UBS Global Paper & Forest Products Conference | September 12, 2013



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; (vi) risks inherent in conducting business through a joint venture; (vii) our ability to reach a definitive agreement on a mutually acceptable transaction combining xpedx with Unisource, the receipt of governmental and other approvals and favorable rulings associated with such a transaction and the successful fulfillment or waiver of all other closing conditions for such a transaction without unexpected delays or conditions, and the successful closing of such a transaction within the estimated timeframe; and (viii) our ability to achieve the benefits we expect from all 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.

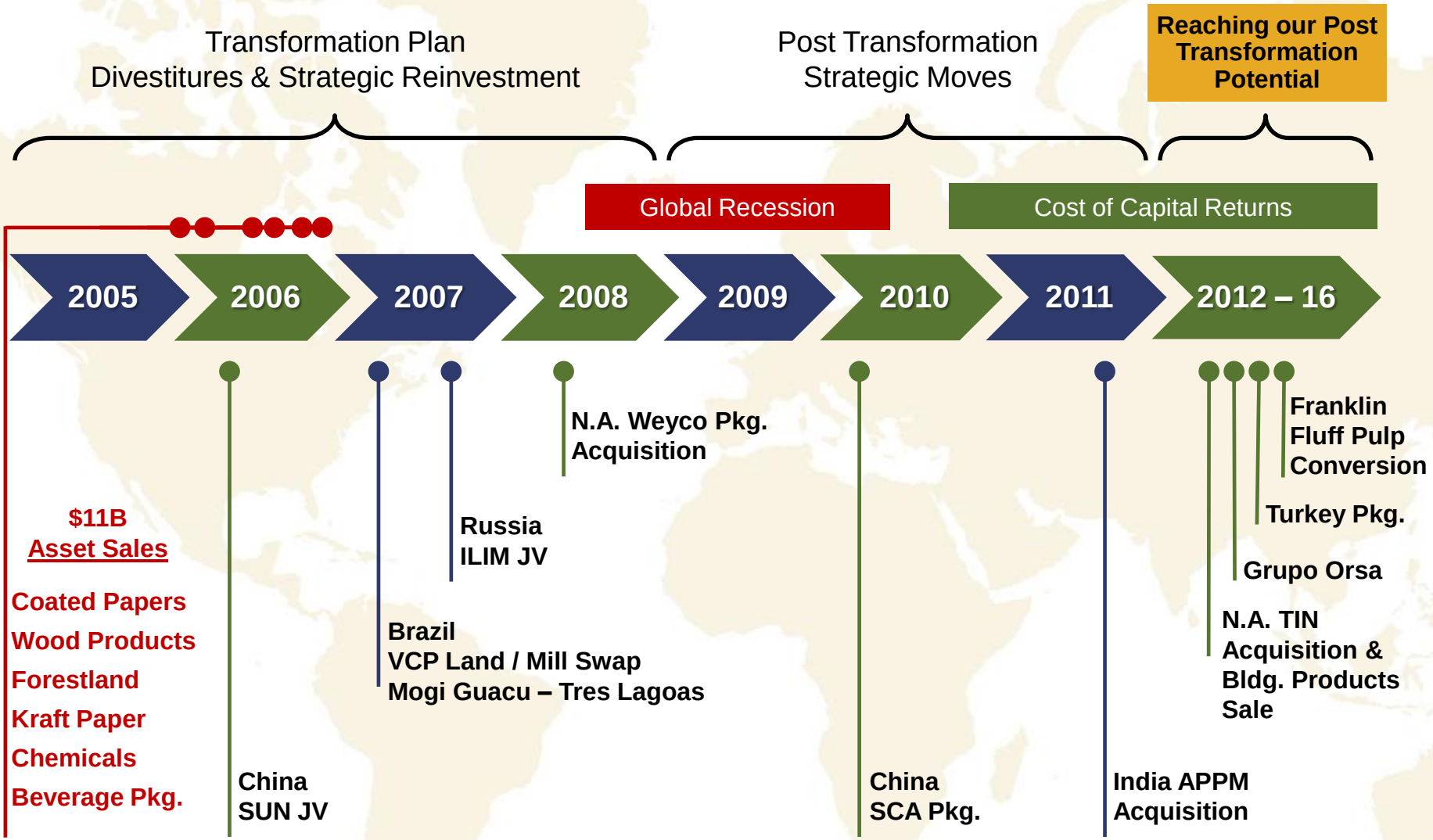
A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under Investors.

Ilim JV Information

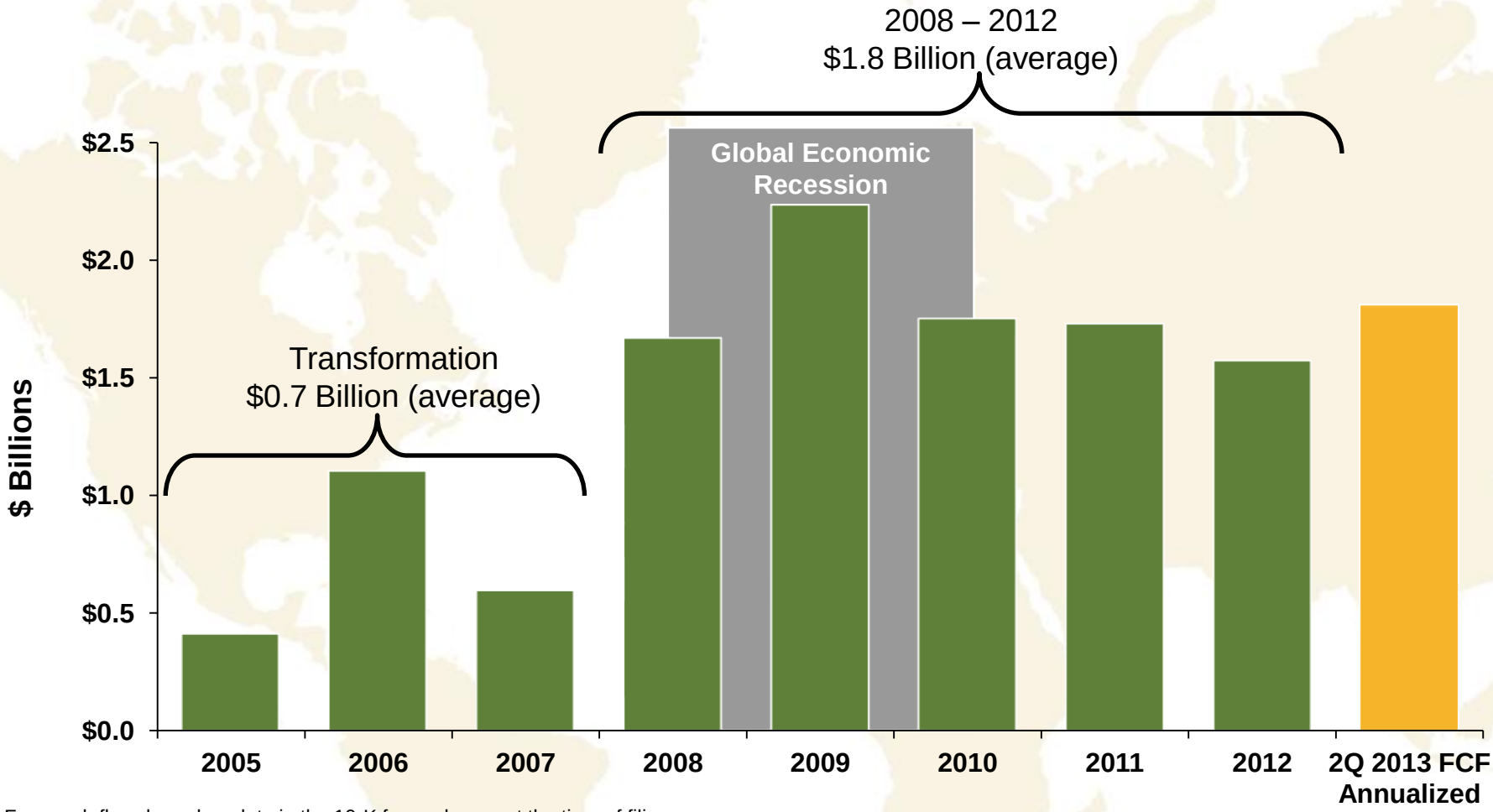
All financial information and statistical measures regarding our 50/50 Ilim joint venture in Russia ("Ilim"), other than historical International Paper Equity Earnings and dividends received by International Paper, have been prepared by the management of Ilim. International Paper has not verified or 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 opportunity
- **Greater than cost of capital returns**
- **Increasing free cash flow generation enables both reinvestment and return of capital to shareholders**

IP Transformation Timeline/Plan



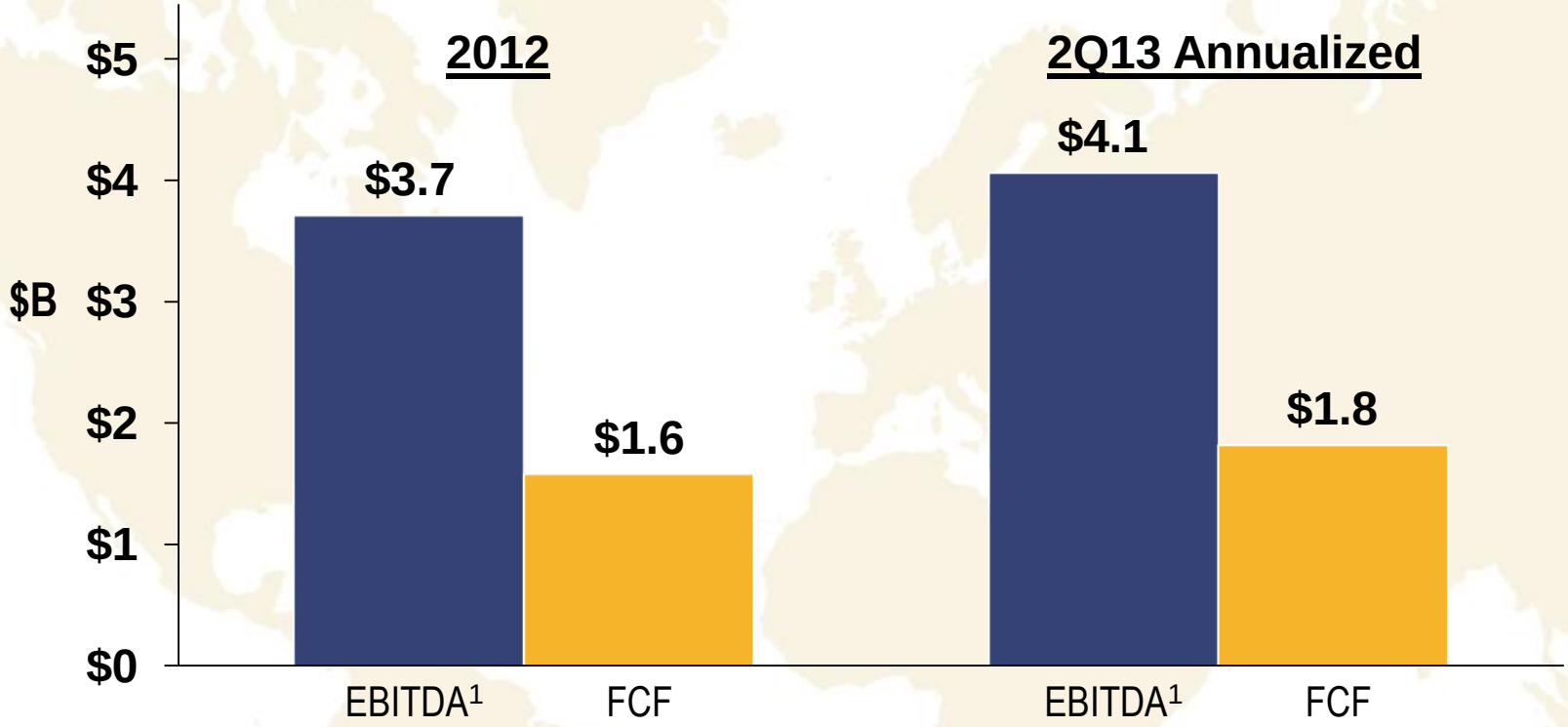
Step-Change Improvement in Free Cash Flow



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. 2012 Excludes $120 MM cash paid for Temple-Inland change-in-control agreements and $251 MM cash received from unwinding a timber monetization, $44 MM cash paid for Temple-Inland pension plan contribution and $80 MM cash paid for Guaranty Bank settlement. 2013 Excludes $31 MM cash paid for pension plan contribution and $30 MM cash received from Guaranty Bank insurance reimbursements

IP's Balanced Use of Cash | Returning Cash to Shareowners

17% Dividend Increase to $1.40/share effective October 1, 2013



	Previous Dividend	New Dividend
Dividend per Share	$1.20	$1.40
Annual Cash Outlay $MM	~$540	~$630

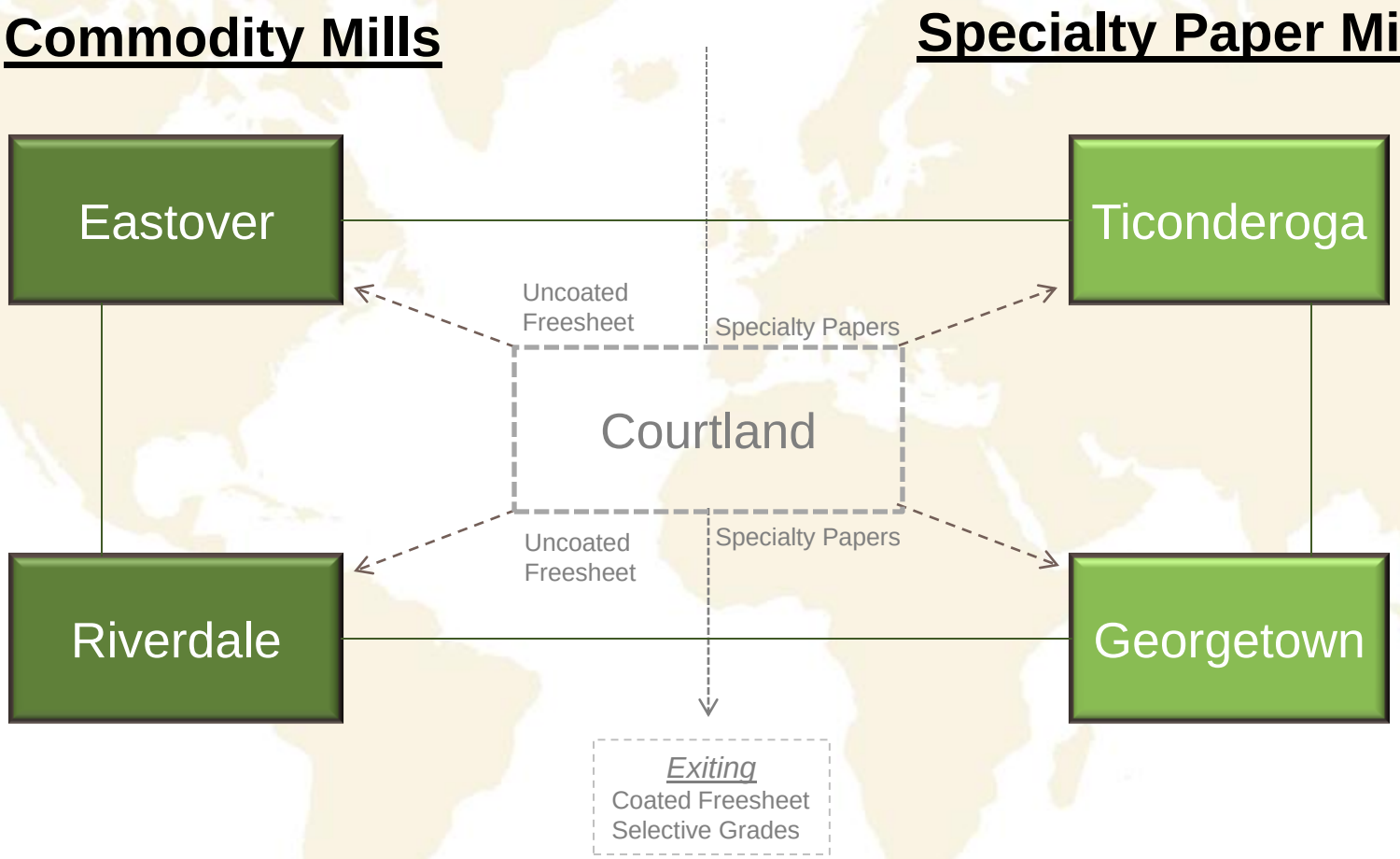
[1] From continuing operations before special items and non-operating pension expense

Share buyback authorization approved by BOD on September 10, 2013

- **Repurchase authorization of up to $1.5B**
- **Intend to execute over next 2 to 3 years**
- **Intend to use open market purchase transactions**

- **Closing Courtland, Ala. paper mill by 2Q14, reducing IP's NA uncoated freesheet production capacity by 765,000 tons and total capacity by 950,000 tons**
- **Decision driven by decline in NA uncoated freesheet market**
- **Lessens the need to run marginally-profitable products**
- **IP's future four mill system in NA Printing Papers is well suited to serve our targeted customer base**
- **NA Printing Papers < 10% of IP's total EBITDA**

Future system well balanced between commodity and specialty paper mills



3Q13 Outlook Summary | As Shared on 2Q13 Earnings Call



- Continued strong FCF generation in a low growth environment
- Increasing realization of April containerboard / box price increase
- Lowest scheduled maintenance outage quarter
- Non-recurrence of NEC bad debt expense
- Improving trends in NA Consumer Packaging business
- Ramp up of capital projects at Ilim JV and lower start up costs



- Slowing demand and oversupply situation in China
- Continued weak business conditions in Western Europe
- Seasonally lower volume in Industrial Packaging and one less day
- Input costs up moderately, mostly fiber
- Softening export paper markets

What's Changed – More Headwinds

- **Significantly higher fiber costs (wood), ↑ $20MM-25MM**
- **Emerging markets unfavorable F/X**
- **Less pulp price recovery**
- **Europe market stabilizing**

3Q13 Outlook

- **Remains a strong quarter (at or near record levels, excluding land sales) and continued strong FCF generation**

Our Post Transformation Potential | Investor Day 2012 Mid-Cycle Target

	2005	2012	Mid-Cycle Potential
Revenue ($Billion)	**24**	**28**	**33**
EBITDA[1] ($Billion)	**2.8**	**3.7**	**5.1**
EBITDA Margin	**12%**	**13%**	**15%**
Free Cash Flow[2] ($Billion)	**0.4**	**1.6**	**2.2**
ROIC	**5%**	**8%**	**12%**

From continuing operations before special items and non-operating pension expense

[1] 2005 EBITDA includes discontinued operations.

[2] Free cash flow before dividends; 2012 Excludes $120 MM cash paid for Temple-Inland change-in-control agreements and $251 MM cash received from unwinding a timber monetization, $44 MM cash paid for Temple-Inland pension plan contribution and $80 MM cash paid for Guaranty Bank settlement. Mid-Cycle Potential excludes similar items.

Strategic Earnings Drivers | What Makes IP Different

- Strong / leading positions in NA – best margins
- Global footprint with growth potential
- People capability

