

INTERNATIONAL PAPER



**John V. Faraci**
**Chairman &**
**Chief Executive Officer**



**Carol L. Roberts**
**Senior Vice President &**
**Chief Financial Officer**

# Fourth Quarter and Full Year 2011 Review

## February 2, 2012

# 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) the level of our indebtedness and 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 regulatory approvals for our pending transaction with Temple-Inland Inc. (“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, divestitures and restructuring. 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 filings. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise..

# Statements Relating to Non-GAAP Financial Measures

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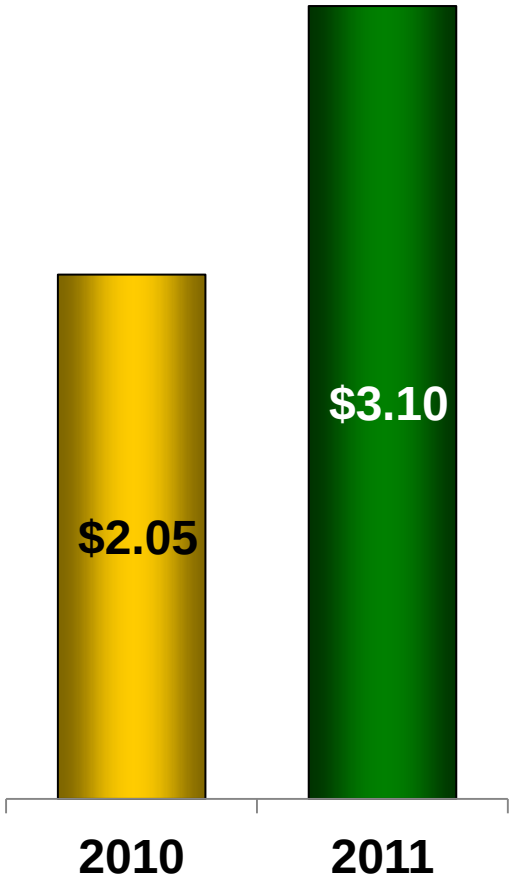
**During the course of this presentation, certain non-U.S. GAAP financial information will be presented.**

**A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under Investors.**

# Strong Full-Year 2011 Results

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## Earnings per Share




- Margin Expansion and Emerging Market Growth Driving Earnings Improvement
- Price Increase Realization
- Strong Operations and Cost Management
- Outstanding Results from Ilim JV
- Offset Input Cost Headwinds
- Excellent Cash Generation
- Return on Investment at Eight Percent

Earnings from continuing operations before special items

# Global Balance – The Best of Both Worlds

## *Expanding Margins and Global Growth*

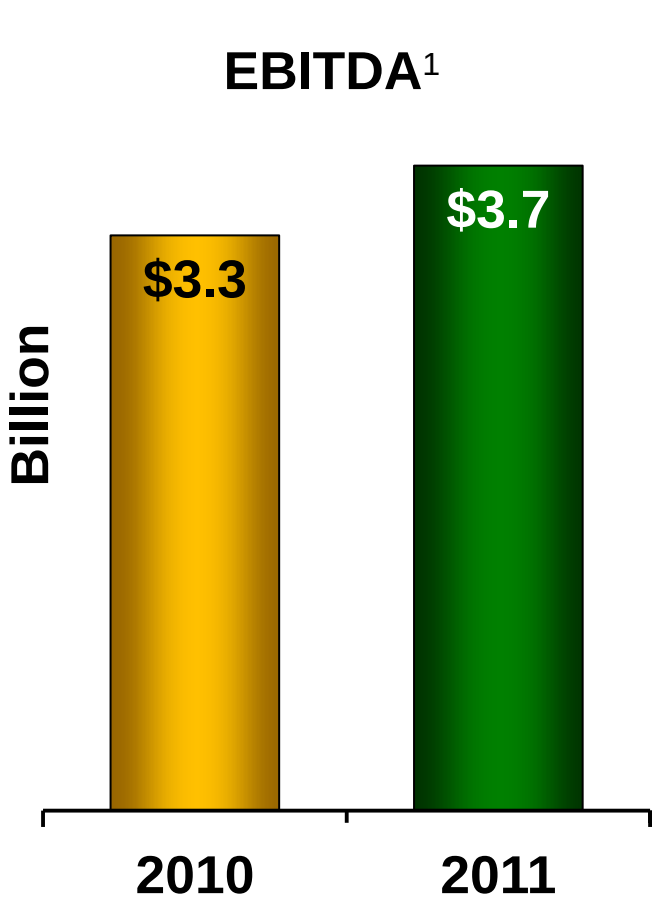
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| | 2011 vs. 2010 | | | |
|---|---|---|---|---|
| | Volume Δ | Sales Δ | Margin Δ | |
| **U.S.** exc. Distribution | (2%) | +3% | ~200bp | • 2 Percent GDP Growth<br>• PKG Demand flat; Exports Up<br>• UFS Demand down; Exports Up<br>• Year over Year Price Realizations<br>• Industry Leading Margins |
| **Non-U.S.** inc. Ilim JV[1] | +6% | +17% | Stable | • 0-8+ Percent GDP Growth<br>• Driven by Emerging Markets<br>• Year over Year Price Realizations<br>• Negative Currency Impact |

[1] Based on 50% of Ilim JV's Volume, Sales & EBITDA
EBITDA before special items
Excludes Forest Products

# Strong Full-Year 2011 Results

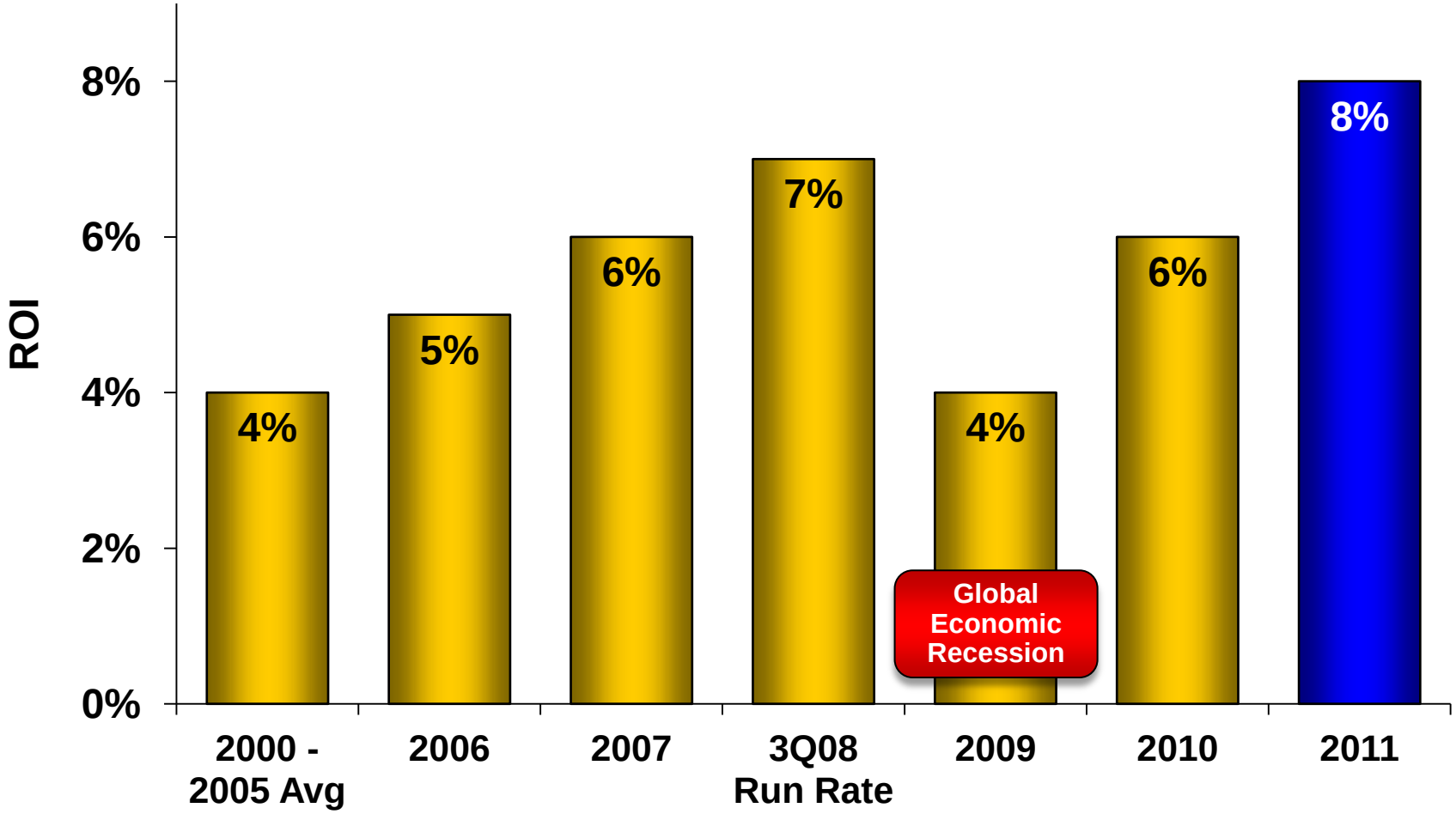
| $ Billion | 2010 | 2011 |
|---|---|---|
| Sales | $25.2 | $26.0 |
| EBIT[1] | $1.8 | $2.3 |
| EPS[1] | $2.05 | $3.10 |
| Cash Provided by Continuing Operations[2] | $2.5 | $2.9 |
| Free Cash Flow[2] | $1.7 | $1.7 |
| Year-End Debt | $8.7 | $9.9[3] |
| Cash Balance | $2.1 | $4.0[3] |




[1] Earnings from continuing operations before special items
[2] See slide #46 for a reconciliation of cash provided by continuing operations to free cash flow
[3] Includes $1.5B cash raised for TIN acquisition

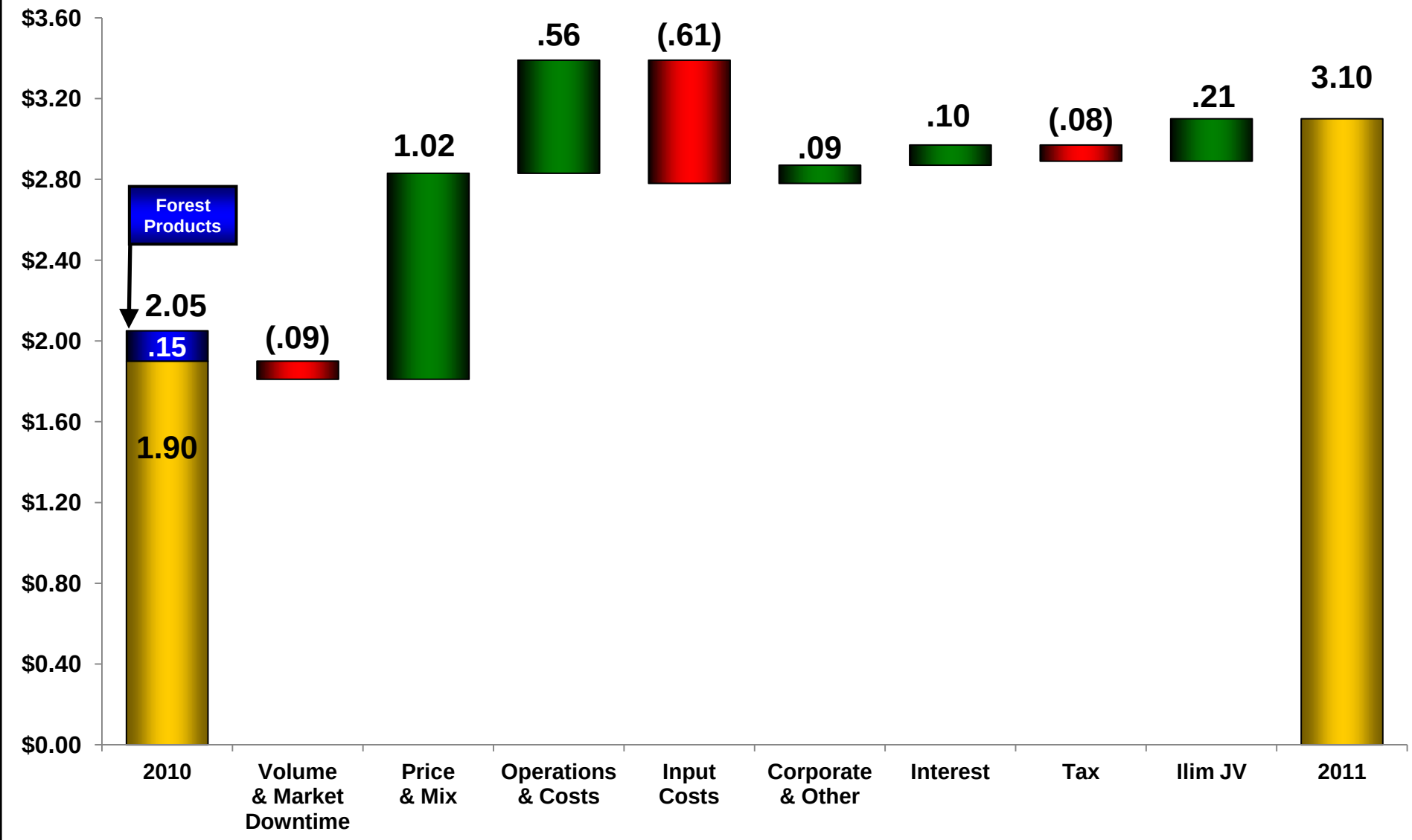
# Improving Returns on Invested Capital

## *Transformation Driving ROI*




Based on earnings from continuing operations before special items

# 2011 vs. 2010 EPS

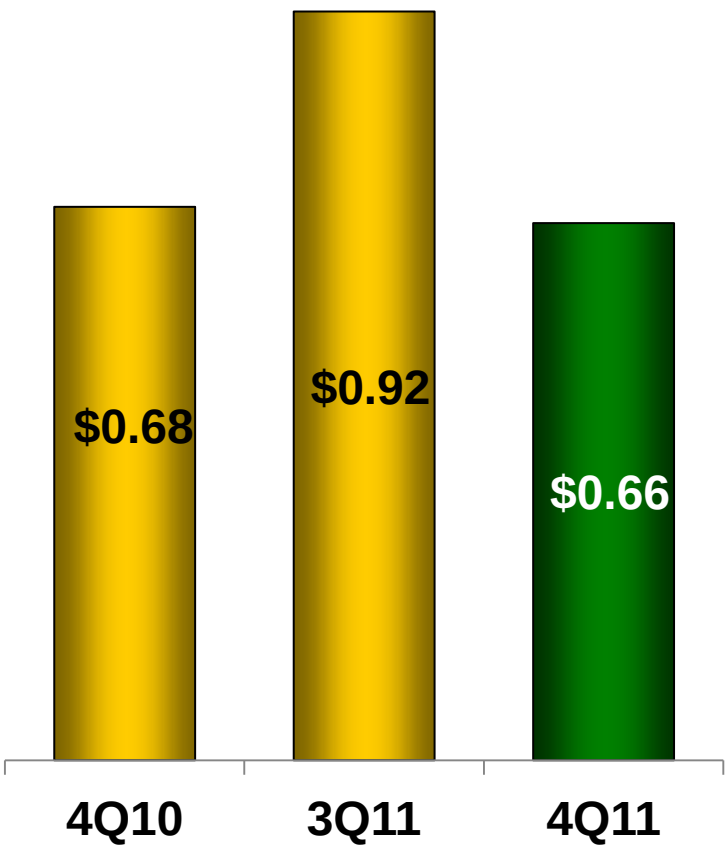



Earnings from continuing operations before special items

# Solid Fourth Quarter 2011 Results

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## Earnings per Share




- Volume Seasonally Weaker in North America
- Seasonally Stronger Paper Sales in Brazil, Russia & Eastern Europe
- Seasonally Stronger Box Volumes and Improved Margins in Europe
- Continued Strong Operations and Cost Management
- Price Pressure in Pulp and Export Markets
- Fiber and Energy Input Relief
- Negative Currency Impact at Ilim JV
- Balanced IP Supply with IP Customer Demand in North America

Earnings from continuing operations before special items

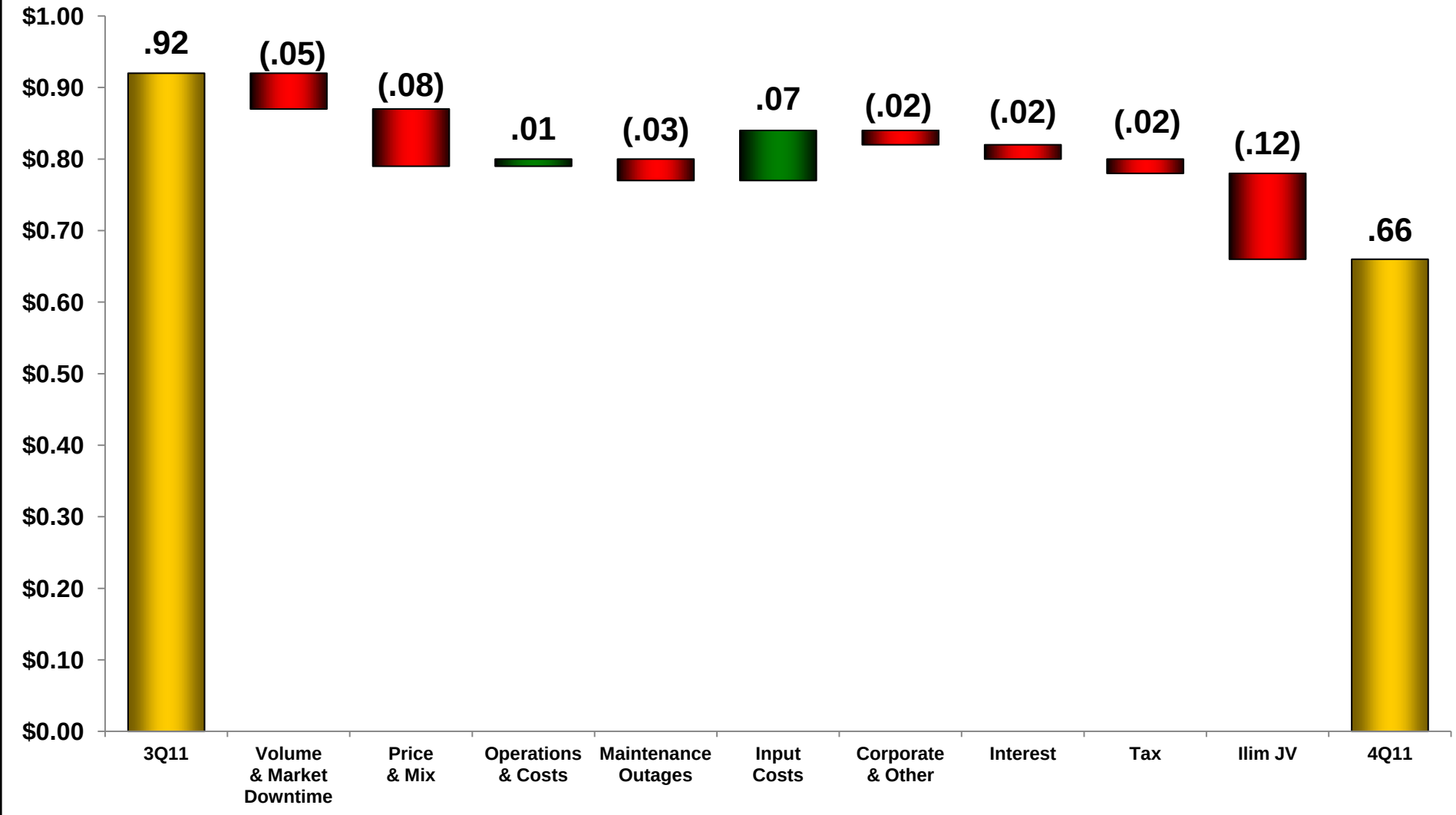
# 4Q11 Financial Snapshot

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| | 4Q10 | 3Q11 | 4Q11 |
|---|---|---|---|
| **Sales** ($B) | $6.5 | $6.6 | $6.4 |
| **EBITDA**[1] ($MM) | $872 | $977 | $895 |
| **EBITDA Margin** | 13% | 15% | 14% |
| **Capital Investment** ($MM) | ($318) | ($315) | ($434) |
| **Free Cash Flow** ($MM) | $601[2] | $561 | $328[3] |

[1] Earnings from continuing operations before special items
[2] Excludes a tax receivable of $108 MM collected related to pension contributions and $17 MM cash received from cellulosic biofuel tax credits
[3] Excludes $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding of timber monetization

# 4Q11 vs. 3Q11 EPS



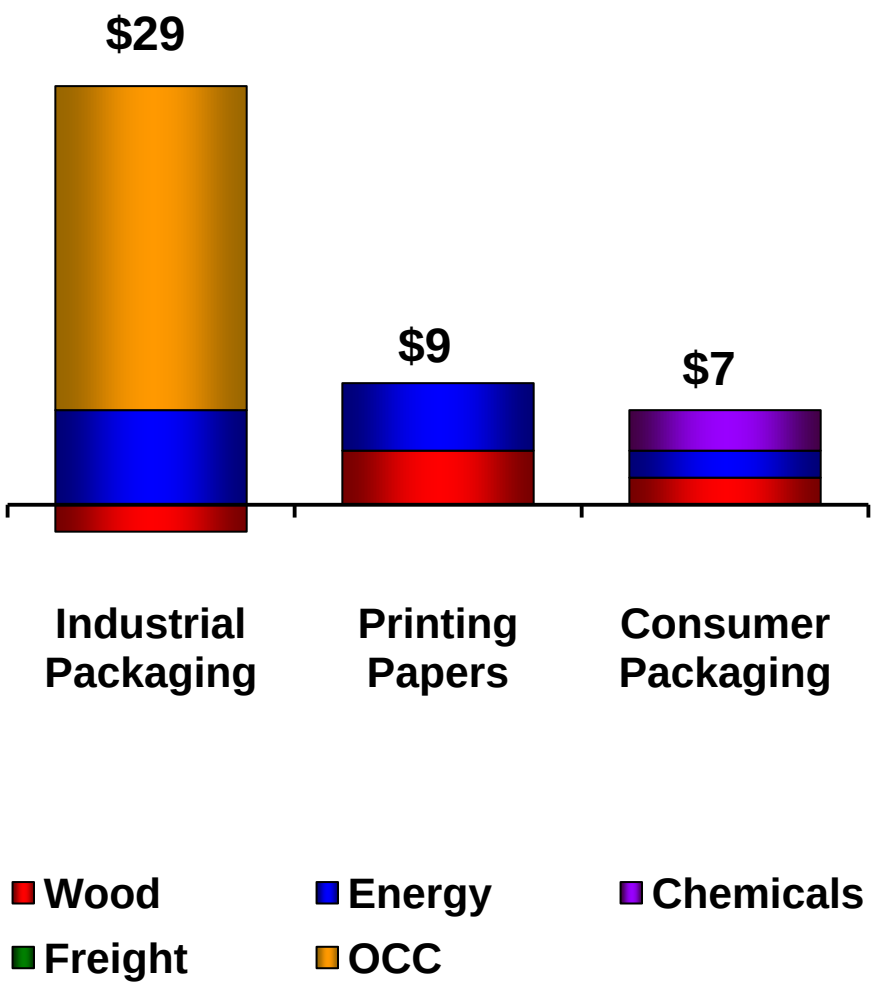

Earnings from continuing operations before special items

# Global Input Costs vs. 3Q11

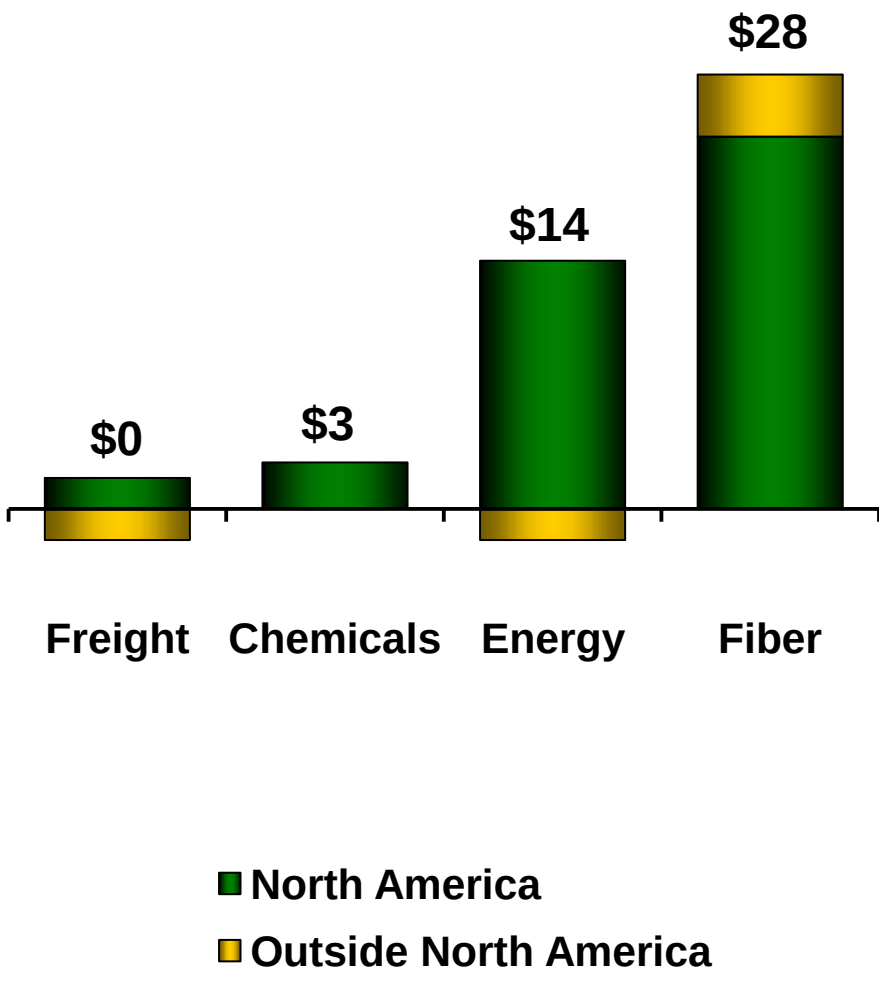
***$45 MM Favorable, or $0.07/Share***

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## By Business

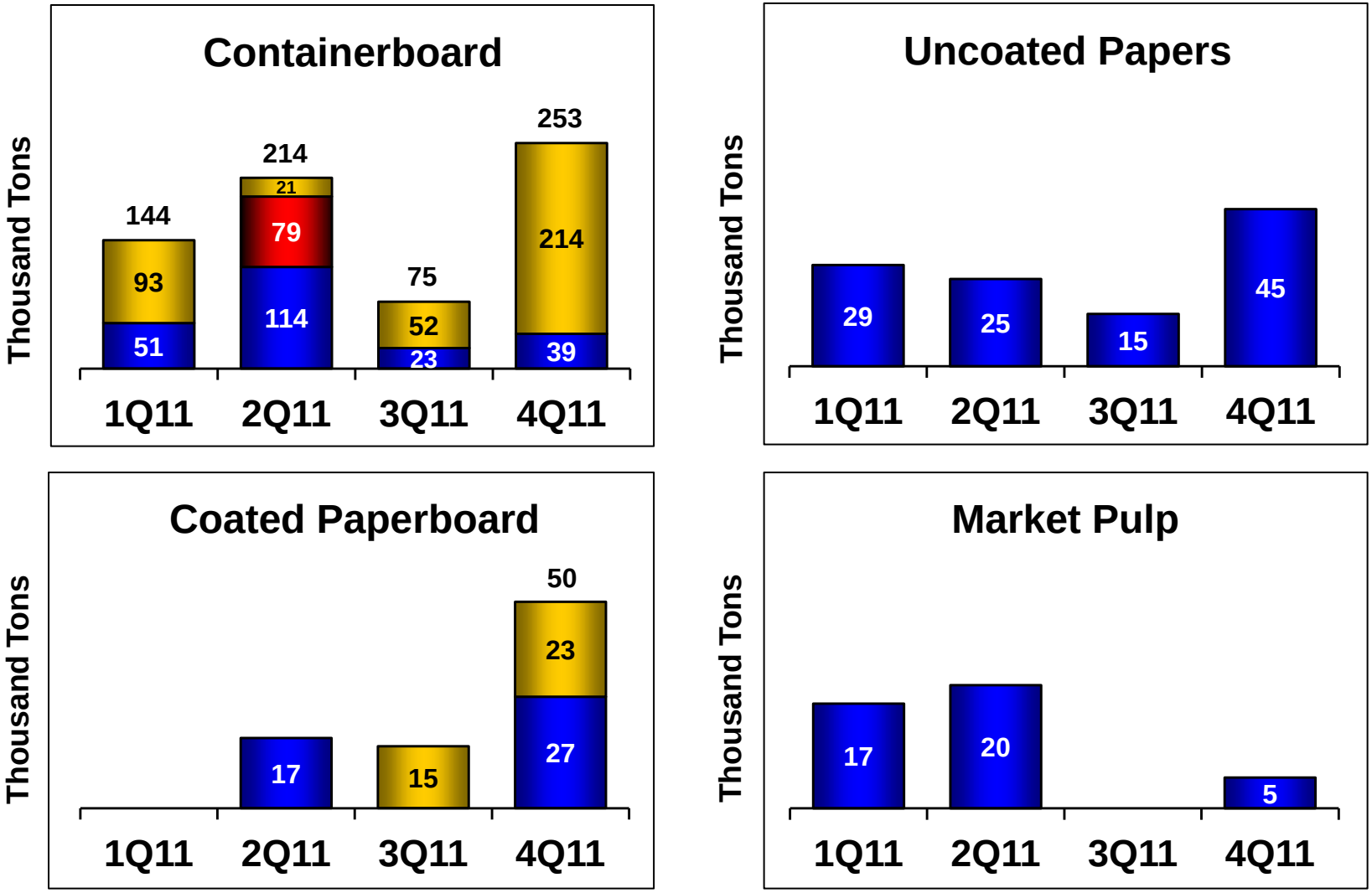



## By Input Type



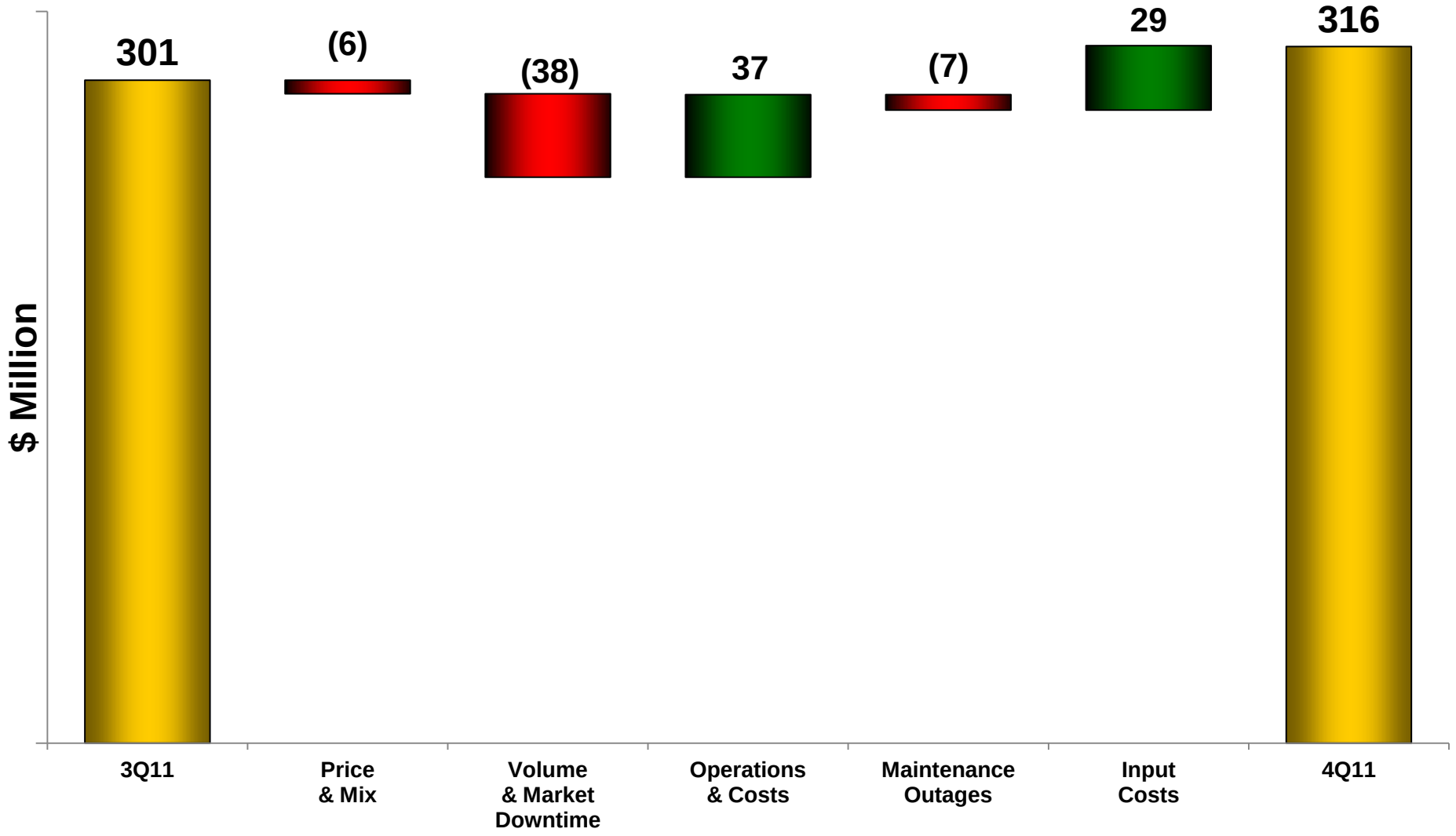
# North American Downtime

## *Operating Rates: 91% in 4Q11, 94% in 2011*



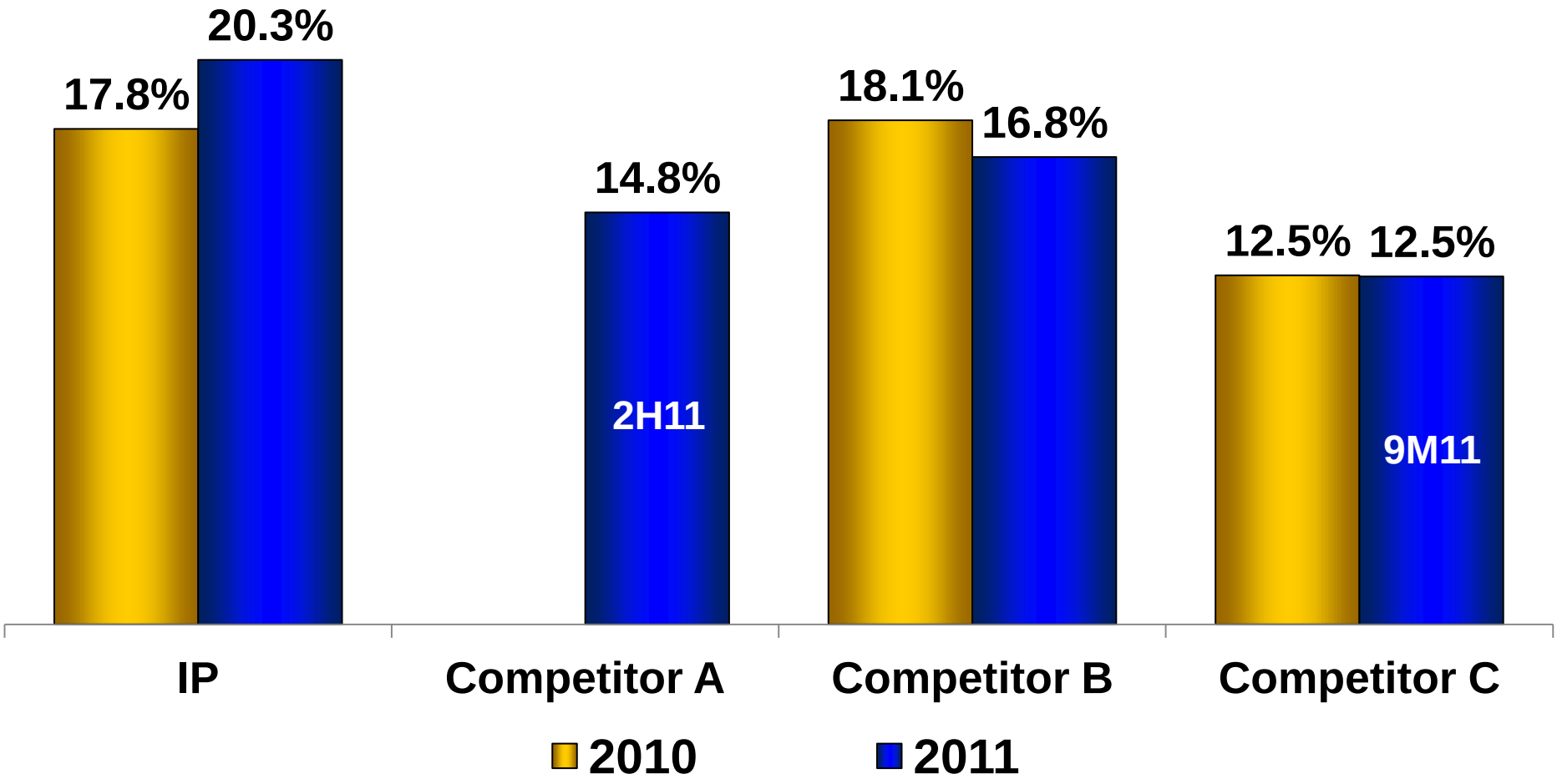
# Industrial Packaging
## *4Q11 vs. 3Q11*

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Earnings from continuing operations 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
Excludes Recycling businesses

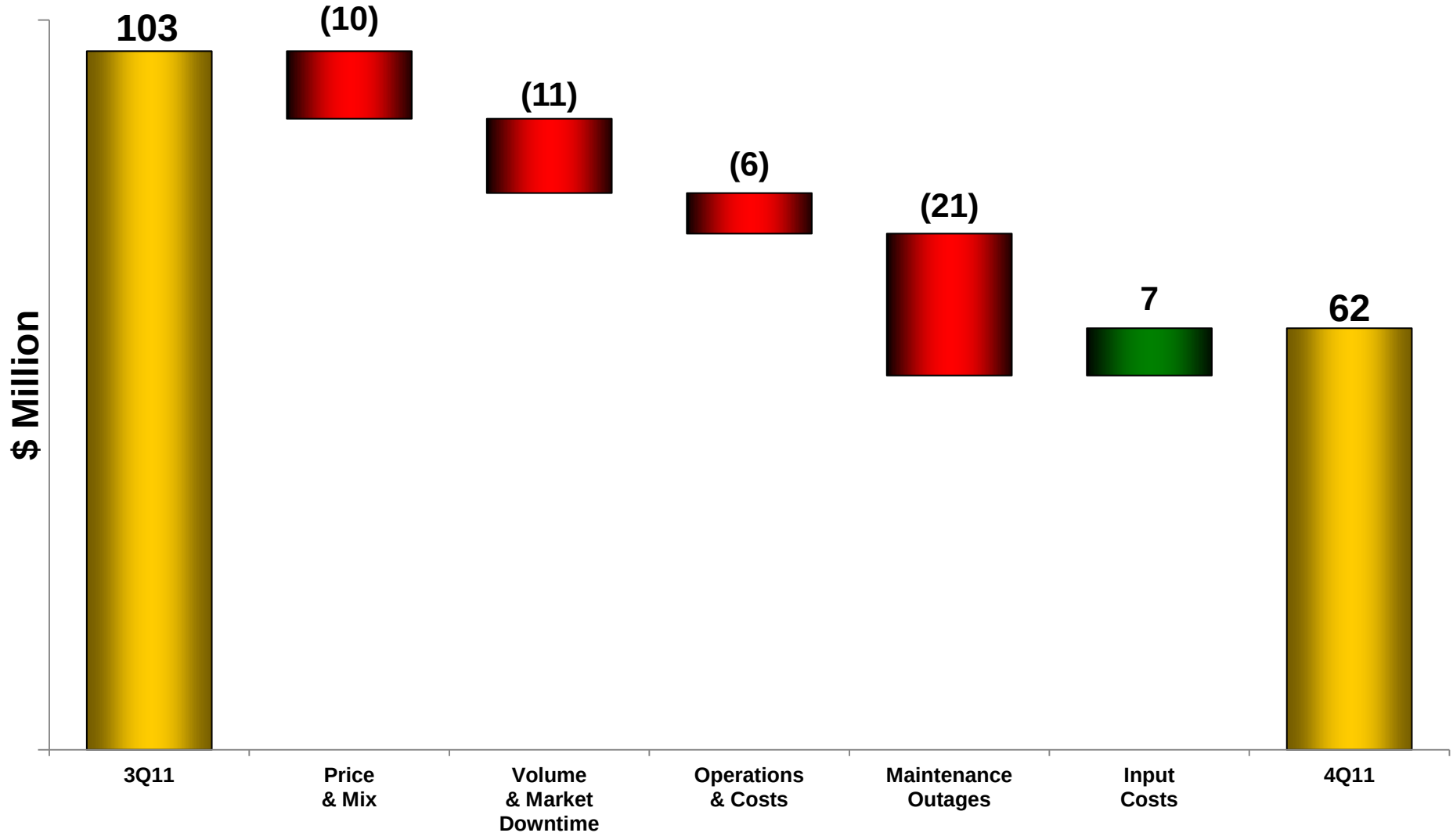
# Acquisition of Temple-Inland

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- **DOJ review period extended to February 13th**
  - **Provides parties with additional time to complete binding documentation to resolve the DOJ's concerns with respect to the pending transaction**
  - **Anticipate entering into a definitive agreement on terms acceptable to all parties**
- **Integration planning proceeding well**
  - **Internal integration teams planning for Day One**
  - **Initial mill visits complete**

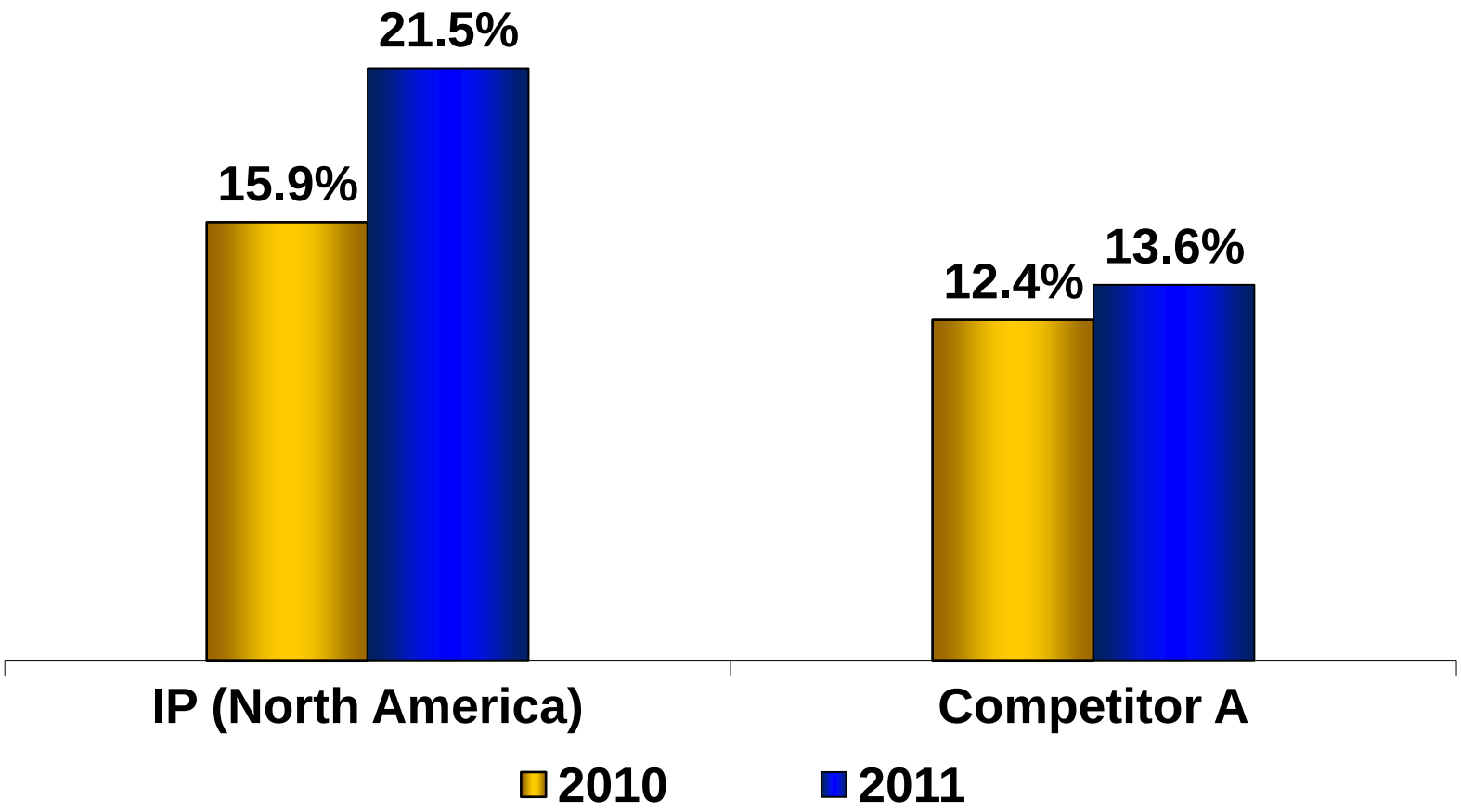
# Consumer Packaging
## *4Q11 vs. 3Q11*

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Earnings from continuing operations before special items

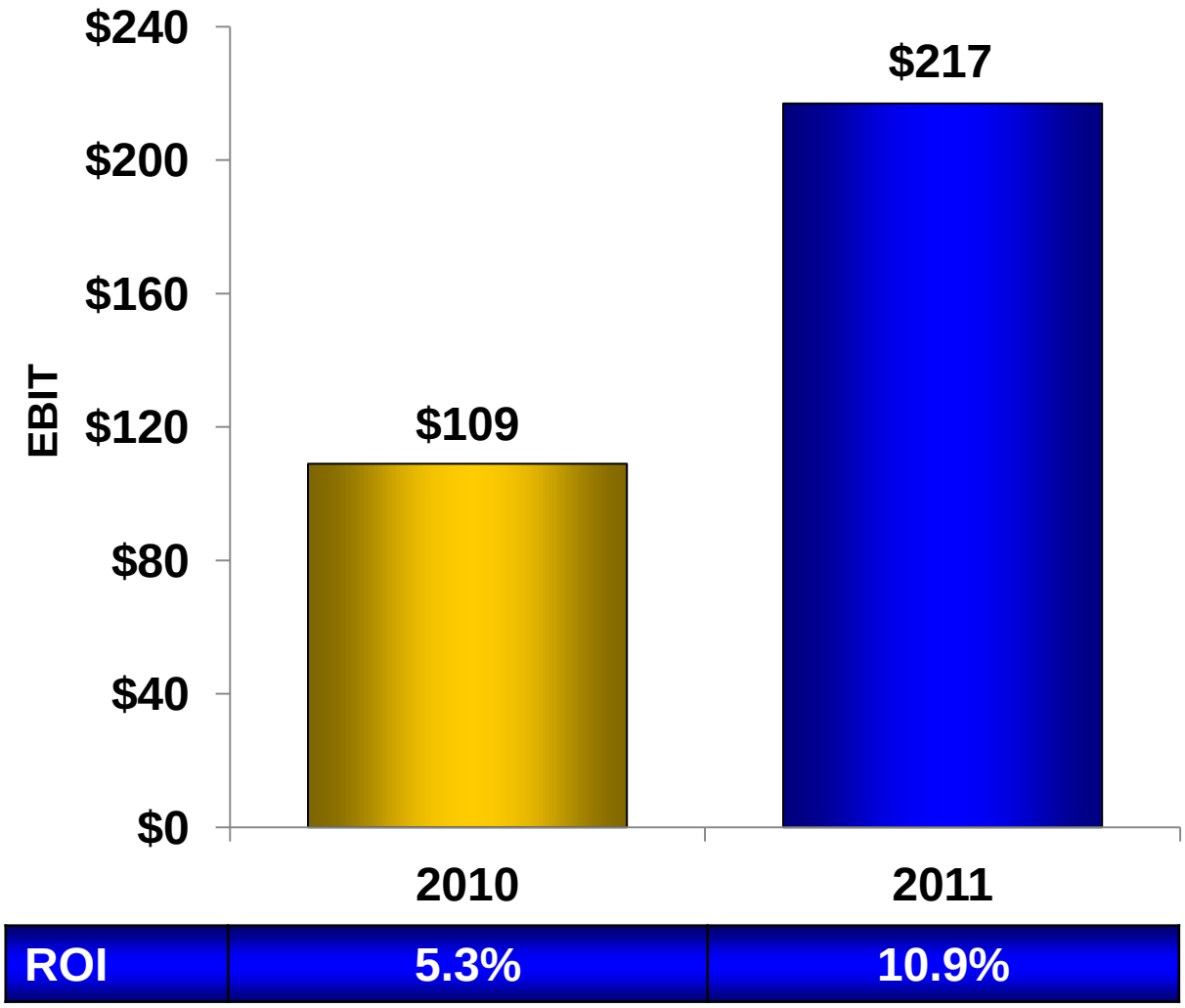
# N. A. Coated Paperboard Relative EBITDA Margins




IP EBITDA margins based on North American Coated Paperboard operating profit before special items
Competitor EBITDA margin estimate obtained from public filings and IP analysis

# N.A. Coated Paperboard

## *Strong Full-Year Improvement*

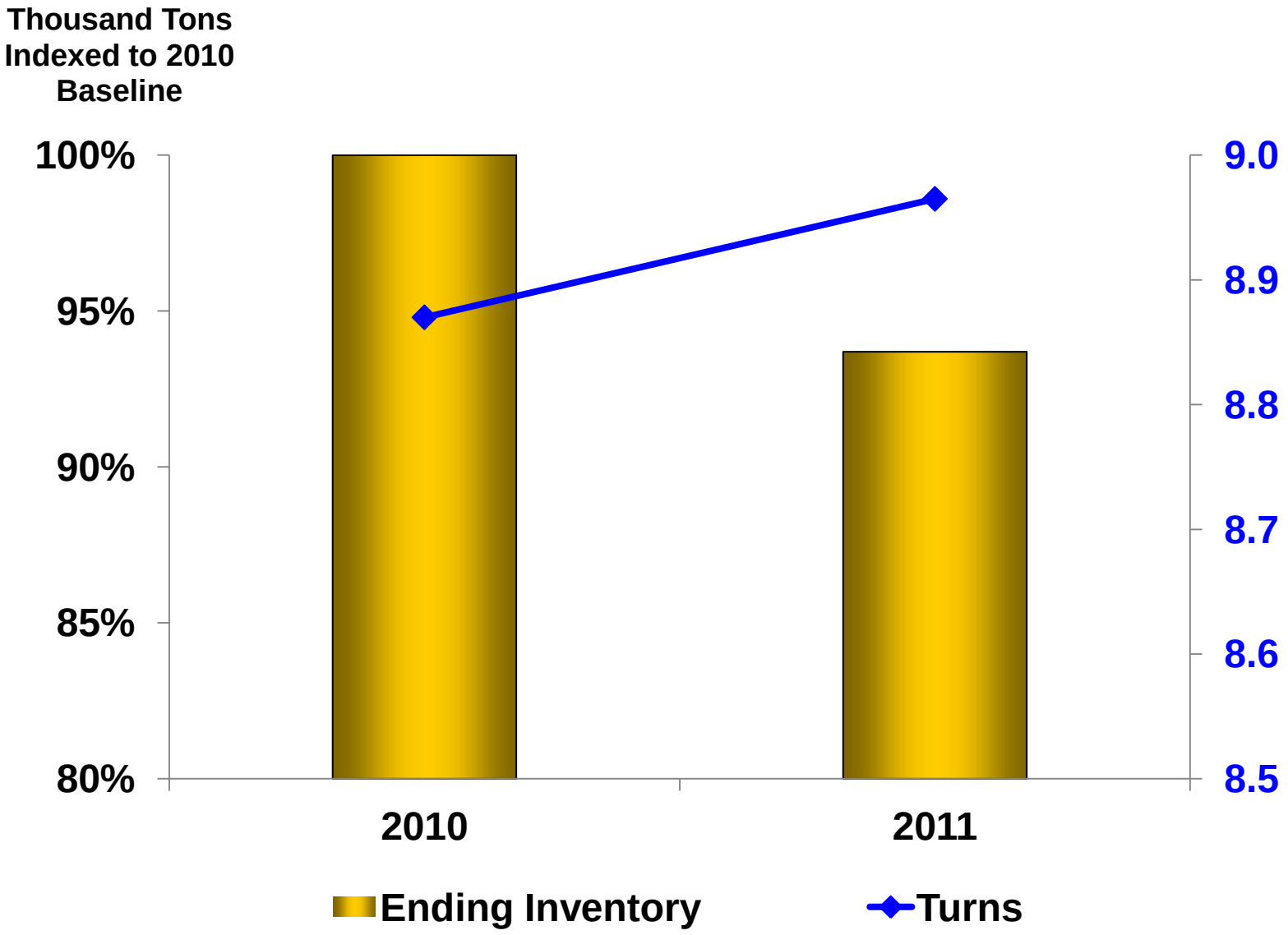



Earnings from continuing operations before special items

# N.A. Coated Paperboard

## *Supply Chain Initiatives Producing Results*

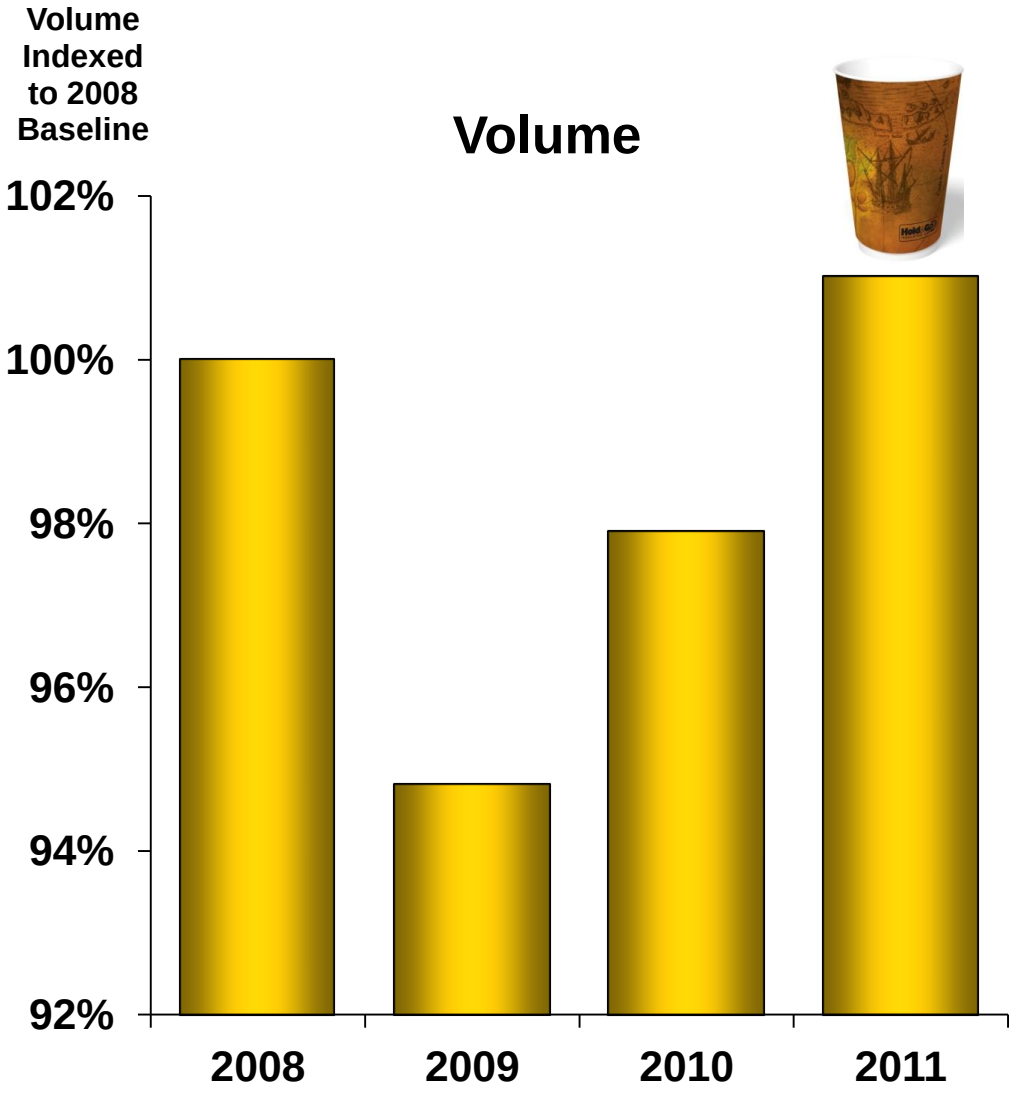
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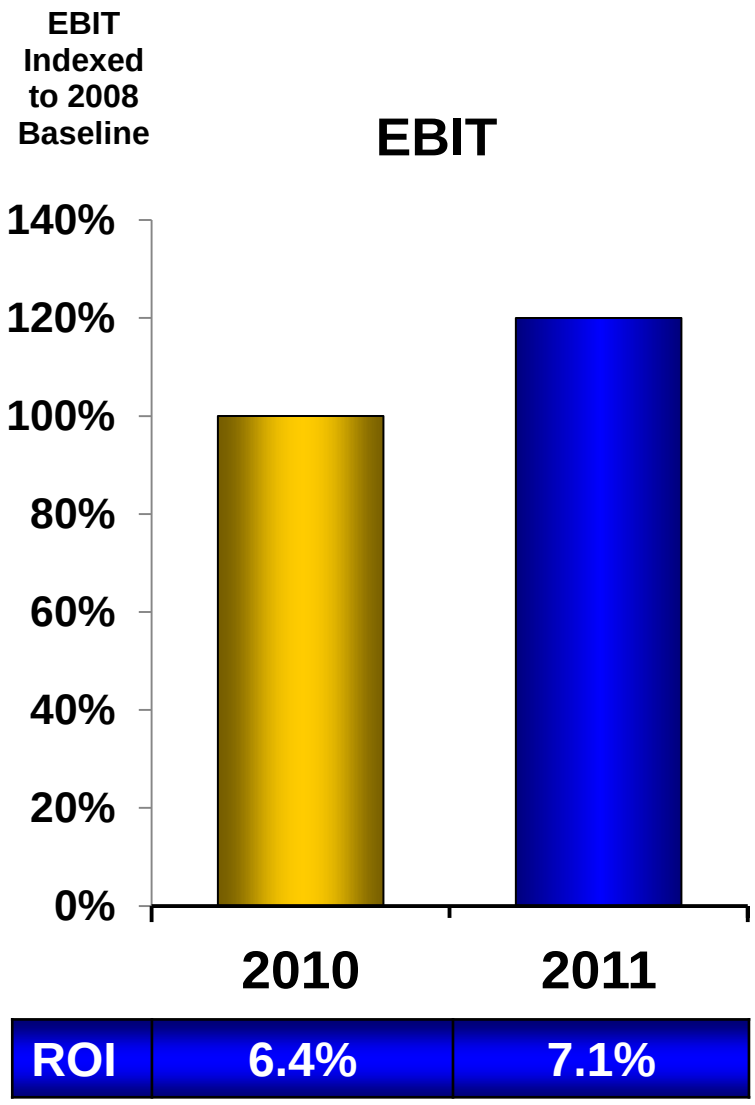


# Foodservice

## *Volume Above Pre-Recession Levels*

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Earnings from continuing operations before special items

# IP-Sun Joint Venture

## *Coated Paperboard Capital Expansion*

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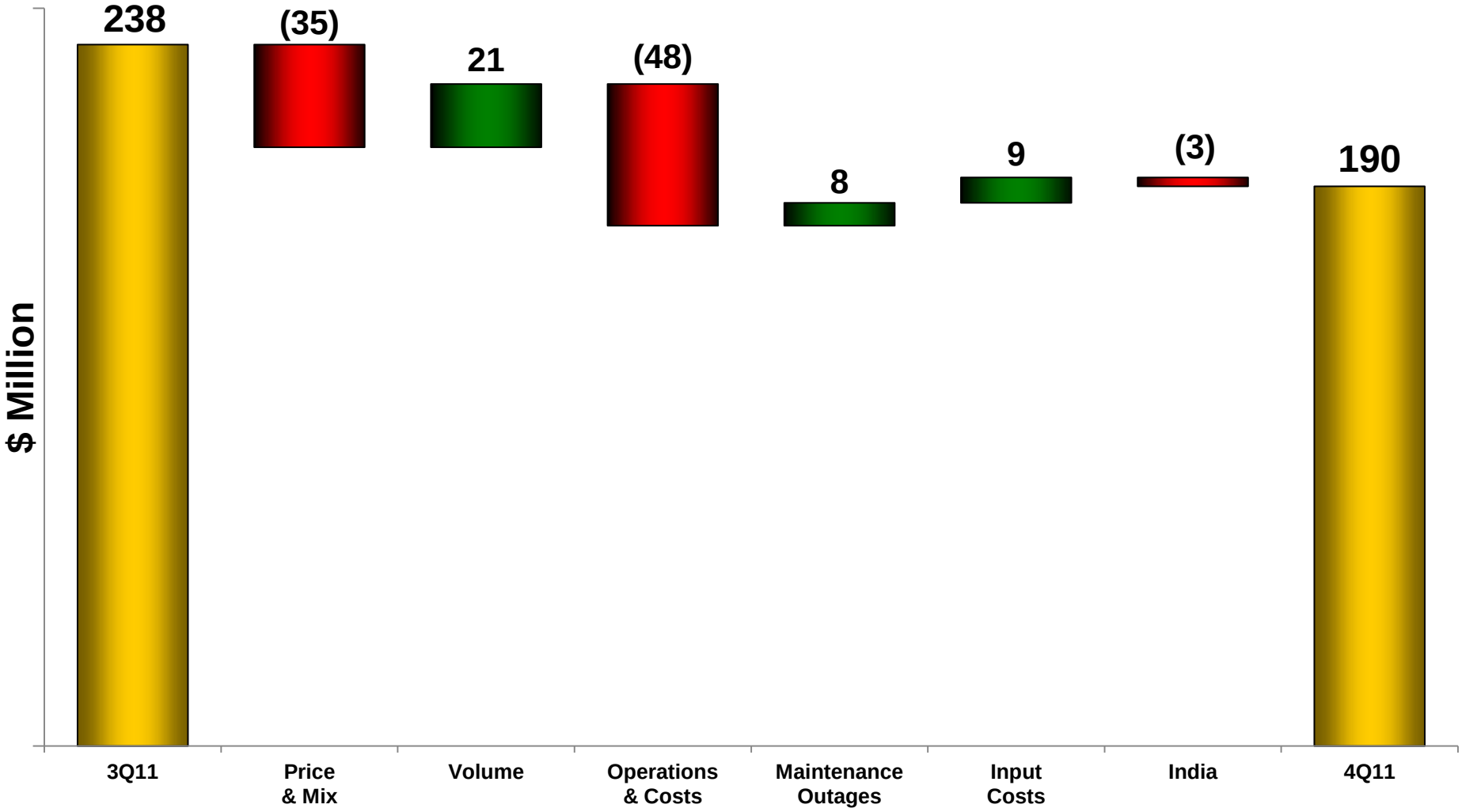
- **Yanzhou, China**
- **915M tons of existing Coated Paperboard capacity, three board machines**
- **Fourth board machine approved by Sun & IP boards**
  - Construction underway
  - 550M tons annual capacity
  - ~$300 MM investment
  - 4Q12 Start-up on schedule
- **Projected return > 12%**






# Printing Papers
## *4Q11 vs. 3Q11*

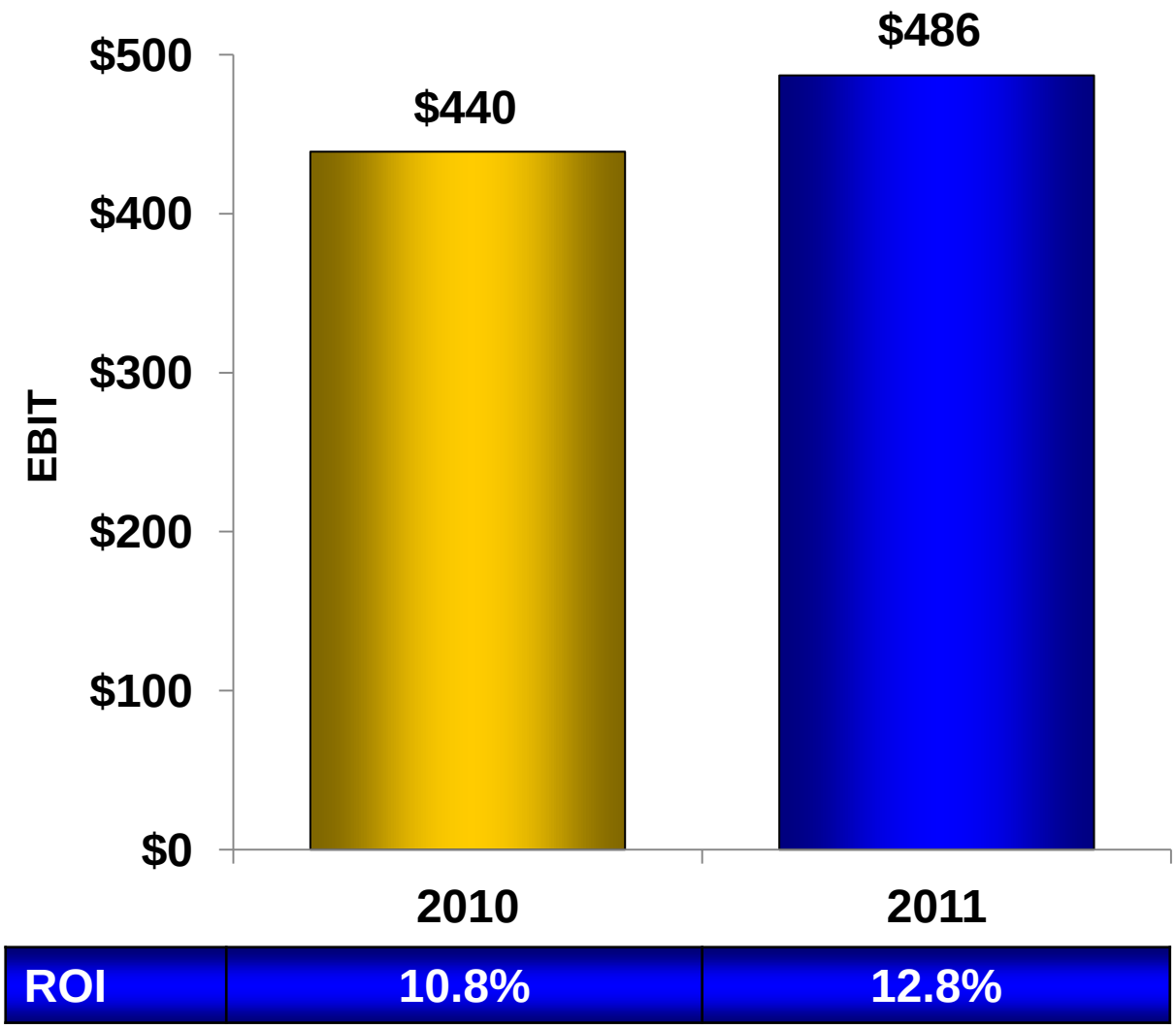
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Earnings from continuing operations before special items

# N.A. Printing Papers

## *Strong Full-Year Improvement*




Earnings from continuing operations before special items

# Franklin, VA Fluff Pulp Conversion

## Wood yard reopened in Jan 2012








- **Franklin, VA Mill to be repurposed as a dedicated Fluff Pulp Mill**
- **Annual Volume of 270M tons of high quality Fluff Pulp**
- **Start-up mid-year 2012 – Schedule & Financials On Target**
- **Key Features:**
  - **Pulp engineered to be adaptable across a wide variety of market segments and fiberizers**
  - **Close proximity to 3rd largest U.S. East Coast Port**
  - **Sustainability Focus; Incorporates all Environmental & Quality Cert. Programs important to customers**
- **Investment $83MM / Projected return >20%**



# IP India – Andhra Paper

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# xpedx
## 4Q11 vs. 3Q11

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| $ Million | 4Q10 | 3Q11 | 4Q11 |
|---|---|---|---|
| Sales | $1,770 | $1,710 | $1,625 |
| Earnings | $9 | $27 | $33 |

| Daily Sales Change | vs. 4Q10 | vs. 3Q11 |
|---|---|---|
| Printing | (12%) | (2%) |
| Packaging | 4% | 4% |
| Facility Solutions | (11%) | 5% |

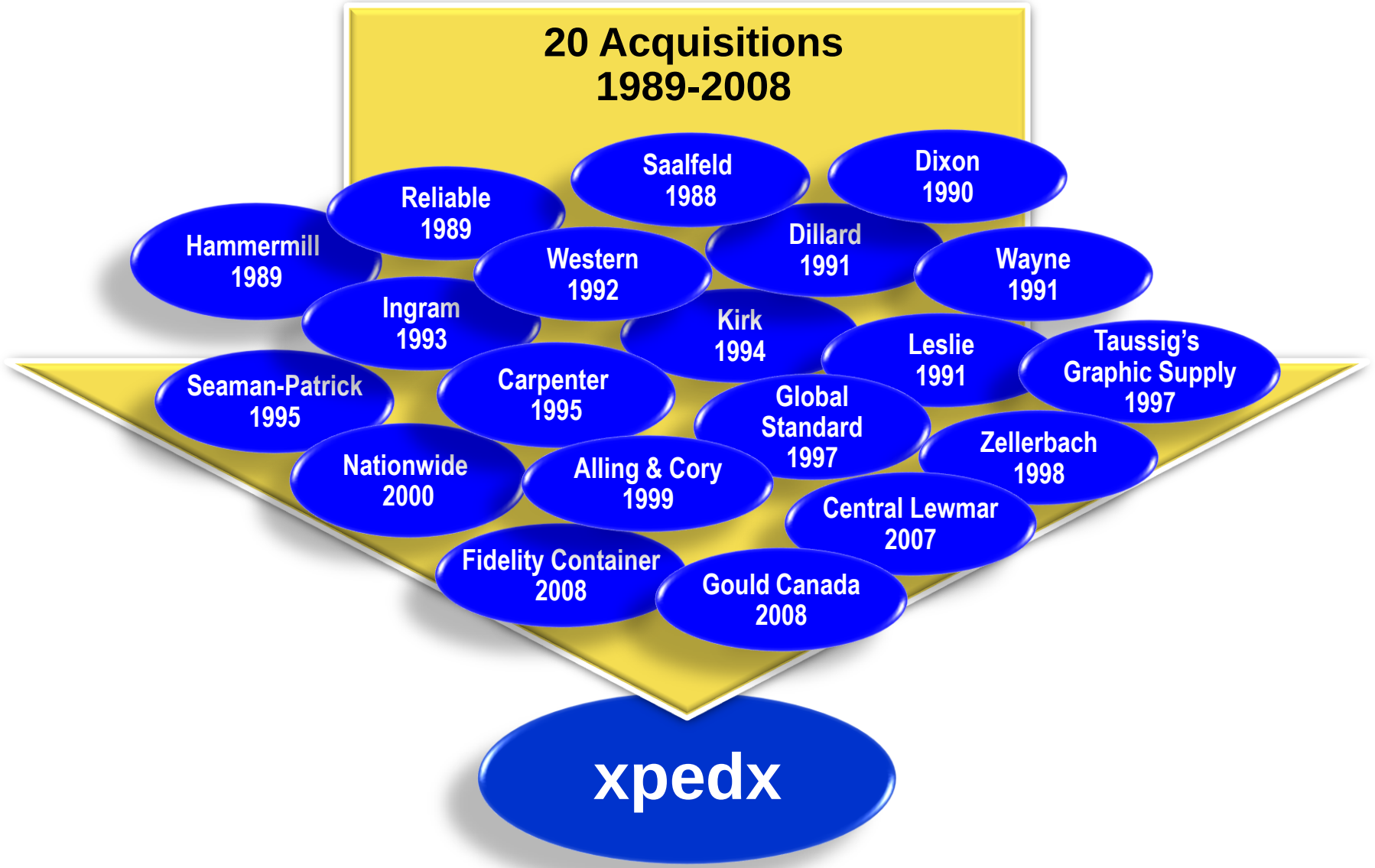
- Cost reduction initiatives and year-end inventory revaluation offset lower printing volumes
- Continued execution of strategic initiatives

Earnings from continuing operations before special items

# *xpedx* History

## *Evolving to One xpedx and One Systems Platform*

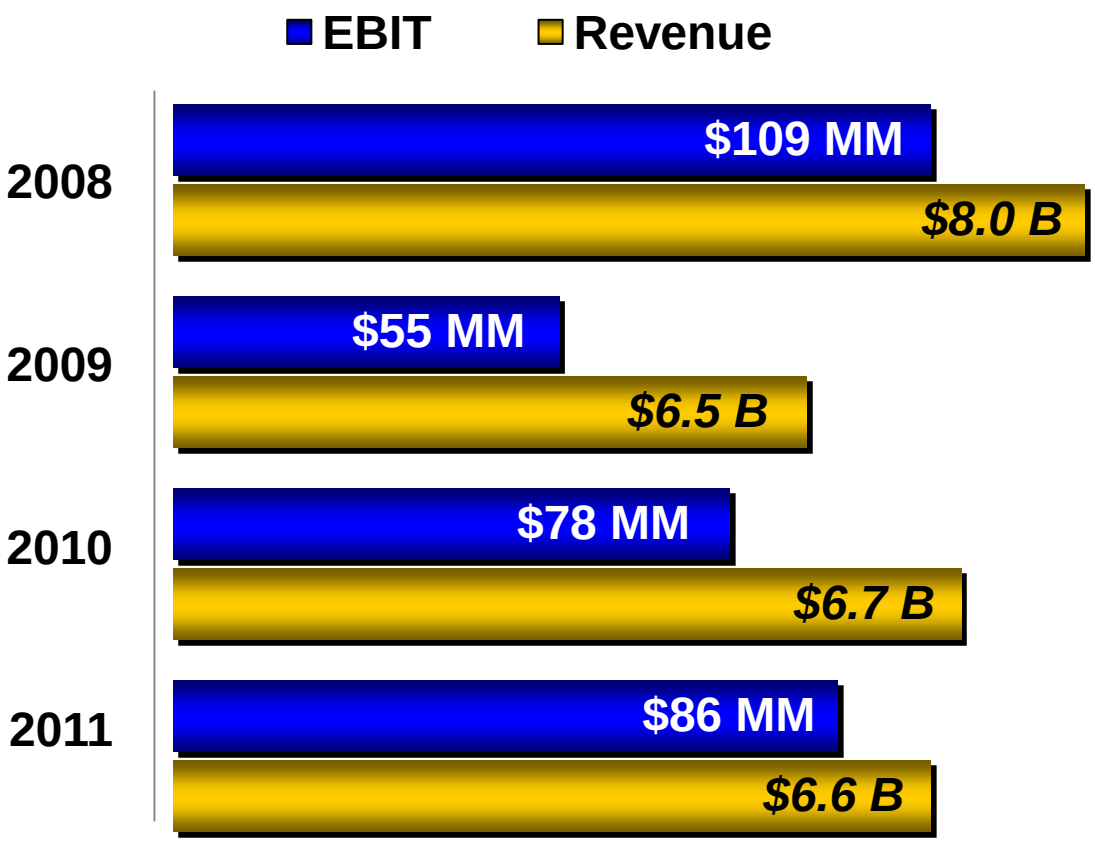
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# *xpedx* Transformation

## *EBIT & Revenue*

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**The Journey**

- Growth - Organic / Acquisition
- Systems Enablement

- General Economic Decline
- Begin Print Structural Shift

- Strategic Assessment
- Integrated onto Single Platform

- Strategic Repositioning
  - ✓Building Capability - *Buy, Handle*
  - ✓Strategic Choices - *Sell / Grow*

***Centralized Strategies & Processes - Local Execution***

**Goal: >$200MM in EBIT**

Earnings from continuing operations before special items

# xpedx
## How to Win - Capability Building

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**Buy**

- Centralize processes and decision-making
- Establish strategic sources to support product offering
- Consolidate / rationalize suppliers & SKUs

**Print** - *Writing, Text & Cover*

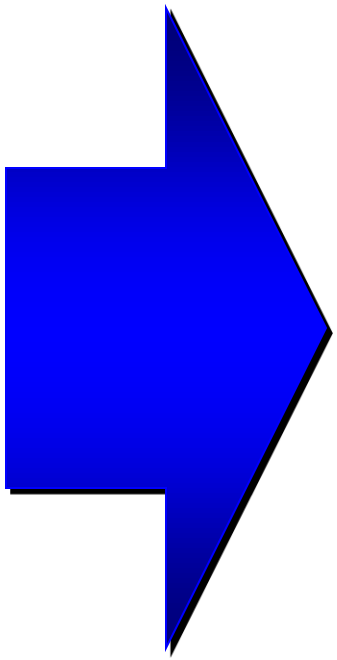
- Suppliers: 60% reduction
- SKUs: 40% fewer

**Packaging** - *Custom Film*

- Suppliers: 90% reduction

**Facility Solutions** - *Can Liners*

- Suppliers: 85% reduction
- SKUs: 85% fewer



- Better Service Levels
- Improved Availability
- Better Value
- Standard Offering for National Accounts
- Simplified Ordering and SKU Selection
- Improved Inventory Turns

***Up to 15% Lower Total Cost***

# xpedx
## How to Win - Capability Building

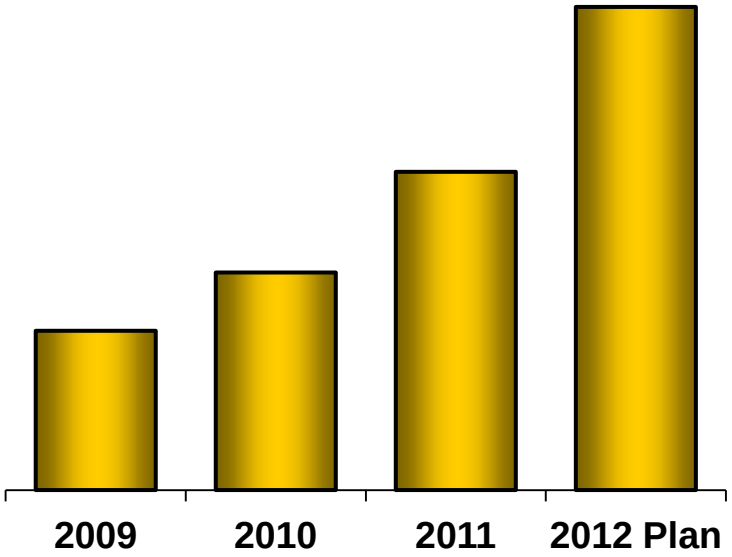
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**Handle**

- Optimize network; improve customer coverage, reduce fixed costs
- Improve inventory placement, fill rates; lower working capital
- Best-in-class supply chain technology; improve service and productivity

### *xpedx* *Revenue Per Square Foot*

← 30% Improvement →




### Salt Lake City *Repositioning*

- 4 warehouses reduced to 1
- 3 brands reduced to 1
- 22% space reduction
- IT enabled
- 10% revenue increase
- 40% EBIT increase

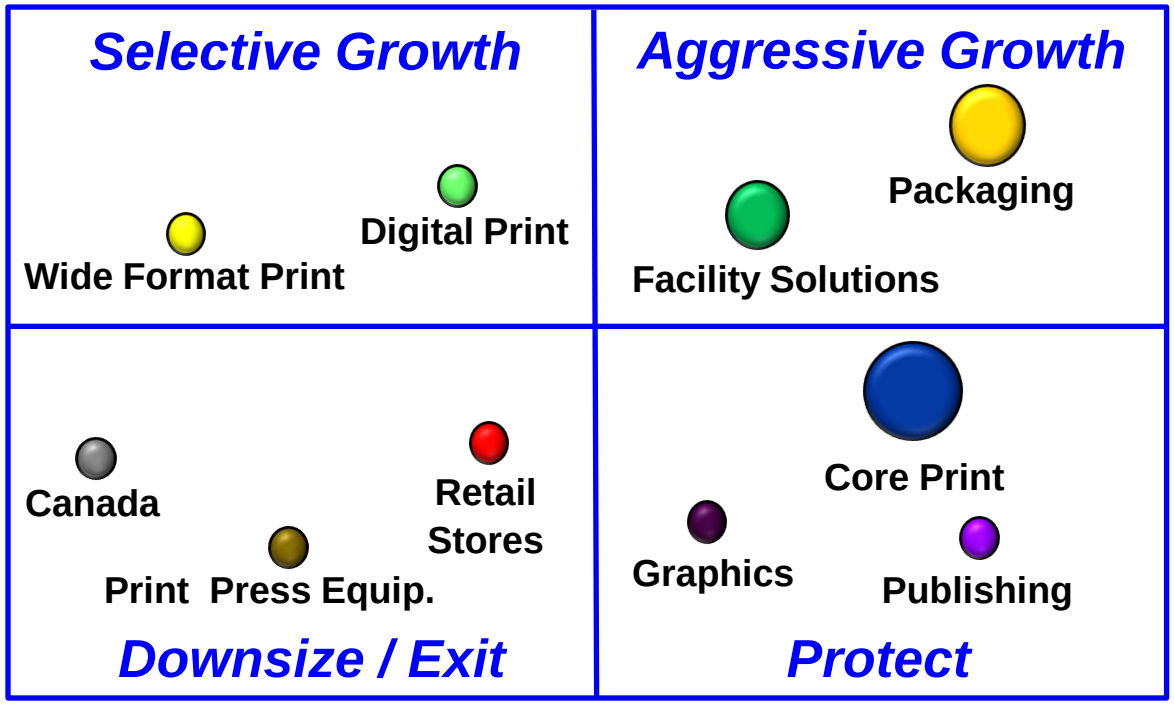
# xpedx Strategy
## Where to Win

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**Sell / Grow**

- Invest in growth markets, protect core print markets, exit non-strategic
- Improve sales focus, tools, capabilities
- Invest in sales hires, training and development

## Making Strategic Choices




## Packaging

**Investing for Growth:**

- *National Platform of Specialty Packaging Design Centers*
- *Commodity Programs*

**2011 Results**

- *7% Volume & Revenue Growth*
- *6% Profit Improvement*

# xpedx
## Executing Over Three Years

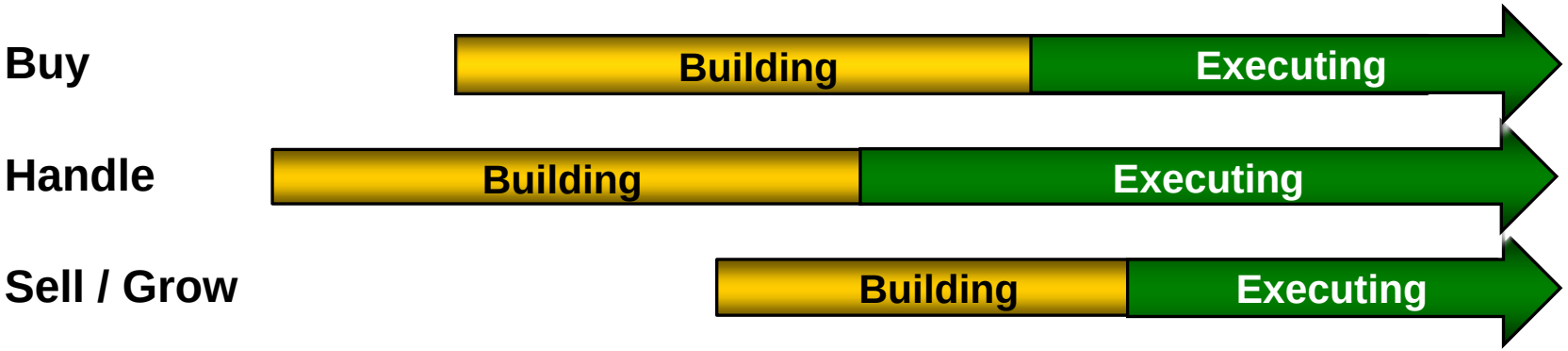
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### Quarterly EBIT










Earnings from continuing operations before special items

# Ilim Joint Venture

## *Capital Expansion Update*

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### Bratsk Mill









### Koryazhma Mill









# 4Q11 Summary

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- Volume Seasonally Weaker in North America
- Seasonally Stronger Paper Sales in Brazil, Russia & Eastern Europe
- Seasonally Stronger Box Volumes and Improved Margins in Europe
- Continued Strong Operations and Cost Management
- Price Pressure in Pulp and Export Markets
- Fiber and Energy Input Relief
- Negative Currency Impact at Ilim JV
- Balanced IP Supply with IP Customer Demand in North America

# First Quarter Outlook
## *Changes from 4Q11*

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| | | North America | EMEA | Brazil | Asia |
|---|---|---|---|---|---|
| Volume | Paper | Slight Increase | Stable | Seasonal Decrease | Stable |
| | Packaging | Seasonal Increase | Stable | | Stable |
| Pricing | Paper | Export & Pulp Decreases | Slight Decrease | Domestic Stable Export Decrease | Stable |
| | Packaging | Domestic Stable Export Decrease | Stable | | Stable |
| Maintenance Outages | | Decrease $16MM | Stable | Stable | Stable |
| Input & Freight Costs | | Slight Increase | Stable | Stable | Stable |

| | | | | | |
|---|---|---|---|---|---|
| xpedx | Slight Decrease | Ilim | Currency Impact | Mfg. Operations & Other Costs | Increase |

# 1Q & 2012 Outlook
## *Momentum Continues*

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## 1Q12 Outlook

- Improving volumes
- Stable prices beyond pass through of export price decreases
- Seasonally higher consumption and input costs
- One-time costs associated with strategic projects
- Higher pension, interest and tax expense

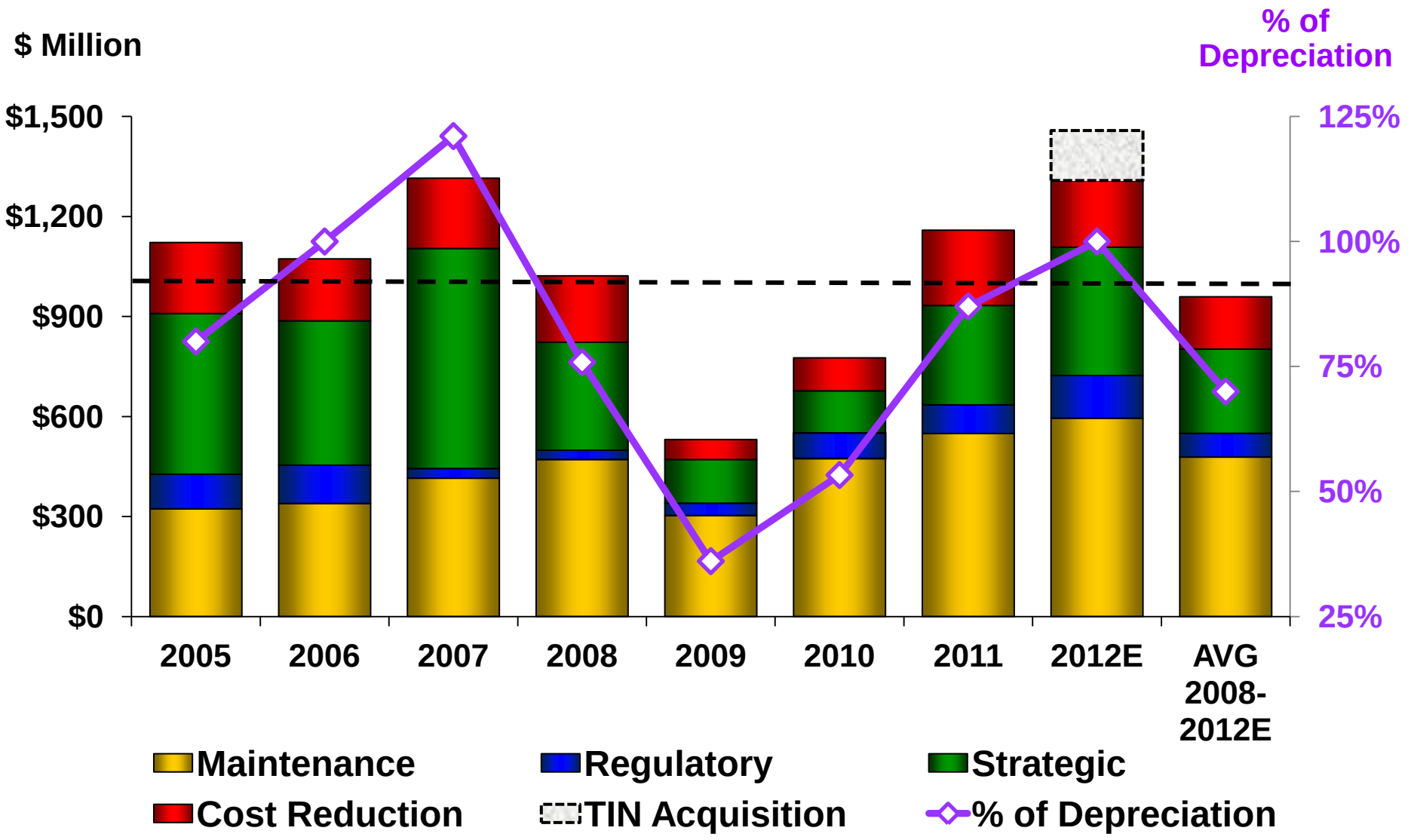
## 2012 Outlook

- U.S. economic recovery
- Modest demand growth in most IP business segments driven by emerging markets
- Input costs mixed but stable in aggregate
- Inventories in good shape
- Realization of high return cost reduction projects
- Major earnings runway drivers ramp-up in 2H
  - ➢ Most significant being TIN related synergies

# Cycle Average Capital Spending

## *2012 Estimate: $1.45 Billion Including TIN*

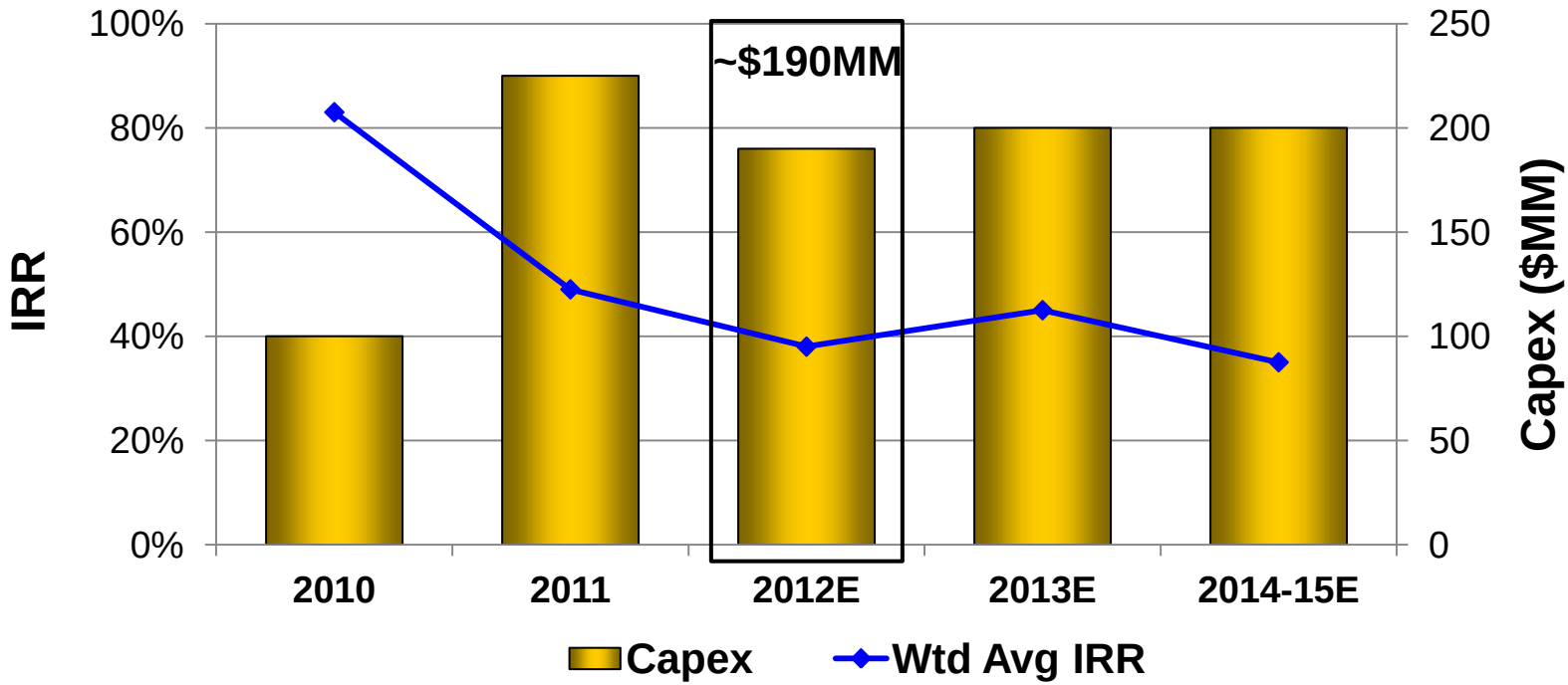
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Reflects continuing operations

2012E includes estimated step-up depreciation for TIN

# Strong Pipeline of High Return Cost Reduction Capital Projects




- **Savings Drivers**
  - **55% Energy**
  - **15% Fiber**
  - **10% Chemicals**
  - **20% Other (labor, freight, reliability)**

# Major Earnings Runway Drivers

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| | | |
|---|---|---|
| **Temple-Inland Acquisition** | • **Continue to Strengthen Core N.A. Packaging Business**<br>• Increase cash generation<br>• > $300 million of synergies | **1Q12-2013** |
| **Franklin, VA Pulp Mill Conversion** | • **Opportunistically Repurpose Existing Asset**<br>• Low-cost position, growing global Fluff Pulp demand | **2H12-2013** |
| ***xpedx* Transformation** | • **Achieve Cost of Capital Returns in Distribution**<br>• Target growth markets; improve buy, handle & sell processes | **2H12-2013** |
| **IP-Sun JV CPB Capital Expansion** | • **Build Capacity to Grow with Market (China)**<br>• Leverage existing low cost position | **2013** |
| **Ilim JV NBSK (China) & UFS (Russia)** | • **Build Capacity to Grow with Market (Russia / China)**<br>• Strong domestic market position with attractive fiber base<br>• Leverage existing low cost Softwood Pulp export position | **2013** |
| **APPM Acquisition – IP India** | • **Platform for Future Growth in Paper and Packaging (India)**<br>• Secured low-cost capacity<br>• Significant and Fast growing emerging market | **Next 5 yrs** |

# Appendix

## Investor Relations Contacts

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

## Media Contact

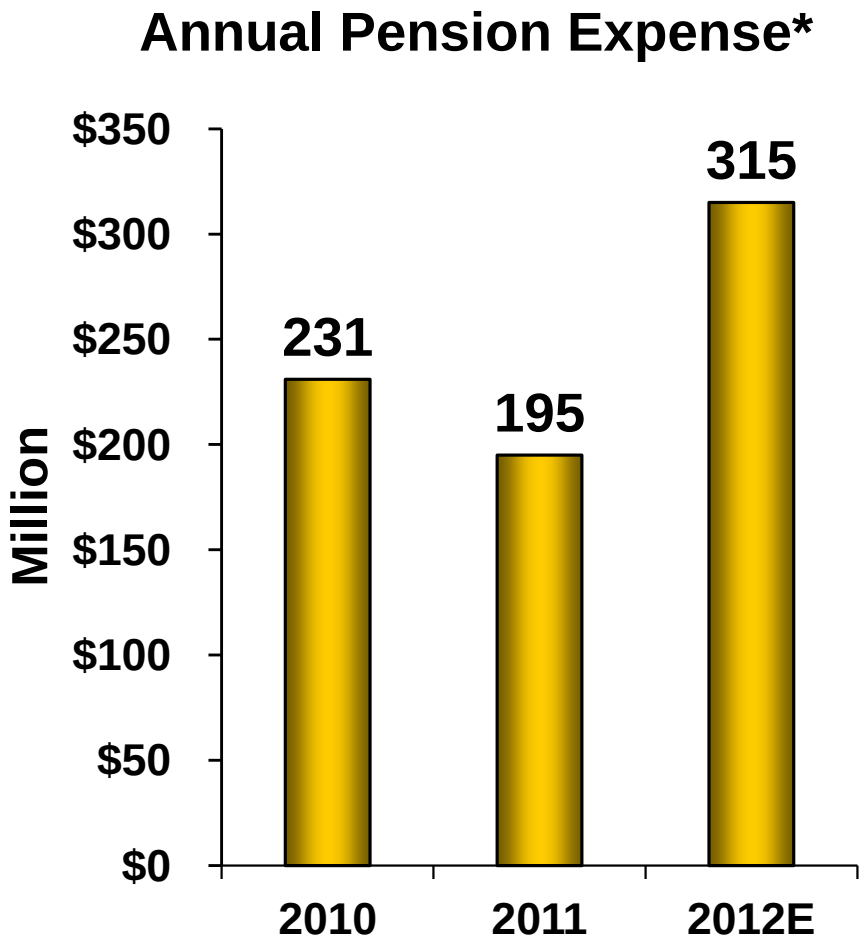
| | |
|---|---|
| Tom Ryan | 901-419-4333 |

# Key Financial Statistics

| $ Million (Except as noted) | 2010 | 2011 | 2012 Estimate |
|---|---|---|---|
| Capital Spending | $775 | $1.2 B | ~ $1.3 B |
| Depreciation & Amortization | $1.5 B | $1.3 B | ~ $1.2 B |
| Net Interest Expense | $608 | $541 | $575 - $600 |
| Corporate Items | $226 | $145 | ~ $220 |
| Effective Tax Rate | 30% | 32% | 33% - 35% |

Before special items and excluding Ilim

# Pension Plan




| Key Variables | 2010 | 2011 | 2012E |
|---|---|---|---|
| Assumed Rate of Return | 8.25% | 8.25% | 8.0% |
| Discount Rate | 5.8% | 5.6% | 5.1% |

| Average Annualized Returns | |
|---|---|
| 2011 | 2.5% |
| Past Five Years | 4.1% |
| Past Ten Years | 7.7% |

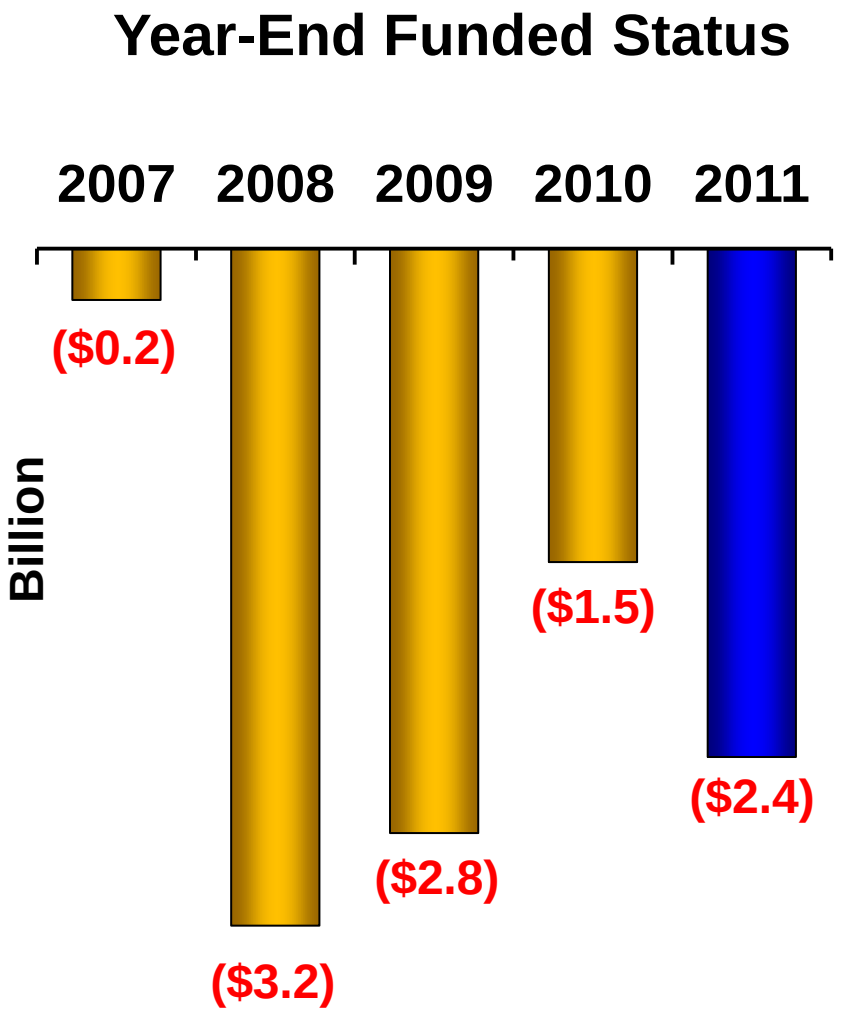
| Portfolio Asset Allocation at 12-31-11 | | |
|---|---|---|
| | Target | Actual |
| Equity | 40% - 51% | 43% |
| Bonds | 30% - 40% | 34% |
| Real Estate | 7% – 13% | 11% |
| Other | 9% - 18% | 12% |

* Non-cash expense for U.S. plans only

Pension expense reflects service cost, interest cost, amortization of actuarial losses and expected return on plan assets

# Pension Update

- Market value of assets decreased to $8.2 B
  - 2.5% return on plan assets in 2011
- Pension benefit obligation increased to $10.6 B[1]
- Unfunded obligation increased from $1.5 B to $2.4 B[1]
- No cash contribution required in 2012

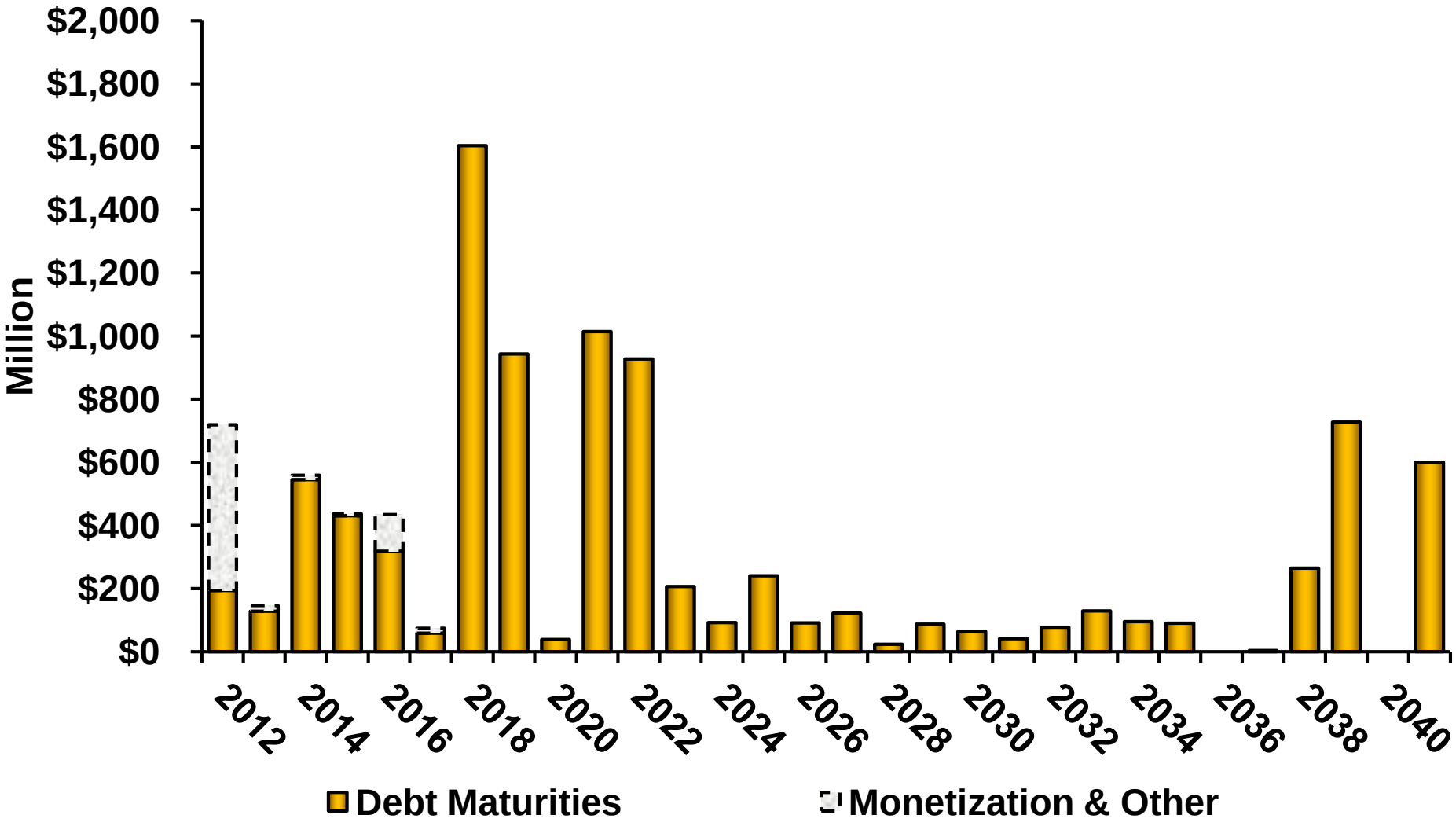



[1] US GAAP basis

# Debt Maturity Profile

## *Maturities as of 12/31/2011*

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Monetization & Other: Timber Monetization debt and other debt intended to be rolled over or refinanced, (Sun joint venture debt and other foreign subsidiary debt)

# Free Cash Flow

| $ Million | 2010 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 |
|---|---|---|---|---|---|---|
| Cash Provided by Continuing Operations | $2,524[1] | $600[2] | $648 | $876 | $762[3] | $2,886[2,3] |
| Less Capital Investment | ($775) | ($181) | ($229) | ($315) | ($434) | ($1,159) |
| **Free Cash Flow** | **$1,749** | **$419** | **$419** | **$561** | **$328** | **$1,727** |

[1] Excludes $1,150 MM cash paid for voluntary pension contributions, $149 MM of cash received from alternative fuel mixture tax credits and cellulosic biofuel tax credits and 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

[3] Excludes $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding a timber monetization

# Maintenance Outages Expenses

## *2011*

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| $ Million | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 |
|---|---|---|---|---|---|
| **Industrial Packaging** | **$31** | **$72** | **$13** | **$19** | **$135** |
| **Printing Papers Total** | **$39** | **$49** | **$43** | **$40** | **$171** |
| North America | $39 | $29 | $21 | $40 | $129 |
| Europe | 0 | 13 | 12 | 0 | 25 |
| Brazil | 0 | 7 | 10 | 0 | 17 |
| **Consumer Packaging Total** | **$0** | **$21** | **$11** | **$29** | **$61** |
| North America | $0 | $17 | $0 | $29 | $46 |
| Europe | 0 | 4 | 11 | 0 | 15 |
| **Total Impact** | **$70** | **$142** | **$67** | **$88** | **$367** |

# Maintenance Outages Expenses
## *2012*

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| $ Million | 1Q12E | 2Q12E | 3Q12E | 4Q12E | 2012E |
|---|---|---|---|---|---|
| **Industrial Packaging** | **$46** | **$58** | **$19** | **$54** | **$177** |
| **Printing Papers Total** | **$26** | **$102** | **$24** | **$43** | **$195** |
| North America | $26 | $63 | $4 | $40 | $133 |
| Europe | 0 | 31 | 17 | 0 | 48 |
| Brazil | 0 | 8 | 3 | 3 | 14 |
| **Consumer Packaging** | **$0** | **$19** | **$6** | **$24** | **$49** |
| **Total Impact** | **$72** | **$179** | **$49** | **$121** | **$421** |

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

# Industrial Packaging

| Business | 4Q11 vs. 3Q11 | | 4Q11 vs. 4Q10 | |
|---|---|---|---|---|
| | Volume | Price / Ton | Volume | Price / Ton |
| N.A. Container[1] | (5%) | ($3) | (1%) | ($8) |
| European Container[2] | 7% | (€18) | (3%) | €52 |

[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

| | 4Q11 vs. 3Q11 | | 4Q11 vs. 4Q10 | |
|---|---|---|---|---|
| **Business** | **Volume** | **Price / Ton** | **Volume** | **Price / Ton** |
| **N.A. Paper** | **(3%)** | **($20)** | **0%** | **($3)** |
| **N.A. Pulp** | **(4%)** | **($42)** | **0%** | **($87)** |
| **European Paper** | **8%** | **(€21)** | **2%** | **(€3)** |

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

# Consumer Packaging

| | 4Q11 vs. 3Q11 | | 4Q11 vs. 4Q10 | |
|---|---|---|---|---|
| | Volume | Price/Ton | Volume | Price/Ton |
| N.A. Coated Paperboard | (13%) | ($7) | (10%) | $26 |
| | Revenue | Price | Revenue | Price |
| Converting Businesses | (3%) | NA | 4% | NA |

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

# Special Items Before Tax & Noncontrolling Interest

| Special Items Pre-Tax ($Million) | | 4Q10 | 3Q11 | 4Q11 |
|---|---|---|---|---|
| **Industrial Packaging** | Acquisition Costs | | ($8) | ($12) |
| | Facility & Machine Closure Costs | ($10) | | $2 |
| | Other | ($3) | | |
| **Printing Papers** | Facility Closure Costs | | $1 | $2 |
| | Other | ($2) | | ($3) |
| **Consumer Packaging** | Fixed Asset Impairment or Adjustment | | ($82) | $4 |
| | Reorganization | ($4) | $1 | |
| **xpedx** | Reorganization | | ($18) | ($17) |
| **Corporate** | Acquisition Costs | | ($16) | ($2) |
| | Net Gain on Sale of Business | $25 | | |
| | Restructuring & Other | ($36) | ($9) | $12 |
| **Total Special Items Before Tax & Noncontrolling Interest** | | **($30)** | **($131)** | **($14)** |

# Special Items Net of Taxes
## *from Continuing Operations*

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| | 4Q11 | | 2011 | |
|---|---|---|---|---|
| | $ Million | EPS | $ Million | EPS |
| **Earnings Before Special Items** | **$288** | **$0.66** | **$1,355** | **$3.10** |
| **Special Items Net of Taxes:** | | | | |
| **Mill & Machine Shutdowns** | $2 | | $14 | |
| **Tax Items** | ($22) | | ($27) | |
| **Debt Extinguishment Costs** | | | ($19) | |
| **Environmental Reserve** | | | ($17) | |
| **Fixed Asset Impairment or Adjustment** | $3 | | $47 | |
| **Acquisition Costs** | ($9) | | ($24) | |
| **Reorganization** | ($12) | | ($40) | |
| **Overhead Reduction Initiative** | | | ($3) | |
| **Other** | $7 | | $6 | |
| **Total Special Items Net of Taxes** | **($31)** | **($0.07)** | **($63)** | **($0.14)** |
| **Net Earnings** | **$257** | **$0.59** | **$1,292** | **$2.96** |

# 4Q11 EBITDA

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| | Operating Profit $ Million | D & A $ Million | Tons Thousand | EBITDA per Ton | EBITDA Margin |
|---|---|---|---|---|---|
| **Industrial Packaging** | | | | | |
| **North America[1]** | $295 | $112 | 2,427 | $168 | 21% |
| **Europe** | $19 | $7 | 264 | $98 | 9% |
| **Printing Papers** | | | | | |
| **North America[2]** | $83 | $48 | 661 | $198 | 20% |
| **Europe[3]** | $56 | $18 | 311 | $238 | 24% |
| **Brazil** | $45 | $39 | 315 | $267 | 26% |
| **U.S. Market Pulp** | $10 | $13 | 250 | $92 | 14% |
| **Consumer Packaging** | | | | | |
| **N.A. Coated Paperboard** | $26 | $33 | 305 | $193 | 16% |

Earnings from continuing operations before special items

[1] Excludes Recycling businesses; includes Saturating Kraft & Bag business

[2] Includes Bleached Kraft business

[3] Excludes Market Pulp

# Operating Profits by Industry Segment
## *from Continuing Operations*

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| $ Million | 4Q10 | 3Q11 | 4Q11 | 2010 | 2011 |
|---|---|---|---|---|---|
| Industrial Packaging | $274 | $301 | $316 | $845 | $1,160 |
| Printing Papers | $236 | $238 | $190 | $798 | $859 |
| Consumer Packaging | $64 | $103 | $62 | $215 | $364 |
| Distribution | $9 | $27 | $33 | $78 | $86 |
| Forest Products | ($3) | $0 | $0 | $94 | $0 |
| **Operating Profit** | **$580** | **$669** | **$601** | **$2,030** | **$2,469** |
| Net Interest Expense | ($150) | ($130) | ($144) | ($608) | ($547) |
| Noncontrolling Interest / Equity Earnings Adjustment | ($5) | $7 | $4 | $15 | $25 |
| Corporate Items | ($63) | ($34) | ($31) | ($226) | ($145) |
| Special Items | ($30) | ($131) | ($14) | ($389) | ($344) |
| Earnings from continuing operations before income taxes, equity earnings & noncontrolling interest | **$332** | **$381** | **$416** | **$822** | **$1,458** |
| Equity Earnings, net of taxes - Ilim | **$31** | **$51** | **$1** | **$55** | **$153** |

# Geographic Business Segment Operating Results

| $ Million | Sales | | | | |
|---|---|---|---|---|---|
| | 4Q10 | 3Q11 | 4Q11 | 2010 | 2011 |
| **Industrial Packaging** | | | | | |
| **North America** | $2,135 | $2,210 | $2,060 | $8,355 | $8,605 |
| **Europe** | $275 | $275 | $280 | $990 | $1,130 |
| **Asia** | $160 | $175 | $170 | $495 | $695 |
| **Printing Papers** | | | | | |
| **North America** | $675 | $705 | $670 | $2,750 | $2,760 |
| **Europe** | $345 | $350 | $340 | $1,305 | $1,430 |
| **Brazil** | $315 | $290 | $320 | $1,090 | $1,190 |
| **India**[1] | - | - | $35 | - | $35 |
| **U.S. Market Pulp** | $190 | $185 | $170 | $715 | $725 |
| **Consumer Packaging** | | | | | |
| **North America** | $605 | $640 | $595 | $2,350 | $2,480 |
| **Europe** | $95 | $90 | $95 | $345 | $375 |
| **Asia (Sun JV)** | $180 | $225 | $215 | $705 | $855 |
| **Distribution** | $1,770 | $1,710 | $1,625 | $6,735 | $6,630 |

[1] Acquired on October 14, 2011
Excludes Forest Products

# Geographic Business Segment Operating Results
## *from Continuing Operations before Special Items*

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| $ Million | Operating Profit | | | | |
|---|---|---|---|---|---|
| | 4Q10 | 3Q11 | 4Q11 | 2010 | 2011 |
| **Industrial Packaging** | | | | | |
| **North America** | $261 | $291 | $294 | $776 | $1,094 |
| **Europe** | $16 | $9 | $19 | $73 | $61 |
| **Asia** | ($3) | $1 | $3 | ($4) | $5 |
| **Printing Papers** | | | | | |
| **North America** | $92 | $127 | $83 | $333 | $399 |
| **Europe** | $38 | $48 | $55 | $199 | $207 |
| **Brazil** | $63 | $37 | $45 | $159 | $169 |
| **India**[1] | - | - | ($3) | - | ($3) |
| **U.S. Market Pulp** | $43 | $26 | $10 | $107 | $87 |
| **Consumer Packaging** | | | | | |
| **North America** | $38 | $76 | $33 | $105 | $236 |
| **Europe** | $20 | $19 | $24 | $76 | $93 |
| **Asia (Sun JV)** | $6 | $8 | $5 | $34 | $35 |
| **Distribution** | $9 | $27 | $33 | $78 | $86 |

[1] Acquired on October 14, 2011
Excludes Forest Products

# 2010 Earnings from Continuing Operations

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| | 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** | | | | | | | | |
| **1Q10** | $40 | ($13) | ($9) | ($2) | $16 | 32% | 429 | $0.04 |
| **2Q10** | $262 | ($81) | ($7) | $7 | $181 | 31% | 433 | $0.42 |
| **3Q10** | $547 | ($170) | ($2) | $22 | $397 | 31% | 434 | $0.91 |
| **4Q10** | $362 | ($100) | ($3) | $37 | $296 | 28% | 435 | $0.68 |
| **2010** | $1,211 | ($364) | ($21) | $64 | $890 | 30% | 434 | $2.05 |
| **Special Items** | | | | | | | | |
| **1Q10** | ($215) | $37 | $0 | $0 | ($178) | 17% | 429 | ($0.42) |
| **2Q10** | ($144) | $56 | $0 | $0 | ($88) | 39% | 433 | ($0.21) |
| **3Q10** | $0 | $0 | $0 | $0 | $0 | 0% | 434 | $0 |
| **4Q10** | ($30) | $50 | $0 | $0 | $20 | 167% | 435 | $0.05 |
| **2010** | ($389) | $143 | $0 | $0 | ($246) | 37% | 434 | ($0.57) |
| **Earnings** | | | | | | | | |
| **1Q10** | ($175) | $24 | ($9) | ($2) | ($162) | 14% | 429 | ($0.38) |
| **2Q10** | $118 | ($25) | ($7) | $7 | $93 | 21% | 433 | $0.21 |
| **3Q10** | $547 | ($170) | ($2) | $22 | $397 | 31% | 434 | $0.91 |
| **4Q10** | $332 | ($50) | ($3) | $37 | $316 | 15% | 435 | $0.73 |
| **2010** | $822 | ($221) | ($21) | $64 | $644 | 27% | 434 | $1.48 |

[1] Assuming dilution

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

# 2011 Earnings from Continuing Operations

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| | 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 |
| **2Q11** | $439 | ($145) | ($8) | $57 | $343 | 33% | 431 | $0.80 |
| **3Q11** | $512 | ($155) | ($5) | $50 | $402 | 30% | 435 | $0.92 |
| **4Q11** | $430 | ($137) | ($4) | ($1) | $288 | 32% | 436 | $0.66 |
| **2011** | $1,802 | ($577) | ($22) | $152 | $1,355 | 32% | 437 | $3.10 |
| **Special Items** | | | | | | | | |
| **1Q11** | ($53) | $17 | $0 | $7 | ($29) | 32% | 434 | ($0.07) |
| **2Q11** | ($146) | $27 | $0 | $0 | ($119) | 18% | 431 | ($0.28) |
| **3Q11** | ($131) | $239 | $8 | $0 | $116 | 182% | 435 | $0.27 |
| **4Q11** | ($14) | ($17) | $0 | $0 | ($31) | (121%) | 436 | ($0.07) |
| **2011** | ($344) | $266 | $8 | $7 | ($63) | 77% | 437 | ($0.14) |
| **Earnings** | | | | | | | | |
| **1Q11** | $368 | ($123) | ($5) | $53 | $293 | 33% | 434 | $0.67 |
| **2Q11** | $293 | ($118) | ($8) | $57 | $224 | 40% | 431 | $0.52 |
| **3Q11** | $381 | $84 | $3 | $50 | $518 | (22%) | 435 | $1.19 |
| **4Q11** | $416 | ($154) | ($4) | ($1) | $257 | 37% | 436 | $0.59 |
| **2011** | $1,458 | ($311) | ($14) | $159 | $1,292 | 21% | 437 | $2.96 |

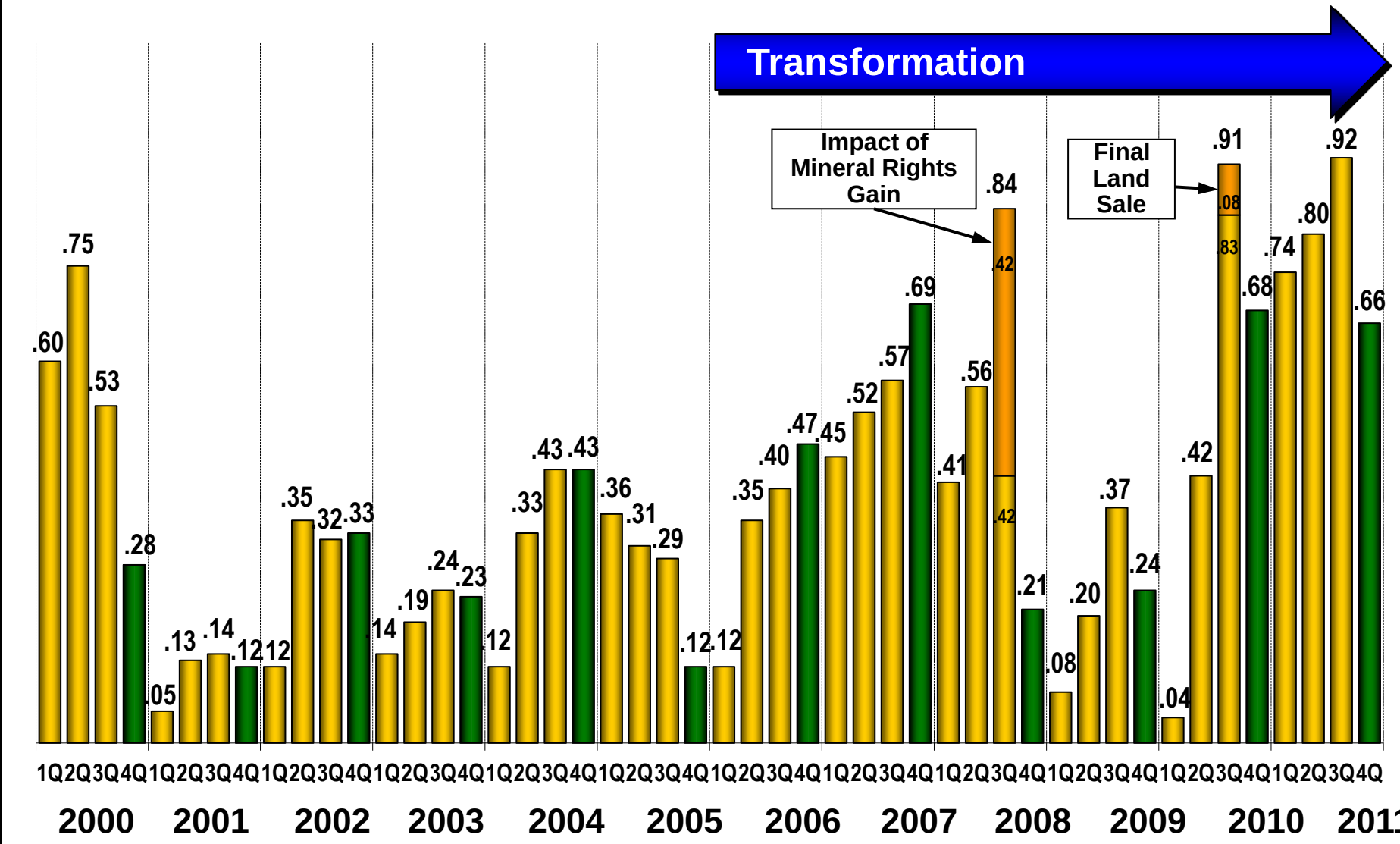
[1] Assuming dilution

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

# Operating Business EPS

## *Demonstrated Step Change in Performance*

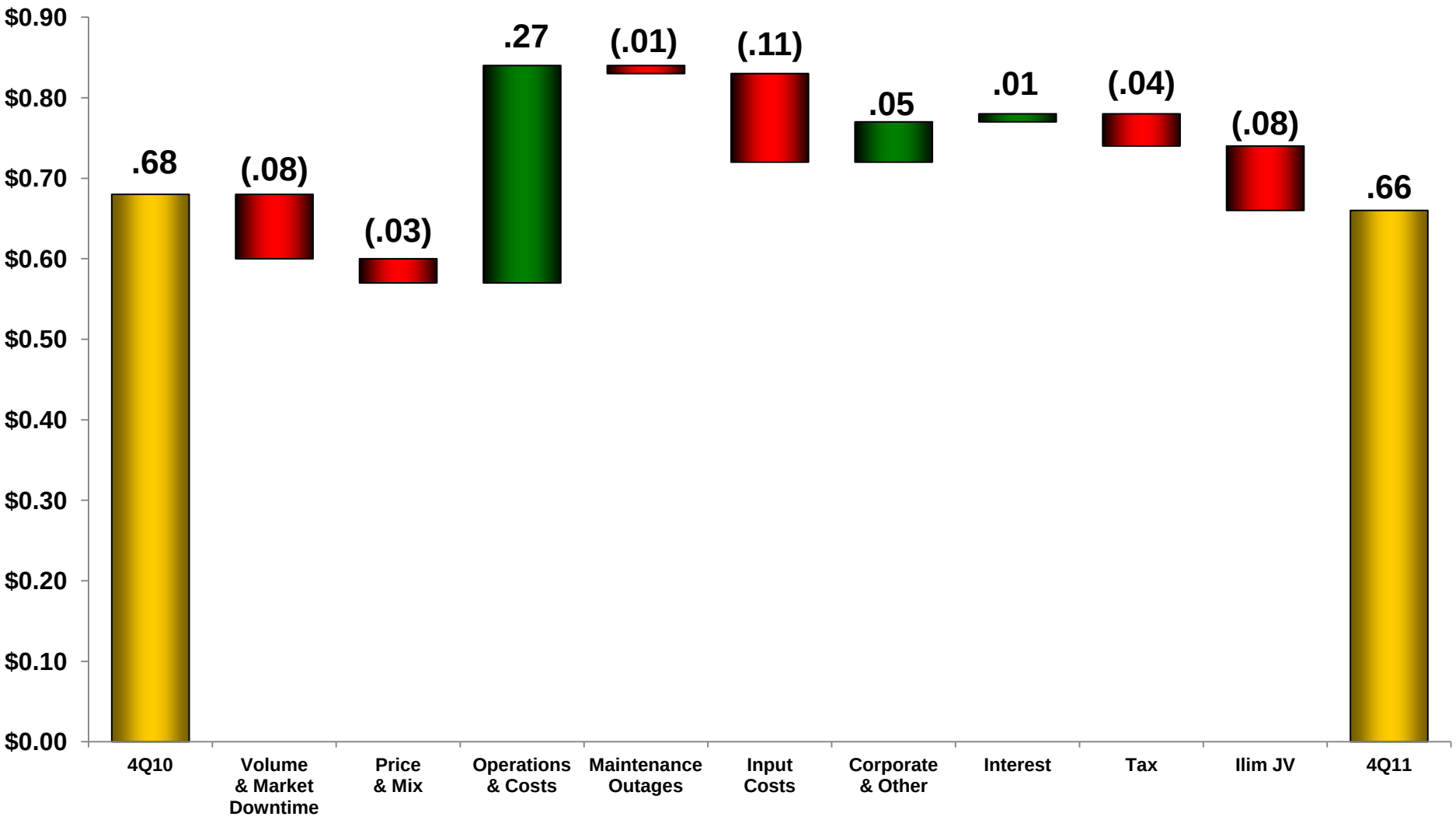
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Earnings from continuing operations before special items as reported at the time

# 4Q11 vs. 4Q10 EPS

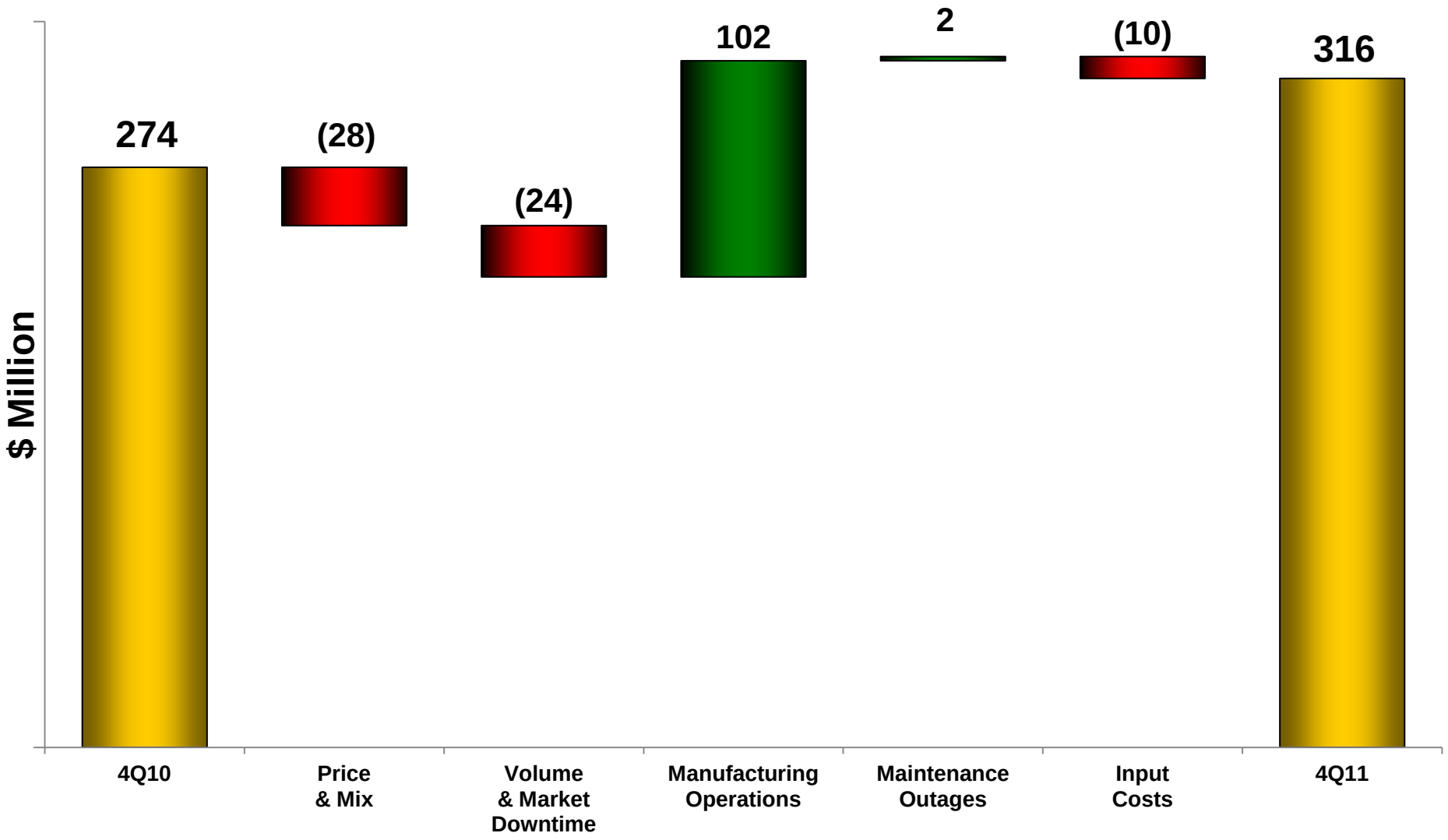
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Earnings from continuing operations before special items

# Industrial Packaging
## *4Q11 vs. 4Q10*

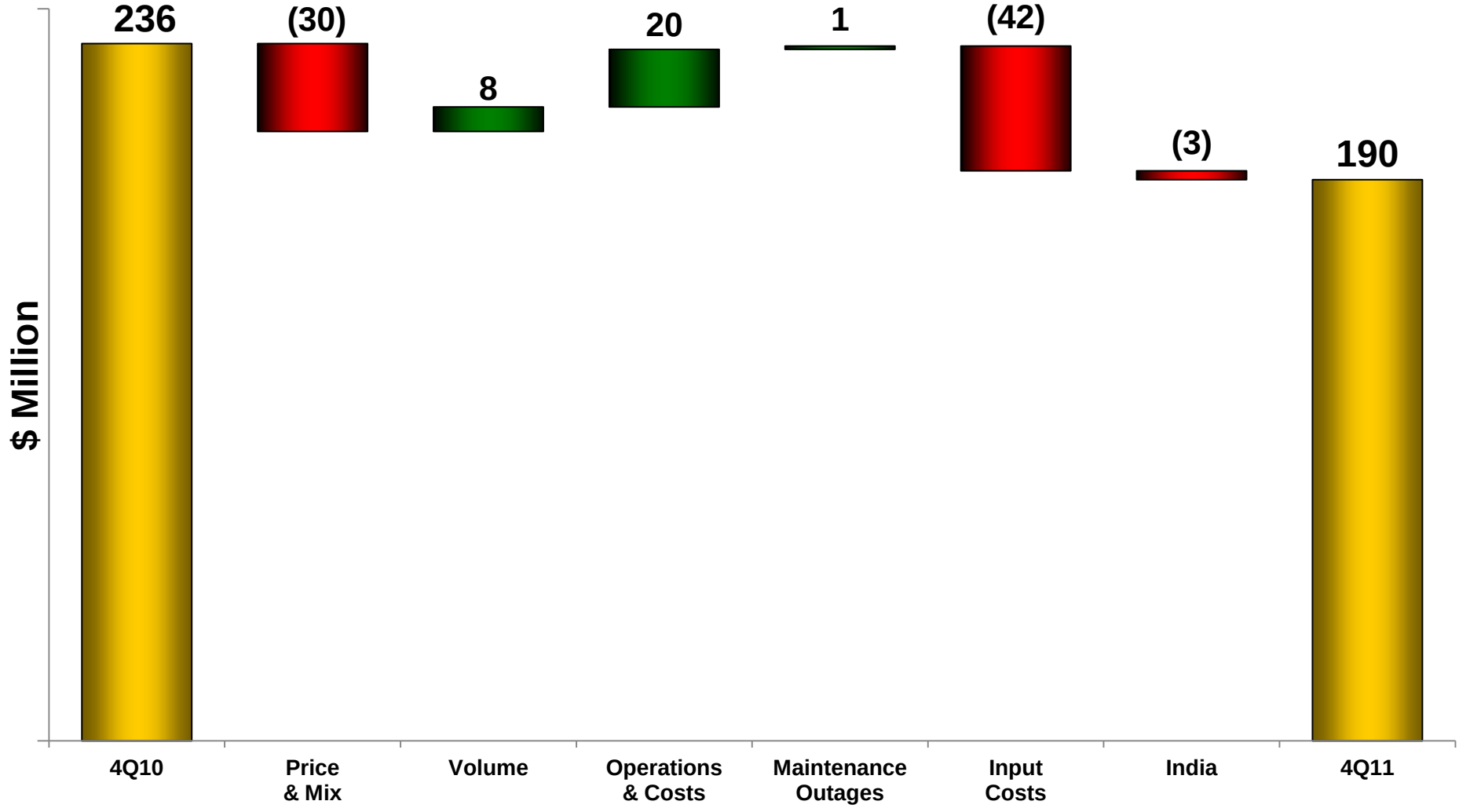
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Earnings from continuing operations before special items

# Printing Papers
## *4Q11 vs. 4Q10*

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Earnings from continuing operations before special items

# IP Brazil

| $ Million | 4Q10 | 3Q11 | 4Q11 |
|---|---|---|---|
| Sales | $315 | $290 | $320 |
| Earnings | $63 | $37 | $45 |
| EBITDA Margin | 32% | 26% | 26% |

| | 4Q11 vs. 3Q11 | | 4Q11 vs. 4Q10 | |
|---|---|---|---|---|
| Business | Volume | Price / Ton | Volume | Price / Ton |
| Uncoated Freesheet | 7% | ($43) | 5% | ($30) |
| Domestic | 21% | ($16) | 12% | ($64) |
| Export | (3%) | ($70) | 0% | $4 |

IP Brazil results are reported in the Printing Papers segment
EBITDA from continuing operations before special items

# Ilim Joint Venture
## *4Q11 vs. 3Q11*

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| $ Million | 4Q10 | 3Q11 | 4Q11 |
|---|---|---|---|
| Sales (100%) | $490 | $580 | $580 |
| Earnings (IP Share) | $31[1] | $51 | $1 |

| | 4Q11 vs. 3Q11 | | 4Q11 vs. 4Q10 | |
|---|---|---|---|---|
| Business | Volume | Price / Ton | Volume | Price / Ton |
| Pulp | 10% | ($69) | 7% | $9 |
| Containerboard | 3% | ($29) | 1% | $103 |

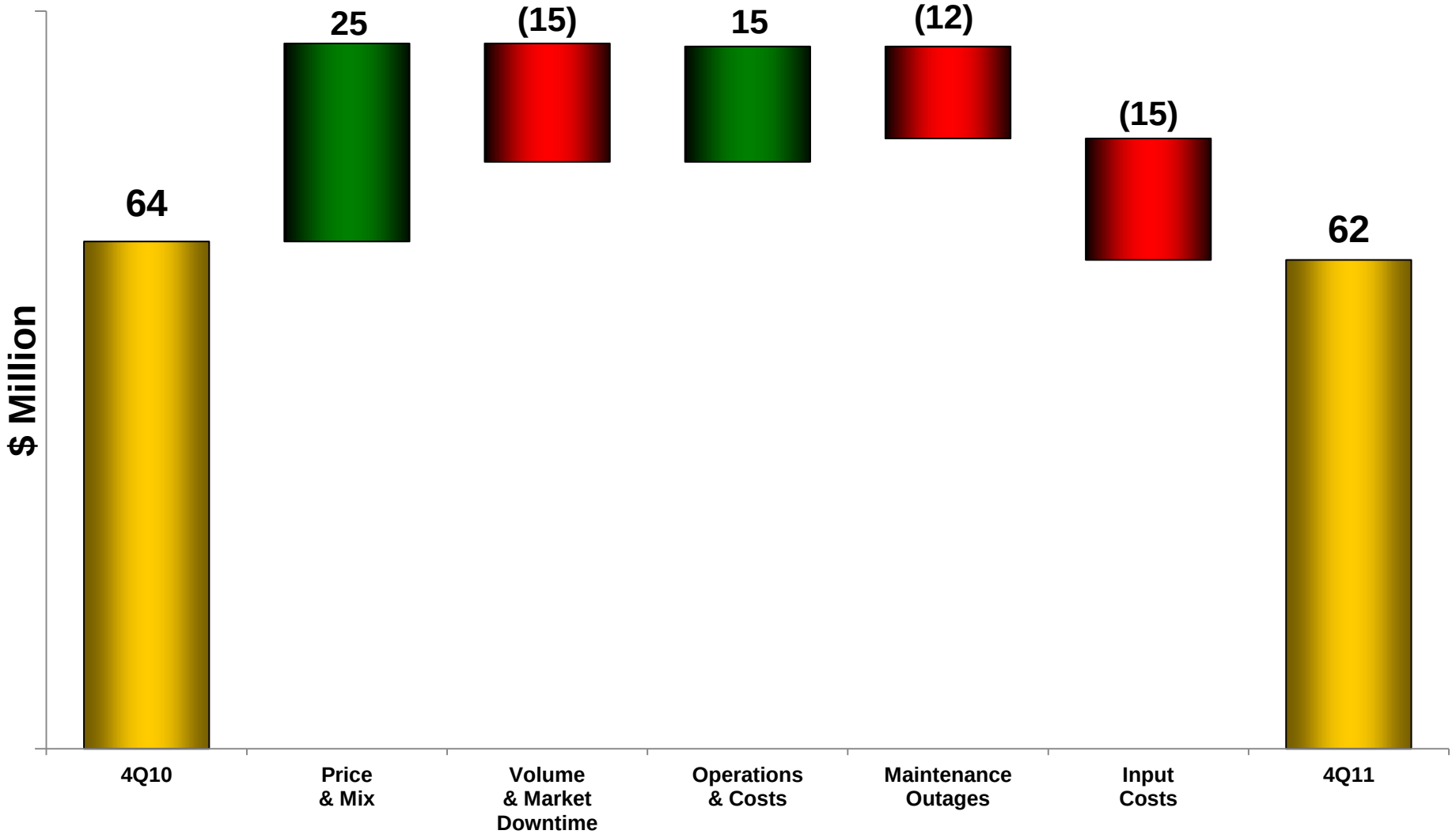
Ilim's results are reported on a one-quarter lag.

[1] Includes an asset impairment charge (IP share was $16 million after tax)

IP's shares of Ilim's reported earnings for 3Q11 & 4Q10 include an after-tax foreign exchange gain of $9MM and $10MM, respectively. 4Q11 earnings include an after-tax foreign exchange loss of $34MM.

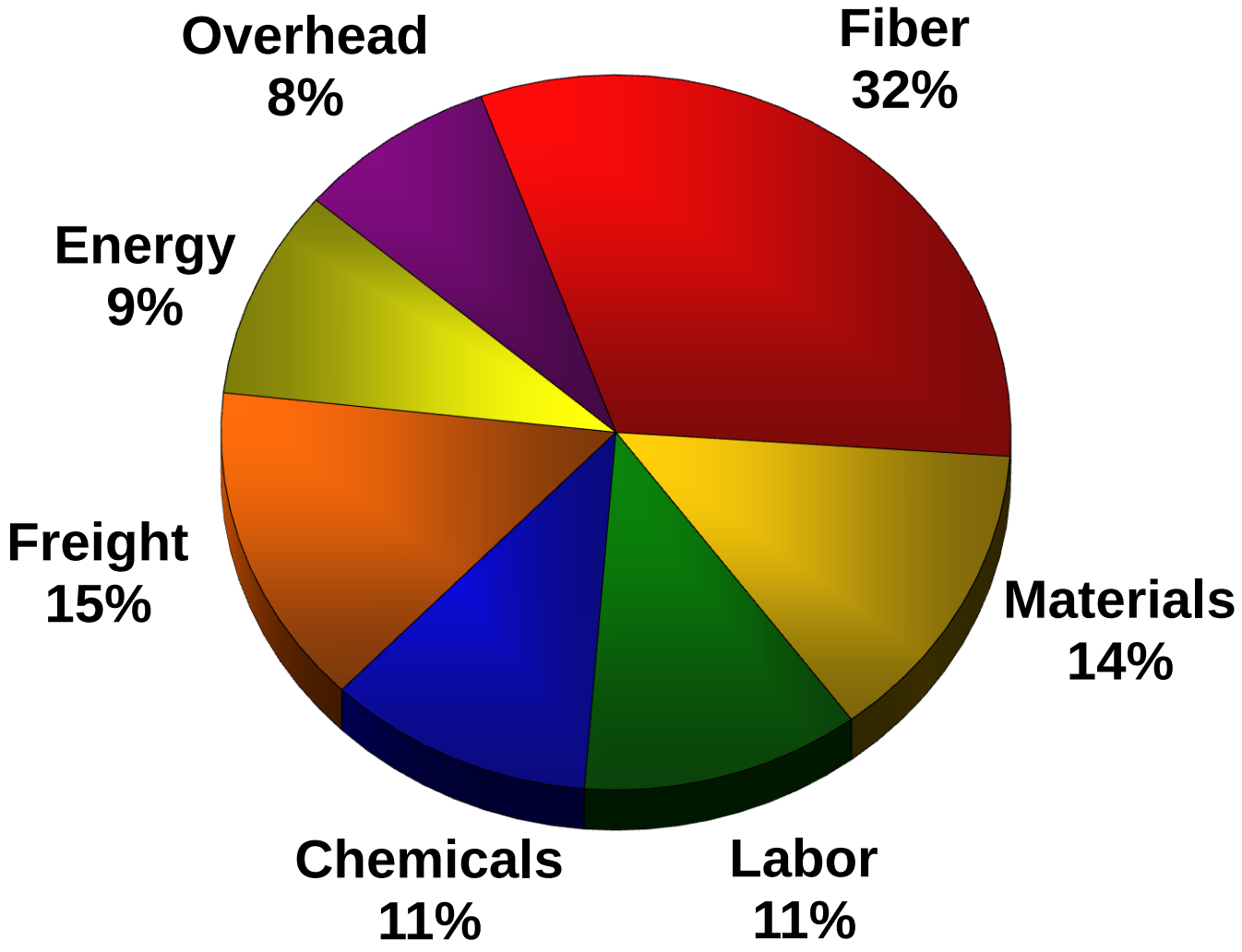
# Consumer Packaging
## *4Q11 vs. 4Q10*

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Earnings from continuing operations before special items

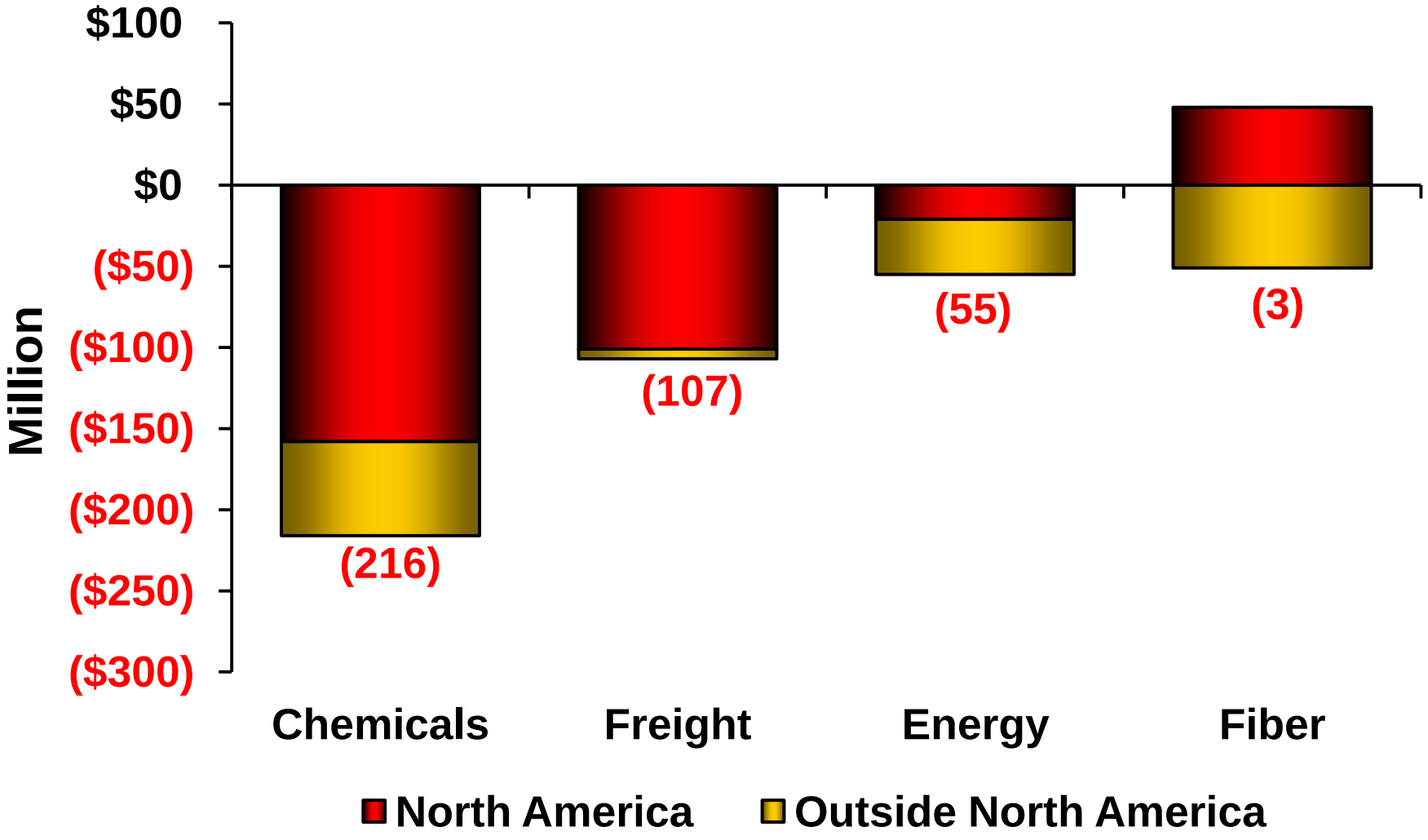
# 2011 Total North American Mills Cash Cost Components



# Global Input & Freight Costs vs. 2010

***$381 MM Unfavorable, or $0.63/Share***

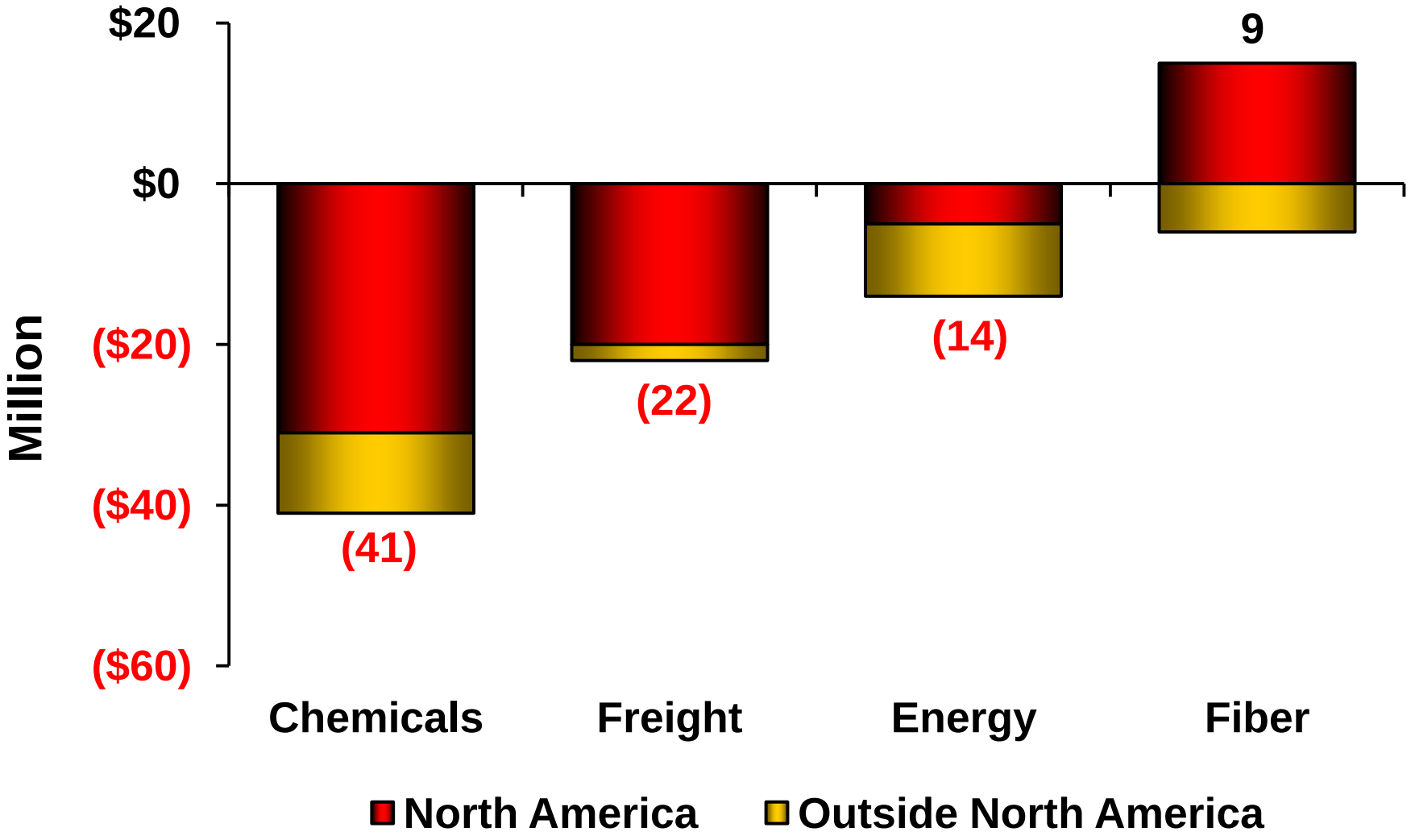
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Input costs for continuing businesses

# Global Input & Freight Costs vs. 4Q10

***$68 MM Unfavorable, or $0.11/Share***

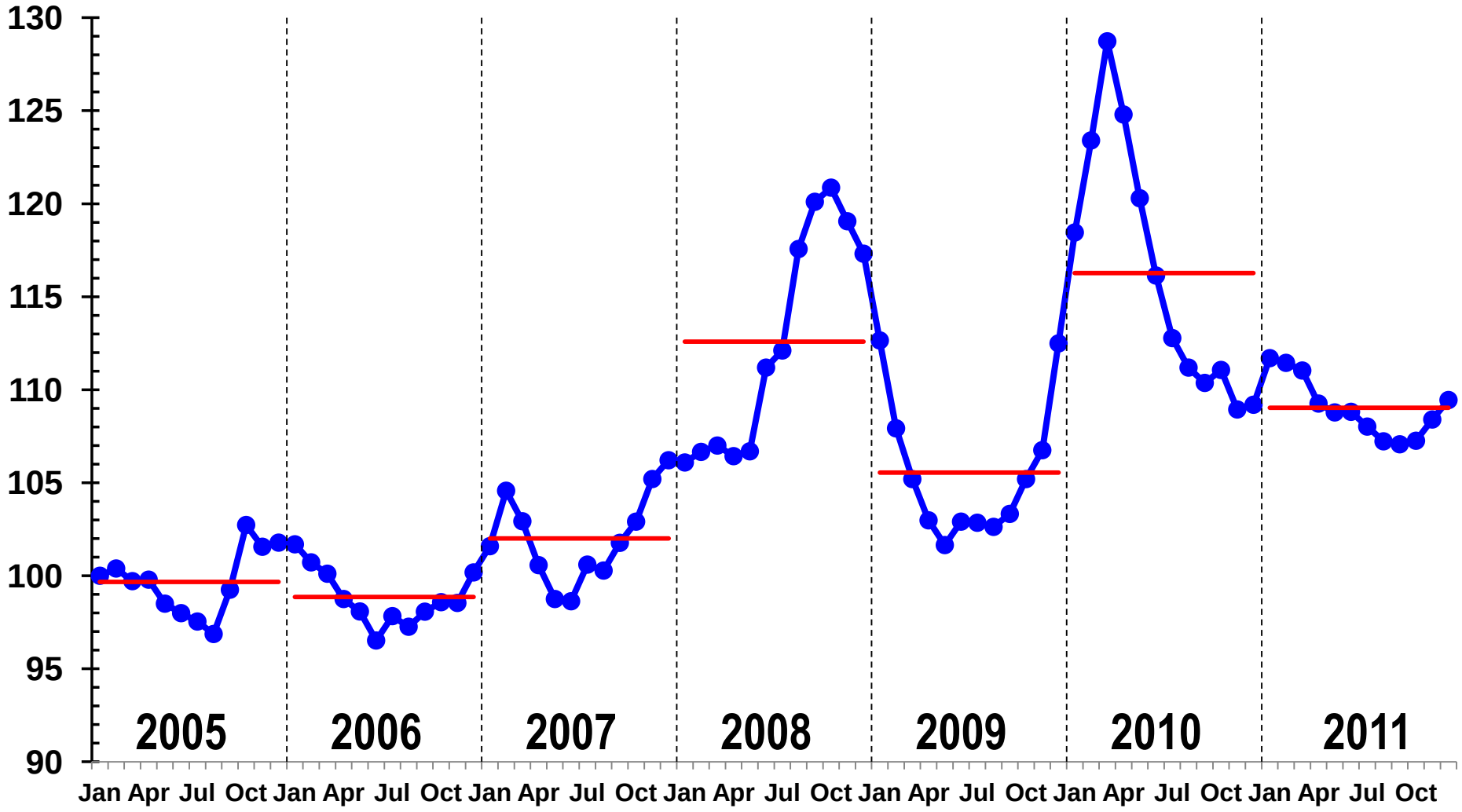



Input costs for continuing businesses

# U.S. Mill Wood Delivered Cost Trends

## *1% Increase vs. 3Q11 Average Cost*

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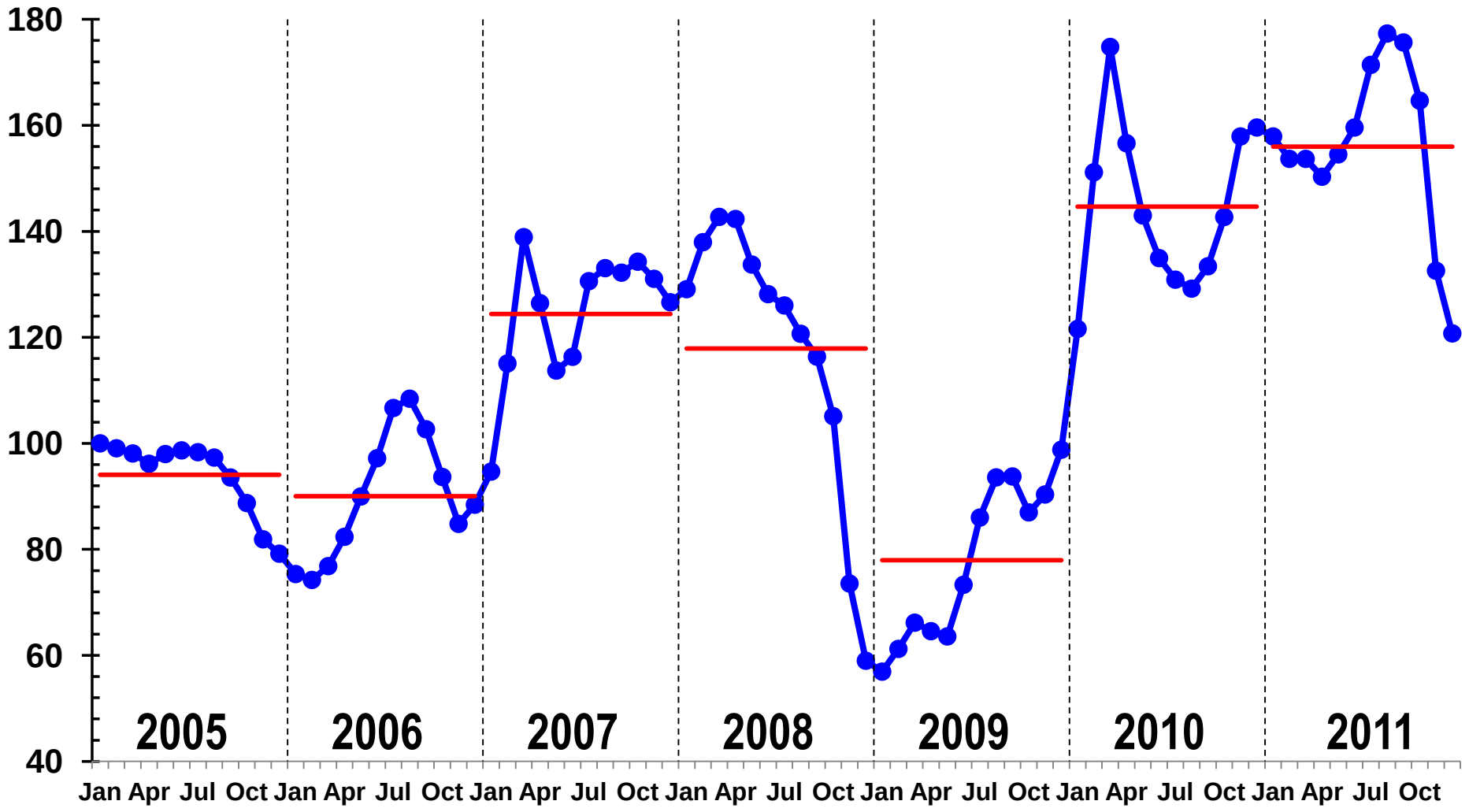



Cost Indexed to January 2005 values

# U.S. OCC Delivered Cost Trends

## *20% Decrease vs. 3Q11 Average Cost*

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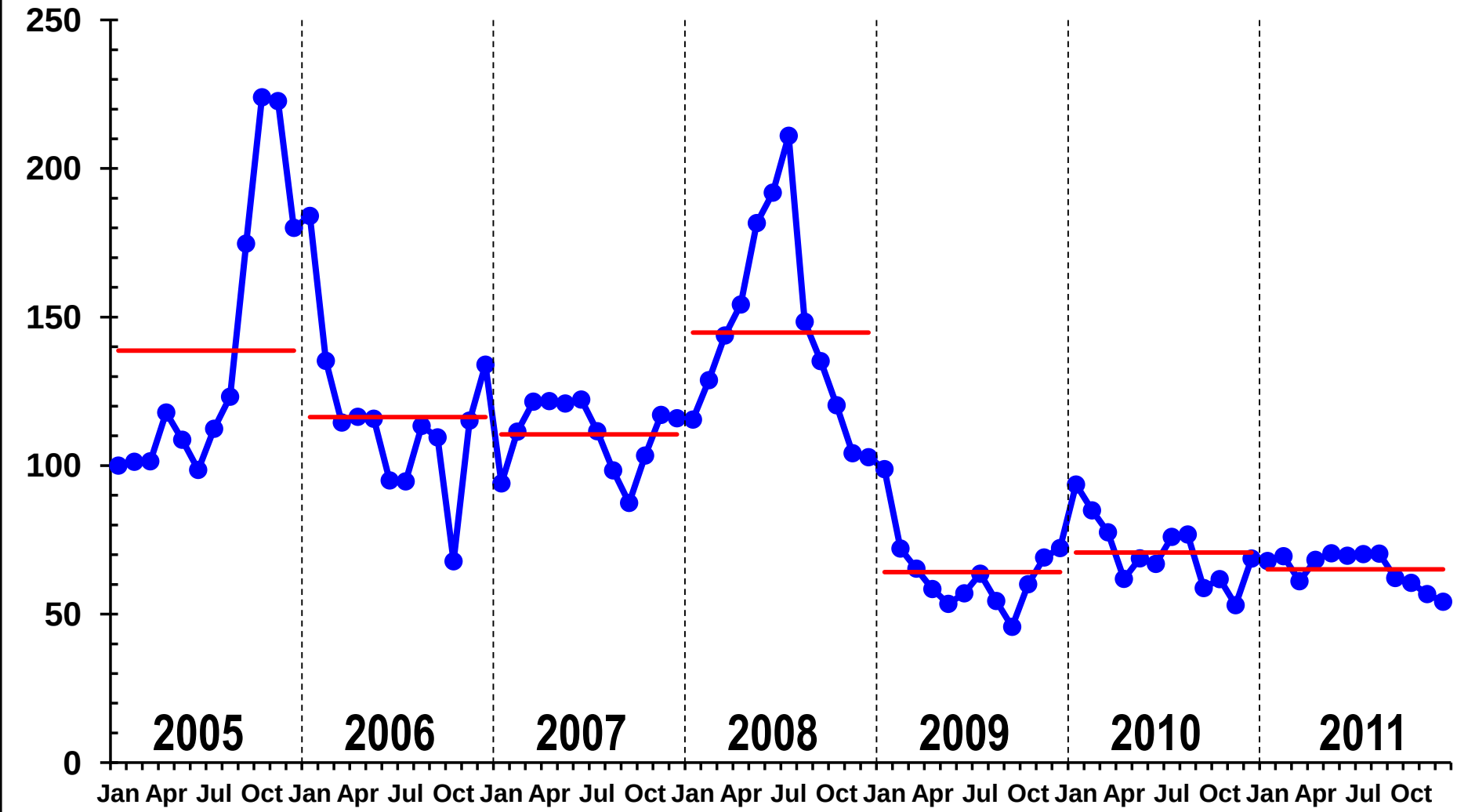

Cost Indexed to January 2005 values

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

# Natural Gas Costs

## *15% Decrease vs. 3Q11 Average Cost*

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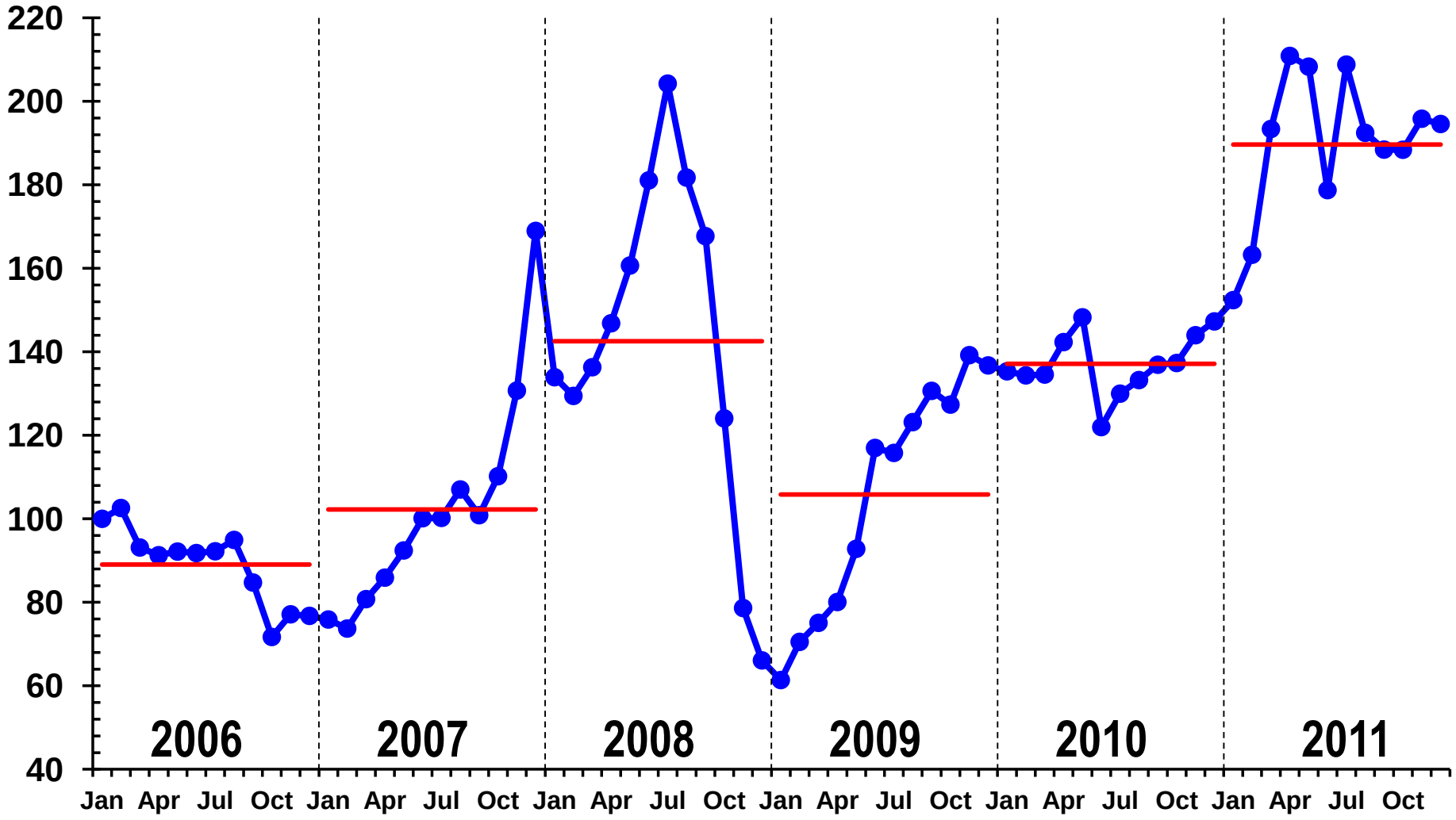

Cost Indexed to January 2005 values

NYMEX Natural Gas closing prices

# U.S. Fuel Oil

## *2% Decrease vs. 3Q11 Average Cost*

INTERNATIONAL PAPER



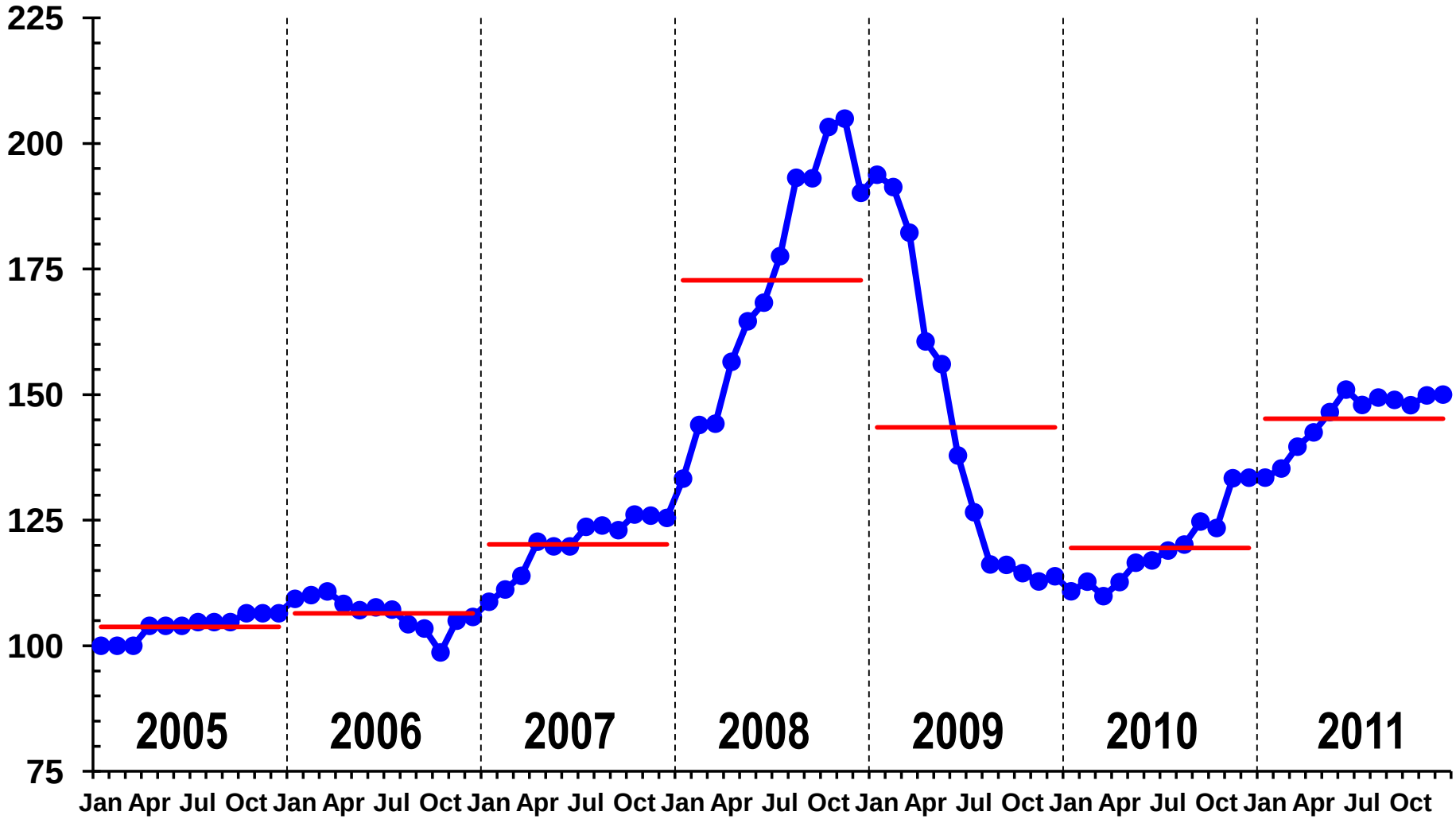

Cost Indexed to January 2006 values

WTI Crude prices

# U.S. Chemical Composite Index

## *No change vs. 3Q11 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

# 2012 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) | 1,000,000 | 400,000 |
| | Coal (Tons) | 600,000 | 500,000 |
| Fiber | Wood (Tons) | 46,000,000 | 8,700,000 |
| | Old Corrugated Containers (Tons) | 3,000,000 | 100,000 |
| Chemicals | Caustic Soda (Tons) | 300,000 | 100,000 |
| | Starch (Tons) | 400,000 | 56,000 |
| | Sodium Chlorate (Tons) | 200,000 | 50,000 |
| | LD Polyethylene (Tons) | 41,000 | - |
| | Latex (Tons) | 24,000 | 7,000 |

Non-U.S. estimates do not include Asia, Ilim JV or India
Estimates are based on normal operations and may be impacted by downtime