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First Quarter 2011 Review

April 28, 2011

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, changes in tax laws and 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.

First Quarter 2011

Strong Global Operations & Free Cash Flow

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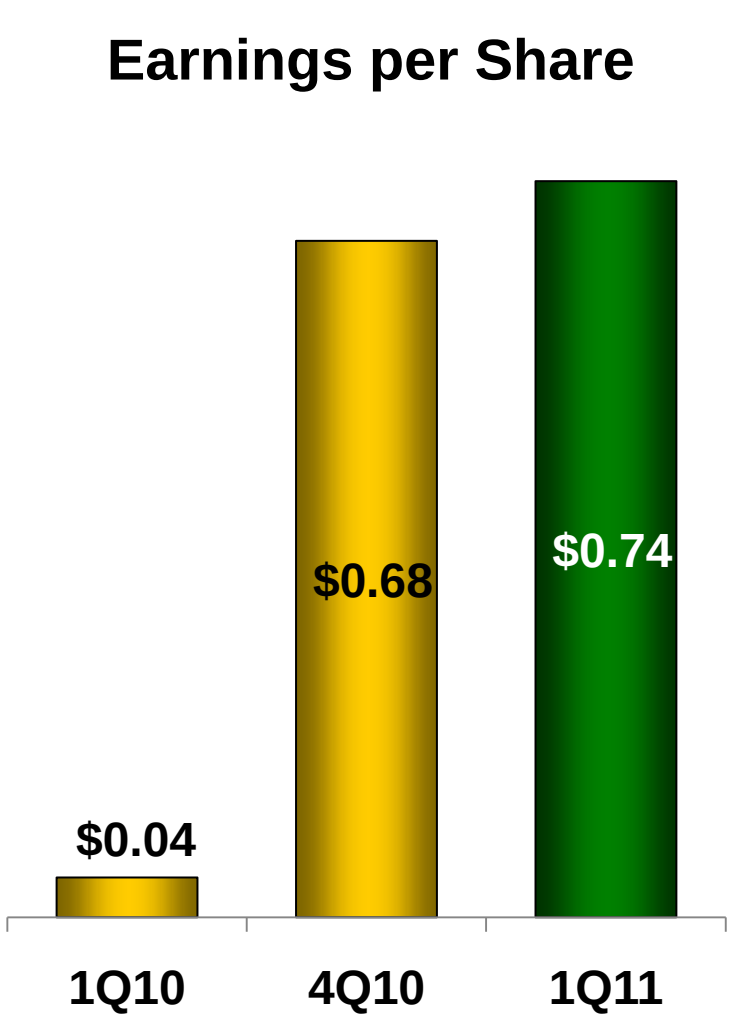

Earnings from continuing operations before special items

- Robust Sales Growth
  - Continued Demand Recovery
  - Higher Exit Rates
- Improving Margins
- Strong Operations
- Significant Input Cost Increases
- Continued Solid Free Cash Flow
- Increased Ilim JV Earnings
- Announced 3rd Dividend Increase
- Announced Strategic Entry into India

1Q11 Financial Snapshot

	1Q10	4Q10	1Q11
Sales ($B)	$5.8	$6.5	$6.4
EBITDA[1] ($MM)	$560	$872	$897
EBITDA Margin	10%	13%	14%
Free Cash Flow[2] ($MM)	$39	$601	$419
Debt ($B)	$9.0	$8.7	$8.5
Cash Balance[3] ($B)	$1.7	$2.1	$2.0

[1] Earnings from continuing operations before special items
[2] 4Q10 excludes cash received from cellulosic biofuel credits of $17 MM; See slide #27 for a reconciliation of 4Q10 and 1Q11 free cash flows
[3] 1Q11 includes impact of $0.1 B cash paid into escrow arrangement for purchase of APPM shares

1Q11 vs. 4Q10 EPS

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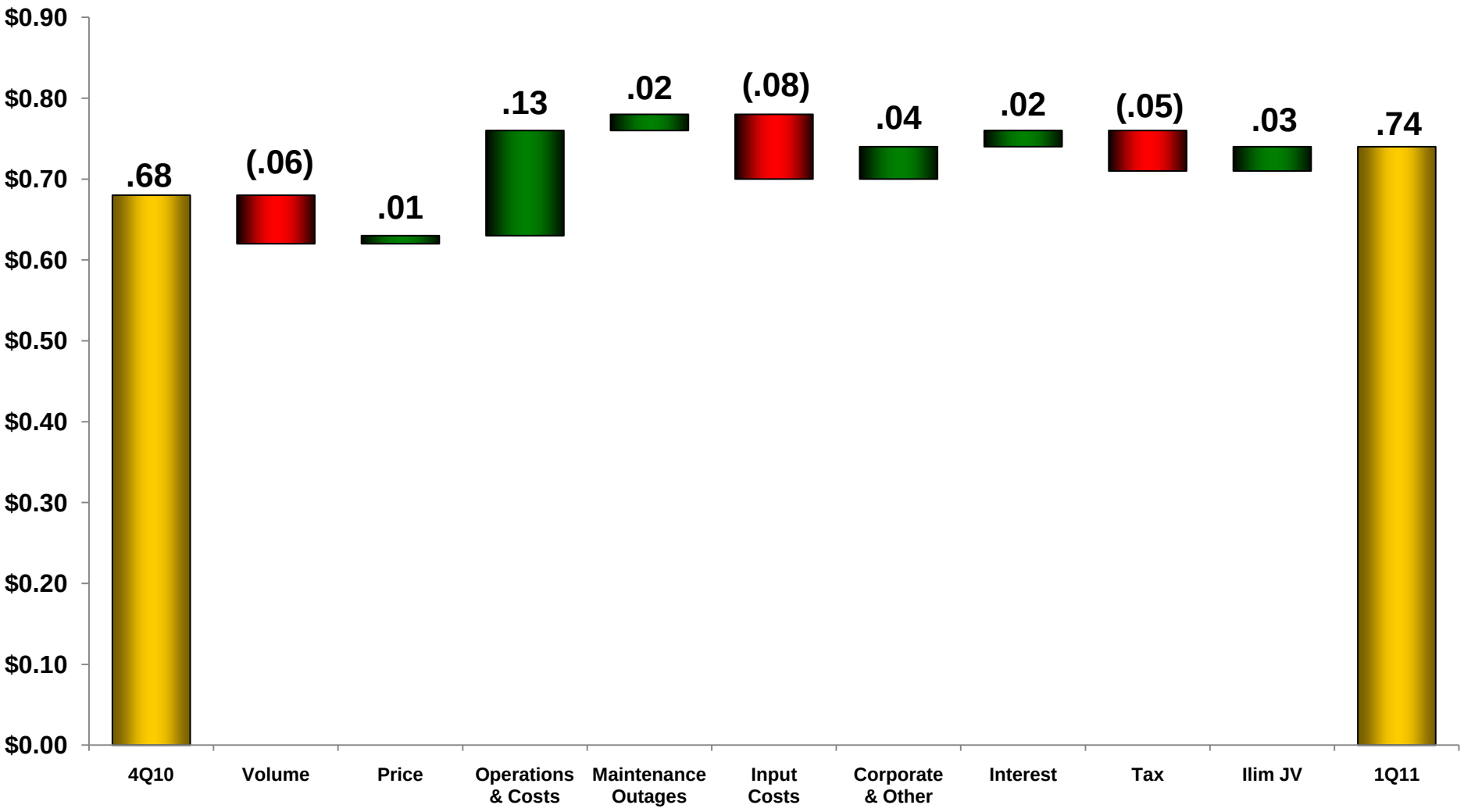

Global Input Costs vs. 4Q10

$48 MM Unfavorable, or $0.08/Share

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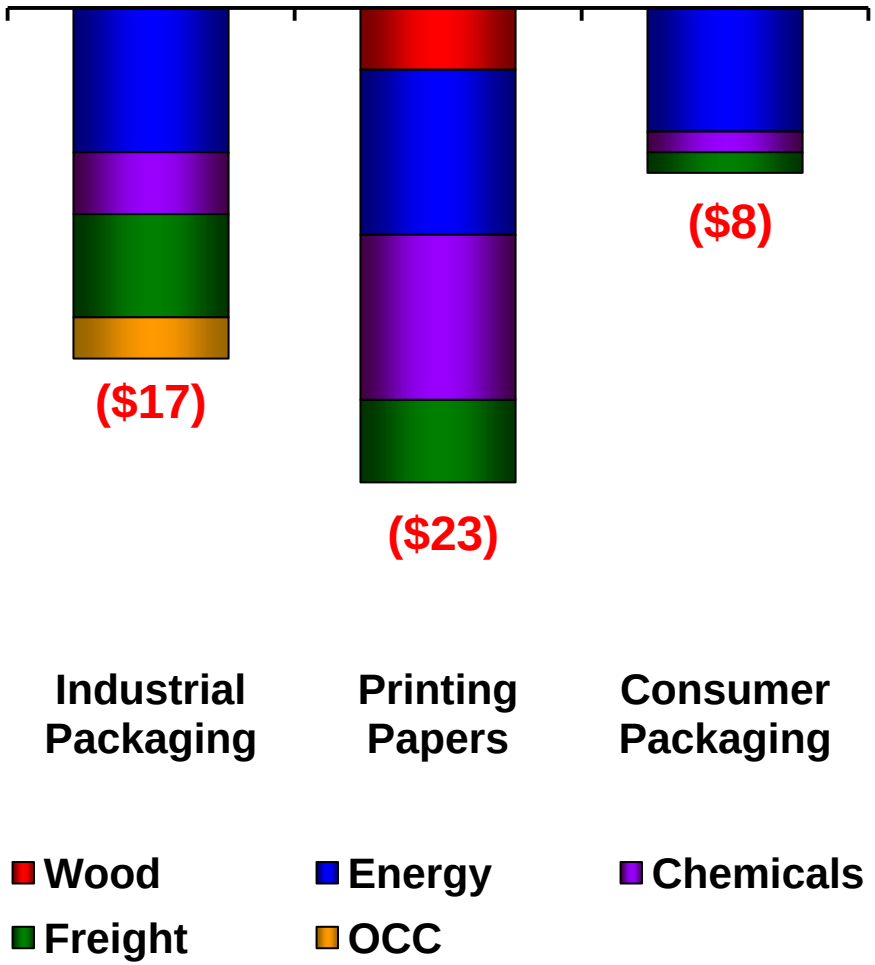
By Business



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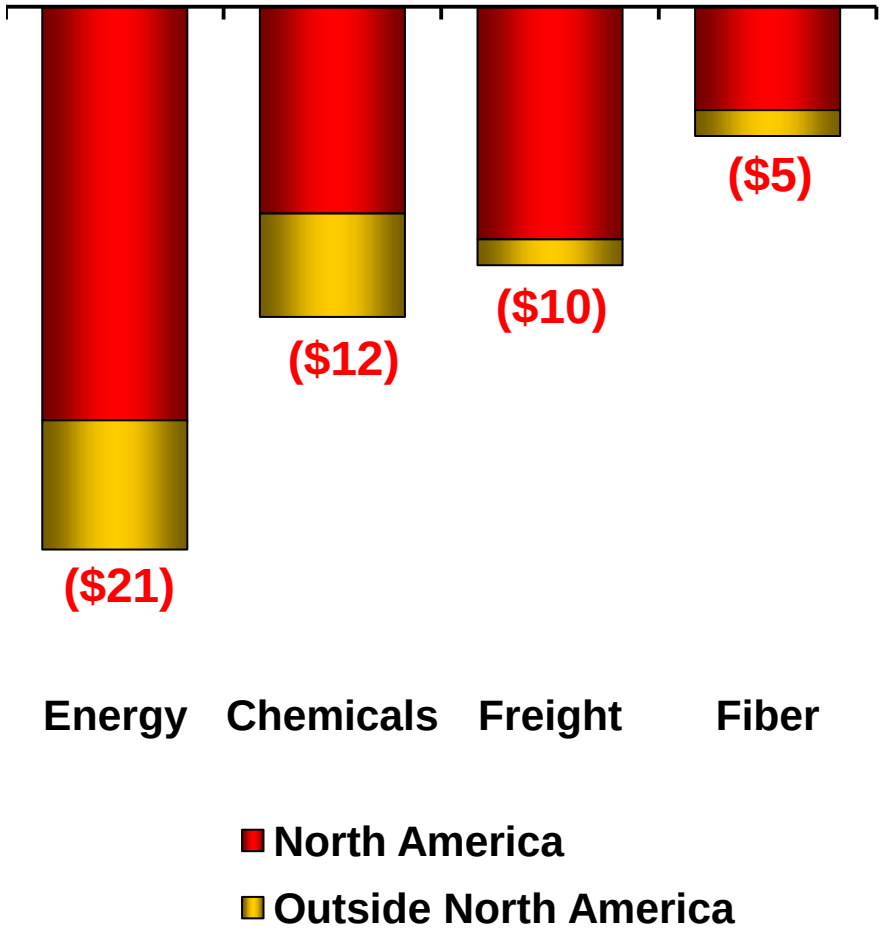

Industrial Packaging Earnings
1Q11 vs. 4Q10

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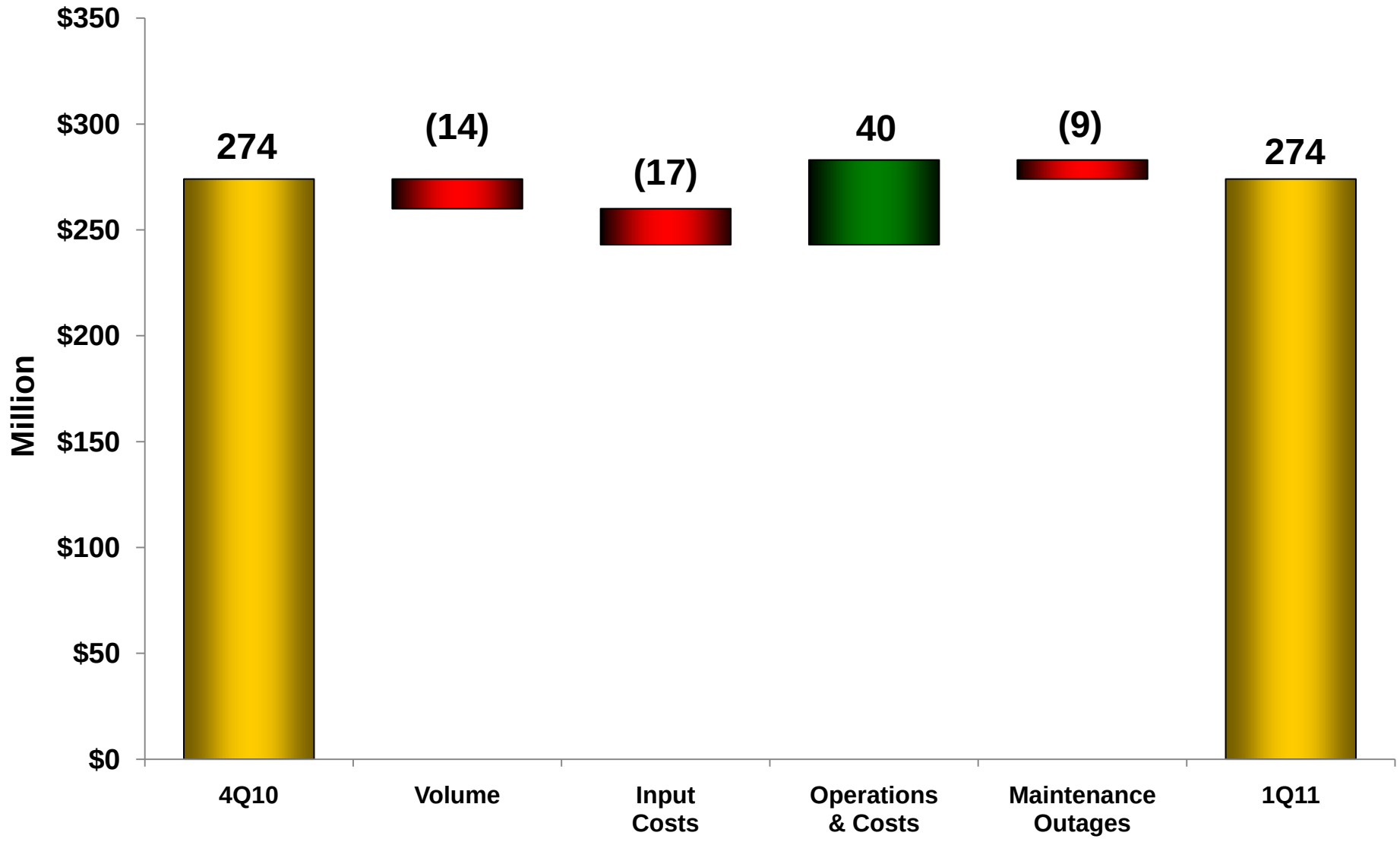
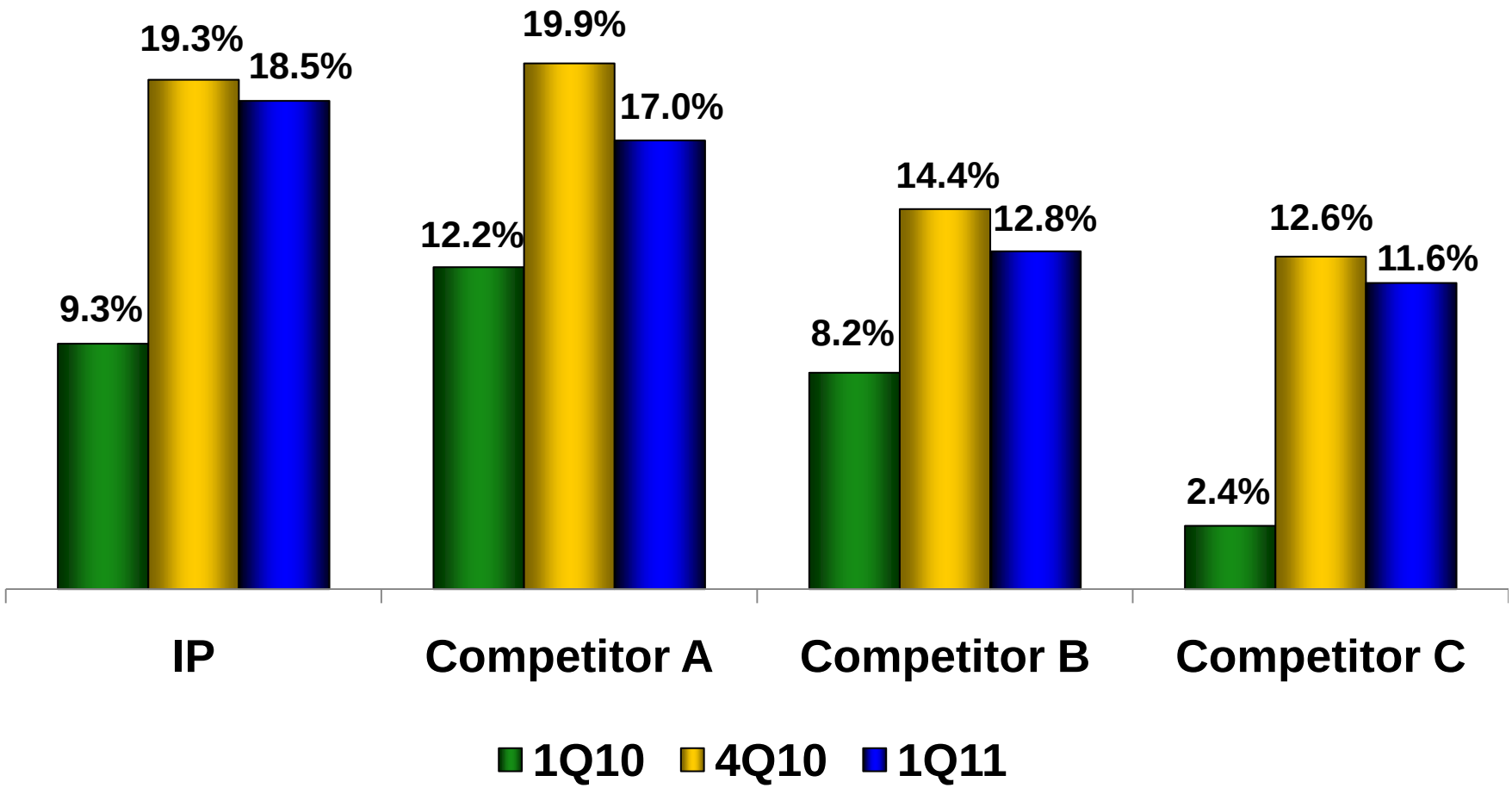


Earnings before special items

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
Excludes revenue from trade volumes

North American Industrial Packaging
Balanced Global Strategy

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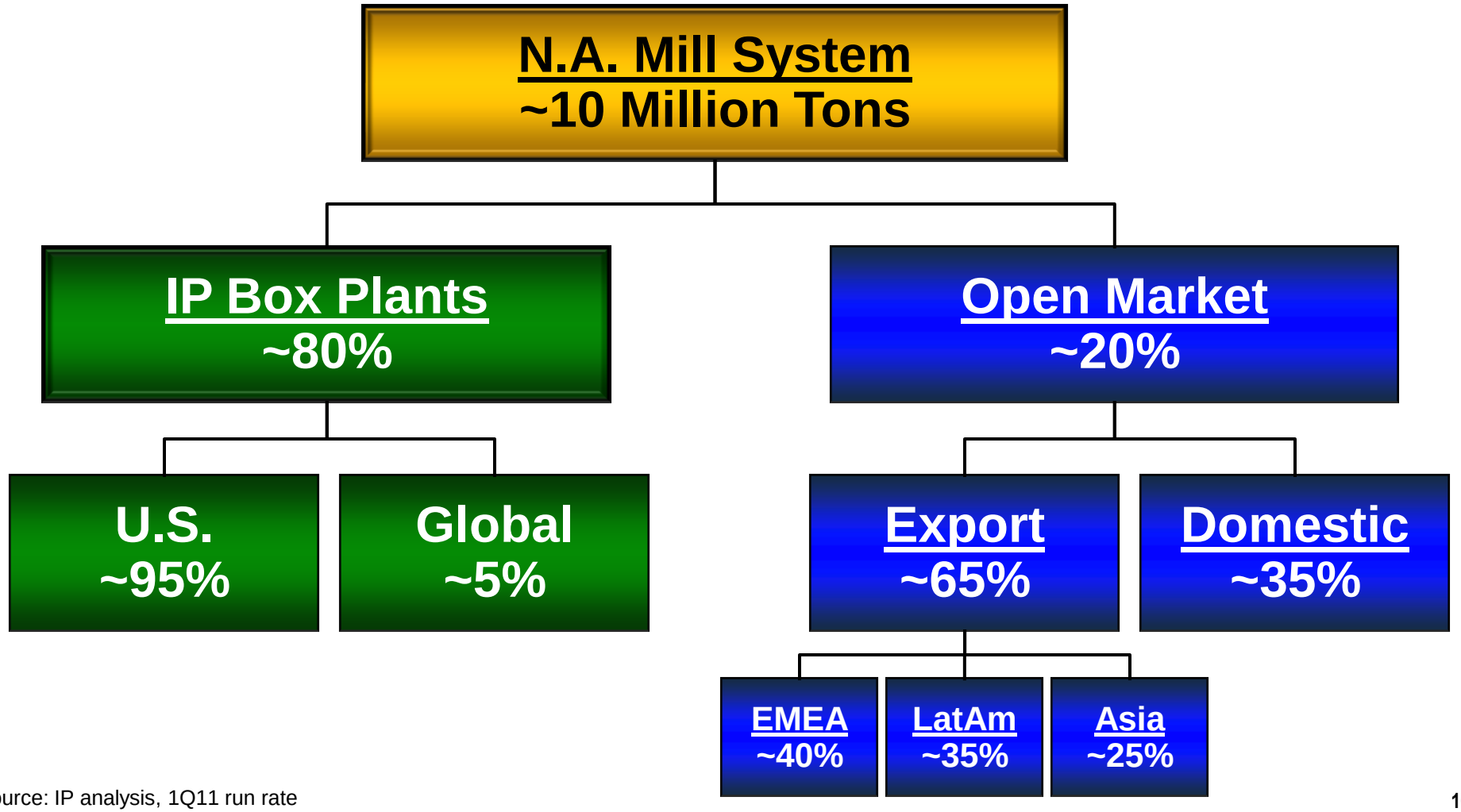
IP's market access provides choices for maximizing value



Source: IP analysis, 1Q11 run rate

North American Industrial Packaging
1Q11

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- **Continued year-over-year box demand growth**
  - Industry shipments up 2%
  - IP up 1%
- **Industry-leading margins**
- **Cost-of-capital ROI**

1Q11 Average Box Price vs.	$/Ton
1Q10	$91
4Q10	$6

Box demand on an FBA reporting basis

Printing Papers Earnings
1Q11 vs. 4Q10

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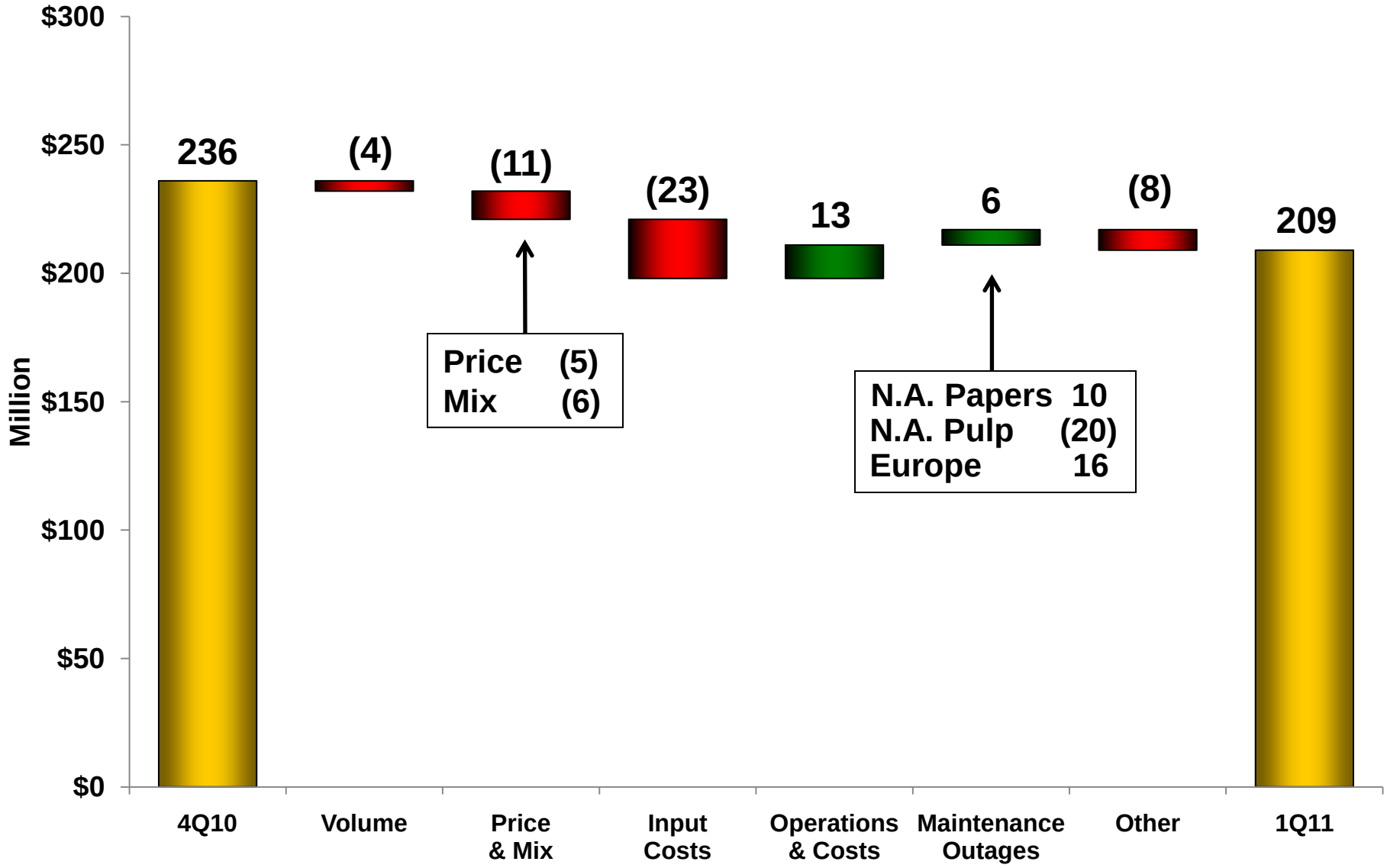
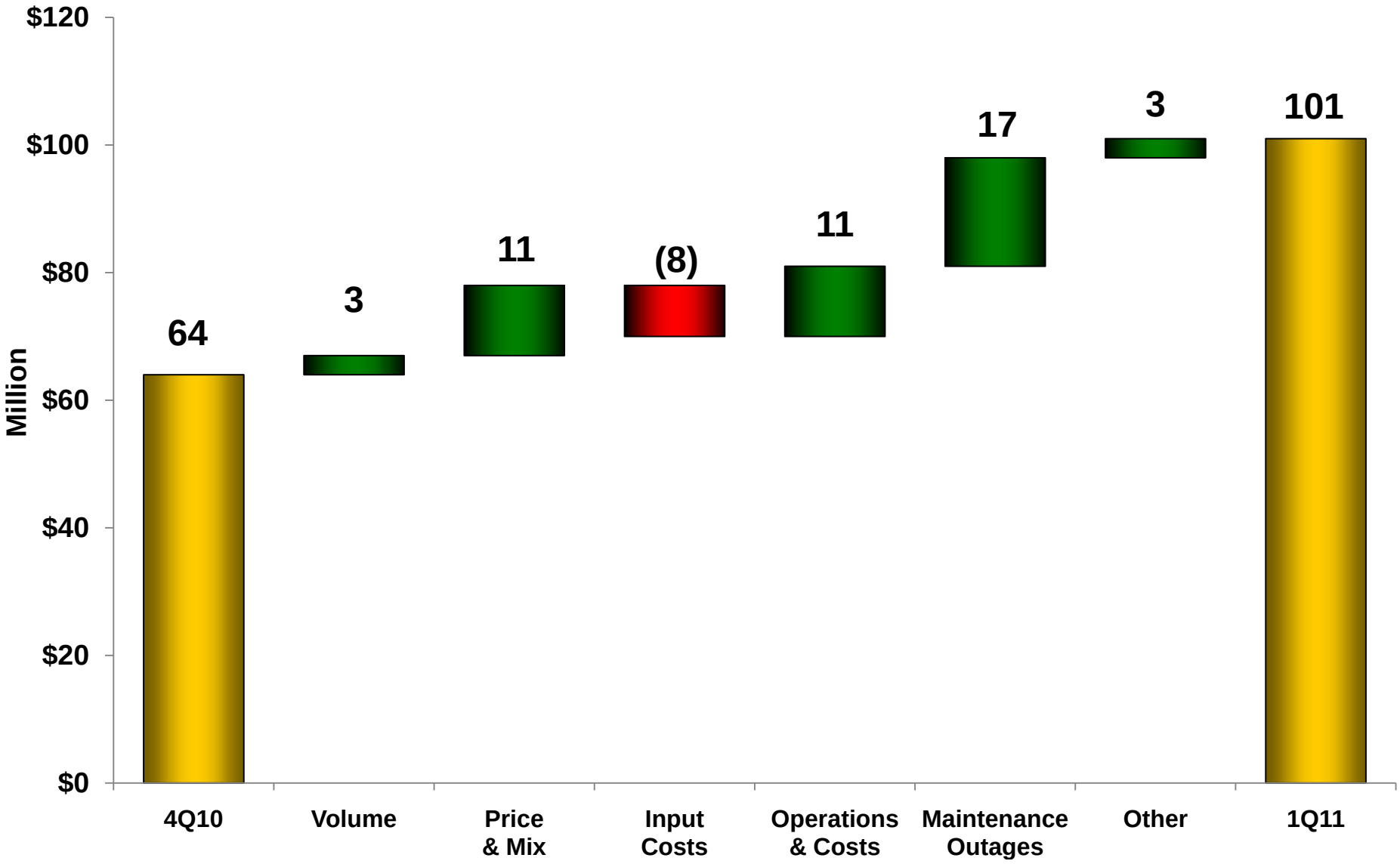


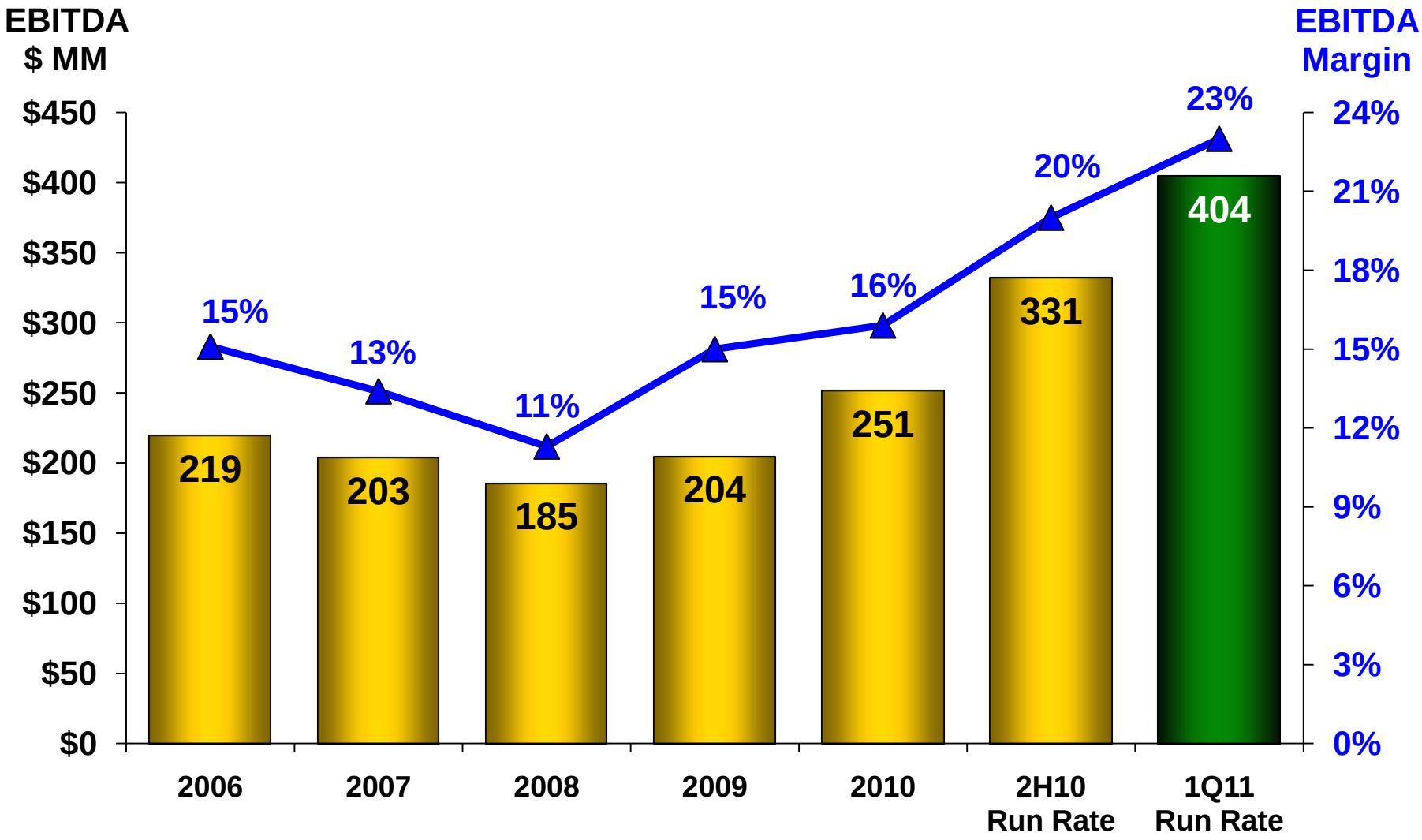
Earnings before special items

Consumer Packaging Earnings
1Q11 vs. 4Q10



Earnings before special items

N.A. Coated Paperboard
Consistent Improvement



Global Coated Paperboard

3 MM Tons at Cost-of-Capital Returns

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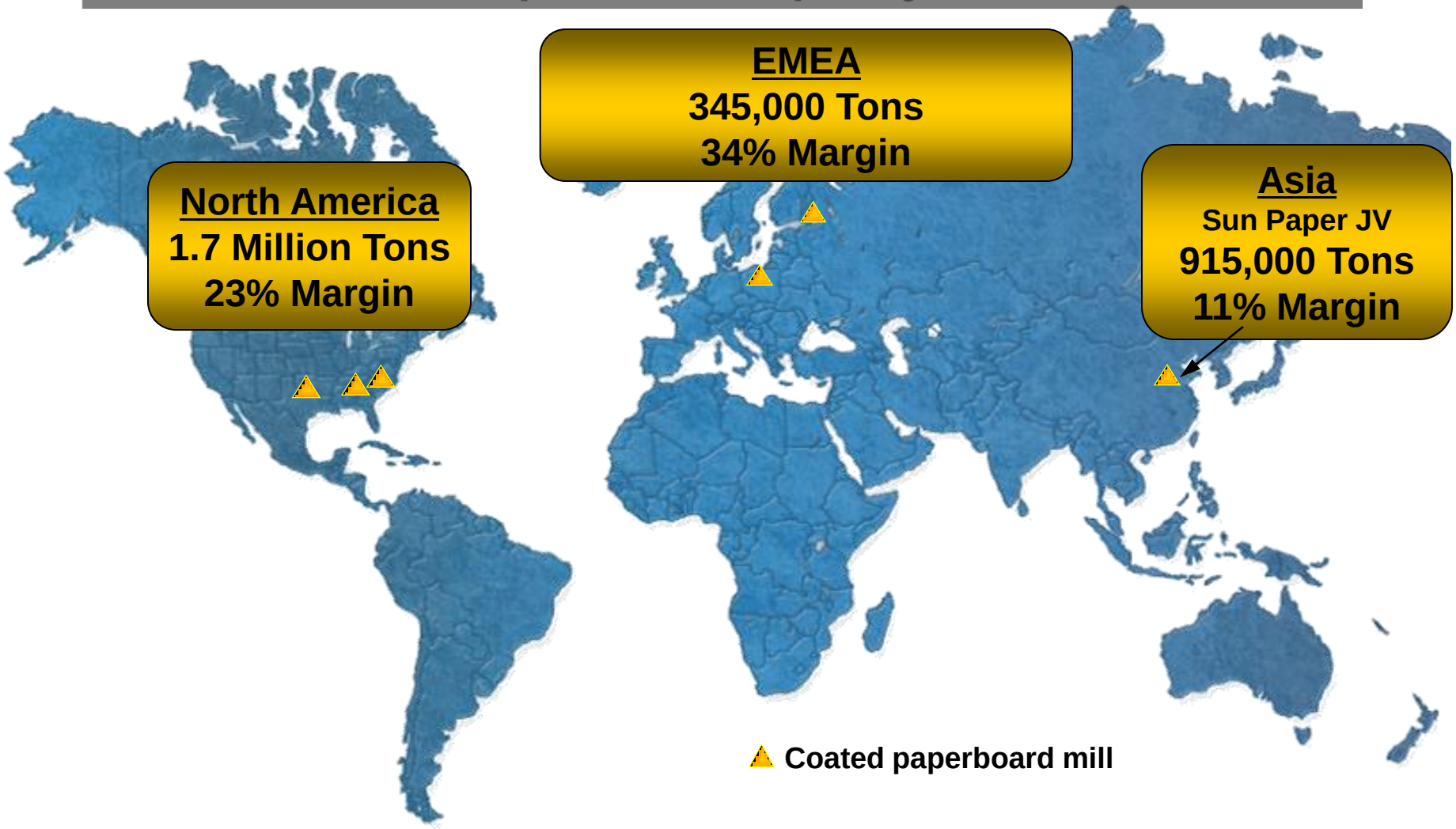
Global Coated Paperboard Capacity of 3 Million Tons



xpedx
1Q11 vs. 4Q10

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$ Million	1Q10	4Q10	1Q11
Sales	$1,580	$1,770	$1,640
Earnings	$21	$9	$12

Daily Sales Change	vs. 1Q10	vs. 4Q10
Printing	(5%)	(13%)
Packaging	6%	(7%)
Facility Supplies	(17%)[1]	(9%)

- Seasonal demand decline
- Average daily sales rate up 2% vs. 1Q10
- Higher transportation costs

Earnings before special items

[1] Sales increased 5%, excluding the impact of the loss of one large national accounts customer in 1H10.

xpedx
Current Situation

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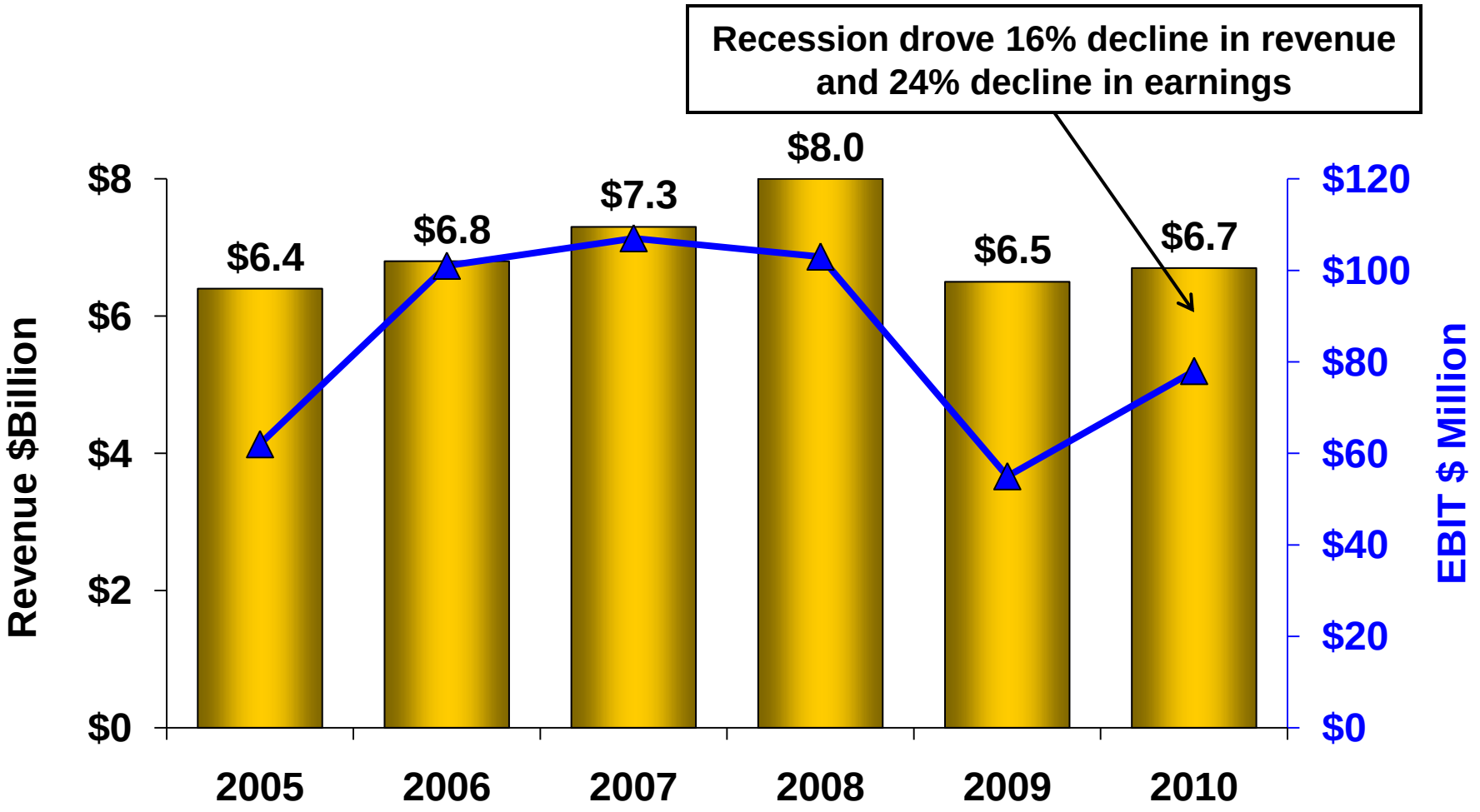

ROI	4%	6%	6%	5%	3%	4%

2005 EBIT excludes $20 MM of restructuring and other one-time charges

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Distribution Benchmarks

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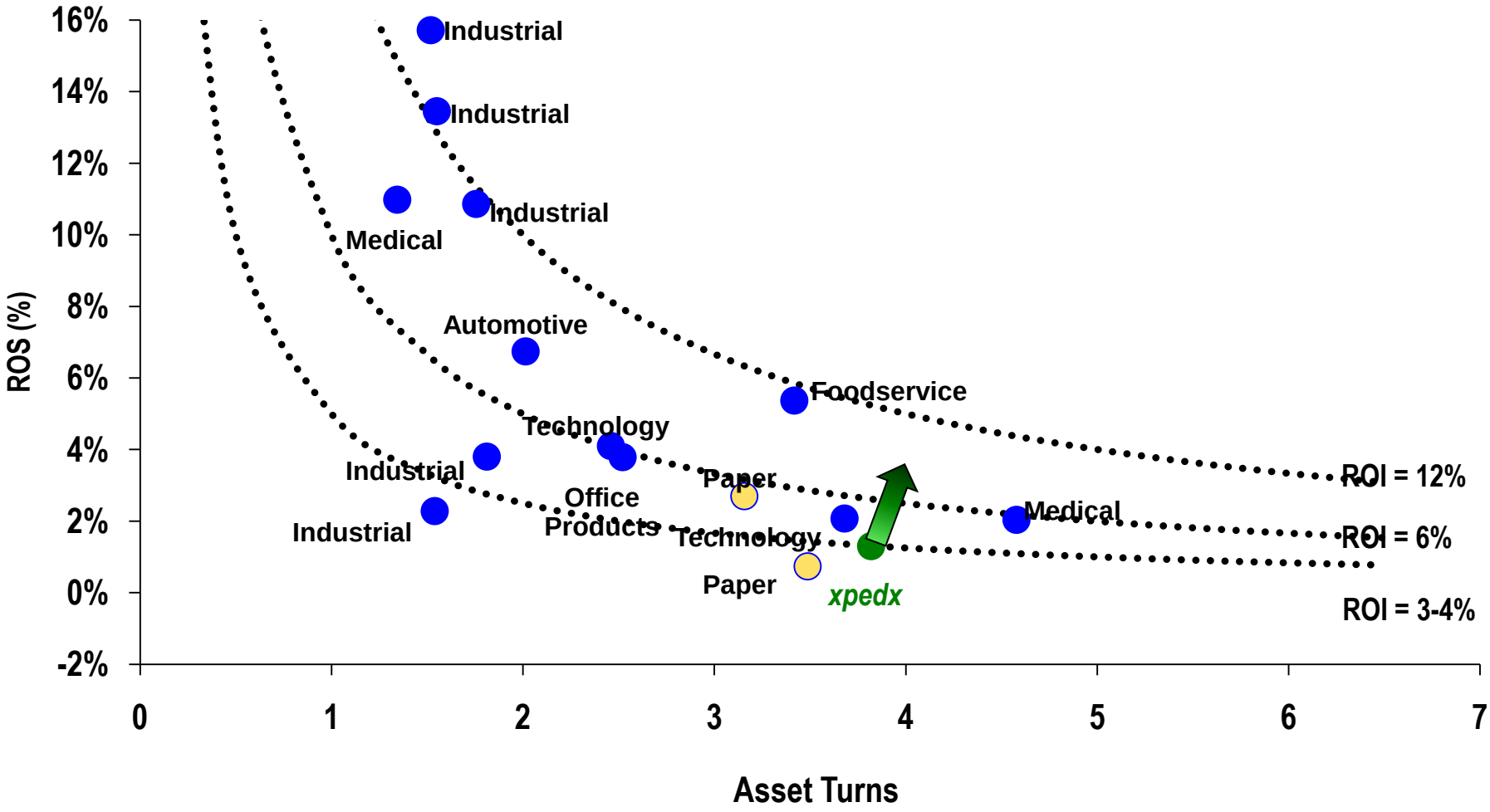
2010 Distributor Performance



Paper distributor data are xpedx estimates

xpedx
Projecting $140 MM Annual Benefit

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Buy

- Centralize processes and decision-making
- Establish targeted / consistent product offering
- Consolidate / rationalize suppliers & SKUs

Handle

- Optimize warehouse network & inventory placement around centers of demand
  - Streamline operations
  - Larger, lower-cost facilities

Sell

- Increase productivity of print sales & marketing
- Expand sales & marketing capabilities in growth segments

Cash Costs of ~$100 MM over Three Years

Cash costs net of estimated proceeds of $60 million from asset recoveries

Ilim Joint Venture
1Q11 vs. 4Q10

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IP received a $42 MM dividend from Ilim in 1Q11

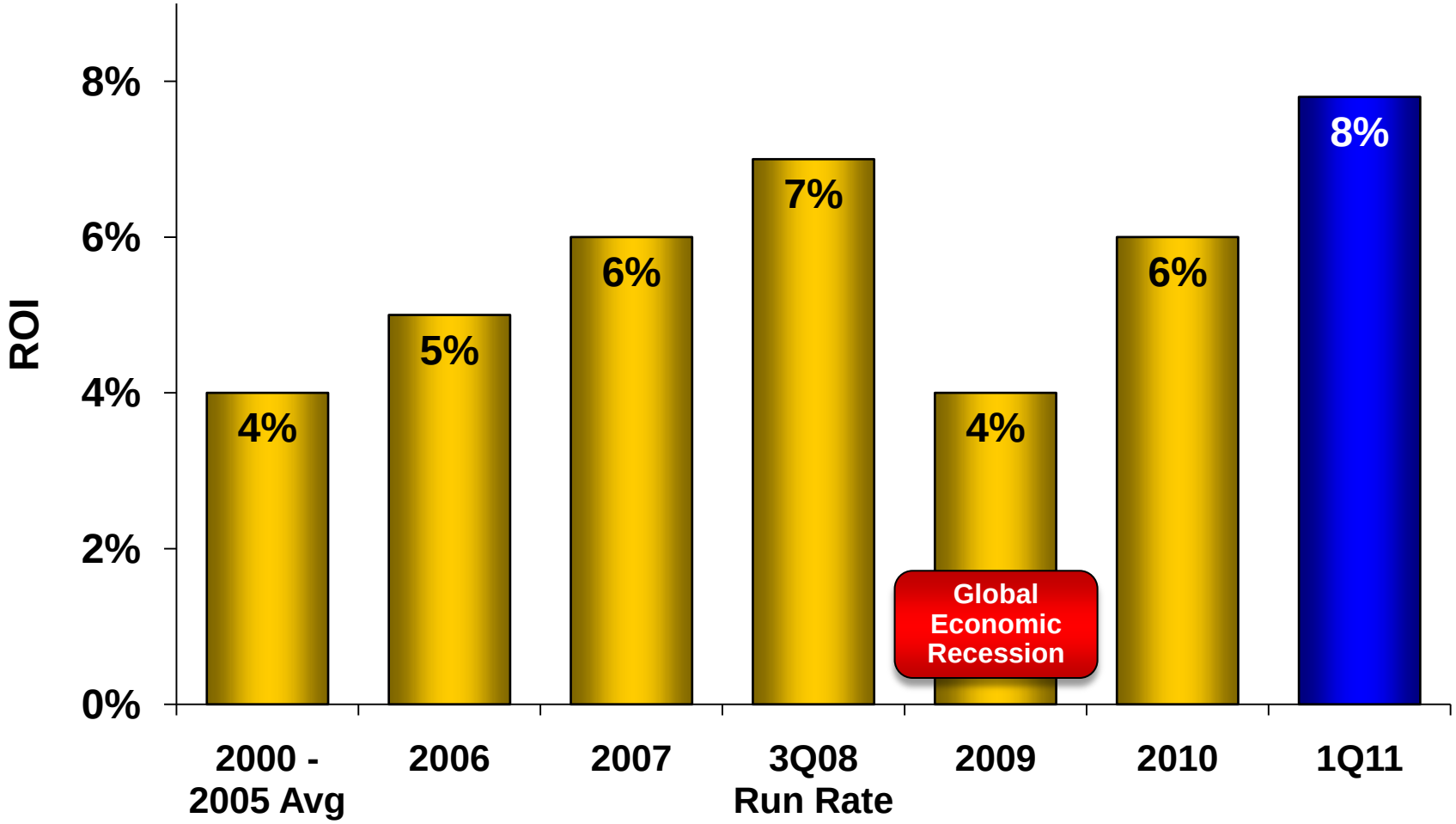
$ Million	1Q10	4Q10	1Q11
Sales (100%)	$395	$490	$515
Earnings (IP Share)	($3)	$31[1]	$44

	1Q11 vs. 4Q10		1Q11 vs. 1Q10	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	4%	($8)	5%	$133
Containerboard	(3%)	$53	(2%)	$198

[1] Ilim recorded an asset impairment charge (IP share was $16 million after tax)
Ilim's results are reported on a one-quarter lag.
IP's shares of Ilim's reported earnings for 1Q11 & 4Q10 include an after-tax foreign exchange gain of $2MM and $10MM, respectively. 1Q10 earnings include an after-tax foreign exchange loss of $2MM.

Improving Returns on Invested Capital

Transformation Driving ROI



1Q11 Summary
Momentum Continues

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	• Increasing Demand • Stable-to-Improving Prices • Strong Operations • Strong Ilim JV Earnings • $42 MM Ilim JV Dividend • $140 MM Debt Reduction
	• Input Cost Escalation



Strong EPS, FCF & ROI

Second Quarter Outlook
Changes from 1Q11

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		North America	Europe	Brazil	Asia
Volume	Paper	Stable	Stable	Stable	
	Packaging	Seasonal Increase	Stable		Stable
Pricing	Paper	Slight Increase	Increase	Slight Increase	
	Packaging	Stable	Increase		Slight Increase
Maintenance Outages		~$59 MM Increase	~$9MM Increase	~$6 MM Increase	
Input & Freight Costs		Higher Energy, Transportation & Chemicals	Increase	Stable	Stable

xpedx	Increase

Ilim	Increase

2Q11 Outlook
Momentum Continues

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	• Increasing U.S. Box Demand • Stable-to-Improving Prices • Strong Ilim JV Earnings
	• Input Cost Escalation • Significantly Higher Maintenance Outages



Strong EPS, FCF & ROI

Appendix

Investor Relations Contacts

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Media Contact

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Key Financial Statistics

$ Million (Except as noted)	2009	2010	2011 Estimate
Capital Spending	$534	$775	$1.2 - $1.3 B
Depreciation & Amortization	$1,472	$1,456	$1.4 B
Net Interest Expense	$669	$608	$575 - $600
Corporate Items	$181	$226	$175 - $200
Effective Tax Rate	30%	30%	32 - 34%

Before special items and excluding Ilim

Free Cash Flow

$ Million	1Q10	4Q10	1Q11
Cash from Operations	$159	$919[1]	$600[2]
Cash Received from Cellulosic Biofuel Tax Credits (CBTC)	$0	$17	$0
Cash Provided by Continuing Operations	**$159**	**$936**	**$600**
Less Capital Investment	**($120)**	**($318)**	**($181)**
Free Cash Flow	**$39**	**$618**	**$419**
Free Cash Flow Excluding CBTC	**$39**	**$601**	**$419**

[1] Excludes a tax receivable of $108 MM collected related to pension contributions
[2] Excludes a $209 MM increase in working capital related to the cessation of the European A/R securitization program and a $123 MM tax receivable collected related to pension contributions

Maintenance Outages Expenses

$ Million	1Q11	2Q11E	3Q11E	4Q11E	2011E
Industrial Packaging	**$31**	**$82**	**$6**	**$24**	**$143**
Printing Papers Total	**$39**	**$45**	**$52**	**$49**	**$185**
North America	$39	$30	$20	$49	$138
Europe	0	9	23	0	32
Brazil	0	6	9	0	15
Consumer Packaging	**$0**	**$17**	**$0**	**$27**	**$44**
Total Impact	**$70**	**$144**	**$58**	**$100**	**$372**

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

Industrial Packaging

Business	1Q11 vs. 4Q10		1Q11 vs. 1Q10	
	Volume	Price / Ton	Volume	Price / Ton
N.A. Container[1]	(1%)	$6	1%	$91
European Container[2]	2%	€15	11%	€84

- **Total box shipments for IP North America were down seasonally 1% Q-o-Q and stable Y-o-Y**

[1] Volumes reflect FBA reporting basis, which excludes Display and Bulk products and shipments from facilities in Mexico and Latin America; but includes domestic sheet plant shipments

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

Printing Papers

	1Q11 vs. 4Q10		1Q11 vs. 1Q10	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**3%**	**($7)**	**(5%)**	**$60**
N.A. Pulp	**(8%)**	**$8**	**(8%)**	**$137**
European Paper	**2%**	**€7**	**1%**	**€97**

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

Consumer Packaging

	1Q11 vs. 4Q10		1Q11 vs. 1Q10	
	Volume	Price/Ton	Volume	Price/Ton
N.A. Coated Paperboard	9%	$12	8%	$92
	Revenue	Price	Revenue	Price
Converting Businesses	(6%)	NA	7%	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)		1Q10	4Q10	1Q11
Industrial Packaging	Facility & Machine Closure Costs	($5)	($10)	($2)
	Other		($3)	$7
Printing Papers	Facility Closure Costs	($204)		
	Other		($2)	($8)
Consumer Packaging	Reorganization	($3)	($4)	($1)
xpedx	Reorganization			($7)
Corporate	Net Gain on Sale of Business		$25	
	Restructuring & Other Charges	($3)	($36)	($35)
Total Special Items Pre-Tax		**($215)**	**($30)**	**($46)**

Special Items Net of Taxes
from Continuing Operations

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	1Q11	
	$ Million	EPS
Earnings Before Special Items	$322	$0.74
Special Items Net of Taxes:		
Mill & Machine Shutdowns	($2)	
Debt Extinguishment Costs	($19)	
Reorganization	($5)	
Overhead Reduction Initiative	($2)	
Other	($1)	
Total Special Items Net of Taxes	($29)	($0.07)
Discontinued Operations Net of Taxes	$49	$0.11
Net Earnings	$342	$0.78

1Q11 EBITDA

	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA per Ton	EBITDA Margin
Industrial Packaging					
North America[1]	$255	$116	2,404	$154	18.9%
Europe	$17	$7	273	$88	8.6%
Printing Papers					
North America[2]	$88	$50	685	$201	20.0%
Eastern Europe & Russia[3]	$57	$19	312	$244	22.8%
Brazil	$48	$37	273	$311	29.8%
U.S. Market Pulp	$16	$13	229	$127	16.6%
Consumer Packaging					
N.A. Coated Paperboard	$64	$37	364	$277	23.2%

[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	1Q10	4Q10	1Q11
Industrial Packaging	$46	$274	$274
Printing Papers	$126	$236	$209
Consumer Packaging	$31	$64	$101
Distribution	$21	$9	$12
Forest Products	$8	($3)	$0
Operating Profit	**$232**	**$580**	**$596**
Net Interest Expense	($149)	($150)	($136)
Noncontrolling Interest / Equity Earnings Adjustment	$8	($5)	$5
Corporate Items	($51)	($63)	($44)
Special Items	($215)	($30)	($53)
Earnings from continuing operations before income taxes, equity earnings & noncontrolling interest	**($175)**	**$332**	**$368**
Equity Earnings, net of taxes - Ilim	**($3)**	**$31**	**$44**

Geographic Business Segment Operating Results
Before Special Items

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$ Million	Sales			Operating Profit		
	1Q10	4Q10	1Q11	1Q10	4Q10	1Q11
Industrial Packaging						
North American	$1,890	$2,135	$2,115	$23	$261	$256
European	$245	$275	$280	$24	$16	$17
Asian	$85	$160	$160	($1)	($3)	$1
Printing Papers						
North American	$685	$675	$690	$70	$92	$88
European	$315	$345	$360	$48	$38	$57
Brazilian	$225	$315	$285	$11	$63	$48
U.S. Market Pulp	$155	$190	$175	($3)	$43	$16
Consumer Packaging						
North American	$550	$605	$620	($1)	$38	$65
European	$85	$95	$95	$20	$20	$27
Asian	$170	$180	$190	$12	$6	$9
xpedx	$1,580	$1,770	$1,640	$21	$9	$12

Does not reflect total company sales and operating profit

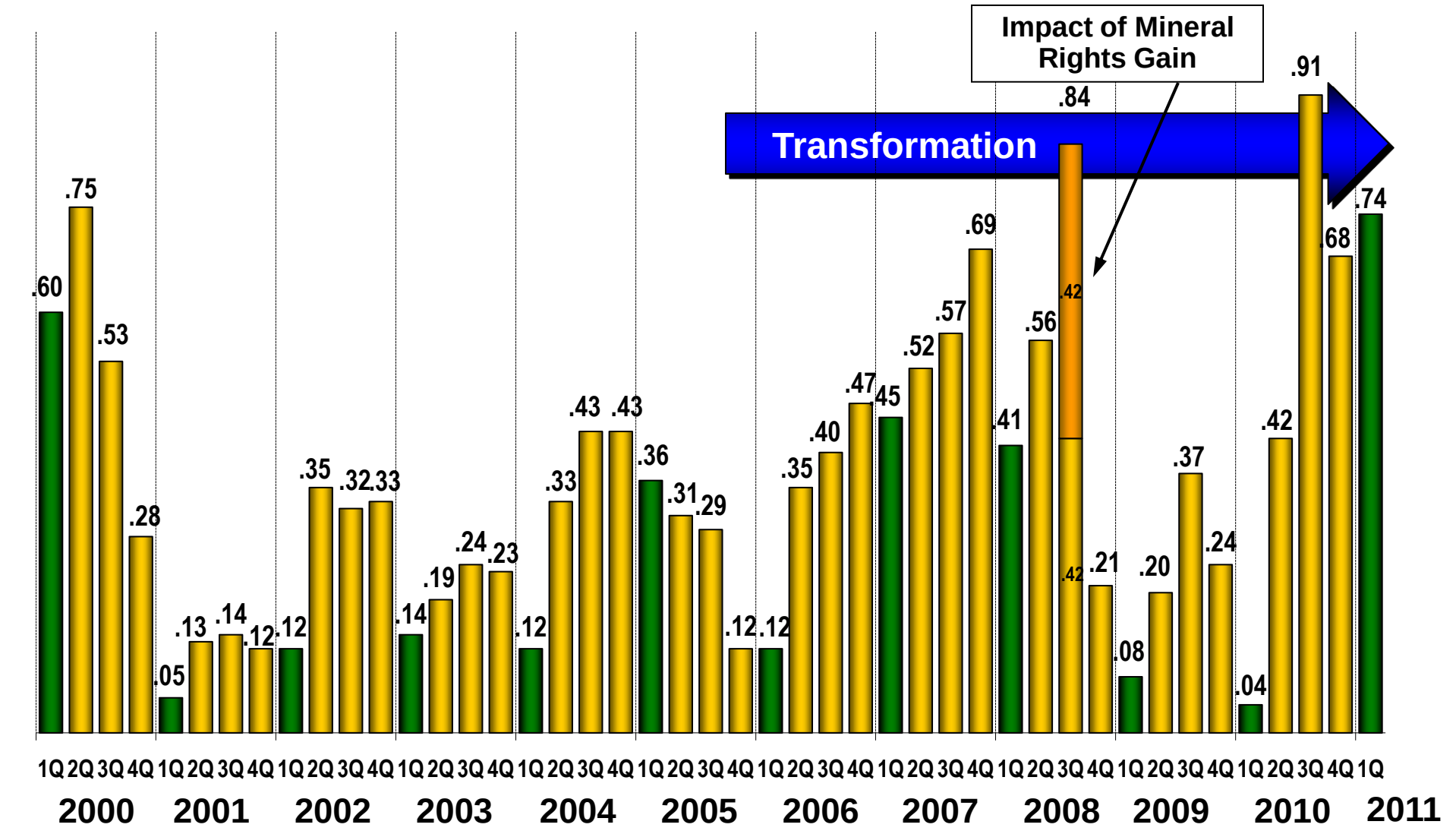
2011 Earnings from Continuing Operations

	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								
1Q11	$421	($140)	($5)	$46	$322	33%	434	$0.74
Special Items								
1Q11	($53)	$17	$0	$7	($29)	32%	434	($0.07)
Earnings								
1Q11	$368	($123)	($5)	$53	$293	33%	434	$0.67

[1] Assuming dilution

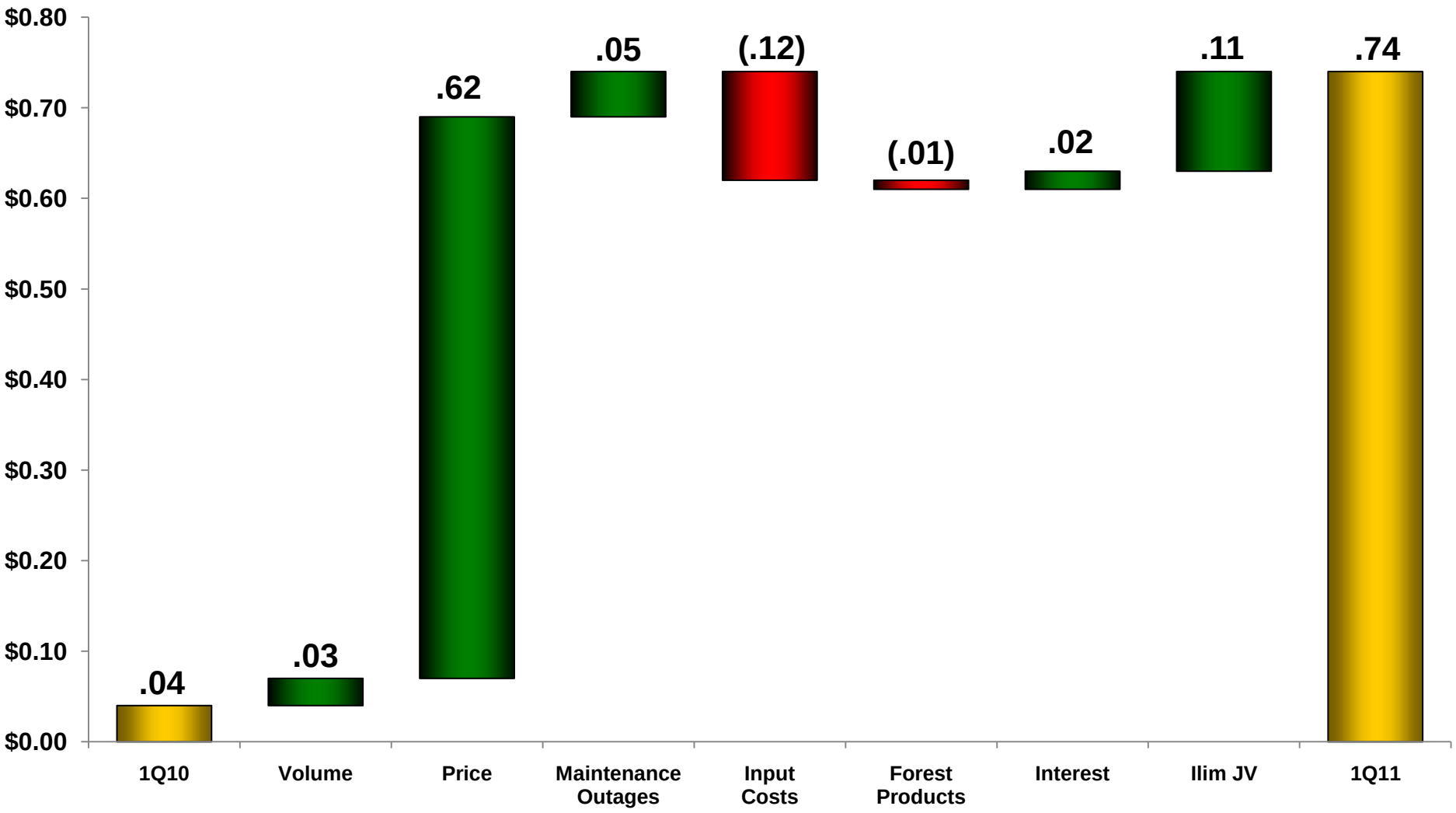
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at Webcasts and Presentations

1Q11 Operating Business EPS



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

1Q11 vs. 1Q10 EPS



Industrial Packaging Earnings
1Q11 vs. 1Q10

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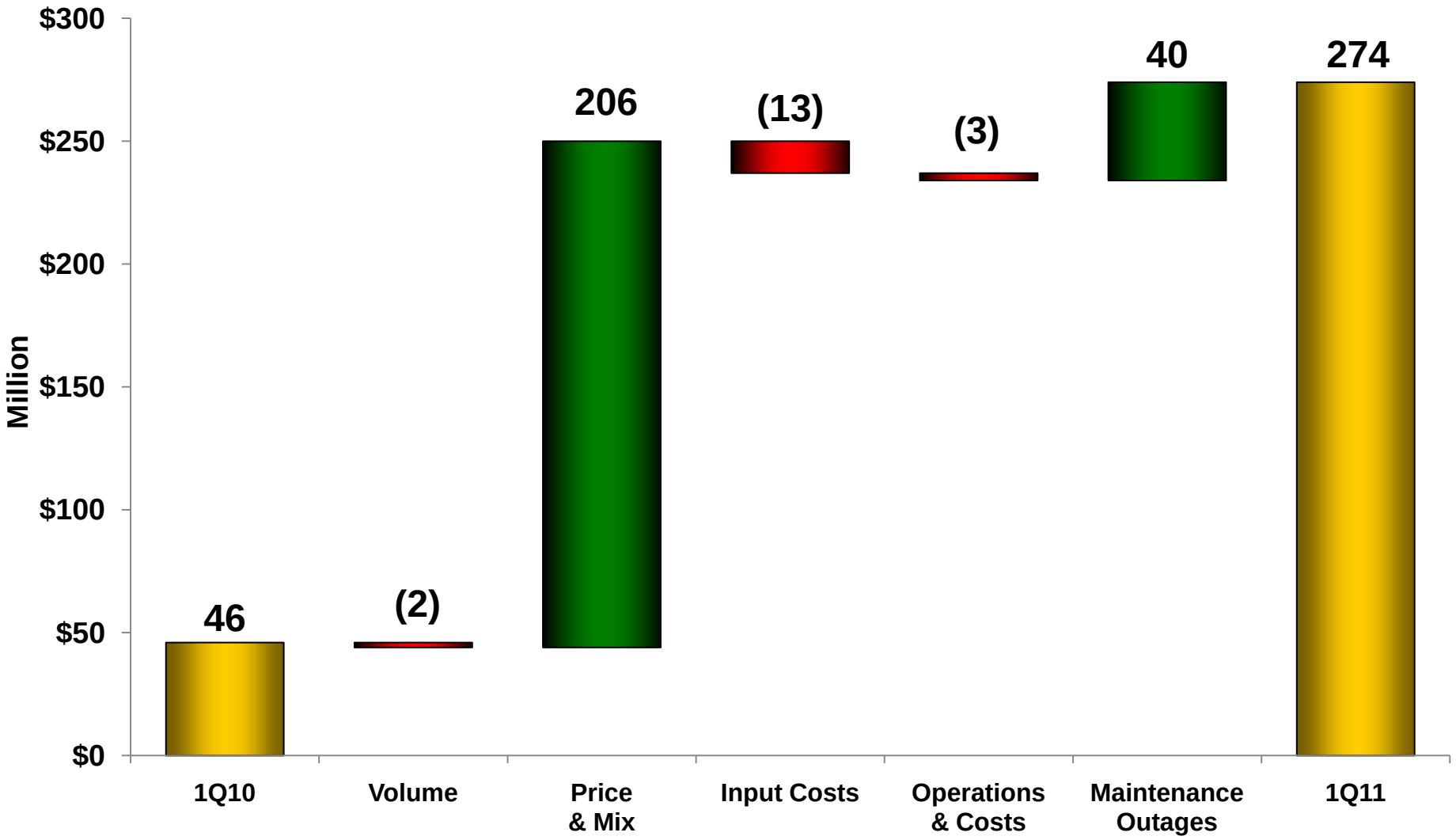

Earnings before special items

Printing Papers Earnings
1Q11 vs. 1Q10

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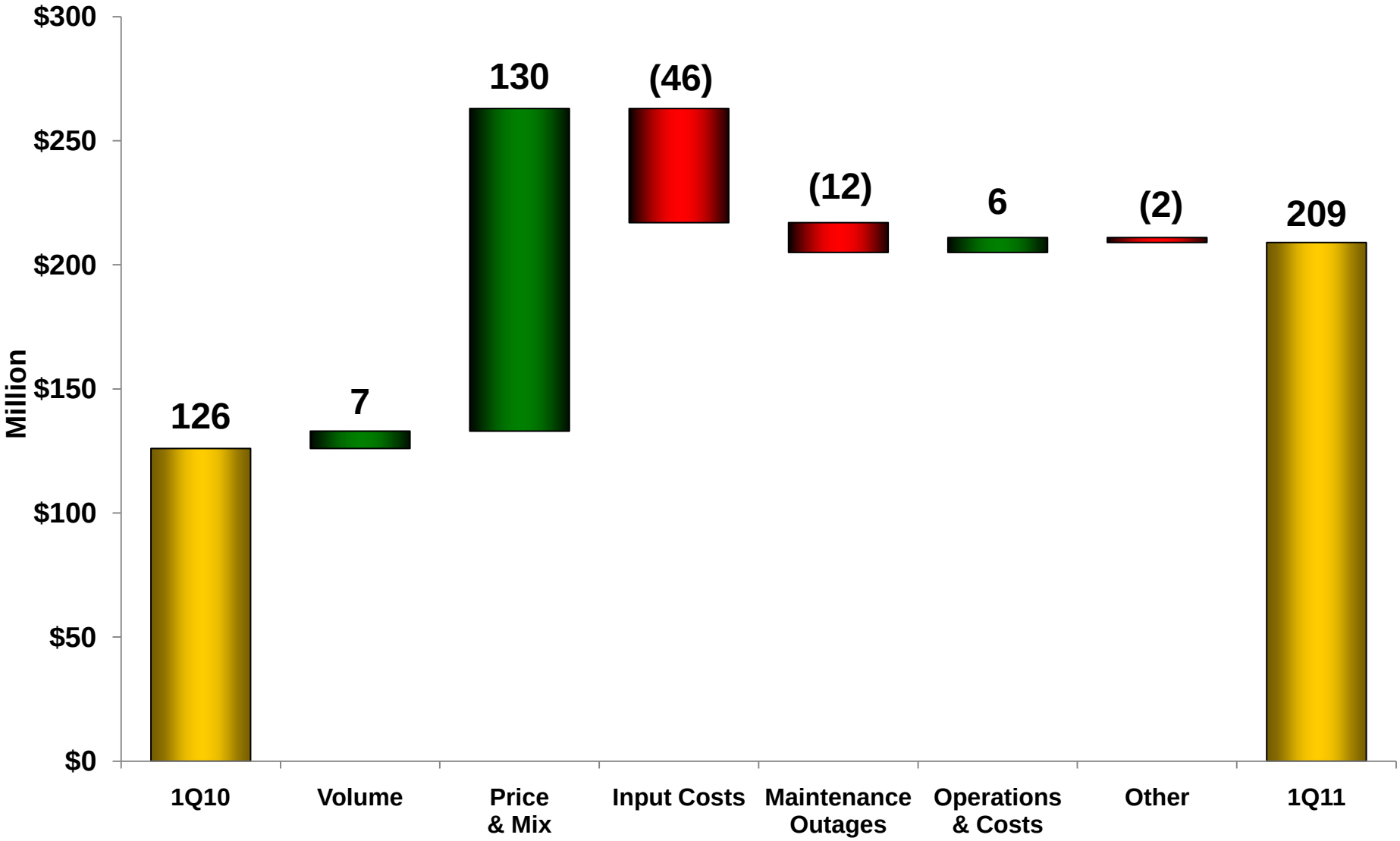

Earnings before special items

IP Brazil

$ Million	1Q10	4Q10	1Q11
Sales	$225	$315	$285
Earnings	$11	$63	$48
EBITDA Margin	20%	32%	30%

	1Q11 vs. 4Q10		1Q11 vs. 1Q10	
Business	Volume	Price / Ton	Volume	Price / Ton
Uncoated Freesheet	(5%)	($8)	13%	$92
Domestic	(19%)	($27)	16%	$8
Export	6%	$4	11%	$148

IP Brazil results are reported in the Printing Papers segment

Consumer Packaging Earnings
1Q11 vs. 1Q10

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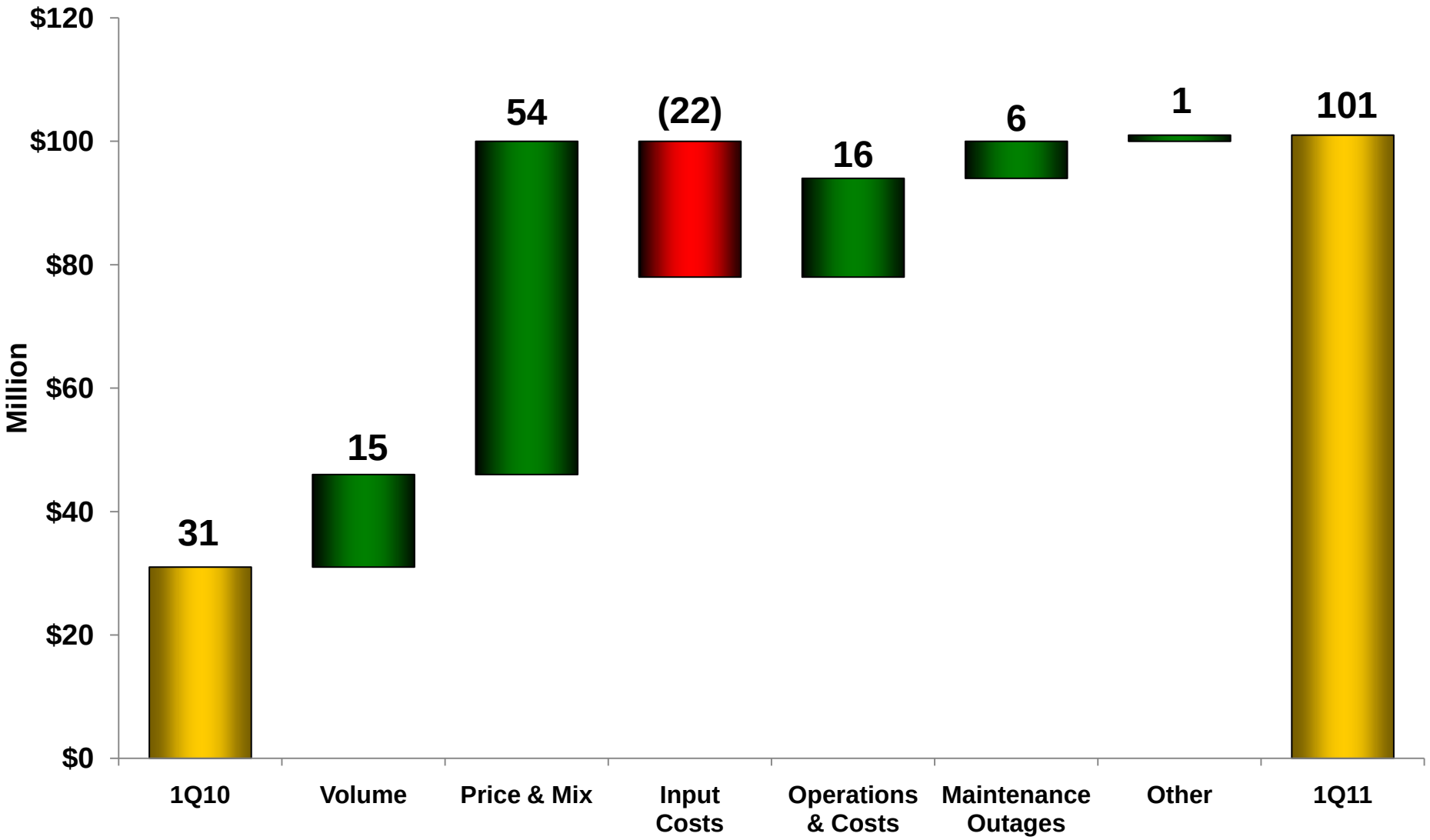
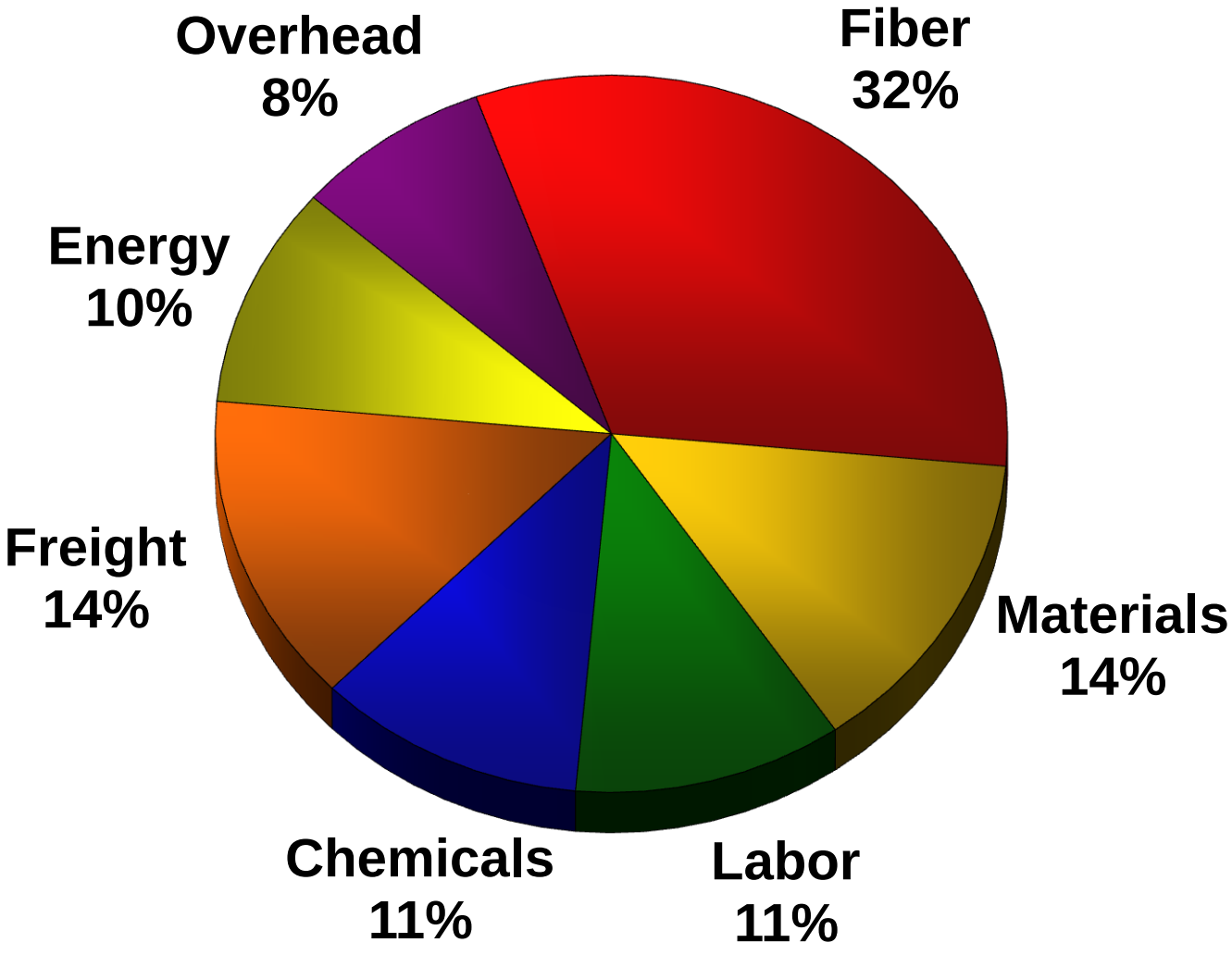


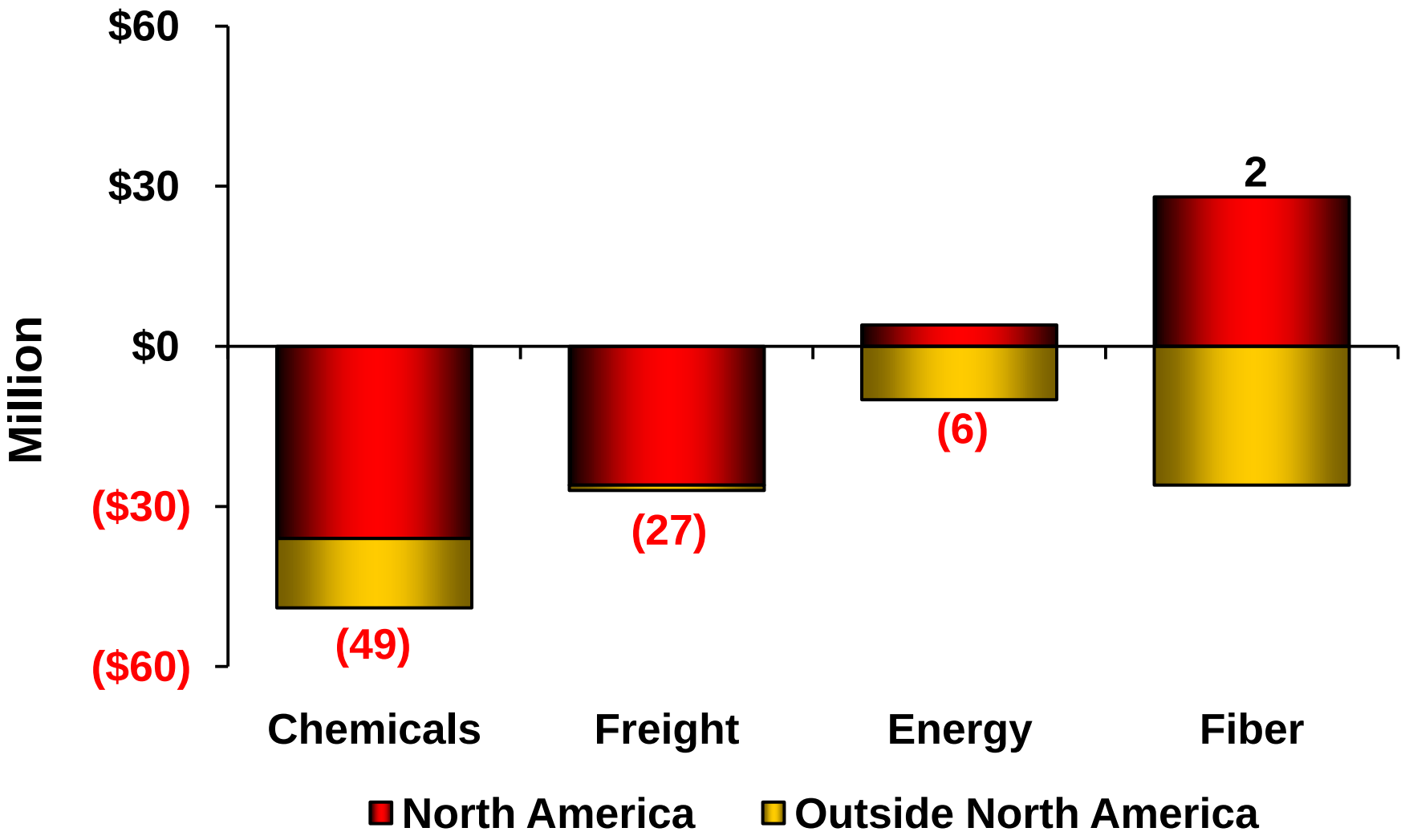
Earnings before special items

1Q11 Total North American Mills Cash Cost Components



Global Input & Freight Costs vs. 1Q10

$80 MM Unfavorable, or $0.13/Share



Input costs for continuing businesses

U.S. Mill Wood Delivered Cost Trends

2% Increase vs. 4Q10 Average Cost

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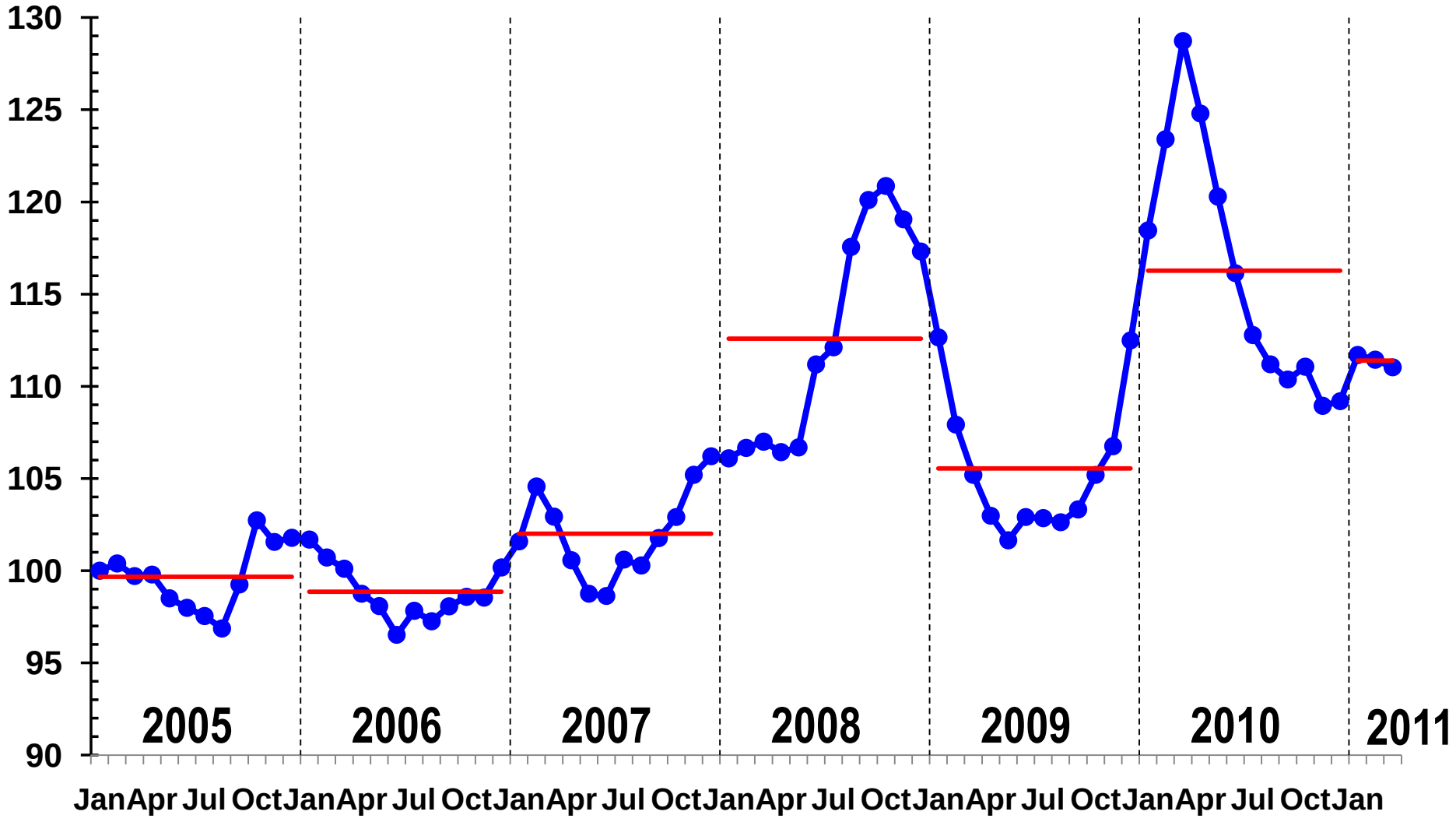

U.S. OCC Delivered Cost Trends

Flat vs. 4Q10 Average Cost

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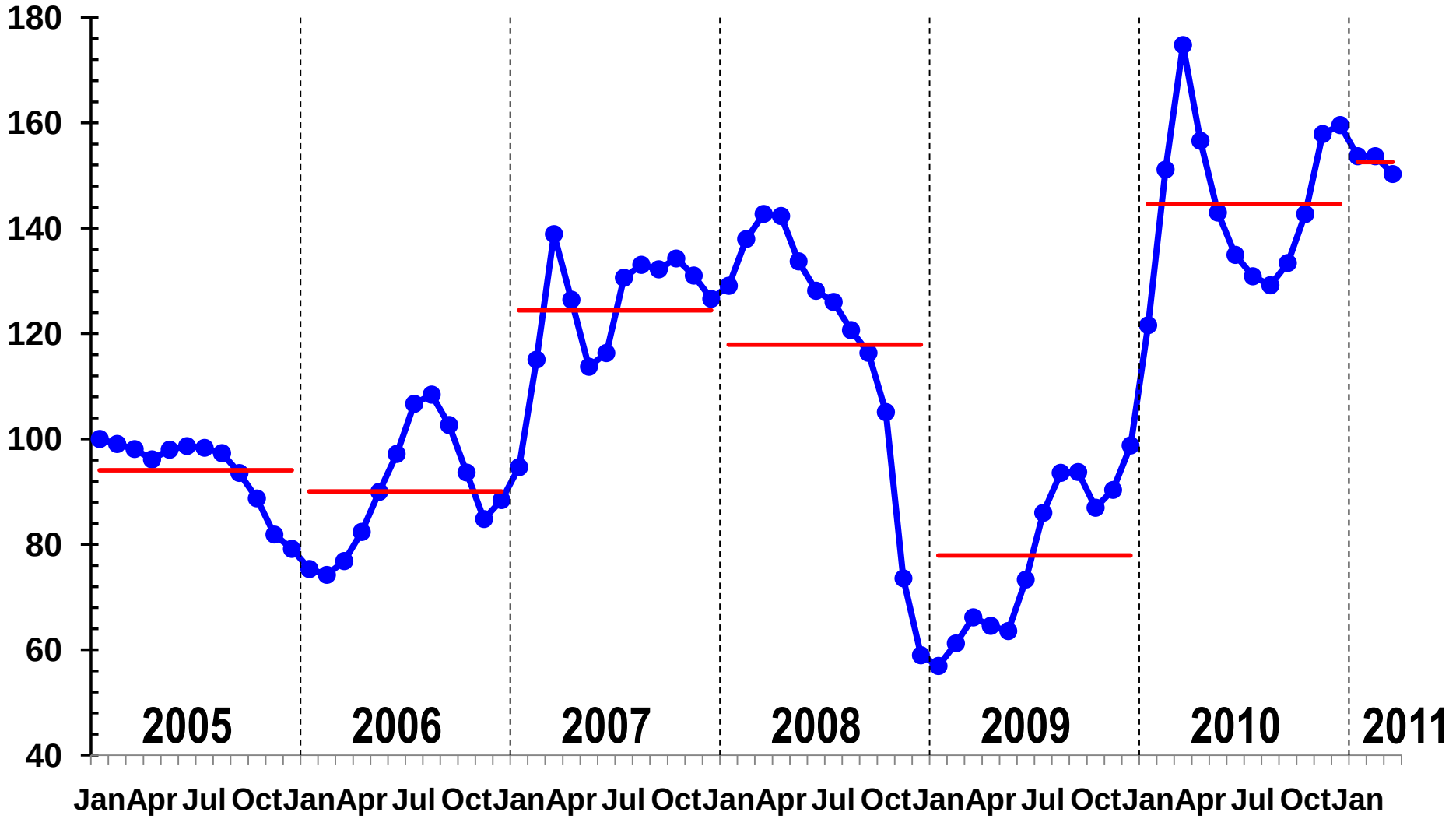

2005-2007 represents WY PKG delivered costs; 2008-2010 represents delivered costs to the integrated system

Natural Gas Costs

8% Increase vs. 4Q10 Average Cost

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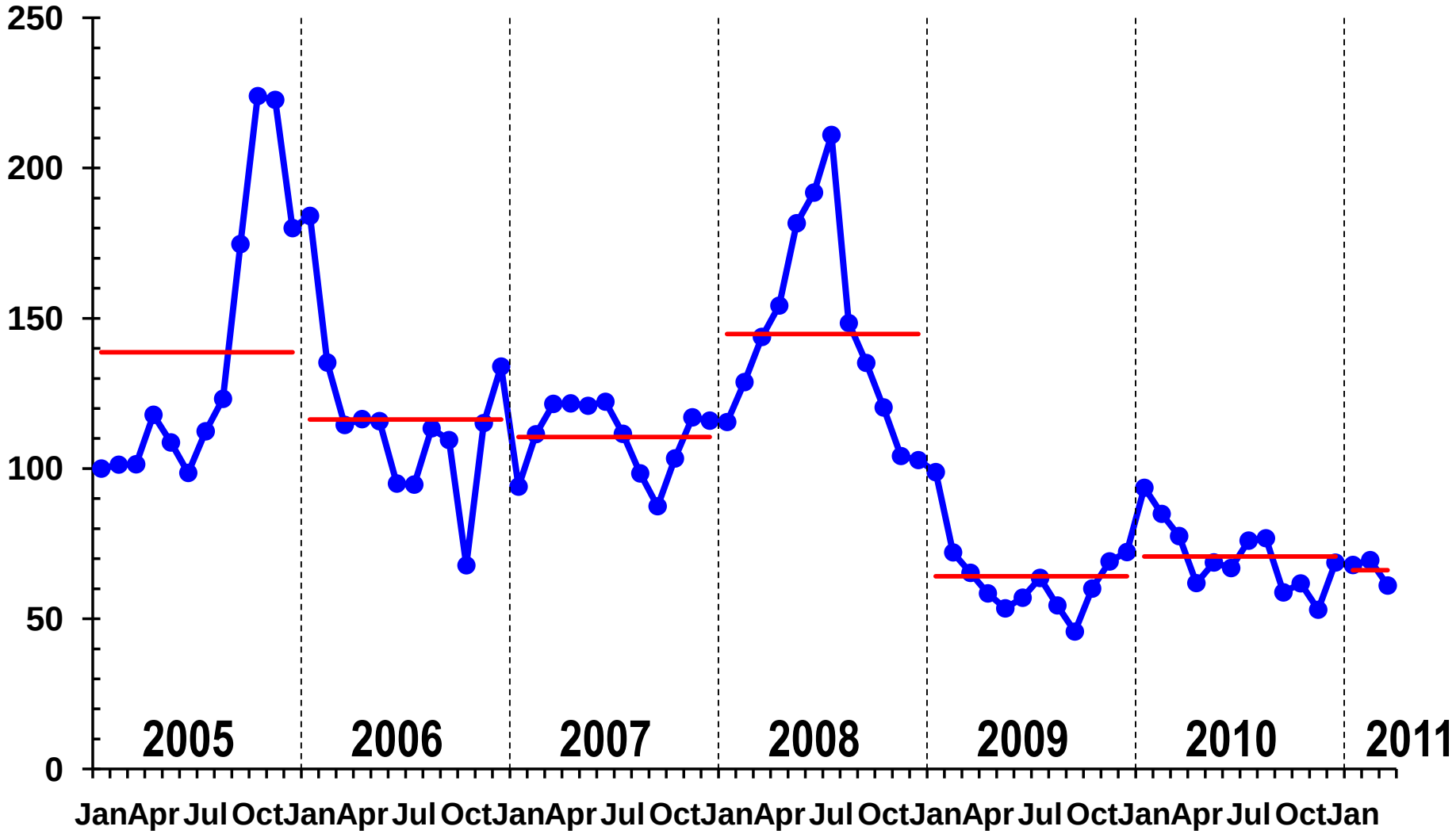

NYMEX Natural Gas closing prices

U.S. Fuel Oil

19% Increase vs. 4Q10 Average Cost

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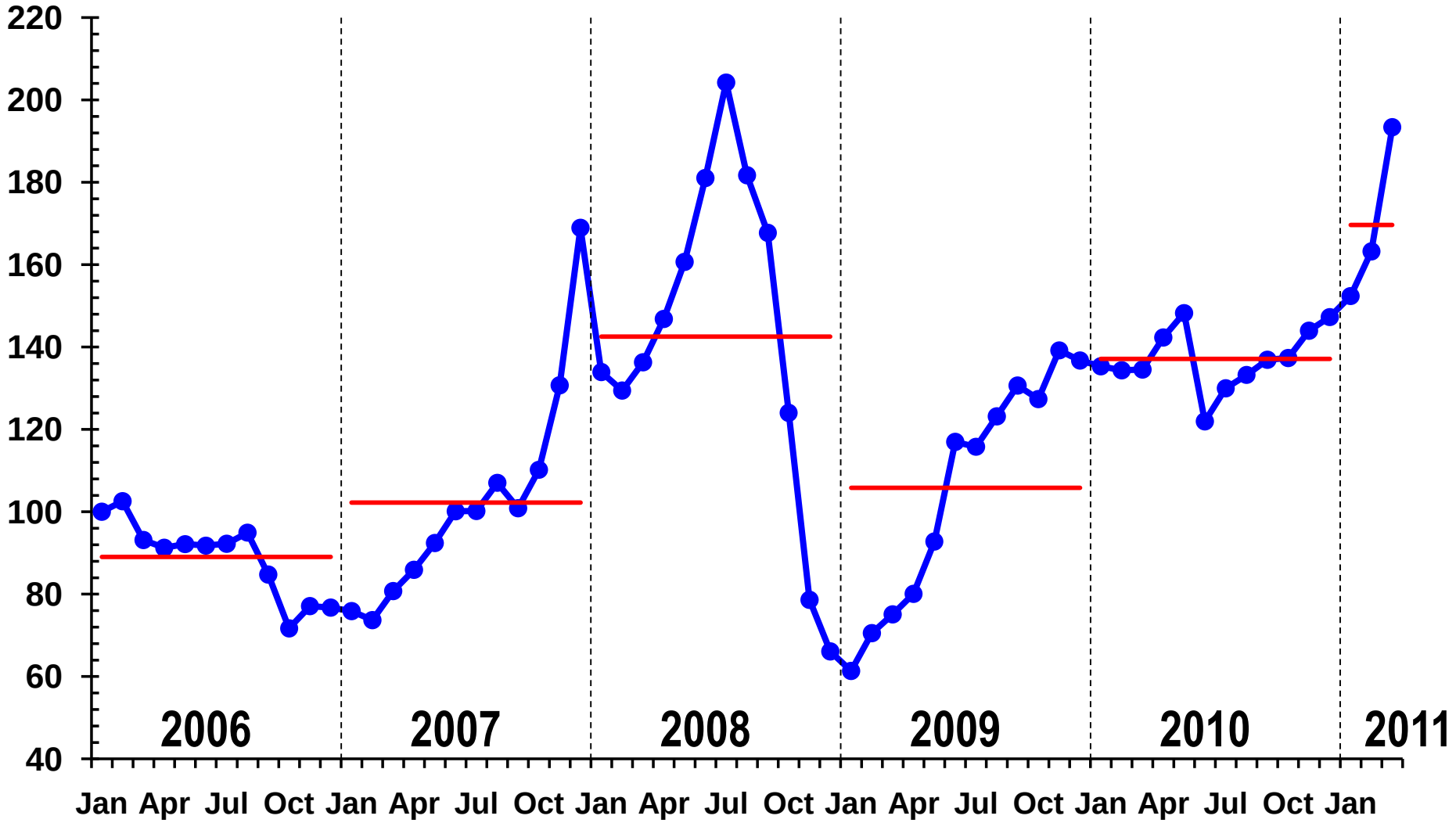

WTI Crude prices

U.S. Chemical Composite Index

5% Increase vs. 4Q10 Average Cost

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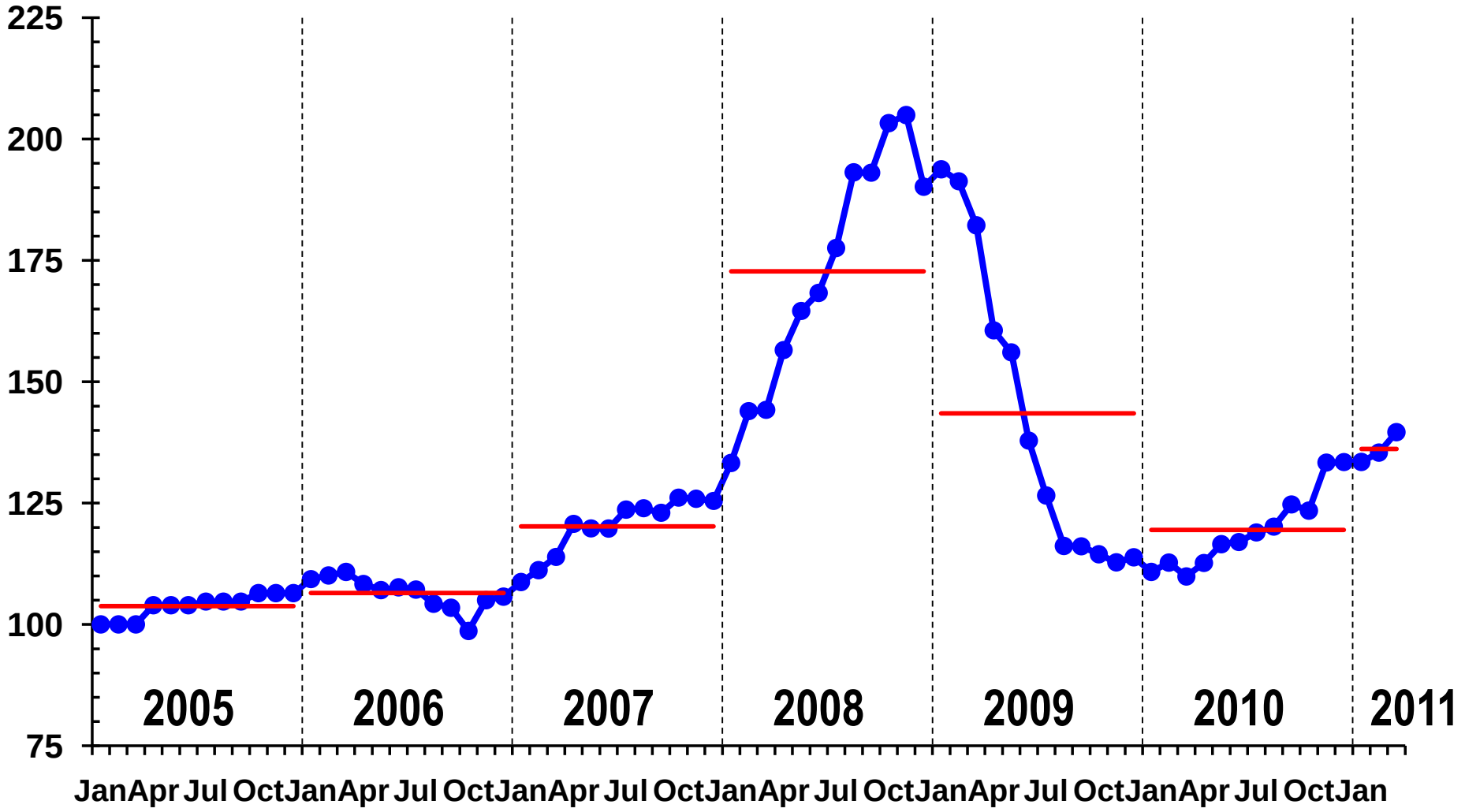

Delivered cost to U.S. facilities; includes Caustic Soda, Sodium Chlorate, Starch and Sulfuric Acid
2005 - 2008 excludes WY PKG

2011 Global Consumption

Annual Purchase Estimates for Key Inputs

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	Commodity	U. S.	Non – U. S.
Energy	Natural Gas (MM BTUs)	48,000,000	13,000,000
	Fuel Oil (Barrels)	1,200,000	380,000
	Coal (Tons)	840,000	410,000
Fiber	Wood (Tons)	44,200,000	9,300,000
	Old Corrugated Containers (Tons)	3,400,000	142,000
Chemicals	Caustic Soda (Tons)	340,000	70,000
	Starch (Tons)	385,000	100,000
	Sodium Chlorate (Tons)	205,000	45,000
	LD Polyethylene (Tons)	41,000	-
	Latex (Tons)	21,000	7,000

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