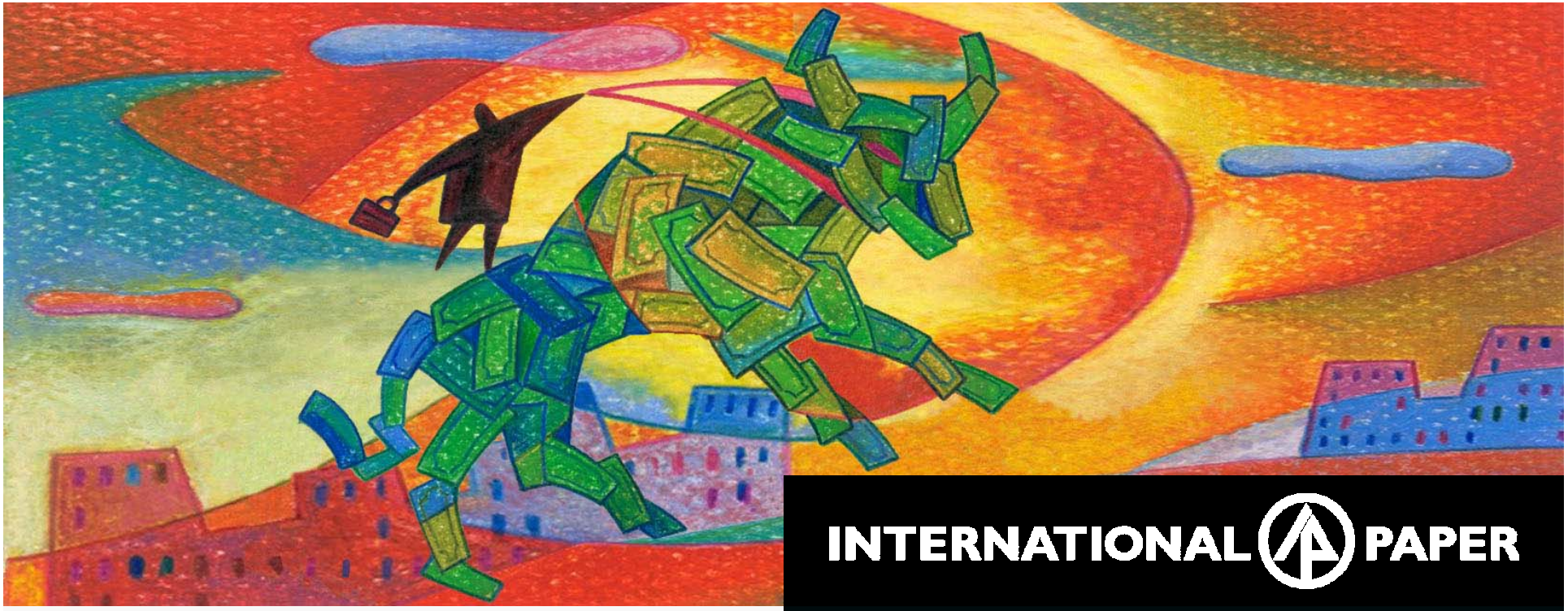


INTERNATIONAL PAPER

xpedx

Tom Kadien

Important Part of IP

- xpedx
  - Paper merchant, distribution company, solutions provider
  - Largest customer of IP Paper and Packaging businesses
    - UFS 8% growth
    - Container 10% growth
  - Creating customer value through product choice, bundling of products & services
  - Revenue growth and returns

$6.8B N.A. Distribution Company

INTERNATIONAL PAPER

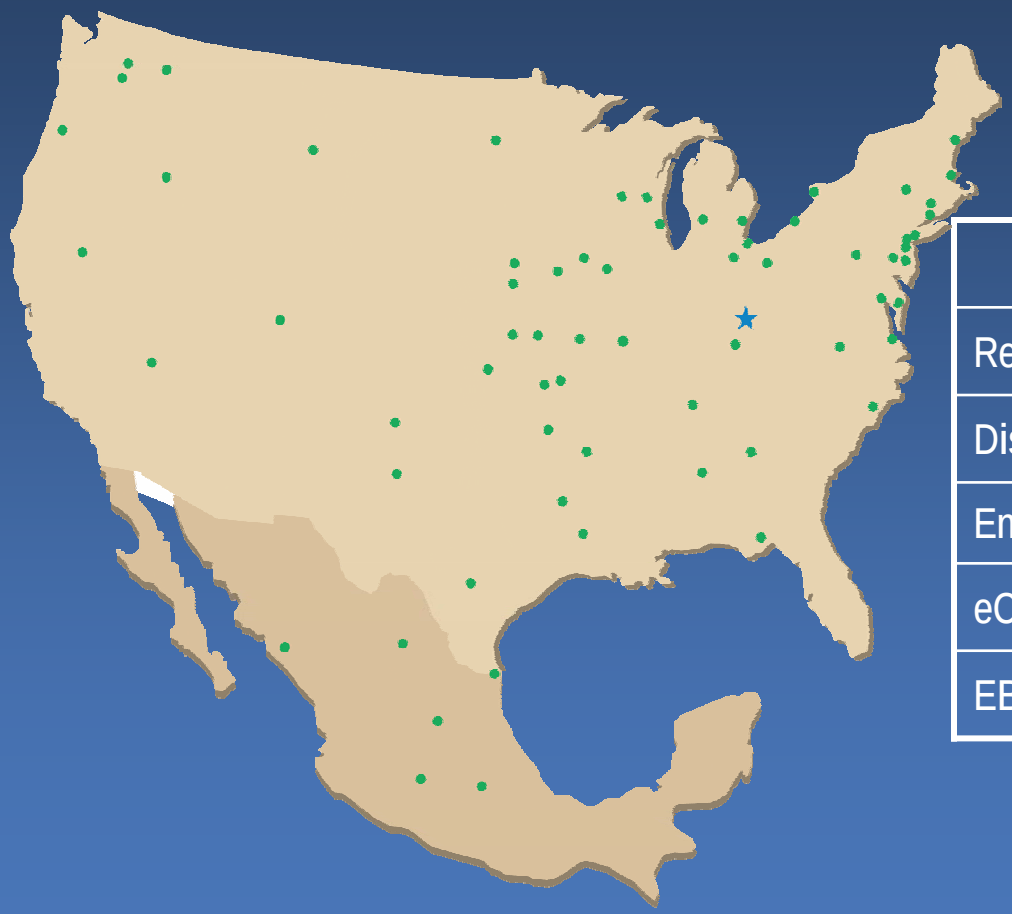








NA Service Platform Matures



	2003	2006	CAGR
Revenue	$5.9B	$6.8B	+4%
Distribution Centers	110	100	
Employees	8,250	7,400	
eCommerce Sales	$0.5B	$1.2B	+35%
EBIT	$85MM	$130MM	+13%

Revenue Growth Accelerating

- National network advantages xpedx growth with national customers
- Growth across all segments
- Share gains outpace market in CFS, UFS
- Double digit growth in packaging and corrugated
- Bundling of products with services is winning combination



Sales figures for 2006 are estimates

EDWARDS BROTHERS INCORPORATED

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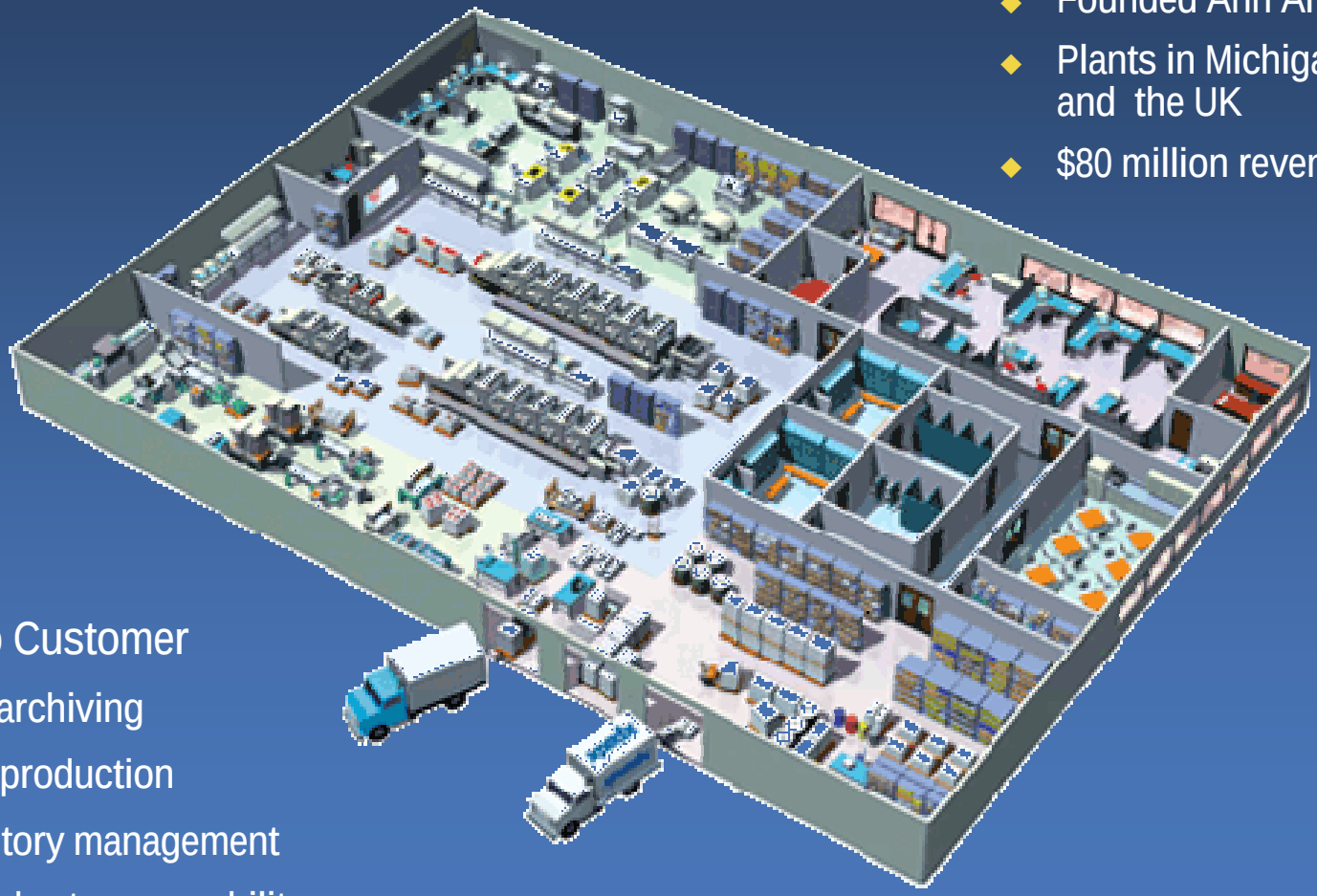
Book and Journal Printer

- Founded Ann Arbor. MI 1893
- Plants in Michigan, North Carolina and the UK
- $80 million revenues



Value to Customer

- Data archiving
- Print production
- Inventory management
- Very short run capability

EDWARDS BROTHERS INCORPORATED

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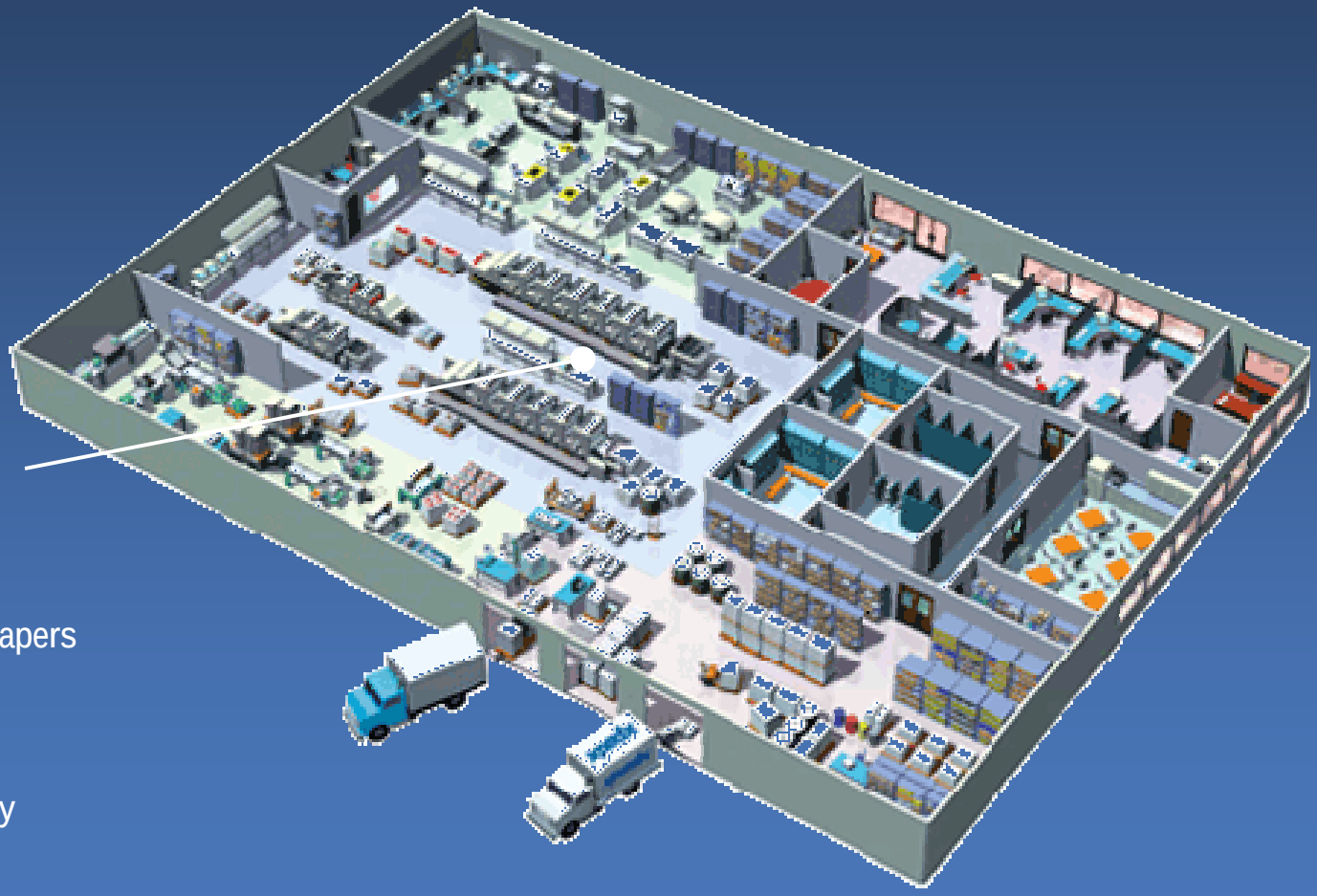


Pressroom

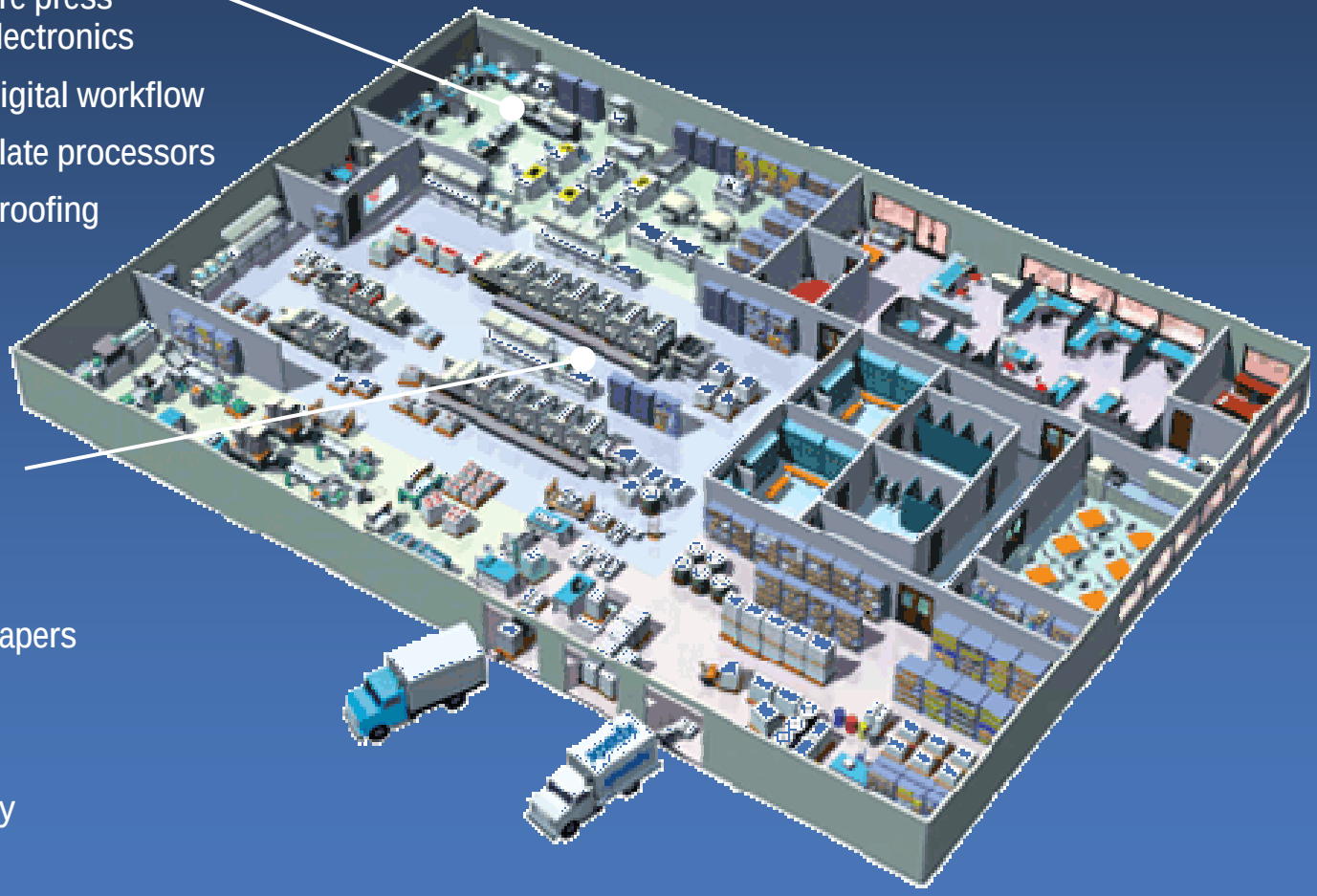
- Offset
- Opaque
- Coated Papers
- Plates
- Blankets
- Chemistry

EDWARDS BROTHERS INCORPORATED

INTERNATIONAL PAPER

Prepress

- Pre press electronics
- Digital workflow
- Plate processors
- Proofing



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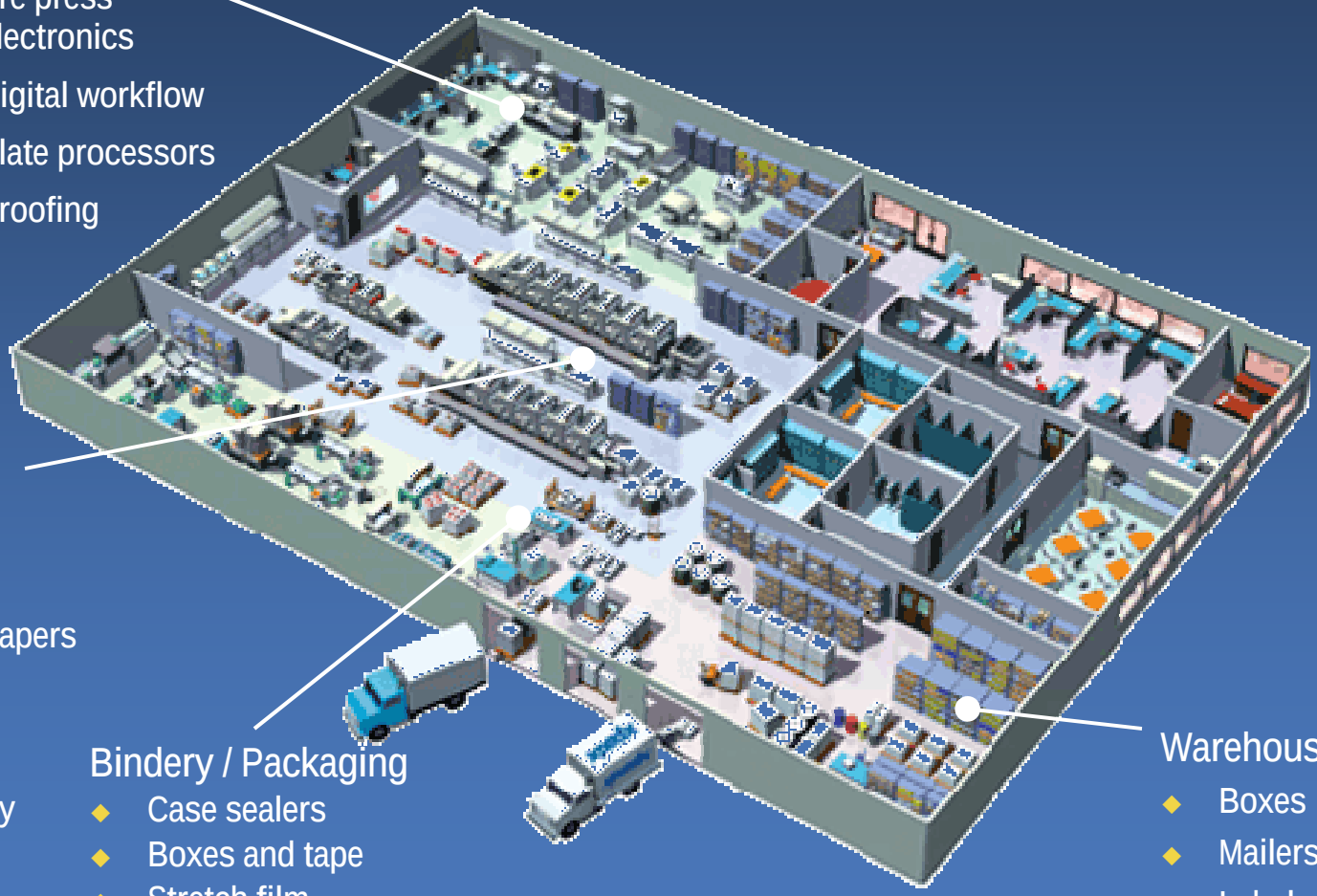

Pressroom

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- Chemistry

Bindery / Packaging

- Case sealers
- Boxes and tape
- Stretch film
- Stitching wire and glue
- Shrink film

Warehouse / Shipping

- Boxes
- Mailers
- Labels
- Foam-in-place system

EDWARDS BROTHERS INCORPORATED

INTERNATIONAL PAPER

Prepress

- Pre press electronics
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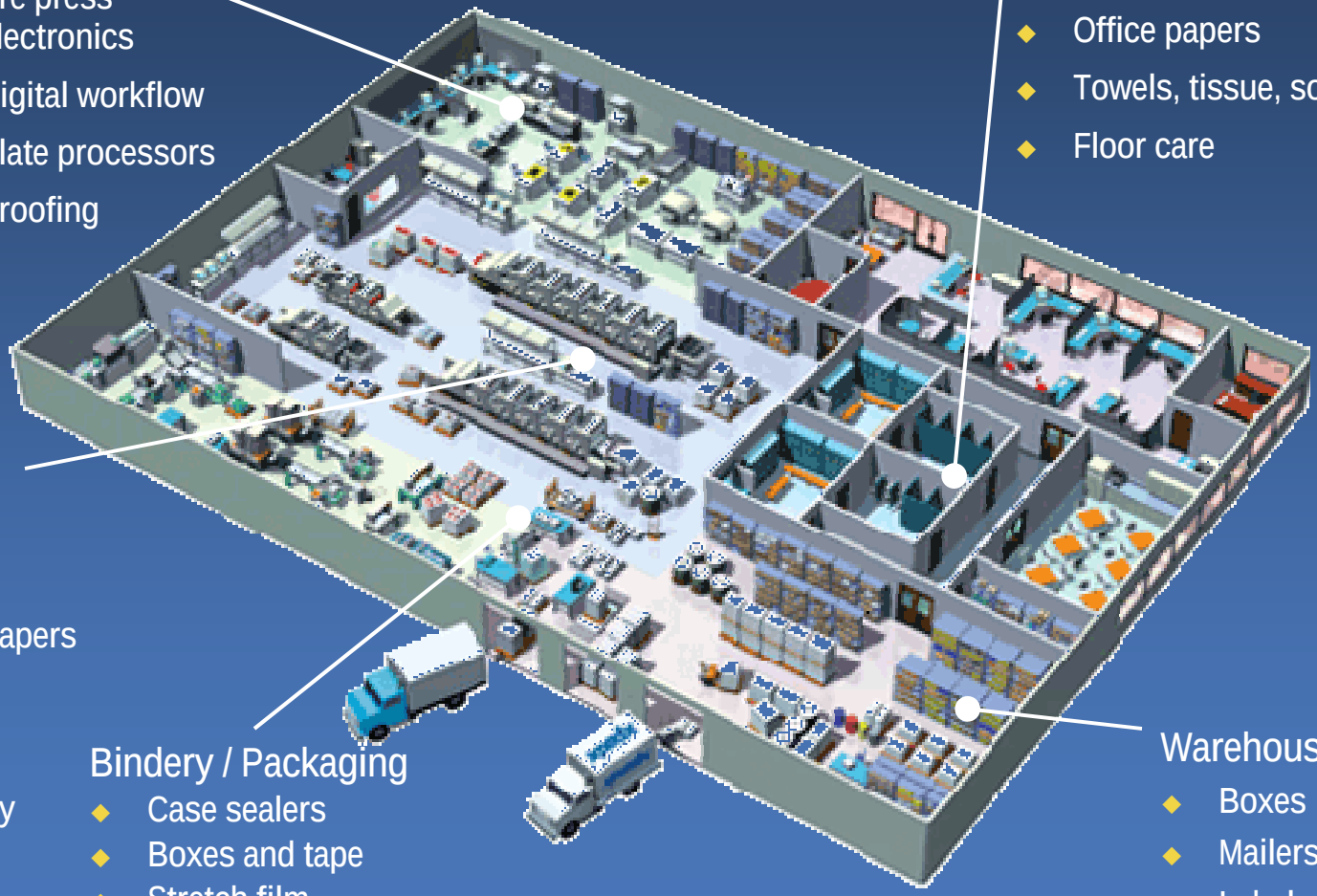
- Proofing

Office / Restroom

- Office papers
- Towels, tissue, soap
- Floor care



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EDWARDS BROTHERS INCORPORATED

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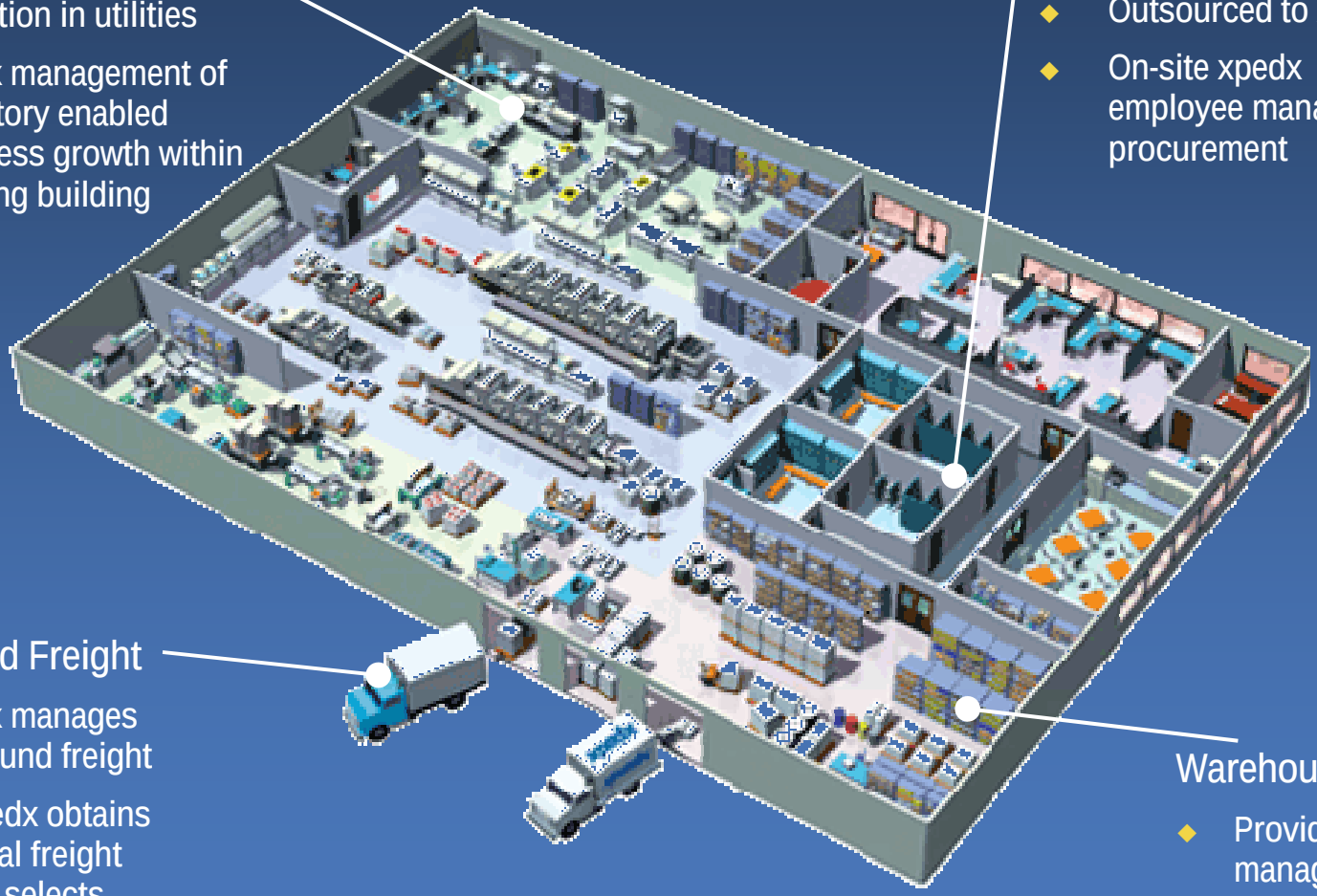
Plant and Office

- xpedx negotiated reduction in utilities
- xpedx management of inventory enabled business growth within existing building

Purchasing

- Outsourced to xpedx
- On-site xpedx employee managing procurement



Outbound Freight

- xpedx manages outbound freight
- IP/xpedx obtains optimal freight rates, selects carriers

Warehouse / Shipping

- Provided inventory management expertise

Paper Share Growth Continues

YTD % Increase Compared to Rest of Market

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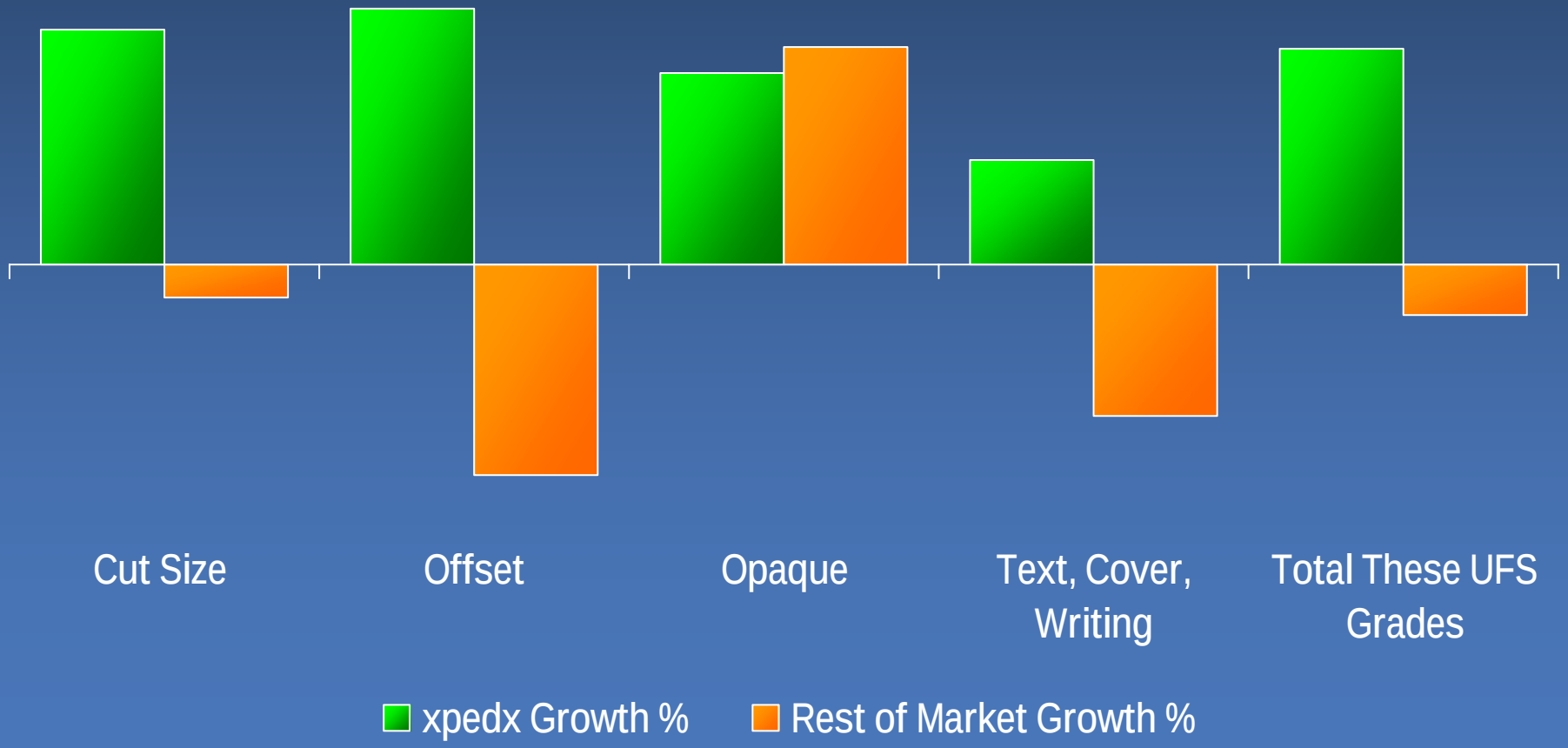
- xpedx tonnage growth represents all of growth in UFS in primary grades



Source: AF&PA, U.S. Dept. of Commerce

How to Create Next Step Change in Earnings Growth

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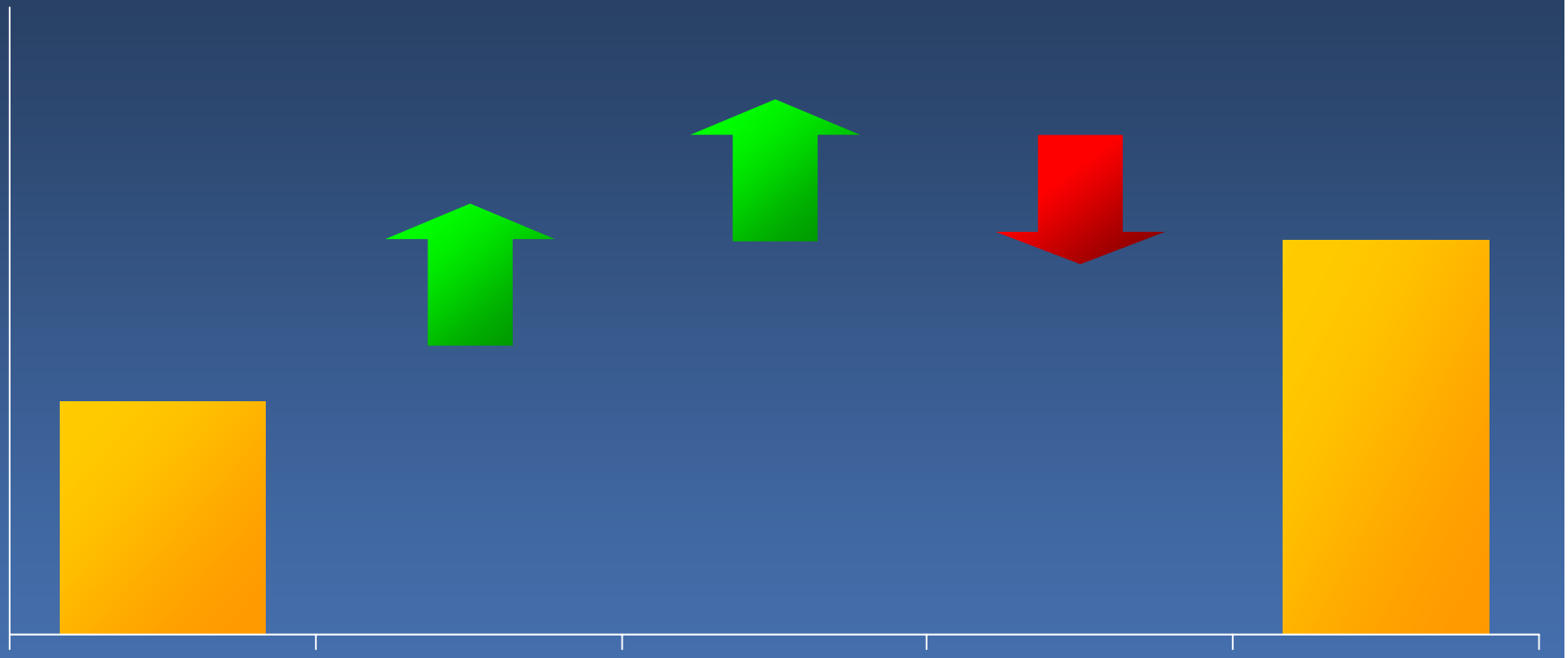
$50MM Opportunity

Revenue Growth	Improving the Operating Model		
Grow 5% Ann.	Buy	Handle	Sell
◆ Share gains in core segments ◆ National accounts ◆ Acquisition	◆ SKU reduction ◆ Cost of goods ◆ Import purchases	◆ Operational excellence ◆ Freight ◆ Logistics	◆ Sales effectiveness ◆ Sales management ◆ Margin & pricing

Revenue Growth Across Efficient Network Delivers Value



Sales	6.8B				$8.0B
ROCE	5%				8%

* Component symbols used for illustrative purposes only, proportions not indicative of actual EBIT impact

xpedx Moving Forward

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2007 Priorities

- Double digit growth in National Accounts business
- Continued share gains across all segments
  - Double digit growth in packaging and supplies
- $15 million improvement in buy / handle / sell
- Invest in sales resources

xpedx

- Three things to remember
  - xpedx is adding value in the supply chain that is discernable to customers and suppliers
  - xpedx role in IP fold
    - Market reach, superior growth
    - Sell a rich mix of IP products
    - Supply chain solutions coupled with IP products
  - Returning cost of capital today, with plans for continued improvement


xpedx

A Stronger, More Valuable IP

