

INTERNATIONAL PAPER



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Third Quarter 2011 Review

October 27, 2011

Forward-Looking Statements

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Certain statements in these slides and made during this presentation may be considered 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 include but are not limited 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; (v) whether we experience a material disruption at one of our manufacturing facilities and risks inherent in conducting business through a joint venture; (vi) the receipt of Temple-Inland Inc. (“Temple-Inland”) shareholder and regulatory approvals for the pending transaction with Temple-Inland and the successful fulfillment or waiver of all other conditions to closing the transaction without unexpected delays or conditions; (vii) the failure to realize synergies and cost savings from the Temple-Inland transaction or delay in realization thereof; and (viii) our ability to achieve the benefits we expect from all other strategic acquisitions and divestitures. 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 our Securities and Exchange Commission (“SEC”) filings. Other important factors that could cause or contribute to actual results differing materially are included but are not limited to those discussed in the SEC filings of Temple-Inland. We undertake no obligation to publicly update any forward-looking statements or other information related to this presentation, whether as a result of new information, future events or otherwise.

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 2011

Sustained Strong Results

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Earnings per Share



Earnings from continuing operations before special items

- **Global Balance and Focused Business Portfolio Continue to Produce Strong Earnings and Cash Flow**
- **Steady Volumes**
- **Stable Pricing**
- **Outstanding Operations**
- **Strong Contribution from Ilim JV**
- **Cost-of-Capital Returns**
- **Offset Input Cost Escalation**

Balanced Segment & Global Portfolio
Driving Earnings

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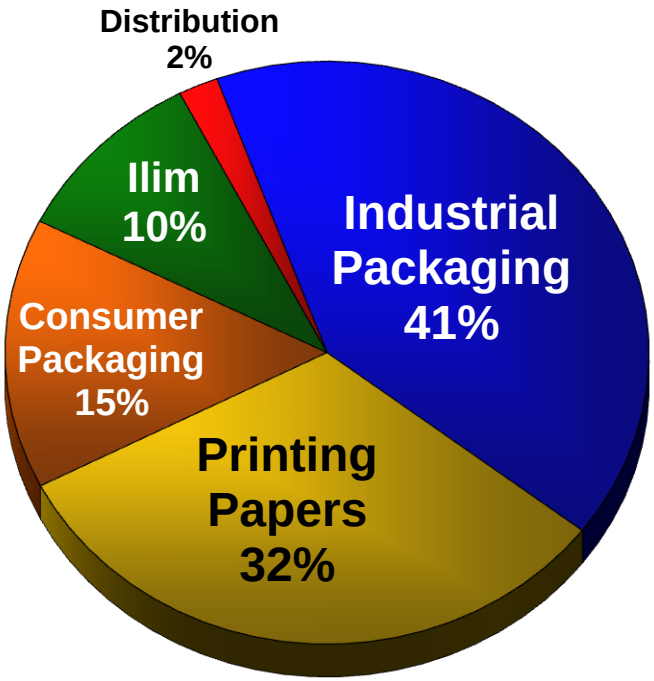
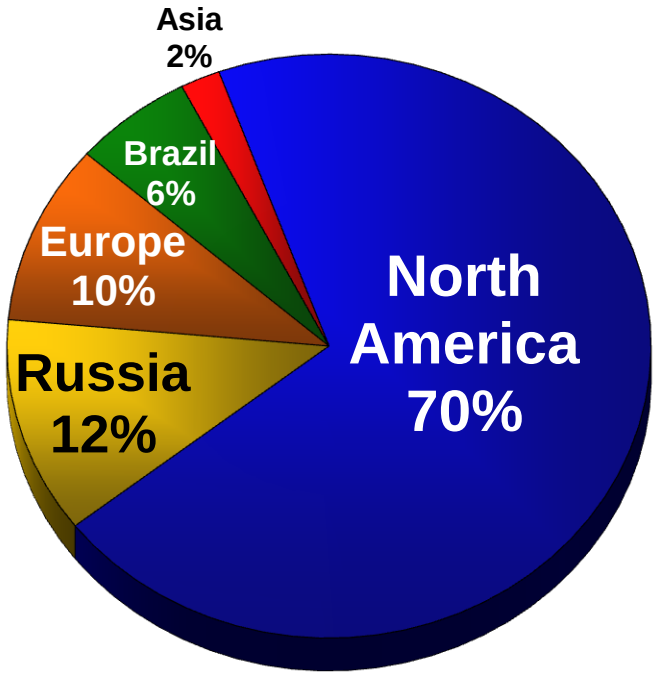
Operating Earnings by Segment



Operating Earnings by Region



Based on 9M11 earnings before special items
Russia includes the Svetogorsk mill and IP's share of Ilim JV equity earnings
IP's share of Ilim JV equity earnings reflect approximate proportional adjustments for interest & tax

Significantly Improved EBITDA Margins

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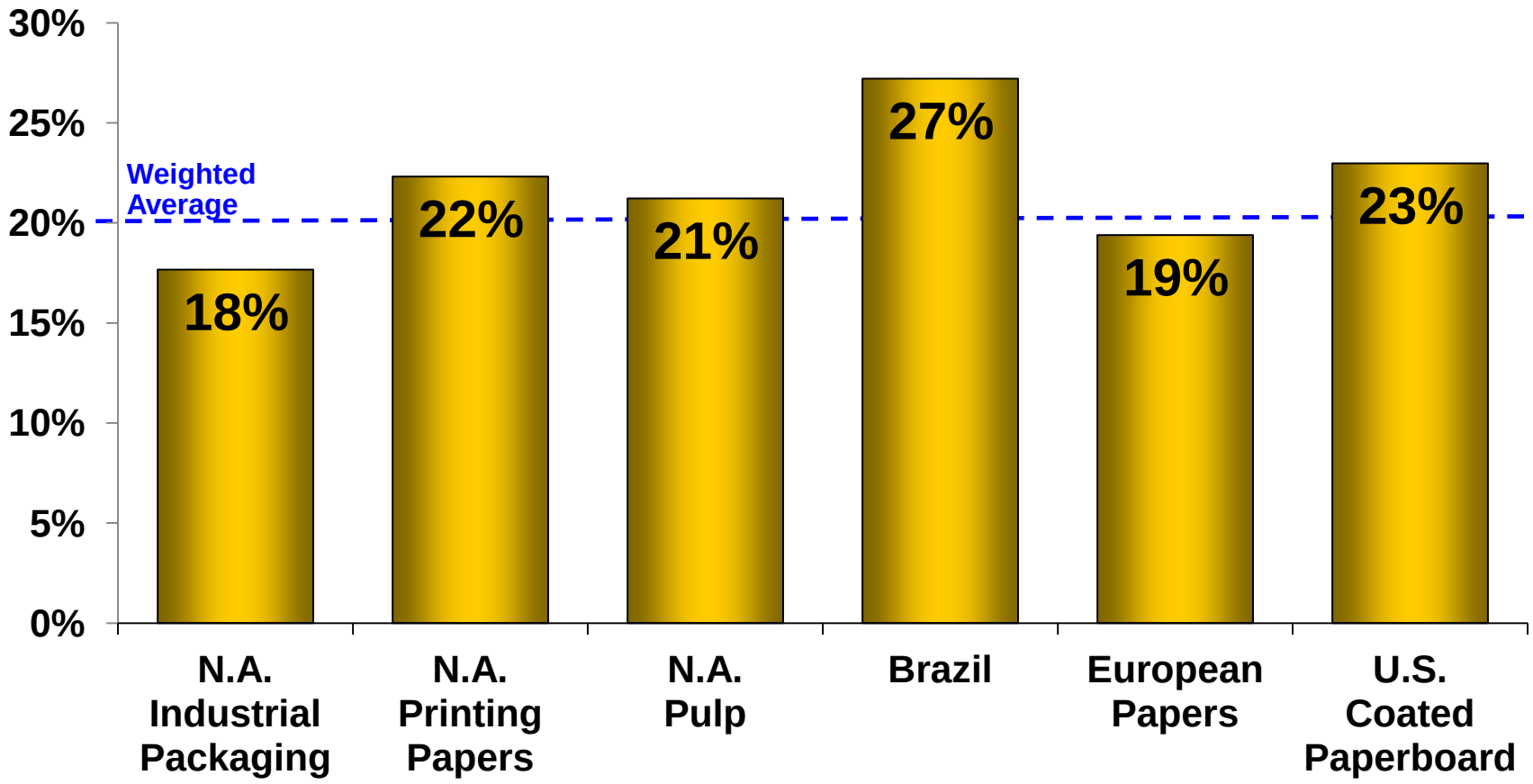
9M11 Margins



9M10 Margin	15%	19%	20%	25%	23%	15%

Earnings before special items

3Q11 Financial Snapshot

Continued Strong Cash Generation

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	3Q10[2]	2Q11	3Q11
Sales ($B)	$6.5	$6.6	$6.6
EBITDA[1] ($MM)	$1,012	$912	$977
EBITDA Margin	16%	14%	15%
Capital Investment ($MM)	($184)	($229)	($315)
Free Cash Flow ($MM)	$593[3]	$419	$561

[1] Earnings from continuing operations before special items
[2] Excludes Forest Products: $199 MM of Sales, $50 MM of EBITDA and $160 MM of Free Cash Flow
[3] Excludes $1,150 MM cash paid for voluntary pension contributions

3Q11 vs. 2Q11 EPS

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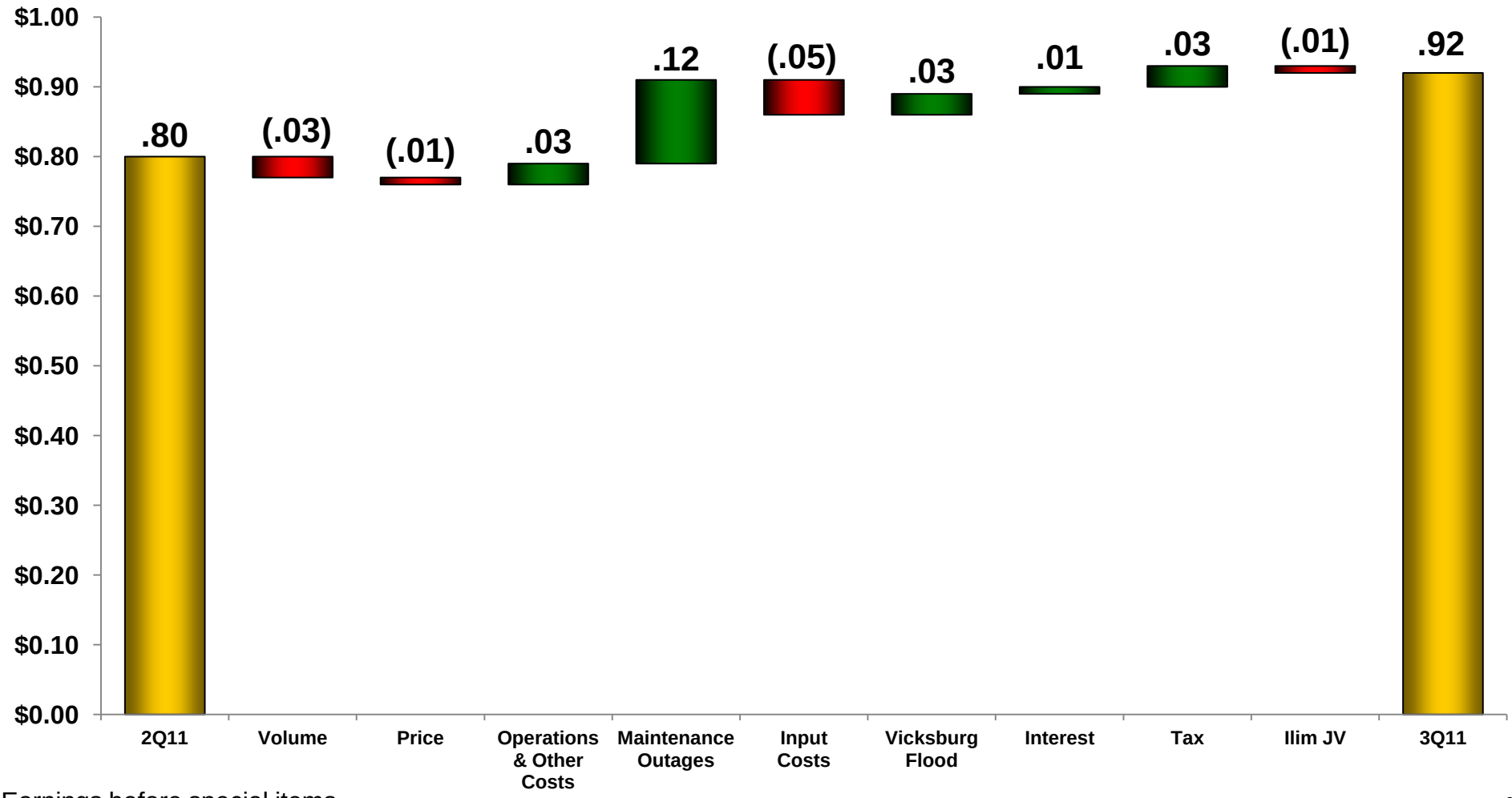
Strong Quarter in a Tough Environment



Earnings before special items

3Q11 vs. 3Q10 EPS

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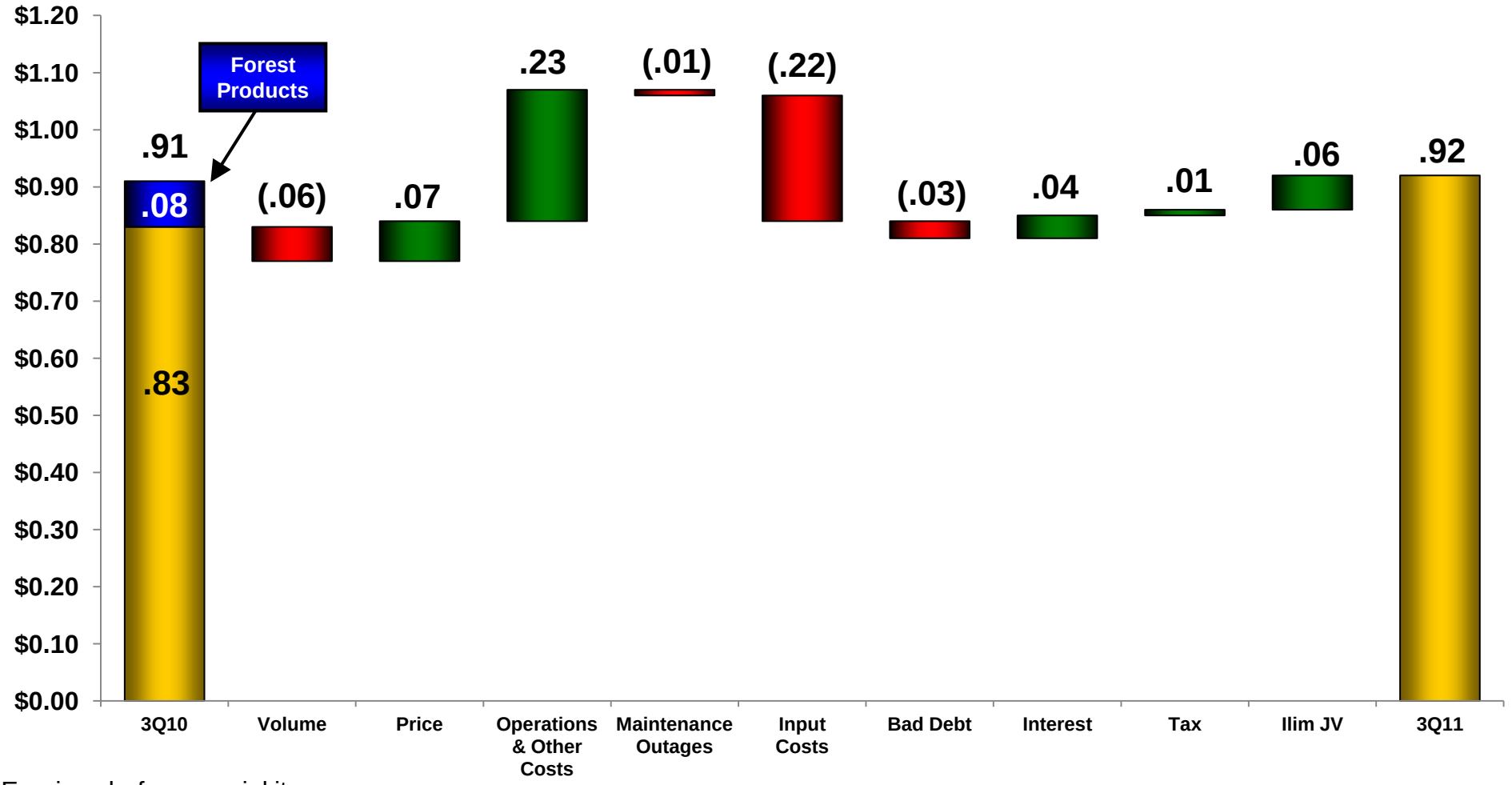
Input Costs Offset by Price, Operations and Ilim JV



Earnings before special items

9M11 Financial Snapshot

Continued Strong Cash Generation

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	9M10[2]	9M11	Δ
Sales ($B)	**$18.4**	**$19.7**	**7%**
EBIT[1] ($B)	**$0.9**	**$1.4**	**56%**
EPS[1]	**$1.22**	**$2.44**	**100%**
Cash Provided by Operations ($B)	**$1.4[3]**	**$2.1[4]**	**50%**
Cash Balance ($B)	**$1.2**	**$2.7**	**125%**

[1] Earnings from continuing operations before special items

[2] Excludes Forest Products: $220 MM of Sales, $97 MM of EBIT, $210 MM of Cash Provided by Operations and $210 MM of Cash Balance

[3] Excludes $132 MM of cash received from alternative fuel credits and $1,150 MM cash paid for voluntary pension contributions

[4] 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

3Q11 Operating Business EPS

Demonstrated Step Change in Performance

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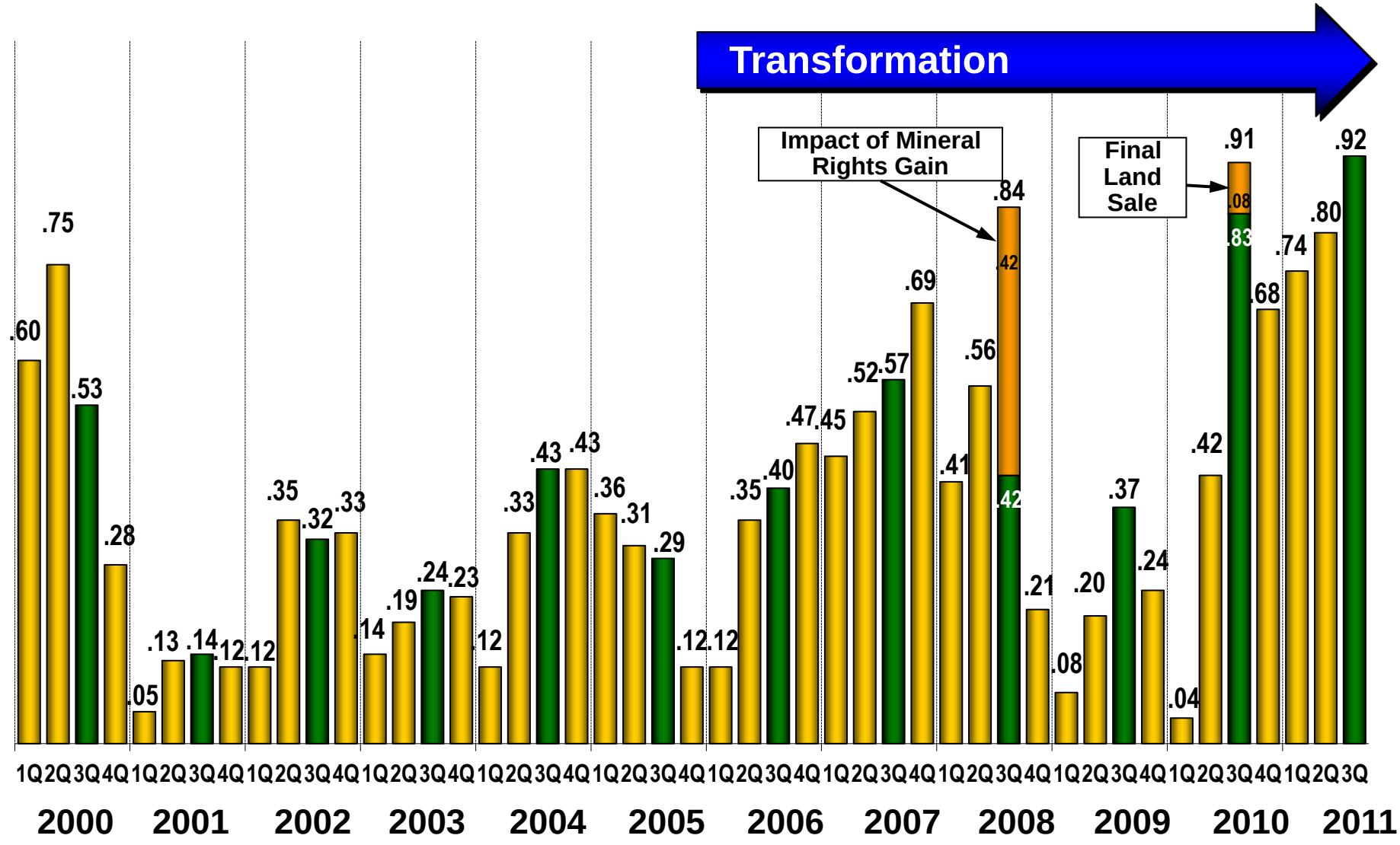

Earnings from continuing operations before special items as reported at the time

Global Input Costs vs. 2Q11

$34 MM Unfavorable, or ($0.05)/Share

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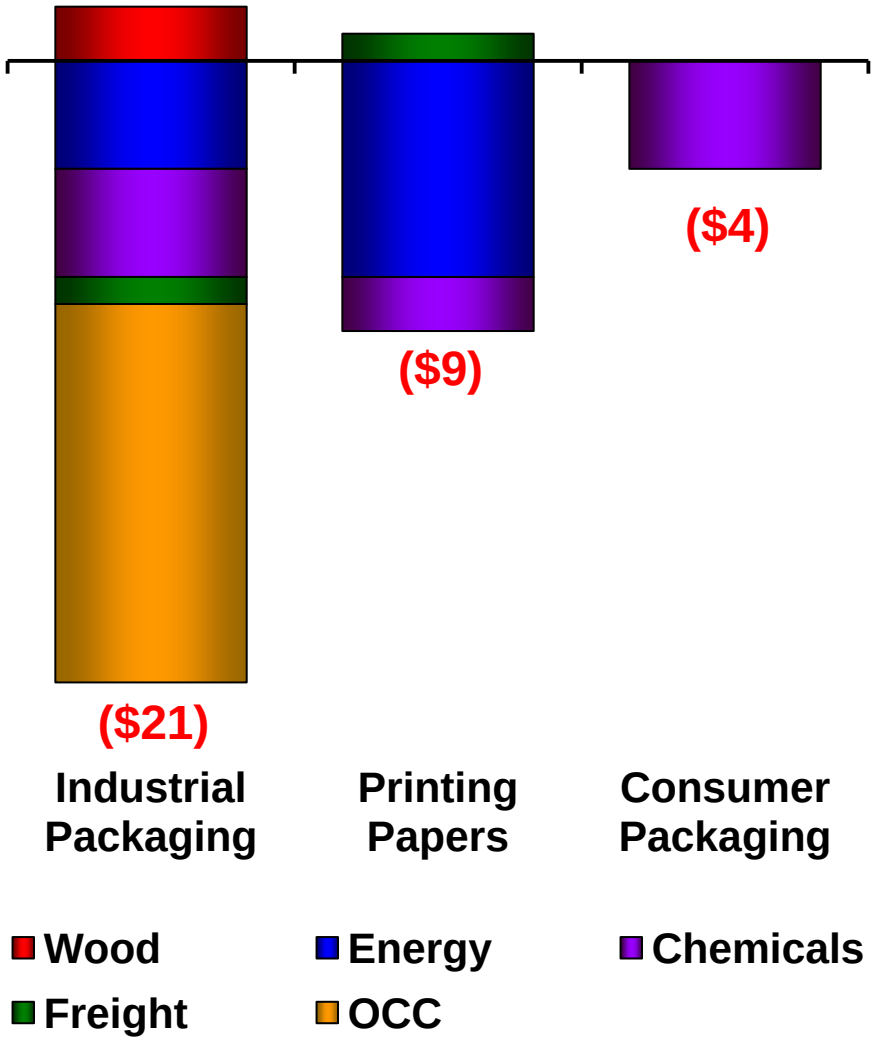
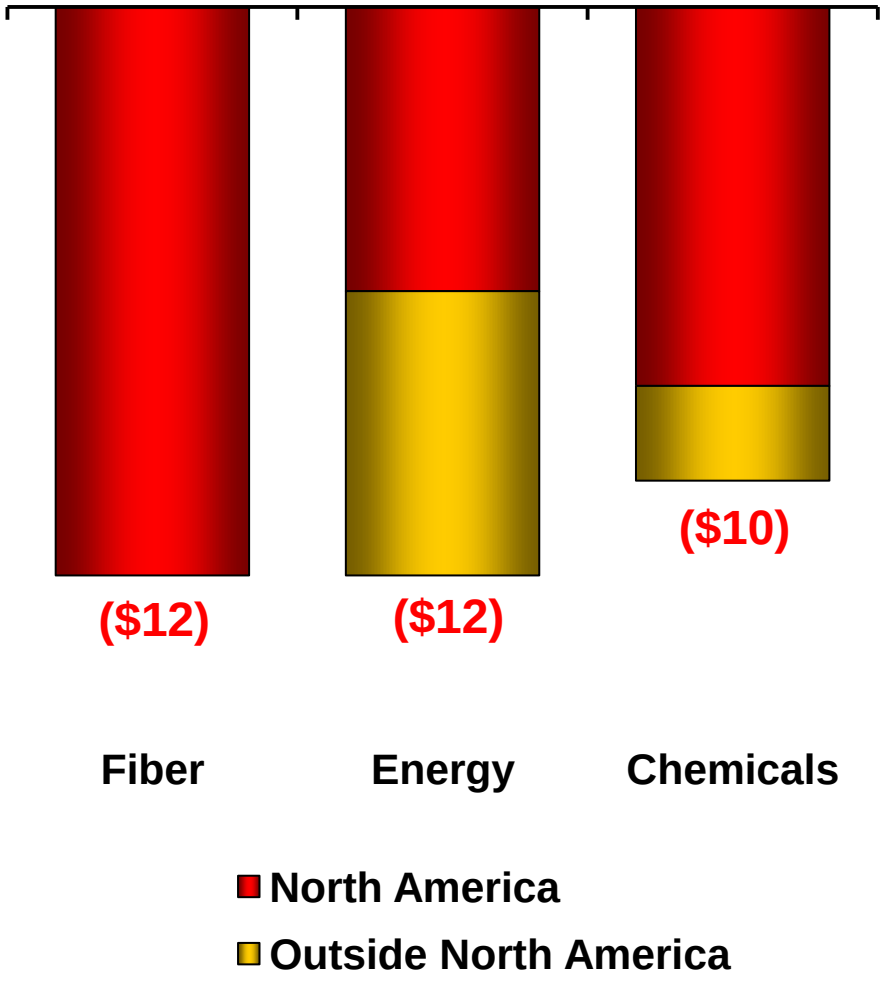
By Business



By Input Type



Industrial Packaging
3Q11 vs. 2Q11

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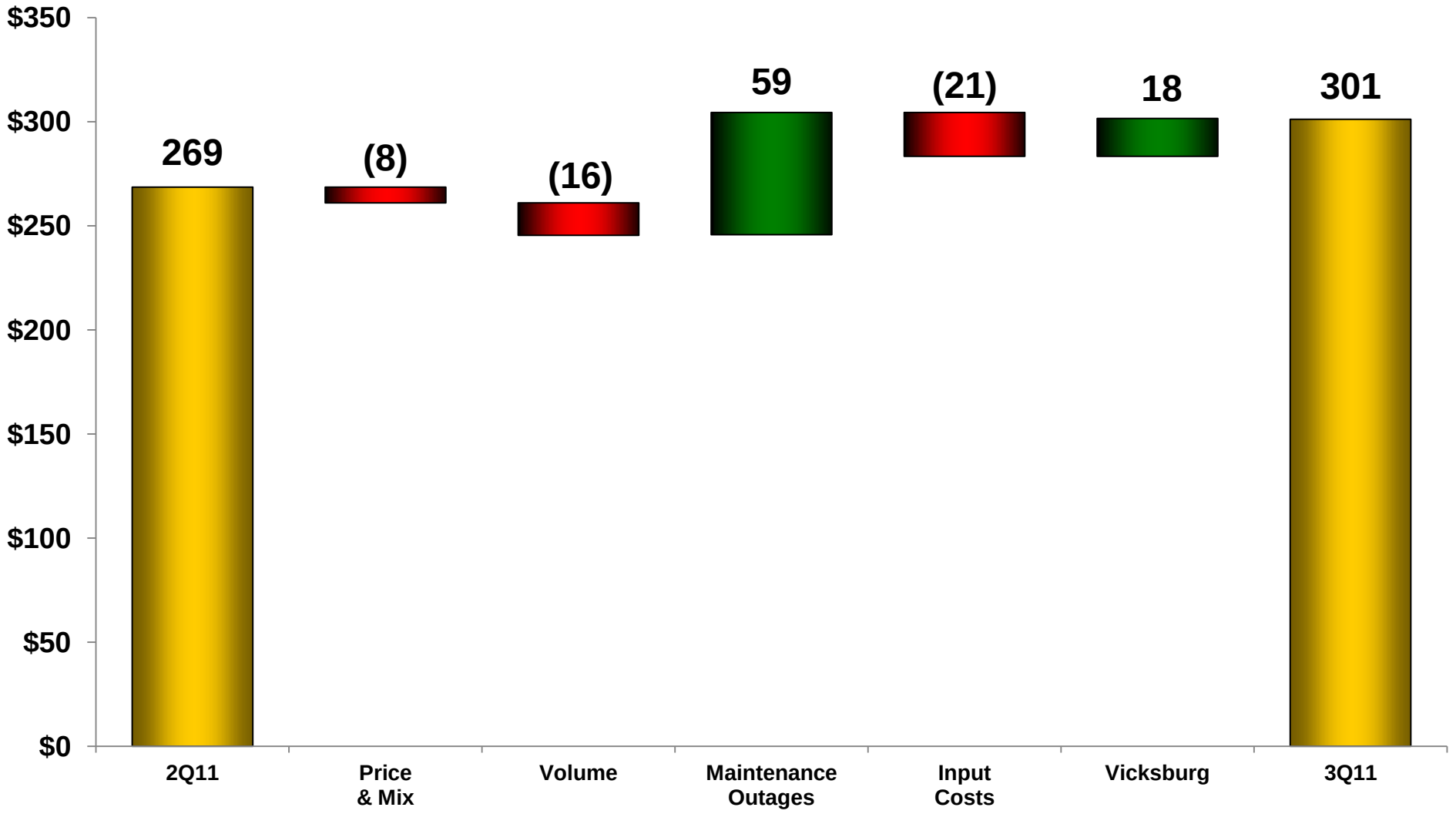
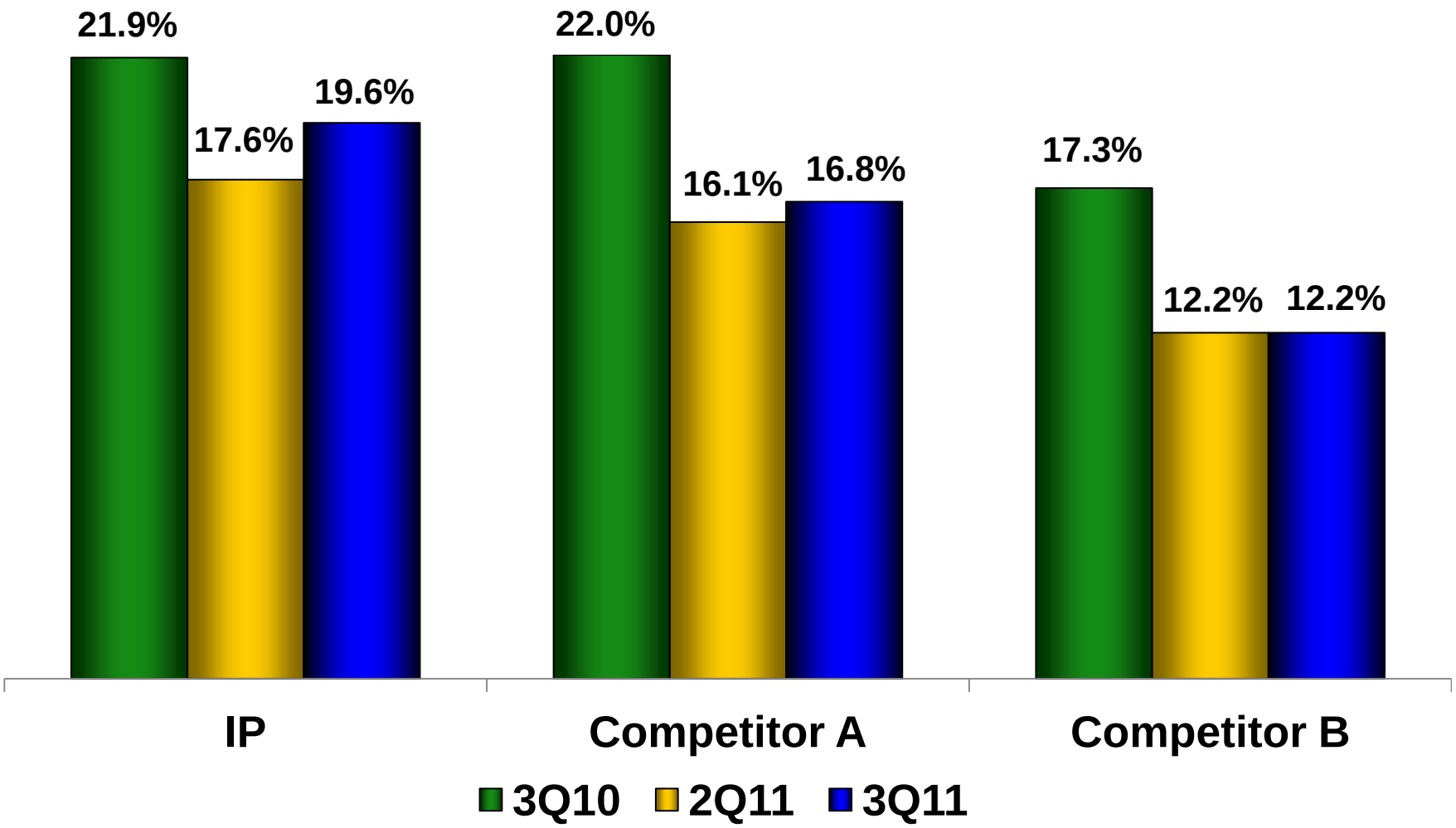


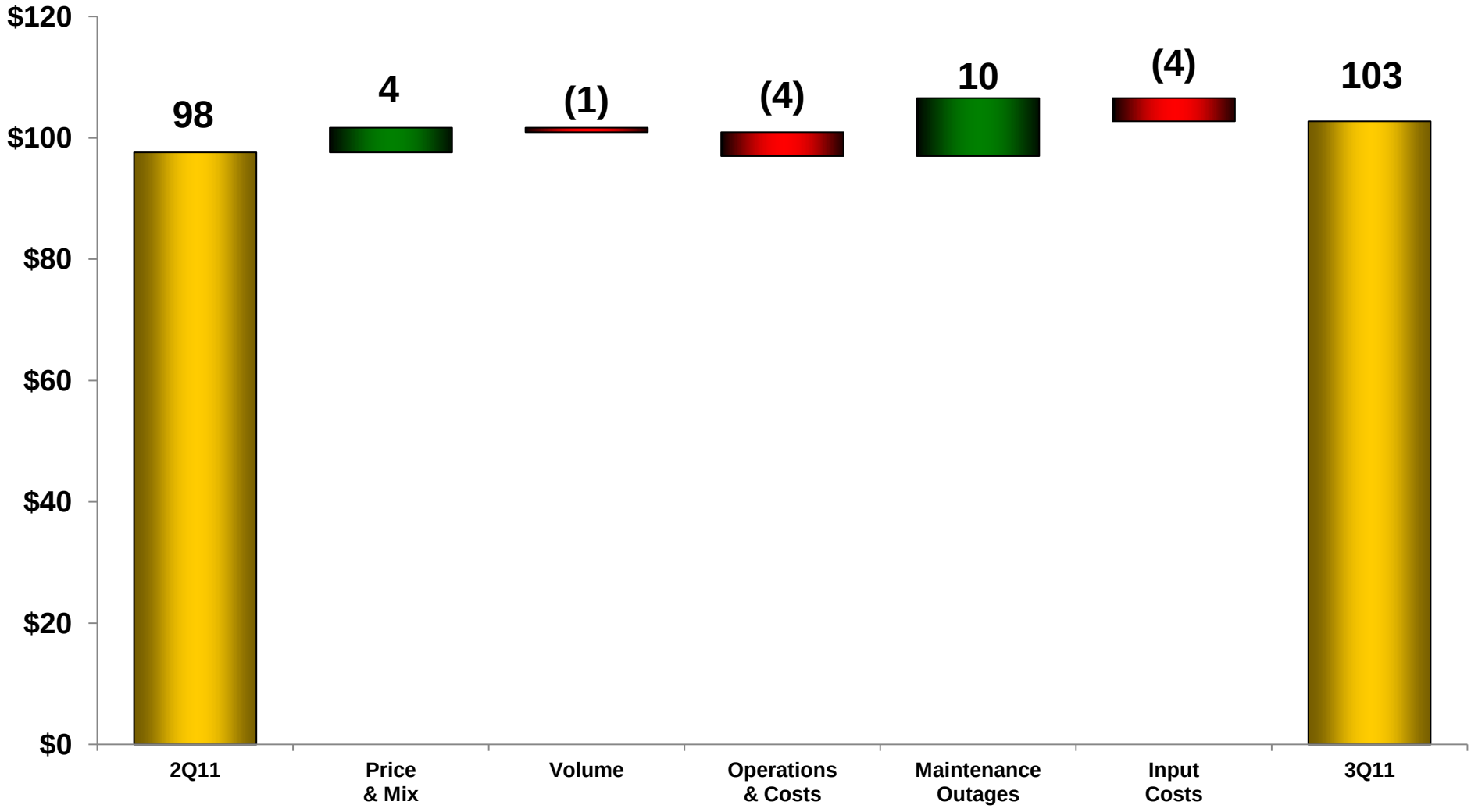
Earnings before special items

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.

Consumer Packaging
3Q11 vs. 2Q11



Earnings before special items

N.A. Coated Paperboard

Outstanding Operational Performance

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Manufacturing

- $30 MM cash costs savings YTD

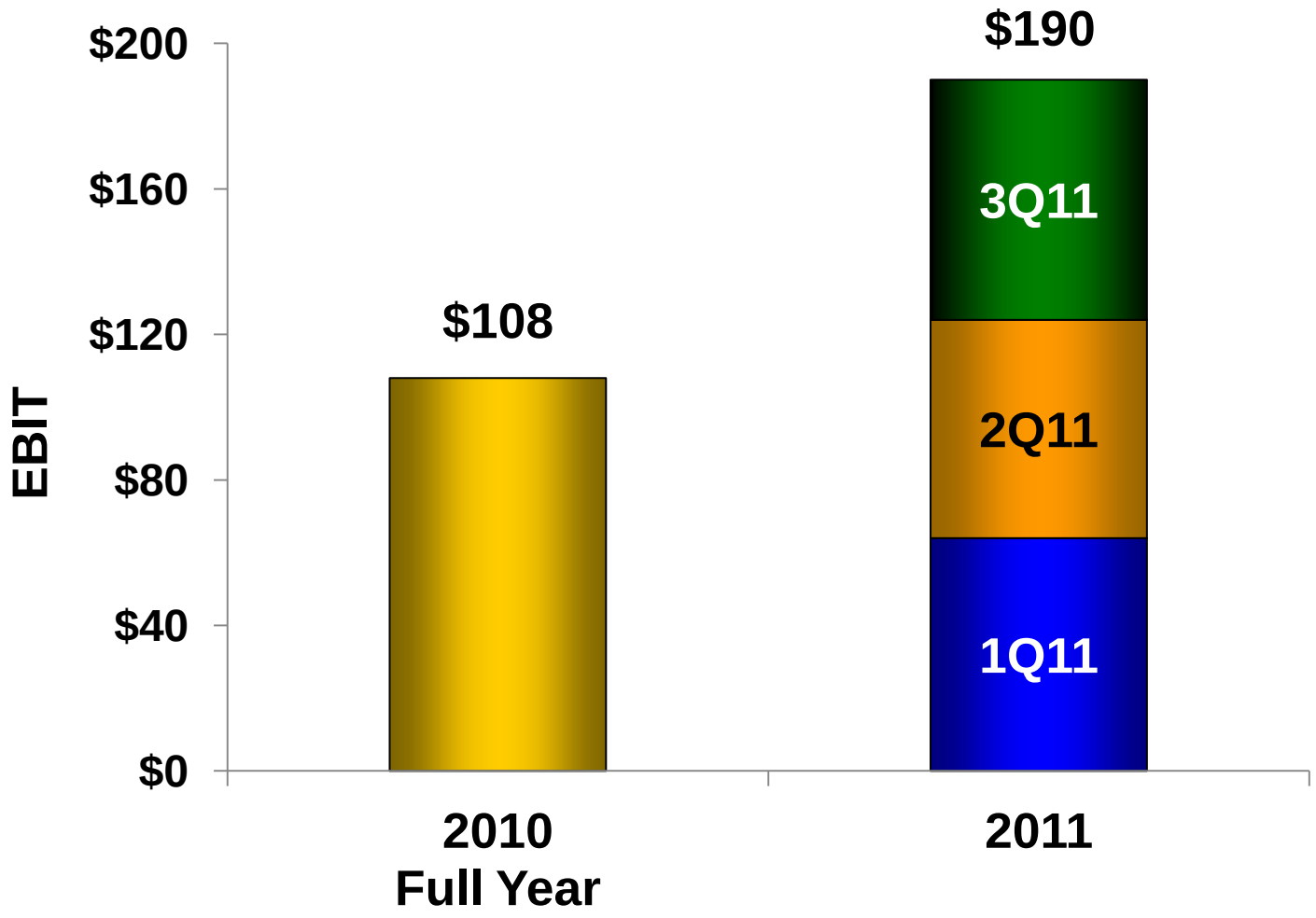
Supply Chain

- Realized $7 MM of benefits YTD

Supply Chain	3Q11 vs. 4Q10
Miles Per Shipment	↓ 4%
Inventory Turns	↑ 17%
Inventory (M Tons)	↓ 9%

N.A. Coated Paperboard

2011 YTD Earnings Exceed FY10



Earnings before special items

Foodservice

New Products Driving Volume Recovery

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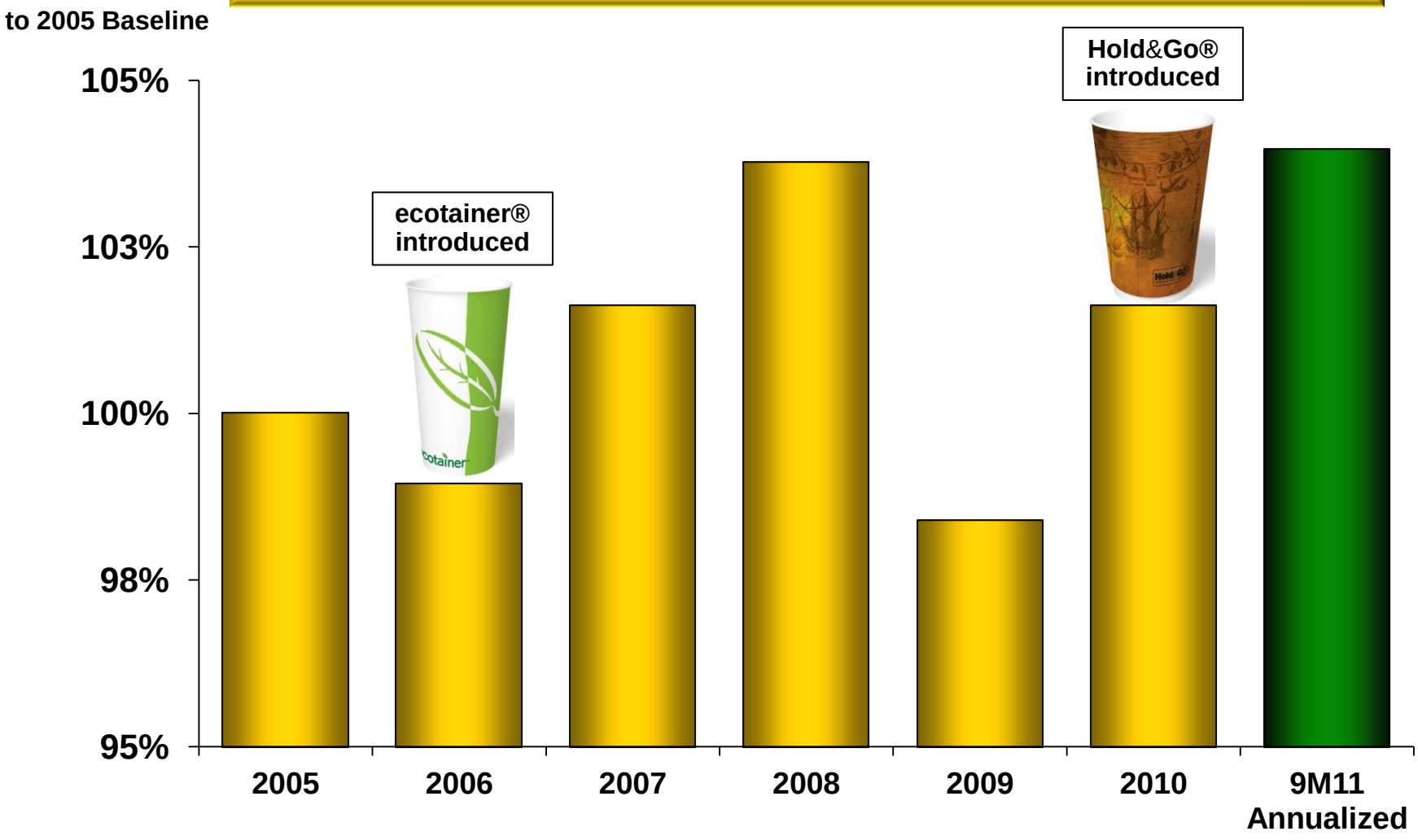
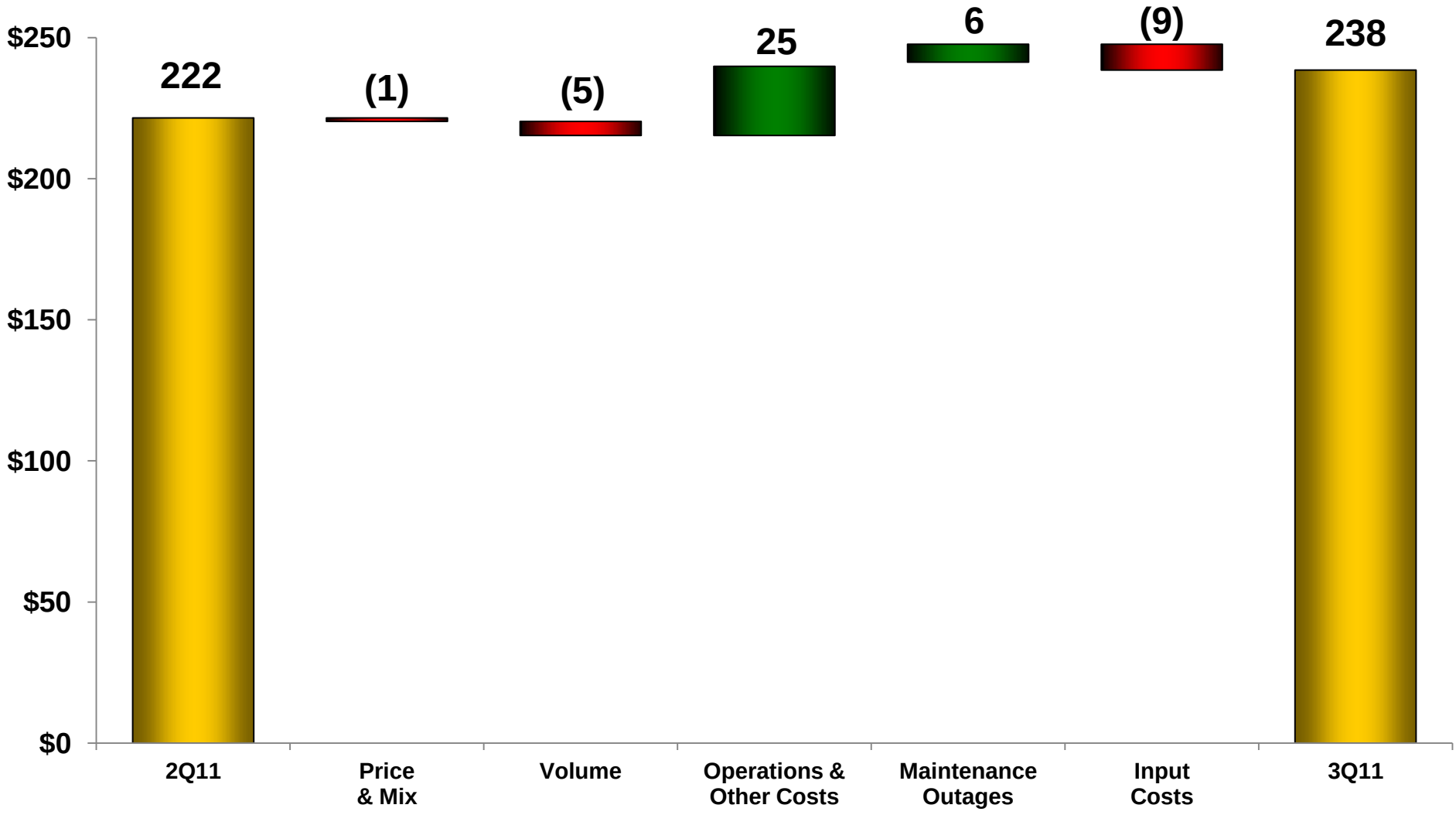
Foodservice utilizes ~100% IP Coated Paperboard for its cup production



Earnings before special items

Printing Papers
3Q11 vs. 2Q11



Earnings before special items

xpedx
3Q11 vs. 2Q11

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$ Million	3Q10	2Q11	3Q11
Sales	$1,755	$1,655	$1,710
Earnings	$22	$14	$27

Daily Sales Change	vs. 3Q10	vs. 2Q11
Printing	(10%)	8%
Packaging	5%	2%
Facility Solutions	(9%)	(2%)

- Average daily sales rate in Printing up 8%
  - Strong in publishing grades
- Realization of S&A and cost reduction initiatives
  - Headcount down 8% vs. 3Q10; 3% vs. 2Q11

Earnings before special items

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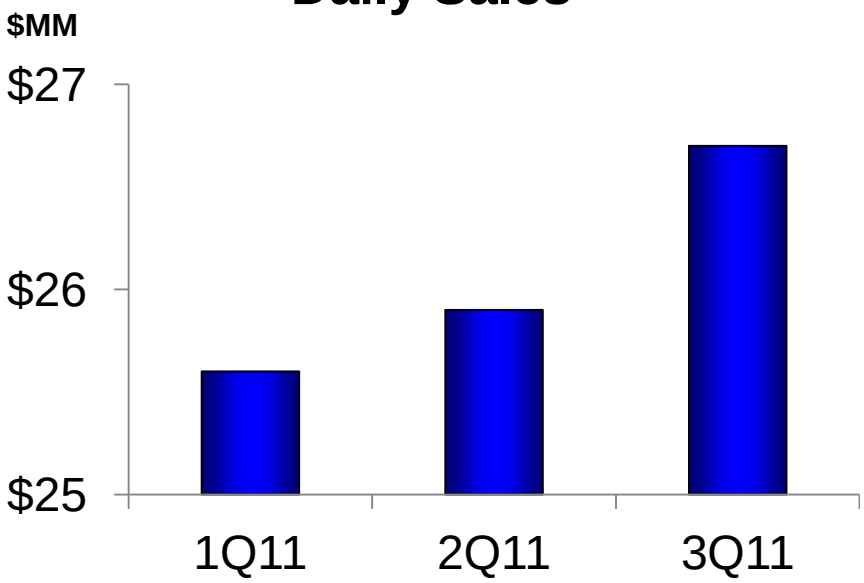
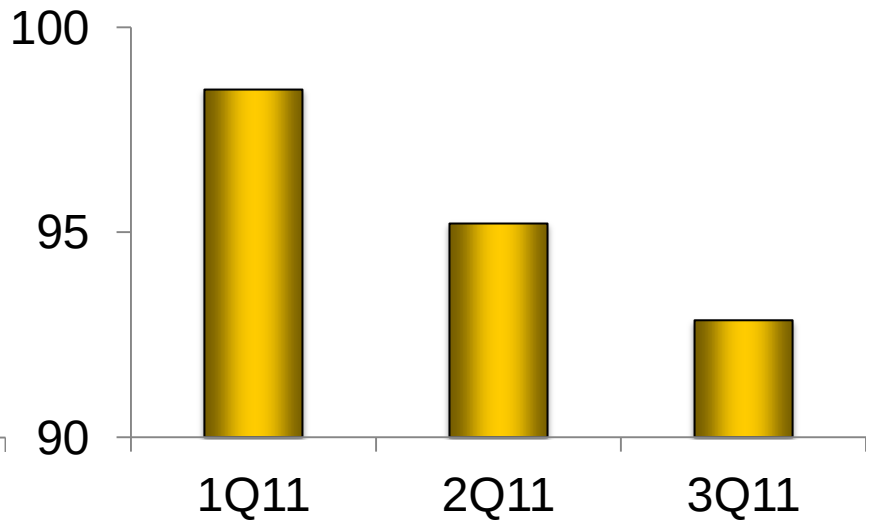
Daily Sales



N.A. Headcount



Indexed to 4Q10 Baseline

Ilim Joint Venture
3Q11 vs. 2Q11

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IP received a $40 MM dividend in 3Q11; $82 MM YTD

$ Million	3Q10	2Q11	3Q11
Sales (100%)	$465	$580	$580
Earnings (IP Share)	$22	$57	$51

	3Q11 vs. 2Q11		3Q11 vs. 3Q10	
Business	Volume	Price / Ton	Volume	Price / Ton
Pulp	(10%)	$47	2%	$32
Containerboard	(3%)	$11	4%	$193

Ilim's results are reported on a one-quarter lag.
IP's shares of Ilim's reported earnings for 3Q11 & 2Q11 include an after-tax foreign exchange gain of $9MM for each period.
3Q10 earnings include an after-tax foreign exchange loss of $5.7MM.

Ilim Joint Venture
Capital Expansion Update

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Bratsk Mill

- New NBSK pulp line
- 550 M ton net capacity increase
- Start-up in 2012
- New recovery boiler
- $700 MM capital
- Projected return > 20%



Koryazhma Mill

- Install paper machine
- 165 M tons of uncoated freesheet
- 55 M tons of coating base
- Start-up in 2012
- $270 MM capital
- Projected return > 20%

3Q11 Summary

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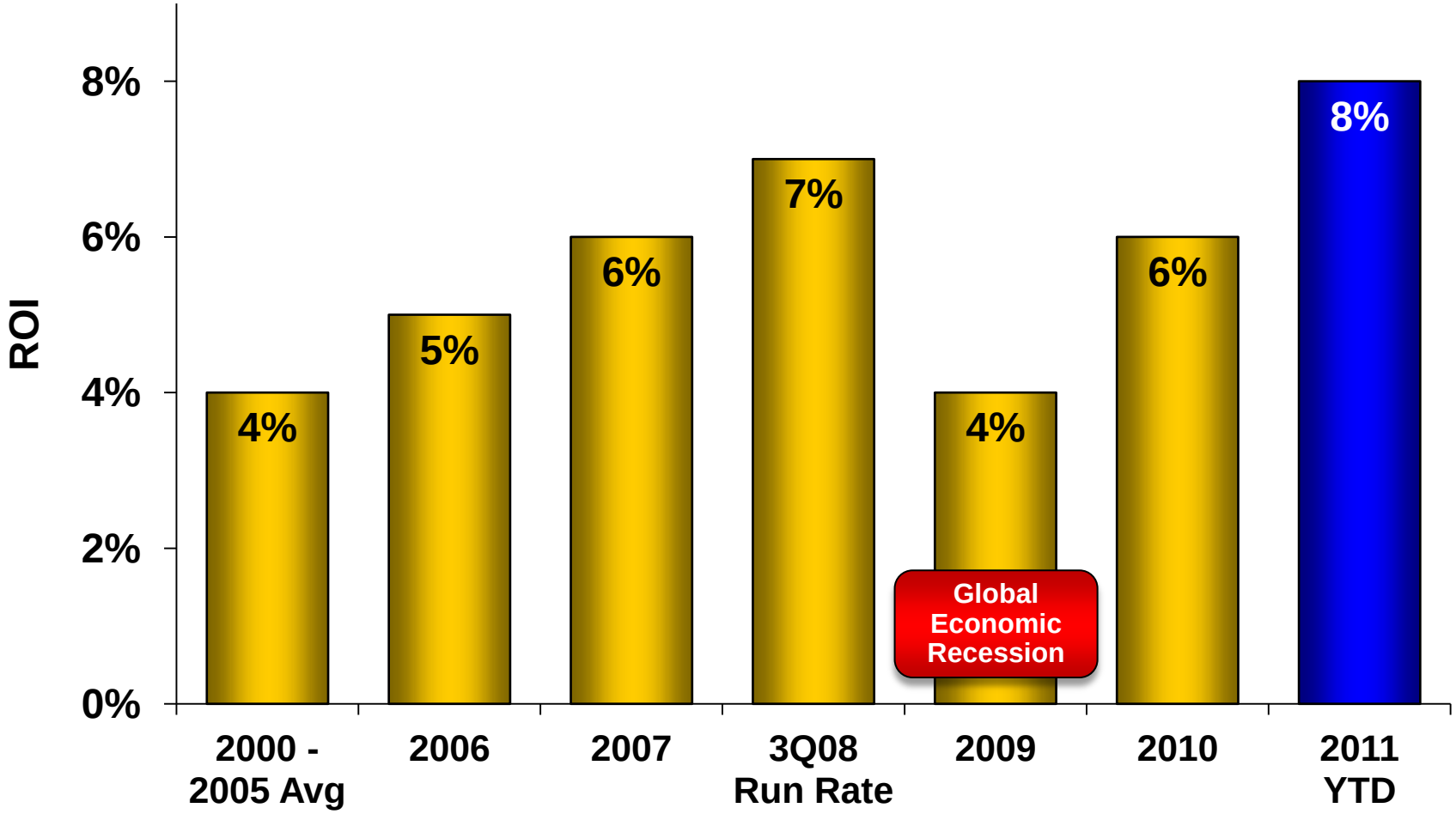
- **Global Balance and Focused Business Portfolio Continue to Produce Strong Earnings and Cash Flow**
- **Steady Volumes**
- **Stable Pricing**
- **Outstanding Operations**
- **Strong Contribution from Ilim JV**
- **Cost-of-Capital Returns**
- **Offset Input Cost Escalation**

Improving Returns on Invested Capital

Transformation Driving ROI



Earnings before special items

Fourth Quarter Outlook
Changes from 3Q11

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		North America	Europe	Brazil	Asia
Volume	Paper	Stable	Seasonal Increase	Seasonal Increase	
	Packaging	Seasonal Decrease	Seasonal Increase		Stable
Pricing	Paper	Stable, Pulp Decrease	Stable	Stable	
	Packaging	Stable	Stable		Stable
Maintenance Outages		Increase ($60 MM)	Decrease $23 MM	Decrease $10 MM	
Input & Freight Costs		Decrease	Stable	Slight Decrease	Slight Decrease

xpedx	Slight Decrease

Ilim	Currency ~($55MM)

Operations Costs	Seasonal Increase

IP India - APPM Update

- **Completed acquisition of 75 percent stake in Andhra Pradesh Paper Mills on October 14th**
- **Initial entry into India – platform for paper and packaging growth**




Successful Farm Forestry Program


Newly Installed PM6


AP Integrated Mill – 175M tons


Coastal Recycled Mill – 65M tons

Temple-Inland Update

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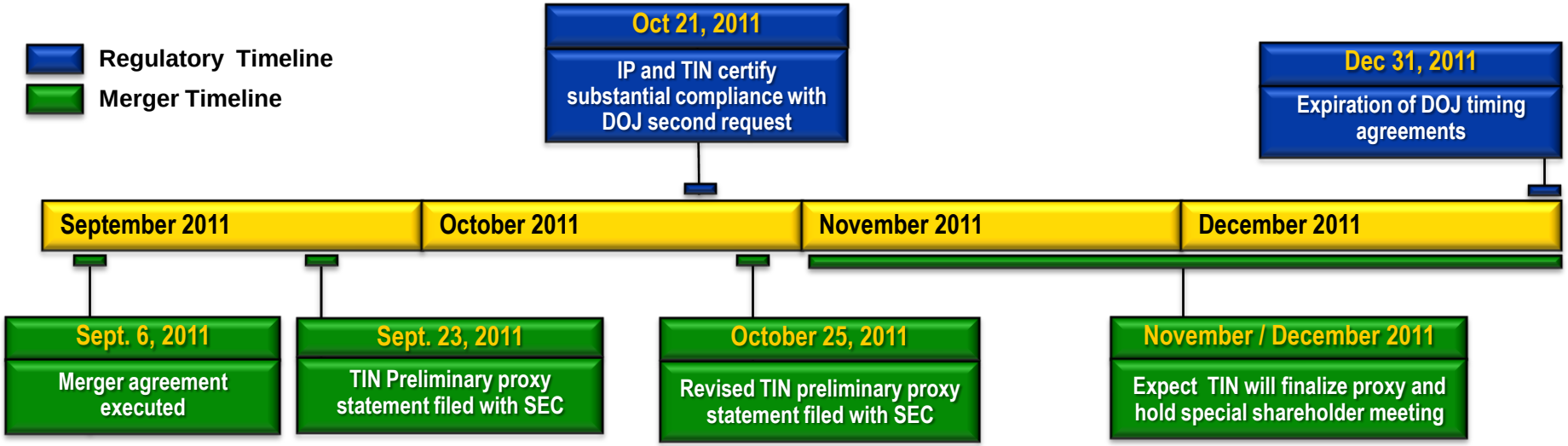
- Key steps to closing
- Post closing planning



Additional Information

In connection with the proposed Temple-Inland merger, Temple-Inland has filed a preliminary proxy statement with the SEC. When completed, a definitive proxy statement and a form of proxy will be mailed to shareholders of Temple-Inland. **Investors and security holders are advised to read the definitive proxy statement because it will contain important information about the merger and the parties to the merger.** Investors and security holders may obtain a free copy of the definitive proxy statement (when available) and other relevant documents filed by Temple-Inland at the SEC website at http://www.sec.gov. The definitive proxy statement and other relevant documents also may be obtained (after it has been filed with the SEC) for free from International Paper by directing such request to International Paper, Investor Relations, telephone (800) 678-8715.

CERTAIN INFORMATION REGARDING PARTICIPANTS

International Paper and certain of its respective directors and executive officers may be deemed to be participants in the proposed transaction under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and interests of International Paper's directors and executive officers in International Paper's Annual Report on Form 10-K for the year ended December 31, 2010 which was filed with the SEC on February 25, 2011, and its proxy statement for the 2011 Annual Meeting, which was filed with the SEC on April 8, 2011. Additional information regarding the interests of participants in the solicitation of proxies in connection with the merger will be included in the definitive proxy statement that Temple-Inland intends to file with the SEC. These documents can be obtained free of charge from the sources indicated above.

Appendix

Investor Relations Contacts

Glenn R. Landau	901-419-1731
Emily Nix	901-419-4987

Media Contact

Tom Ryan	901-419-4333

Key Financial Statistics

$ Million (Except as noted)	2009	2010	2011 Estimate
Capital Spending	$534	$775	$1.2 B
Depreciation & Amortization	$1.5 B	$1.5 B	$1.4 B
Net Interest Expense	$669	$608	$550
Corporate Items	$181	$226	$150 - $175
Effective Tax Rate	30%	30%	32%

Before special items and excluding Ilim

Maintenance Outages Expenses

$ Million	1Q11	2Q11	3Q11	4Q11E	2011E
Industrial Packaging	**$31**	**$72**	**$13**	**$26**	**$142**
Printing Papers Total	**$39**	**$49**	**$43**	**$41**	**$172**
North America	39	29	21	41	130
Europe	0	13	12	0	25
Brazil	0	7	10	0	17
Consumer Packaging Total	**$0**	**$21**	**$11**	**$27**	**$59**
North America	0	17	0	27	44
Europe	0	4	11	0	15
Total Impact	**$70**	**$142**	**$67**	**$94**	**$373**

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

Industrial Packaging

Business	3Q11 vs. 2Q11		3Q11 vs. 3Q10	
	Volume	Price / Ton	Volume	Price / Ton
N.A. Container[1]	0%	($6)	(1%)	($2)
European Container[2]	(9%)	€36	3%	€78

[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. These shipments include the non-consolidated joint venture in Turkey and reflect its acquisition of D.S. Smith in 3Q10

Printing Papers

	3Q11 vs. 2Q11		3Q11 vs. 3Q10	
Business	**Volume**	**Price / Ton**	**Volume**	**Price / Ton**
N.A. Paper	**0%**	**$12**	**(3%)**	**$25**
N.A. Pulp	**3%**	**($52)**	**(7%)**	**($41)**
European Paper	**(6%)**	**€1**	**(7%)**	**€44**

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

Consumer Packaging

	3Q11 vs. 2Q11		3Q11 vs. 3Q10	
	Volume	Price/Ton	Volume	Price/Ton
N.A. Coated Paperboard	(5%)	$12	(4%)	$46
	Revenue	Price	Revenue	Price
Converting Businesses	13%	NA	12%	NA

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

Special Items Before Tax & Noncontrolling Interest

Special Items Pre-Tax ($Million)		3Q10	2Q11	3Q11
Industrial Packaging	Acquisition Costs			($8)
Printing Papers	Facility Closure Costs		$21	$1
Consumer Packaging	Fixed Asset Impairment or Adjustment		($129)	($82)
	Reorganization		($2)	$1
xpedx	Reorganization		($10)	($18)
Corporate	Restructuring & Other Charges		($26)	($9)
	Acquisition Costs			($16)
Total Special Items Before Tax & Noncontrolling Interest		**$0**	**($146)**	**($131)**

Special Items Net of Taxes

	3Q11	
	$ Million	EPS
Earnings Before Special Items	**$402**	**$0.92**
Special Items Net of Taxes:		
Fixed Asset Market Value Adjustment	$148	
Acquisition Costs	($15)	
Reorganization	($18)	
Mill & Machine Shutdowns	$1	
Total Special Items Net of Taxes	**$116**	**$0.27**
Net Earnings	**$518**	**$1.19**

3Q11 EBITDA

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	Operating Profit $ Million	D & A $ Million	Tons Thousand	EBITDA per Ton	EBITDA Margin
Industrial Packaging					
North America[1]	$290	$121	2,547	$161	20%
Europe	$9	$7	244	$66	6%
Printing Papers					
North America[2]	$127	$51	684	$260	25%
Europe[3]	$47	$20	289	$232	22%
Brazil	$37	$38	283	$265	26%
U.S. Market Pulp	$26	$15	260	$158	22%
Consumer Packaging					
N.A. Coated Paperboard	$66	$36	342	$298	24%

[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	3Q10	2Q11	3Q11
Industrial Packaging	$332	$269	$301
Printing Papers	$278	$222	$238
Consumer Packaging	$71	$98	$103
Distribution	$22	$14	$27
Forest Products	$49	$0	$0
Operating Profit	**$752**	**$603**	**$669**
Net Interest Expense	($152)	($137)	($130)
Noncontrolling Interest / Equity Earnings Adjustment	$5	$9	$7
Corporate Items	($58)	($36)	($34)
Special Items	$0	($146)	($131)
Earnings from continuing operations before income taxes, equity earnings & noncontrolling interest	**$547**	**$293**	**$381**
Equity Earnings, net of taxes - Ilim	**$22**	**$57**	**$51**

Geographic Business Segment Operating Results
Before Special Items

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$ Million	Sales			Operating Profit		
	3Q10	2Q11	3Q11	3Q10	2Q11	3Q11
Industrial Packaging						
North American	$2,210	$2,220	$2,210	$320	$253	$291
European	$235	$295	$275	$14	$16	$9
Asian	$165	$190	$175	($2)	$0	$1
Printing Papers						
North American	$715	$695	$705	$125	$101	$127
European	$325	$380	$350	$58	$47	$48
Brazilian	$275	$295	$290	$46	$39	$37
U.S. Market Pulp	$210	$195	$185	$49	$35	$26
Consumer Packaging						
North American	$615	$625	$640	$51	$62	$76
European	$85	$95	$90	$17	$23	$19
Asian	$170	$225	$225	$3	$13	$8
xpedx	$1,755	$1,655	$1,710	$22	$14	$27

Does not reflect total company sales and operating profit

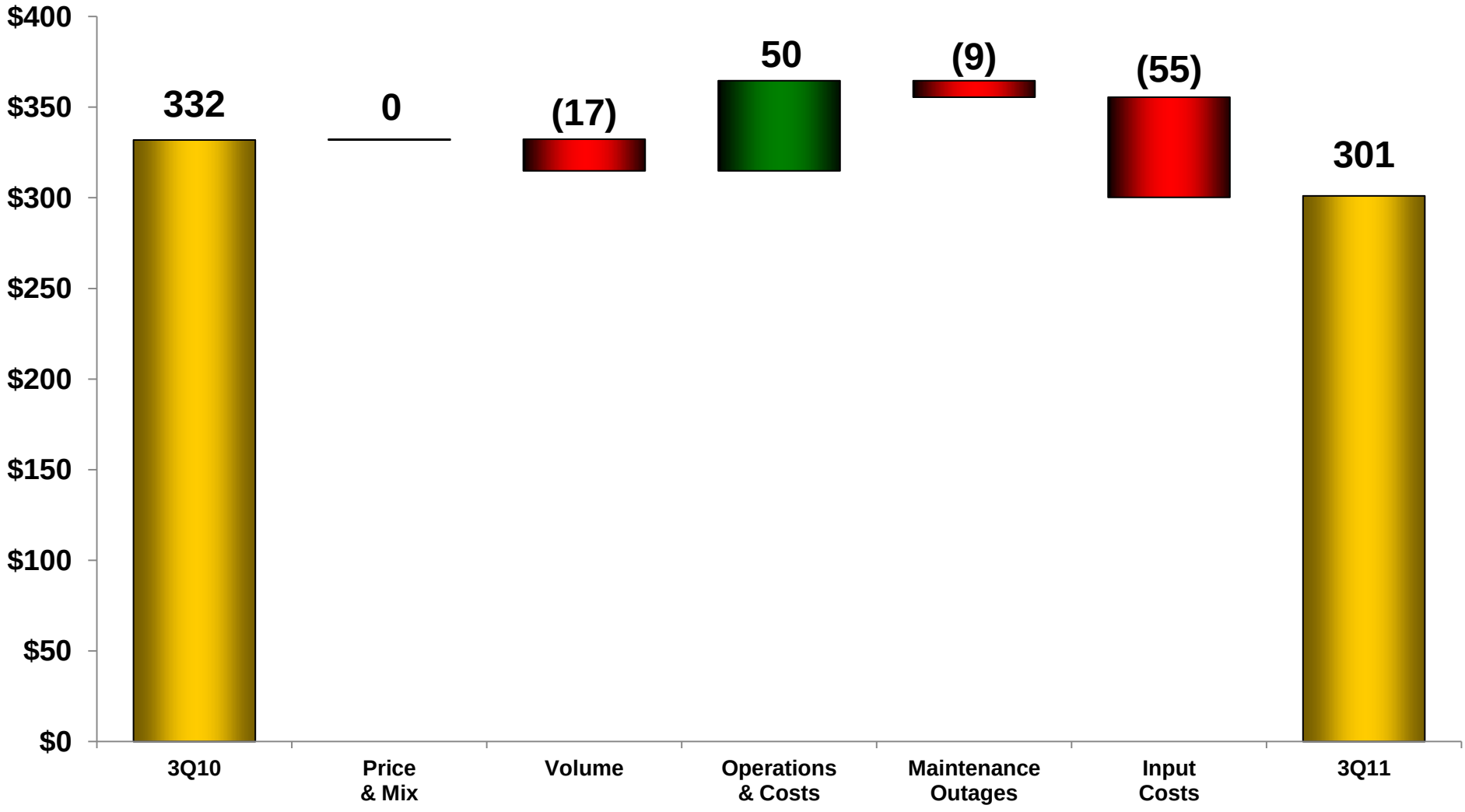
2011 Earnings from Continuing Operations

	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								
3Q11	$512	($155)	($5)	$50	$402	30%	435	$0.92
Special Items								
3Q11	($131)	$239	$8	$0	$116	182%	435	$0.27
Earnings								
3Q11	$381	$84	$3	$50	$518	(22%)	435	$1.19

[1] Assuming dilution

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

Industrial Packaging
3Q11 vs. 3Q10



Earnings before special items

Printing Papers
3Q11 vs. 3Q10

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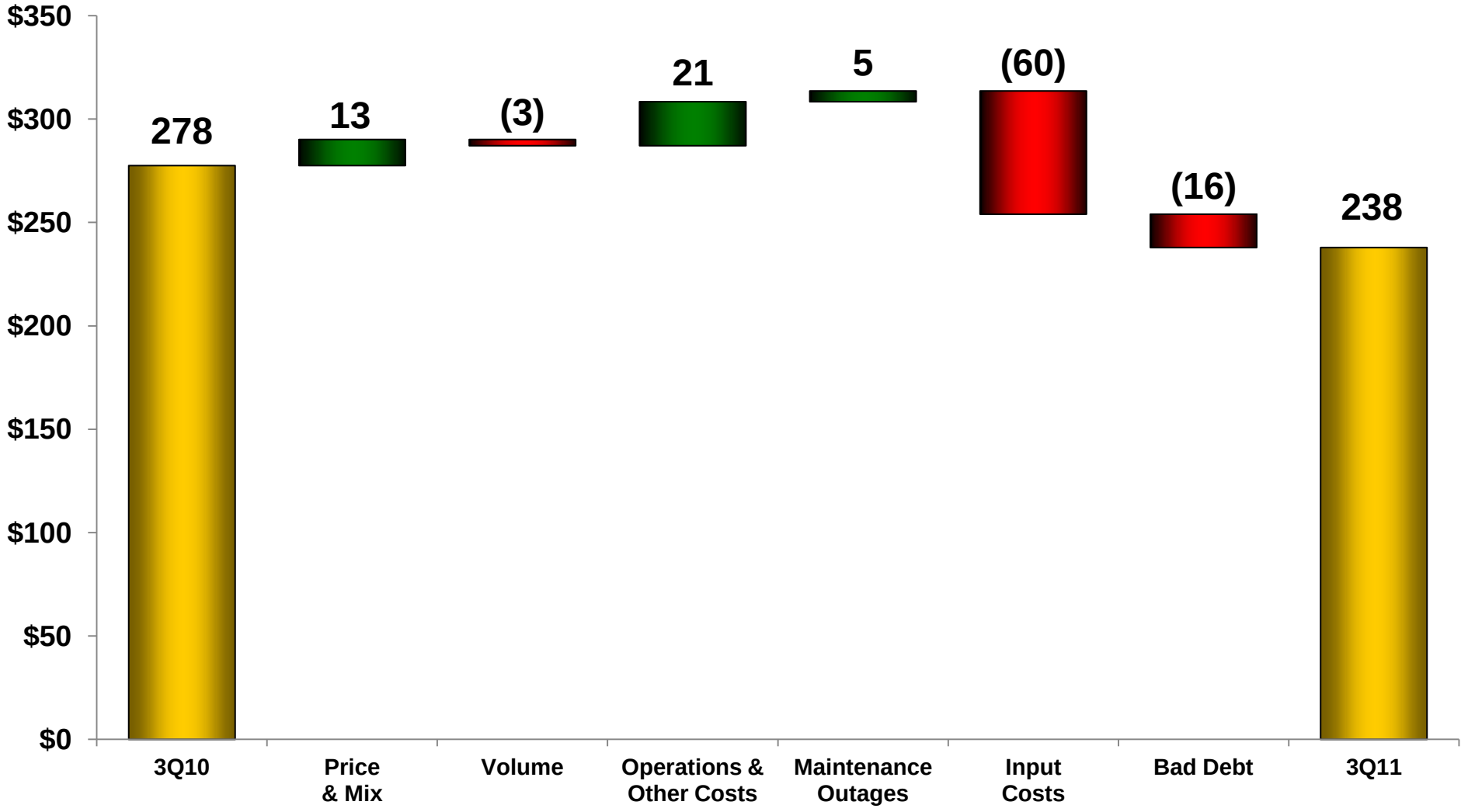

Earnings before special items

IP Brazil

$ Million	3Q10	2Q11	3Q11
Sales	$275	$295	$290
Earnings	$46	$39	$37
EBITDA Margin	29%	26%	26%

	3Q11 vs. 2Q11		3Q11 vs. 3Q10	
Business	Volume	Price / Ton	Volume	Price / Ton
Uncoated Freesheet	5%	($3)	8%	$10
Domestic	17%	($29)	4%	($72)
Export	(3%)	$17	11%	$73

IP Brazil results are reported in the Printing Papers segment

Consumer Packaging
3Q11 vs. 3Q10

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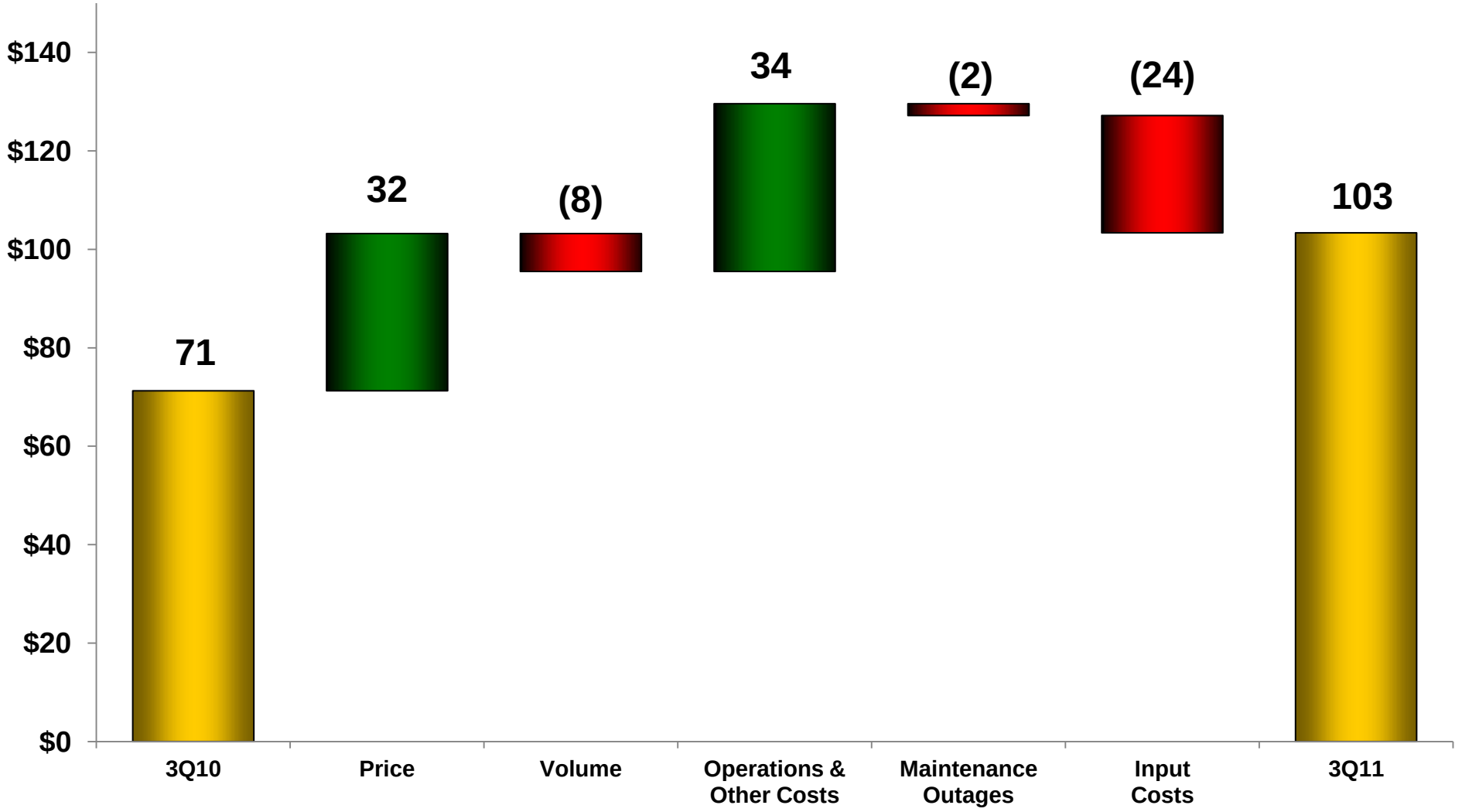
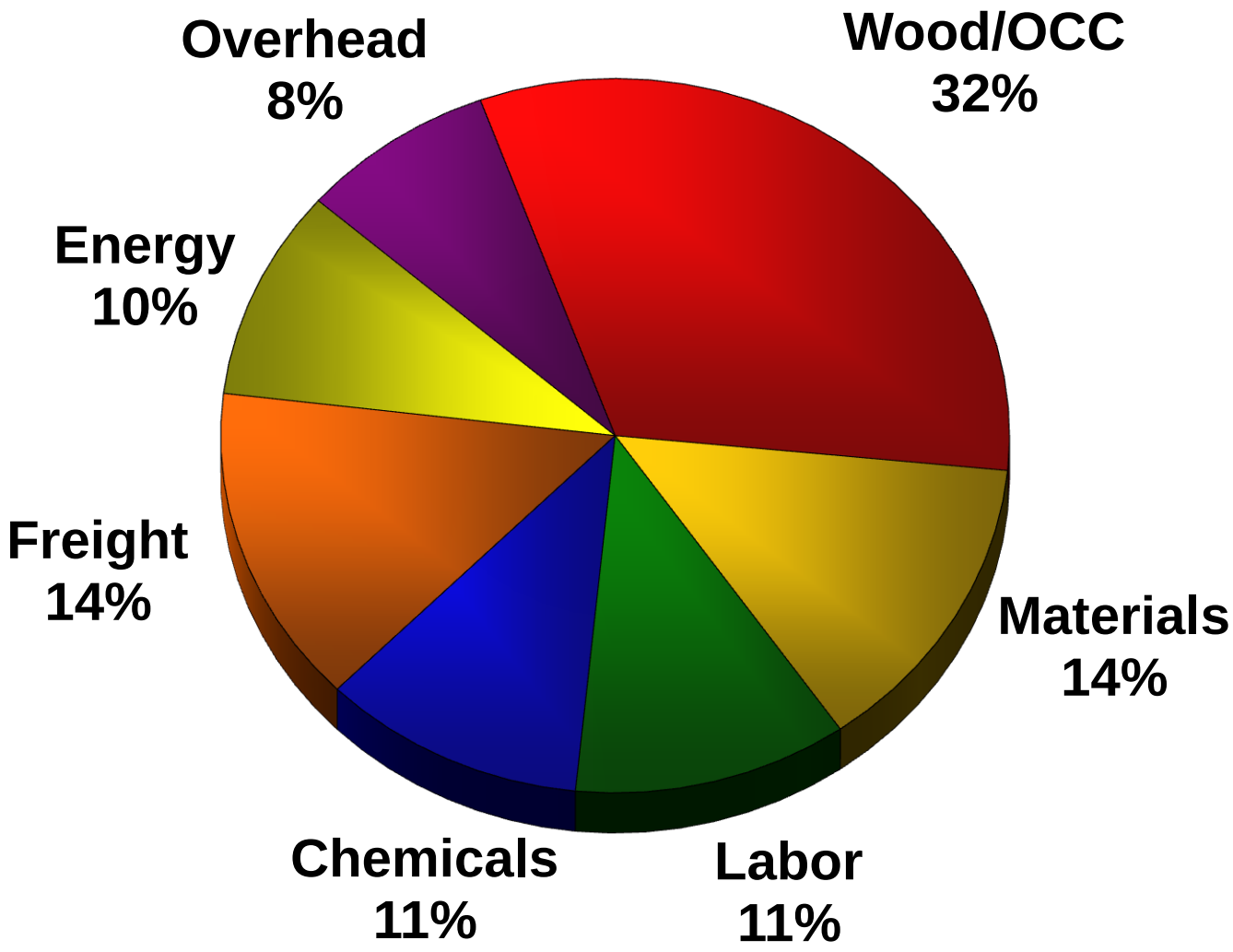


Earnings before special items

Total Cash Cost Components
3Q11 YTD



North American Mills Only

Global Input & Freight Costs vs. 3Q10

$139 MM Unfavorable, or ($0.22)/Share

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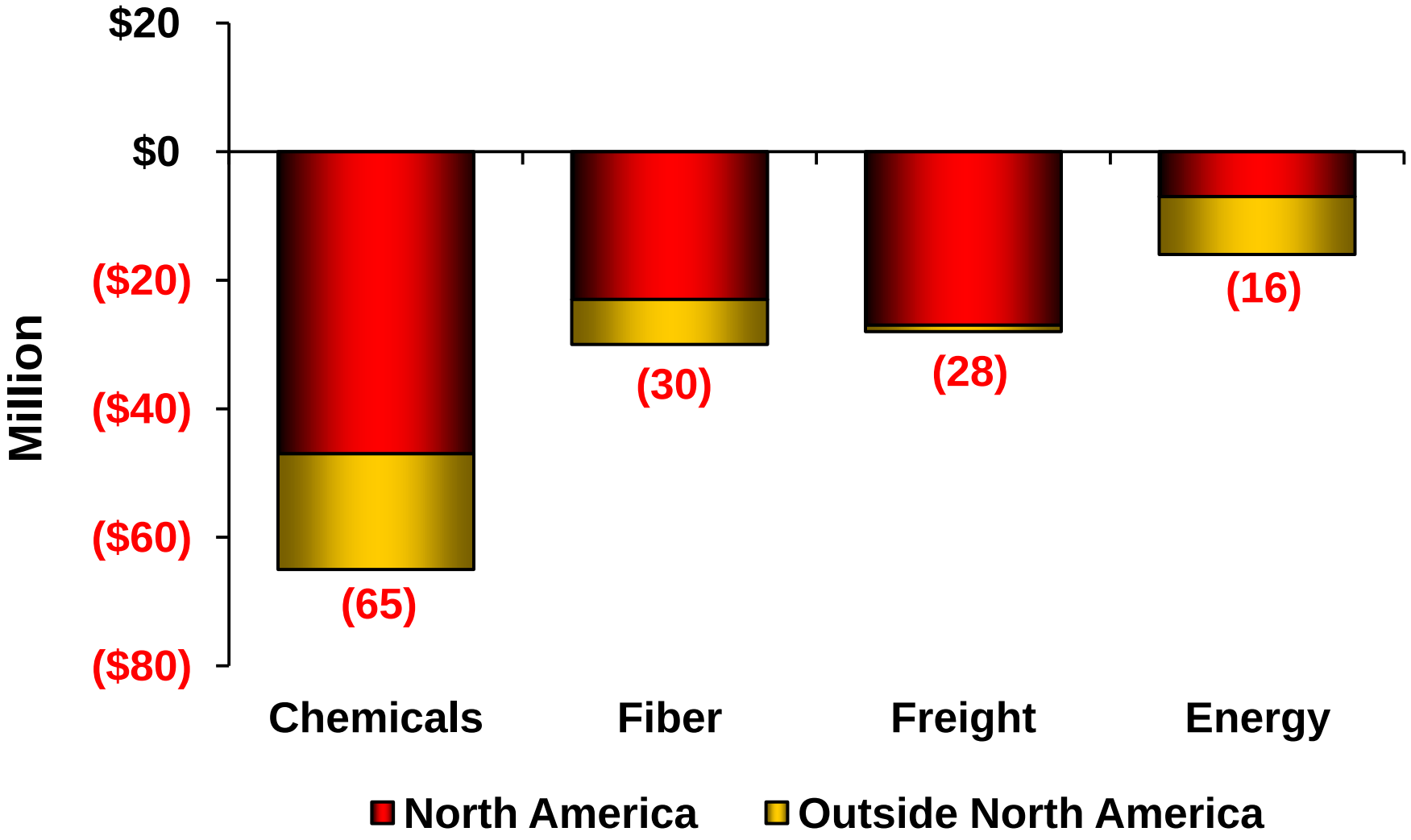

Input costs for continuing businesses

U.S. Mill Wood Delivered Cost Trends

1% Decrease vs. 2Q11 Average Cost

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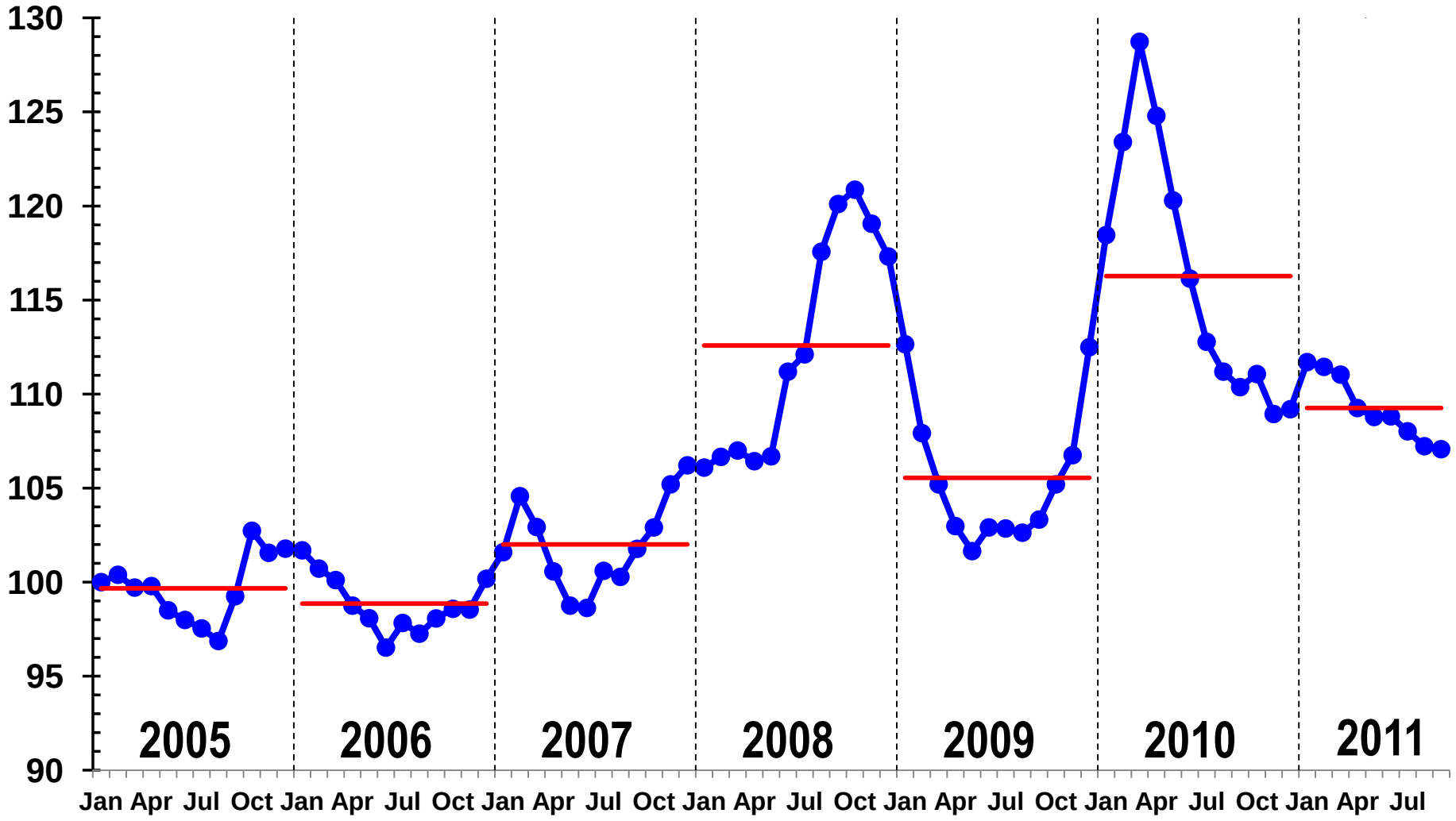

Cost Indexed to January 2005 values

U.S. OCC Delivered Cost Trends

13% Increase vs. 2Q11 Average Cost

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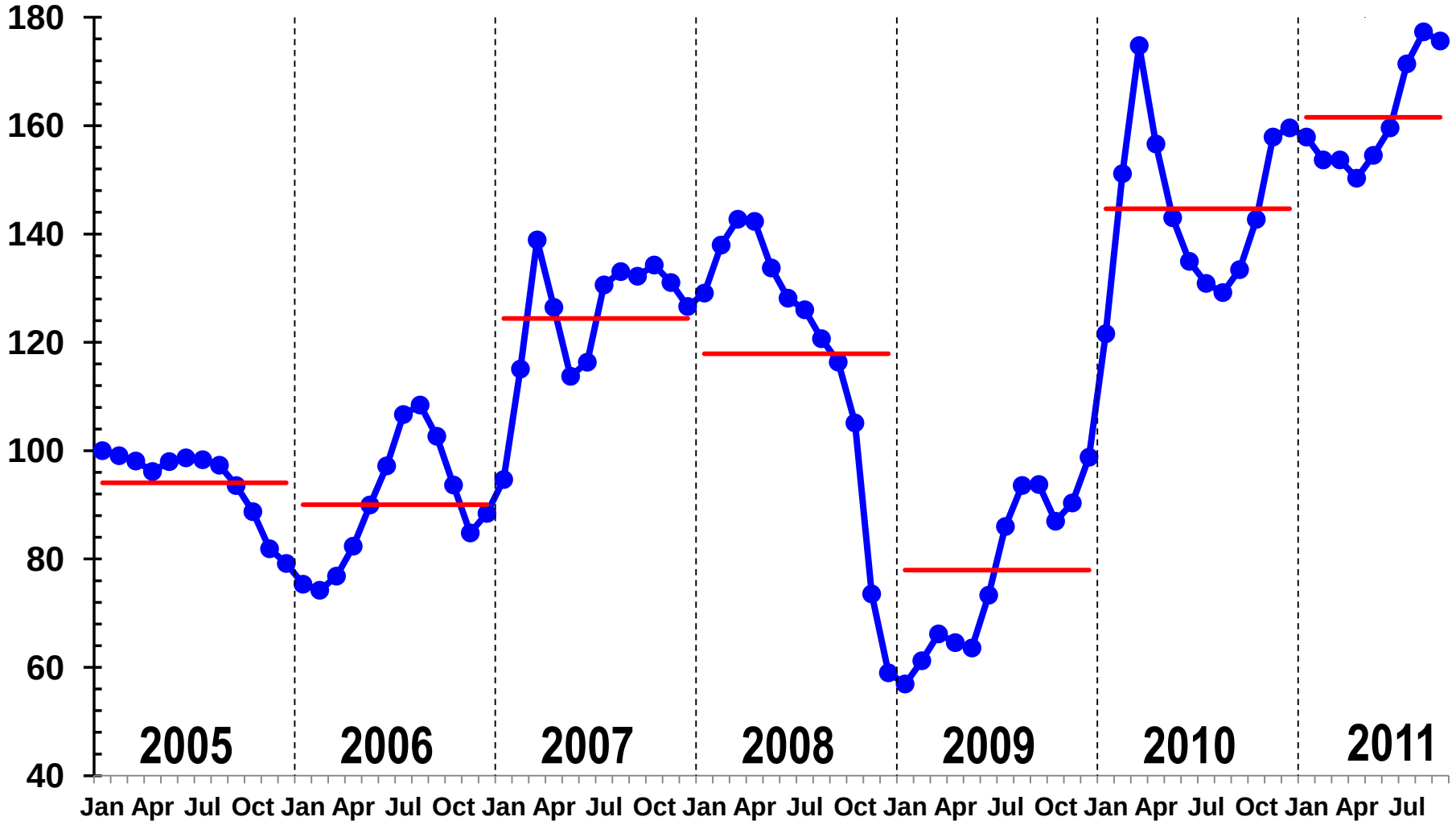

Cost Indexed to January 2005 values

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

Natural Gas Costs

3% Decrease vs. 2Q11 Average Cost

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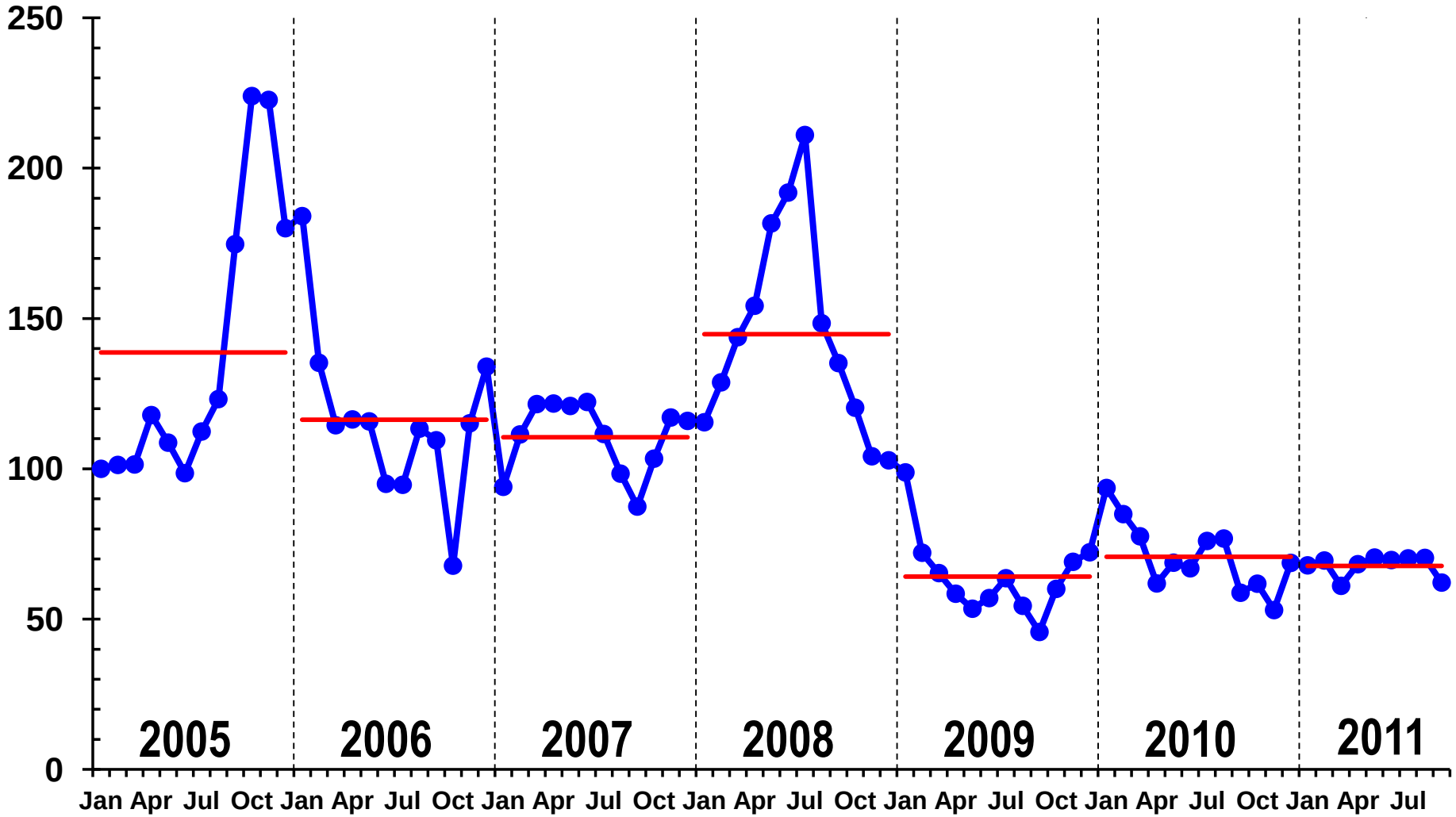


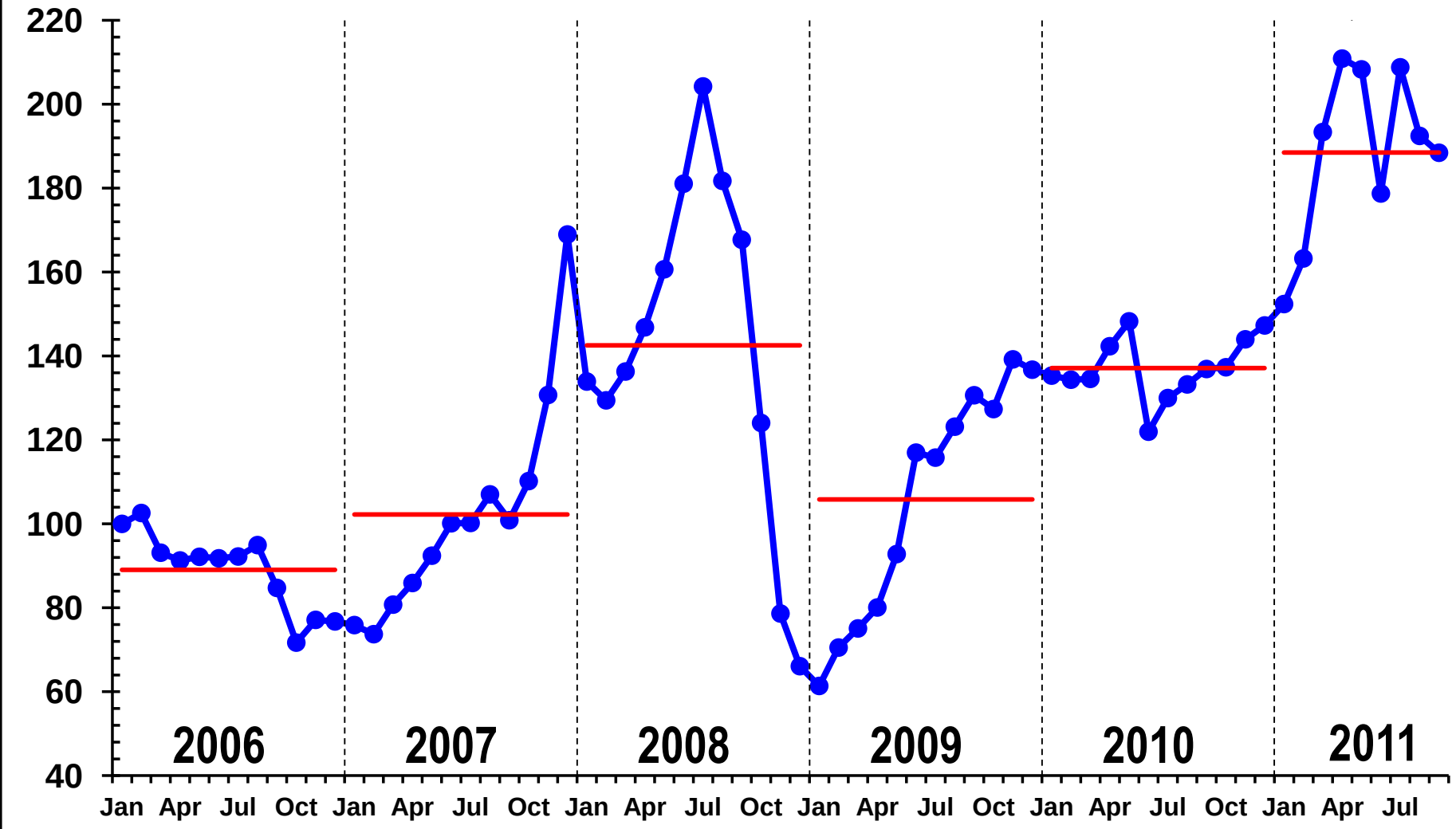
Cost Indexed to January 2005 values

NYMEX Natural Gas closing prices

U.S. Fuel Oil

1% Decrease vs. 2Q11 Average Cost

INTERNATIONAL PAPER



Cost Indexed to January 2006 values

WTI Crude prices

U.S. Chemical Composite Index

1% Increase vs. 2Q11 Average Cost

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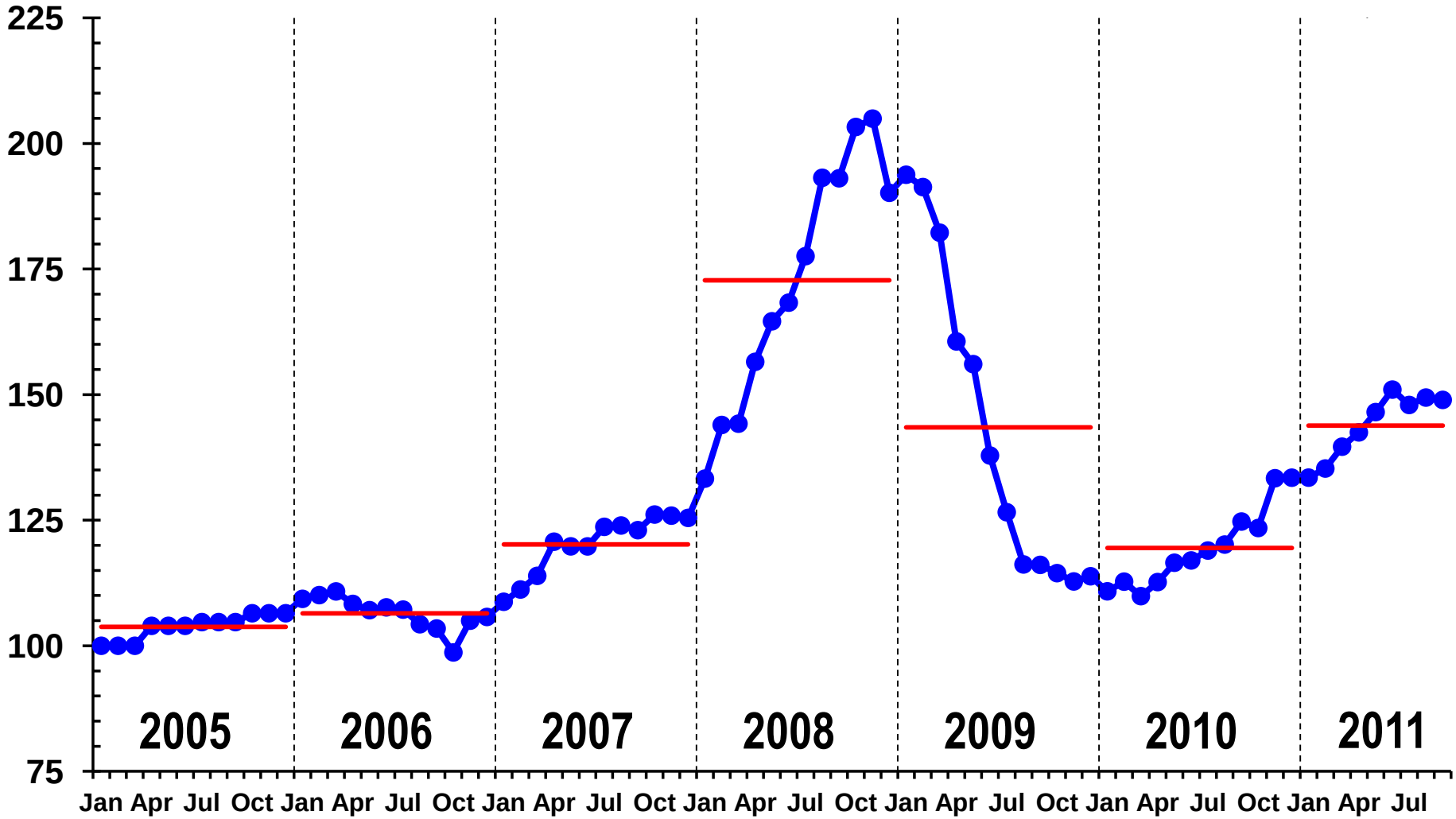

Cost Indexed to January 2005 values

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)	52,000,000	13,100,000
	Fuel Oil (Barrels)	1,000,000	385,000
	Coal (Tons)	670,000	390,000
Fiber	Wood (Tons)	44,000,000	9,300,000
	Old Corrugated Containers (Tons)	3,000,000	100,000
Chemicals	Caustic Soda (Tons)	340,000	117,000
	Starch (Tons)	390,000	100,000
	Sodium Chlorate (Tons)	210,000	44,000
	LD Polyethylene (Tons)	43,000	-
	Latex (Tons)	24,000	7,000

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