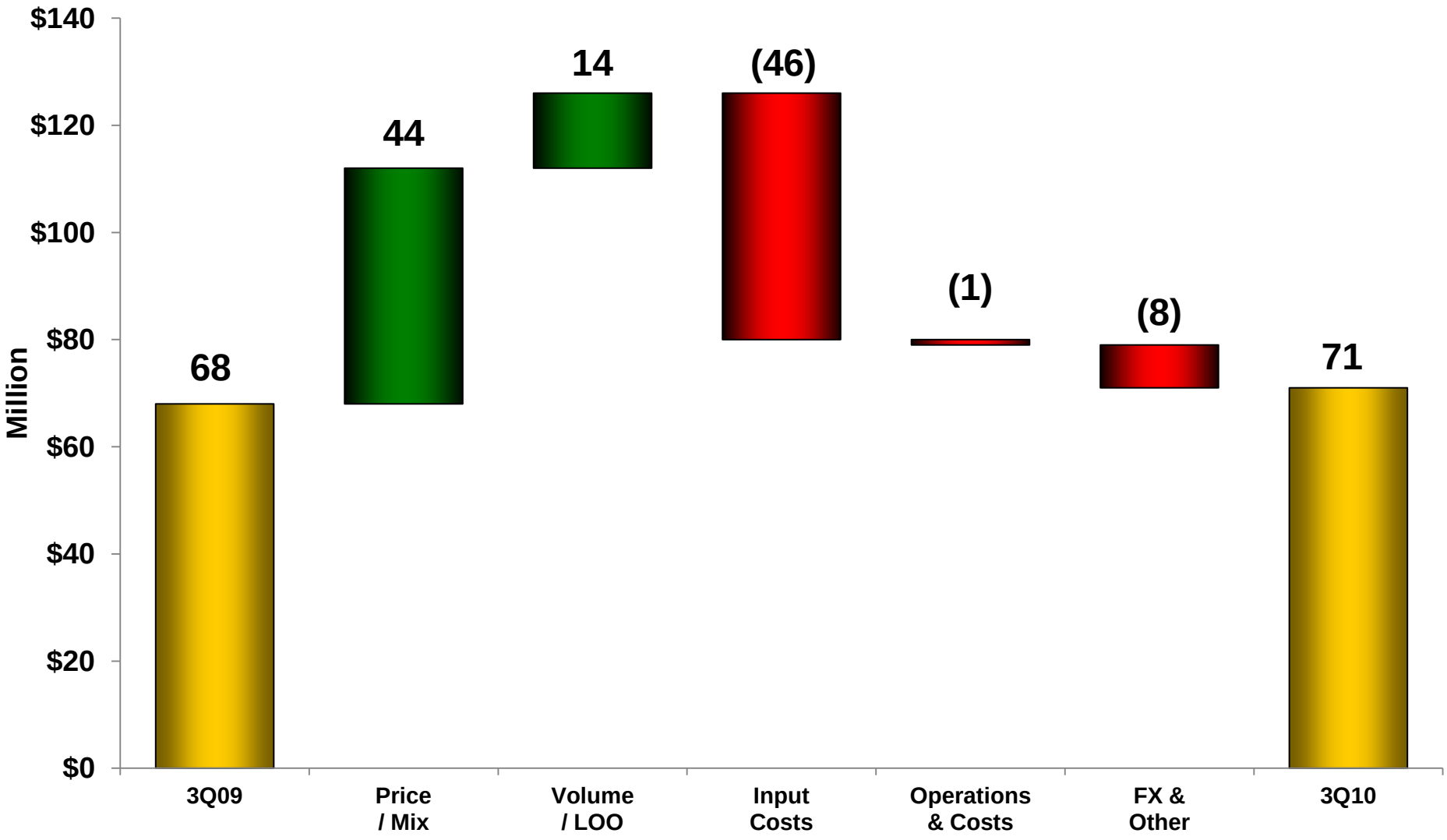
$ Million	3Q09	2Q10	3Q10
Sales	$275	$275	$275
Earnings	$36	$39	$46
EBITDA Margin	25%	27%	29%

	3Q10 vs. 2Q10		3Q10 vs. 3Q09	
Business	Volume	Price / Ton	Volume	Price / Ton
Uncoated Freesheet	(7%)	$58	(7%)	$80
Domestic	17%	$5	(6%)	($10)
Export	(21%)	$102	(8%)	$153

IP Brazil results are reported in the Printing Papers segment

Consumer Packaging Earnings
3Q10 vs. 3Q09

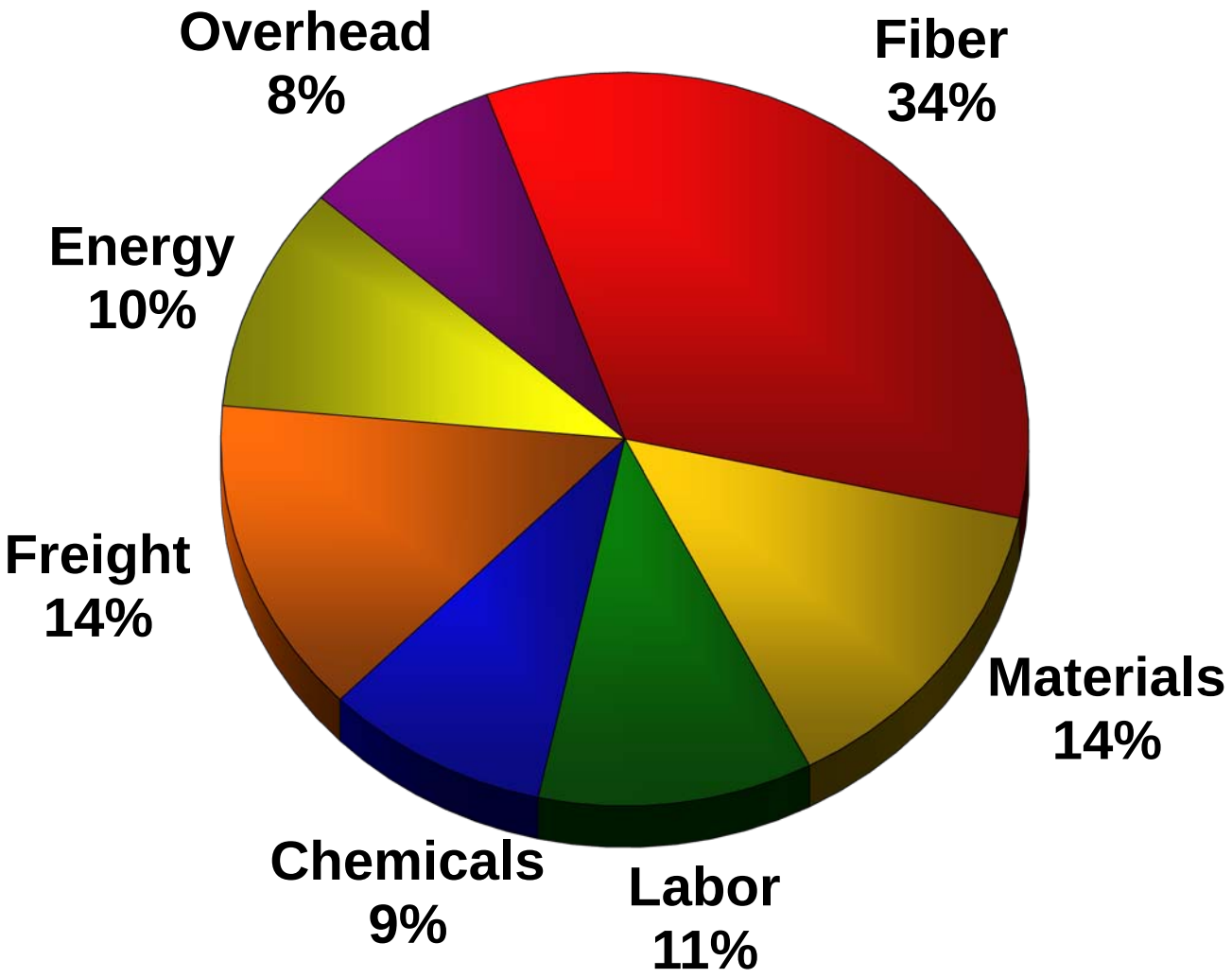
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Earnings before special items

Total Cash Cost Components
3Q10 YTD

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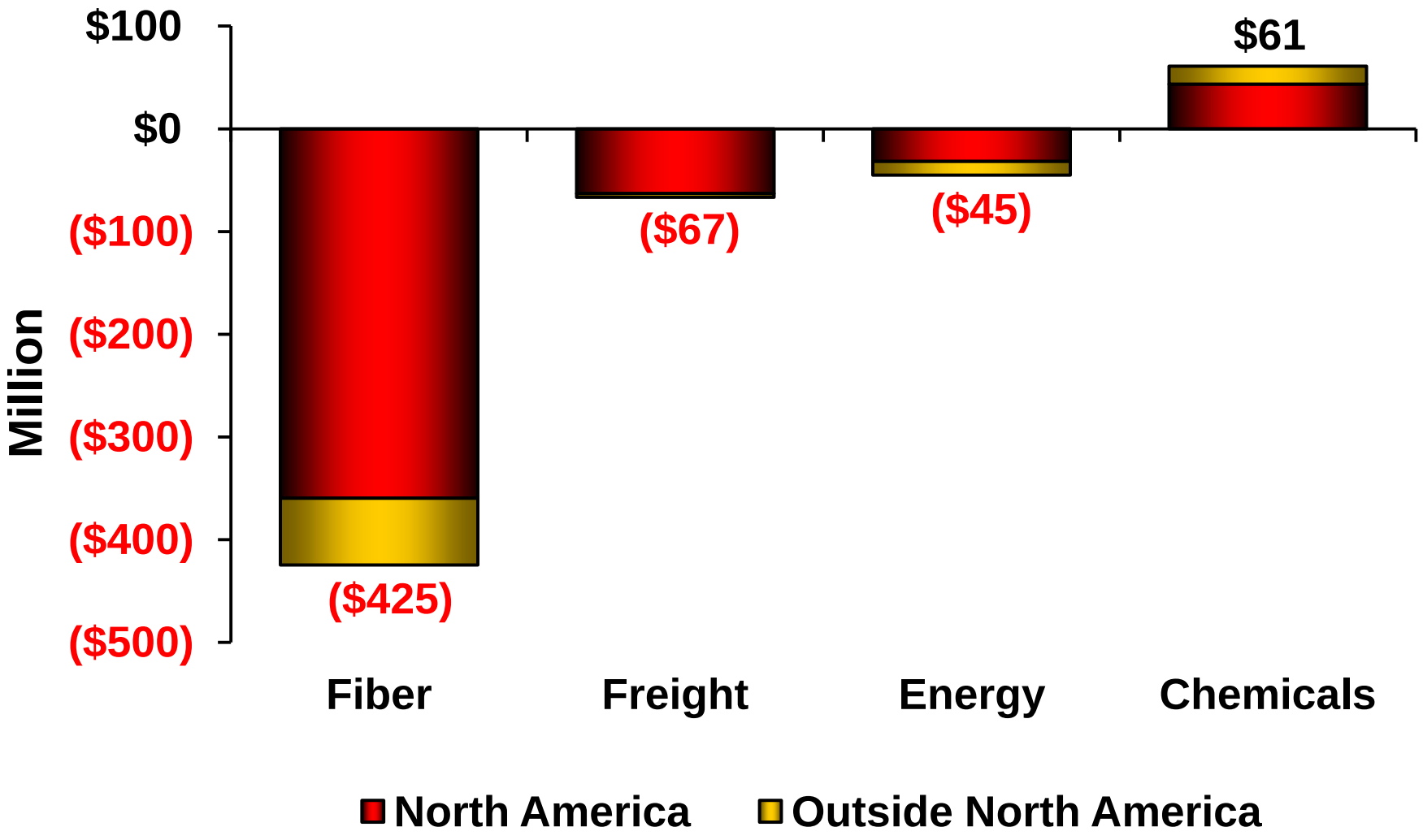


North American Mills Only

Global Input & Freight Costs vs. 9M09

$476 MM Unfavorable, or $0.76/Share

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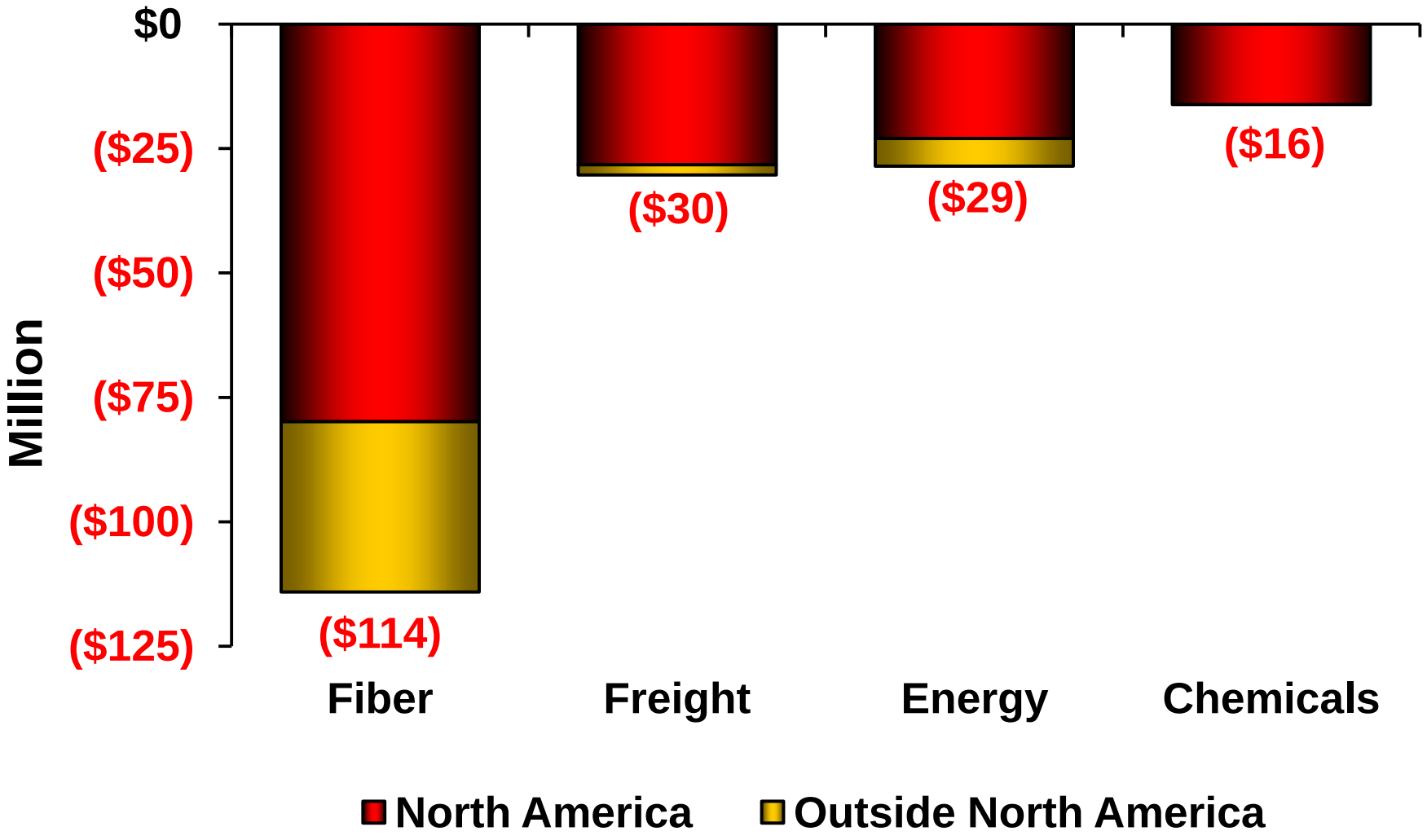


Input costs for continuing businesses

Global Input & Freight Costs vs. 3Q09

$189 MM Unfavorable, or $0.31/Share

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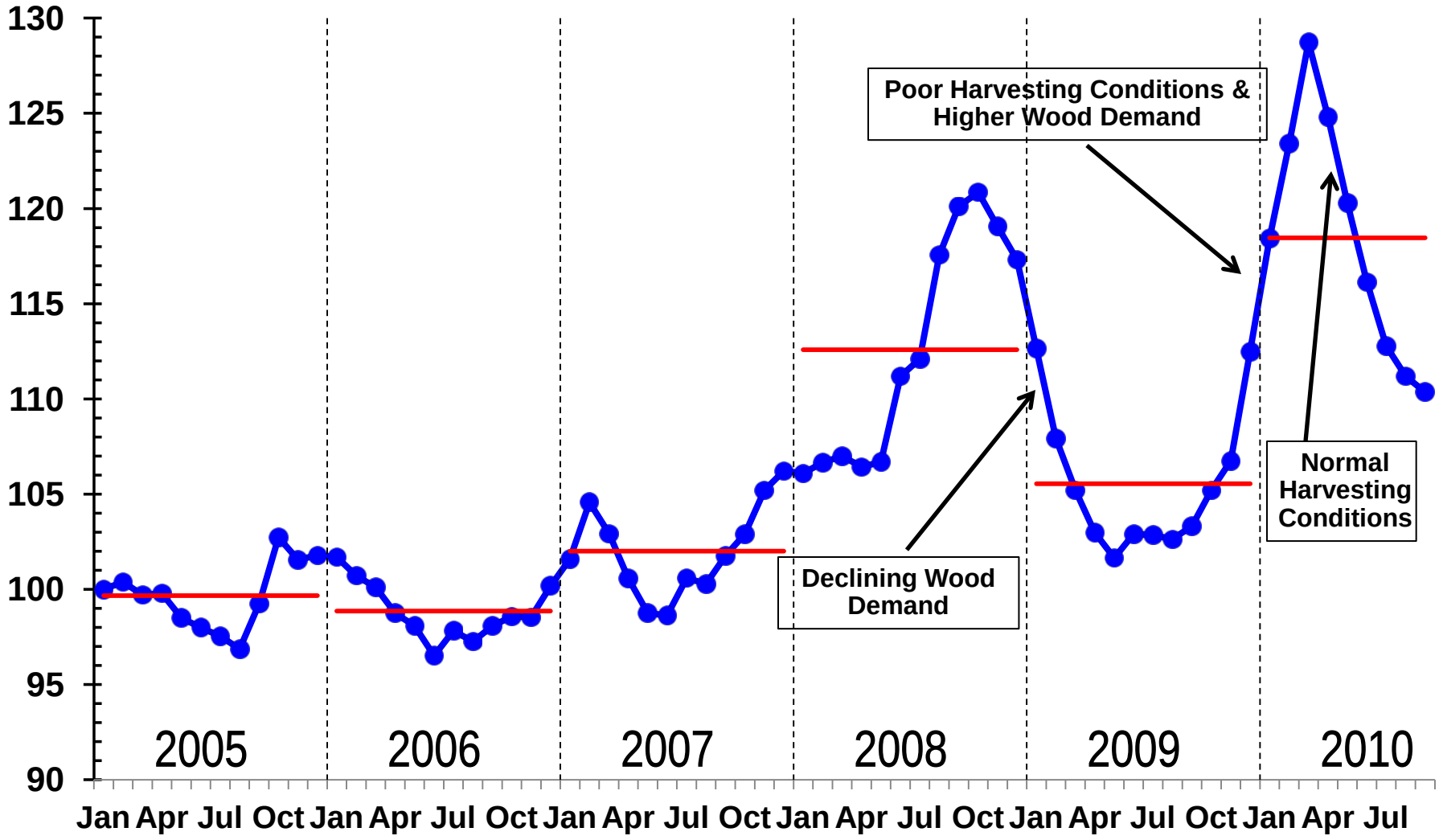


Input costs for continuing businesses

U.S. Mill Wood Delivered Cost Trends

7% Decrease vs. 2Q10 Average Cost

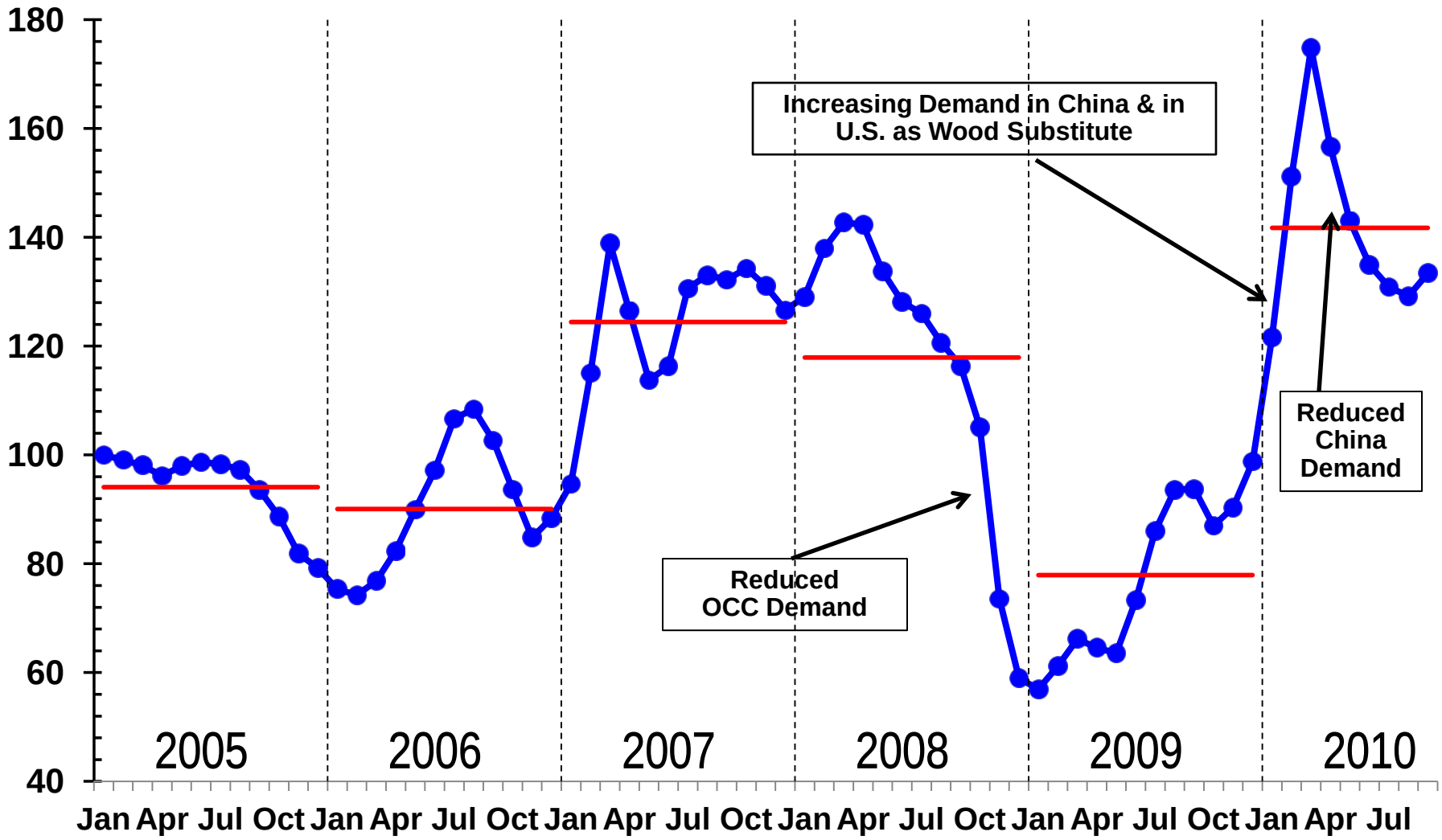
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U.S. OCC Delivered Cost Trends

9% Decrease vs. 2Q10 Average Cost

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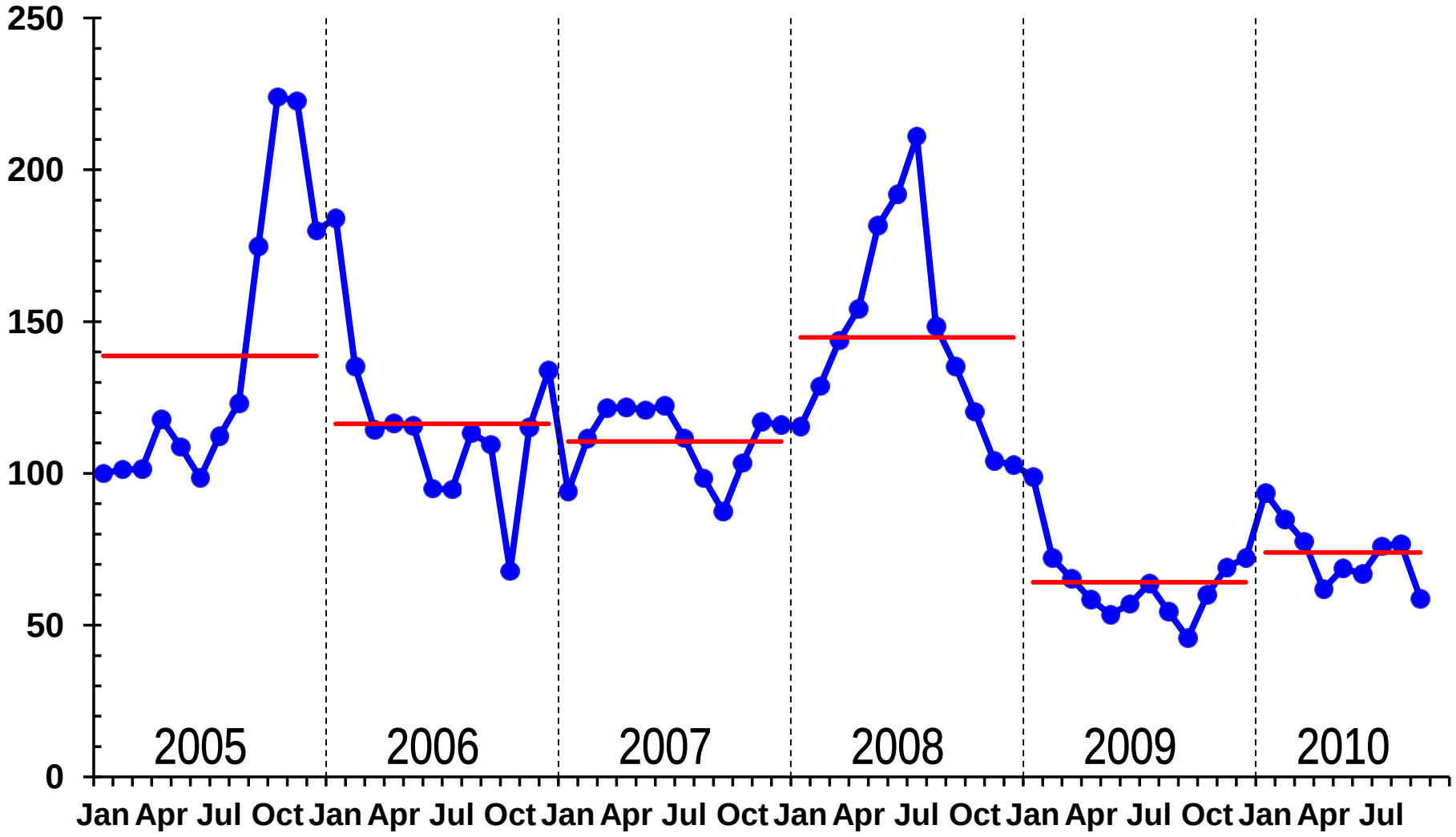


2005-2007 represents WY PKG delivered costs; 2008-2010 represents delivered costs to the integrated system

Natural Gas Costs

7% Increase vs. 2Q10 Average Cost

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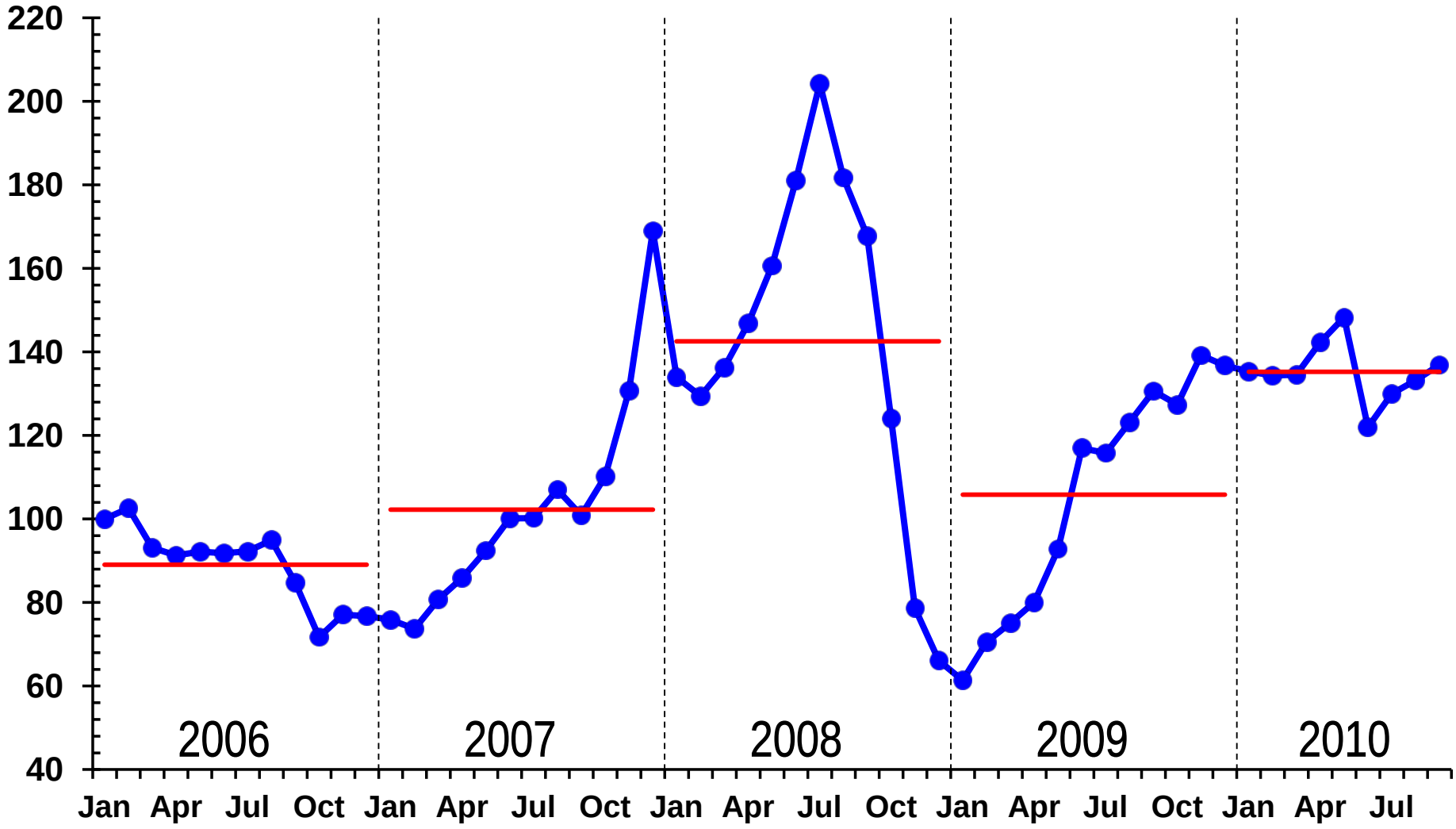


NYMEX Natural Gas closing prices

U.S. Fuel Oil

3% Decrease vs. 2Q10 Average Cost

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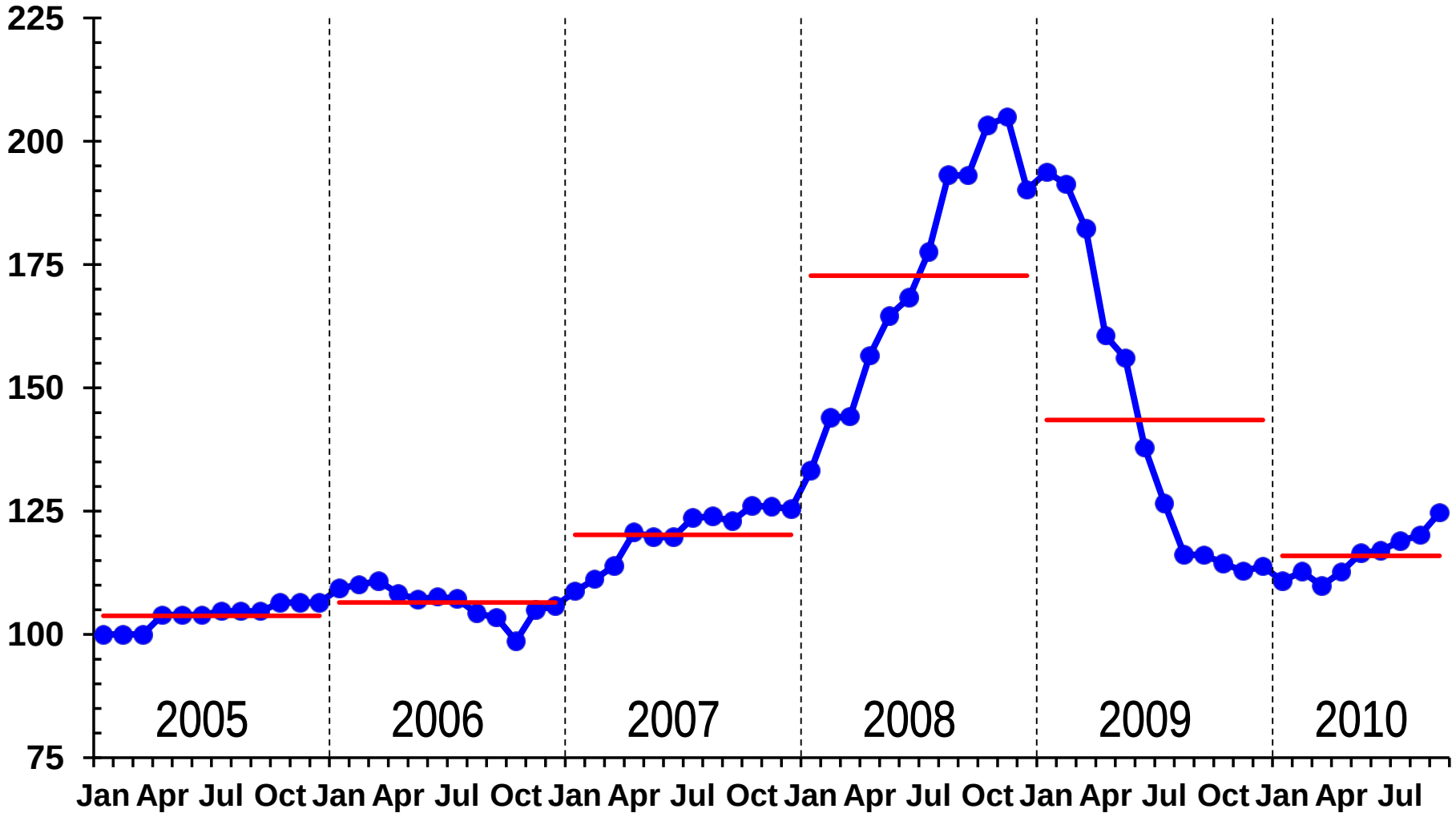


WTI Crude prices

U.S. Chemical Composite Index

5% Increase vs. 2Q10 Average Cost

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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

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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