

INTERNATIONAL PAPER



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Credit Suisse Global Paper and Packaging Conference

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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 existing and new 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.

Discussion Topics

- 2010
  - Facing Challenges
  - Seizing Opportunities
  - Results
- 2011
  - Opportunities
  - Outlook
- Priorities

Priorities

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What We've Done

- Exited non-strategic businesses
- Reduced structural capacity & fixed costs
- Significant reduction of overhead costs
- Industry-leading margins

What We're Doing

- Recovering from industry demand declines
- Managing our supply to meet customer demand
- Improving liquidity
- Capitalizing on global demand growth

What We'll Do

- Generate strong, sustainable FCF
- Expand margins & earnings in all businesses
- Achieve cycle-average ROI above cost-of-capital
- Balance cash allocation
- Increase dividend to sustainable level

Our View at the Start of 2010
Significant Challenges & Opportunities

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Modest Economic Demand Growth Forecast



Input Cost Escalation





Opportunity to Expand Margins

2010 Key Accomplishments

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North America

- Realized announced price increases
- Volumes recovering in Industrial Packaging and Coated Paperboard
- Significant improvement in Printing Papers EBITDA & ROI margins
- Reduced operating & fixed costs via capacity rationalizations
- Completed land sales program

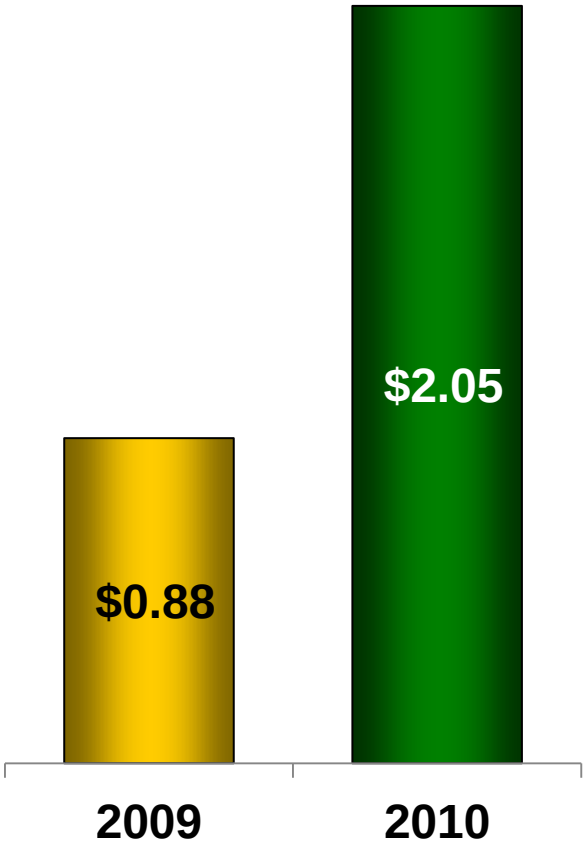
International

- Global balance paid off
  - Record earnings from IP EMEA
  - Strong Ilim JV equity earnings
  - Brazil EBITDA up 28% from 2009
  - Asia revenues up 37% to $1.3 B

2010 Financial Accomplishments

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Earnings per Share



- **$3.3 B EBITDA**
- **$1.7 B Free Cash Flow**[1]
- **EBITDA Margin Expansion**
  - Up 110 BPS
- **ROI Improvement**
  - Up 250 BPS
- **Adjusted Debt Reduction**
  - Down $1.9 B
- **Annual Dividend Rate Increase**
  - From $0.10 to $0.75

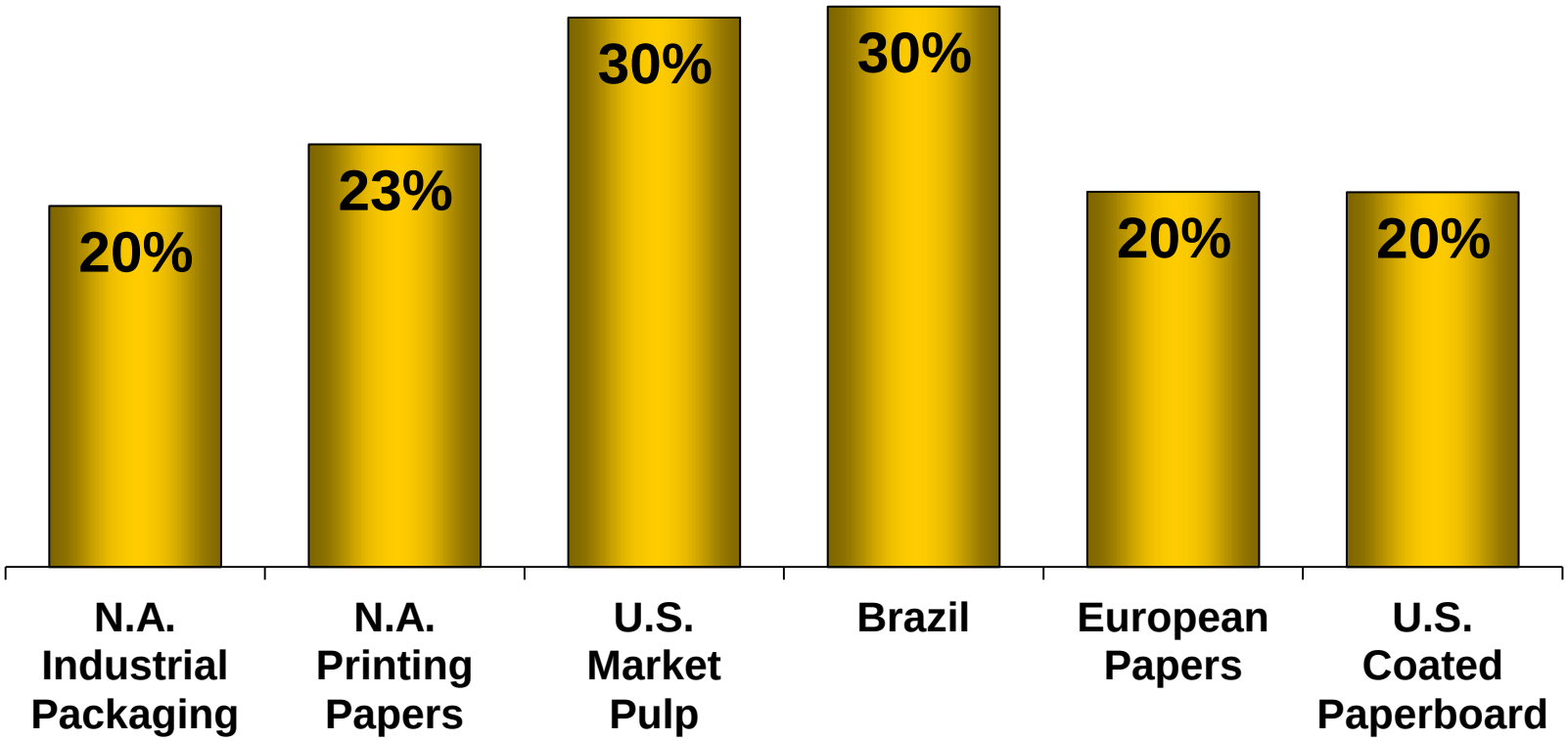
Earnings from continuing operations before special items

[1] Cash provided by continuing operations less capital expenditures; excludes net cash paid for voluntary pension contributions of $1.0 B and cash received from alternative fuel credits of $0.1 B

Strong EBITDA Margins

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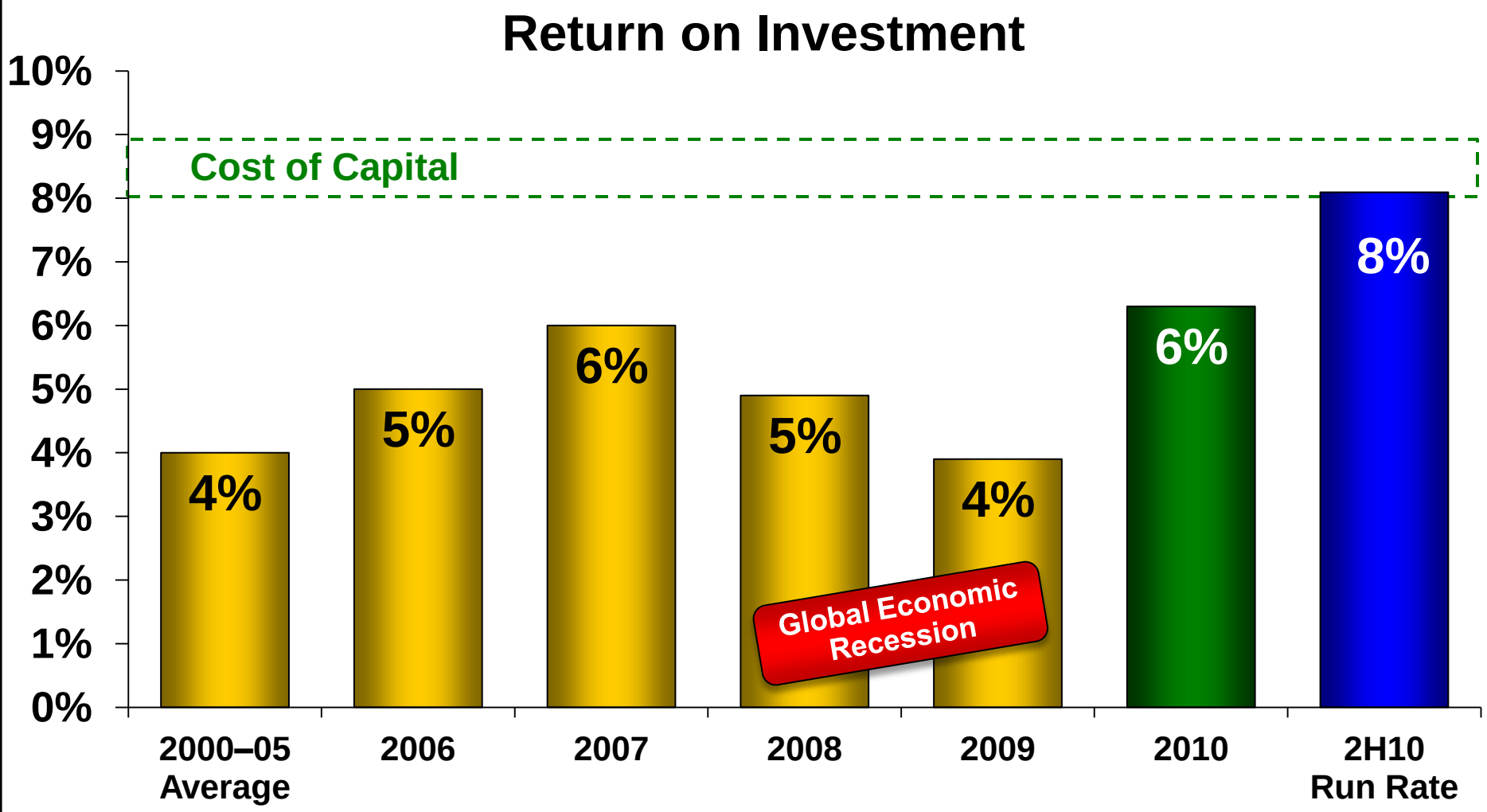
2H10 Margin



1H10 Margin	12%	17%	14%	24%	22%	11%

ROI Recovering from Global Recession

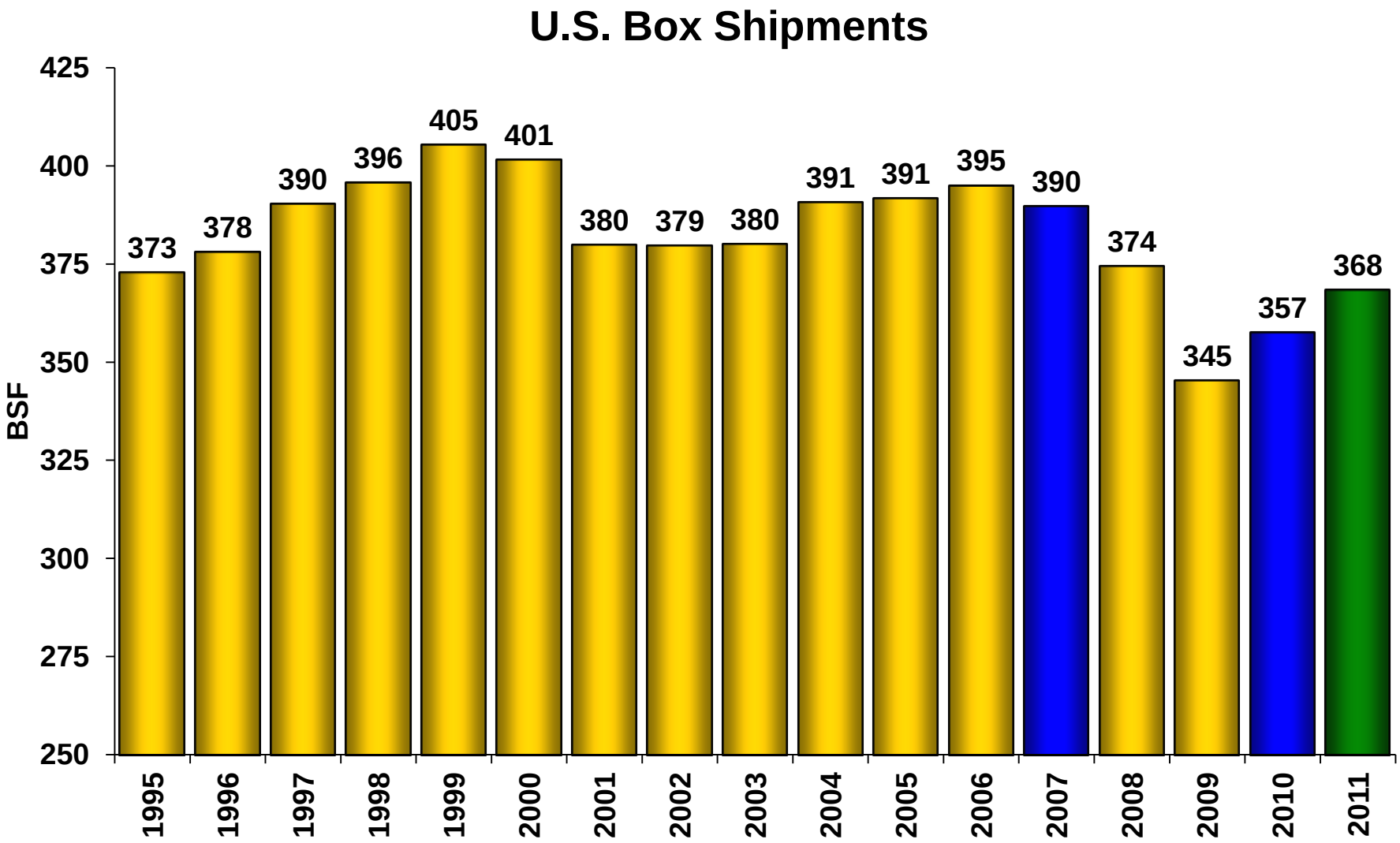
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2011 - Demand Still Recovering

Down 8% Since 2007

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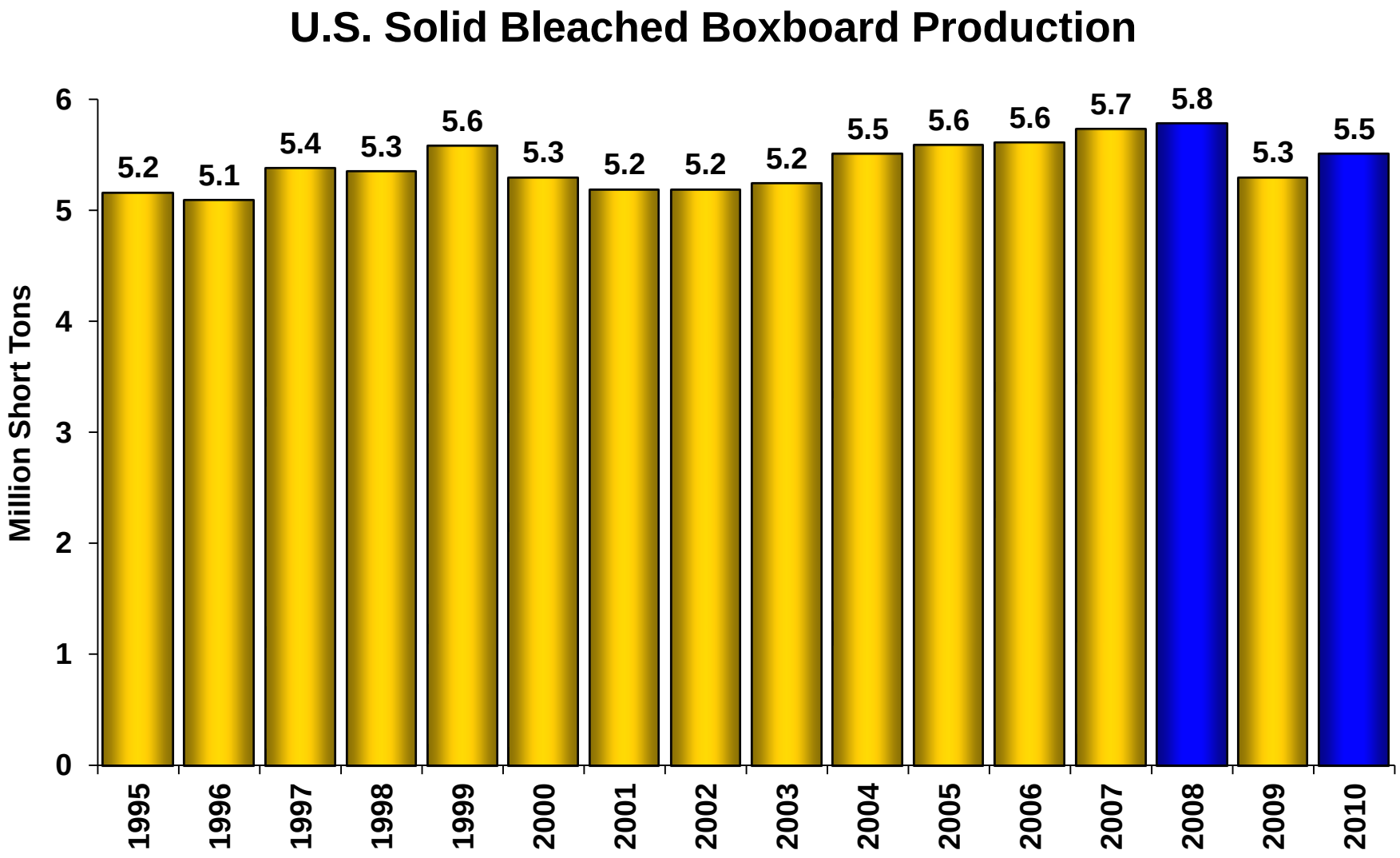


Source: Fibre Box Association
2011 forecast assumes 3% growth

2011 - Demand Still Recovering

Down 5% Since 2008

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Source: AF&PA

Energy Efficiency Progress

Record-Low Purchased Energy Consumption

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U.S. Mill System 2010 Fossil Fuel Consumption per Ton

- 8% less than 2009 ($75 MM)
- 45% less than 2000 ($360 MM)
- Set new low-record for purchased energy usage
- 5 mills set new records

2010 Most-Improved Mills

- Saillat – 16% lower
- Svetogorsk – 18% lower

Energy Self-Sufficiency Projects

Energy Mix Improvement

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Kwidzyn Mill
Turbine Generator

- $36 MM of capex
- 2.3-year payback
- 59% IRR
- Increased electrical self-sufficiency from 40% to 90%



Energy Self-Sufficiency Projects

Energy Mix Improvement

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Svetogorsk Mill
Gas Turbine Generator

- **$40 MM of capex**
- **3-year payback**
- **37% IRR**
- **Will increase electrical self-sufficiency from 33% to 50%**

Mogi Guacu Mill
Biomass Boiler Project

- **$88 MM of capex**
- **2.8-year payback**
- **31% IRR**
- **Will make steam generation self-reliant on renewable energy**



Momentum Continues in 2011

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- North American demand for corrugated boxes and bleached board continues to recover
- Reduced operating costs and corporate expense
- Increased capex for high-return, consumption-reduction projects
- Building new Asian coated paperboard machine with Sun Joint Venture
- Expanding Ilim pulp & uncoated freesheet capacity
- Mix upgrades in Poland & Russia
- Geographic mix improvements in Brazil

1Q & 2011 Outlook
Momentum Continues

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1Q11 Outlook

- Stable volumes
- Stable prices (with some pressure on exports)
- Increasing fiber & chemicals costs
- Strong Ilim JV contribution

Strong 1Q EPS & FCF

2011 Outlook

- Global economies continue to recover
- Demand growth in most IP business segments
- Inventories in good shape
- Robust margin-improvement initiatives
- OCC costs to remain high

Strong EPS, FCF & ROI

Strategic Investments
IP Asia & Sun Joint Venture

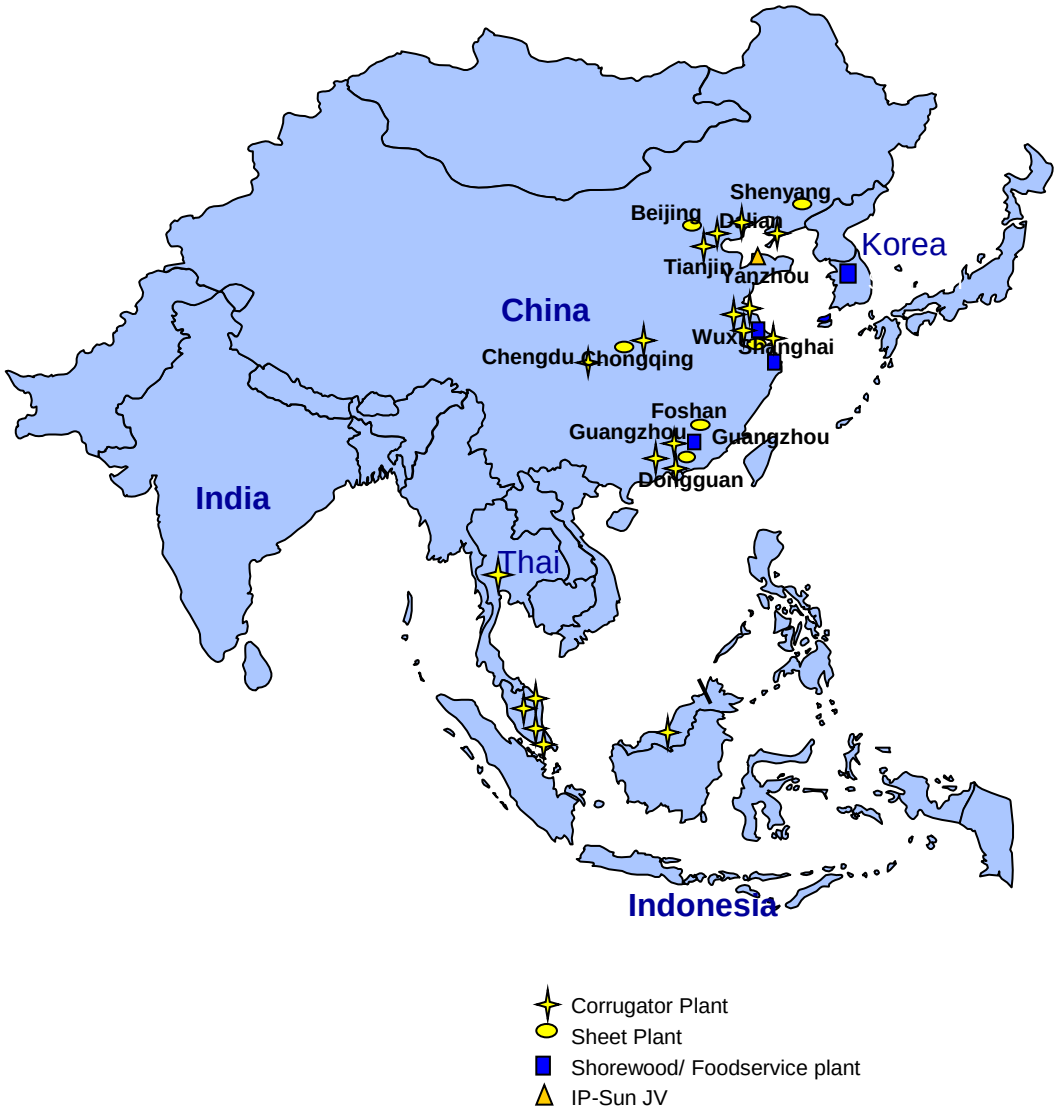
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Coated Paperboard Machine



Corrugating Line





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

Strategic Investments
Ilim Joint Venture

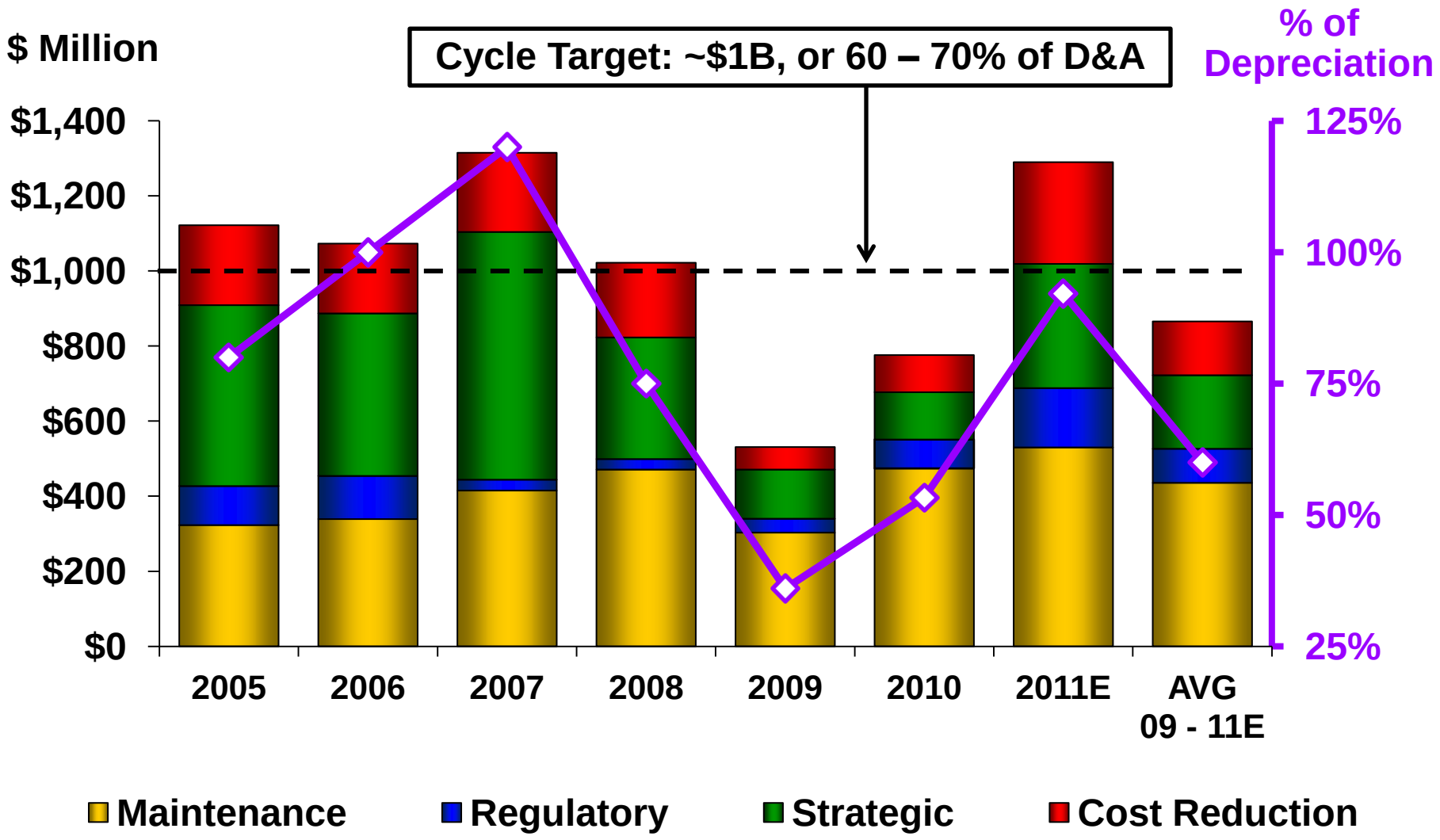
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Capital Spending

2011 Estimate: $1.2 - $1.3 Billion

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Reflects continuing operations

IP Vision & Strategy

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Vision

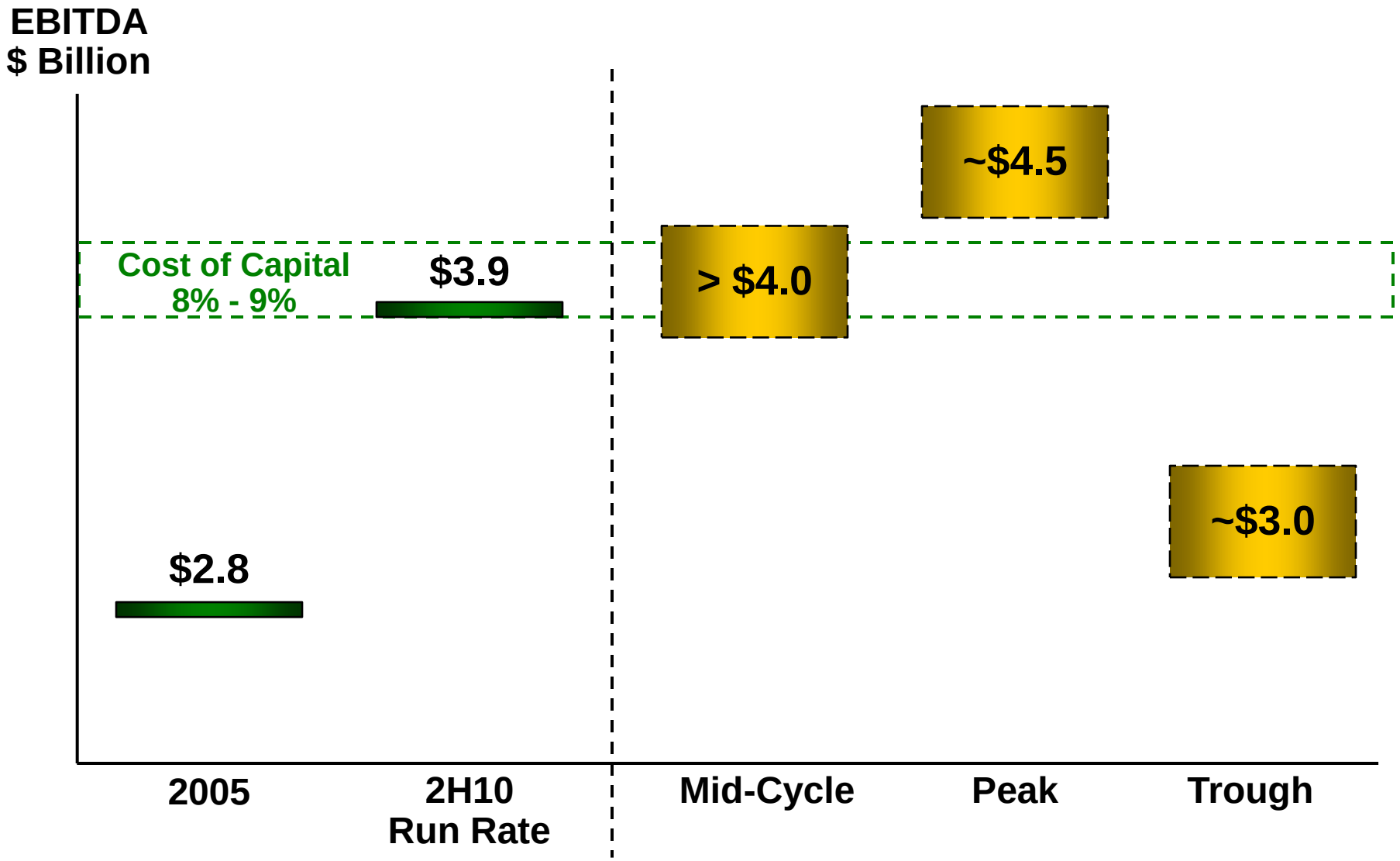
Leadership position in attractive markets with low-cost assets that can generate strong free cash flow and above cost-of-capital returns

Elements of Strategy

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

EBITDA & ROI Runway

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Priorities

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