Citi 2013 Basic Materials Conference | December 4, 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.

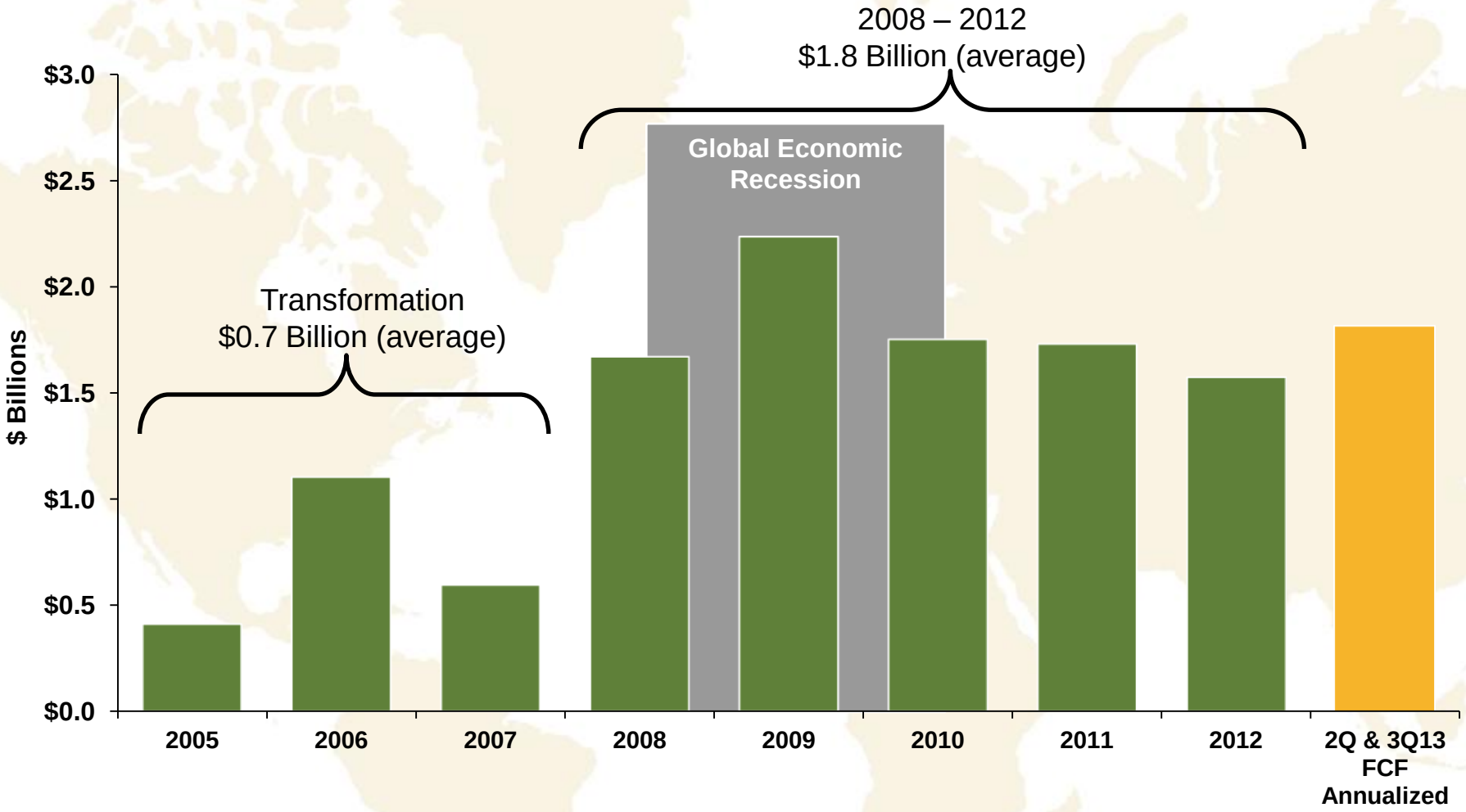
A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under Investors.

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**
  - ✓ North America optimization and margin expansion
  - ✓ Emerging Market ramp ups
- **FCF generation enables greater return of capital to shareholders and selective reinvestment above the cost of capital**
- **On course to reach EBITDA and FCF goals**
- **2014 outlook and key levers**

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

IP's Balanced Use of Cash | Increasing Shareholder Value

2013 Cash from Operations

Return Cash to Shareowners

- 17% Dividend increase to $1.40/share
- Share Buyback Program
  - Authorization approved September 10, 2013
  - ~$400MM for ~8.9MM shares through Dec 3rd

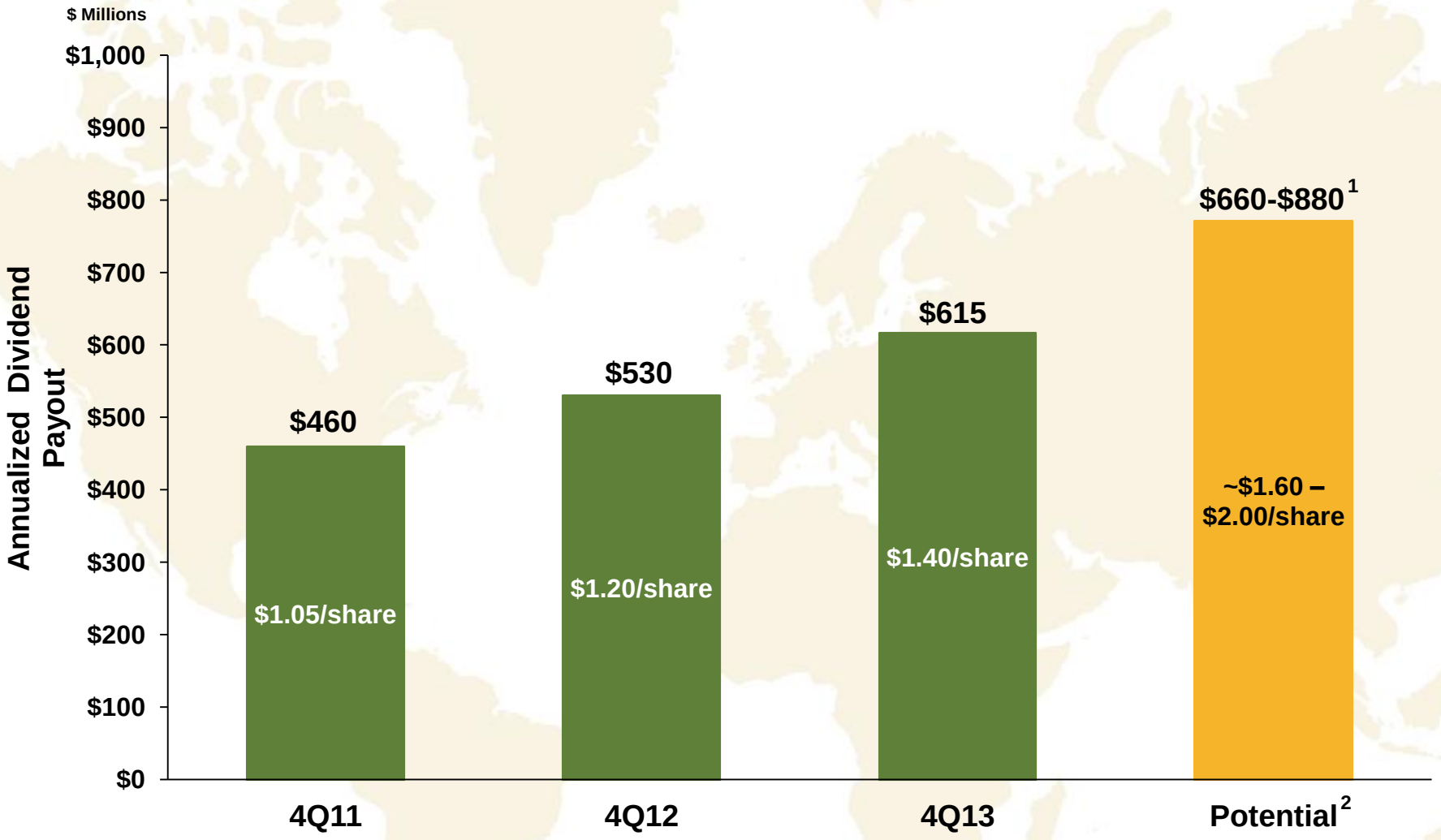
Debt Reduction

~$650MM paid down in 2013

Capital Spending

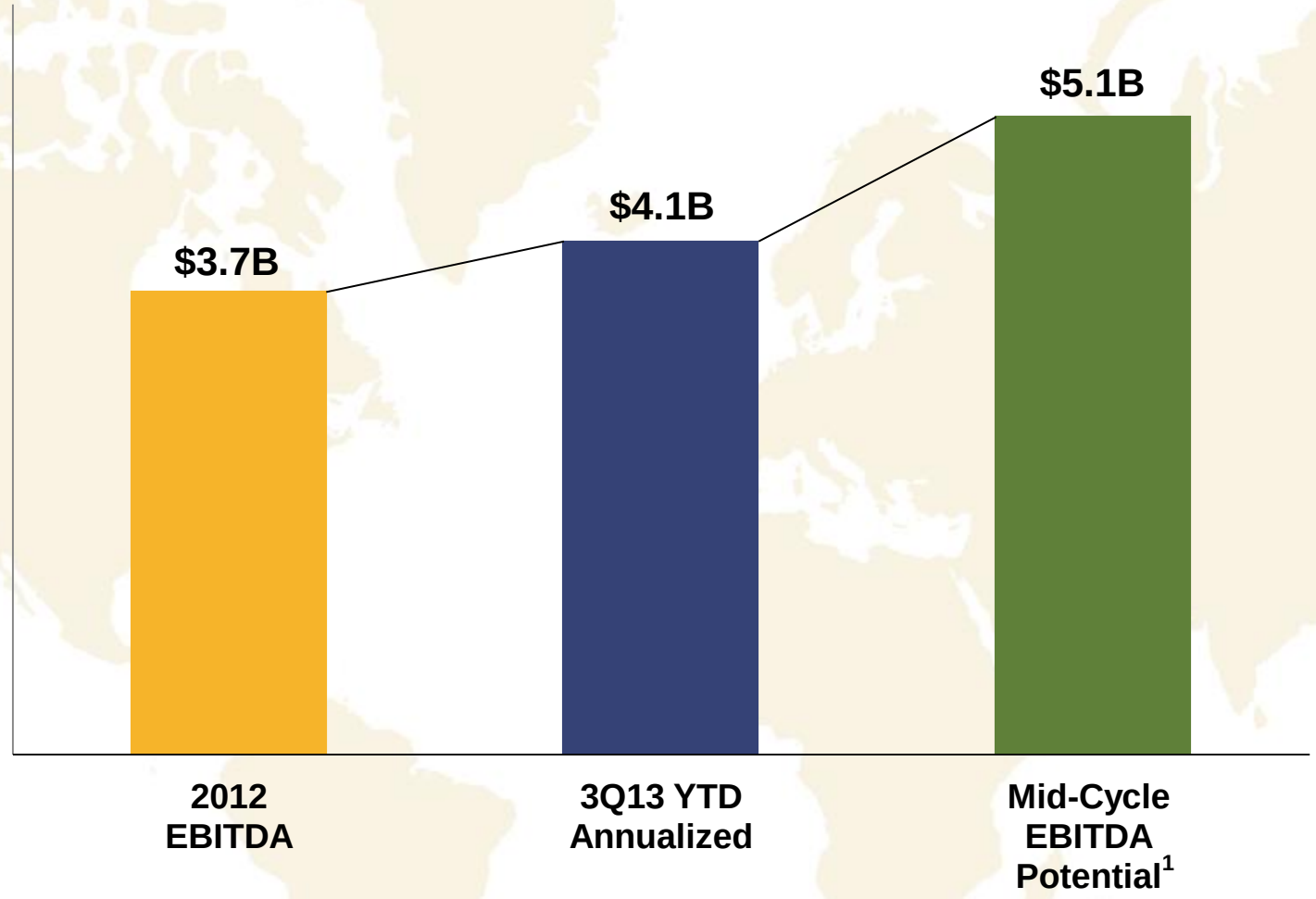
$1.3B (87% of depreciation)

Dividend Potential | Continuing Growth



[1] Total annual dollars based on 30%-40% of mid-cycle potential FCF of $2.2B
[2] Based on potential post buyback share count (~420MM shares)

Significant Runway | On Course to Reach EBITDA Goal



[1] As of May 2012 Investor Day

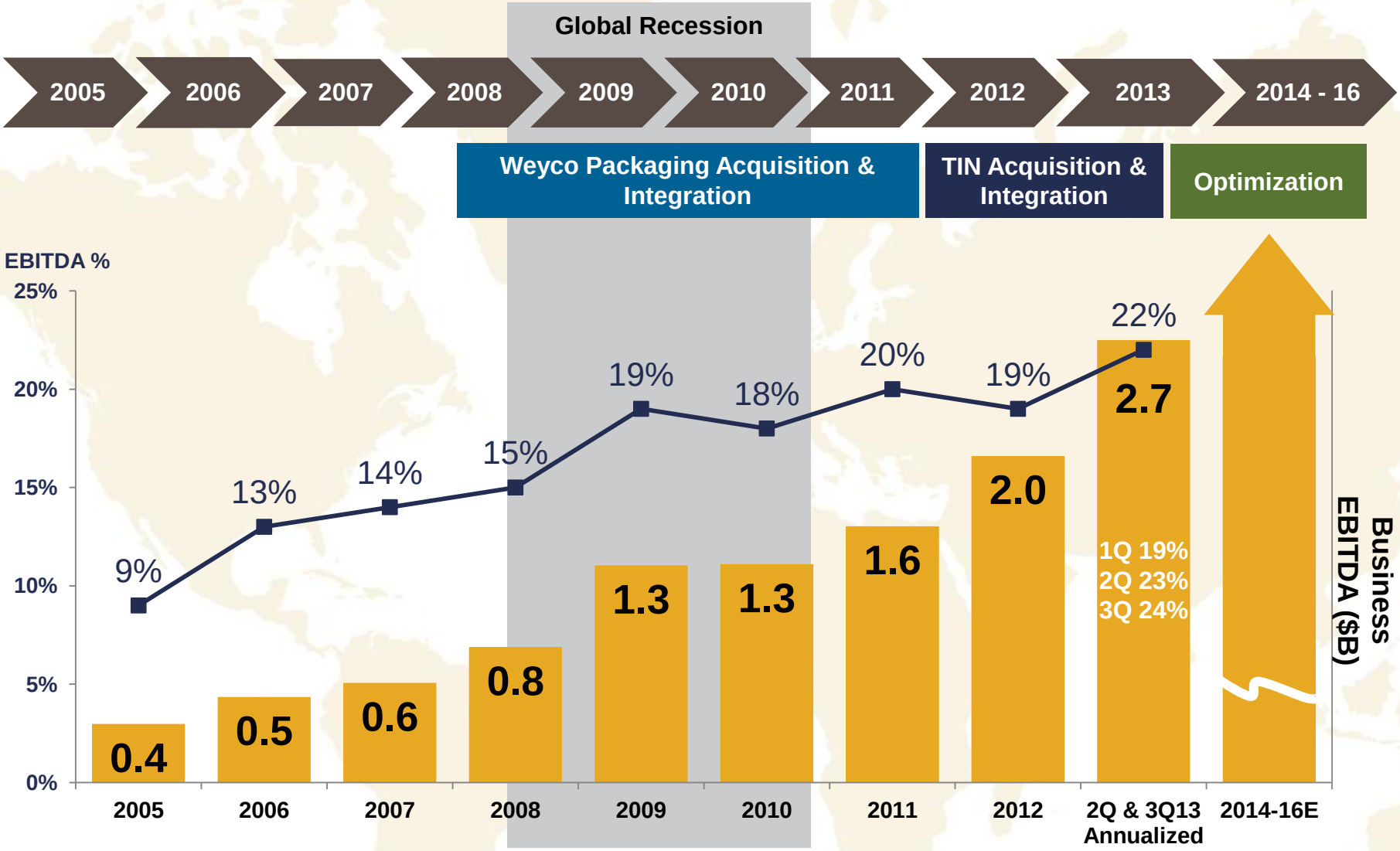
Strategic Earnings Drivers | Meaningful Step Changes in 2014



- Industrial Packaging optimization
- Printing Papers repositioning
- Consumer Packaging/Foodservice momentum
- Ilim[1] project benefits ramp-up
- India improvement
- Grupo Orsa progress
- Brazil Papers geographic mix opportunity

[1] IP equity earnings contribution

NA Industrial Packaging | Margin Expansion and Optimization Opportunities

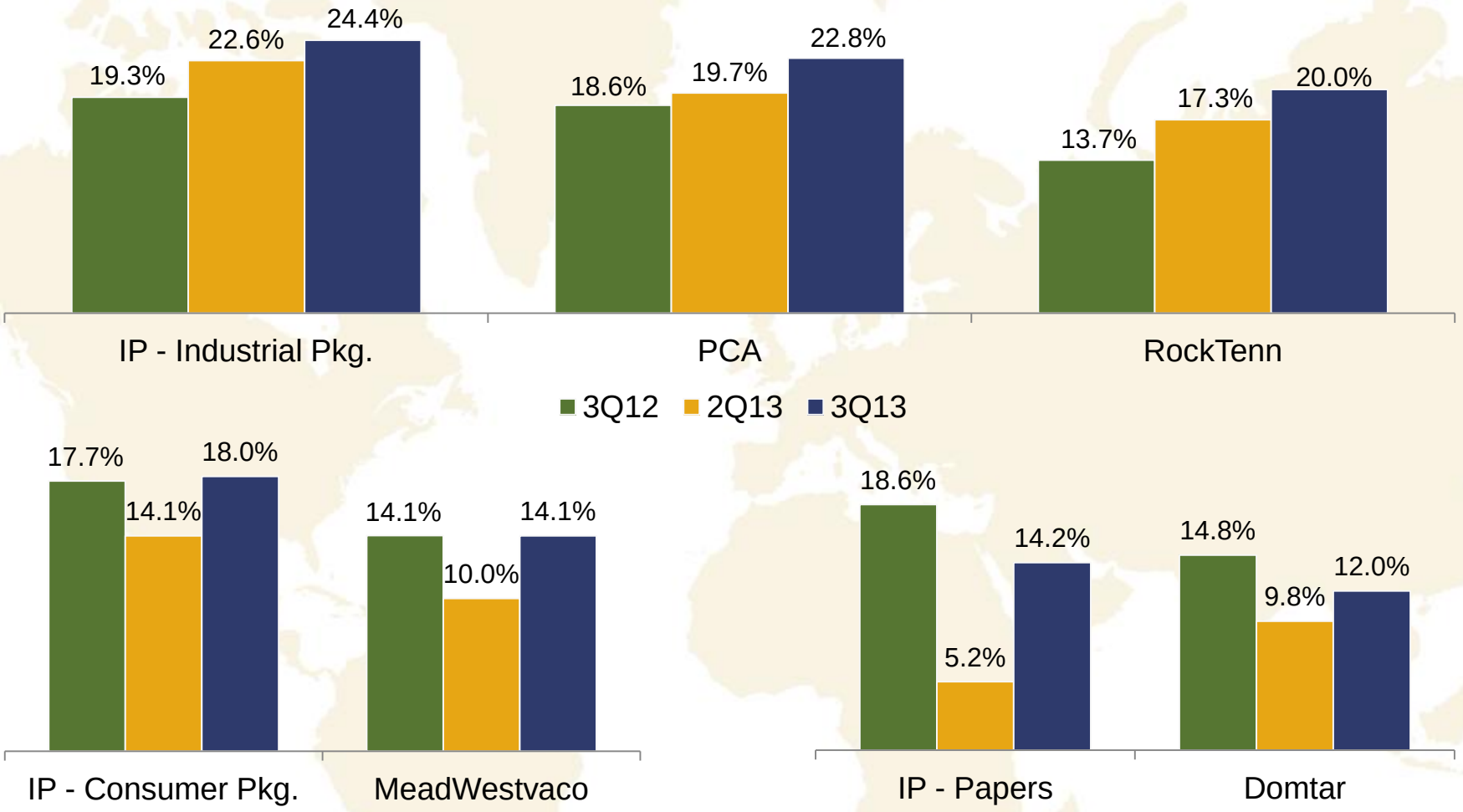


IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Excludes the Recycling Business and revenue from trade volumes

Ilim Joint Venture | Progress Update

- Continued progress in project ramp ups
  - Koryzahma qualified on cutsize
  - Bratsk qualification underway; ramp up will continue through 2014
- Projects once fully ramped contribute an incremental $200MM of annual EBITDA and 500,000 tons of additional paper / pulp capacity
- Focus on debt repayment in 2014
- Yearly results will vary depending on price of softwood pulp to China

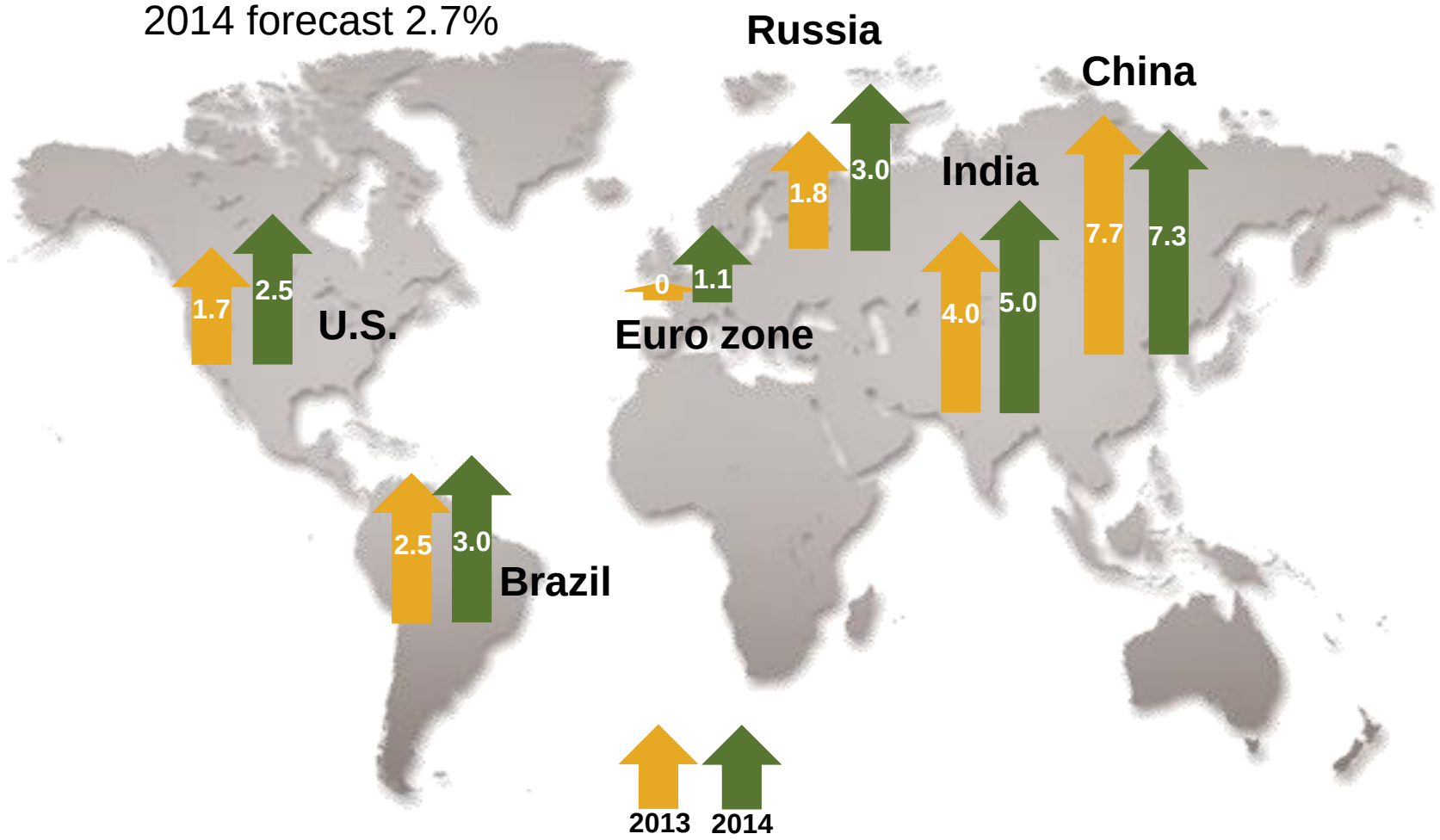
North American Relative EBITDA Margins



IP EBITDA margins based on North American Industrial Packaging operating profit before special items, excludes the Recycling Business and revenue from trade volumes
IP EBITDA margins based on North American Consumer Packaging operating profit before special items
MWV EBITDA margin estimates obtained from public filings and IP analysis; reflects Food & Beverage segment
PCA, RockTenn, and Domtar EBITDA margin estimates obtained from public filings and IP analysis

Macro View Entering 2014

GDP, % change on prior year
Global 2013 forecast 2.0%
2014 forecast 2.7%



Source: Global Insight, Economist Intelligence Unit (EIU), IMF

What Makes IP Different

- Strong / leading positions in North America – best margins
- Solid global footprint with profitable growth potential
- Organic growth in Emerging Markets
- Cash generation – sustainable and growing
- People capability