
INTERNATIONAL PAPER

Forward-Looking Statements

Certain statements in these slides and made during this presentation may be considered forward-looking statements. These statements reflect management's current views and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ include but are not limited to: (i) the level of our indebtedness and increases in interest rates; (ii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition we face, cyclicality and changes in consumer preferences, demand and pricing for our products; (iii) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation, changes in tax laws and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; (v) whether we experience a material disruption at one of our manufacturing facilities and risks inherent in conducting business through a joint venture; (vi) the failure to realize synergies and cost savings from the Temple-Inland Inc. (“Temple-Inland”) transaction or delay in realization thereof; and (vii) 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.

Statements Relating to Non-GAAP Financial Measures

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

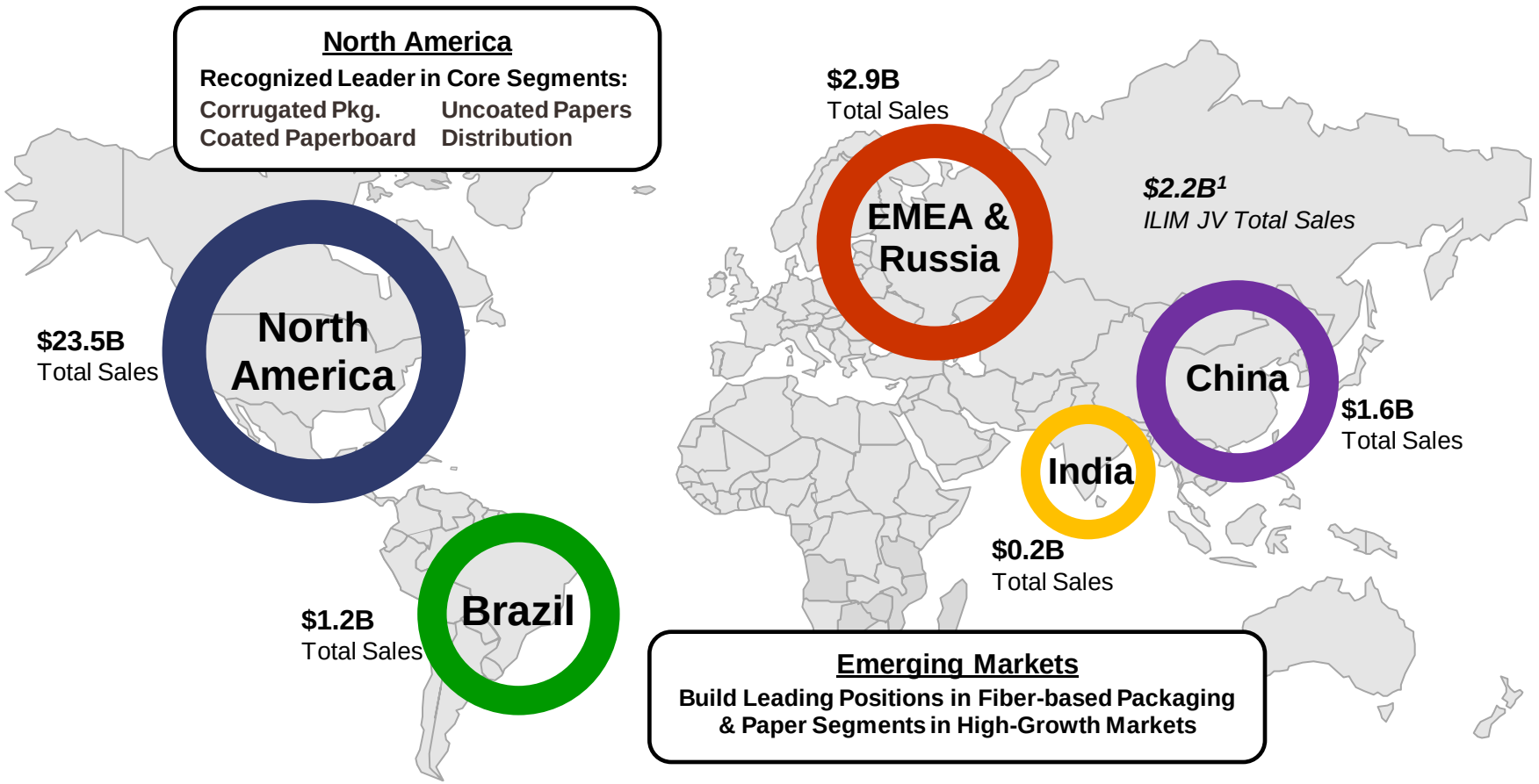
A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under "Investors"

Ilim JV Information

All 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. International Paper has not verified or audited any of this information. Ilim management has indicated that the financial information was prepared in accordance with International Financial Reporting Standards and extracted from Ilim's financial statements. Any 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 expressed or implied by such projections. See "Forward-Looking Statements."

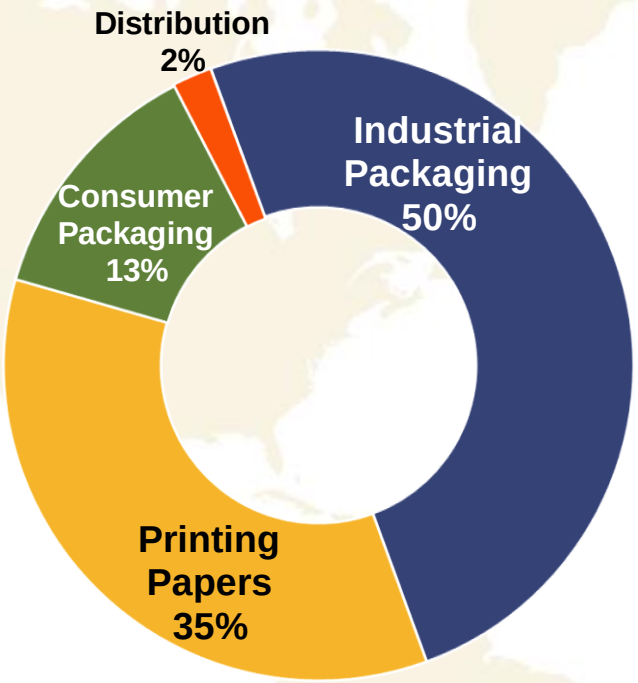
- **Significant runway with current portfolio**
- **Balanced growth of revenue and EBITDA**
  - ✓ North America consolidation and optimization
  - ✓ Emerging Market growth
- **Greater than cost of capital returns**
- **Increasing cash generation enables both reinvestment and return of capital to shareholders**

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

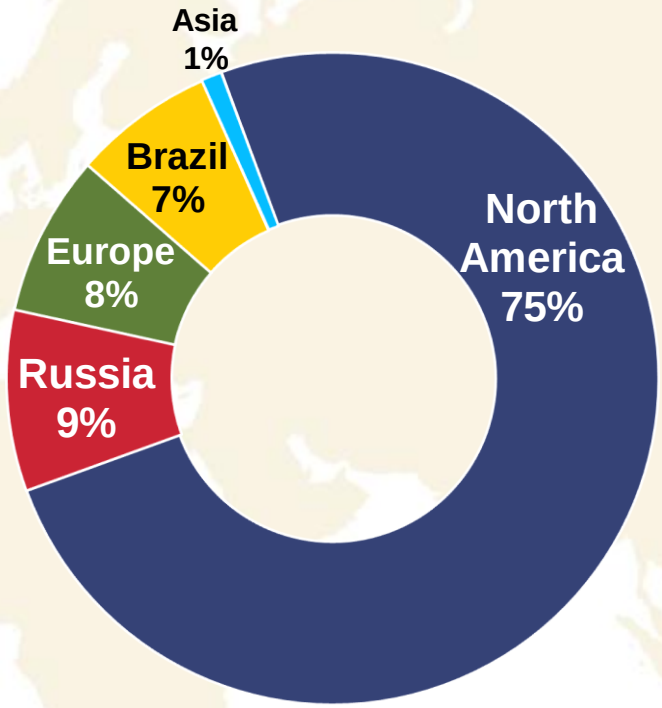


2011 IP + TIN total actual sales excluding Building Products
(India total sales are November and December 2011 actual sales annualized)
[1] ILIM JV total actual sales are not consolidated (IP owns 50% of JV)

EBITDA by Segment



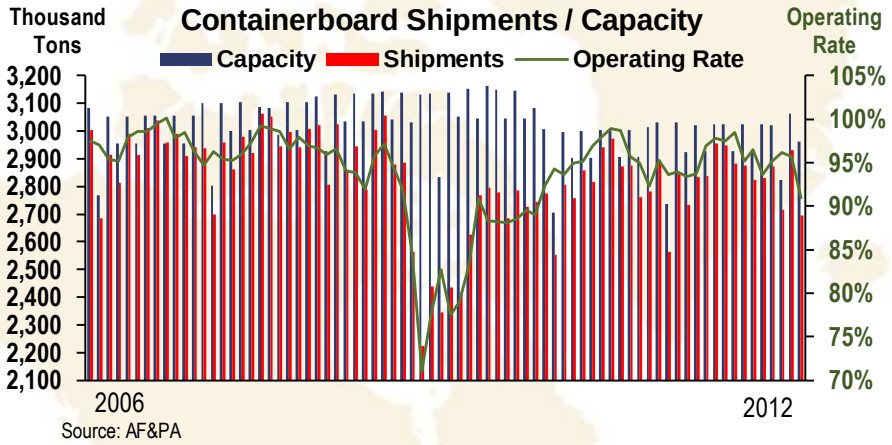
EBITDA by Region



Based on 2011 earnings from continuing operations before special items.
Combined EBITDA reflects TIN actual results less ($100) million for mill divestitures plus $300 million in synergies (2012 projected exit rate).
Russia includes the Svetogorsk mill and IP's share of Ilim JV equity earnings.
IP's share of Ilim JV equity earnings reflects approximate proportional adjustments for interest & tax.

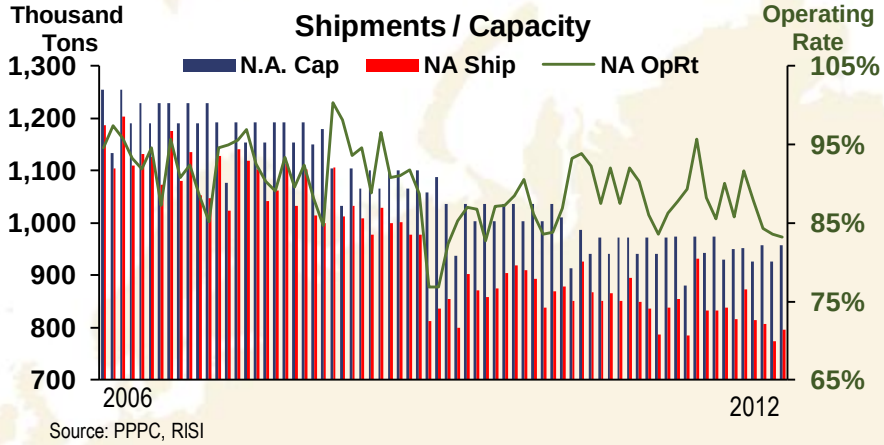
N.A. Packaging & Paper | Structural Improvements in Results

Corrugated Packaging



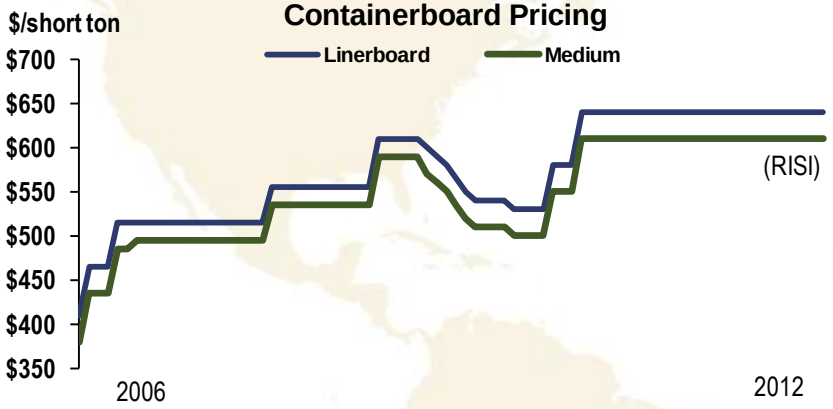
Source: AF&PA

Uncoated Freesheet

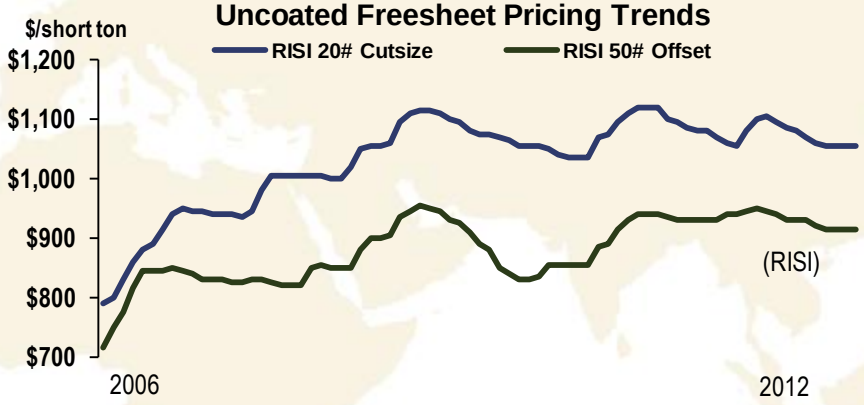


Source: PPPC, RISI

Containerboard Pricing



Uncoated Freesheet Pricing Trends

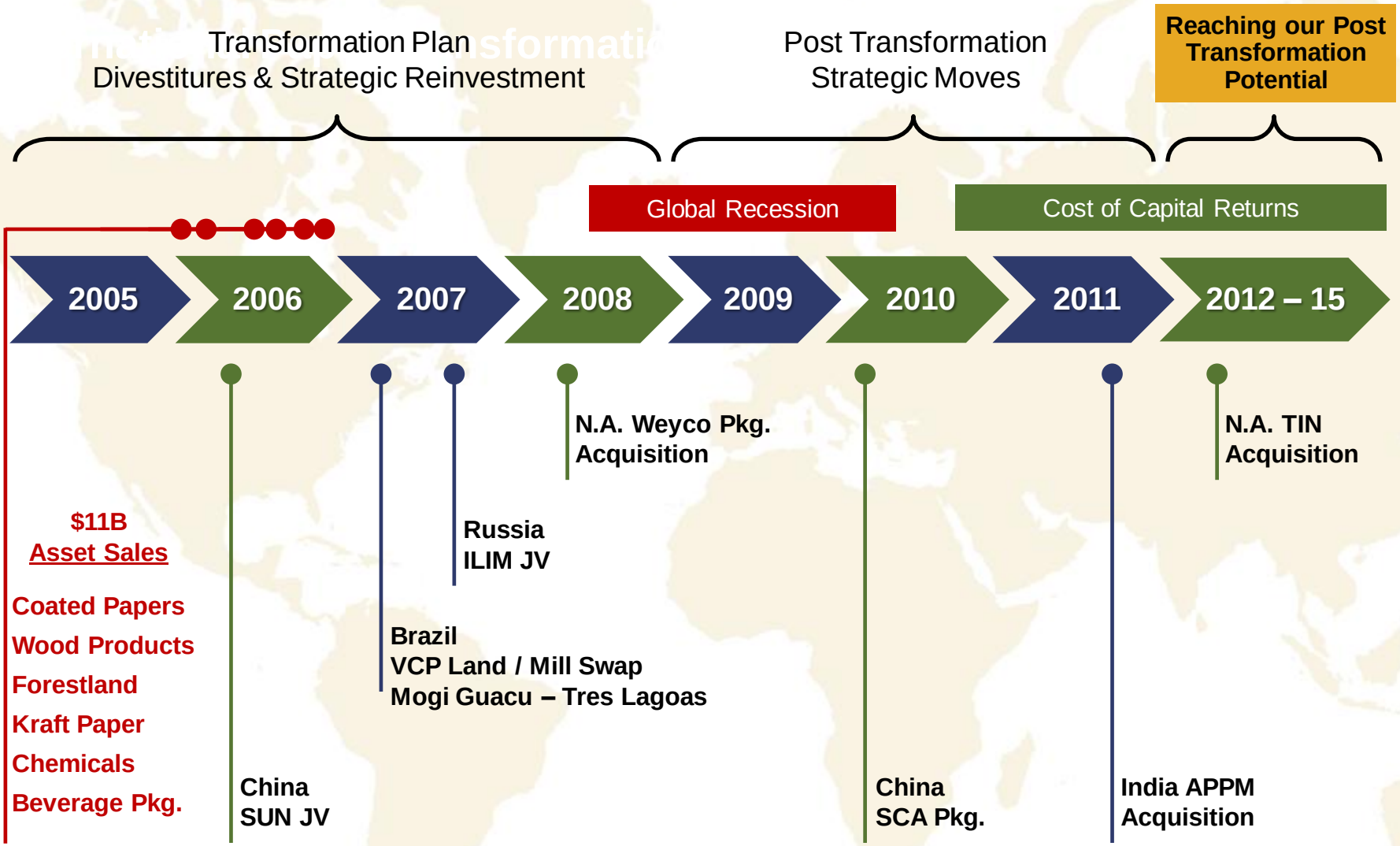


IP Industrial Packaging	2005	2011
EBITDA Margin	8%	20%
ROI (before special items)	2%	10%

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

2011 Excludes Recycling businesses; includes Saturating Kraft & Bag business

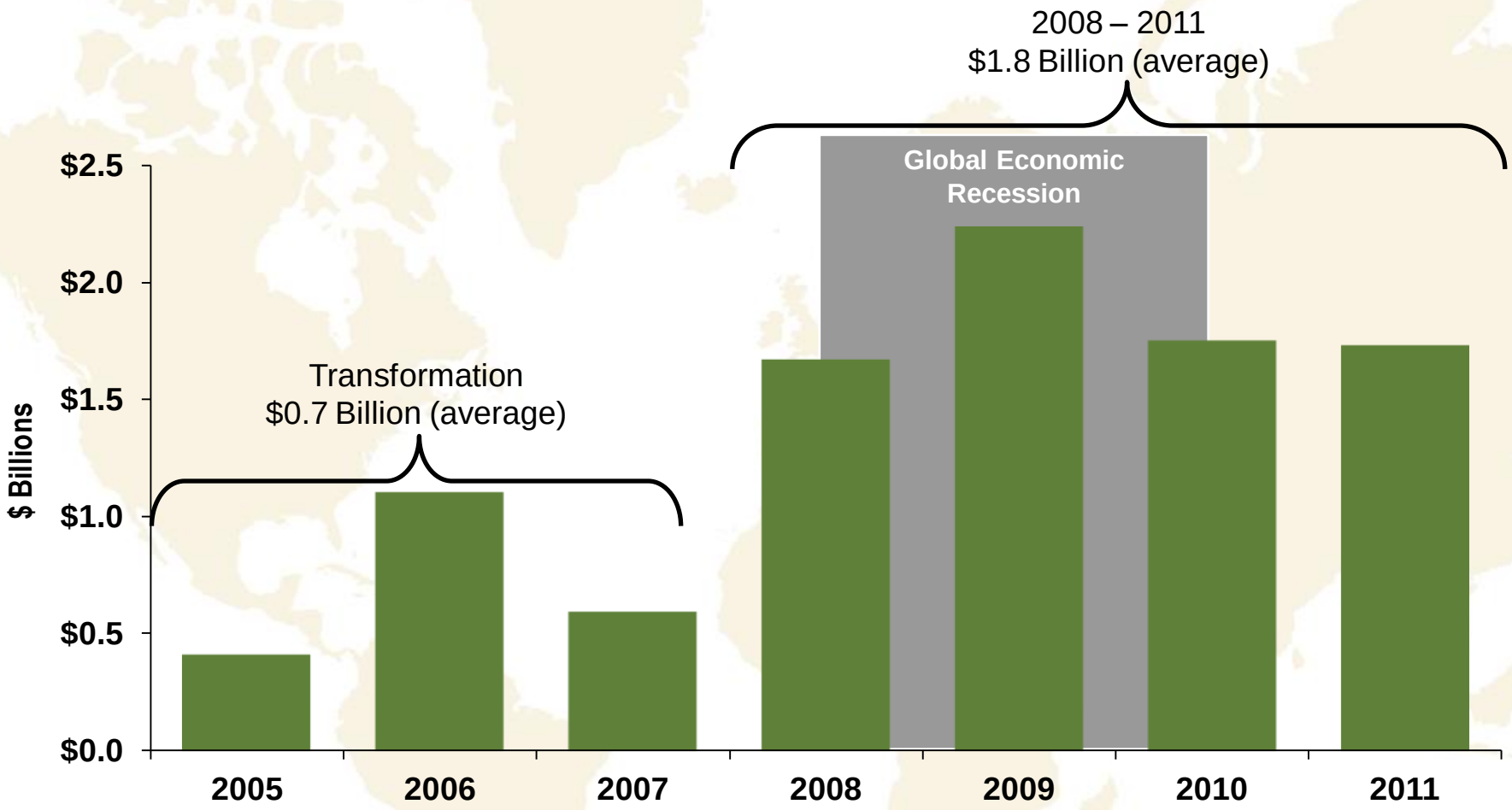
International Paper Transformation | Timeline



Repositioned & Well-Positioned

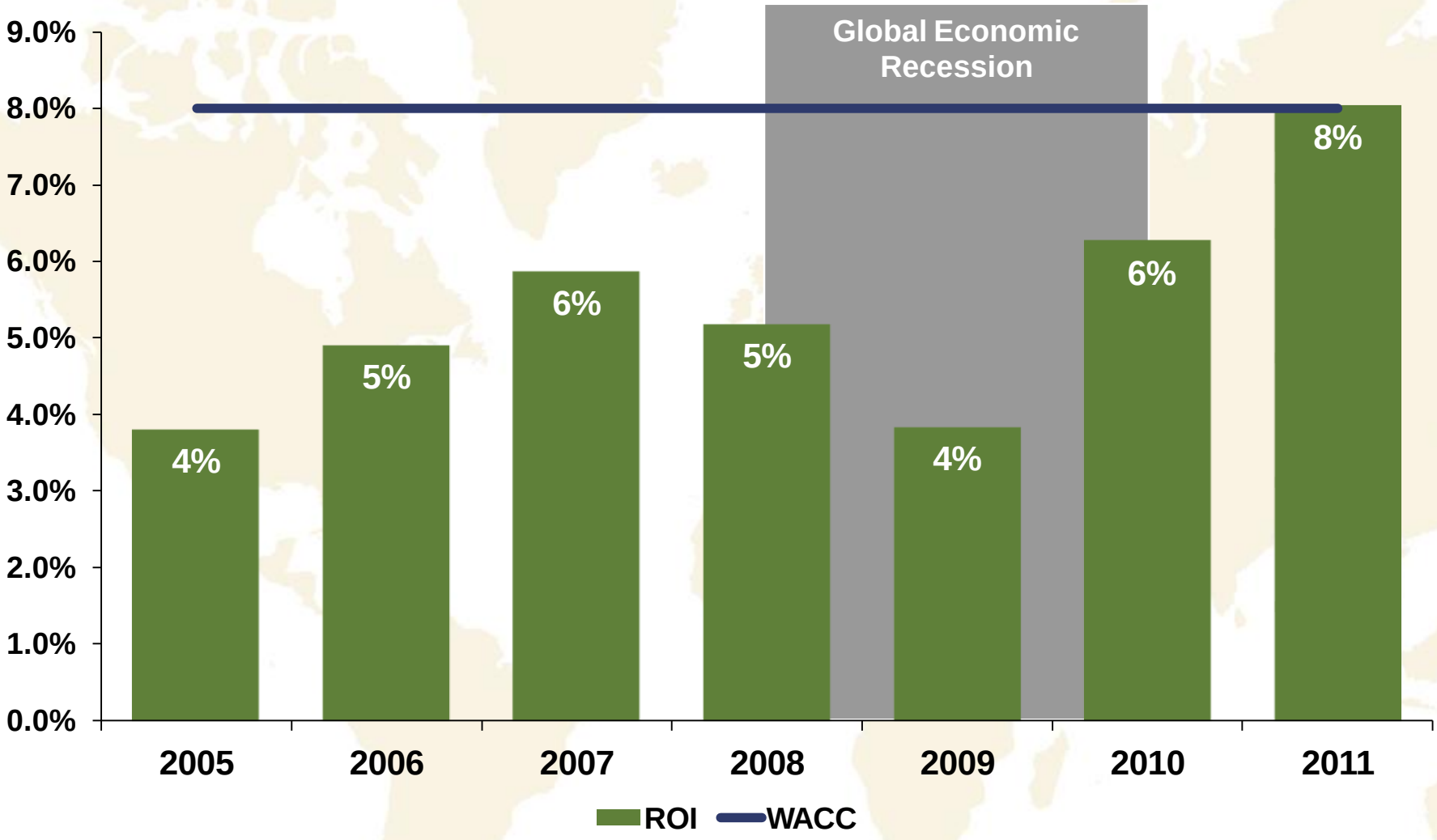
	Supplier Position	
North America	**2005**	**2012**
Corrugated Packaging	3	1
Uncoated Papers	1	2
Coated Paperboard	1	1
Distribution	1	1
Emerging Markets		
Brazil – Uncoated Papers	2	1
Russia – Paper, Pulp & Packaging	3	1
India – Uncoated Papers	–	4
China – Coated Paperboard	–	2

Step-Change Improvement in Free Cash Flow

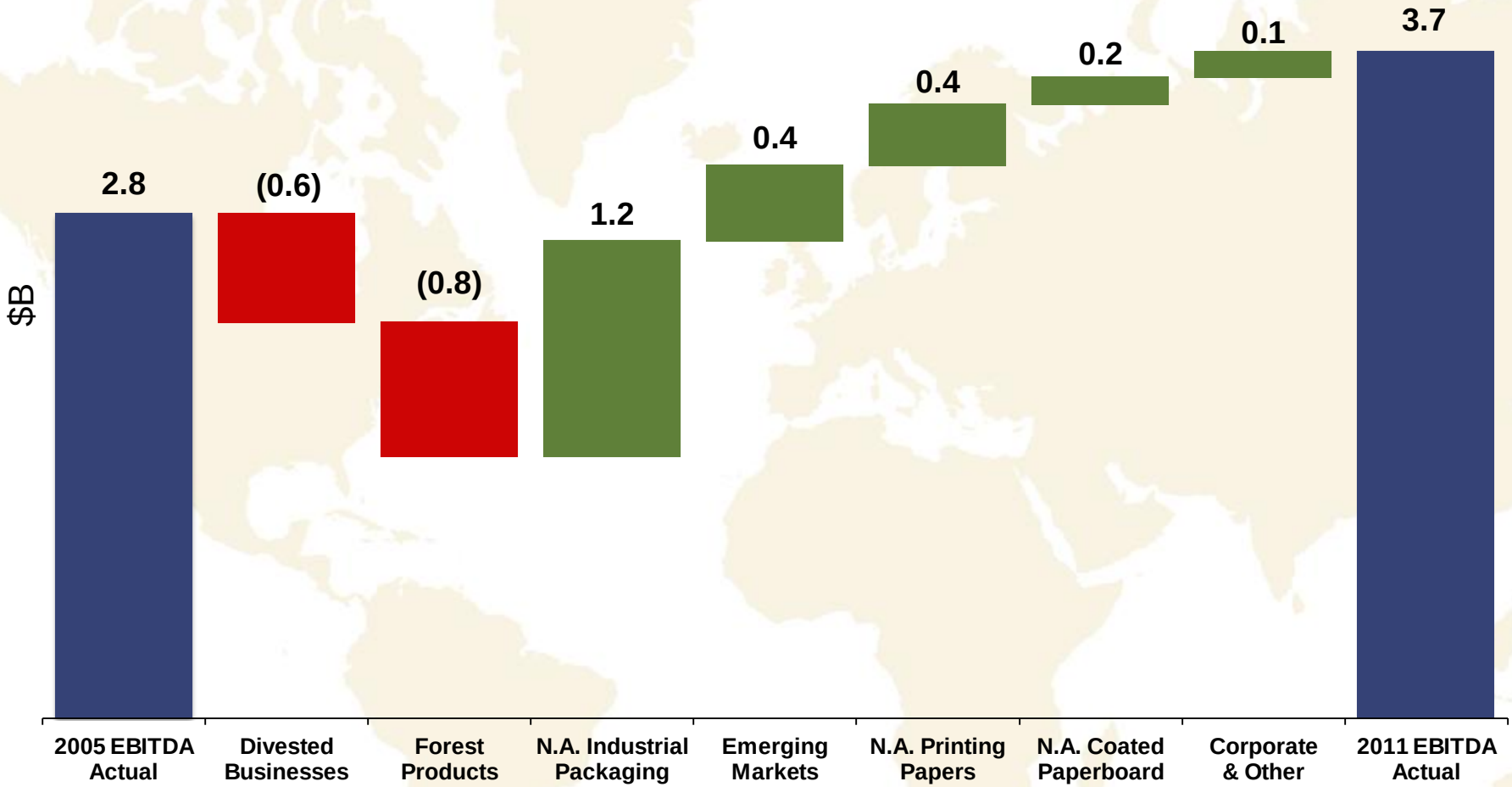


Free cash flow, based on data in the 10-K for each year at the time of filing.
Excludes net cash pension contributions impacting 2006, 2010 & 2011, cash flows under European accounts receivable securitization beginning in 2009 and ending in 2011, and cash received from Black Liquor Tax Credits in 2009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

Improving Return on Investment

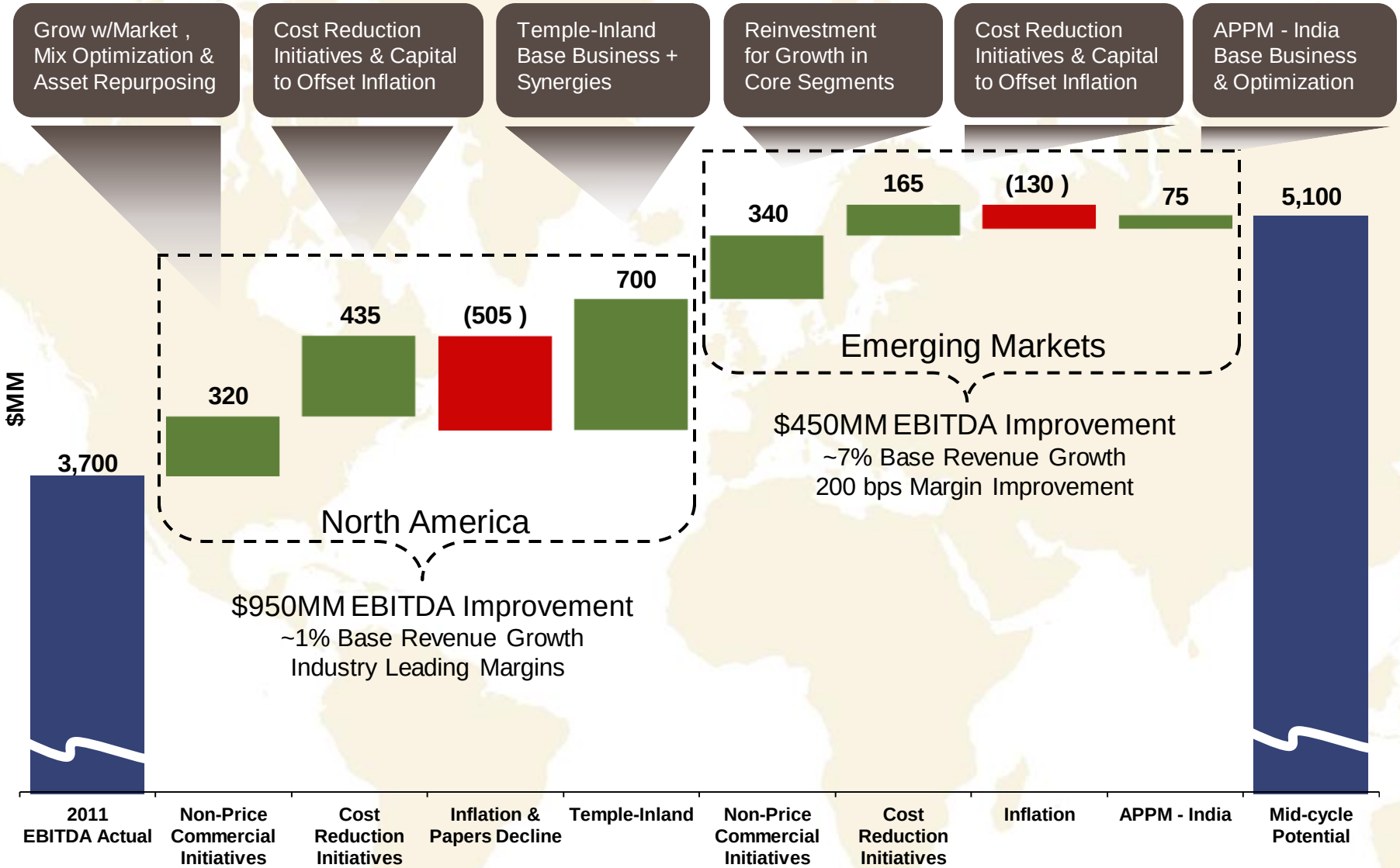


Step-Change Improvement in EBITDA



Earnings before special items

Reaching Our Post Transformation EBITDA Potential



Earnings before special items

Reaching our Post Transformation Potential

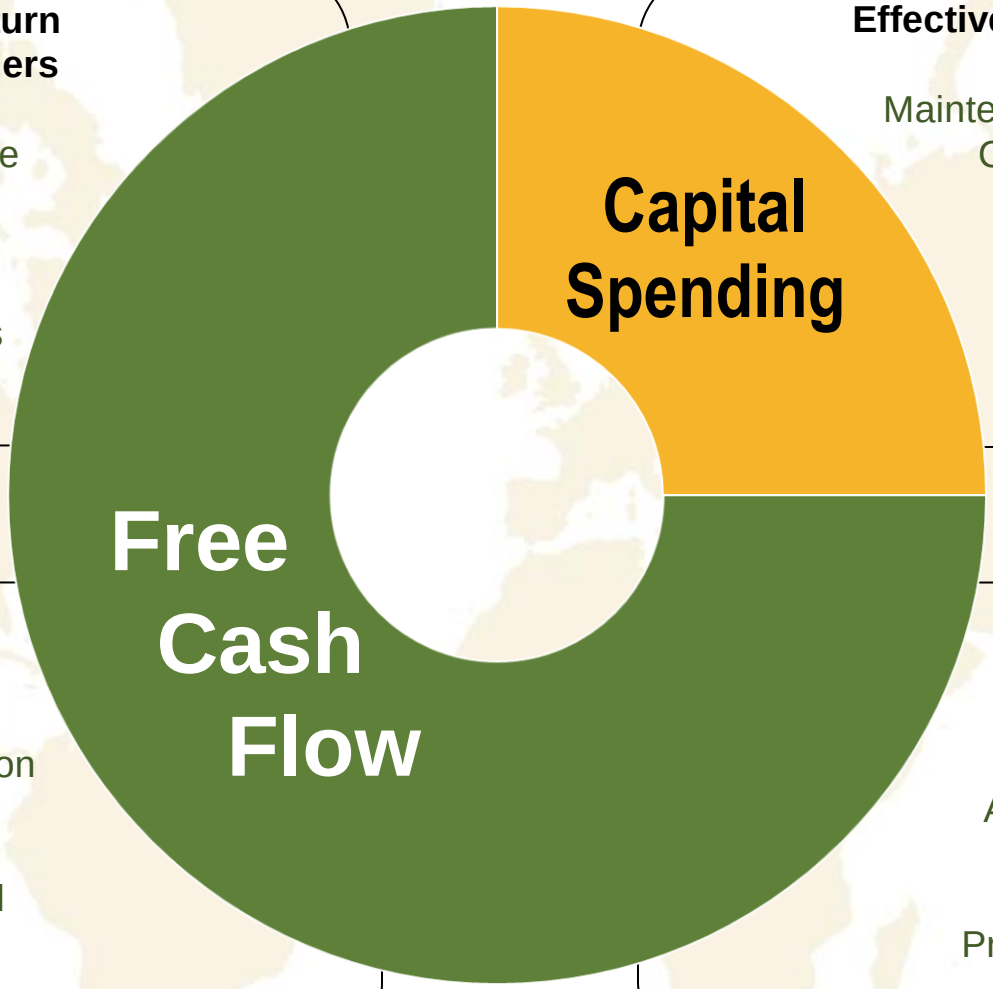
	2005	2011	Mid-Cycle Potential
Revenue ($Billion)	24	26	33
EBITDA[1] ($Billion)	2.8	3.7	5.1
EBITDA Margin	12%	14%	15%
Free Cash Flow[2] ($Billion)	0.4	1.7	2.2
ROI	4%	8%	9%

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. Mid-Cycle Potential excludes similar items.

International Paper's Balanced Use of Cash



Systematically Return Cash to Shareholders

Maintain Sustainable Dividend at 30-40% of FCF

Share Repurchases

Effective Capital Spending

Maintenance & Regulatory Capital Expenditures

High Return, Cost Reduction Projects

Selective Reinvestment

Improve Cost Position in North America

Capitalize on Global Demand Growth

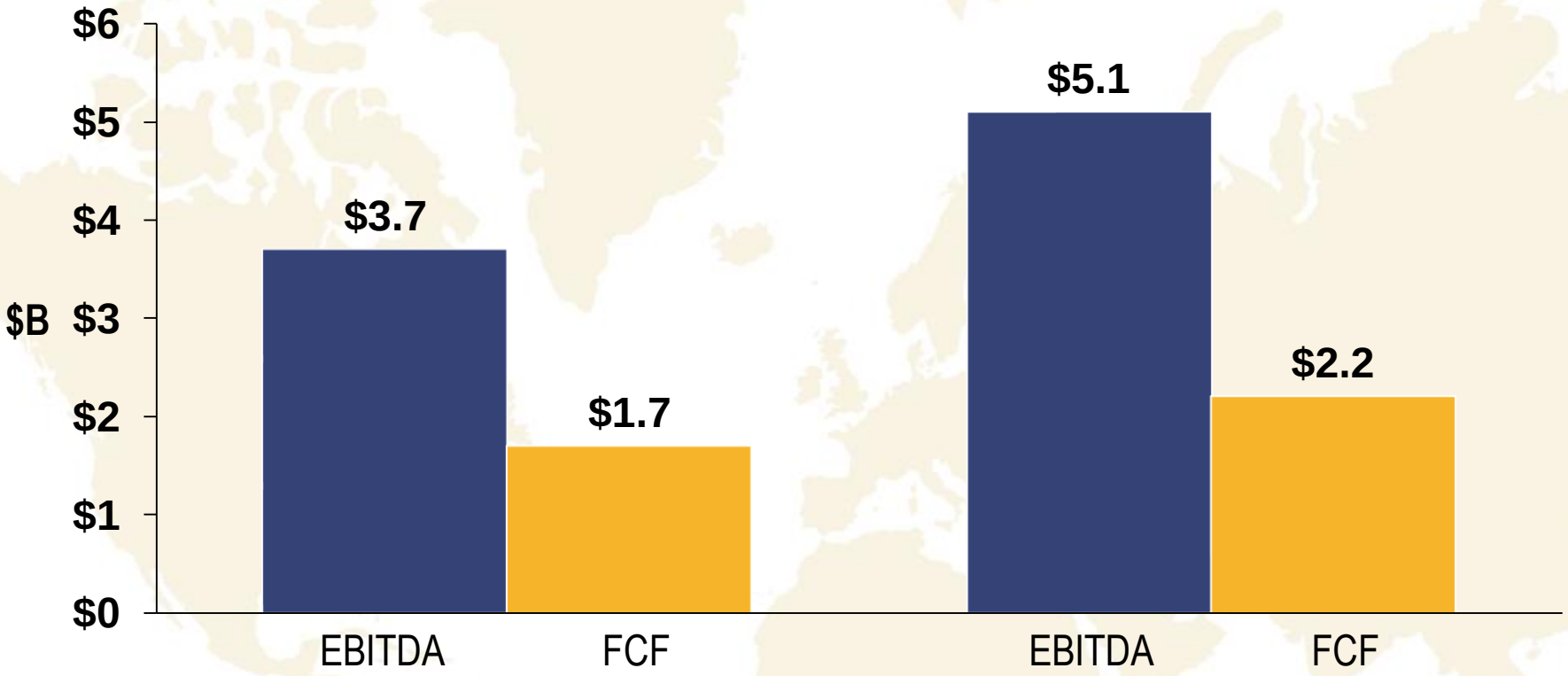
Above Cost of Capital Returns

Maintain Strong Balance Sheet & Credit Rating

Appropriate Liquidity & Debt Coverage

Prudent Contributions to Pension Plan

Systematically Return Cash to Shareholders | Sustainable Dividend

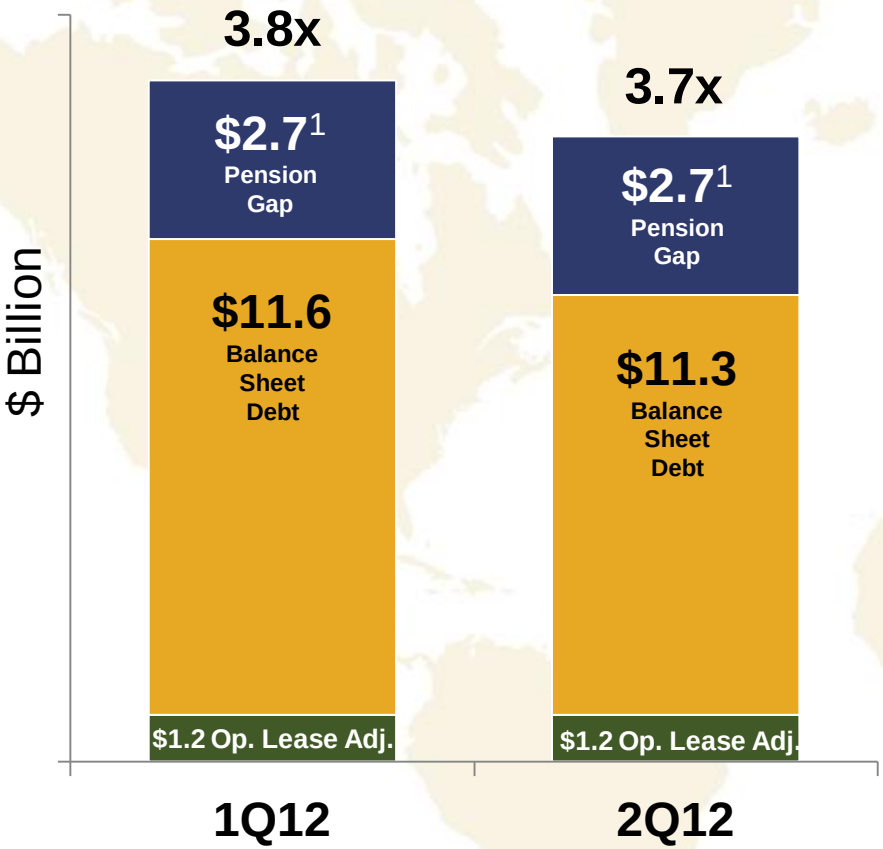


	2011	Mid-Cycle Potential
%FCF	27%	30%-40%
Dividend per Share	$1.05	~$1.45-$1.95
Paid Dividends $MM	$460	~$650-$850

Earnings before special items

Maintain Strong Balance Sheet & Credit Rating | Debt Coverage

Target: Adjusted Debt < 3X Adjusted EBITDA

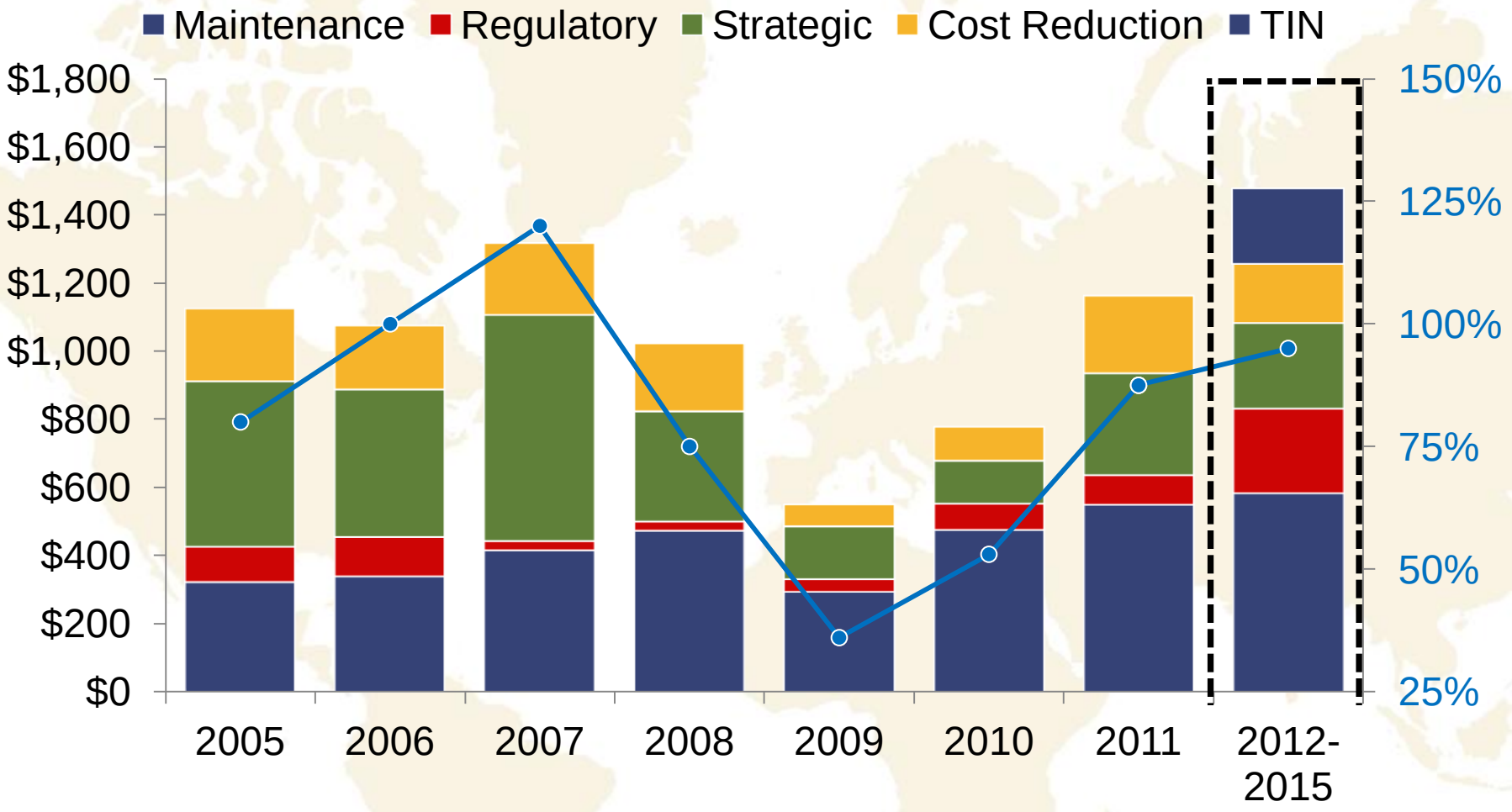


2012 Highway Law – Pension Implications

- Significant reduction in near term required pension contributions
  - Current estimate is <$100MM in 2013 (vs. ~$500MM)
- No change in accounting measure for pension liability
- No change in adjusted debt/credit metrics

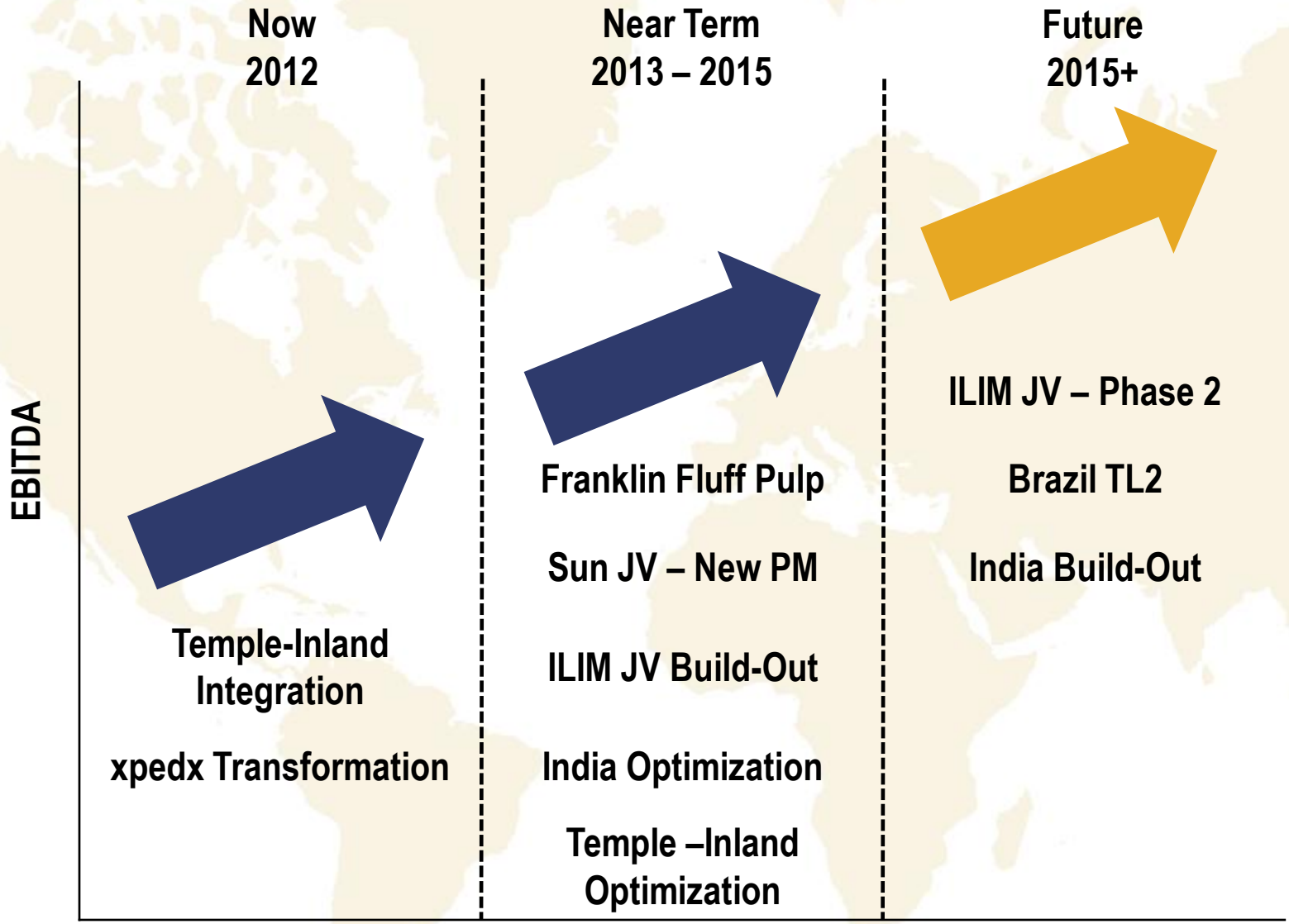
Adjusted Debt reflects gross balance sheet debt plus pension gap and operating lease adjustment (Moody's Methodology)
EBITDA based on 2012 Adjusted First Call EBITDA of $4.1B (Moody's Methodology)
[1] IP pension gap as of 12/31/2011; Temple-Inland pension gap as of 2/13/2012

Effective Capital Spending | 2012-2015



~1.5B Annually / ~95% Depreciation (85% excluding Boiler MACT)

Selective Reinvestment | Strategic Earnings Drivers



Temple-Inland Integration | More Synergies, Faster

Synergy Category	Description	Current Outlook ($MM)	2Q12 Run Rate Annualized
S G & A	▪ Eliminate Duplication	$115	~80% Achieved
Containerboard Mills / Supply Chain	▪ Grade / Machine Mix Optimization ▪ Efficiency Improvements ▪ Logistics Optimization	$90	~20% Achieved
Box Plants	▪ Efficiency Improvements (Waste, Freight) ▪ System Streamlining ▪ Customer and Segment Optimization	$150	~70% Achieved
Sourcing	▪ Purchasing Consolidation	$45	~55% Achieved
Synergy Target		**$400**	**~$240**

Strategic Project Updates | Ahead of Plan

Franklin, VA Pulp Mill Conversion	▪ Repurpose existing Asset ▪ Status: Up and running	**2H12 -2013**
***xpedx* Transformation**	▪ Achieve Cost of Capital Returns in Distribution ▪ Status: Early results favorable, offsetting print decline	**2H12 -2013**
Mogi Guacu Boiler	▪ Generate Self-reliant Steam using Renewable Energy ▪Status: Ahead of schedule, on budget	**2013**
IP-Sun JV CPB Capital Expansion	▪ Build Capacity to Grow with Market (China) ▪ Status: PM installation underway; start-up on schedule	**2013**
Ilim JV Build-Out NBSK (China) & UFS (Russia)	▪ Build Capacity to Grow with Market (Russia / China) ▪ Status: Converting equipment running in Koryazhma; Woodyard complete and recovery boiler on-line at Bratsk	**2013**
India Optimization	▪ Leverage IP's Expertise to Maximize Asset Utilization ▪ Status: Significant planned outage completed in Q2	**2013-2015**

- Start-up June 29TH
- Early productivity and product quality better than plan
- Targeting accelerated fluff pulp ramp
- Optimizing Go-to-Market plans relative to patch testing and customer trials



Strategic Project Updates | A Closer Look



Mogi Guacu Biomass Boiler



Sun JV PM Press Section & Dryer Section



Bratsk Pulp Mill Recovery Boiler



Rajahmundry Mill Site

- **Significant runway with current portfolio**
- **Balanced growth of revenue and EBITDA**
  - ✓ North America consolidation and optimization
  - ✓ Emerging Market growth
- **Greater than cost of capital returns**
- **Increasing cash generation enables both reinvestment and return of capital to shareholders**