

INTERNATIONAL PAPER



John V. Faraci
Chairman &
Chief Executive Officer

Vertical Research Partners Global Packaging & Paper Conference

March 7, 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) risk and uncertainties associated with the divestitures required by the U.S. Department of Justice consent decree that allowed the Temple-Inland Inc. (“Temple-Inland”) transaction to proceed; (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 restructurings. 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. 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.

Committed to Continuous Improvement in Shareholder Value

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AGENDA

- Repositioned and Well-Positioned
- Strong Full-Year 2011 Results
- Structural Improvements in IP's N.A. Businesses
- Step-Change in Financial Performance
- Balanced Capital Allocation
- Earnings Growth Runway
- 1Q & 2012 Outlook
- Step-Change Summary - Roadmap

Who We Are: 2012 Snapshot

Repositioned and Well-Positioned

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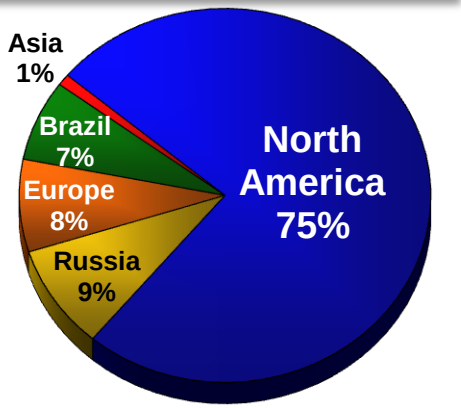
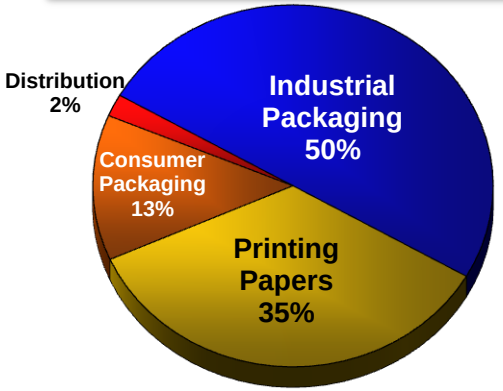
Leading Global Provider of Paper and Packaging

($ Billions)	IP 2011	TIN 2011[3]	IP + TIN 2011 Pro Forma
Revenue	$26.0	$4.0	$30.0
EBITDA (before special items)	$3.7	$0.4	$4.3[4]
EBITDA Margins	14%	10%	14%[4]
Free Cash Flow	$1.7[1]	$0.1	$1.9[4]
Shareholder Return			
Dividends Paid	$0.43		
Dividend Yield	3.5%[2]		
Employees	~59,500	~10,000	~70,000
Countries	>24	3	>24

EBITDA by Region[5]



EBITDA by Segment[5]



[1] Excludes cash contributed to pension plan of $300 million, an increase in working capital related to the cessation of the European A/R securitization program of $209 million, cash received from unwinding a timber monetization of $175 million and a tax receivable collected related to pension contributions of $123 million.
[2] Dividend Yield based on closing share price at December 30
[3] TIN reflects 9M11 actual results annualized
[4] Includes ($0.1) billion of mill divestitures and $0.3 billion in run rate synergies, net of taxes
[5] Based on 2011 EBITDA before special items; Russia includes the Svetogorsk mill and IP's share of Ilim JV equity earnings; Printing Papers segment includes Ilim JV; IP's share of Ilim JV equity earnings reflect approximate proportional adjustments for interest & tax

Strong Full-Year 2011 Results

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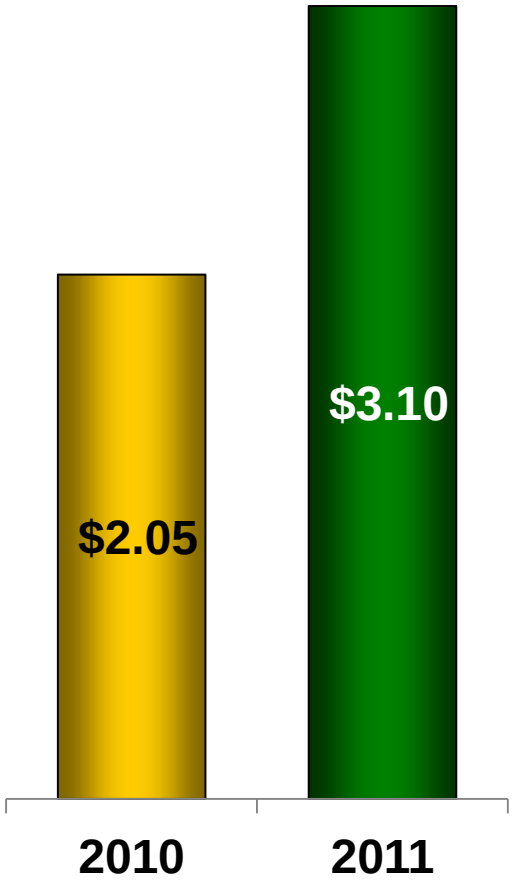
Earnings per Share



- 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

N.A. Paper & Packaging

Structural Change in IP Results

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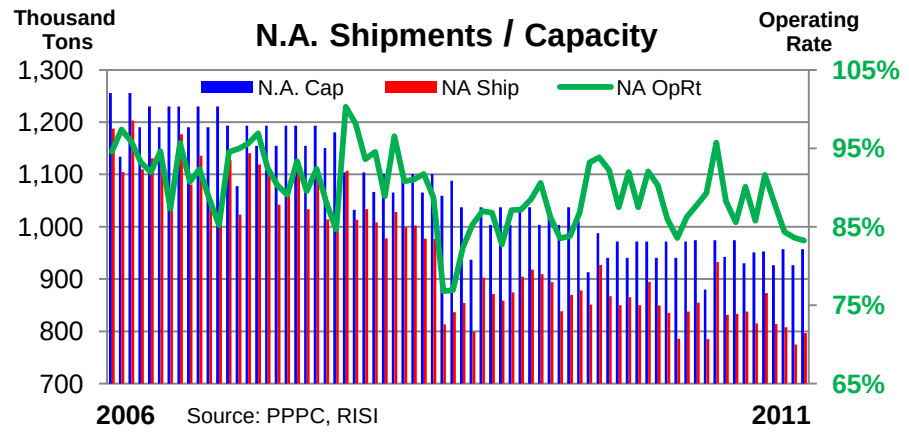
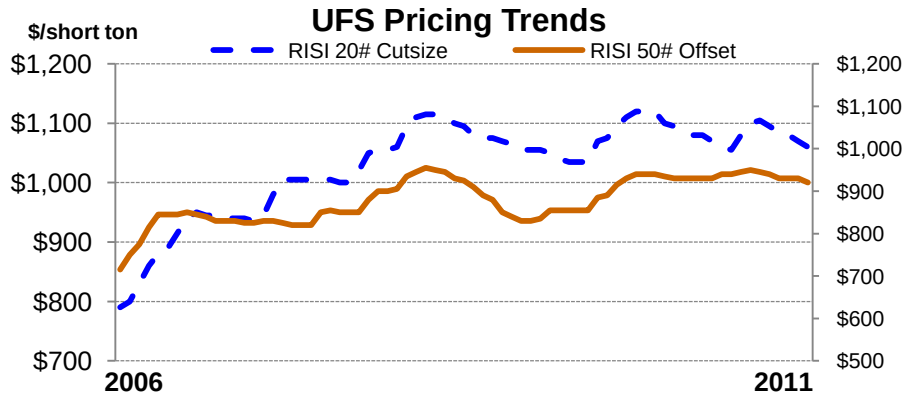
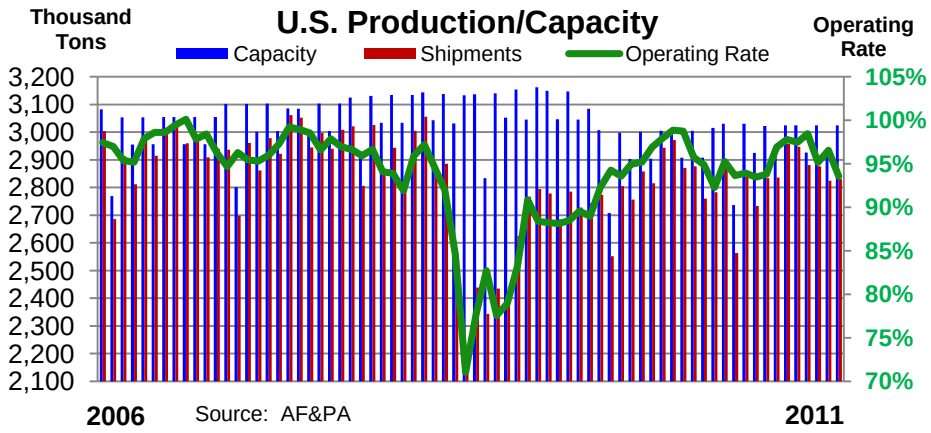
UNCOATED FREESHEET

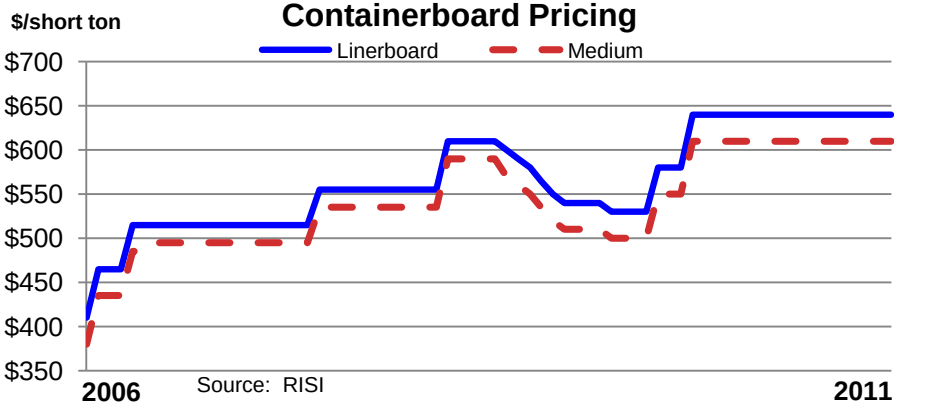




IP Printing Papers	2005	2011
EBITDA Margin	10%	22%
ROI (before special items)	0.6%	13%

CONTAINERBOARD

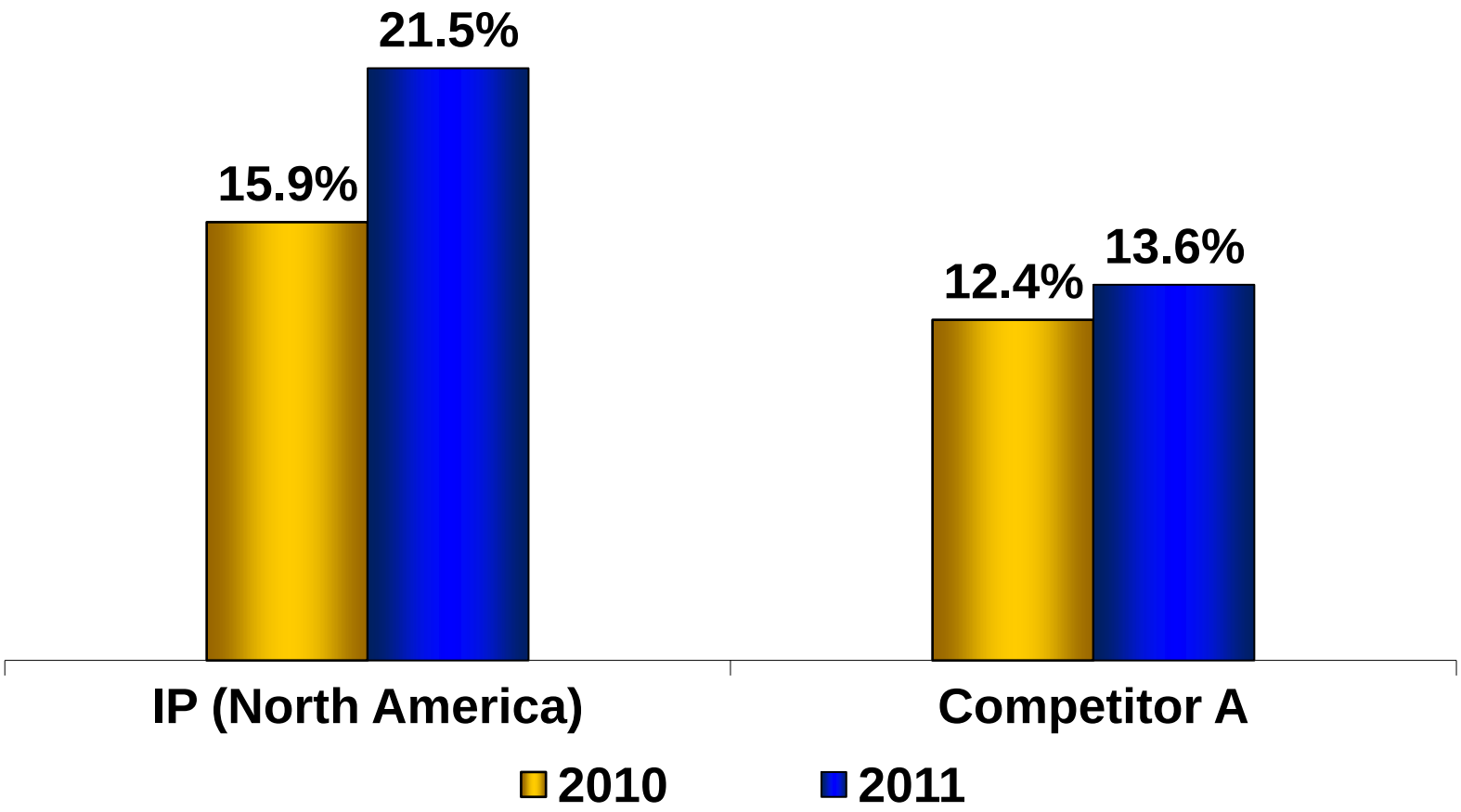




IP Industrial Packaging	2005	2011
EBITDA Margin	8%	20%
ROI (before special items)	2%	10%

2011 Excludes Recycling businesses; includes Saturating Kraft & Bag business

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

Step-Change in EBITDA

Driven by the Transformation Plan

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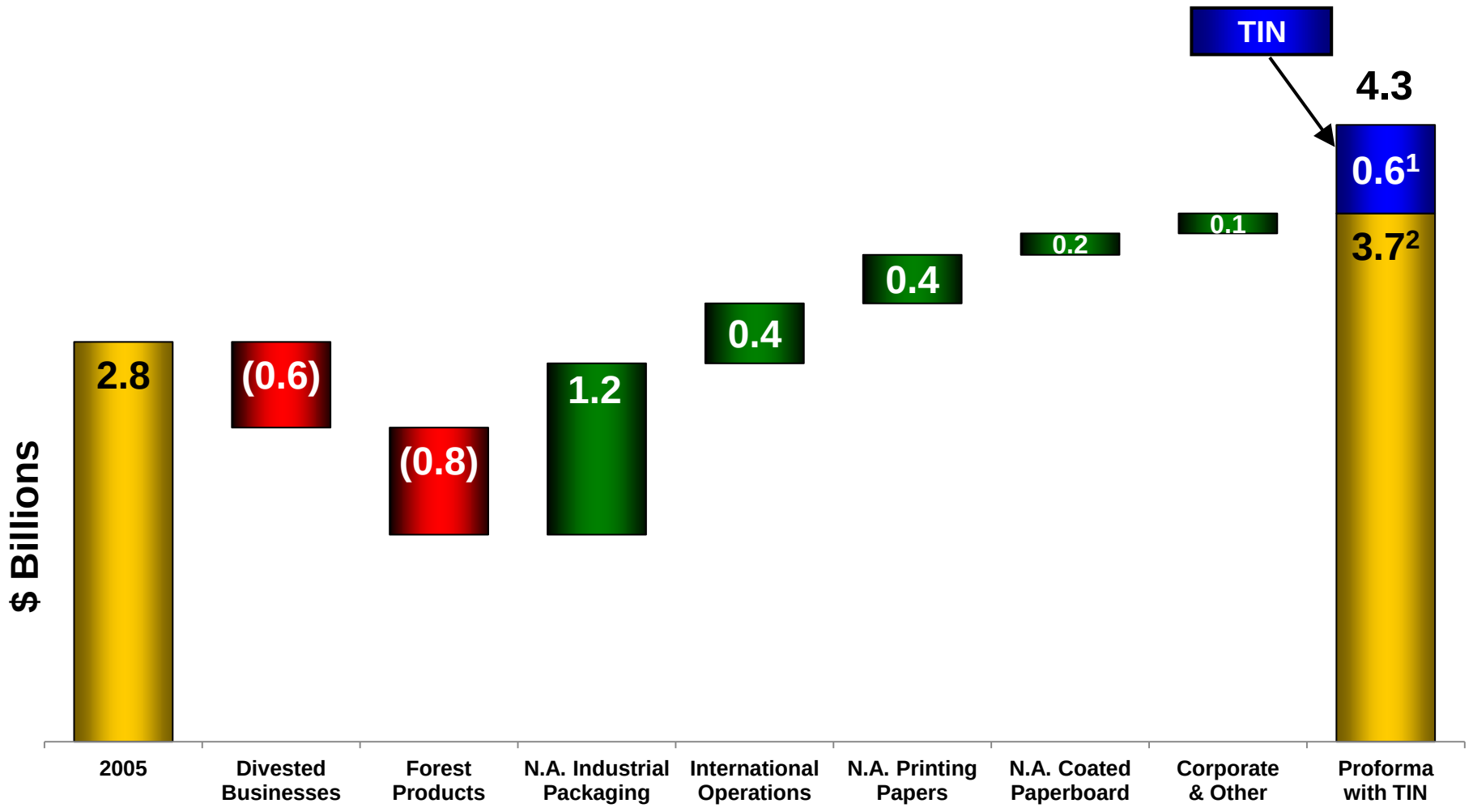
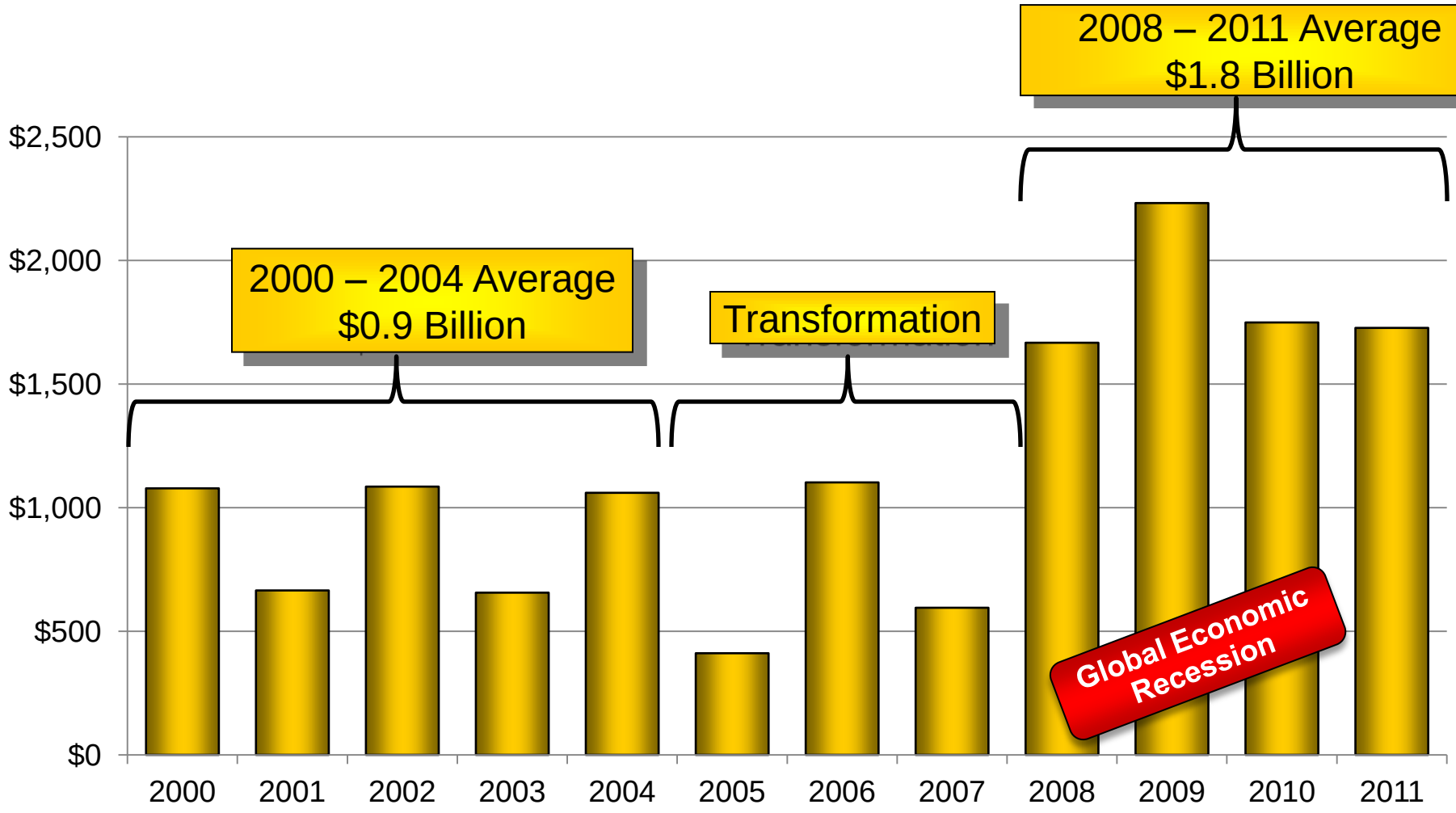


Earnings before special items

[1] TIN reflects 9M11 actual results annualized of $0.4 billion plus $0.3 billion of annual run-rate synergies less $100 million of expected mill divestitures

[2] Reflects IP's 2011 EBITDA

Step-Change Improvement in Free Cash Flow



Free cash flow, based on data in the 10-K for each year at the time of filing.
Excludes net cash pension contributions impacting 2006, 2010 & 2011 cash flows under European accounts receivable securitization beginning in 2009 and ending in 1Q11, and cash received from AFMTC & CBTC in 2009 and 2010.

Improving Returns on Invested Capital

Transformation Driving ROI

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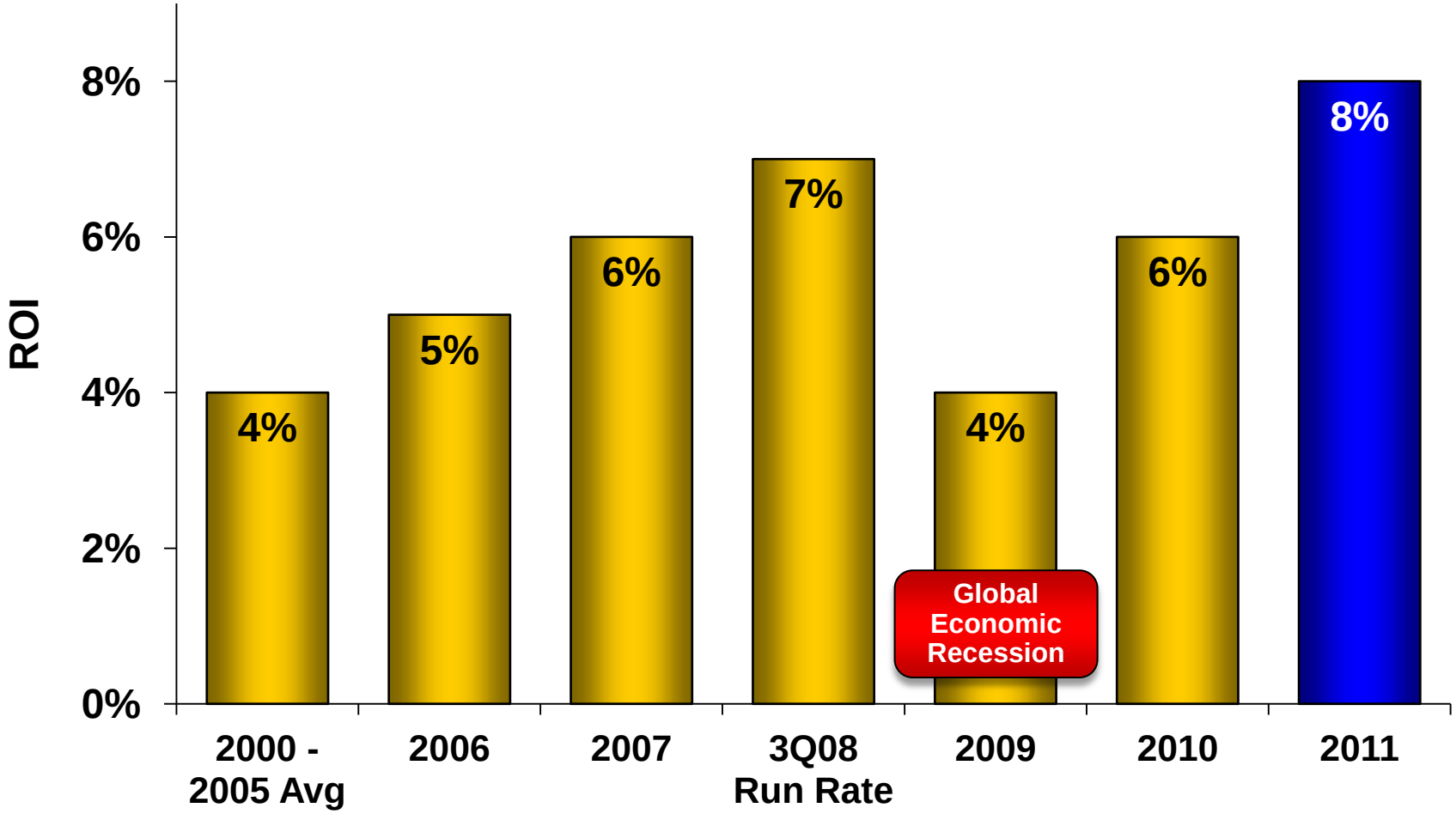

Based on earnings from continuing operations before special items

Strong Balance Sheet

Target: Adjusted Debt < 3X EBITDA

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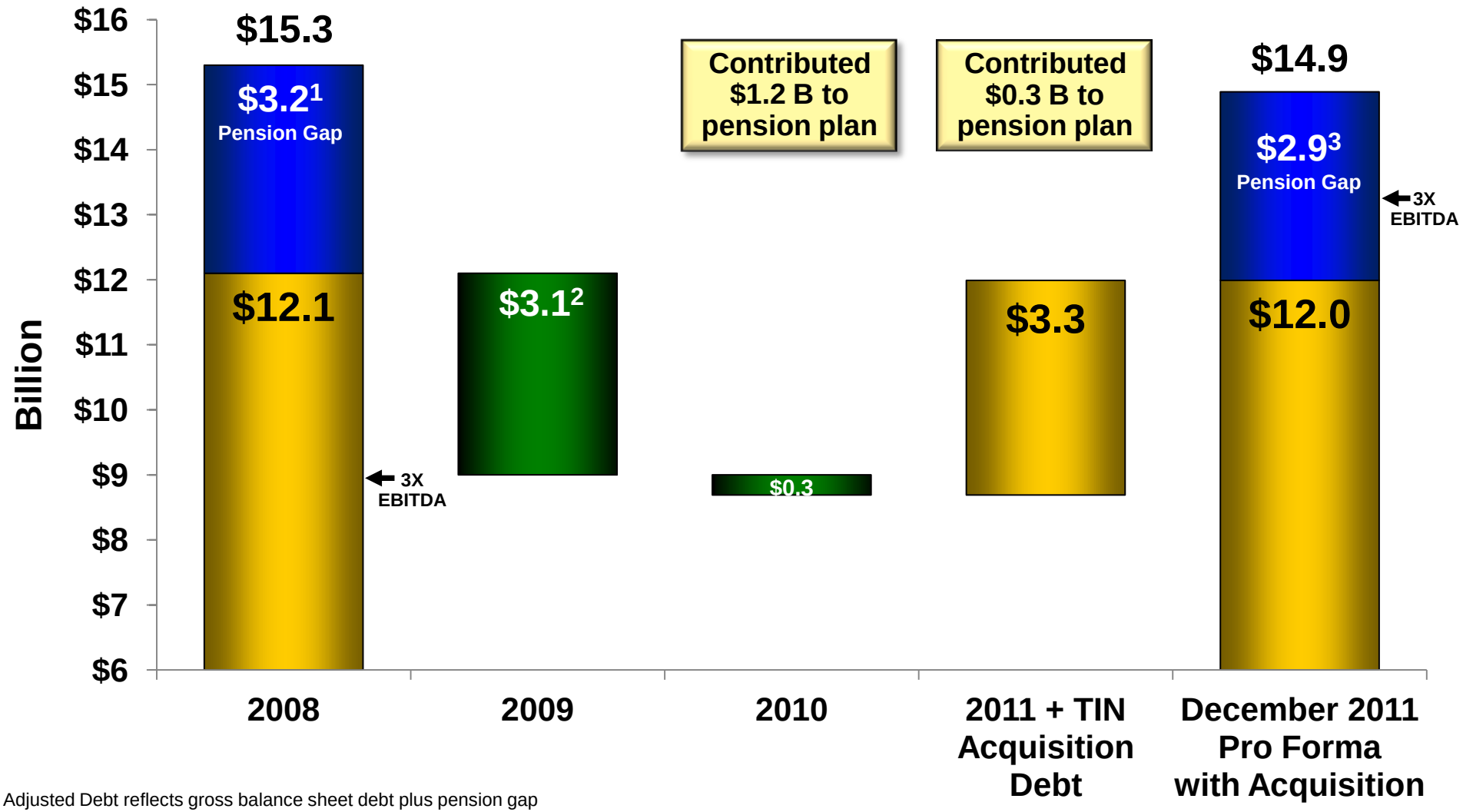

Adjusted Debt reflects gross balance sheet debt plus pension gap

3X EBITDA based on 2008 actual EBITDA of $3.0 B and 2013 First Call EBITDA of $4.4 B

[1] Pension gap as of 12/31/08

[2] Excludes debt repayments of $2.75 B from the proceeds of bonds issuances of $2.75 B

[3] IP + TIN pension gap as of 12/31/11

Repositioned & Well Positioned

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- Strong balance sheet
- Increased exposure to structurally stronger areas of the industry (Paper & Packaging)
- Better positioned geographically (U.S. + BRIC)
- Acquired low cost, efficient assets while optimizing existing assets
- Industry leading margins in core, global businesses
- Growth outlook significantly enhanced by recent investments and capital expansions (Temple-Inland / Franklin Fluff / Ilim JV & Sun JV Investments / APPM)

Balanced Capital Allocation

Priorities

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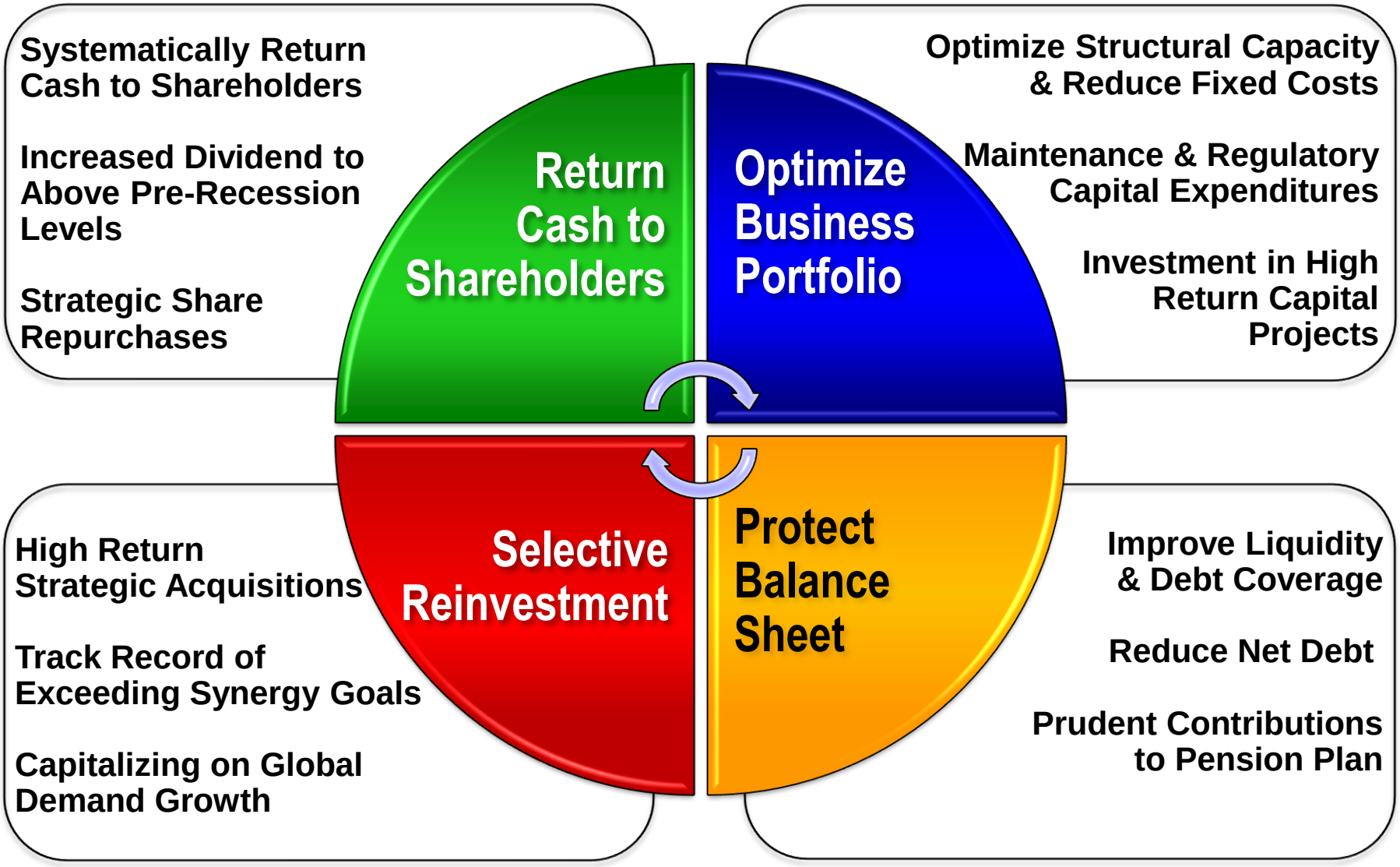

Cycle Average Capital Spending

2012 Estimate: $1.45 Billion Including TIN

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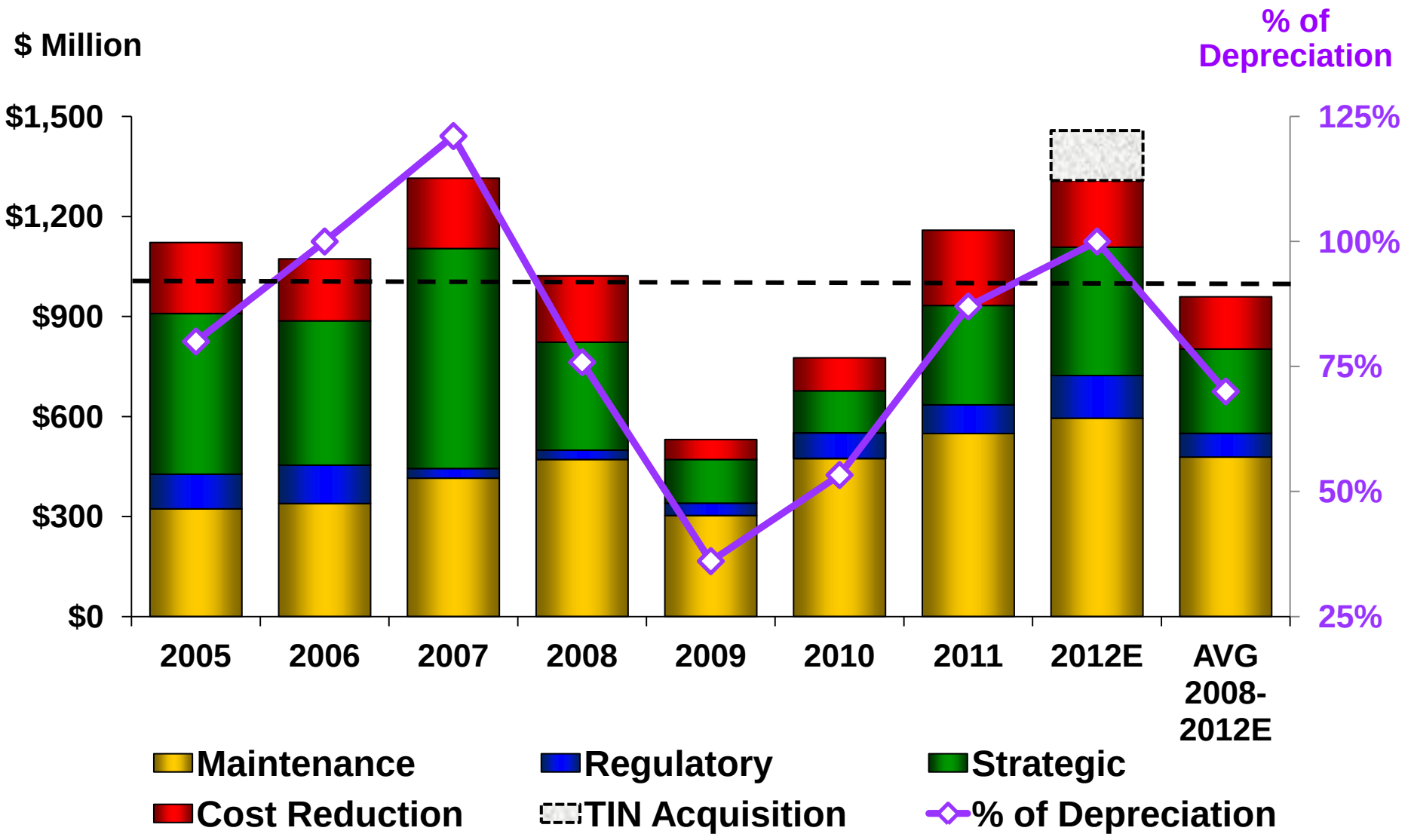

Reflects continuing operations

2012E includes estimated step-up depreciation for TIN

Strong Pipeline of High Return

Cost Reduction Capital Projects

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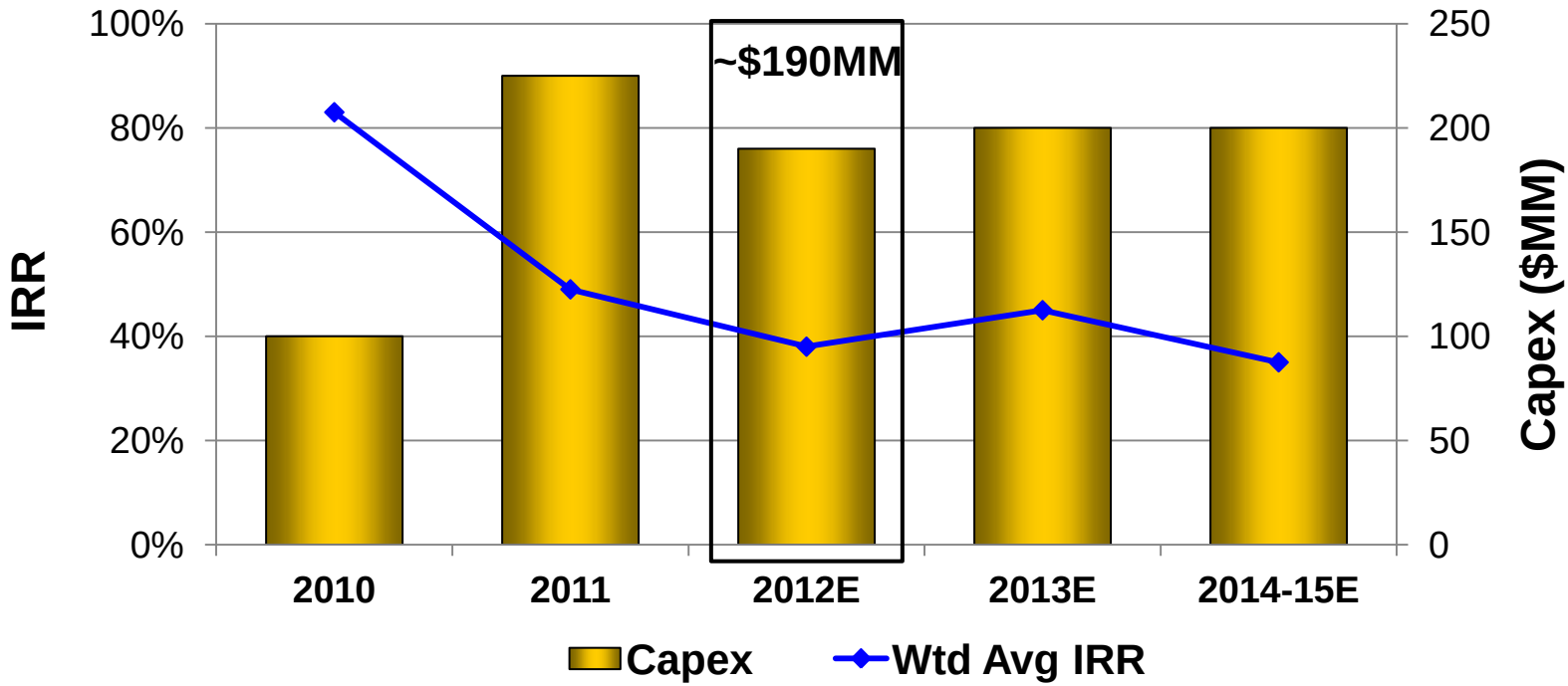
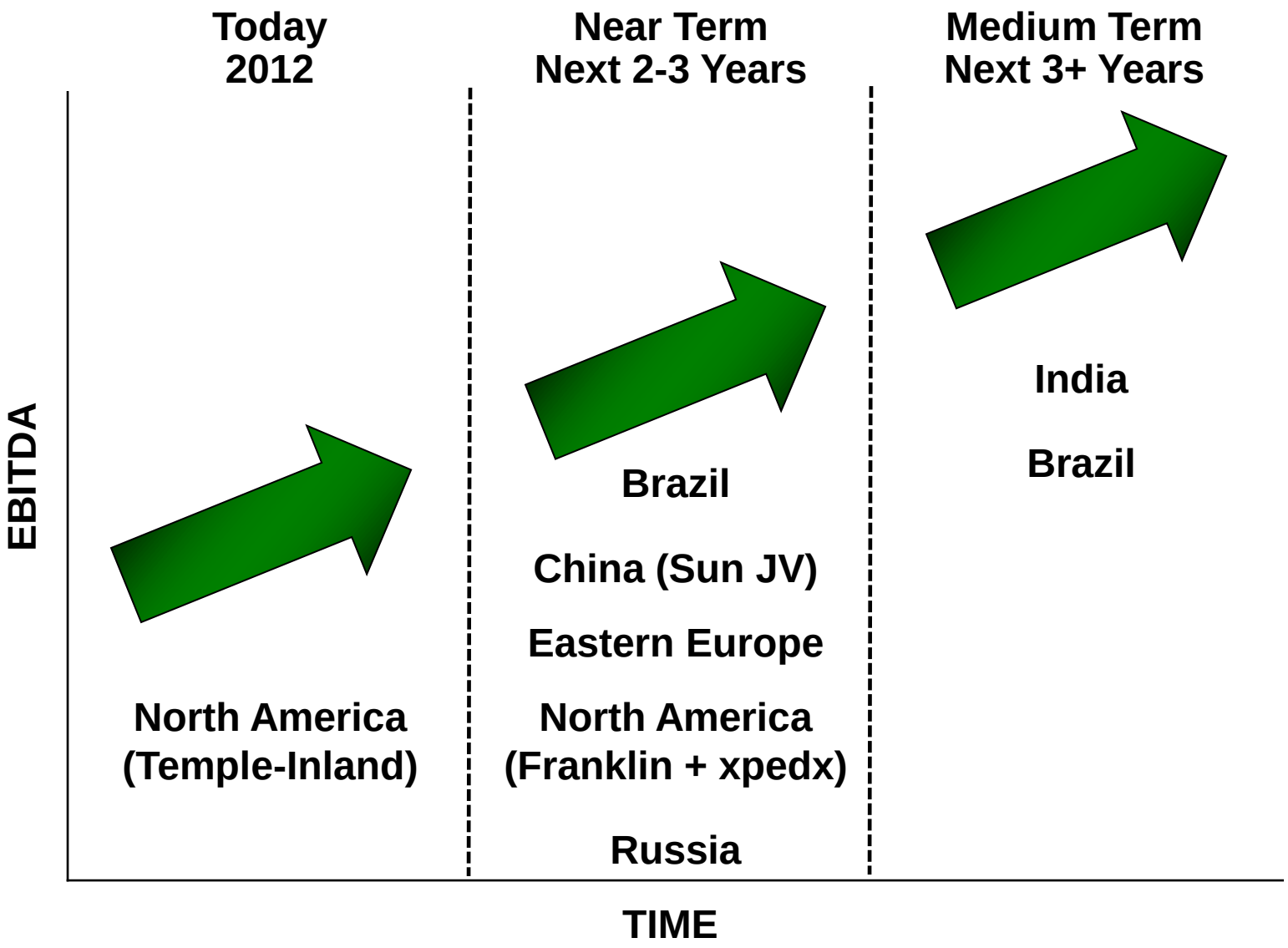


- **Savings Drivers**
  - **55% Energy**
  - **15% Fiber**
  - **10% Chemicals**
  - **20% Other (labor, freight, reliability)**

Earnings Growth Runway



Major Earnings Runway Drivers

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Temple-Inland Acquisition	• **Continue to Strengthen Core N.A. Packaging Business** • Increase cash generation • > $300 million of synergies	**1Q12-2013**
Franklin, VA Pulp Mill Conversion	• **Opportunistically Repurpose Existing Asset** • Low-cost position, growing global Fluff Pulp demand	**2H12-2013**
***xpedx* Transformation**	• **Achieve Cost of Capital Returns in Distribution** • Target growth markets; improve buy, handle & sell processes	**2H12-2013**
IP-Sun JV CPB Capital Expansion	• **Build Capacity to Grow with Market (China)** • Leverage existing low cost position	**2013**
Ilim JV NBSK (China) & UFS (Russia)	• **Build Capacity to Grow with Market (Russia / China)** • Strong domestic market position with attractive fiber base • Leverage existing low cost Softwood Pulp export position	**2013**
APPM Acquisition – IP India	• **Platform for Future Growth in Paper and Packaging (India)** • Secured low-cost capacity • Significant and Fast growing emerging market	**Next 3-5 yrs**

TIN Acquisition

Strengthening Our Packaging Business

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	IP North American Industrial Packaging	TIN Packaging Business[1]	Mill Divestitures	Run Rate Synergies	IP + TIN after Divestitures & Run Rate Synergies
2011 Sales *($ Billion)*	$8.6	$3.3	-	-	$11.9
2011 EBITDA *($ Billion)*	$1.6	$0.4	($0.1)[2]	$0.3	$2.2
2011 EBITDA *Margin*	18%	12%	-	-	18%
Capacity *(000 TPY)*	10,000	4,000	(970)	-	13,030

Earnings from continuing operations before special items

[1] TIN reflects 9M11 actual results annualized; EBITDA includes overhead allocation

[2] Mill divesture estimate reflects EBITDA associated with 970M tons at avg. EBITDA/Ton

Significant Targeted Synergies

Reaffirm at Least $300 Million

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S G & A	▪ Eliminate Duplication
Mills	▪ Grade / Machine Mix Optimization ▪ Efficiency Improvements
Supply Chain	▪ Logistics Optimization ▪ Purchasing Consolidation
Box Plants	▪ System Streamlining ▪ Customer and Segment Optimization

At least $300MM of Synergies Intact

Headroom Offsets Divestiture Losses

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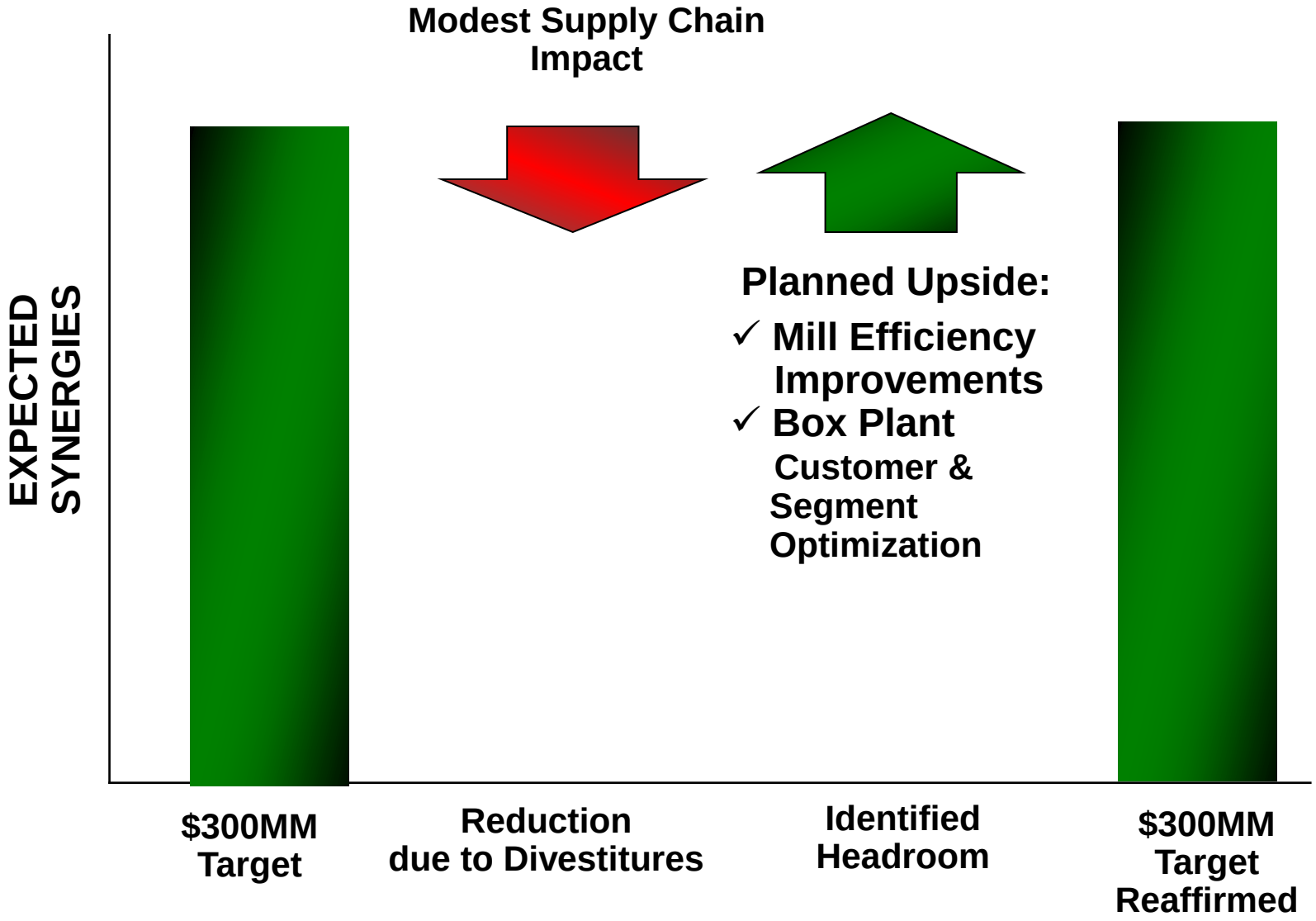

Franklin, VA Fluff Pulp Conversion

Woodyard Reopened in January, 2012

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- **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%**



xpedx
Executing Over Three Years

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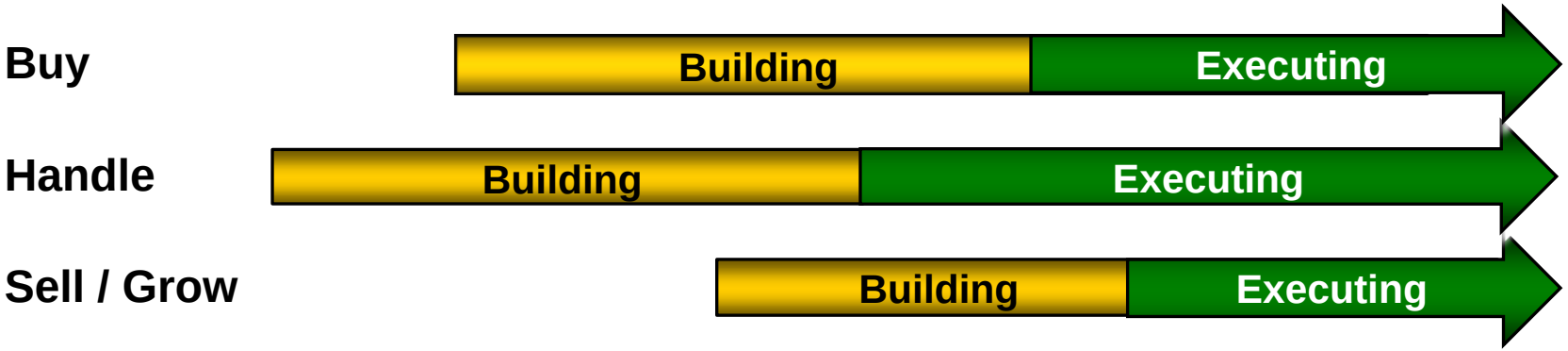
Quarterly EBIT





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%**





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%





APPM Acquisition – IP India

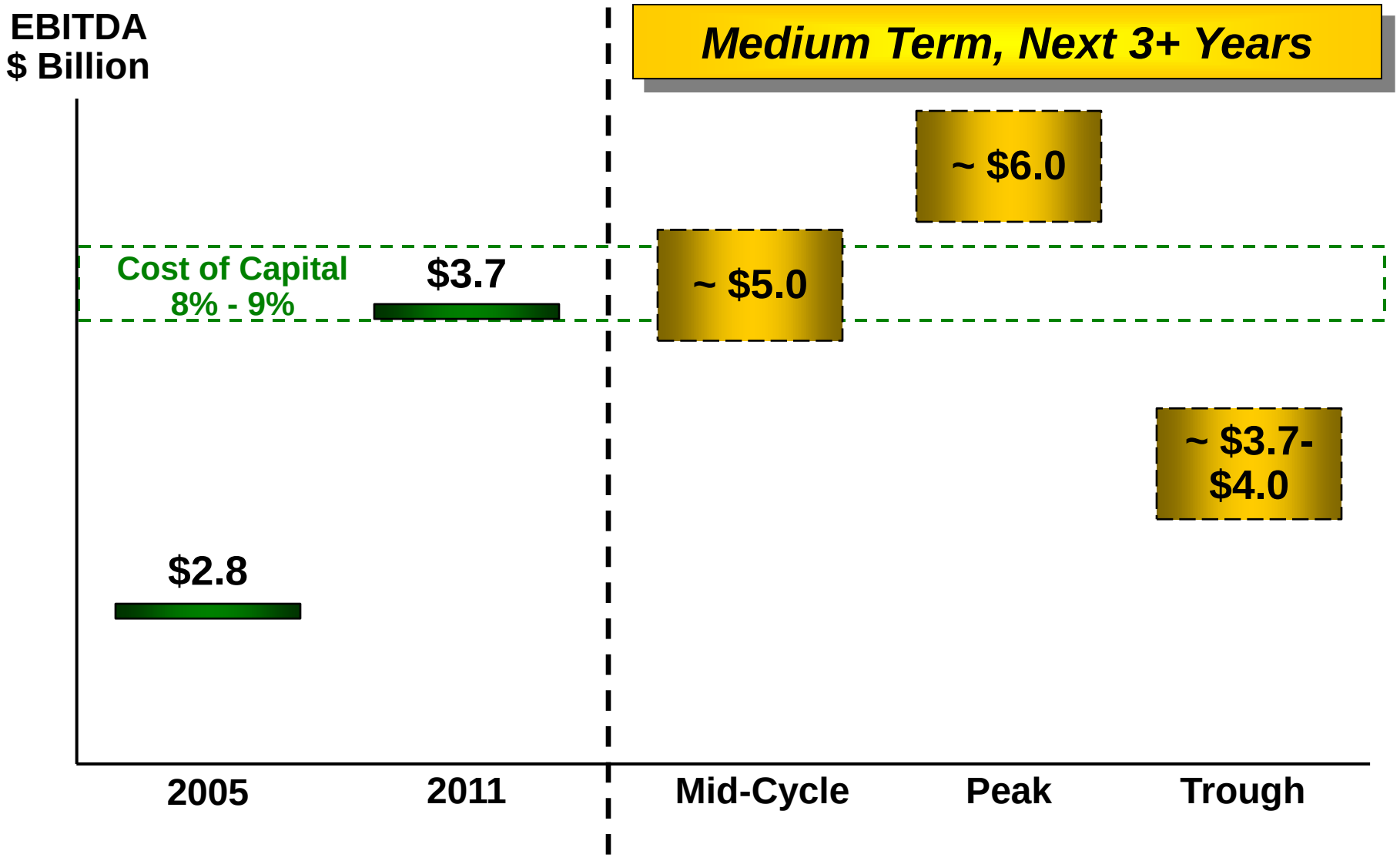




Successful Farm Forestry Program

- Completed acquisition of 75% stake in APPM on October 14th
- Initial entry into India – platform for paper and packaging growth
- Well-positioned with high-quality assets in a low-cost, high-demand growth market
- Two uncoated freesheet mills with combined capacity of 250M tons
- IP management will assist the current team with optimization of assets
- Opportunity to build upon existing relationships with suppliers and customers

EBITDA & ROI Runway



EBITDA before special items

1Q & 2012 Outlook

Positive Trend After Tough 1Q

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1Q12 Outlook

- Improving volumes in pkg.
- Lower export prices (Pulp, CB, Papers)
- Seasonally higher consumption and input costs
- One-time costs associated with strategic projects
- Higher pension, interest and tax expense
- TIN step-up impact (non-cash)
- January operational issues

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

Step Change Summary - Roadmap

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What We've Done

- Exited non-strategic businesses
- Completed strategic acquisitions
- Reduced structural capacity & fixed costs
- Achieved industry-leading margins
- Significantly improved balance sheet and FCF

What We're Doing

- Managing our supply to meet customer demand
- Maintaining strong balance sheet & Increasing FCF
- Capitalizing on global demand growth
- Investing in high return projects and strategic acquisitions
- Returning cash to shareholders

What We'll Do

- Continue to grow strong, sustainable FCF
- Expand margins & earnings in all businesses
- Achieve cycle-average ROI above cost-of-capital
- Maintain strong balance sheet
- Continue balanced cash allocation
- Increase dividend over time