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REACHING OUR POTENTIAL

INVESTOR DAY 2012


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Speakers

John V. Faraci
Chairman & CEO

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John V. Faraci was named Chairman and Chief Executive Officer of International Paper on Nov. 1, 2003. He served previously in the positions of president, as well as executive vice president and chief financial officer. He is located at the company's headquarters in Memphis, Tennessee.

John joined International Paper in 1974 as a financial analyst and held various financial, product management, planning and general management positions in the industrial packaging, consumer packaging, wood products and forest resources businesses.

He served also as chief executive officer and managing director of Carter Holt Harvey (a former International Paper majority-owned forest products company in New Zealand). John was named executive vice president and chief financial officer of International Paper in 1999.

John is a member of International Paper's board of directors. He also serves as Chairman of the U.S.-Brazil CEO Forum, and sits on the board of United Technologies Corp., as well as the boards of the American Forest & Paper Association and the National Fish and Wildlife Foundation. John is a trustee of Denison University and the American Enterprise Institute, and on the advisory board of the Moscow School of Management – SKOLKOVO. He is a former board member of the Grand Teton National Park Foundation.

John earned a Bachelor of Science degree in history and economics from Denison University in Granville, Ohio, and a Master's degree in business administration from the University of Michigan.

He and his wife, Heath, have two daughters, Caitlin and Gretchen.

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Carol L. Roberts
SVP & Chief Financial Officer

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Carol L. Roberts, was named Chief Financial Officer on November 1, 2011. As CFO she leads the global finance organization including Internal Audit, Tax, Accounting, Trust Investment, Investor Relations, Treasury, and Strategic Planning with Information Technology reporting to her as well.

Most recently, Roberts served as International Paper's Senior Vice President of Industrial Packaging, leading the business since 2005. Roberts led the business through successful acquisition of Weyerhaeuser's Packaging business.

Roberts joined International Paper in 1981 as an engineer and has held various manufacturing, operations and general management positions in the papers, industrial packaging and consumer packaging businesses. Roberts became the first female Mill Manager in 1991 at Oswego, New York. In 1997 she was named an officer and Vice President, leading the company's People Development efforts.

Roberts was born and raised in Philadelphia, Pa. She earned her Bachelor of Science Degree in Mechanical Engineering from Yale University. Carol and her husband Craig have two daughters, Emily and Megan.

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Mark Sutton, Senior Vice President Industrial Packaging

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Mark Sutton has served in a variety of senior-level roles in the United States and in Europe with International Paper.

Mark joined International Paper in 1984 as an engineer at the Pineville mill in Louisiana. From Pineville Mark moved to the Nicolet, Wisconsin mill where he served as Engineering Manager and Production Manager from 1991 to 1993. In 1994 Mark was named Mill Manager for the Thilmany Mill which was part of the Industrial Papers Business. While still at Thilmany, Mark became the Sales and Marketing Manager for the business. In 1998, Mark was named General Manager for the Pressure Sensitive Products Group. In 2000, Mark joined IP's Packaging business in Europe as Director of European Corrugated Packaging Operations, where he was named Vice President and General Manager in 2002. In 2005, Mark was named Vice President of Corporate Strategic Planning and relocated to Memphis. He was elected Senior Vice President of Global Supply Chain in June 2007. In November 2009, he was named Senior Vice President, Printing & Communications Papers – the Americas, with responsibility for North America and Latin America. Mark was appointed Senior Vice President for Industrial Packaging November 2011.

Mark is on the Board of Directors of RISE, a nonprofit financial education organization in Memphis and is a member of the Advisory Board of the Wang Center for International Business Education and Research at the University of Memphis.

Mark holds a Bachelor of Science degree in Electrical Engineering from Louisiana State University.

Mark, his wife Laurie and their children reside in Memphis.

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Tim Nicholls, Senior Vice President Printing & Communications Papers

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Tim Nicholls, senior vice president, Printing & Communications Papers, The Americas, is responsible for the commercial printing and imaging papers and converting papers and pulp businesses, as well as IP Latin America, which includes IP Brazil.

Most recently Nicholls served as International Paper's chief financial officer. In this position, Nicholls had responsibility for the company's treasury, tax, control functions and trust investments. He also has responsibility for information technology and investor relations. His previously held positions include vice president and executive project leader of International Paper, Europe, vice president and CFO of International Paper, Europe, based in Brussels; president of Weldwood (formerly a wholly owned subsidiary of International Paper located in Vancouver, Canada); director of finance and strategic planning for the industrial packaging business; and general manager of IP's international packaging business. He joined the company in 1999 through the acquisition of Union Camp.

Nicholls earned a bachelor of science of management from the University of South Carolina and a master's degree in business administration from the University of Georgia. He has served on the Advisory Board of the Packaging Sciences Department of Clemson University and as a director of the Fiber Box Association, and Shelby Farms Park Conservancy.

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Tom Kadien, Senior Vice President Consumer Packaging, IP Asia & IP India

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Tom Kadien joined International Paper as a sales representative in 1978 and has held a number of sales, manufacturing and leadership roles throughout his career. He became president of International Paper Europe in April 2003 and served in that capacity until his appointment as president of xpedx, International Paper's distribution business, in October 2005.

In January 2010, Tom became senior vice president of Consumer Packaging, IP Asia and IP India. He also has responsibility for the company's supply chain operations group.

Tom serves on the Board of Directors for Sherwin Williams and on the Board of Visitors for The University of Memphis. He previously served on the Board of Directors for the Confederation of European Paper Industries (CEPI). In 2007-2008, he was the Chairman of the National Paper Trade Association (NPTA) and previously was a member of the Executive Committee of the NPTA (USA).

Tom holds a bachelor's degree in science & business administration from Bucknell University and an MBA in marketing from Drexel University.

Tom and his wife, Anne Marie, have four children: Samantha; Jack; Beth Anne and Scott. They live in Memphis, Tenn.

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Mary Laschinger, President xpedx

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Mary Laschinger was named Senior Vice President of International Paper, and President of xpedx in November 2009. xpedx, a business of International Paper, is the world's largest distributor of printing paper and graphic supplies with more than 235 locations across North America. It is also a major distributor of packaging and janitorial-sanitary supplies and equipment.

Most recently, Mary served as Senior Vice President of International Paper and President of International Paper Europe, Middle East & Africa, a position she has held for four years. In this position, Mary was responsible for International Paper's pulp, paper, and packaging businesses in Europe, Russia, and North Africa.

She joined International Paper in 1993. During her career with the company, she has held the positions of vice president of the Wood Products business, vice president of Pulp, general manager of Industrial Papers, and various senior management roles in sales, marketing, manufacturing, and supply chain.

Mary was the lead director for IP on the board of directors of the recently formed joint venture in Russia with Ilim Group and Ilim Holding S.A. She was also a member of the Board of Directors for Confederation of European Paper Industries.

She holds a bachelor's degree in business from the University of Wisconsin, a Master's degree in Business Administration from the University of Connecticut, and completed postgraduate studies in executive management at the Kellogg School of Management at Northwestern University.

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Maximo Pacheco, President Europe, Middle East, Africa & Russia

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Maximo Pacheco was born in Santiago de Chile on 12 February 1953.

He has been the President of International Paper for Europe, Middle East, Africa and Russia since January 2010, based in Brussels.

In 1994 he was appointed Executive Vice-President of International Paper - Chile and in 2000 became President of International Paper for Latin America, based in Sao Paulo, Brazil.

Since 2005 Maximo Pacheco has been Senior Vice-President of International Paper Co.

From 1983 to 1990 Mr. Pacheco was employed with Banco de Chile in Santiago. Later and prior to his employment with International Paper between 1990 and 1994 he was the Chief Operating Officer of Codelco-Chile, the largest world copper producer.

Maximo Pacheco graduated from University of Chile with a degree in Business Engineer and MBA in Economics. He is member of the Board of ETEX Group, a Belgian industrial manufacturer and marketer of high quality building materials.

Since February 2010 he is a member of the Board of Directors of Ilim Group, the largest pulp and paper producer in Russia.

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Paul Herbert, CEO Ilim Group

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Born in 1949 in London, Paul Herbert made his vocational qualification in papermaking and studied engineering at East London Polytechnic University. He later attended Texas Agricultural and Mechanical University for MBA studies.

Paul joined International Paper in 1992 as Vice President Engineering & Manufacturing Services. Shortly thereafter, he was named Managing Director, International Paper Office Papers West (Europe).

Paul was named Chief Executive Officer of Zanders Feinpapiere AG of Germany in 1996, and in November 2000, was appointed President of International Paper Europe. In July, 2003, he returned to the U.S. and was named as Senior Vice President, Printing & Communications Papers, a business with 10,000 employees and annual sales of $5 billion.

Paul Herbert held the position of Senior Vice President of Strategic Initiatives of International Paper prior to leading the JV. His primary responsibility were the prioritization, development, and execution of International Paper's global growth initiatives. Focus areas include Russia, Brazil and China.

In October 2007 Paul Herbert was appointed CEO of Ilim Group. Under his management the company has successfully overcame economic crisis of 2008-2009 and started to carry out the biggest investment program in Russian Pulp and Paper industry.

In 2011 Paul Herbert has won prestigious Pulp and Paper International (PPI) awards. In 2011 Russian Managers Association declared Mr. Herbert the best CEO of the industry in Russia.

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Glenn Landau, Vice President Investor Relations

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Glenn Landau began his career with International Paper in 1991 and held positions of increasing responsibility within the company's U.S. Container and European Container businesses before being named director, strategic planning and fiber supply in 2004, with responsibility for coordinating the strategic direction of the Forest Resources business and providing leadership for the real estate and minerals groups.

In 2007, he was appointed to the position of vice president and general manager – Containerboard, where he was instrumental in the company's acquisition, integration and optimization of the former Weyerhaeuser packaging and recycling businesses as well as in the business' successful navigation of the 2009-2010 economic recession.

In June 2011, Glenn took over the role as Vice President, Investor Relations.

Landau earned his bachelor's degree in Industrial Engineering in 1991 from Rutgers University.

Glenn and his wife, Christiana, have 2 children and reside in Collierville, Tenn.

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Welcome

Glenn Landau, Vice President Investor Relations

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; (vi) risks inherent in conducting business through a joint venture; (vii) risks 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; (viii) the failure to realize synergies and cost savings from the Temple-Inland transaction or delay in realization thereof; and (ix) 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 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. With regard to the forward-looking information regarding our 50/50 Ilim joint venture in Russia, we note in particular that the information has been provided by the Ilim joint venture's management, as further explained herein.

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Ilim JV Information

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Historical and projected financial information and statistical measures regarding our 50/50 Ilim joint venture in Russia ("Ilim"), other than historical International Paper Equity Earnings and dividends received by International Paper, have been prepared by the management of Ilim. Ilim management has indicated that the historical financial information was prepared in accordance with International Financial Reporting Standards and extracted from Ilim's audited financial statements. International Paper has not verified or audited the information. The projected financial information and statistical measures reflect the current views of Ilim management and are subject to risks and uncertainties that could cause actual results to differ materially from those set forth above. See "Forward-Looking Statements."

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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"

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Reaching Our Potential
Today's Agenda

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IP Strategic Overview	John V. Faraci
North America Panel: Our Cash Flow Engine	Mark S. Sutton Tim S. Nicholls Tom G. Kadien Mary A. Laschinger
Panel Questions & Answers	
Emerging Markets Panel: Our Global Advantage	Tim S. Nicholls Tom G. Kadien Maximo Pacheco Paul Herbert
Panel Questions & Answers	
Financial Update & Capital Allocation	Carol L. Roberts
Delivering Shareholder Value	John V. Faraci
Panel Questions & Answers	

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Reaching Our Potential
Today's Goals

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- Highlight global business strategy
  - Path to *mid-cycle potential* EBITDA
  - Strategic earnings drivers
- Showcase global businesses & leaders
  - Temple-Inland integration update
  - Spotlight on 'ILIM JV'
- Outline capital allocation priorities
- Strengthen relationships with investment community

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IP Strategic Overview

John Faraci, Chairman and Chief Executive Officer

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Our Vision

To be the global leader in paper & packaging and one of the most respected and successful companies in the world.

Our Mission

To create sustainable, long-term value for our shareholders.

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IP Core Leadership Competencies

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- Ethical behavior
- Leadership development
- Global talent and diversity
- Manufacturing excellence
- Joint venture management
- Large scale capital build-out capability
- Experience integrating large acquisitions

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IP Transformation Strategy

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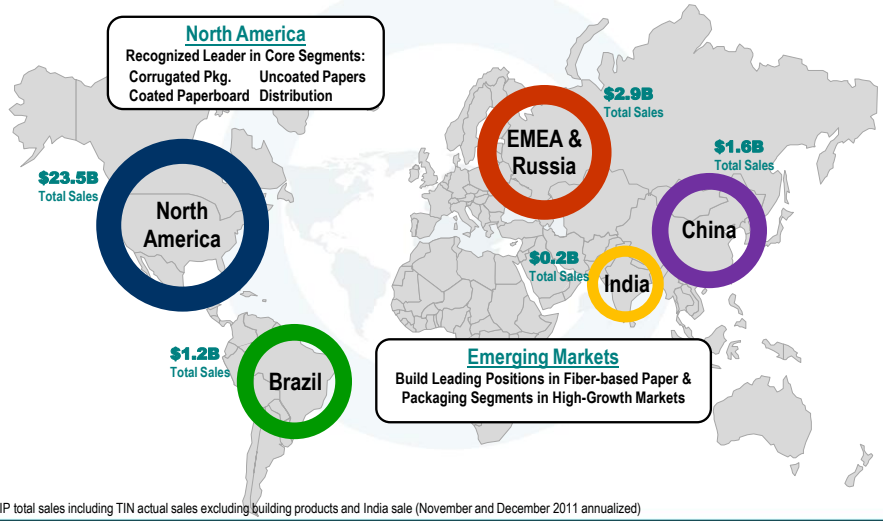
Position the company in attractive markets with low-cost assets that can generate strong free cash flow and returns that exceed our cost-of-capital



2011 IP total sales including TIN actual sales excluding building products and India sale (November and December 2011 annualized)

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IP Transformation Timeline/Plan

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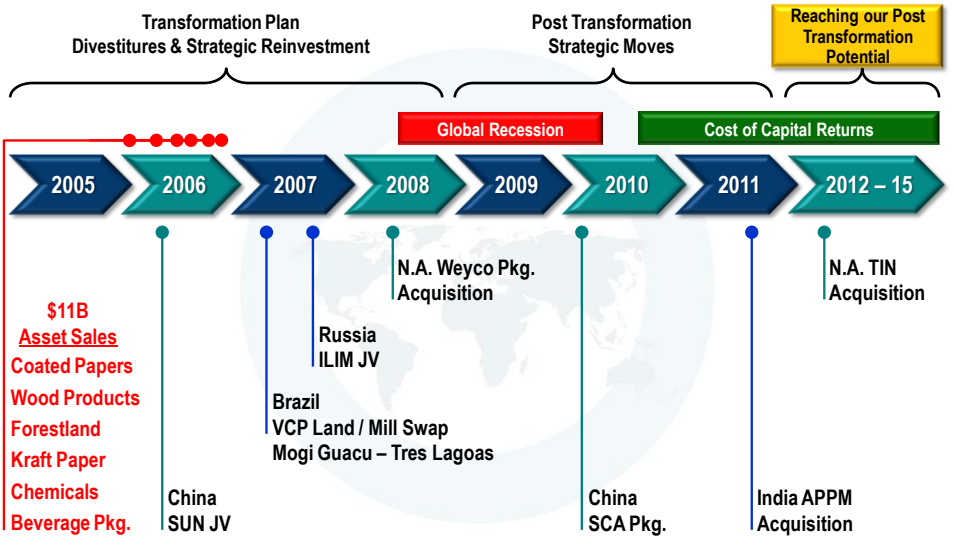

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Transformation Achievements

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- Exited segments where IP lacked competitive advantage
- Established leading global positions in paper and packaging
- Reduced overhead and capital intensity
- Created more sustainable earnings and cash flow
- Achieved returns above cost of capital
- Portfolio positioned to capture global growth in core segments

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Repositioned & Well-Positioned

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	Supplier Position	
North America	**2005**	**2012**
Corrugated Packaging	3	1
Uncoated Papers	1	2
Coated Paperboard	1	1
Distribution	1	1
Emerging Markets		
Brazil – Uncoated Papers	2	1
Russia – Paper, Pulp & Packaging	3	1
India – Uncoated Papers	–	4
China – Coated Paperboard	–	2

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Higher, More Sustainable Earnings

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	2005	2011
# of Operating Businesses[1]	12	4
Revenue ($Billion)	24	26
Capital Employed[1] ($Billion)	30	22
Debt[1] ($Billion)	14.6	9.9
EBITDA[2] ($Billion)	2.8	3.7
EBITDA Margin	12%	14%
Free Cash Flow[3] ($Billion)	0.4	1.7
# of Employees[1]	80,000	61,500
Overhead ($Billion)	3.2	2.9

Earnings before Special Items
[1] 2005 represents January 1, 2005
[2] 2005 EBITDA includes discontinued operations.
[3] Free cash flow before dividends; 2011 excludes a $209 MM increase in working capital related to the cessation of the European A/R securitization program, $123 MM tax receivable collected related to pension contributions, $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding a timber monetization.

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Step-Change Improvement in EBITDA

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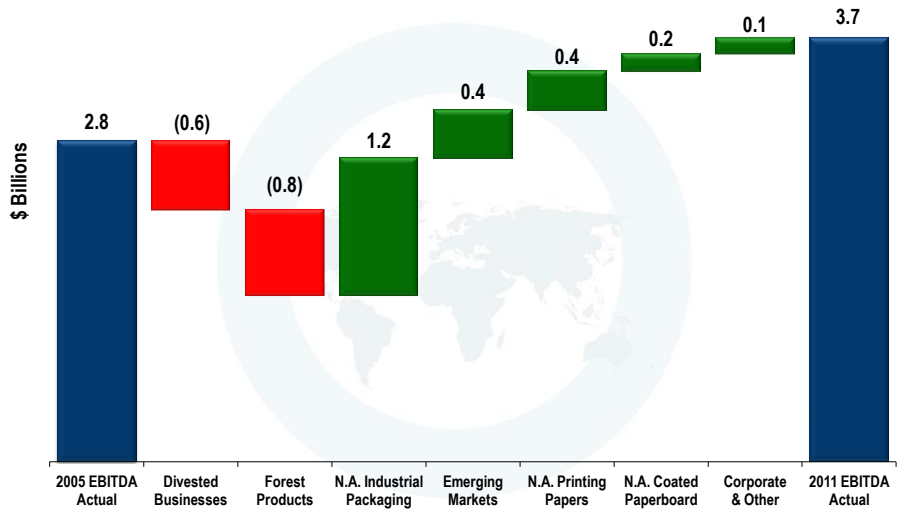

Earnings before special items

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Step-Change Improvement in Free Cash Flow

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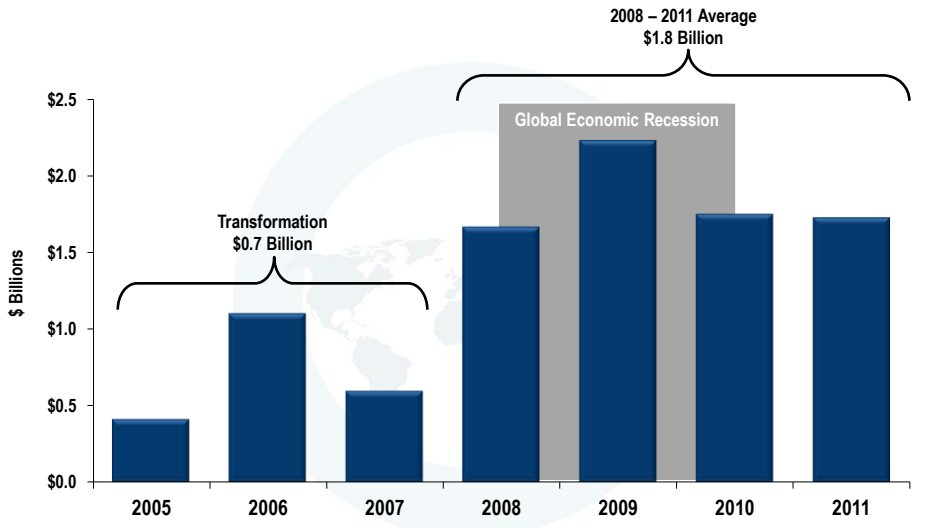

Free cash flow, based on data in the 10-K for each year at the time of filing.
Excludes net cash pension contributions impacting 2006, 2010 & 2011, cash flows under European accounts receivable securitization beginning in 2009 and ending in 2011, and cash received from Black Liquor Tax Credits in 2009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

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Improving Return on Investment

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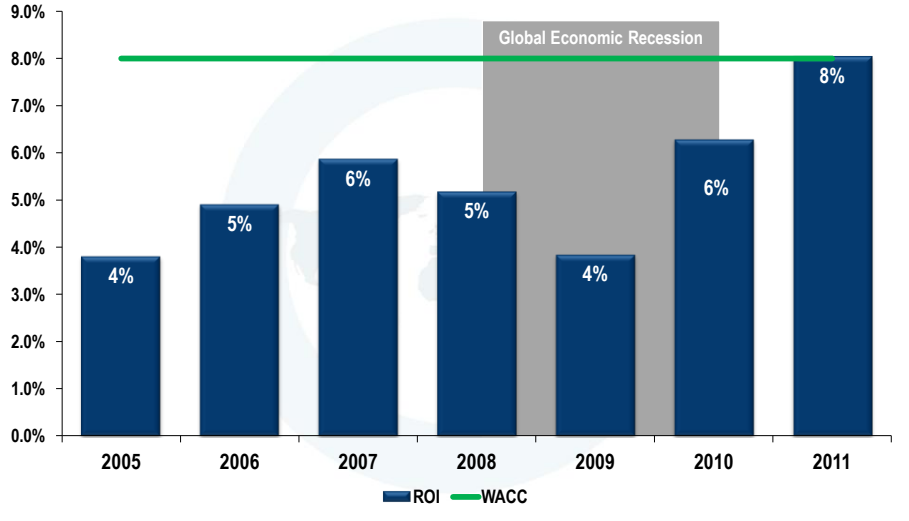

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Reaching Our Post Transformation EBITDA Potential

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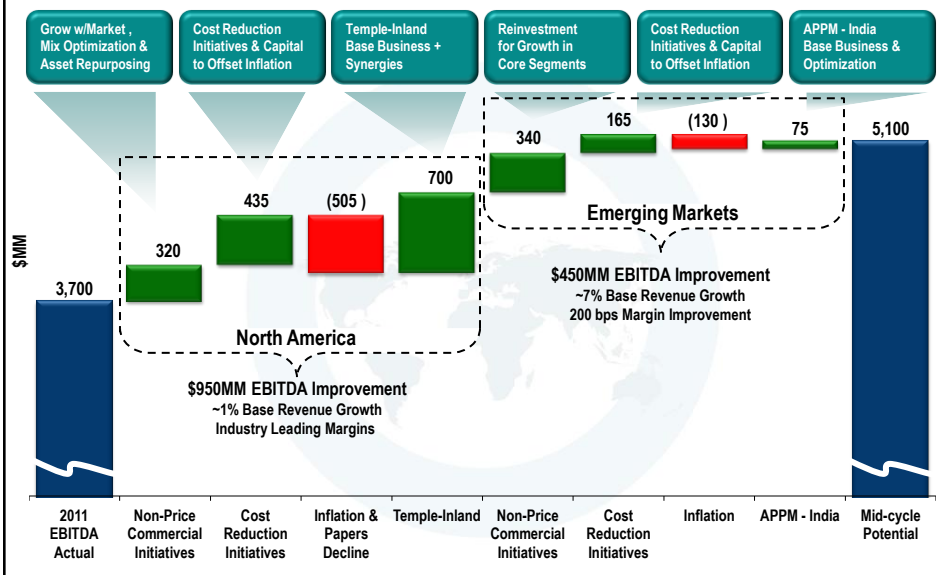

Earnings before special items

Balanced Global Earnings Growth

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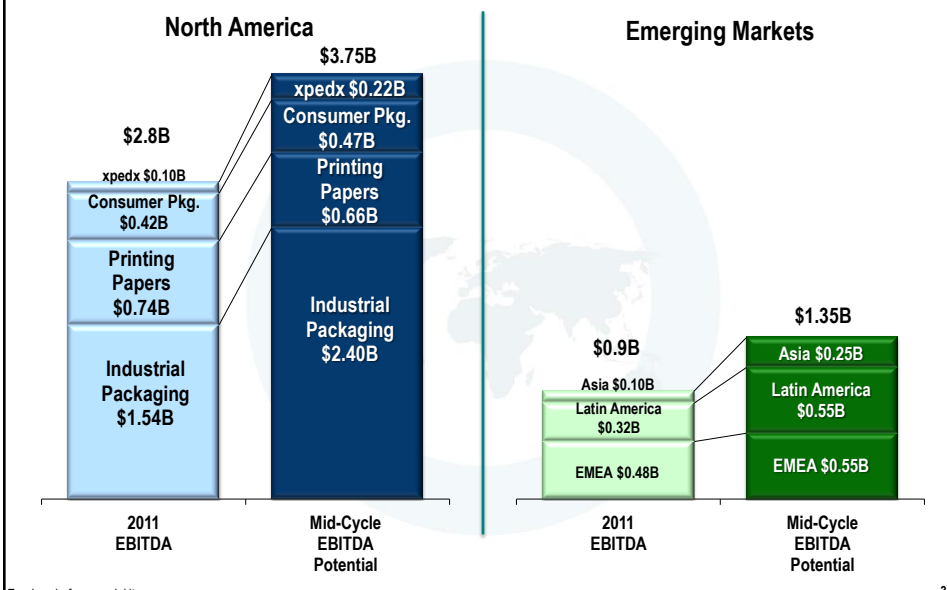

Earnings before special items

Mid-Cycle Free Cash Flow Potential

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$Billion	2011	Mid-Cycle Potential
EBITDA	3.7	5.1
Interest / Cash Tax / Other	(0.8)	(1.4)
Cash Flow From Operations	2.9	3.7
Capital Spending	(1.2)	(1.5)
Free Cash Flow[1]	1.7	2.2

Earnings before Special Items

[1] Free cash flow before dividends; 2011 excludes a $209 MM increase in working capital related to the cessation of the European A/R securitization program, $123 MM tax receivable collected related to pension contributions, $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding a timber monetization. 2015 excludes similar items.

ILIM JV Progress

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2007 - 2011

- IP purchased 50% of ILIM Holding in 2007 ($640MM)
- IP received $234 million in cash dividends to date
- IP EPS accretive – cumulative $213MM in IP equity earnings to date
- Record ILIM Holding earnings in 2011 - $530 million EBITDA

2012 - 2015

- High return, strategic capital build out underway
- Mid-Cycle EBITDA Potential of $720 million (ILIM Holding)

Strategic Earnings Drivers

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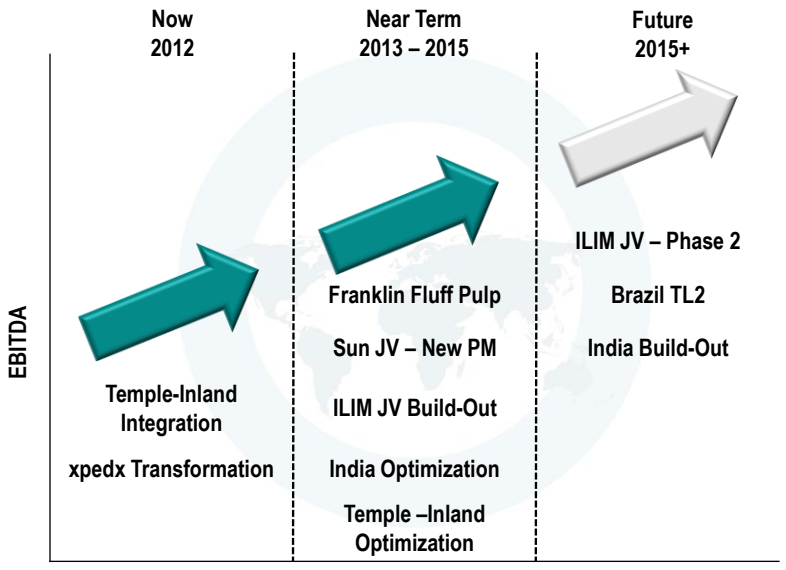

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Strategic Growth Plan

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Temple-Inland Acquisition	• Continue to strengthen core N.A. Packaging business • Increase cash generation • > $300 million of synergies	1Q12 – 2013
xpedx Transformation	• Achieve cost of capital returns in Distribution • Target growth markets; improve buy, handle & sell processes	2H12 – 2013
Franklin, VA Pulp Mill Conversion	• Opportunistically repurpose existing asset • Low-cost position, growing global Fluff Pulp demand	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 5 yrs

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Poised for Further Success

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- Significant runway with current portfolio
- Balanced growth of revenue and EBITDA
  - N.A. consolidation
  - Emerging market growth
- Greater than cost of capital returns
- Increasing cash generation enables both reinvestment and return of capital to shareholders

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NORTH AMERICA PANEL
INVESTOR DAY 2012

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Video – "Boldly Building the Best"

North America Industrial Packaging

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North America Industrial Packaging

Mark Sutton, Senior Vice President

Industrial Packaging
EBITDA Potential

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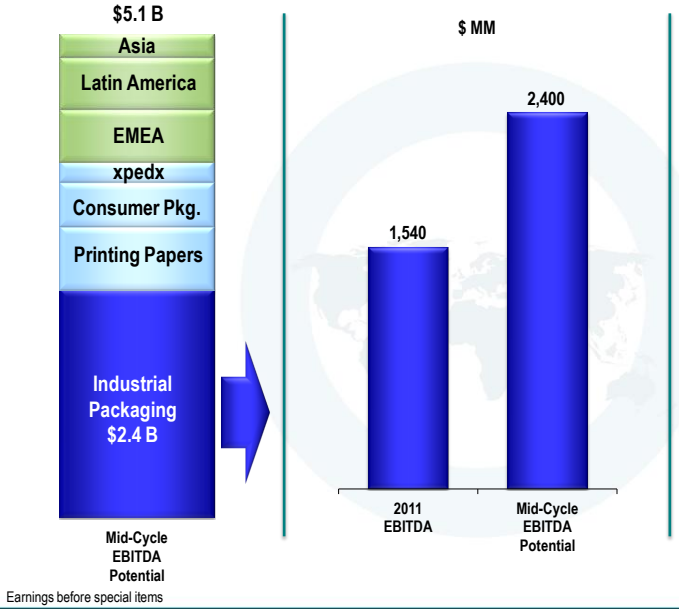

Key Drivers

- Base Temple-Inland Business (less divestitures)
- Synergies
- Cost Reduction Initiatives More Than Offset Inflation
- Key Cost Reduction Projects
- Domestic Volumes Will Grow with the Market
- Kraft Liner Export Demand
- Market Optimization

Earnings before special items

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Temple-Inland Integration
More Synergies, Faster

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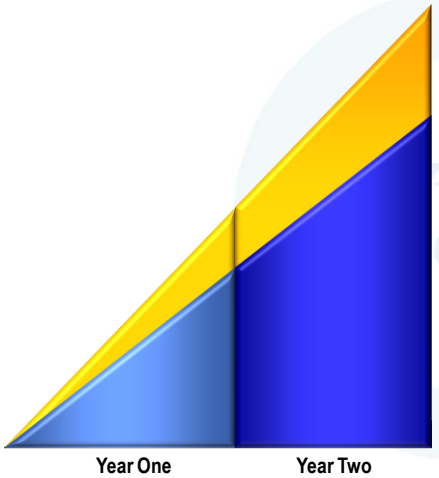

Synergy Run-Rate in 24 Months

— $400MM — Revised Expectation

—$300MM — Original Estimate

Synergy Category	Current Outlook $ MM
Containerboard Mills / Supply Chain	$ 90
Box Business	150
Sourcing	45
Corporate Overhead	115
Synergy Target	$400

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N.A. Industrial Packaging Leadership Team

Successful History Leading Large Scale Integration

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- Experienced in leading large scale acquisitions
- Leadership structure in place ready to integrate before acquisition
- Leveraging best practices from recent integration
- Integrating quickly across all functions
- Bringing full capability of IP resources to bear
- Getting results to bottom line quickly

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N.A. Industrial Packaging Strategy

Positioned to Generate Strong Free Cash Flow

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- Meet customer demand with our lowest delivered cost of supply
- World class low-cost mill system for competitive advantage
- Competitive and profitable box business
- Optimize market access



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N.A. Industrial Packaging
EBITDA Margins

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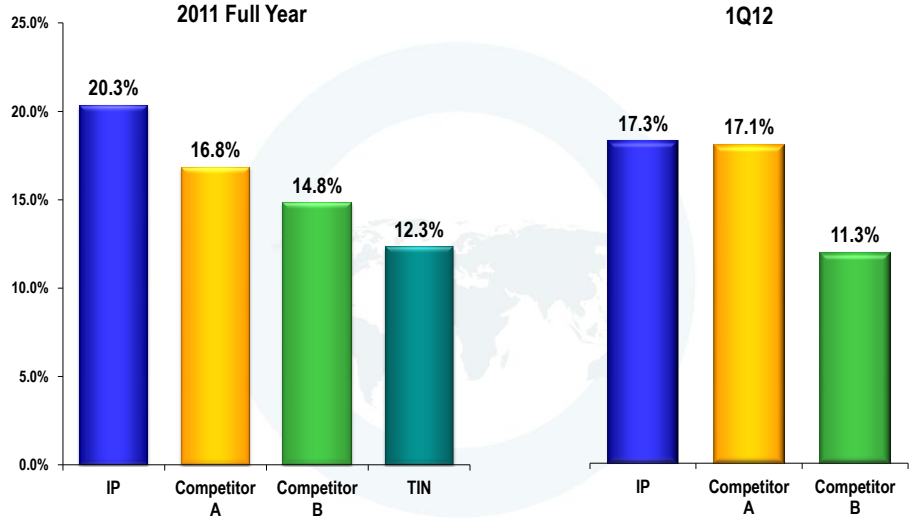

EBITDA % restated for comparison purposes to exclude Trade revenues and Recycling earnings and revenues

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Box Business
$200MM of Opportunity ($150MM of synergy, $50 MM optimization)

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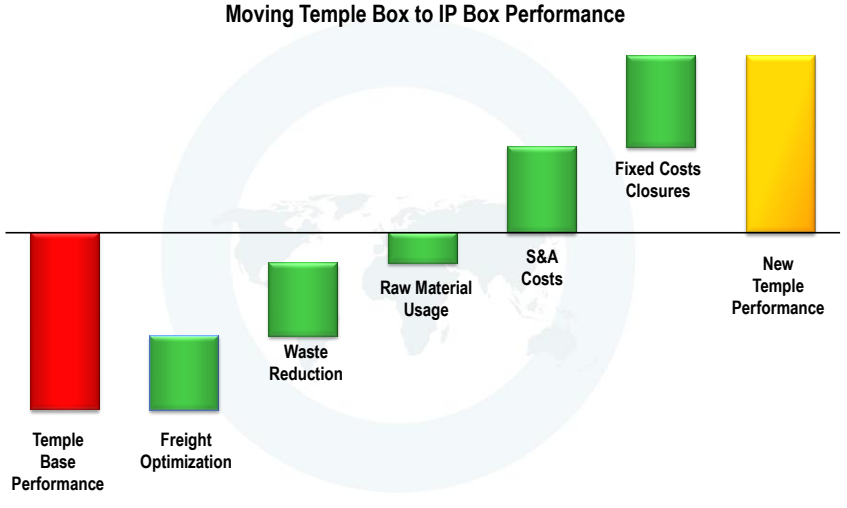

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Total Mill System

$225MM of Opportunity ($75MM of Synergy, $150MM Optimization)

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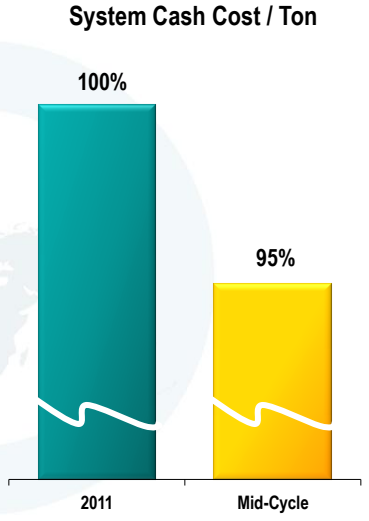
- System optimization opportunities
  - Grade mix optimization
  - Energy projects
  - Fiber optimization
  - Reliability improvements
  - Leverage geographic position for efficient OCC sourcing
  - More flexible



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U.S. Box Shipments and Containerboard Exports

Forecasted Steady Improvement

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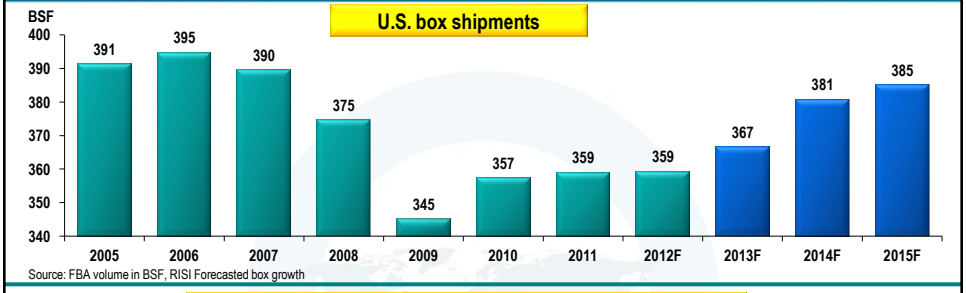
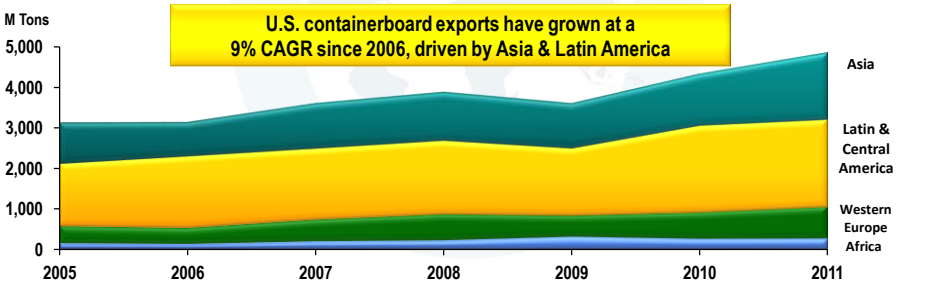


Source: FBA volume in BSF, RISI Forecasted box growth



Source: PPPC (US census data) Virgin KLB bleached and unbleached, Semi-chem Medium; Note: Volumes exclude exports to Canada

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North American Industrial Packaging
Balanced Global Strategy

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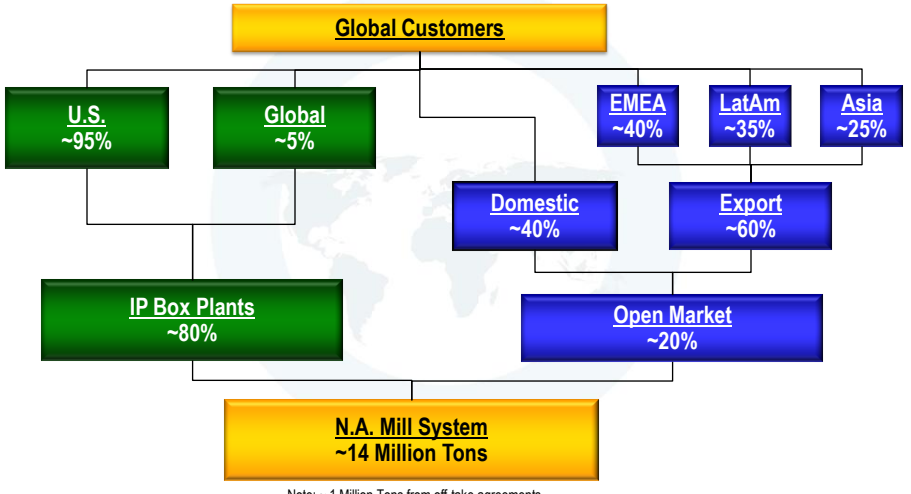
IP's market access provides choices for maximizing value



Note: ~ 1 Million Tons from off-take agreements

Source: IP analysis, 1Q11 run rate

Industrial Packaging
EBITDA Potential

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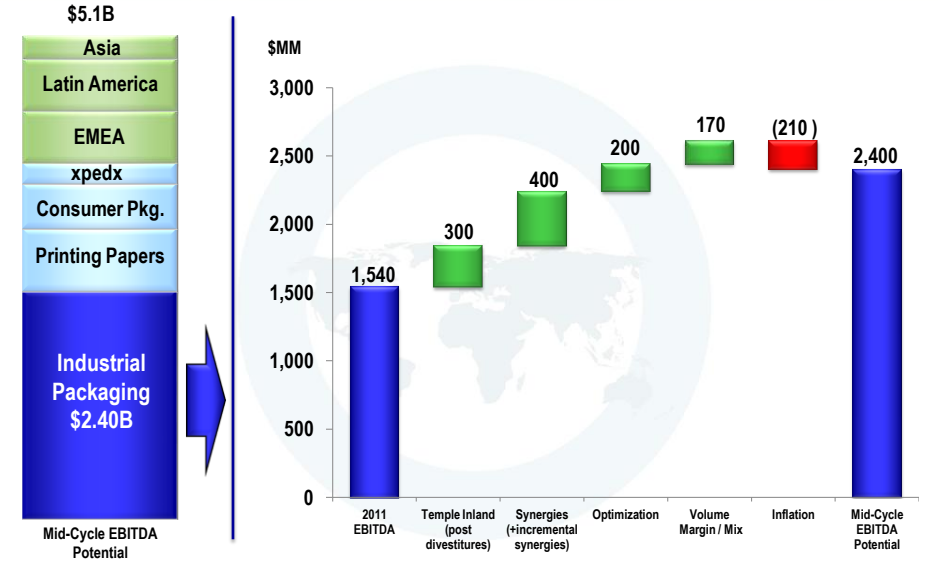

Earnings before special items

Summary

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- Strategic acquisition increases the scale of a business that leads the industry in EBITDA margin
- Greater synergies at a faster pace
- Positive outlook domestic and export
- Strong free cash flow
- Line-of-sight to significant upside potential

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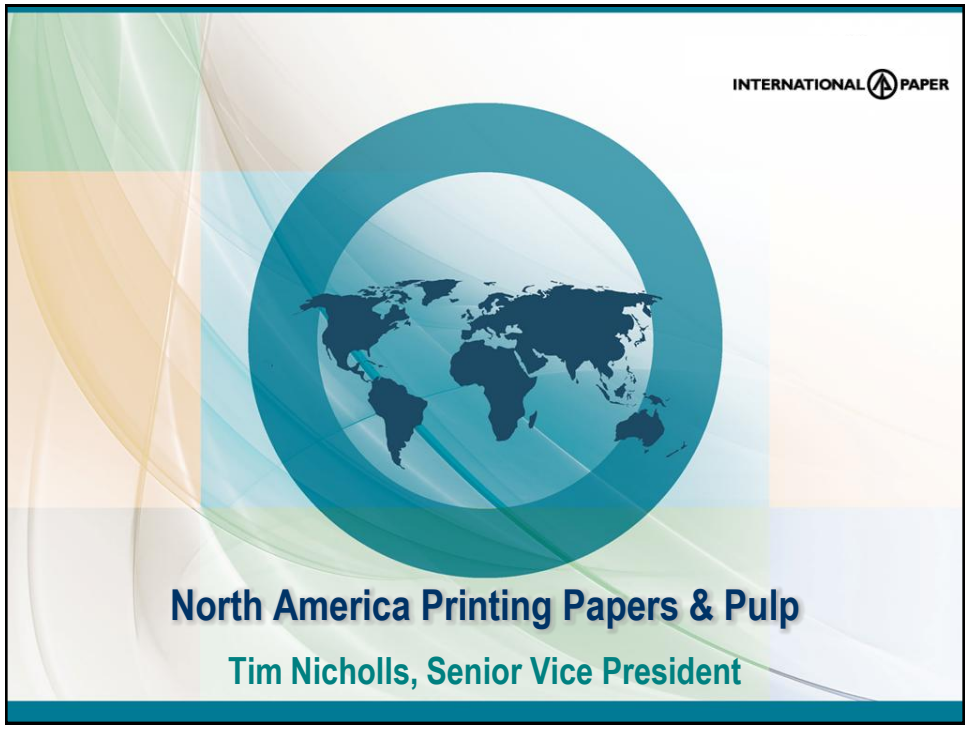
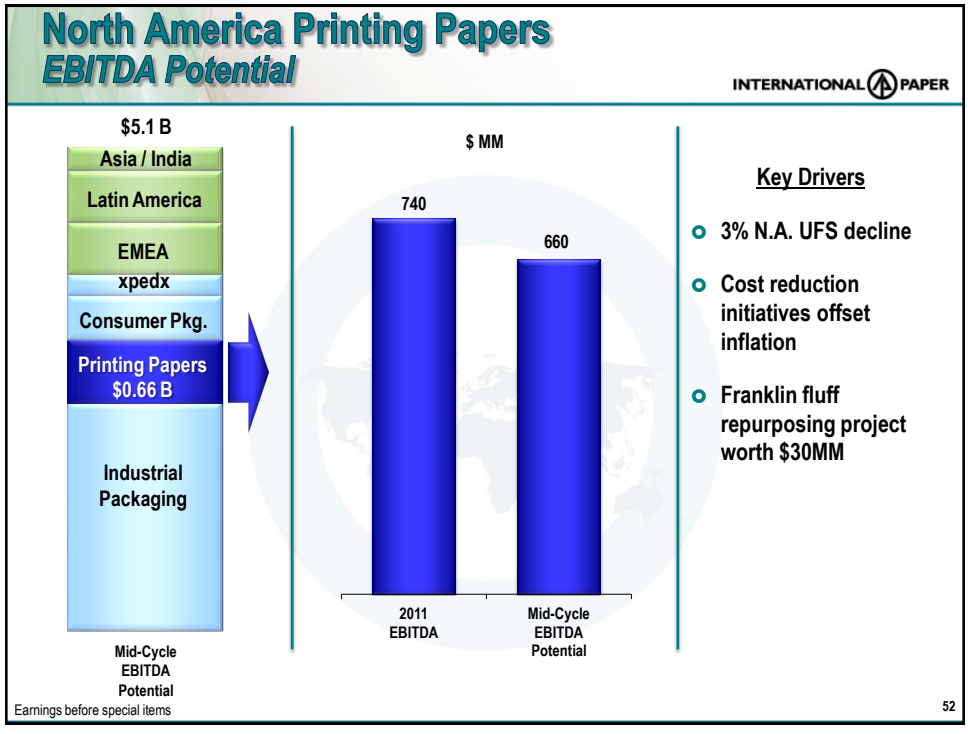
Video – "Temple-Inland Synergies"

North America Industrial Packaging


INTERNATIONAL PAPER
North America Printing Papers & Pulp
Tim Nicholls, Senior Vice President


North America Printing Papers
EBITDA Potential
INTERNATIONAL PAPER
$5.1 B
Asia / India
Latin America
EMEA
xpedx
Consumer Pkg.
Printing Papers
$0.66 B
Industrial
Packaging
Mid-Cycle
EBITDA
Potential
$ MM
740
660
2011
EBITDA
Mid-Cycle
EBITDA
Potential
Key Drivers
3% N.A. UFS decline
Cost reduction initiatives offset inflation
Franklin fluff repurposing project worth $30MM
Earnings before special items
52

Printing Papers & Pulp Production by Mill

4.2MM Tons of Paper & Pulp Production

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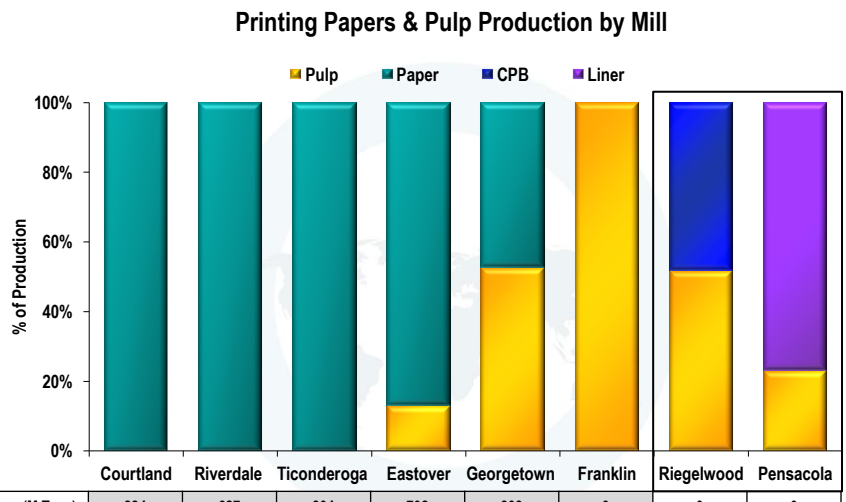

	Courtland	Riverdale	Ticonderoga	Eastover	Georgetown	Franklin	Riegelwood	Pensacola
Paper (M Tons)	884	627	304	708	303	0	0	0
Pulp (M Tons)	0	0	0	107	335	300*	434	156

* Reflects full run-rate

Source: Printing Papers Finance

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North America Printing Papers

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- Cost Competitiveness
- Channel / Service Platform
- Repurposing Opportunities
- Capital Effectiveness

Strategy:
Manage for Cash

54

North America Printing Papers
Attractive Margins & Cash Flow

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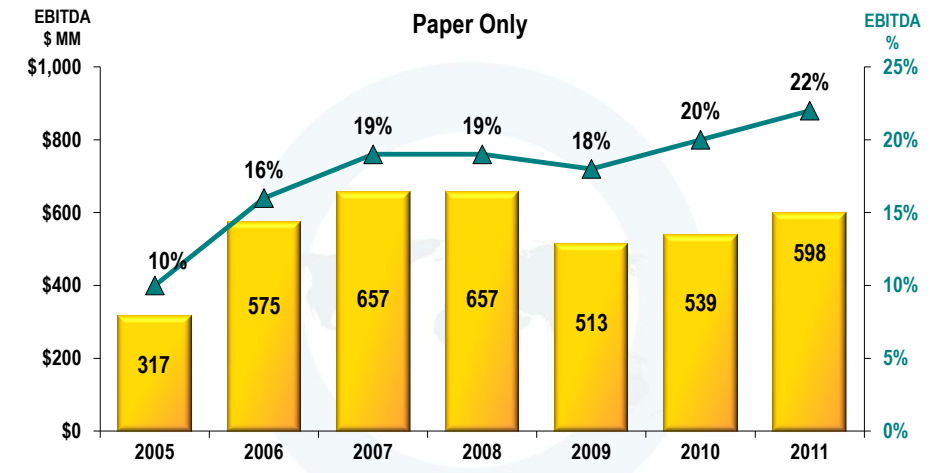

	2005	2006	2007	2008	2009	2010	2011
Tons (MM)	4.0	4.1	3.9	3.5	3.0	2.8	2.7
ROI	1%	5%	7%	7%	8%	11%	14%

Earnings before special items

55

North America Uncoated Freesheet Demand
Electronic Substitution Has Been Manageable

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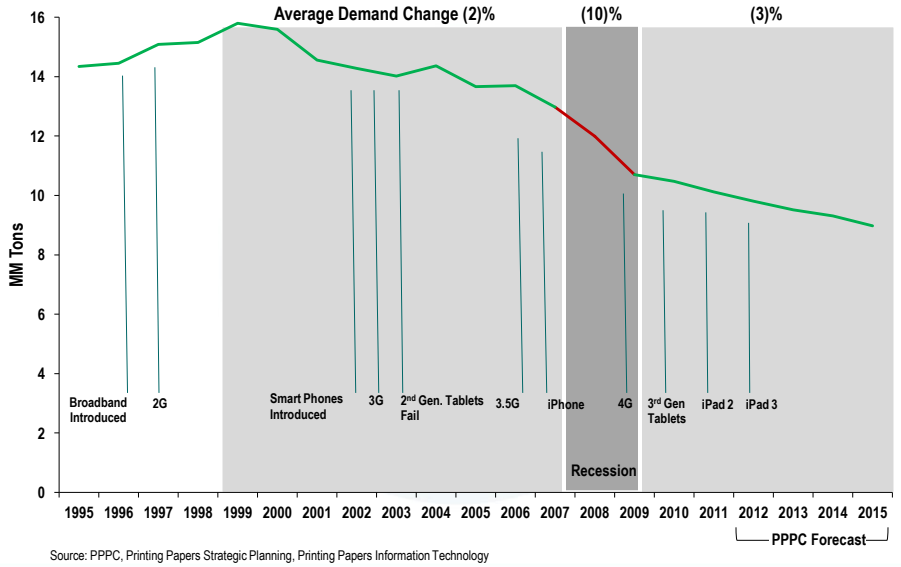

Source: PPPC, Printing Papers Strategic Planning, Printing Papers Information Technology

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North America Uncoated Freesheet Demand
Many Uses in Many Segments

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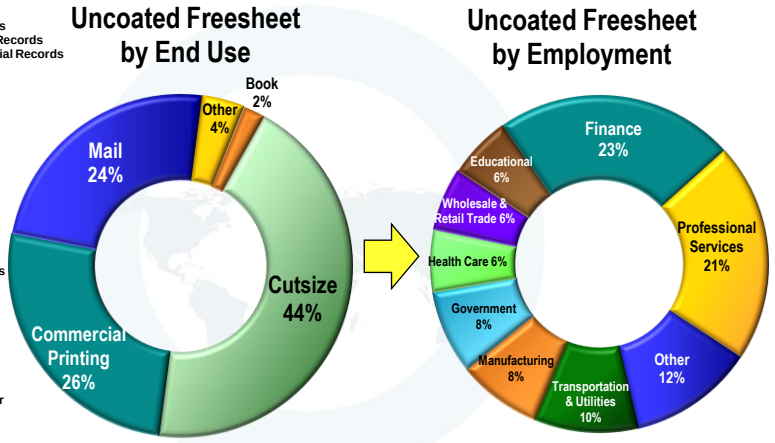
- Presentations
- Calendars
- Business Reports
- Memos
- Medical Records
- Educational Transcripts
- Archive-Quality Legal Records
- Archive-Quality Financial Records
- Direct Mail Advertising
- Billing Statements
- Account Statements
- Price Lists
- Self-Mailers
- Annual Reports
- Magazine Inserts
- Catalog Inserts
- Postcards
- Restaurant Menus
- Restaurant Placemats
- Text Books
- Technical Manuals
- Hardback Novels
- Trade Paperback Books
- Flyers
- Brochures
- Architectural Drawings
- Checks
- Medical Imaging
- Resumes
- Airline Manifests
- Shipping Manifests
- Carbonless Copy Paper
- Writing Tablets
- Wallboard Seam Tape
- Popsicle Sticks
- Q-Tip Sticks
- Label Backing
- Thermal Receipts
- Counter Displays
- Announcements



Source: AF&PA U.S. Shipments by End Use, Printing Papers Strategic Planning

57

North America Uncoated Freesheet Demand Forecast
Variables Driving 3% Average Demand Decline

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	2010 – 2015 Change	2015 Total	CAGR% Change
Smart Mobile Devices (MM Units)	+128	305	11%
White Collar Workers (MM)	+7	90	2%
Mail Pieces (Billions)	-25	137	-3%
Print Ad Spending ($B)	-13	39	-6%
Working Age Baby Boomers (MM)	-15	62	-4%
GDP ($ Trillions)	+2	15	3%
UFS (MM Tons)	-1.5	9.0	-3%

Source: PPPC, RIM Corp., Morgan Stanley, BLS, Global Insight, USPS, ZenithOptimedia, U.S. Dept. of Commerce (Census Bureau), Apple Corp., IP Marketing

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North America Uncoated Freesheet

Consumption Converges with Other Developed Economies

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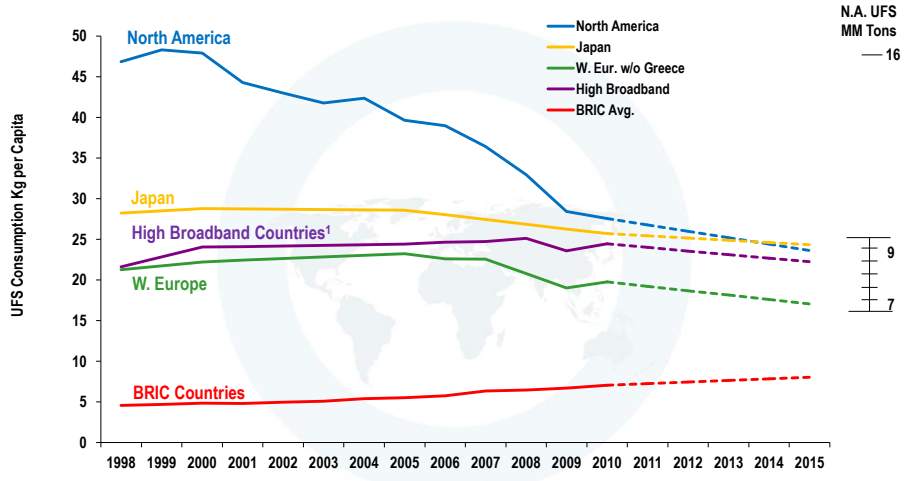

[1] *Korea, Singapore, Denmark, Netherlands, Switzerland*

Source: Poyry Consulting, Printing Papers Strategic Planning

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Global Fluff Demand

Consistent Growth Rates of 4%

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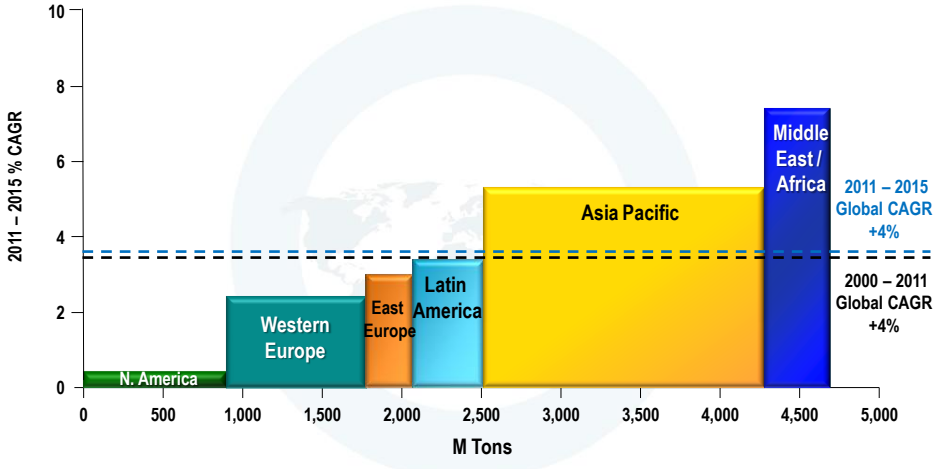

Source: IP Estimates, John Starr, Euromonitor

60

Leverage Repurposing
Fluff Pulp

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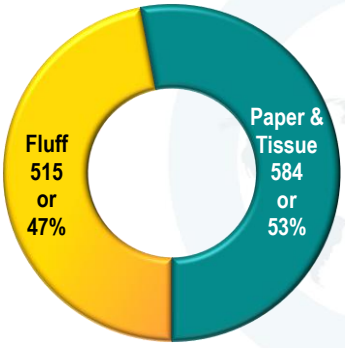
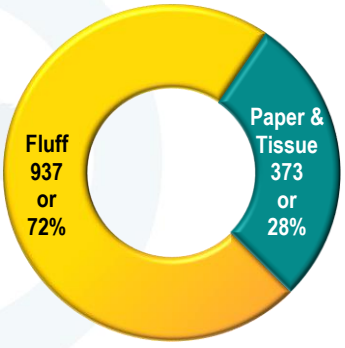
2007 Pulp Mix
(M Tons)



Mix with Franklin @ Full Run Rate
(M Tons)



61

Franklin Fluff Pulp
On Track for Mid-Year Start

INTERNATIONAL PAPER

December 2011



May 2012





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Summary

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- North America paper strategy is to manage for cash
- Attractive paper margins and strong cash flow
- Uncoated freesheet's many uses and segments are the key to the slow rate of decline
- Potential repurposing alternatives
- Fluff pulp has a higher and more consistent margin structure

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North America Consumer Packaging

Tom Kadien, Senior Vice President

N.A. Consumer Packaging
EBITDA Potential

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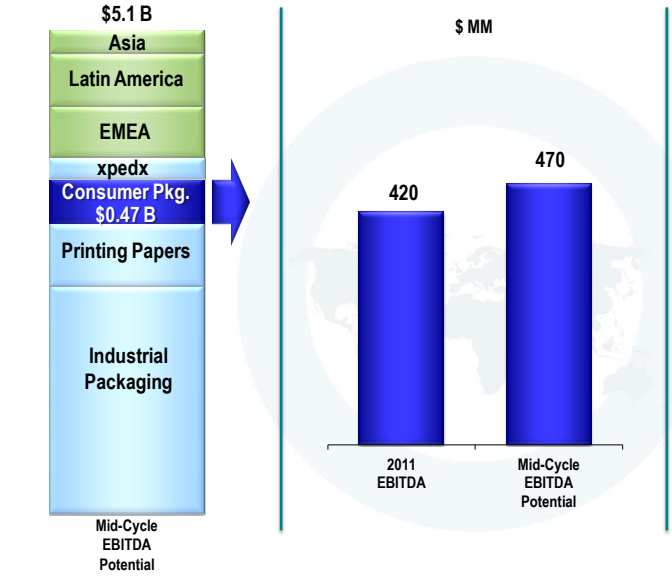


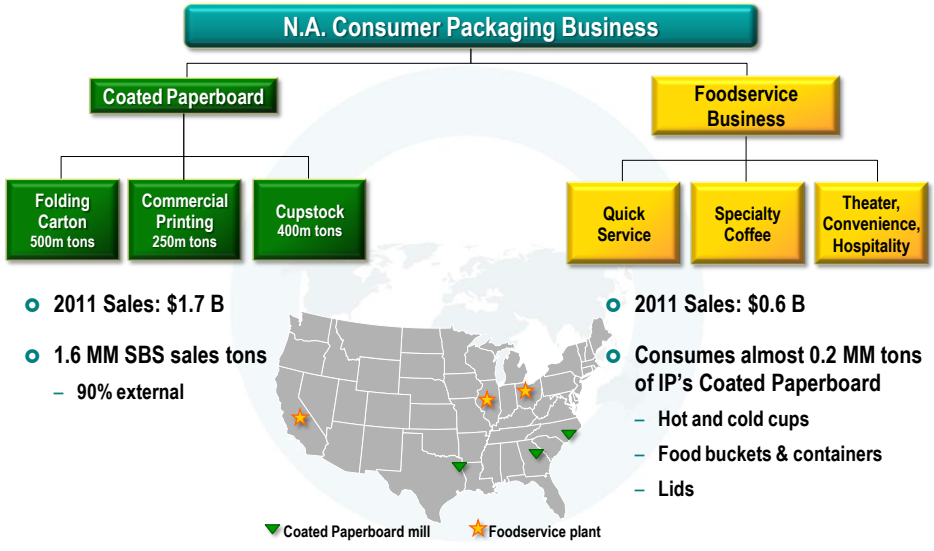
Key Drivers

- Domestic market growth ~1%
- Mix optimization
- Innovation driving Foodservice volume and margin growth
- Productivity and cost reduction initiatives more than offset inflation

Earnings before special items

N.A. Consumer Packaging at a Glance

INTERNATIONAL PAPER



- 2011 Sales: $1.7 B
- 1.6 MM SBS sales tons
  - 90% external

- 2011 Sales: $0.6 B
- Consumes almost 0.2 MM tons of IP's Coated Paperboard
  - Hot and cold cups
  - Food buckets & containers
  - Lids

N.A. SBS Capacity Scan

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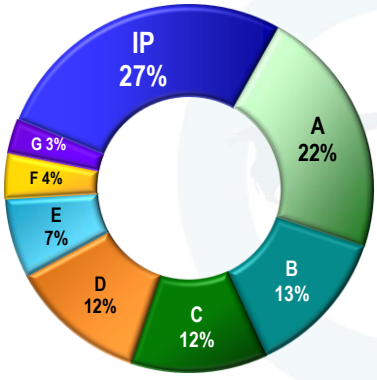
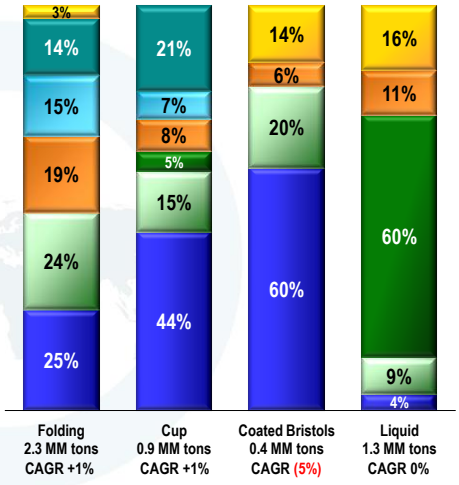
Coated Paperboard 2011 Supply Position (SBS) 6.4 MM Tons



Supply Position by Segment



Folding 2.3 MM tons CAGR +1%
Cup 0.9 MM tons CAGR +1%
Coated Bristols 0.4 MM tons CAGR (5%)
Liquid 1.3 MM tons CAGR 0%

Competitors

IP | A | B | C | D | E | Other

Folding includes tobacco
Liquid Packaging includes Aseptic
Source: 2011 RISI Capacity (includes Ctd. Bristols); IP Analysis

67

Coated Paperboard Historical Financials

Step Change to Sustainable Cost of Capital Returns

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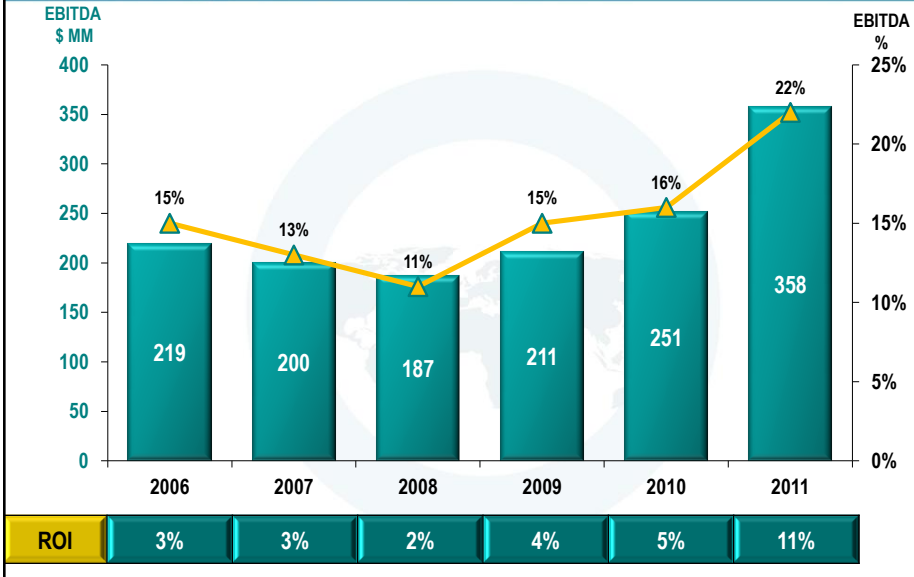

Earnings before special items

68

IP is Well-Positioned in Key Segments with Limited Export Exposure

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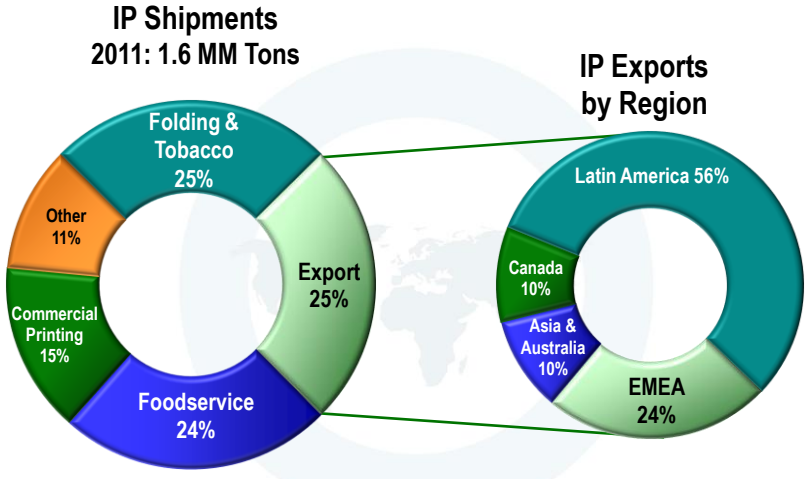

69

Low Cost Mill System
4Q11 Folding Carton & Boxboard

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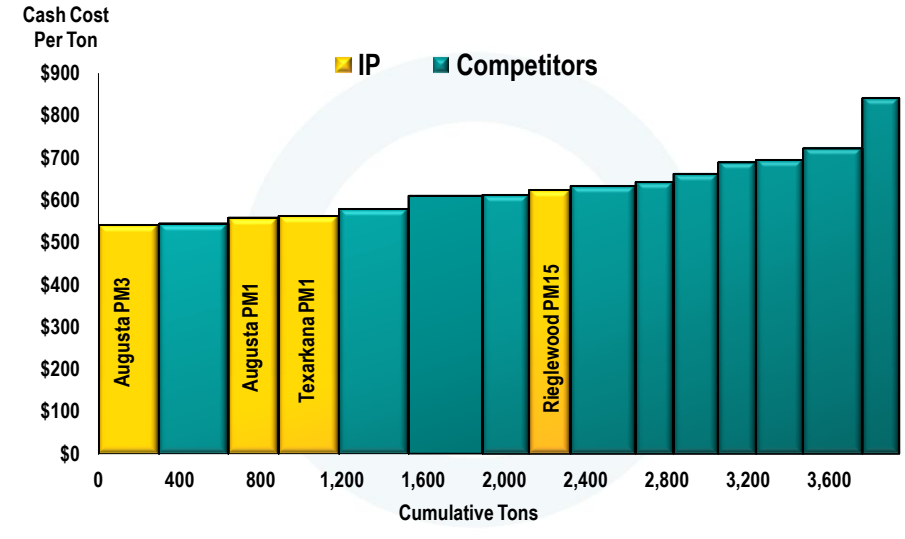

Based on Poyry's 2011 CostTrac model at 4th Quarter

70

IP Foodservice
Outperforming the Industry & Improving Margins

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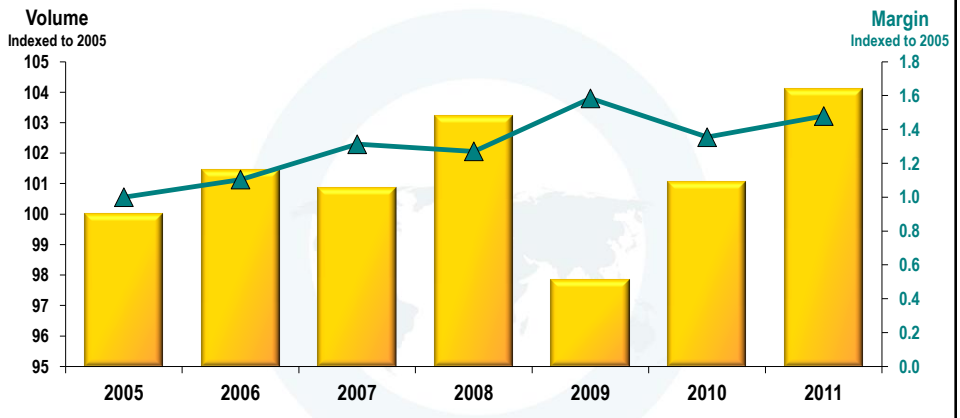
IP Volume Growth Rate (CAGR): 2009 – 2011 of 4.2%



ROI	(1%)	2%	7%	6%	6%	6%	7%

71

Innovation & Sustainability Driving Momentum

INTERNATIONAL PAPER

- Innovation philosophy is one of partnering with strategic customers and meeting the needs of the market
- Products launched in the last three years now represent 10% of total foodservice sales



"(Consumers) care about where their food comes from, how people are treated, impacts on the earth," said Bob Langert, vice president of sustainability at McDonald's USA. "And they want to do business with people who care about the same things they care about. Finding an alternative to polystyrene," he said, "is all upside."

– Chicago Tribune



Hold&Go®



ecotainer®



Individually Wrapped Cup

72

Paper Cups Replacing Foam

Environmental Benefits of Paper Driving Demand

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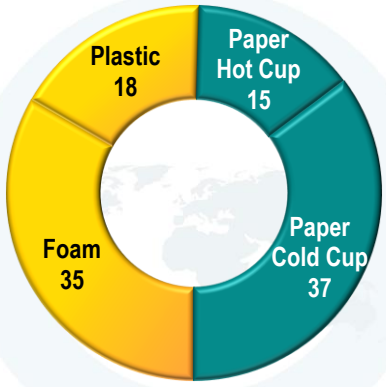
2011 U.S. Cup Demand

(Billions of Units)



Every 1 Billion Foam & Plastic Cups Converted to Paper = **15 – 25 Thousand Tons of Coated Paperboard Demand**

Source: Technomic 2011 Disposables Study (preliminary), RISI, AF&PA, IP Analysis

73

Driving Sustainable Cost of Capital Returns

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Coated Paperboard

- Solid industry structure with growth in core segments
- Low-cost manufacturing plus efficiency gains outpacing inflationary costs
- Strong position in core segments
- Foodservice Segment growth supports Coated Paperboard profitability

Foodservice

- Steady growth at cost of capital returns
- Innovation and sustainability driving demand
- Modern assets, low capital spending

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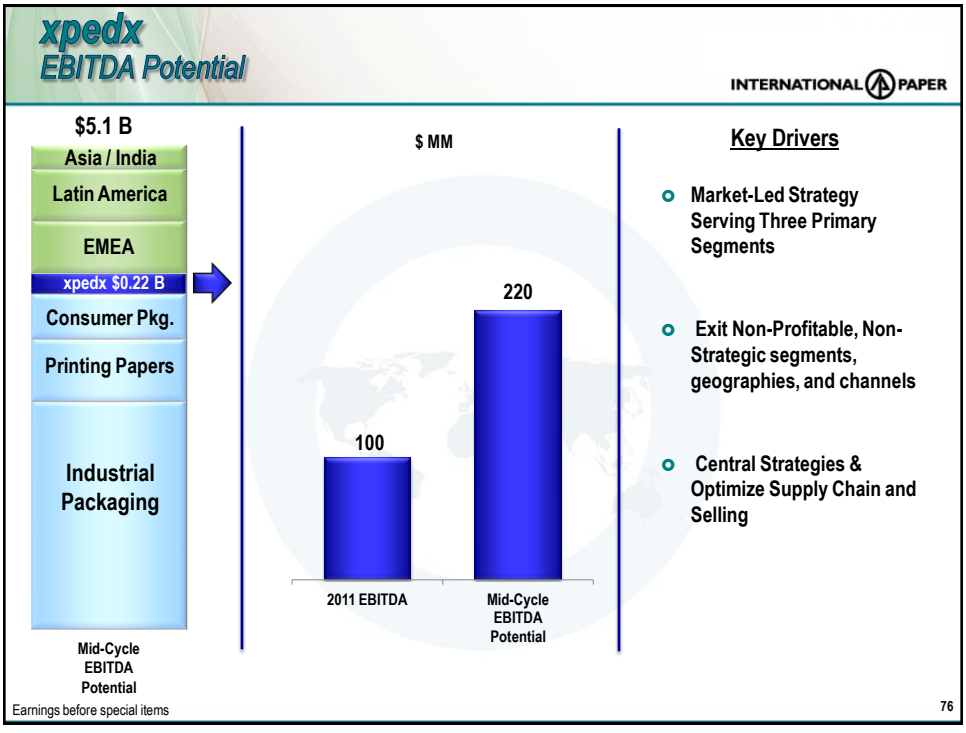
xpedx
Mary Laschinger, Senior Vice President


xpedx
EBITDA Potential
INTERNATIONAL PAPER
$5.1 B
Asia / India
Latin America
EMEA
xpedx $0.22 B
Consumer Pkg.
Printing Papers
Industrial Packaging
Mid-Cycle EBITDA Potential
$ MM
100
220
2011 EBITDA
Mid-Cycle EBITDA Potential
Key Drivers
Market-Led Strategy Serving Three Primary Segments
Exit Non-Profitable, Non-Strategic segments, geographies, and channels
Central Strategies & Optimize Supply Chain and Selling
Earnings before special items
76

Distribution
Channel to Market for IP Products

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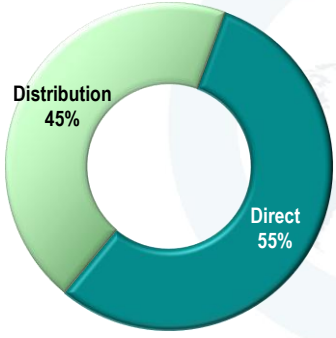
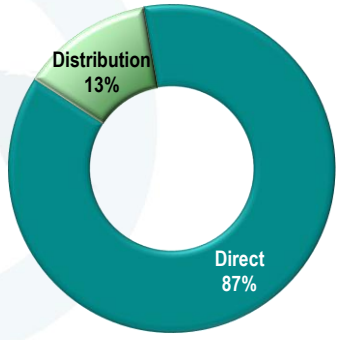
Paper Industry
Uncoated Freesheet Demand: 10 MM Tons



Corrugated Industry
Shipments: 24 MM Tons



Corrugated Industry Source: FBA 2011 shipments

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xpedx History
Evolving to One xpedx

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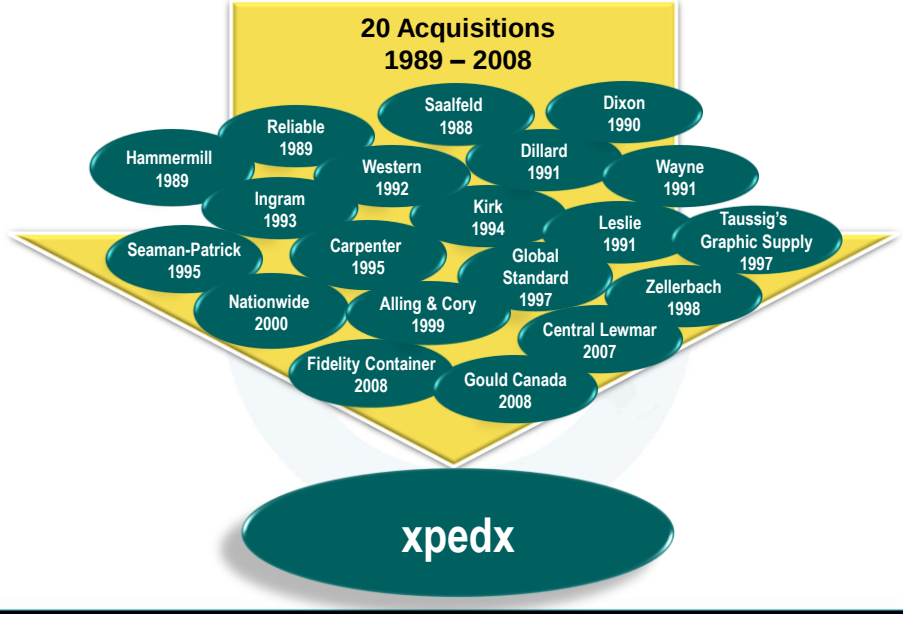

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B2B Distribution Benchmarks
xpedx Has Opportunity

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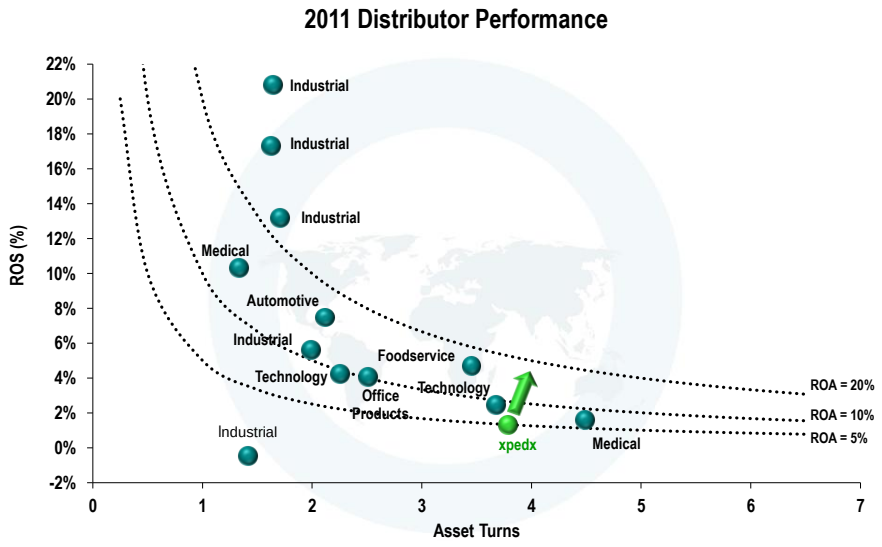

ROS = EBIT / Revenue
Asset Turns = Revenue / Assets

79

xpedx Strategy

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Grow in Packaging and Facility Solutions; Increase Share of Print
Centralize Strategies and Decision Making; Optimize the Supply Chain

Buy	$5.6 Billion COGS	• Centralize processes and decision-making • Establish strategic sources to support product offering • Consolidate / rationalize suppliers & SKUs
Handle	$300 Million Warehouse & Delivery	• Optimize warehouse network; improved customer coverage & inventory placement, higher fill rates • Lower fixed costs; lower working capital • Best-in-class supply chain technology; improved service and productivity
Sell / Grow	$6.6 Billion Sales	• Market led segment strategy • Invest in growth markets, protect core print markets • Improve sales focus, tools, capabilities

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Buy — Strategic Sourcing

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Print
Writing, Text & Cover

- Suppliers: 150 to less than 50
- SKUs: 6,800+ to less than 4,000



Packaging
Custom Film

- Suppliers: 450 to less than 45



Facility Solutions
Can Liners

- Suppliers: 80+ to less than 10
- SKUs: 2,400+ to less than 300

Up to 15% Lower Total Cost

81

HANDLE — Warehouse Network Optimization

Improved Service at a Lower Cost

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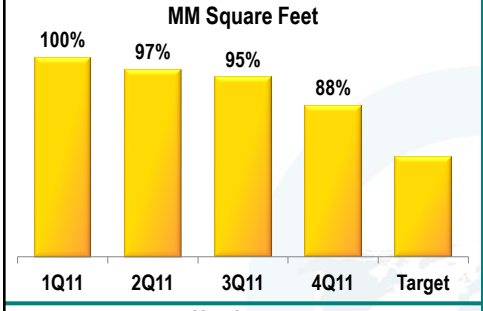

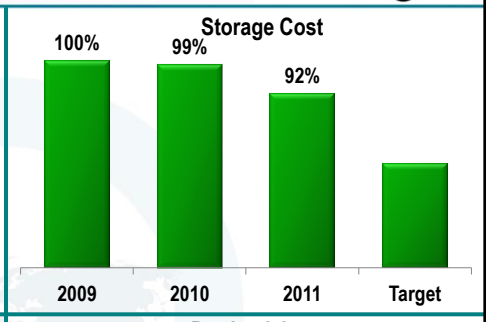

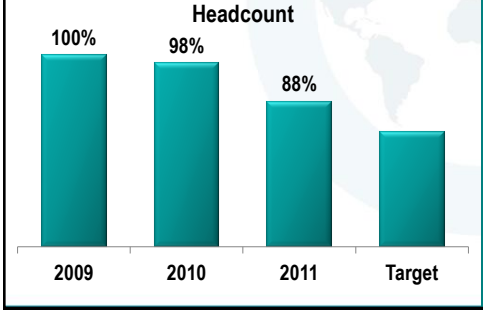

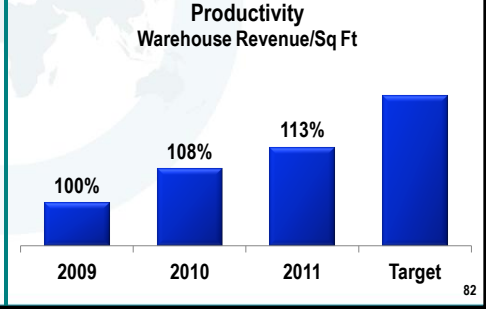

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Sell / Grow

Investing in Growth Markets

Protecting Share in Print

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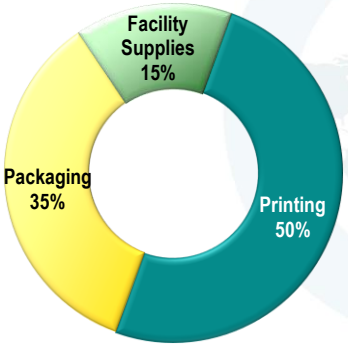
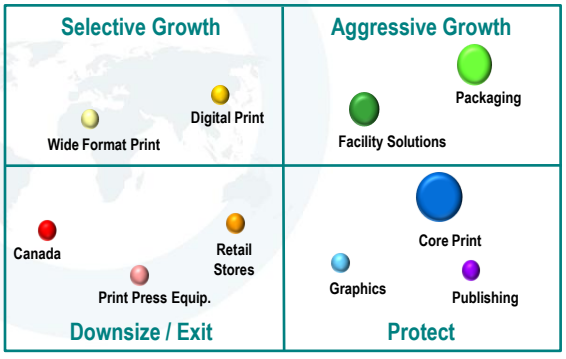
The Leading Business to Business Distributor of Packaging, Print and Facility Supplies in North America

Percent of Total Gross Profit



Making Strategic Choices



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xpedx Strategy

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Strategic Initiative	Buy	Handle	Sell / Grow
% Complete			
Customer Value	Focused on Delivering the Perfect Order; Making Your Business Better		
Increasing Shareholder Value	Achieve Greater than Cost of Capital Returns and over $200 million EBIT		

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NORTH AMERICA PANEL Q&A
INVESTOR DAY 2012


INTERNATIONAL PAPER
EMERGING MARKETS PANEL
INVESTOR DAY 2012



Latin America
Mid-Cycle EBITDA Potential

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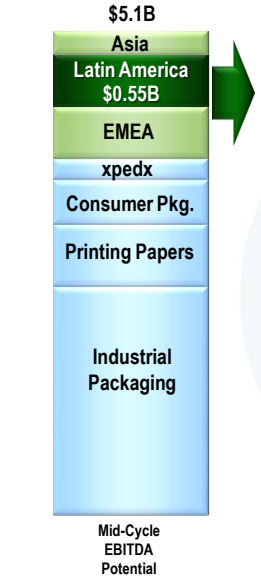

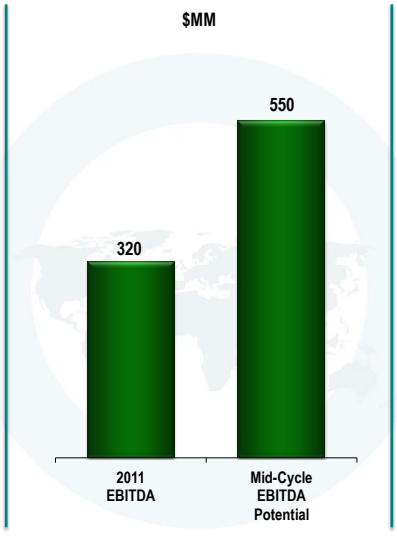

Key Drivers

- Improve regional mix
- Biomass boiler
  - Reduce purchased energy
  - Sustainable green energy
- Cost reduction projects

Earnings before special items

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Latin America Uncoated Freesheet Market

3.0 → 3.5 Million Tons

INTERNATIONAL PAPER



Uncoated Freesheet		
Country	2011 Demand MM Tons	CAGR% 2011 – 2015
Brazil	1.54	4%
Chile	.2	4%
Peru	.2	5%
Venezuela	.1	1%
Argentina	.3	7%
Central America	.2	5%
Caribbean	.1	5%
Colombia	.2	4%
Total Latin America	3.0	4%

Source: McKinsey, IP Team Analysis Strat Plan 2011 – 2015

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Generating Higher Returns

Better Geographic Mix & Improved Costs

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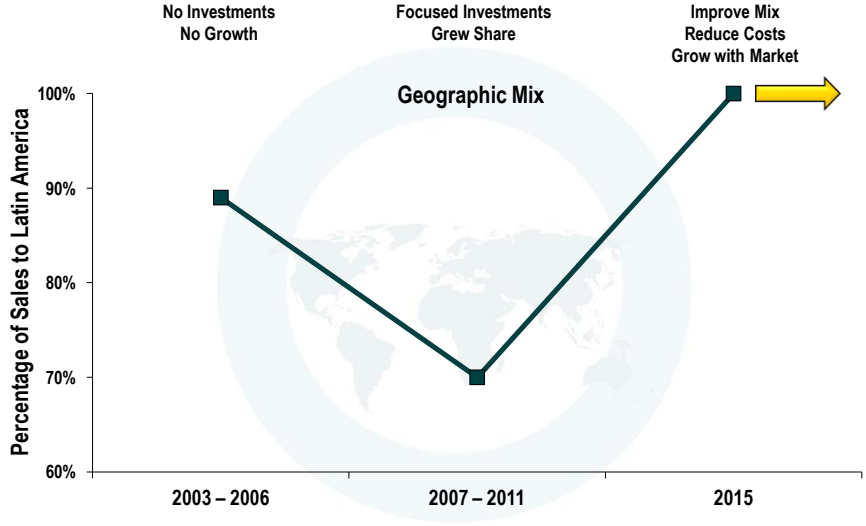

*2011 Average

90

IP Latin America Well Positioned
Fiber Advantaged, Low Cost, Valued Brands

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Fully Integrated 100% Eucalyptus Plantation

Low Cost Production

Valued Brands



91

Margin Improvement From Geography Shift
$ / ton

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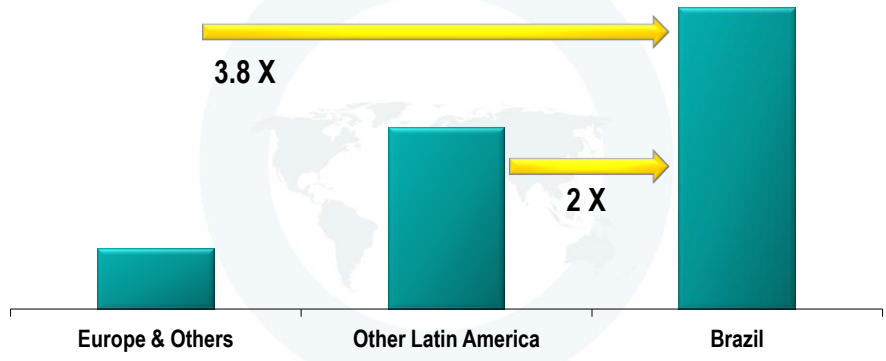
Improve Geographic Mix from 70% to 100% in Latin America



2011 U.S. $ EBITDA / ton	U.S. $138	U.S. $254	U.S. $518

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Low-Cost Green Energy
Mogi Biomass Boiler

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Target Margins
Mid to High 30s

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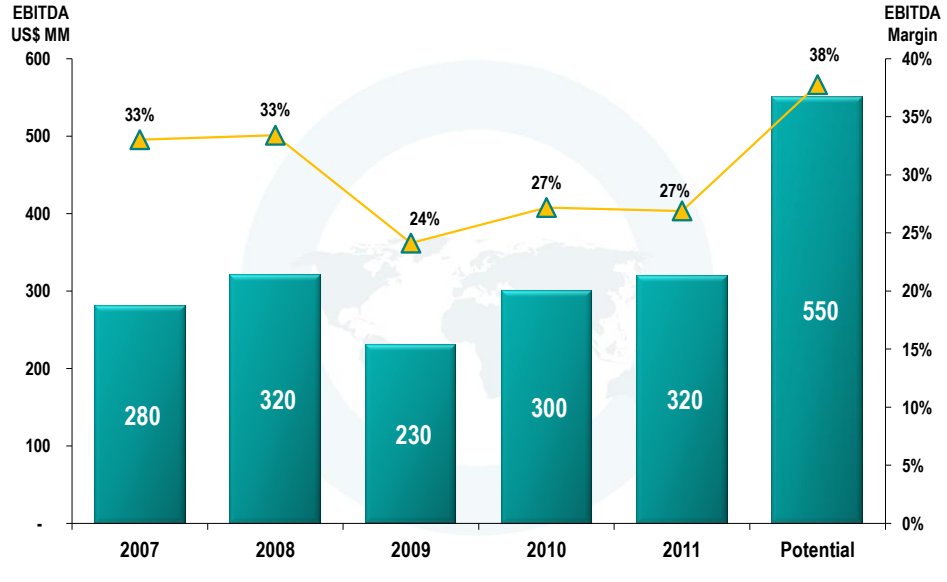

Earnings before special items

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Uncoated Freesheet Capacity & Demand
Latin America

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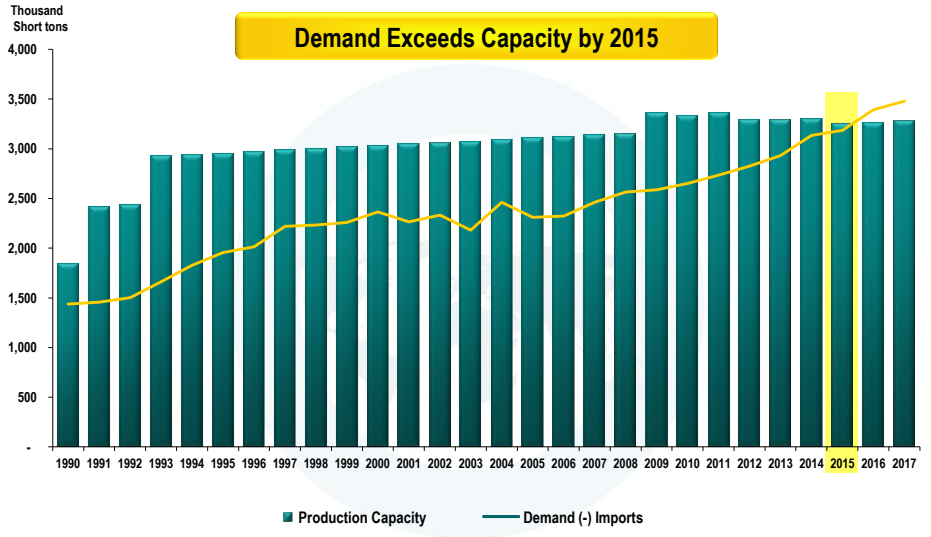

Imports :From Overseas of 243 k Short tons flat after 2011
Latin America without Mexico

95

Summary

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- Growing market and growing middle class
- Strong combination of fiber, assets and brands
- High levels of cash generation
- Margin improvement driven by mix and reduced costs
- Option for additional capacity

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Asia & India
Mid-Cycle EBITDA Potential

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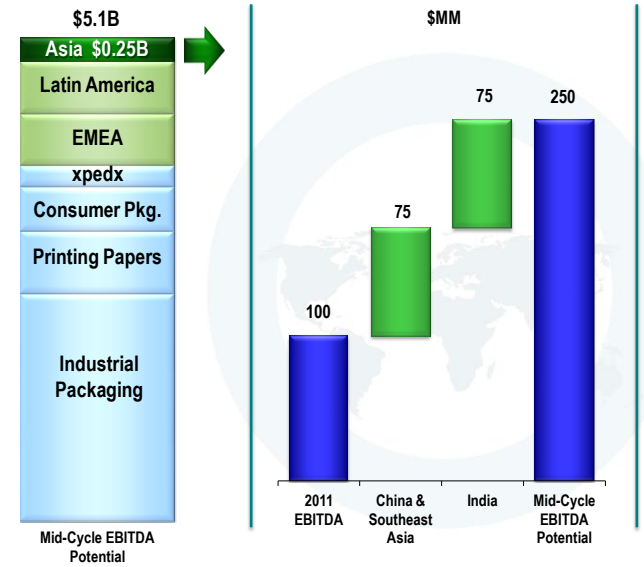

Key Drivers

- Emerging Market Growth
  - PM 26 ramp up at Sun JV
  - Volume growth in existing China Box system
  - Double digit growth in India
- Optimizing Andhra Paper Assets

Earnings before special items

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China Has Big Markets, Strong Demand Growth
Near Term Excess Supply

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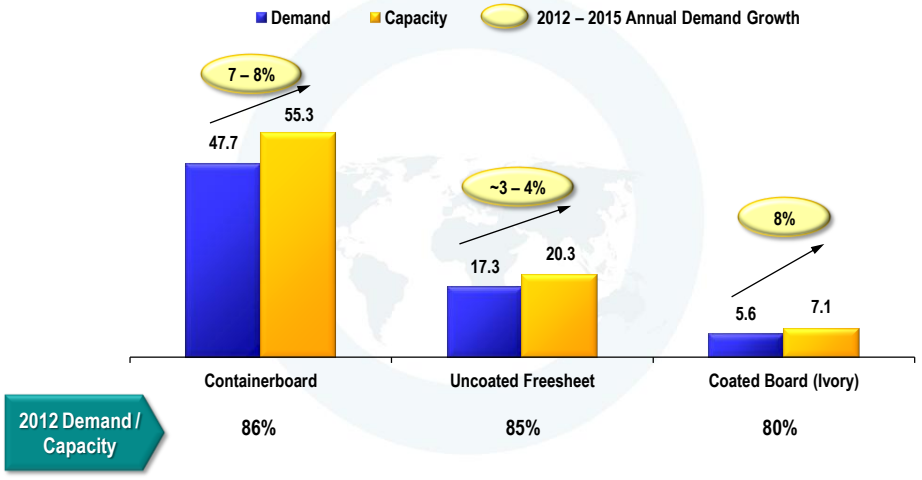
2012 estimated demand & capacity balance for major paper grades in China (MM ton)



Source: RISI and IP Asia estimates
Reflects short tons

China Environment is Evolving

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	Recent Past	Going Forward
GDP growth	10.4% (2010) 9.2% (2011)	~8%
Growth driver	• Investment • Export • Consumption	• Consumption • Investment • Export
Paper industry	• Strong demand growth • Aggressive capacity expansion • Big competitors; capacity excesses to export	• Moderate but still powerful growth • 12th five-year plan – expansion slows; environmental upgrades and energy optimization • More consolidation and shut downs • Improving supply and demand balance after 2015

Good Industry Structure in Ivory Board
IP Sun JV has #2 Supply Position

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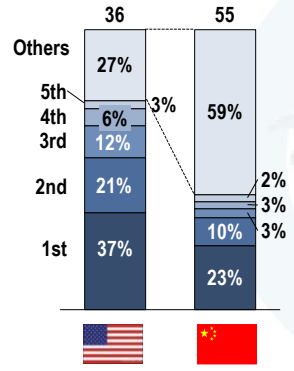
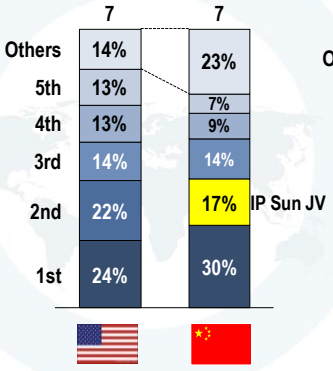
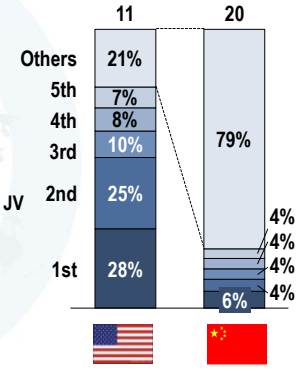
Containerboard
2012 Capacity MM ton



Coated board (Ivory)
2012 Capacity MM ton



Uncoated Freesheet
2012 Capacity MM ton



Percentages represent the market size of China and US competitors in these segments

Source: RISI

IP Has Carefully Grown for the Last 15 Years

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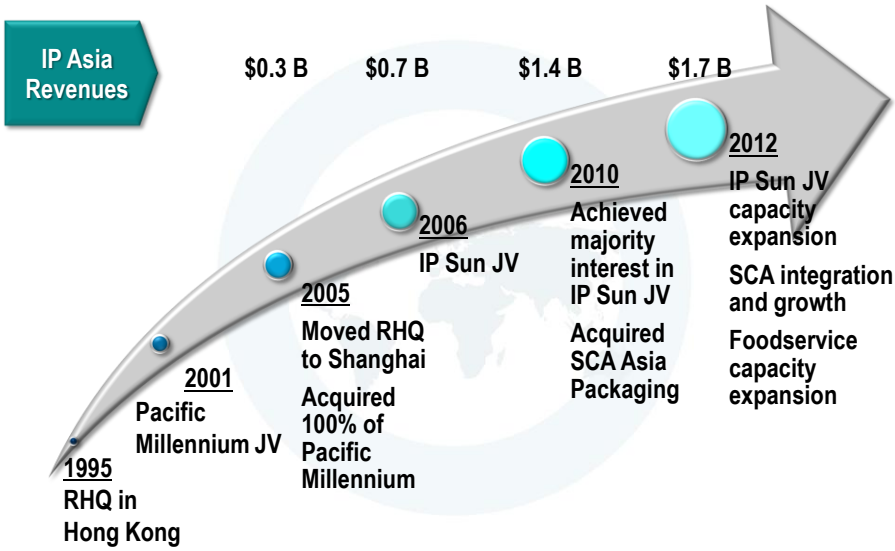

RHQ: Regional Headquarters

IP Asia Business Portfolio

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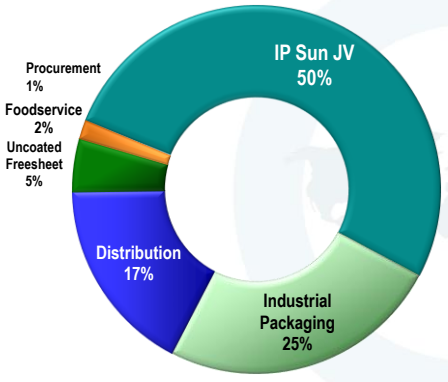
IP Asia 2011 Revenue = $1.7B



- **IP Sun JV (coated board)**
  - $850MM (100%)
- **Industrial Packaging (box)**
  - $425MM
- **Other businesses continue to grow:**
  - IPAD (Distribution)
  - Uncoated Freesheet (Sales)
  - Foodservice (Cup)
  - Procurement

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IP Sun JV: A Market Leader in Premium Grades

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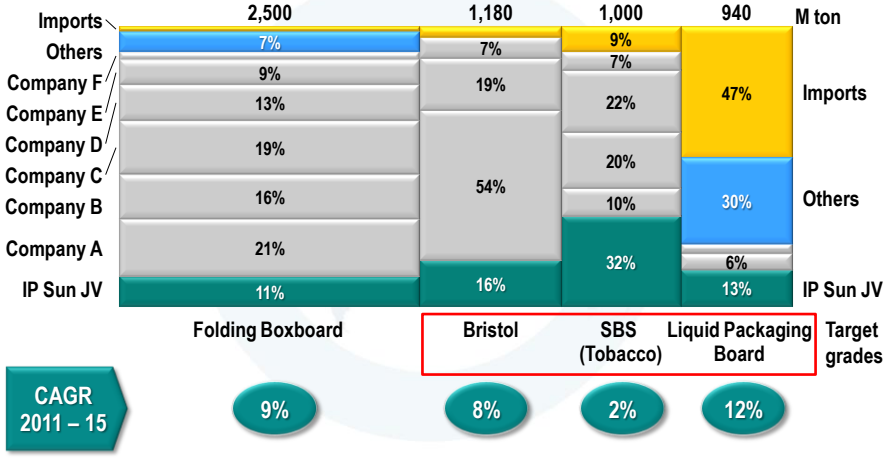
2011 China coated paperboard market ~5.5MM ton [2011–2015 CAGR of ~8%]



Source: Poyry and IP estimates

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Low Cost Capacity Expansion
Current PM 26 Construction Site

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Site demolition



2011 Sep

Building commences



Nov.

Site civil construction



Dec.

Building takes shape



March

Machine installation begins



April

Machine installation



May

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High Capital Turns Key to Financial Success

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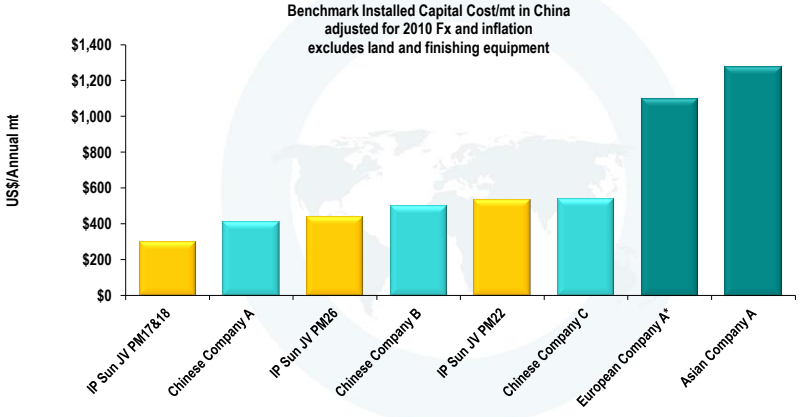
IP Sun JV's Capital Cost Advantage



* IP estimate, based on company's investment announcement

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IP Asia Box – Building a Better Box Business

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2000 – 2009

IP Asia Box business

- Corrugator plants
  - Acquired box plants with Pacific Millennium and Union Camp
  - Built one Greenfield box plant
- Built five Greenfield sheet plants

+ SCA acquisition

- Acquired 15 plants in China and SEA
- Plants operating < 50% of capacity
- Broadest box network in China
- Enhanced capabilities in design and production



2012 and Beyond

Post acquisition

- Focus on profitable growth
  - Margin improvement
  - Growth with MNC and Chinese national customers
- Leverage IP knowledge and best practices
  - People
  - Operational excellence
  - Customers

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Summary: A Selective, Profitable Growth Strategy

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Consumer Packaging

- Coated Paperboard: Strengthen leading position in fast growing market
- Foodservice: grow with established customer base

Industrial Packaging

- Box: Profitable growth utilizing national network of box plants

Printing Papers

- Uncoated Freesheet: Support IP brands with export to fast growing Asia markets

Others

- Distribution and Procurement: Maintain growth



Increase revenue ~50% by 2015 through organic growth initiatives

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India Economy Will Soon Surpass
Brazil & Russia

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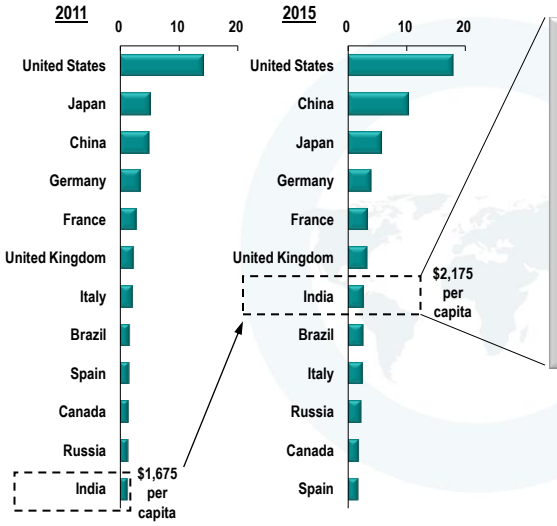
Top GDP Countries (Nominal, Tr US$)



- 1/3 land size of U.S. and China
- 1/6 world population, 1.2 billion people
  - Growing at 1.5%
  - Labor force 0.5 B, growing at 2%
  - Soon to be largest working population "on the planet"
- FY11 GDP U.S. $1.8 tr, growth 7 – 8%
  - Real growth estimated to double in five years
- FDI U.S. $24B in FY10

Source: Global Insight, EIU

Demographic Facts Comparison
India vs. China

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- India has 1.26 B people, adding 17 MM people each year
  - India population is much younger and will pass China within 10 years
  - Implication – India's "demographic dividend" driving GDP growth rate for next 20 years while China faces an aging workforce issue
- $1,675 GDP per capita, growing 7%+/yr (vs. China at $5,855 per capita)
- India paper and pkg. market is 11 MM tons and growing by 1 MM tons/yr
- Competitive landscape is significantly different vs. China
  - China is a 90 MM ton market

Andhra Pradesh Paper Mills

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- IP purchased 75% of shares in Oct. 2011
  - Remaining 25% listed in India
- Two mill sites (12km apart),
  - Rajahmundry mill: 210M ton pulp and 210M ton paper
  - Coastal Paper mill: 35M ton recycle pulp and 65M ton paper
  - Sufficient power supply and effluent treatment for potential expansion
- Successful farm forestry program
- IP leaders on ground with Andhra management team



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IP Approach to Emerging Markets

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- Purchase or JV to get "in-market experience"
  - Some scale required
  - People on the ground with "in-country expertise"
  - Gain experience before funding expansion
- Use initial investment as platform for growth
  - Similar to Kwidzyn, Poland and Svetogorsk, Russia in 1990s
  - Pacific Millennium and IP Sun JV in China
- Andhra Paper is a potential platform for growth in India

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APPM is Established Player in Indian Market

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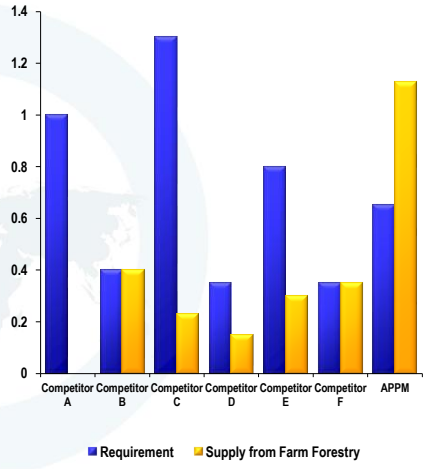
- Located in the heart of India's fiber basket
- Established brands and merchant network
- Competitive financial performance
- Sites have footprint for expansion if desired
- Delivering IP global best practices to a "target rich" environment
  - Producing results already

Mill Demand vs. Farm Forestry Supply (2010 – 11)



Paper & Packaging in India

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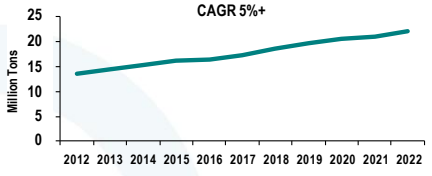
- Market size
  - ~12.5 million tons consumption
  - Low per capita consumption at ~10 kg
    - (vs. 250kg in USA, 50+kg in China)
- Growth
  - Industry revenue grew at 10%+ since 2005
  - Consumption grew at 6.7% since 2005
- Industry structure
  - Top 10 producers account for ~30% of the total production
  - Small and mid-size mills (<33,000 TPA) account for 60% of production

India Paper Consumption Forecast (RISI)

CAGR 5%+



- Paper demand estimated to exceed –
  - 16 million tons by 2015
  - 20+ million tons by 2020

Consumption to double over the next decade

Source: RISI, CRISIL, B&K Research, IPMA, USDA ERS

India Will Become #3 Global Market in Uncoated Freesheet

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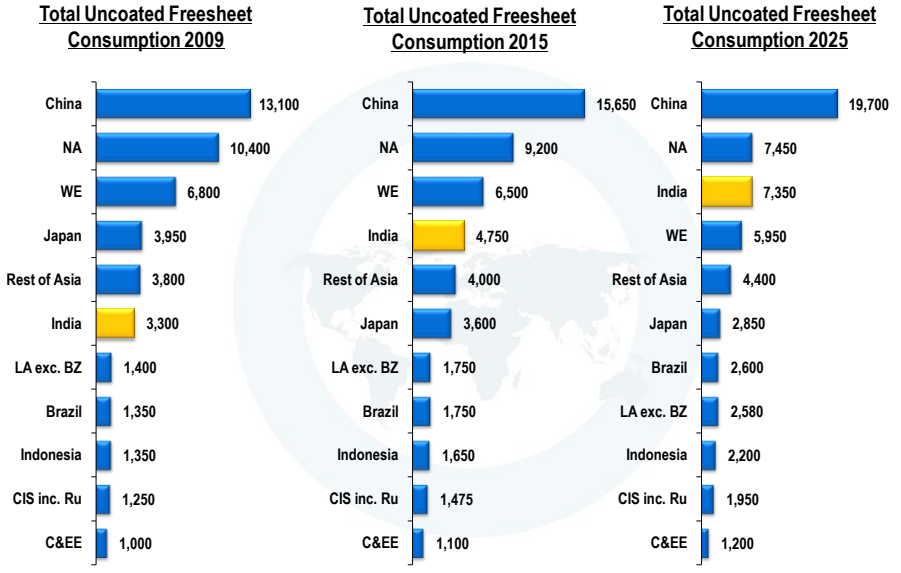

Source: IP Study w McKinsey

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Market Competitive Manufacturing Platform

Rajahmundry Mill Site

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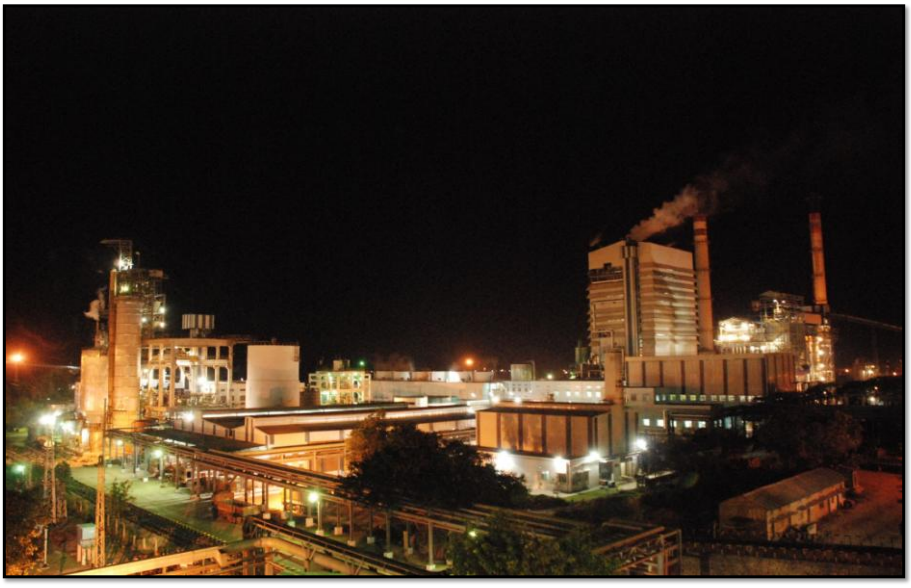

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Modern Pulp Assets

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Recently Installed PM 6
Second Hand Machine

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Leading Farm Forestry Program – *Casuarina Nursery*

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Casuarina Farm

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Wood Depot

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Andhra Paper Strategy

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- Utilize IP resources and best practices to surpass "nameplate" capacity of current assets and achieve 20%+ EBITDA margins (years 1 – 2)
- If confident of IP capability in India, maximize output from current mills with high return projects (years 3 – 5)
- Expansion projects not in current $75MM EBITDA potential
- Potential to exceed Cost of Capital Returns with expansion projects

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IP India Summary

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- Off to a solid start in an exciting emerging market
  - 1Q Uncoated Freesheet tons +15% vs. prior year
  - Demonstrated EBITDA margin potential
- Solid management team in place
- Numerous opportunities to create value
  - Product mix
  - Business Practices
  - Manufacturing processes and reliability
  - Product quality and cost
  - Significant latent capacity in Andhra Paper

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IP Europe, Middle East & Africa

Maximo Pacheco, Senior Vice President

Europe, Middle East & Africa
Mid-Cycle EBITDA Potential

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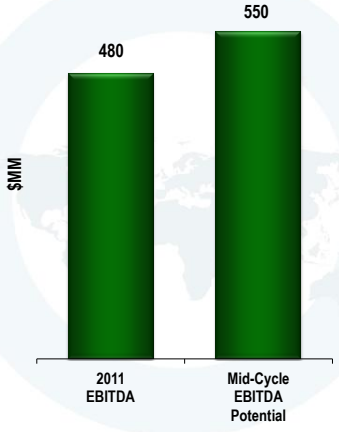

Key Drivers

- Profitably grow box volume
- Increase Kwidzyn cut-size sales
- Maximize internal usage of BCTMP
- Energy projects at Svetogorsk and Kwidzyn
- Manufacturing excellence and organizational efficiencies

Earnings before special items

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Focused on Three Major Business Platforms

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Footprint Has Significantly Improved
1998 – 2011

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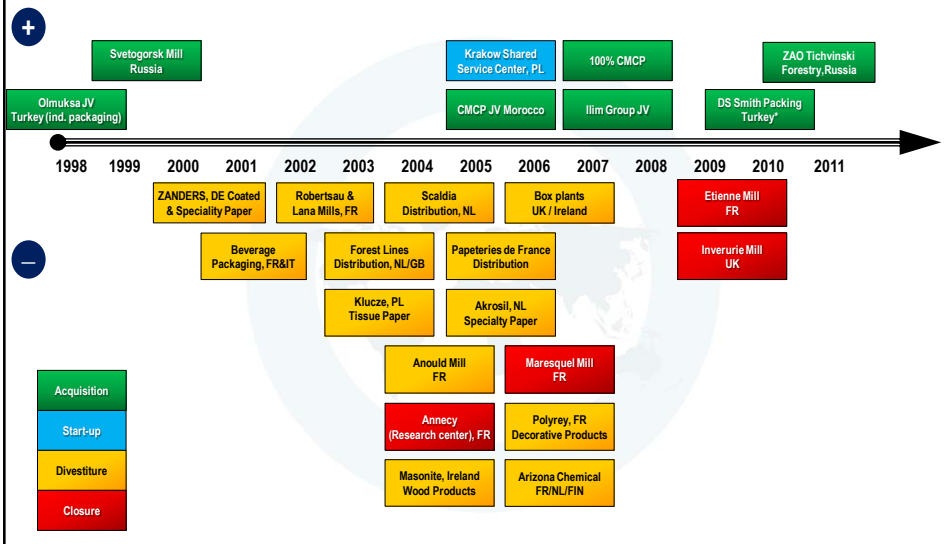

*Through Olmuksa JV

Very Strong Current Performance
Achieved Cost of Capital Even in 2009 Great Recession

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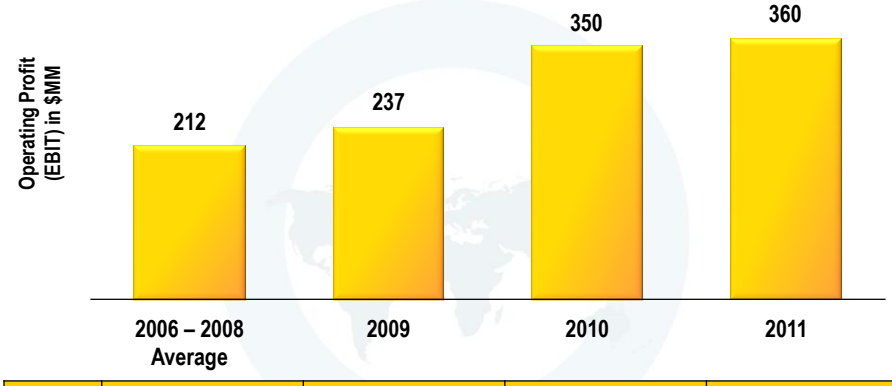

ROI%	7%	9%	14%	14%
EBITDA%	13%	14%	18%	17%
Net Sales	$2.8B	$2.6B	$2.6B	$2.9B

Earnings before special items

Majority of Investment and Earnings in Eastern Europe & Russia

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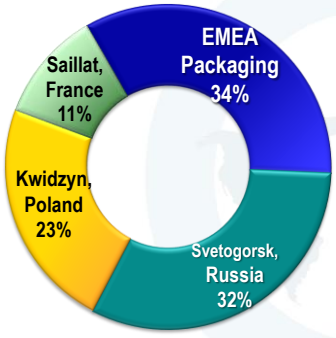
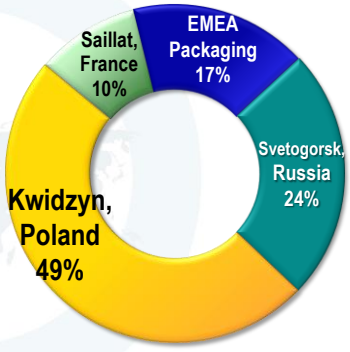
Capital Employed



Capital Employed at year-end 2011

Operating Profit



2011 Actual EBIT

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Kwidzyn – Poland

Sustaining Excellence at Our Most Profitable Facility

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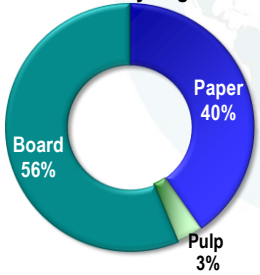
2011 EBIT by Segment





New Turbine



New Cut-Size Sheeter



Wood Plantation

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Strong Presence in Emerging Markets

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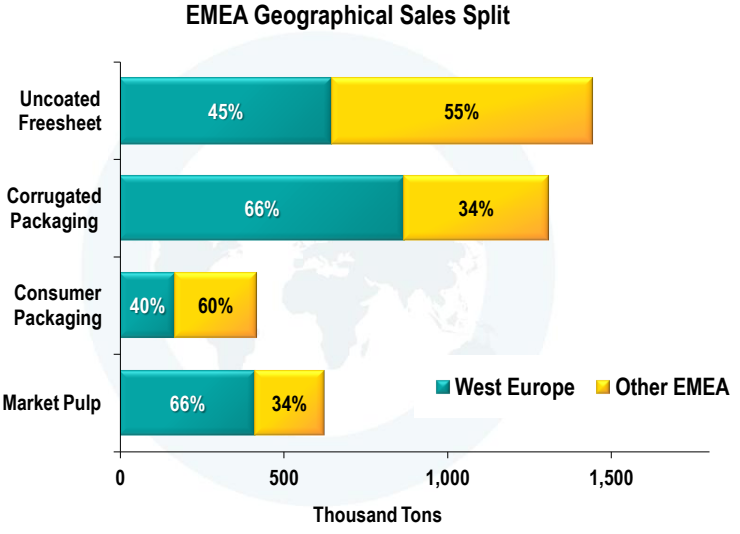

Other EMEA includes: East Europe, Middle East, Africa

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€-Crisis Countries
Represent ~10% of Earnings

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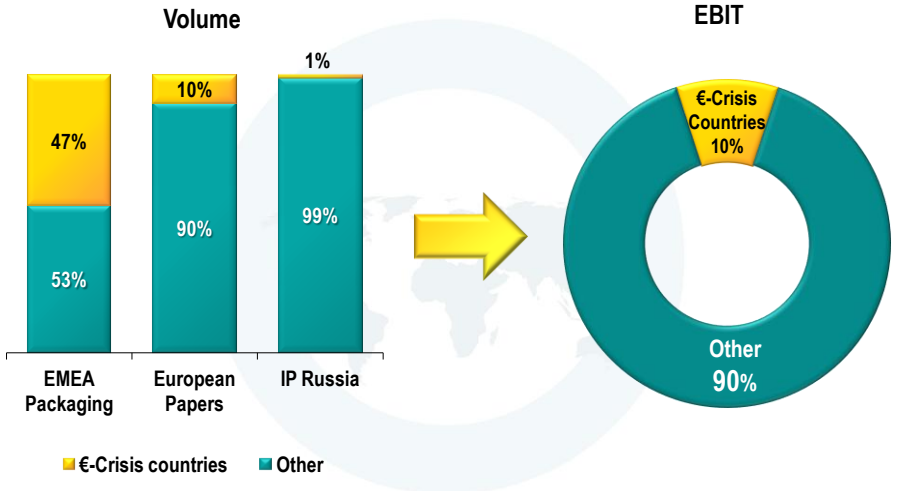

Euro-Crisis Countries include: Portugal, Italy, Ireland, Greece, Spain

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Strong Growth Outlook
Cutsize & Folding Boxboard in Russia

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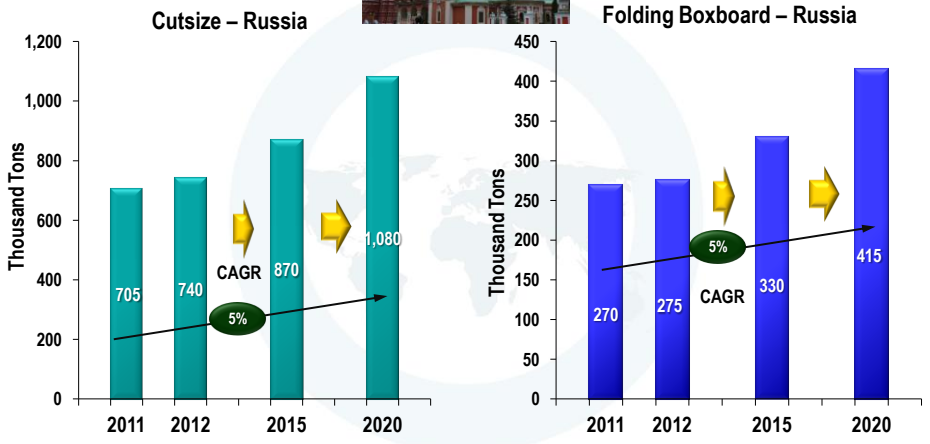

Source: IP Analysis, BCG, Poyry

Further Growth in Corrugated Packaging

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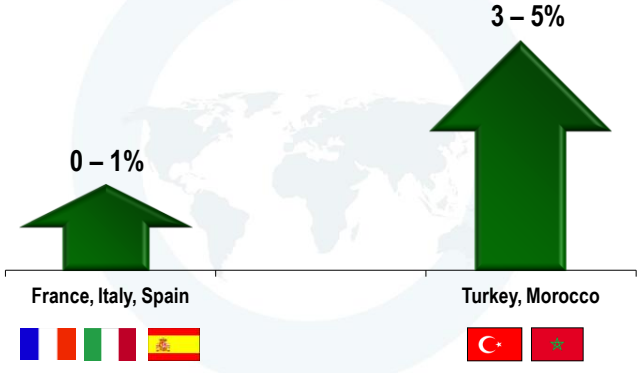
Corrugated packaging market growth outlook in 2011 – 2015



Source: ICCA, IP internal

IP EMEA
Key Take-Aways

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- We have a very well-performing portfolio with sustainable returns above cost of capital
  - Portfolio restructuring led to strong platform
  - Achieved 9% ROI even in the 2009 Great Recession
  - We are not at the end of our runway
  - We hold a strong position in our key markets
  - We do not expect a dramatic impact from the €-crisis
- Potential opportunities for profitable growth
  - Corrugated Packaging in growth markets and segments
  - Russia – Ilim JV is our key growth platform

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ILIM



Video – "Spotlight on Ilim"

Ilim Group



Ilim Group Today

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- 50:50 joint venture between Russian owners and International Paper
- Russian pulp and paper leader
- Three largest mills in Russia
- 2.9MM tons of P&P products annually
- 12MM FSC certified acres of forests
- 19,000 employees
- Supply position in Russia: 65% of market pulp, 21% of containerboard and 12% of uncoated free sheet production
- Leading NBSK supplier to Chinese market





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Russian Macroeconomic Situation

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- Russian economy is healthy
  - Annual GDP growth stable at 4%
  - Inflation decreased from 12% to 6% over last five years
  - Russian currency remains strong
  - New government declared the intent to further improve foreign investment climate

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Geography

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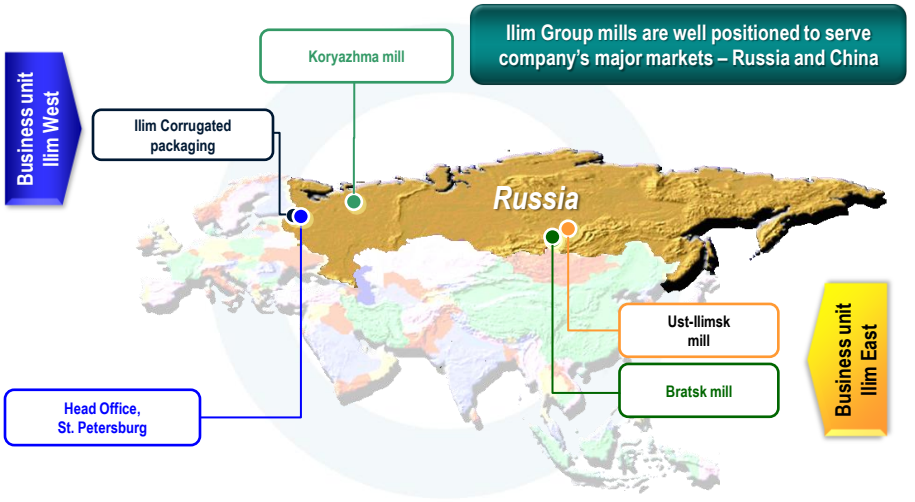

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Organizational Structure

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- Financing secured exclusively by Ilim Holding balance sheet, without IP guarantee or any fixed asset pledges
- 100% secured by Ilim cash flows only

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Management

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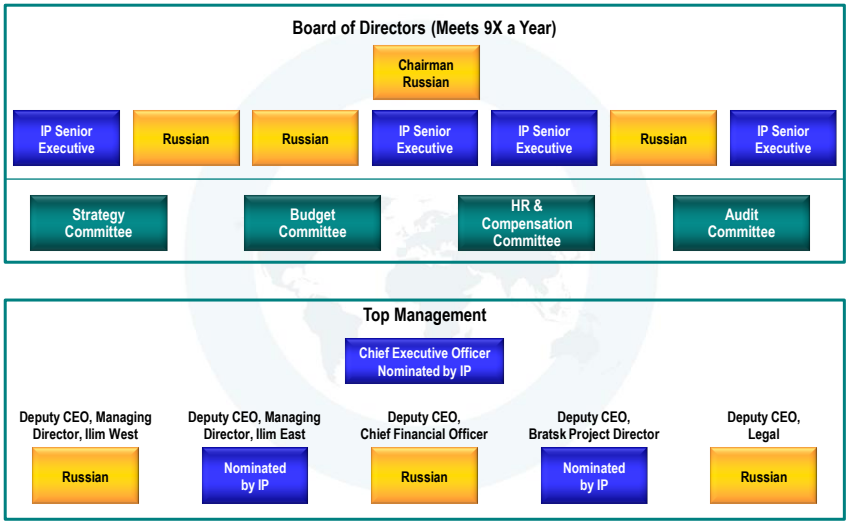

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Production Capacity & Markets

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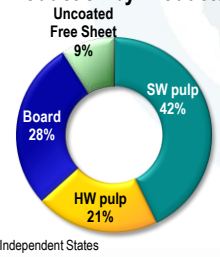
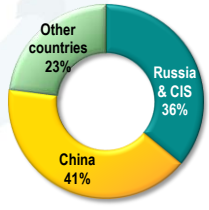
Mill / Location	Products	Capacity M Tons	Target Markets
Koryazhma Arkhangelsk Region	Containerboard Uncoated Free Sheet Bleached HW pulp Unbleached pulp	1,170	Russia, CIS, Europe
St. Petersburg Region	Corrugated	55	Russia
Ust'-Ilimsk Siberia	Bleached SW pulp Unbleached pulp	830	China, Japan, Korea
Bratsk Siberia	Bleached SW pulp Bleached HW pulp Containerboard	815	China, Japan, Korea
Total		2,870	

Production by Products



Pulp & Paper Sales by Markets



CIS = The Commonwealth of Independent States

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Ilim JV 2015 Financial Potential

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	2008	2009	2010	2011	Mid-Cycle Potential
Production (M ton)	2,600	2,580	2,800	2,900	3,300
Revenue ($B)	1.9	1.3	1.9	2.2	2.8
Capital Employed ($B)	1.3	1.2	1.2	1.5	2.5
Debt ($B)	380	420	400	840	650
EBITDA ($Million)	290	160	530	530	720
EBITDA Margin	15%	12%	28%	24%	26%
IP Equity Earnings	11	(27)	103	134	~200
Dividends (to IP)	67	50	34	85	TBD

Ilim JV results are IFRS basis. KPK sale was excluded from 2008 results.

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Capital Allocation

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- **Dividends**
  - Average annual regular dividend ~$120MM (2008 – 2011 – Ilim Holding)
- **Reinvestment priorities**
  - Improve logging efficiency and increase wood supply to support new pulp capacity
  - Grow softwood pulp supply to meet Chinese demand – pulp line in Bratsk ("Bratsk Strategic")
  - Increase high value-added products for domestic markets – new paper machine ("Koryazhma Strategic")

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Forest Investments

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Ilim's own softwood delivered cost is now the lowest in the world

- Successfully executed the largest single forest project in history
  - Wood cost represents 30% of cost structure
  - 2011 wood consumption was ~15MM cubic meters
  - Ilim's timber concessions exceed 12MM acres
  - ~54% of wood consumption is supplied by Ilim timber concessions (Koryazhma 36%, Siberia 62%)
  - Invested more $250MM USD (~30% IRR) on logging operations
  - 500+ units of new logging equipment (John Deere, Sisu, Volvo, etc.) put in operation (2008 – 2012)
- Results
  - Cost reduction
  - Reforestation
  - Forest productivity
  - Safety



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Business Plan Outline

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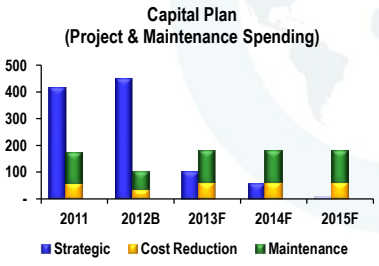
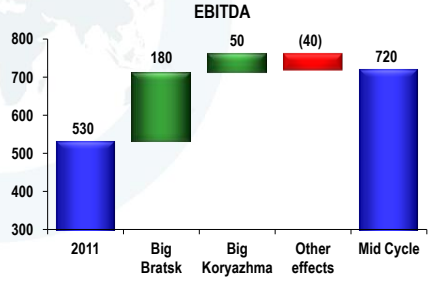
	Capital Spending ($MM)	IRR
Total 2010-2015	2,220	
o Big Bratsk	800	27%
o Koryazhma PM7+ Off-Line Coater	260	24%
o Maintenance & Cost Reduction	1,160	





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Post Project Production

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Bratsk	2010	Post project
Total, thousand tons	810	1,100
o Softwood bleached pulp	250	790
o Hardwood bleached pulp	310	310
o Kraftliner	250	–

Koryazhma	2010	Post project
Total, thousand tons	1,105	1,300
o PM7 paper	–	180
o CFS	–	55
o Pulp	365	260
o KLB and others	740	805

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Big Bratsk

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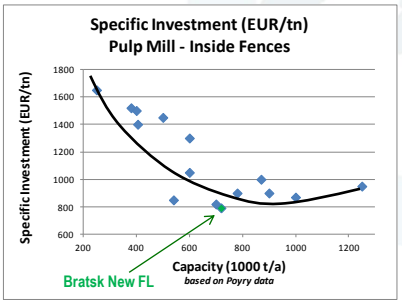
Only new softwood pulp capacity announced in last five years

- $800MM project
- Leading producer of softwood pulp for China
- Shifts mill to low 1st quartile cost position
- Total installed cost for NBSK fiber-line of ~$1,000/t well below Poyry Benchmark
- 70% construction complete



- Build the world's largest softwood pulp fiber-line on existing site
  - Largest single project in IP history
  - 6,000,000 man-hours
  - 120 km of pipes
  - 55,000 m3 of concrete
  - Peak number of people at site 3,000
  - Ilim Project Team up 200 persons

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Market Pulp Global Cost Curve
Ilim Bleached Softwood Kraft Market Pulp

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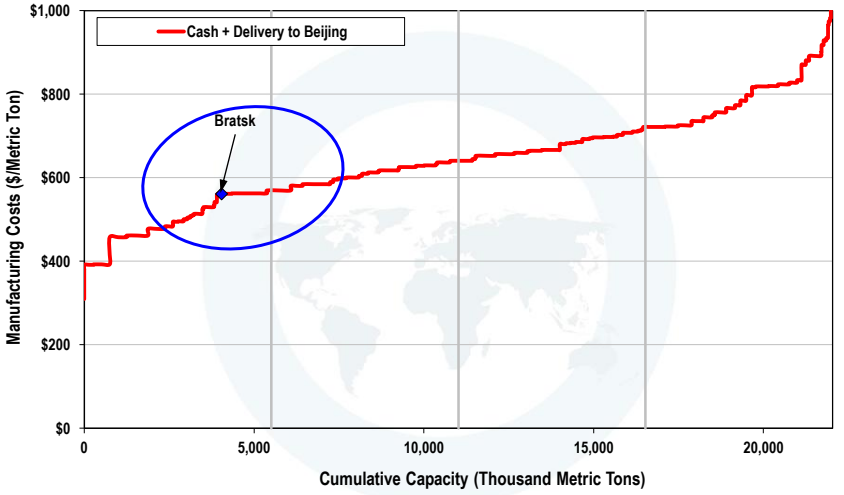

Based on Poyry's 2011 CostTrac model at 4th Quarter, 2011, Prices and Exchange Rates.

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Ilim in China

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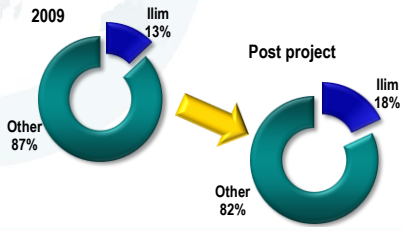
Only softwood pulp mills contiguous with China



- 15 years of China know-how
- Annual sales volume to China over 1MM tons
- Short delivery time
- Five lanes to market
- Ilim Group mill cost structure will be in low 1st quartile

BSKP Consumption in China



New Big Bratsk capacity targets BSKP market growth in China

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Bratsk Recovery Boiler, April 2012

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Bratsk Woodyard, April 2012

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Big Koryazhma

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New paper machine in Koryazhma targets domestic market of high value added products

- $260MM project
- Produce 180 M tons of Office Paper to continue growth of IP market leadership in Russia and CIS
- Produce 55 M tons of Coated Paper to become Russian only domestic supplier of CFS
- Integrate Koriazhma export market pulp into higher value-added paper for Domestic market
- 60% construction complete

Post Start-up Ilim will become the only coated free sheet producer in Russia

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Market Impact of Ilim Build-Out

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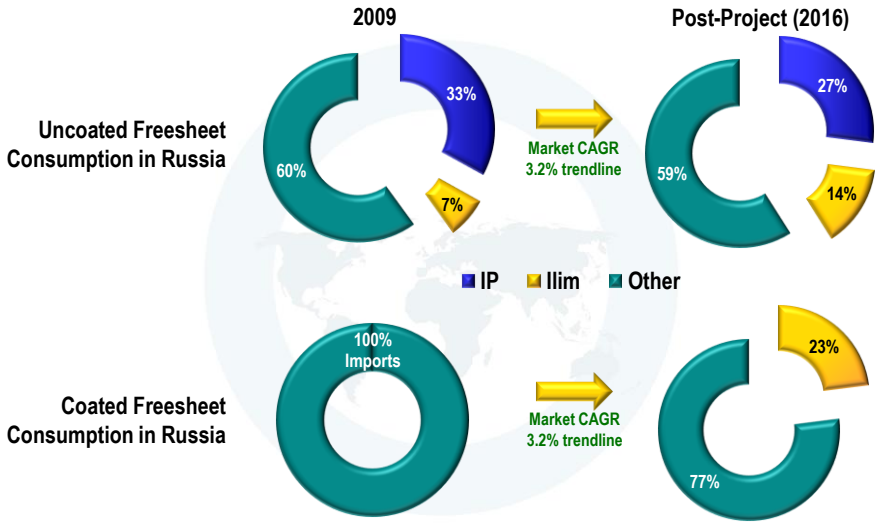

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Koryazhma Finishing Area, April 2012

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Koryazhma PM #7, May 2012

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Conclusion

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- Business and partnership performing well
- Capital project execution successful in challenging environment
- Future development prospects could be very attractive
- Russian economy solid
- Political situation stable

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EMERGING MARKETS PANEL Q&A
INVESTOR DAY 2012


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Financial Update & Capital Allocation
Carol Roberts, Chief Financial Officer

Agenda

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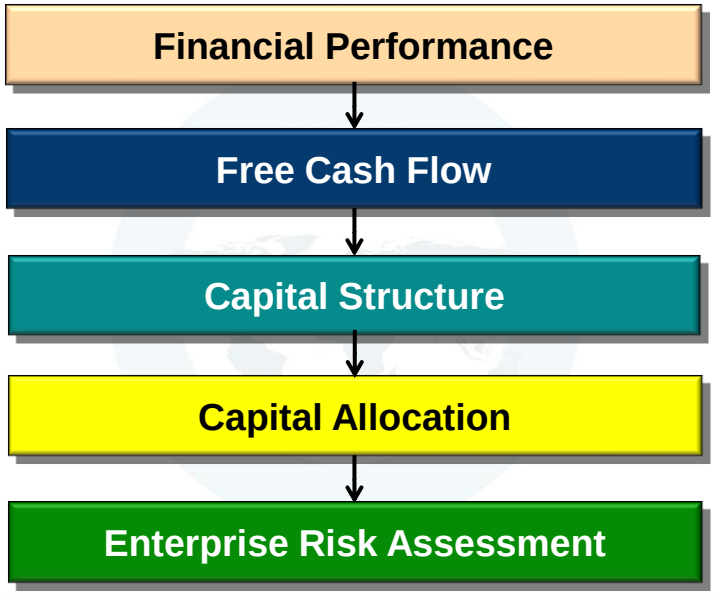

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Step-Change in Financial Performance

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- Strong full-year 2008-2011 results – despite downturn
- Margin expansion and emerging market growth driving earnings improvement
- Solid operations and cost management performance across businesses and geographies
- Structural improvements in IP's N.A. businesses
- Outstanding results from ILIM JV
- Excellent cash generation
- Improving return on investment

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Reaching Our Post Transformation EBITDA Potential

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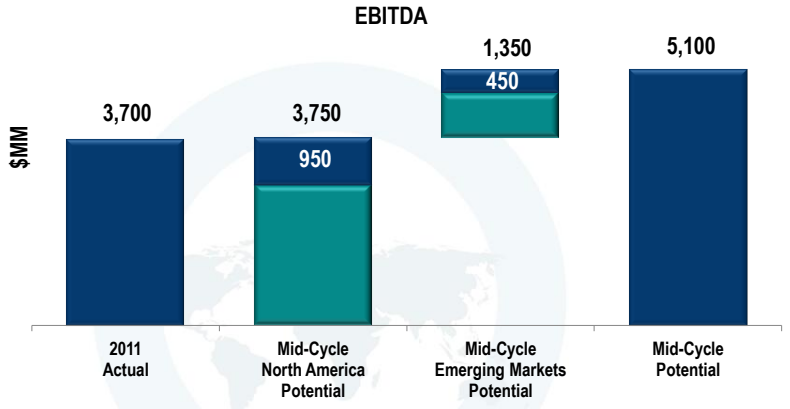

Revenue ($B)	26.0B	24.7	7.8	32.5
EBITDA ($B)	3.7	3.75	1.35	5.1
Cap. Emp. ($B)	21.9	~75%	~25%	26.5
ROI	8%	9%	10%	9%

Earnings before special items

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Mid-Cycle Free Cash Flow Potential

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$Billion	2011	Mid-Cycle Potential
EBITDA	3.7	5.1
Interest / Cash Tax / Other	(0.8)	(1.4)
Cash Flow From Operations	2.9	3.7
Capital Spending	(1.2)	(1.5)
Free Cash Flow[1]	1.7	2.2

Earnings before Special Items

[1] Free cash flow before dividends; 2011 excludes a $209 MM increase in working capital related to the cessation of the European A/R securitization program, $123 MM tax receivable collected related to pension contributions, $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding a timber monetization. 2015 excludes similar items.

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IP's Cash Flow Considerations

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- Maintain strong balance sheet and credit rating
- Systematically return cash to shareholders
- Selective reinvestment
- Effective capital spending

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IP's Balanced use of Cash

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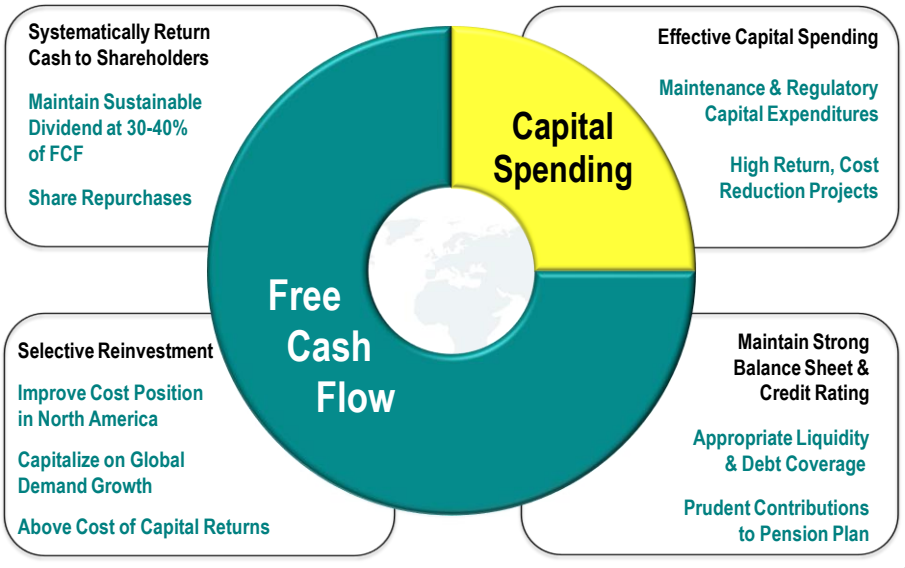

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IP's Cash Generation Enables Return of Capital & Reinvestment

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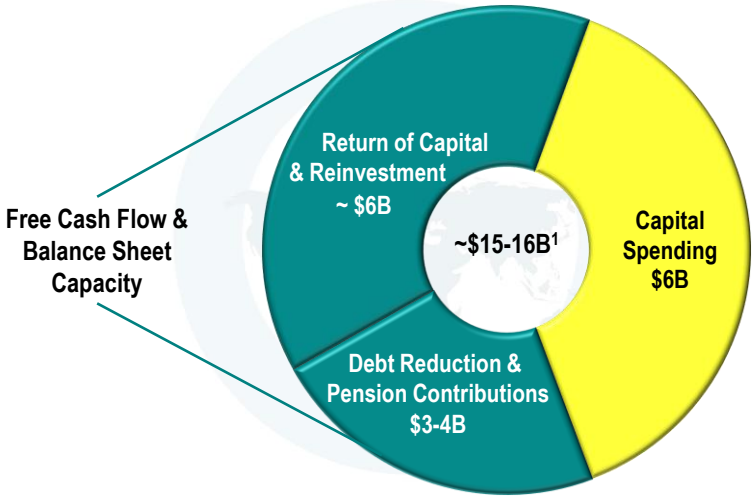
Capital Allocation Priorities (2012-2015)



[1] Estimated total cash capacity over period
Reinvestment & Returns may include: dividends, share repurchases, acquisitions and incremental strategic capital spending

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Capital Spending 2012 - 2015

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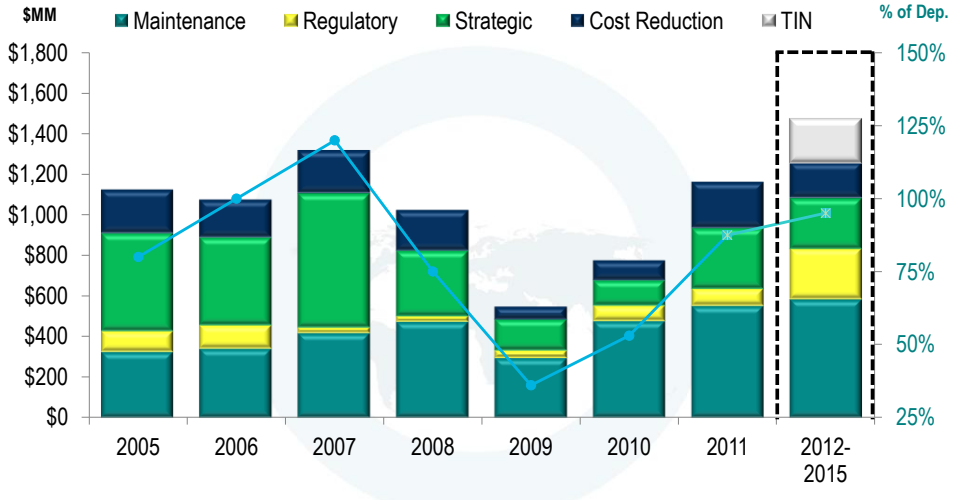

~$1.5B Annually / ~95% Depreciation (85% w/o Boiler MACT)

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Capital Spending
Maintenance & Other

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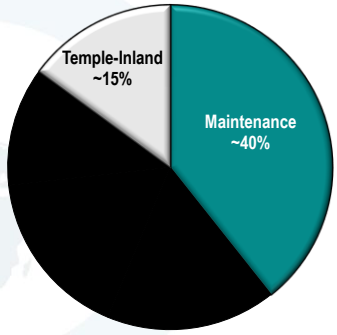
- 1,800+ individual projects per year
- Paper machine reliability
- Temple-Inland and India 2011 spending run rate

2012-2015 Spending ($6B)



~$800MM[1] avg. incl. TIN / Infrastructure improvements & reliability

[1] Annually

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Global Mill Efficiency Continues to Improve

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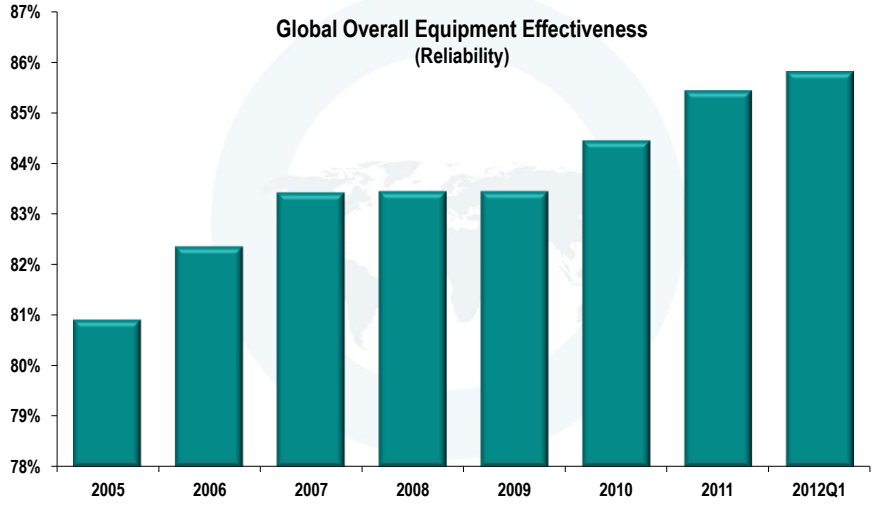
1% improvement is worth $80MM – $100MM



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Capital Spending
Regulatory

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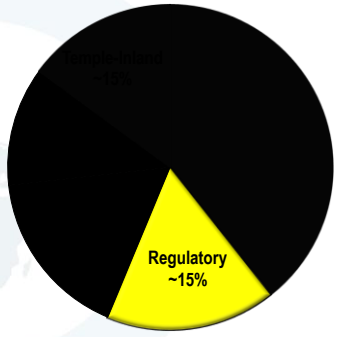
- Air emissions
- Chemical safety regulations
- New homeland security rules
- Safety improvements
- Effluent treatment improvements
- Boiler MACT capital est. ~$625MM over period

2012-2015 Spending ($6B)



~$100MM[1] historical avg. moving to ~$250MM[1] avg. due to Boiler MACT

[1] Annually

Capital Spending
Strategic

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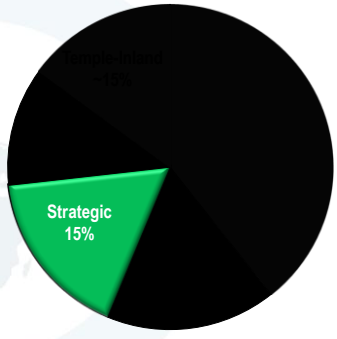
Examples:

- Sun JV PM 26
  - $280MM, 12% IRR
- Franklin Fluff Pulp
  - $90MM, 20% IRR
- Spain Box Plant
  - $56MM, 22% IRR
- India Cutsize Expansion
  - $16MM, 15% IRR

2012-2015 Spending ($6B)



~$250MM[1] Avg. / Growth outside U.S. + Improve Cost Position In N.A.

[1] Annually

Capital Spending
Cost Reduction

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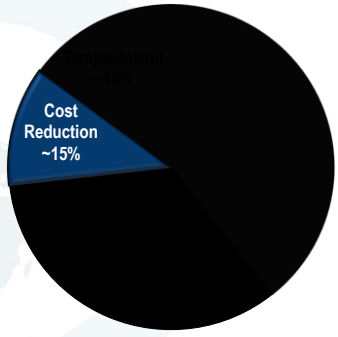
Examples:

- Mogi Guacu Brazil Biomass Boiler
  - $90MM, 30% IRR
- Svetogorsk Russia Mill Heat & Power
  - $40MM, 37% IRR
- Bogalusa Woodyard Upgrade
  - $30MM, 30% IRR
- Valliant Pulp Washing Improvements
  - $27MM, 30% IRR
- Kwidzyn De-inking Improvements
  - $5MM, 40% IRR

2012-2015 Spending ($6B)



~$175MM[1] avg. / High Return, Cost Reduction Projects

[1] Annually

Energy Cost Reduction Capital Impact

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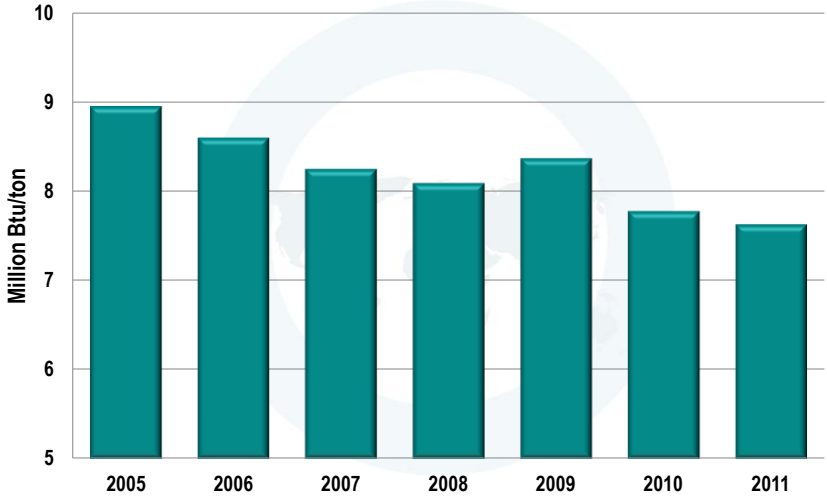
U.S. Mill Purchased Energy Consumption Reduced by 15% since 2005 (~$300MM)



Includes purchased electricity and steam, coal, purchased wood waste, and other materials

Capital Spending Plan & Priorities

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- Spending at or below depreciation over the planning period
- Prioritize high return, cost reduction projects
- Implement Boiler MACT
- Strategic capital to improve cost position and capture growth outside the U.S.
- Enterprise approach to capital allocation
- Integrate Temple-Inland into enterprise capital program

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IP's Cash Generation Enables Reinvestment and Return of Capital

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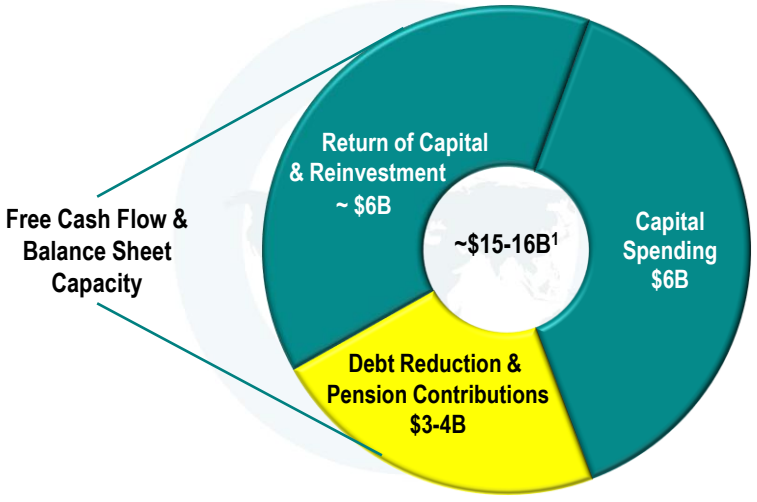
Capital Allocation Priorities (2012-2015)



[1] Estimated total cash capacity over period
Reinvestment & Returns may include: dividends, share repurchases, acquisitions and incremental strategic capital spending

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Maintain Competitive Investment Grade Rating

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Moody's		S&P	
Aaa		AAA	
Aa1		AA+	
Aa2		AA	
Aa3		AA-	
A1		A+	
A2		A	
A3		A-	
Baa1		BBB+	
Baa2		BBB	IP, DOW, MWV, PKG
Baa3	IP, AA, UFS, DOW, PKG	BBB-	AA, RKT, UFS,
Ba1	MWV, RKT	BB+	
Ba2		BB	
Ba3		BB-	
B1		B+	
B2		B	
B3		B-	

PEER GROUP RANGE

Investment Grade

Non-Investment Grade

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Strong Balance Sheet
Target: Adjusted Debt < 3X Adjusted EBITDA

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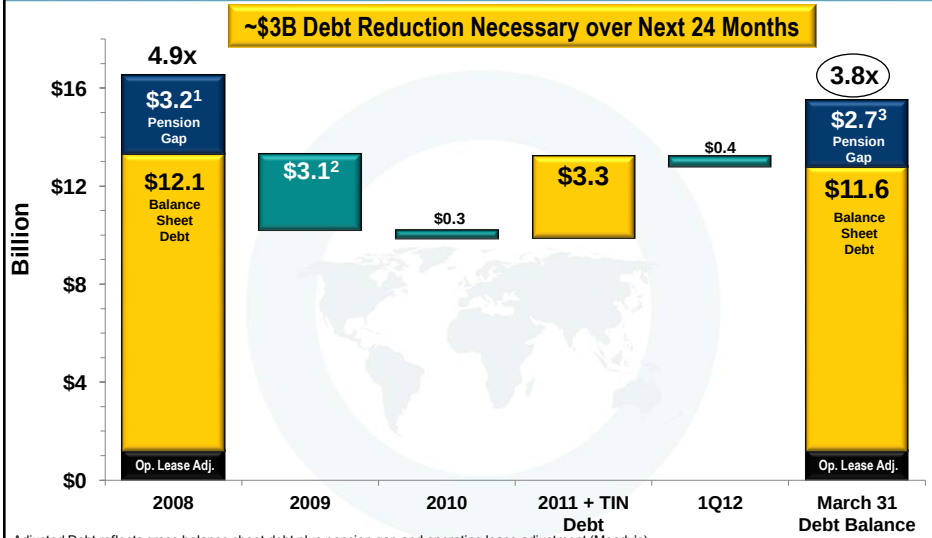

Adjusted Debt reflects gross balance sheet debt plus pension gap and operating lease adjustment (Moody's)
EBITDA based on 2008 adjusted EBITDA of $3.4B and 2012 adjusted First Call EBITDA of $4.1B (Moody's)
[1] Pension gap as of 12/31/08
[2] Excludes debt repayments of $2.75 B from the proceeds of bonds issuances of $2.75 B
[3] IP + Temple-Inland pension gap; March 31 pension gap reflects the re-measurement of Temple-Inland's pension on February 13.

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Maturity Profile
Target up to $1B per year

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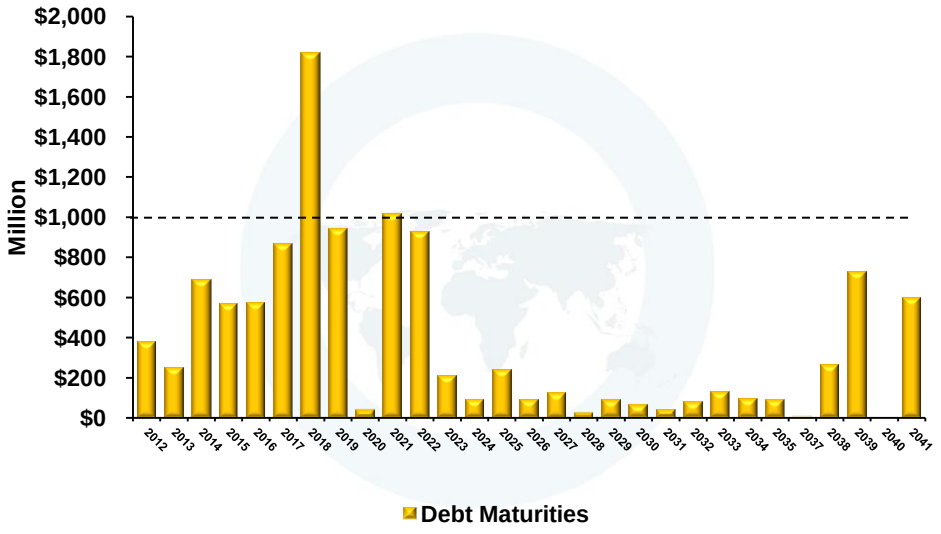

Maturities as of 3/31/12, excludes monetization and International bank debt

Pension Plan Update

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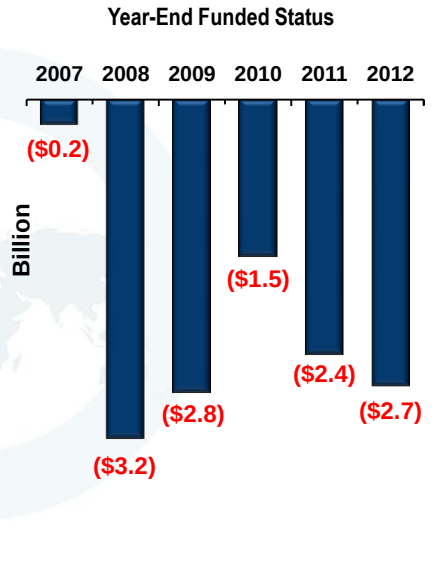
- No contribution 1960-2005
- $2.5B contribution 2006-2011
- No IP plan contribution required in 2012 ($26MM for TIN)
- ~$0.5B contribution required in 2013
- Further contributions expected over 2014/2015 timeframe



Economic Benefit of Pension Contributions

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- Tax deductible
- Reduces Pension Benefit Guaranty fee (0.90%)
- Improves debt coverage
  - Pension gap impacts adjusted debt dollar for dollar (Moody's)
- Contributions have strong economics with tax treatment
  - Expected return of ~13%

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Liquidity Management & Debt Reduction
Principles

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- Total adjusted debt to adjusted EBITDA target of < 3X
- Target maturities up to $1B per year
- Backup liquidity of ~20% of debt

Debt and EBITDA adjusted per Moody's methodology

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IP's Cash Generation Enables Reinvestment and Return of Capital

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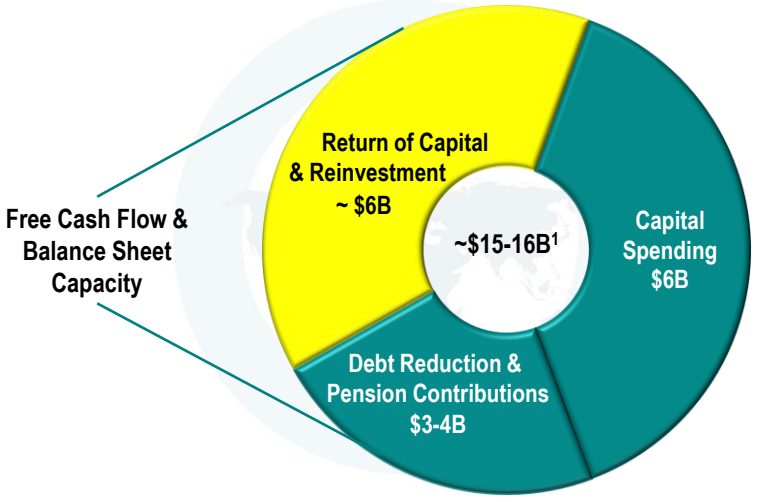
Capital Allocation Priorities (2012-2015)



[1] Estimated total cash capacity over period
Reinvestment & Returns may include: dividends, share repurchases, acquisitions and incremental strategic capital spending

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Dividend History

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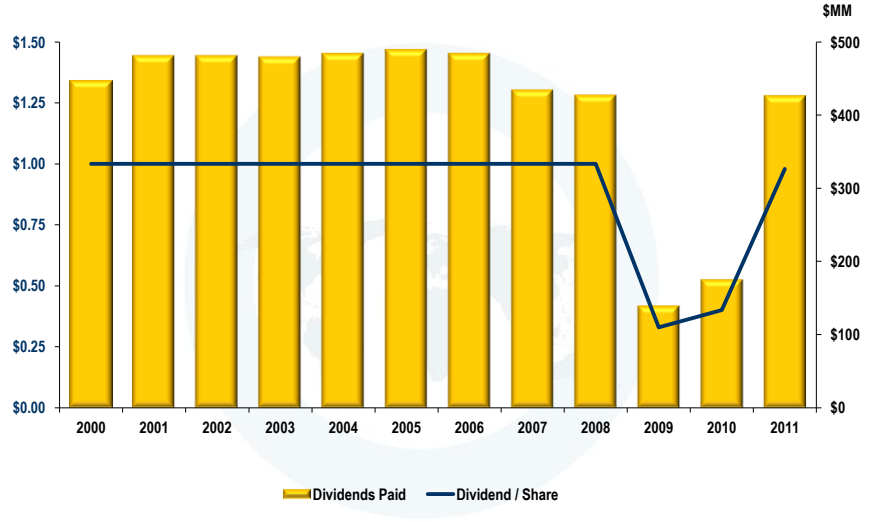

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Dividend Payout / FCF

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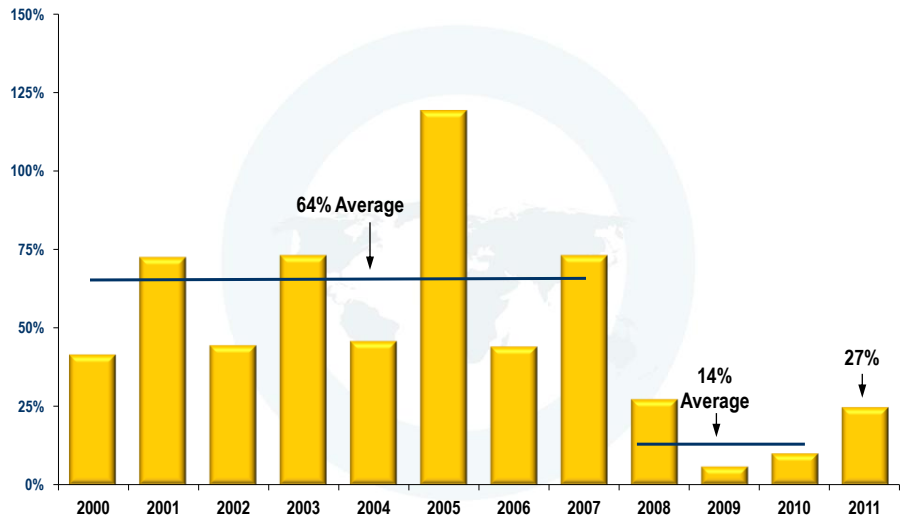

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Sustainable Dividend Throughout the Cycle

Target 30 – 40% of Potential FCF

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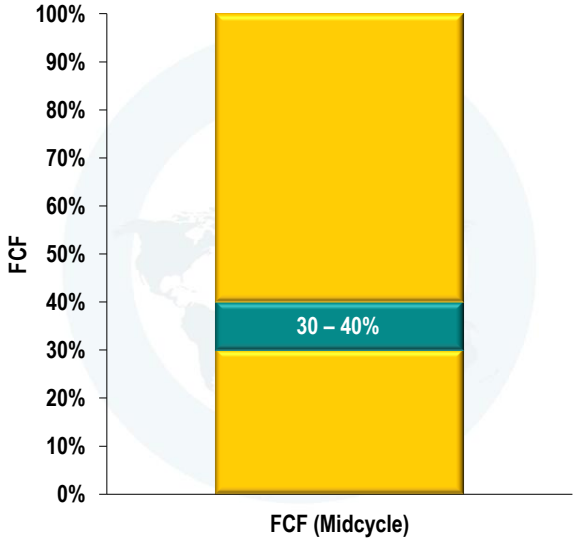

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Sustainable Dividend
Target 30 – 40% of FCF

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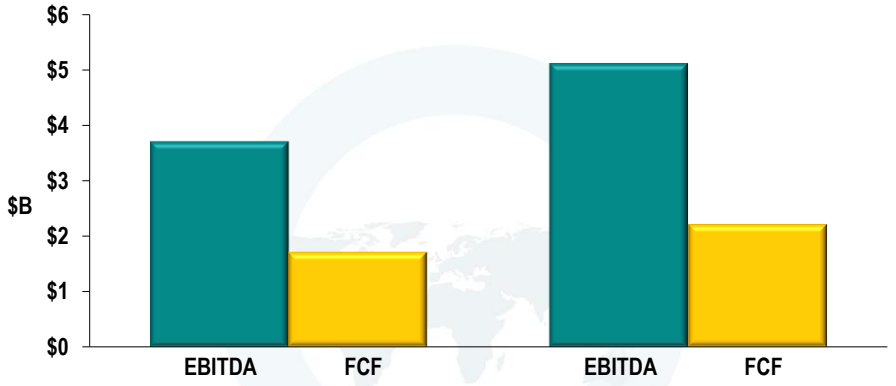

	2011	Mid-Cycle Potential
%FCF	27%	30%-40%
Dividend per Share	$1.05	~$1.45-$1.95
Paid Dividends $MM	$460	~$650-$850

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Future Strategic Earnings Drivers

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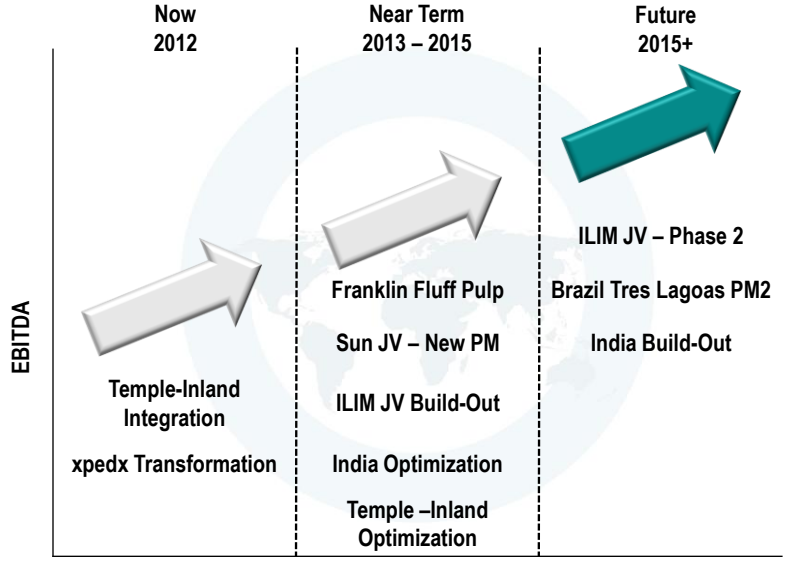

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Risk Framework

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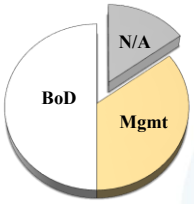
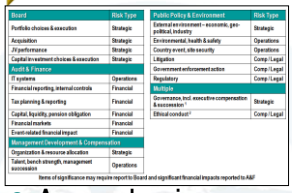
Risk Universe



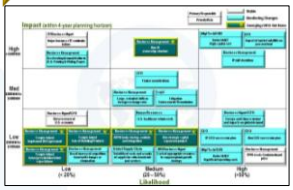
- Management owns risk
- Combination of management and board oversight
- Certain risks do not apply to IP

Enduring Risks



- A comprehensive inventory of enterprise risks relevant to IP
- Typically do not change from year to year
- Generally well understood and managed
- Categorized and assigned owners

Priority Risks



- Significant risks which have potential near-term consequences
- Require active management response
- Relate to one or more Enduring Risk categories

Enterprise Priority Risks

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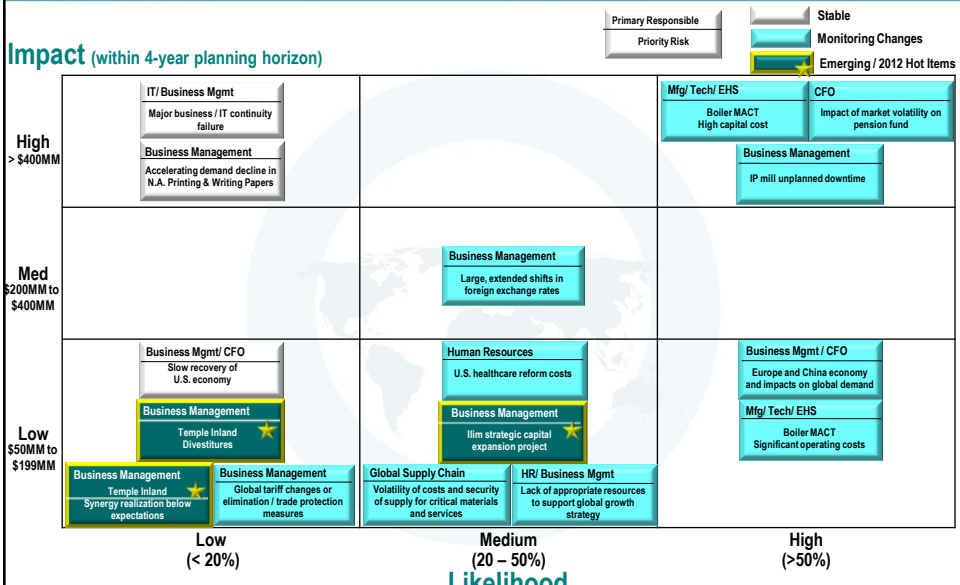

For a comprehensive discussion of IP's risk factors; see "Risk Factors" in the company's 2011 10-K.

Cash Allocation Summary

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- Strong free cash flow expected
- Continued balanced use of cash
  - Increase dividend over time
  - Capital spending @$1.5B average with Boiler MACT
  - Debt reduction over next 12 – 24 months
  - Fund pension, de-risk over time
  - Selective reinvestment
- Structured enterprise risk assessment and management
- Increasing EBITDA and FCF will create further opportunity

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Closing Remarks

John Faraci, Chairman and Chief Executive Officer

IP Today

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- More Focused
- Stronger Businesses
- More Global
- Lower Cost
- More Profitable
- Higher, More Sustainable Cash Flow

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Global Economic Backdrop - 2012

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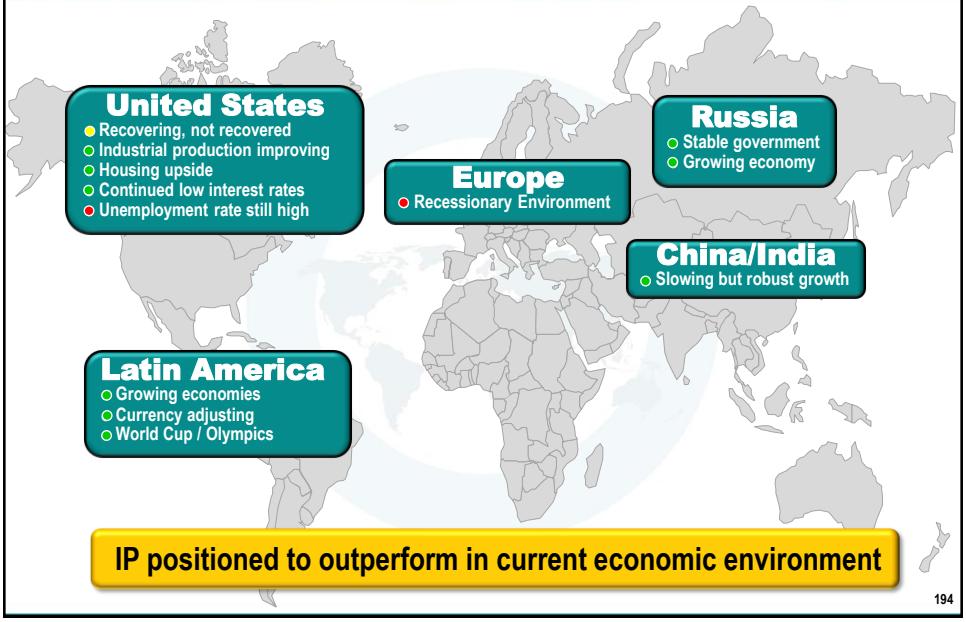

IP positioned to outperform in current economic environment

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Strategic Earnings Drivers

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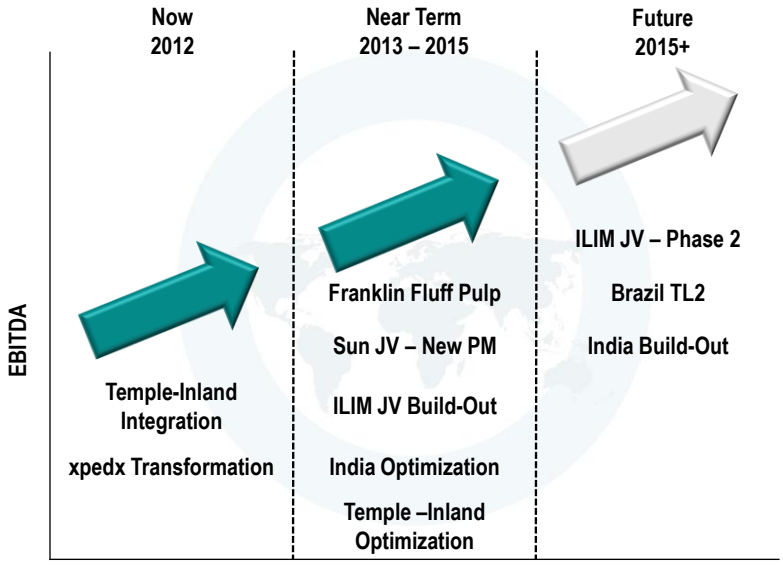

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Reaching our Post Transformation Potential

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	2005	2011	Mid-Cycle Potential
Revenue ($Billion)	24	26	33
EBITDA[1] ($Billion)	2.8	3.7	5.1
EBITDA Margin	12%	14%	15%
Free Cash Flow[2] ($Billion)	0.4	1.7	2.2
ROI	4%	8%	9%

Earnings before Special Items

[1] 2005 EBITDA includes discontinued operations.

[2] Free cash flow before dividends; 2011 excludes a $209 MM increase in working capital related to the cessation of the European A/R securitization program, $123 MM tax receivable collected related to pension contributions, $300 MM cash paid for voluntary pension contribution and $175 MM cash received from unwinding a timber monetization. 2015 excludes similar items.

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What Success Looks Like

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Developed, Global Leaders
Advantaged, Low Cost Positions in Core Businesses

RESULTS

- Higher Free cash flow / Another step-change up
- Strong balance sheet
- Returns above the cost of capital
- Cash back to shareholders

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Q&A
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Appendix

Global Demand Trends

Global Demand Trends

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- Global Corrugated Packaging – Containerboard and Boxes
- Global Papers – Uncoated Free Sheet
- Global Consumer Packaging – Virgin Coated Paperboard
- Global Market Pulp – Bleached Softwood and Fluff

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Global Corrugated Packaging
Containerboard & Boxes

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30 Million Tons of Growth thru 2015



- Global demand drivers
  - Non-durable industrial production (U.S.)
  - Gross domestic product (rest of world)
  - Sustainability – "green packaging"
- Global trade flows
  - Box production is regional
  - Majority of containerboard demand growth will be met by new regional recycled capacity
  - Global trade flows are predominantly virgin
  - Incremental virgin containerboard demand growth will be supplied by existing capacity with access to low cost, softwood fiber (U.S. / Brazil / Russia)

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Global Corrugated Packaging
Containerboard Demand

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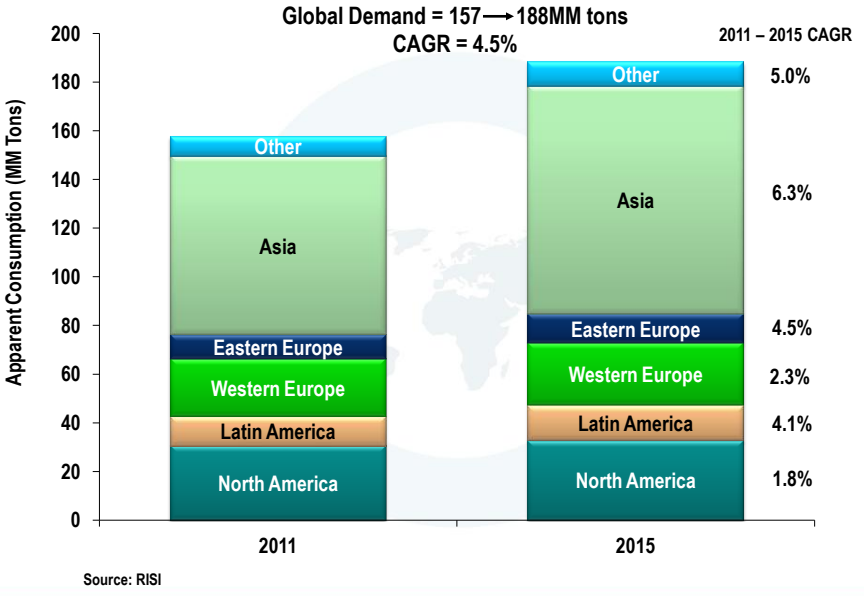

Source: RISI

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Global Corrugated Packaging
Containerboard Trade Flows

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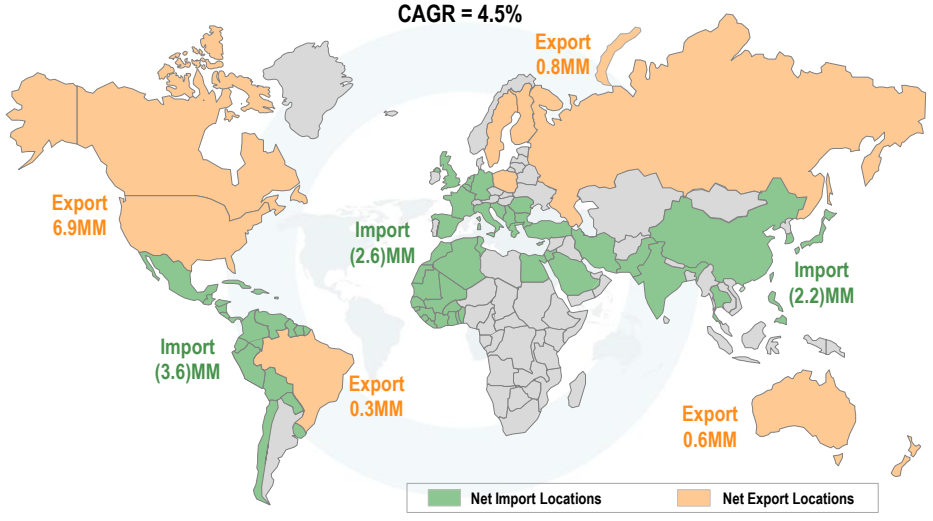
Global Demand = 157⟶188MM tons
CAGR = 4.5%



Source: RISI, IPG Analysis

Global Printing Papers
Uncoated Free Sheet

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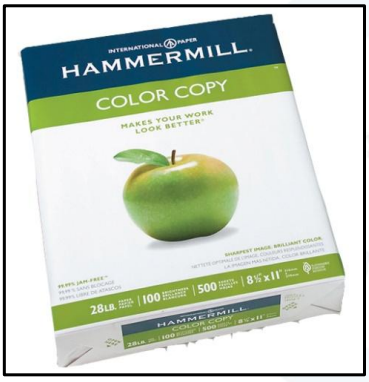
5 Million Tons of Growth thru 2015



- **Global demand drivers**
  - Secular decline (U.S. and Europe)
    - Electronic substitution
    - White-collar employment
  - Gross domestic product (rest of world)
  - Used in multiple applications
  - Growth in emerging markets is greater than the decline in mature markets
- **Global trade flows**
  - Emerging market growth will be met by existing capacity as well as new regional capacity
  - Trade flows primarily impacted by supply / demand imbalances and prevailing exchange rates

Global Printing Papers
Uncoated Free Sheet Demand

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Source: RISI

Global Printing Papers
Uncoated Free Sheet Trade Flows

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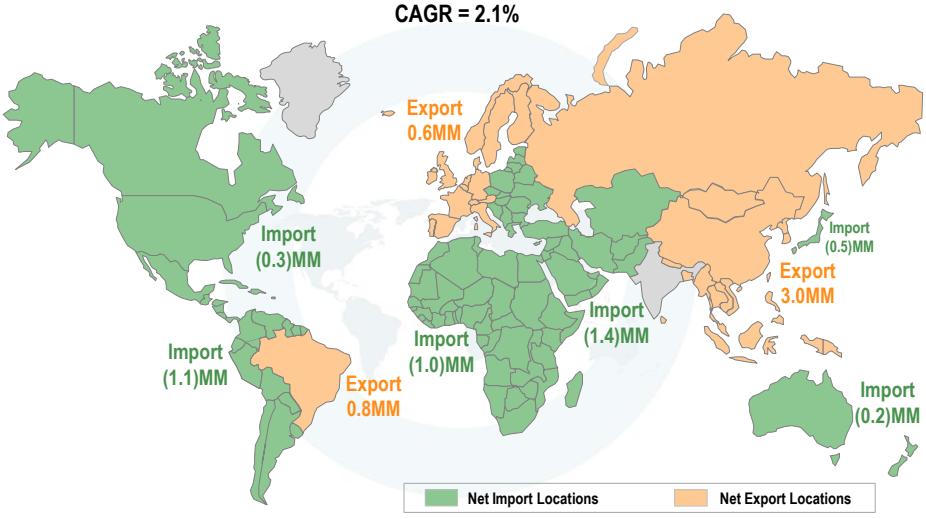

Source: RISI

Global Consumer Packaging
Virgin Coated Paperboard

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3 Million Tons of Growth thru 2015



- **Global demand drivers**
  - Consumer sentiment & non-durables (U.S.)
    - Growth in pharma, frozen food, qsr and retail beverage
    - Print advertising (Bristols)
  - Gross domestic product (rest of world)
  - Sustainability – 'green packaging'
- **Global trade flows**
  - Significant capacity expansion in Asia
  - Trade flows primarily from North America and Asia to support rest of world
  - Multiple substrates compete in folding carton space
  - Anti-dumping claim (China)

Global Consumer Packaging
Virgin Coated Paperboard Demand

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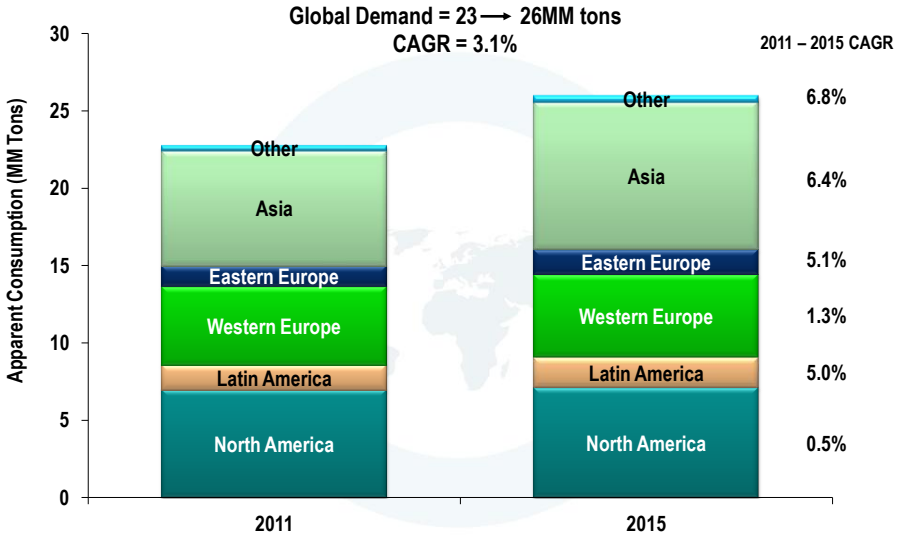

Virgin Cartonboard = SBS, FBB, CUK, LPB & Ctd. Bristols
Source: Poyry, CEPI, AF&PA, RISI, IP Analysis

Global Consumer Packaging
Virgin Coated Paperboard Trade Flows

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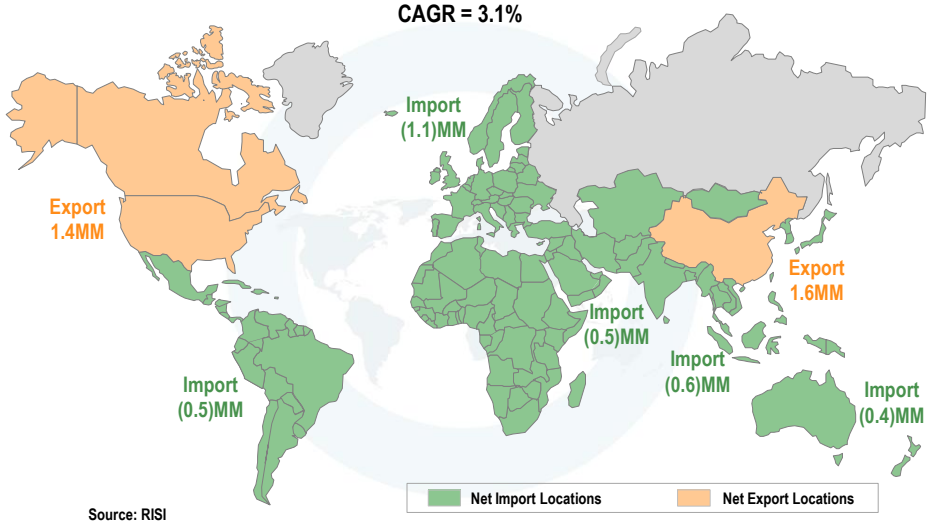
Global Demand = 23 ⟶ 26MM tons
CAGR = 3.1%



Source: RISI
Virgin Cartonboard = SBS, FBB, CUK, LPB & Ctd. Bristols
Source: Poyry, CEPI, AF&PA, RISI, IP Analysis

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Global Market Pulp
Bleached Softwood Pulp

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2 Million Tons of Growth thru 2015



- **Global demand drivers**
  - Printing and writing
  - Tissue and towel
  - Specialty
  - China will drive global demand
- **Global trade flows**
  - Growth will be met by existing capacity as well as new regional capacity with access to low cost, softwood fiber

Source: PPPC Nov 2011

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Global Market Pulp
Bleached Softwood Pulp

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Source: PPPC Nov 2011

Global Market Pulp
Fluff Pulp

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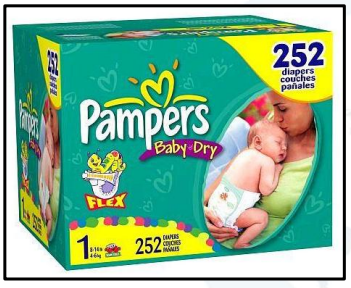
1 Million Tons of Growth thru 2015



- **Global demand drivers**
  - Population growth
  - Gross domestic product (emerging markets)
  - Fluff demand growth is concentrated in emerging markets while U.S. growth has slowed to less than 1%
- **Global trade flows**
  - Trade flows primarily from North America to support rest of world
  - Baby diapers remain the largest fluff segment globally, with Asia Pacific representing the largest region for most segments

Source: Euromonitor, John Starr, IP Pulp Analysis

Global Market Pulp
Fluff Pulp Demand

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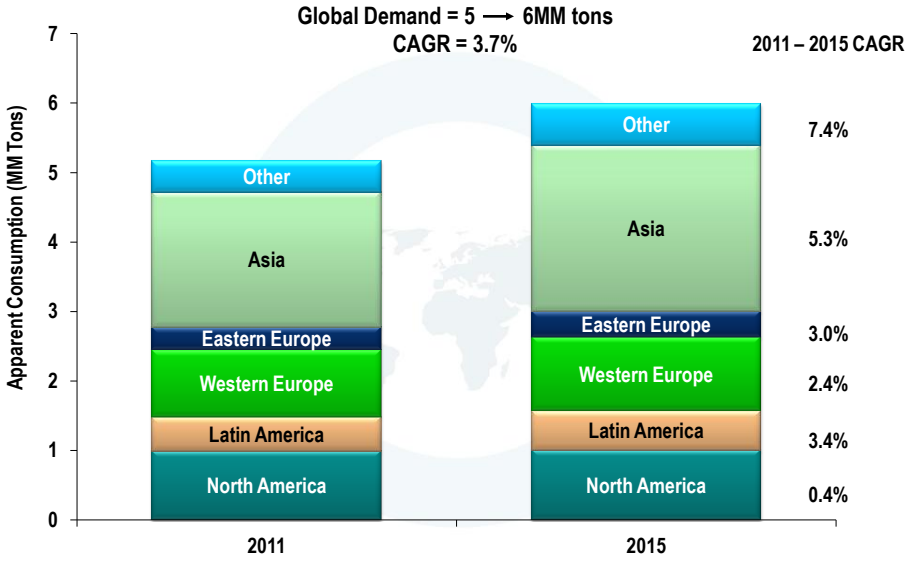

Source: Euromonitor, John Starr, IP Pulp Analysis

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REACHING OUR POTENTIAL
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