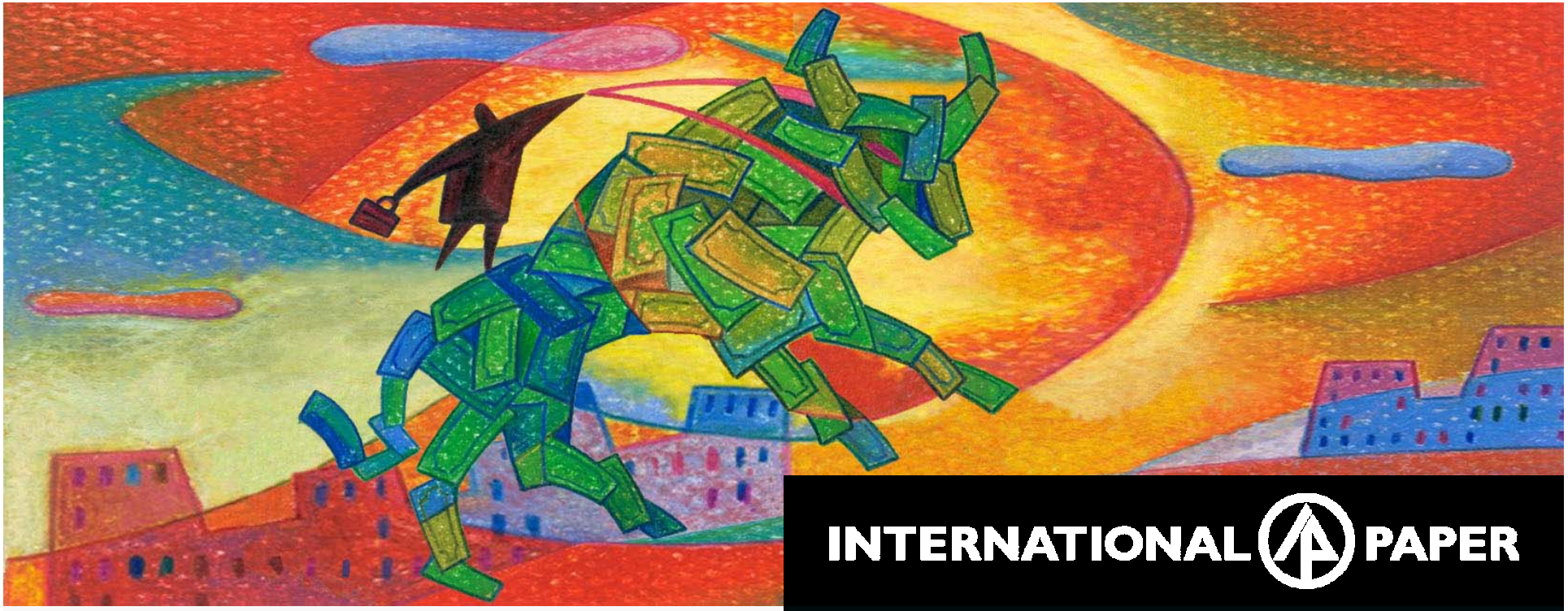


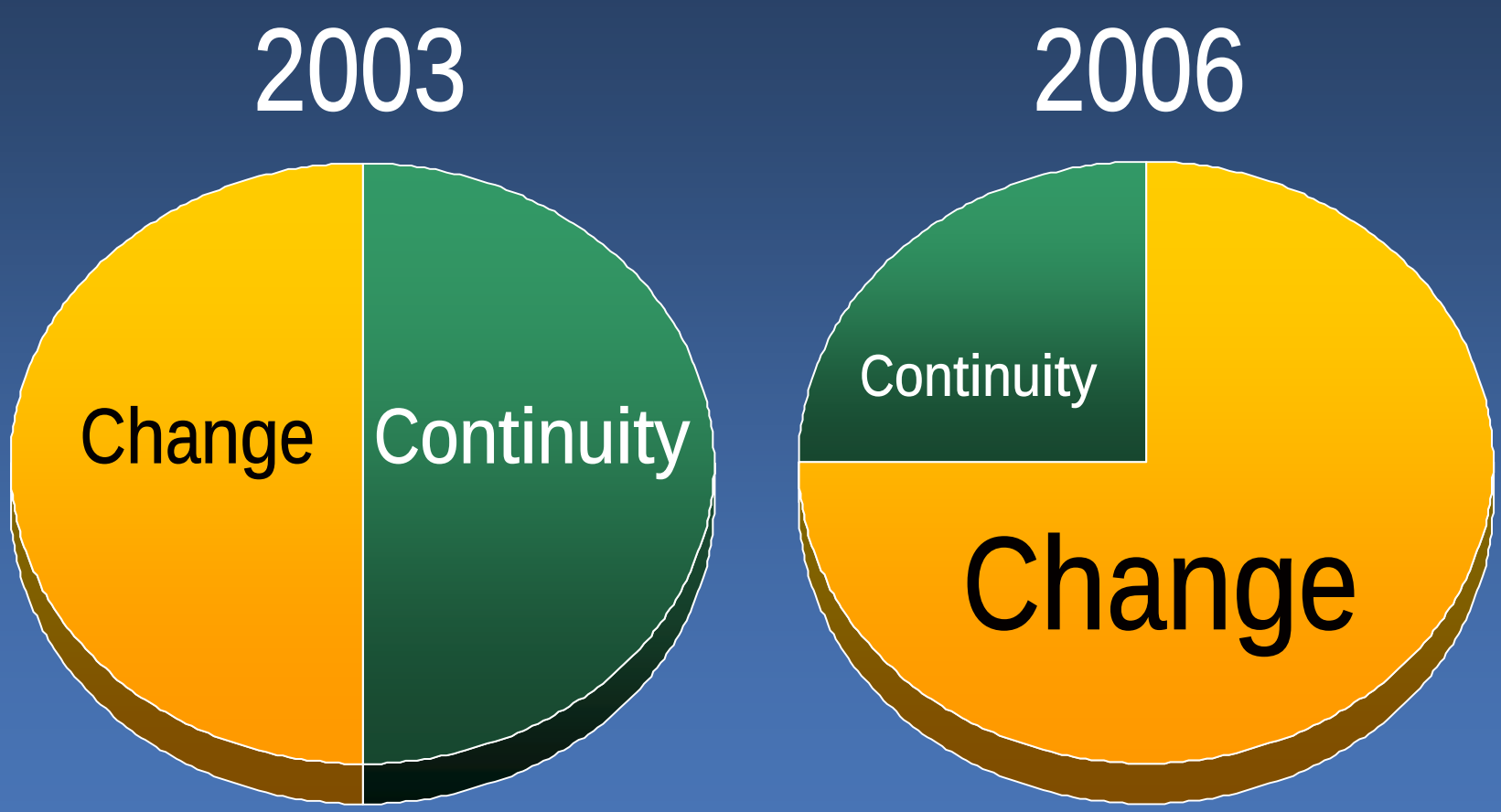
INTERNATIONAL PAPER

Transformation Process

Maura A. Smith

International Paper

INTERNATIONAL PAPER



Continuity & Change

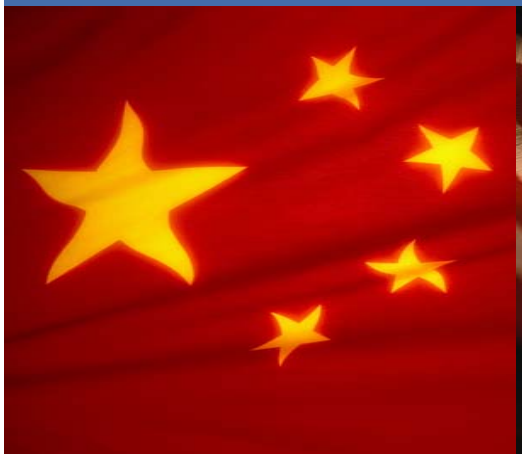
- What's the same
  - Principles
  - Three drivers
    - Operational excellence
    - Customers
    - People
  - Metrics
- What's different
  - Making choices
  - Playing to win!
  - Capacity management
  - More external metrics

Board Strategy Sessions

INTERNATIONAL PAPER

- Global supply / demand drivers
- IP assets and competitive advantages / disadvantages
- How to create value – IP's levers
- Decision-making framework









2004 Themes

- Assessed global forest products industry trends
  - Consolidation – positive impact
  - Supply / demand – negative impact in U.S.; positive elsewhere
  - IP's asset strength vs. competition



- Conclusion: to improve earnings and share price will require more change than continuity



2004 Themes

INTERNATIONAL PAPER

- Assessed global forest products industry trends
  - Consolidation – positive impact
  - Supply / demand – negative impact in U.S.; positive elsewhere
  - IP's asset strength vs. competition



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2005 Themes

- Not satisfied with IP's performance
  - Relative ROI improvement vs. forest products industry peers
  - Returns < cost of capital
  - Share price underperforming vs. broader peer group
- Identified segments where we could win
- Conclusion: Transform!





From Transformation Principles . . .

- Goal – improve profitability, returns and cash generation

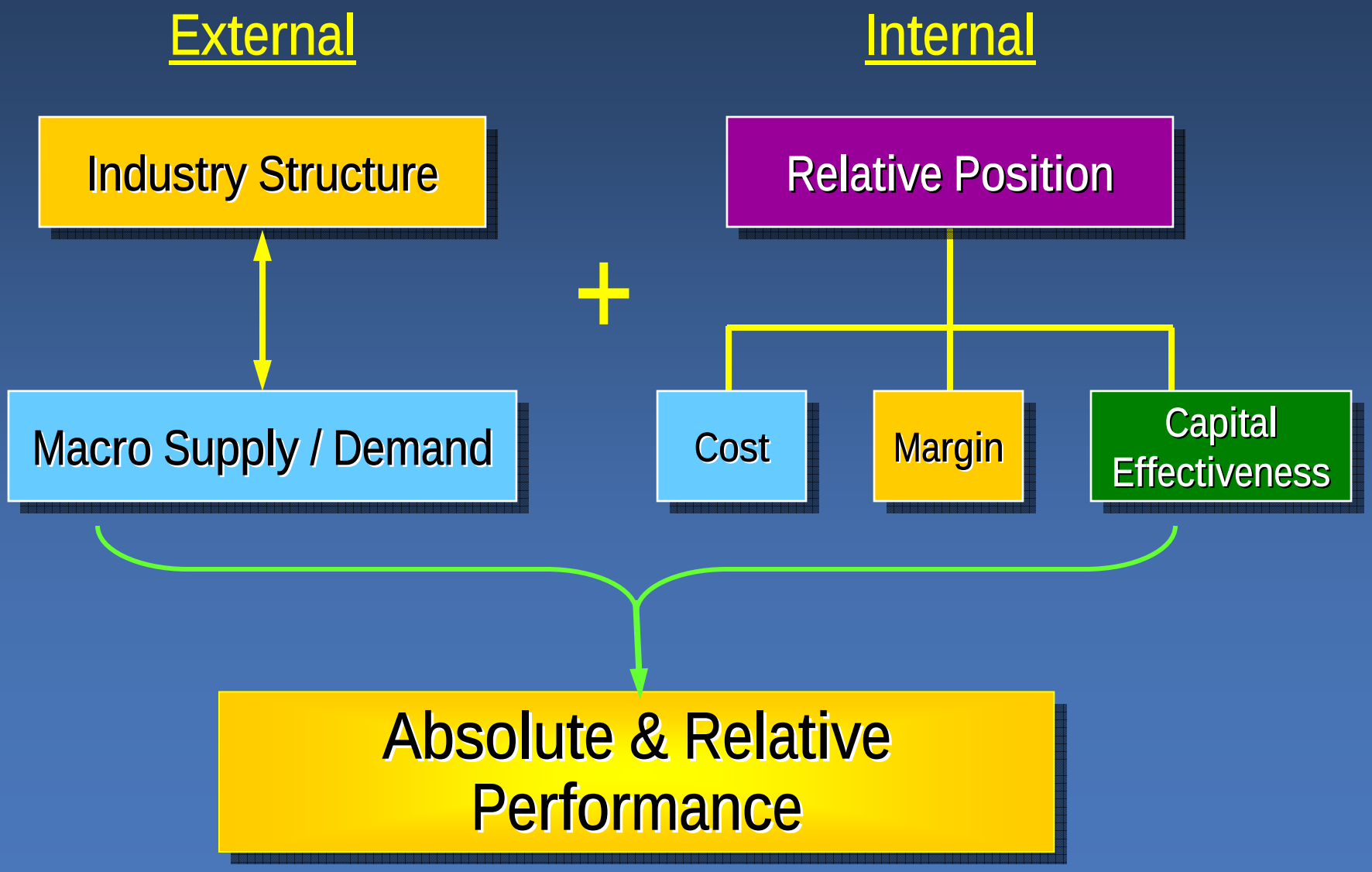


- Board and management aligned
  - Portfolio realignment
  - Improve performance of businesses we keep
  - Align management systems
  - Set stretch targets & execute!



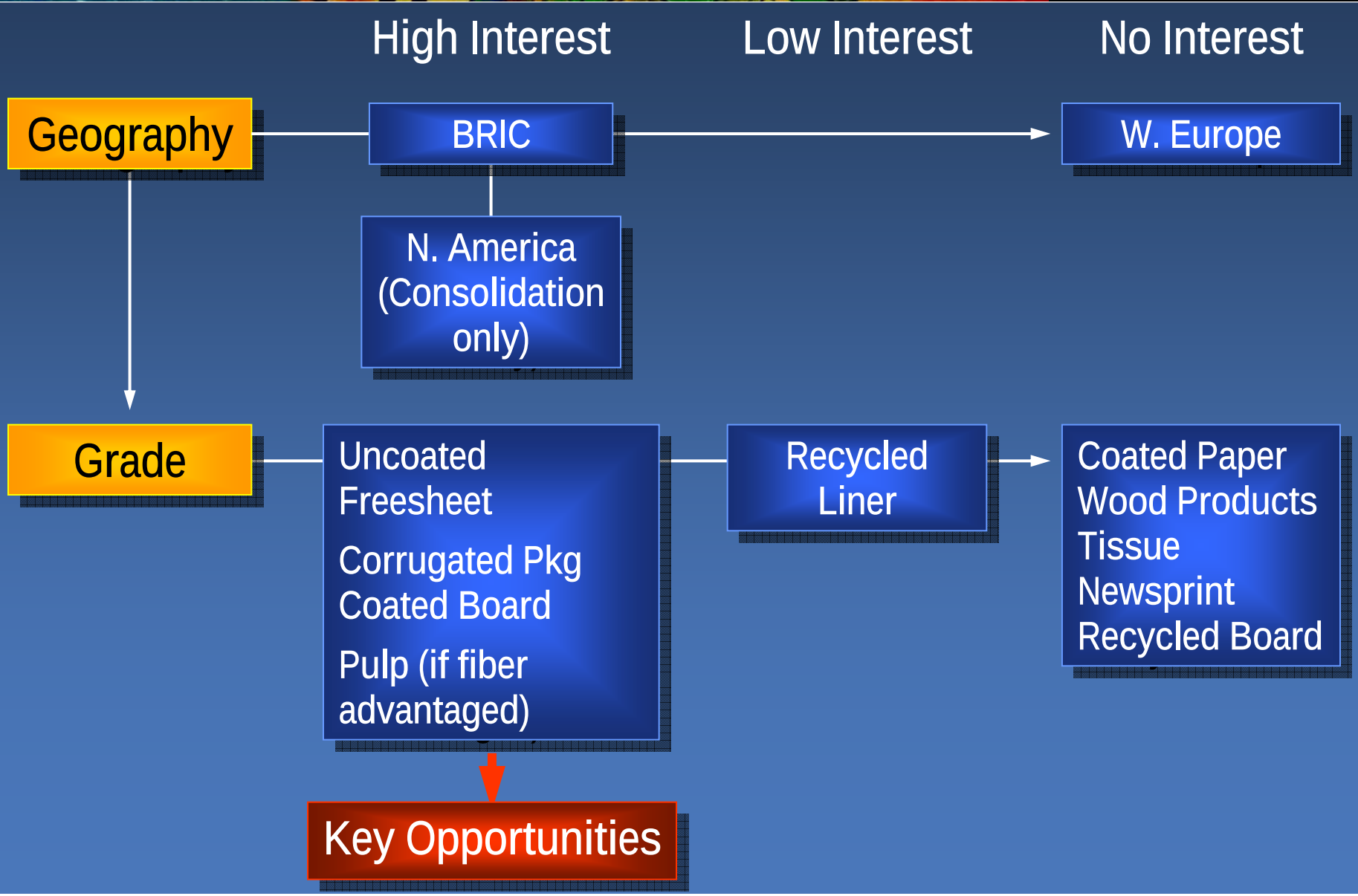
Strategy Framework

INTERNATIONAL PAPER



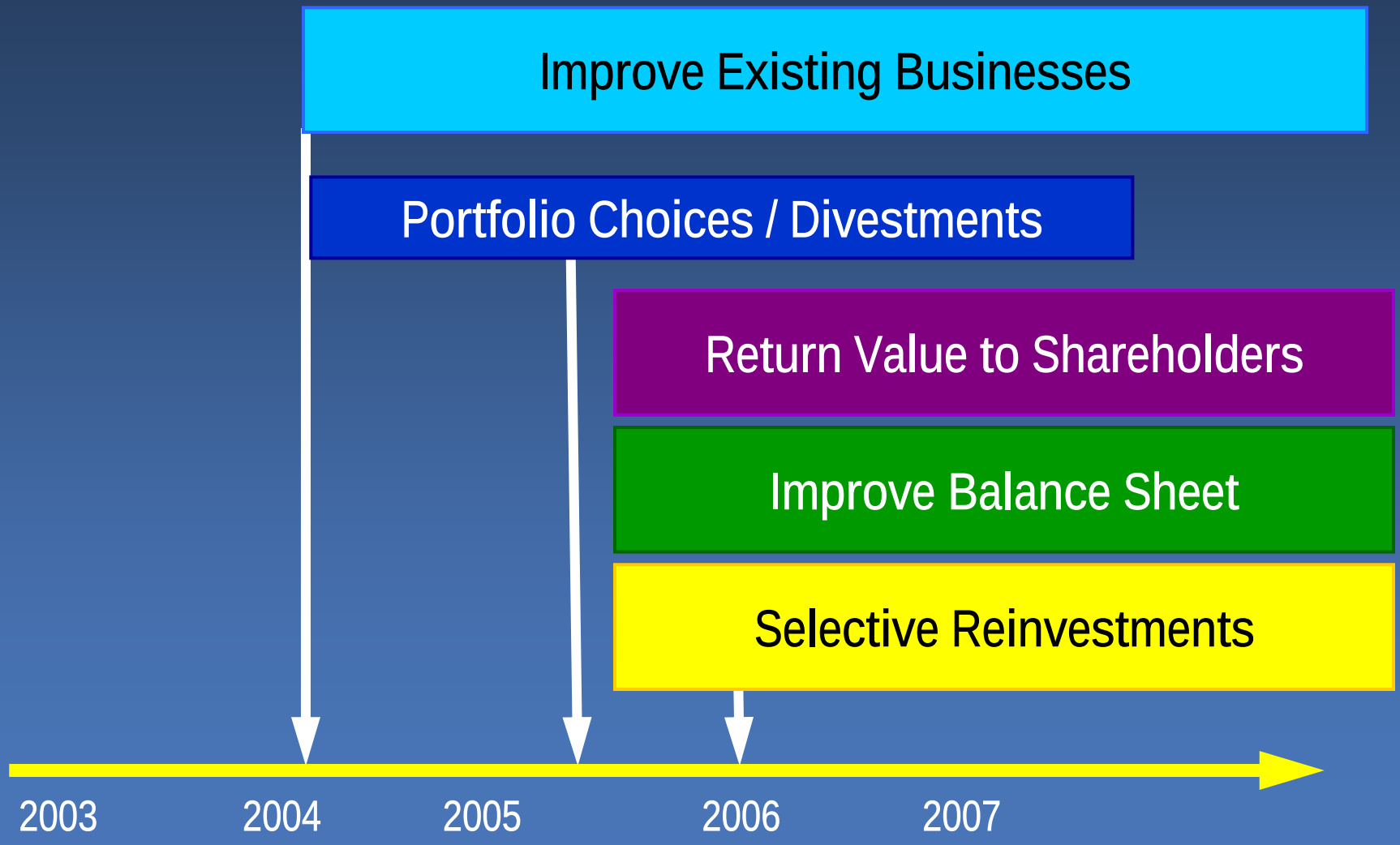
Reinvestment – Screening the Opportunities

INTERNATIONAL PAPER

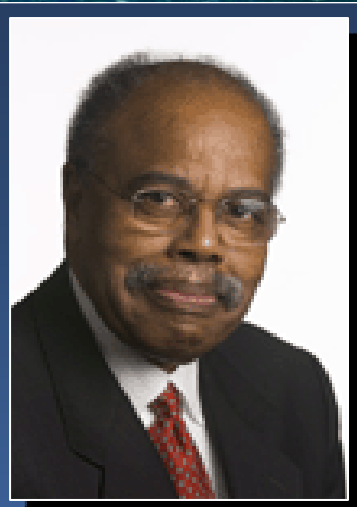


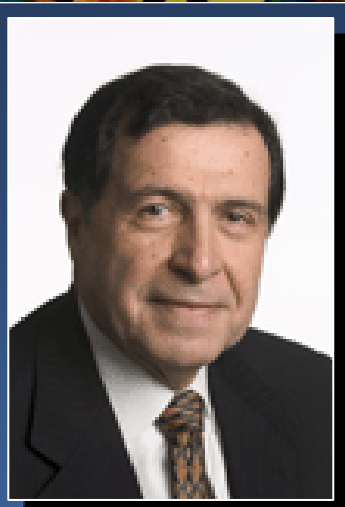
2006 Theme . . . Execution!

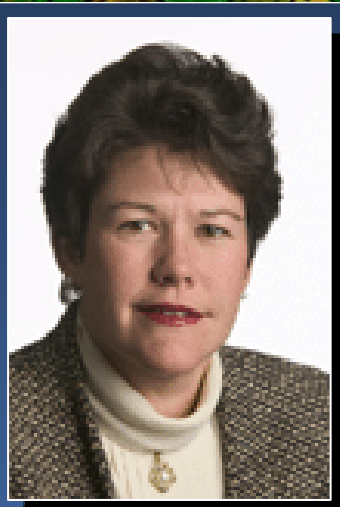
INTERNATIONAL PAPER



IP's 10 Independent Directors

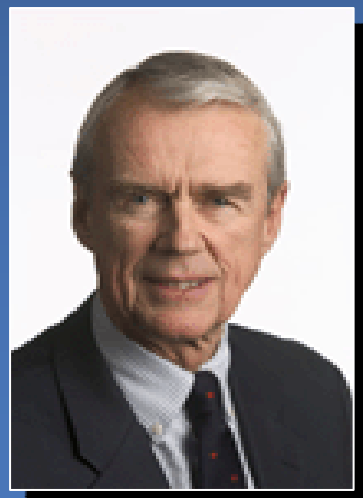

Donald F. McHenry

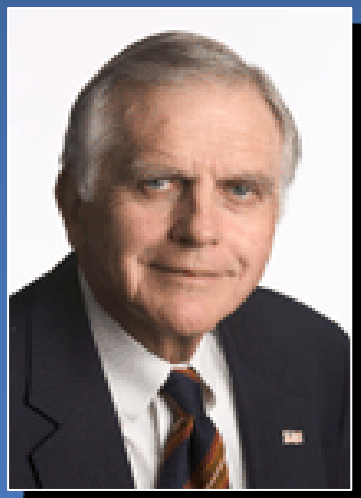

Samir A. Gibara


Martha F. Brooks

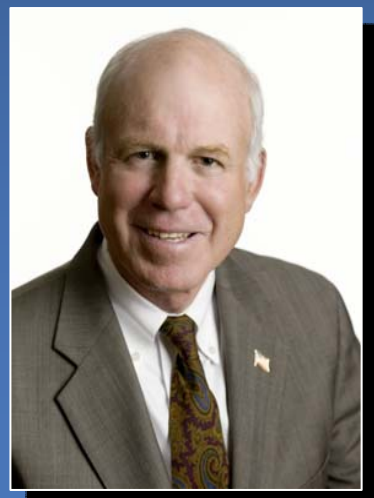

Alberto Weisser


David J. Bronczek


James A. Henderson


W. Craig McClelland

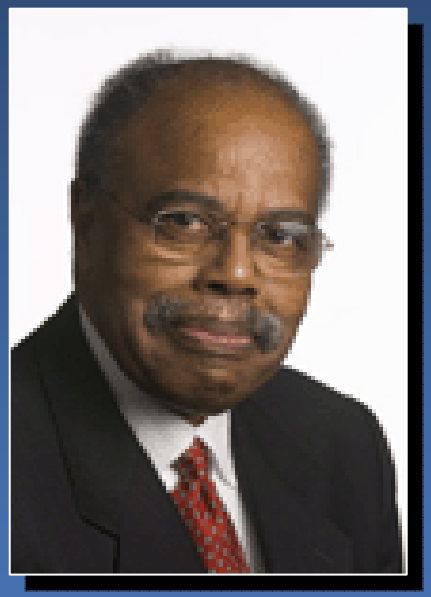

William G. Walter


John F. Turner


John L. Townsend

Continuity . . .

- Four experienced directors –



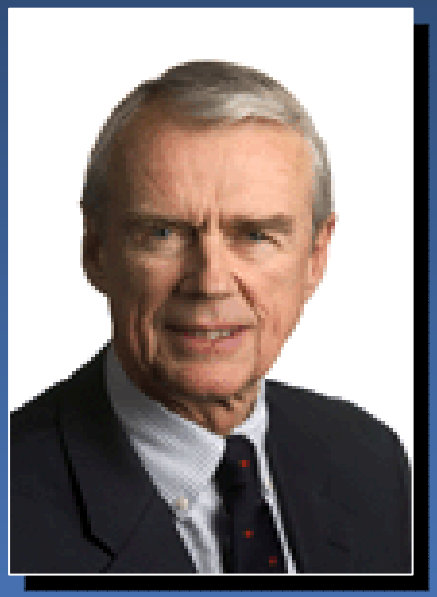
Donald F. McHenry
Former Ambassador
& Professor

1981 –



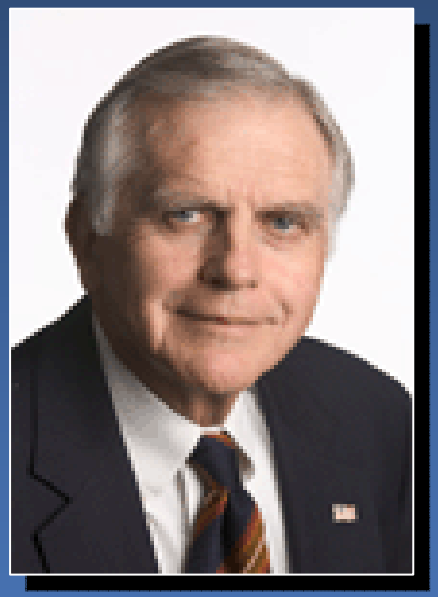
Samir Gibara
Retired CEO
Goodyear

1999 –



Jim Henderson
Retired CEO
Cummins

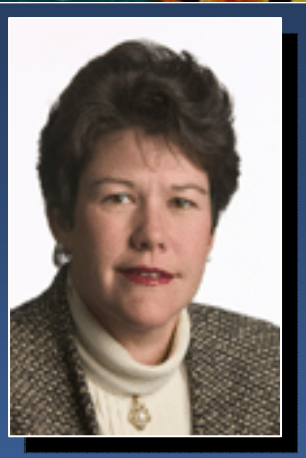
1999 –



Craig McClelland,
Retired CEO
Union Camp

1999 –

. . . And Change



Martha Brooks,
COO, Novelis '03



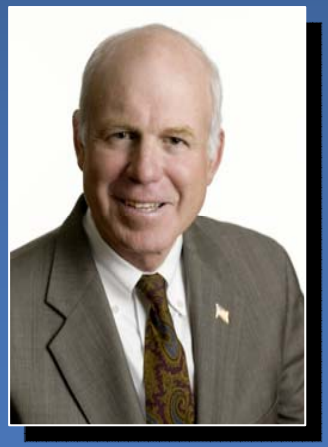
Alberto Weisser,
CEO, Bunge '05



Dave Bronczek,
CEO, Fed Ex '06



Bill Walter,
CEO, FMC '04



John Turner, Ret.
Ass't Secretary,
Dept. of State '05



John Townsend, Ret.
Goldman Sachs
Banker '06

Summary

- Parallel initiatives
- Continuity & change
- Structured decision making
- Engaged, experienced board



A Stronger, More Valuable IP!

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