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Strategic Entry into India

March 29, 2011

Forward-Looking Statements

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These slides 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) the ability of the parties to successfully consummate the transactions contemplated by the purchase agreement; (ii) the successful completion of the mandatory public tender offer on the terms contemplated; (iii) the receipt of regulatory approvals for the transaction; (iv) the successful fulfillment (or waiver) of all conditions set forth in the purchase agreement; (v) the successful closing of the transaction within the estimated timeframes; (vi) the failure to realize synergies and cost-savings from the transaction or delay in realization thereof; (vii) industry conditions, including but not limited to changes in the cost or availability of raw materials and energy, transportation costs, the company's product mix, demand and pricing for its products; (viii) supply and demand conditions and other economic factors affecting India, Asia, Eastern Europe, and Russia, including but not limited to changes in currency exchange rates and natural disasters; and (ix) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or potential litigation. 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.

Strategic Entry into India
Andhra Pradesh Paper Mills (APPM)

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- **Agreement to purchase 53.5% for ~$257 MM cash, plus $62 MM non-compete payment**
- **Public tender offer to acquire up to an additional 21.5% for ~$104 MM cash**
- **Anticipate acquiring up to 75% of APPM**
- **IP secures a significant position in India's fast growing economy**

All monetary amounts are approximations based on an exchange rate of INR 45 per USD

IP's Developing Market Strategy

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- Focus on core paper & packaging businesses
- Target low-cost, high demand growth markets
- Invest early in quality assets with attractive build-out opportunities
- Apply IP's operational, technical, & project management capability to create value
- Grow profitably with markets

Strategic Rationale
High Demand Growth

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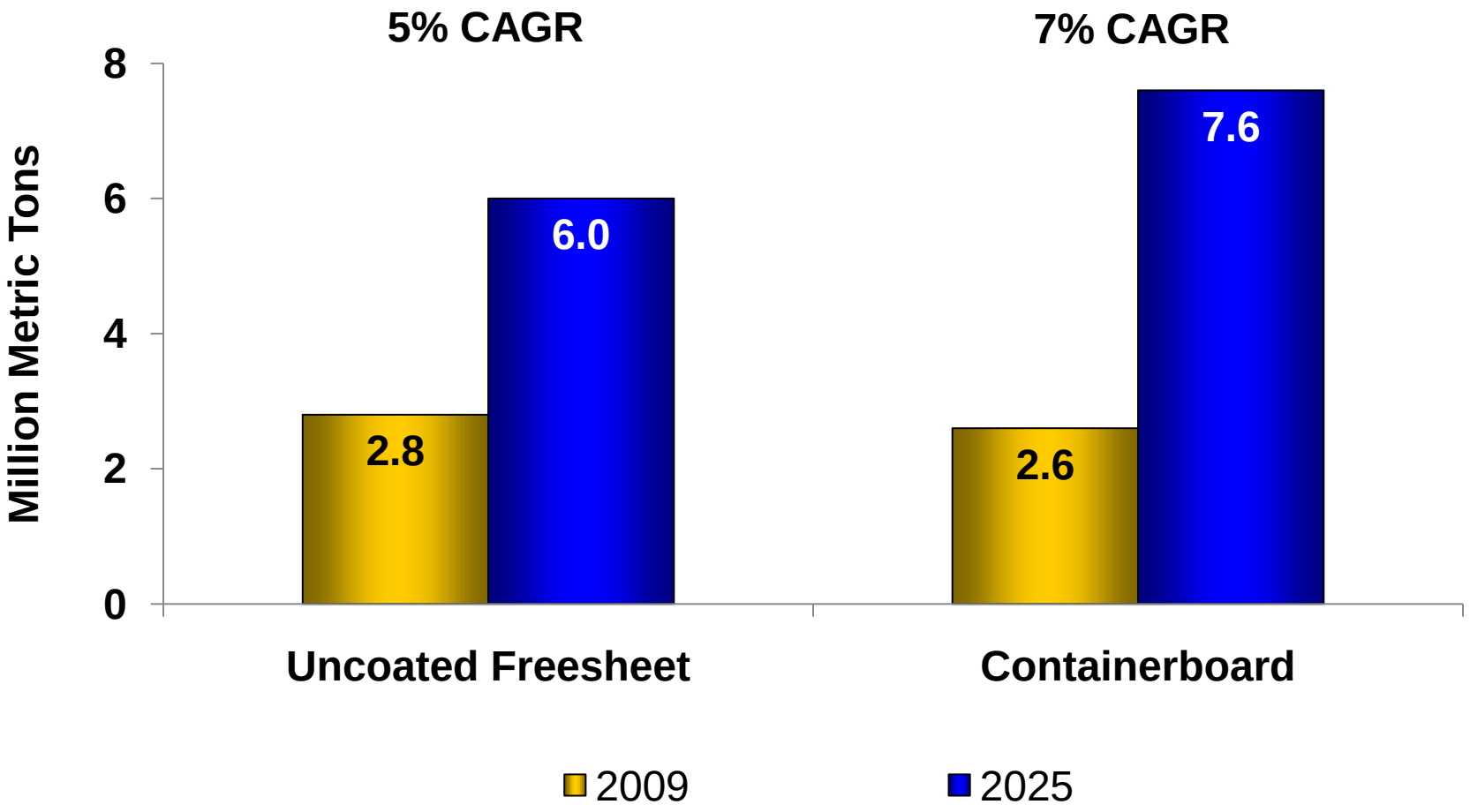
RISI Forecast of Indian Demand Growth



Source: IP analysis, RISI and McKinsey analysis

Strategic Rationale
High Demand Growth

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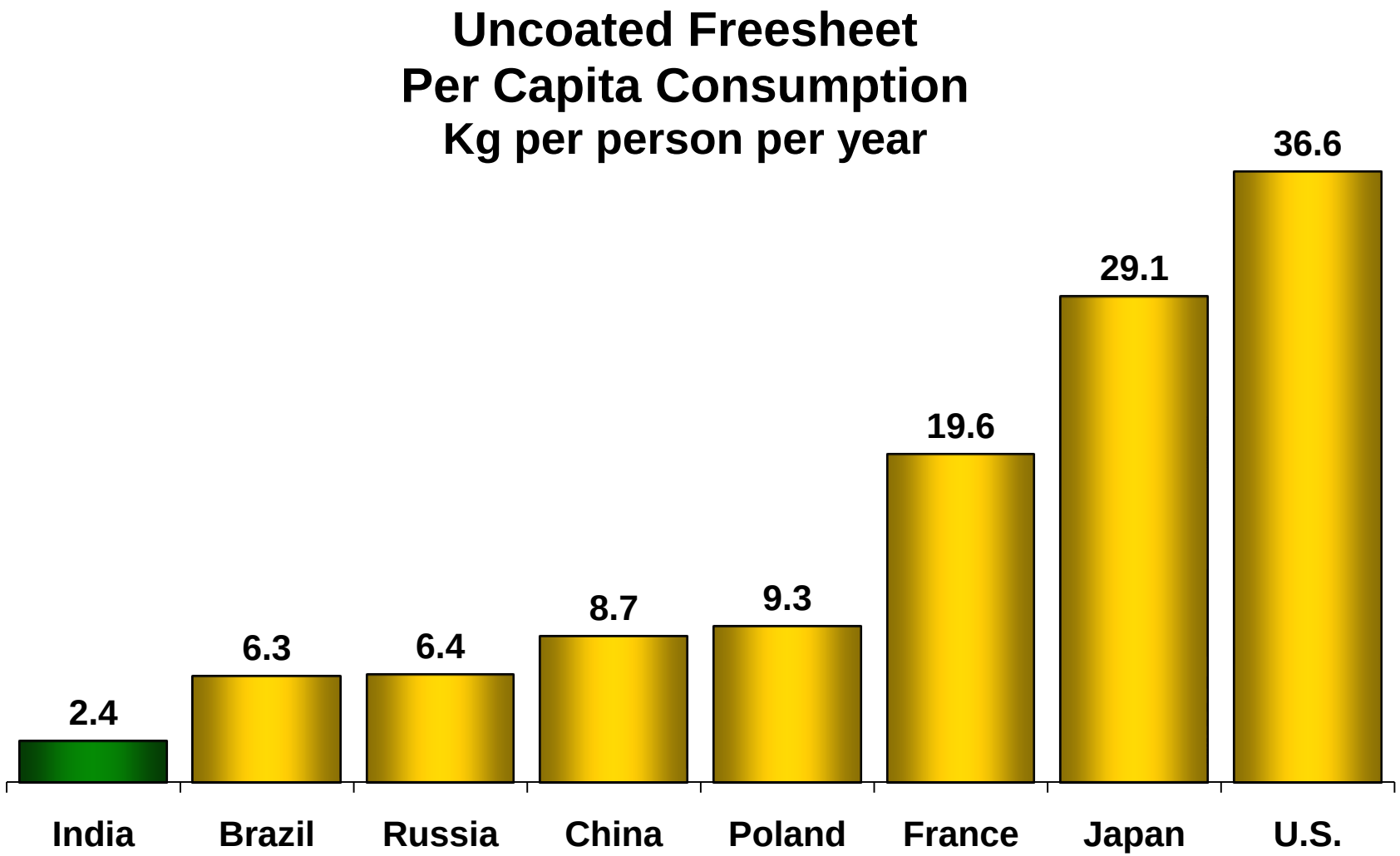

Source: RISI, McKinsey Global Institute
2008 consumption, except Brazil 2009

Andhra Pradesh Paper Mills
Platform for Strategic Entry

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- **Two mills with total capacity of 250,000 metric tons**
- **One of the lowest cost producers in India**
- **Unique, sustainable fiber supply**
- **Recent $200 MM upgrade of the Rajahmundry mill**
- **90% energy self-sufficient via renewable biomass**

Strategic Rationale
Three Phases

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Enter 2011

- Enter low-cost, high demand growth market by acquiring controlling interest in established, well-positioned competitor with high-quality assets
- Build upon existing APPM relationships with suppliers & customers

Optimize 2012

- Use IP's manufacturing, technical, and project management expertise to optimize the current assets

Grow 2013+

- Grow along with market; increase sales & earnings
- Similar approach to investments in Poland, Russia, & Ilim joint venture

APPM Investment Summary

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Enterprise Value	**$0.6 Billion**
Deal Structure	**53% initial stake, plus cash public tender offer for additional shares**
Closing Date	**By 3Q11, subject to regulatory approval**
Financing	**All cash**

- **Will provide more-detailed information after closing**