Maximizing Free Cash Flow
Investor Day
June 9, 2009
Speakers

John also serves as a director of United Technologies Corp., the Grand Teton National Park Foundation and the National Park Foundation. He is a member of the Citigroup International Advisory Board, American Enterprise Institute and the Denison University Board of Trustees.

John earned a bachelor’s degree in history and economics from Denison University and a master’s degree in business administration from the University of Michigan.

John and his wife, Heath, have two daughters.
Tim Nicholls was named senior vice president and chief financial officer in November 2007. He served previously as vice president and chief financial officer of International Paper-Europe, president of Weldwood (formerly a wholly owned subsidiary of International Paper), director of finance and strategic planning for industrial packaging, and general manager of the international packaging business. Tim joined the company in 1999 through the acquisition of Union Camp, which he joined in 1993.

Tim earned a bachelor’s degree in management from the University of South Carolina and a master’s degree in business administration from the University of Georgia.

Tim and his wife, Catherine, have two sons.
Carol Roberts was named senior vice president of Industrial Packaging in November 2005. She served previously as vice president of the container business, vice president of human resources, general manager of kraft packaging and mill manager. Carol joined International Paper in 1981.

Carol earned a bachelor’s degree in mechanical engineering from Yale University.

Carol and her husband, Craig, have two daughters.
H. Wayne Brafford is senior vice president of Printing & Communications Papers. He served previously as senior vice president of industrial packaging. Wayne has held a number of financial, strategic planning and general management leadership positions throughout his career in printing papers, consumer and industrial packaging, wood products, forestry and diversified businesses. Wayne joined International Paper in 1975.

Wayne earned a bachelor’s degree in pulp and paper science and technology from North Carolina State University and a master’s degree in business administration from Tulane University.

Wayne and his wife, Scottie, have three sons.
Forward-Looking Statements

These slides and statements made during this presentation contain 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 relate to: (i) increases in interest rates and our ability to meet our debt service obligations; (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 its products; (iii) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit availability, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or potential litigation; and (v) whether we experience a material disruption at one of our manufacturing facilities and risks inherent in conducting business through a joint venture.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail in the company's Securities and Exchange Commission filings.
• 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.
<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00 – 9:15</td>
<td>Meeting</td>
</tr>
<tr>
<td>9:15 – 9:30</td>
<td>Break</td>
</tr>
<tr>
<td>9:30 – 10:45</td>
<td>Meeting</td>
</tr>
<tr>
<td>10:45 – 11:45</td>
<td>Panel Questions &amp; Answers</td>
</tr>
<tr>
<td>11:45 – 12:30</td>
<td>Boxed Lunch</td>
</tr>
</tbody>
</table>
Transformation Progress
John V. Faraci,
Chairman & Chief Executive Officer
Agenda

Transformation Progress
  John V. Faraci

Financial Update & Direction
  Tim S. Nicholls

Corrugated Packaging
  Carol L. Roberts

Uncoated Papers
  H. Wayne Brafford

Strategy & Capital Allocation
  John V. Faraci

Panel Questions & Answers
  All
IP Transformation

Improving IP’s Strategic Position

• More Focused
• Reduced Capital Intensity
• Stronger Businesses
• More Global
• Lower Cost
• More Profitable
• More Sustainable Cash Flow
## IP Transformation
### Improving IP’s Strategic Position

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Operating Businesses</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td># of Employees</td>
<td>80,000</td>
<td>62,000</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>$30</td>
<td>$23</td>
</tr>
<tr>
<td>Overhead</td>
<td>$3.2</td>
<td>$2.8</td>
</tr>
<tr>
<td>Debt</td>
<td>$14.6</td>
<td>$12.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$2.8</td>
<td>$3.0</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$0.4</td>
<td>$1.7</td>
</tr>
</tbody>
</table>

1 2005 represents January 1, 2005

EBITDA before special items including discontinued operations; free cash flow before dividends
IP Transformation
Smaller Capital Base

2005
Capital Employed
$30B

- Printing Papers 28%
- Coated Papers 9%
- Corporate & Other 17%
- CHH 6%
- Distribution 4%
- Forest Products 11%
- Packaging 25%

2008
Capital Employed
$23B

- Printing Papers 30%
- Packaging 50%
- Corporate & Other 13%
- Forest Products 1%
- Distribution 6%

<table>
<thead>
<tr>
<th></th>
<th>Supplier Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
</tr>
<tr>
<td>Corrugated Packaging</td>
<td>3</td>
</tr>
<tr>
<td>Uncoated Papers</td>
<td>1</td>
</tr>
<tr>
<td>Bleached Board</td>
<td>1</td>
</tr>
<tr>
<td>Distribution</td>
<td>1</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td></td>
</tr>
<tr>
<td>Latin America - Uncoated Paper</td>
<td>2</td>
</tr>
<tr>
<td>Russia - Paper, Pulp &amp; Packaging</td>
<td>3</td>
</tr>
<tr>
<td>China – Bleached Board</td>
<td>-</td>
</tr>
</tbody>
</table>
IP Transformation
North American Printing Papers

EBITDA Margin

Source: Earnings calls, press releases, SEC filings, IP Analysis
EBITDA margin equals EBITDA divided by sales
IP Transformation
North American Coated Paperboard

EBITDA Margin

IP (North America)

1Q08: 11.3%, 4Q08: 12.1%, 1Q09: 10.5%

Competitor A

1Q08: 8.8%, 4Q08: 10.6%, 1Q09: 7.1%

Source: Earnings calls, press releases, SEC filings, IP Analysis
EBITDA margin equals EBITDA divided by sales
EBITDA margins for IP legacy business. Source: Earnings calls, press releases, SEC filings, IP Analysis
EBITDA margin equals EBITDA divided by sales
## IP Transformation
### Strategic Fit of Recent Acquisitions

|                | • Strengthened core business  
|                | • Increased cash generation  
|                | • > $500 million of synergies  
|                | • Achieved #1 market position  
| **WY PKG**     | • Secured low-cost capacity at low entry multiple  
|                | • Strong market position with attractive fiber base  
|                | • Platform for future growth  
| **Ilim Joint Venture** | • Strengthened existing business  
|                | • Secured global low-cost capacity  
|                | • Achieved leading supplier position  
|                | • Growing market  
| **Brazil**     | • Secured capacity at low capital cost  
|                | • Established a beachhead in the largest market  
|                | • Low-cost, high-demand-growth market  
| **Sun Joint Venture** |
IP Transformation

Strategic Fit of WY PKG Acquisition

- Strengthened Core Business
- Leading Supplier Position
- Quality Assets
- Strong Free Cash Flow
- Already Overcame Execution Risks
- Significant Upside Earnings Potential
## IP Transformation

**Synergies Driving Returns**

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$6.0B</td>
<td>$6.0B</td>
</tr>
<tr>
<td>NPV of Tax Step Up</td>
<td>$1.4B</td>
<td>$1.3B</td>
</tr>
<tr>
<td>Net</td>
<td>$4.6B</td>
<td>$4.7B</td>
</tr>
<tr>
<td>Synergies at Full Run Rate</td>
<td>$400M</td>
<td>$500M</td>
</tr>
<tr>
<td>Estimated EBITDA Multiple</td>
<td><strong>4.3X</strong></td>
<td><strong>4.6X</strong></td>
</tr>
</tbody>
</table>

*Estimated EBITDA Multiple (Net of Tax Benefit & with Synergies)*

Revised EBITDA Multiple based on 1Q09 YTD annualized results.
### IP Transformation

Emerging Markets Contributing ~25% of IP EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2008 Pro Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales ($ Billion)</strong></td>
<td>$1.5</td>
<td>$3.7</td>
</tr>
<tr>
<td><strong>EBITDA ($ Billion)</strong></td>
<td>$0.4</td>
<td>$0.8</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>27%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Results include Brazil, Svetogorsk, Kwidzyn, Sun joint venture without machine start-up costs & pulp inventory write-down, & Ilim pro forma adjusted to approximate IP’s 50% ownership excluding gain on sale of KPK mill.
## IP Transformation

### Brazil - Greater Focus, More Profitable

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Businesses</strong></td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Sales ($ Million)</strong></td>
<td>$684</td>
<td>$950</td>
</tr>
<tr>
<td><strong>EBITDA ($ Million)</strong></td>
<td>$217</td>
<td>$317</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>32%</td>
<td>33%</td>
</tr>
<tr>
<td><strong>UFS Supplier Position</strong></td>
<td>#2</td>
<td>#1</td>
</tr>
</tbody>
</table>
IP Transformation

Ilum - IP’s Cumulative Share = $0.07

1Q08  2Q08  3Q08  4Q08  1Q09

<table>
<thead>
<tr>
<th>EPS</th>
<th>1Q08</th>
<th>2Q08</th>
<th>3Q08</th>
<th>4Q08</th>
<th>1Q09</th>
</tr>
</thead>
<tbody>
<tr>
<td>($0.12)</td>
<td>$0.00</td>
<td>$0.04</td>
<td>$0.08</td>
<td>$0.12</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

IP’s Share
Market Pulp for China

• 50% of Ilim total capacity
• YTD pulp imports up 25% vs. 2008 levels
• Softwood pulp pricing starting to improve
• Hardwood pulp pricing nearing bottom
IP Transformation

*Ilim - Remain Positive on Russia*

- Worst part of economic crisis is over
- Siberian mills remain potential long-term, low-cost China market pulp suppliers
- Attractive growth opportunities
- Significant cost reductions underway
  - Fiber
  - Employees
- Timing of capital investments remain dependent on internal cash flow generation
IP Transformation
Systematic Overhead Cost Reductions

$ Billion

2005 $3.2
2006 $3.1
2007 $2.8
2008 with WY PKG Pro Forma $0.6
1Q09 Annualized $2.8

Includes discontinued operations
IP Transformation
28% Headcount Reduction by 2009

Thousands of Employees

<table>
<thead>
<tr>
<th>2005 Headcount*</th>
<th>Divestments &amp; Acquisitions</th>
<th>Headcount Reduction</th>
<th>June 2008</th>
<th>Headcount Reduction</th>
<th>2009 YE Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>(24)</td>
<td>(4)</td>
<td>66</td>
<td>(8)</td>
<td>58</td>
</tr>
</tbody>
</table>

* At January 1, 2005
Excludes Ilim joint venture employees
IP Transformation
Improving EBITDA Quality

EBITDA before special items including discontinued operations

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
<th>Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>2.0</td>
<td>0.6</td>
</tr>
<tr>
<td>2007</td>
<td>2.3</td>
<td>0.5</td>
</tr>
<tr>
<td>2008</td>
<td>2.6</td>
<td>0.4</td>
</tr>
<tr>
<td>1Q09</td>
<td>2.4</td>
<td></td>
</tr>
</tbody>
</table>
IP Transformation
Increasing Free Cash Flow

Free cash flow before dividends; 1Q09 YTD annualized excludes $145 million in alternative fuel mixture tax credits
IP Transformation
Summary

• Greater Focus

• Strengthened Core Businesses
  • Lower-Cost Assets
  • Improved Results

• Replaced Forest Resources Earnings

• Generated Record Free Cash Flow

• Strategic Investments in Emerging Markets
# 2009 Performance Update

*World Changed in the Last Six Months*

<table>
<thead>
<tr>
<th></th>
<th>2005 – 3Q08</th>
<th>4Q08 – May 09 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volumes</strong></td>
<td>Steady</td>
<td>Declined Significantly</td>
</tr>
<tr>
<td><strong>Prices</strong></td>
<td>Increasing</td>
<td>Eroded Slowly</td>
</tr>
<tr>
<td><strong>Input Costs</strong></td>
<td>Significant Increases</td>
<td>Cost Relief</td>
</tr>
<tr>
<td><strong>Cost Reduction</strong></td>
<td>Steady Progress</td>
<td>Increased Progress</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>Good</td>
<td>Excellent</td>
</tr>
<tr>
<td><strong>Market Downtime</strong></td>
<td>Very Limited</td>
<td>20% – 30%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>Mixed</td>
<td>Good</td>
</tr>
</tbody>
</table>
2009 Performance Update

Transformation Driving Improved Results

• Strong Free Cash Flow
• Improved Margins
  • North American Industrial Packaging
  • North American Printing Papers
• Improving Balance Sheet
• Ability to Generate Higher Returns
Financial Update & Direction
Tim S. Nicholls,
Senior Vice President & Chief Financial Officer
Agenda

Free Cash Flow

Improving Capital Structure

Capital Allocation
### Increasing Free Cash Flow

**Fewer, Larger, Lower-Cost Mills**

<table>
<thead>
<tr>
<th>Location</th>
<th>Product Type</th>
<th>1st Quartile</th>
<th>2nd Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA - Containerboard</td>
<td></td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>NA - Uncoated Freesheet</td>
<td></td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>NA - Coated Paperboard</td>
<td></td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>Brazil – Uncoated Freesheet</td>
<td></td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Russia – Softwood Market Pulp</td>
<td></td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>China – Coated Paperboard</td>
<td></td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Based on Poyry’s 2008 CostTrac model global cost curves at 4th quarter input costs and exchange rates
Increasing Free Cash Flow
22,000 Headcount Reductions by 2009

Thousands of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount*</th>
<th>June 2008</th>
<th>Headcount Reduction</th>
<th>2009 Year-End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Headcount</td>
<td>80</td>
<td>66</td>
<td>52</td>
<td>58</td>
</tr>
<tr>
<td>WY PKG</td>
<td></td>
<td></td>
<td>(8)</td>
<td></td>
</tr>
</tbody>
</table>

* At January 1, 2005
Excludes Ilim joint venture employees
### Increasing Free Cash Flow

**Overhead Cost Reduction 2008 - 2010**

<table>
<thead>
<tr>
<th>Description</th>
<th>$ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried Expense Reduction</td>
<td>$405</td>
</tr>
<tr>
<td>Non-Employee Savings</td>
<td>$65</td>
</tr>
<tr>
<td><strong>Total with Balance of 2009-10 Projected</strong></td>
<td><strong>$470</strong></td>
</tr>
</tbody>
</table>

Salaried expense reduction includes approximately $200 million of WY PKG integration synergies.
Increasing Free Cash Flow

Reduced 2009 Input Costs of $875 Million

Year-over-Year Input Cost Variances

April 2009 YTD annualized input cost savings versus 2008 levels
Increasing Free Cash Flow
Reducing Capital Spending

$ Million

% of Depreciation

2005 2006 2007 2008 2009P 2010 Target

- Maintenance
- Regulatory
- Strategic
- Cost Reduction
- % of Depreciation
Increasing Free Cash Flow
More-Focused Capital Spending

2008 Capital Spending % of Depreciation

- Brazil: 124%
- IP: 74%
- N.A. Coated Paperboard: 68%
- N.A. Industrial Packaging: 61%
- N.A. Printing Papers: 57%
- Eastern Europe: 55%
- Western Europe: 21%

Sun joint venture capital spending in 2008 was approximately $150 million.
Increasing Free Cash Flow

Improving Global Mill Efficiency

Operating Machine Efficiency

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>65%</td>
</tr>
<tr>
<td>2003</td>
<td>70%</td>
</tr>
<tr>
<td>2004</td>
<td>75%</td>
</tr>
<tr>
<td>2005</td>
<td>80%</td>
</tr>
<tr>
<td>2006</td>
<td>85%</td>
</tr>
<tr>
<td>2007</td>
<td>90%</td>
</tr>
<tr>
<td>2008</td>
<td>95%</td>
</tr>
<tr>
<td>April YTD 2009</td>
<td>95%</td>
</tr>
</tbody>
</table>

Excludes WY PKG mills and Illim mills

IP Benchmark
Total purchased energy/ton for IP U.S. legacy mills only; does not include WY PKG mills
“Other” includes purchased electricity and steam, coal, purchased wood waste, and other materials

Annual savings from the reduction in consumption and change in fuel mix is $335 million since 2001
Increasing Free Cash Flow
Largest Renewable Energy Generator & User

- 70% of IP’s total mill energy needs are from renewable resources
- Black liquor energy is clean, carbon-neutral, renewable & efficient
- In 2008, IP produced 6 billion kilowatt-hours of electricity from renewable energy sources
- Black liquor renewable energy should be treated on an equal tax basis with other sources of renewable energy
Increasing Free Cash Flow
No Additional Fossil Fuel Used to Qualify for Credits

Total Self-Generated Mill Power
(70% from Renewable Resources)

Power Boilers
(Oil, Gas, Coal, Wood Waste)

Recovery Boiler
(Black Liquor)

Diesel fuel now consumed in recovery boilers replaces fossil fuels consumed in power boilers
## Increasing Free Cash Flow

### Industrial Packaging Integration Synergies

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Salaried Headcount</td>
<td>$200</td>
</tr>
<tr>
<td>Optimize Mill &amp; Box Plants</td>
<td>$120</td>
</tr>
<tr>
<td>Improve Box Margins</td>
<td>$105</td>
</tr>
<tr>
<td>Reduce Mill Freight</td>
<td>$40</td>
</tr>
<tr>
<td>Rationalize Box Plants</td>
<td>$35</td>
</tr>
<tr>
<td>Total Forecasted Synergies</td>
<td>&gt; $500</td>
</tr>
</tbody>
</table>

Does not include $90 million in procurement savings.
Increasing Free Cash Flow
Reduced Dividend to Create Financial Cushion

Dividend Reduction
- Followed many other cash conservation efforts
- Uncertain economic conditions
- Frozen credit markets
- Managing cash conservatively
- Diverting cash to reduce debt at faster pace

Dividend Increase
- Stable economic conditions
- Liquid credit markets
- Approaching target debt-to-EBITDA ratio
Increasing Free Cash Flow
Improving in a Tough Environment

Free cash flow before dividends.
1Q09 Annualized is free cash flow before dividends, excluding $145 million impact of alternative fuel mixture tax credits.
Increasing Free Cash Flow

**Significant, Continuous Progress**

- Eliminating positions
- Freezing salaries
- Reducing operating costs
- Reducing capital spending
- Earning alternative fuel tax credits
- Generating greater merger synergies
Liquidity Management & Debt Reduction

Maturities before Repayments & Refinancing

Debt maturity profile as of December 31, 2008
Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt

- 2009: Debt Maturities $1,255 Million
- 2010: Debt Maturities $930 Million
- 2011: Debt Maturities $550 Million
- 2012: Debt Maturities $965 Million

Monetization & Other: $400 Million in 2009, $800 Million in 2010, $1,200 Million in 2011, $1,600 Million in 2012
Debt maturity profile as of May 31, 2009
Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt.
Liquidity Management & Debt Reduction

Maturities after Repayments & Refinancing

Preferred Annual Debt Ceiling

U.S. debt as of May 31, 2009; foreign debt as of April 30, 2009

Monetization & Other: Intend to rollover or refinance timber monetization debt, Sun JV debt and other foreign subsidiary debt
**Liquidity Management & Debt Reduction**

**Credit Ratings & Debt Covenants**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Outlook</th>
<th>1Q09 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard &amp; Poor’s</strong></td>
<td>BBB</td>
<td>50.3%</td>
</tr>
<tr>
<td><strong>Moody’s</strong></td>
<td>Baa3</td>
<td>$11.4B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Covenant</th>
<th>1Q09 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Debt-to-Total Capital</td>
<td>60%</td>
</tr>
<tr>
<td>Minimum Consolidated Net Worth</td>
<td>$9B</td>
</tr>
</tbody>
</table>
### Liquidity Management & Debt Reduction

**Strong Back-up Liquidity**

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Maturity</th>
<th>Facility</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated End of May Cash Balance</td>
<td>-</td>
<td>$1.3 Billion</td>
<td>-</td>
</tr>
<tr>
<td>$1.0B$ Accounts Receivables Program</td>
<td>JAN 2010</td>
<td>Zero Drawn</td>
<td>CP Rate$^2 + 150 bps</td>
</tr>
<tr>
<td>$1.5B Corporate Revolver</td>
<td>MAR 2011</td>
<td>Zero Drawn</td>
<td>LIBOR + 50 to 60 bps</td>
</tr>
<tr>
<td>Total Cash &amp; Committed Facilities</td>
<td></td>
<td>$3.8 Billion</td>
<td>-</td>
</tr>
</tbody>
</table>

Cost includes commitment fees

1 $950 million available at April 30, 2009 based on eligible receivable balances

2 Conduit’s rate
Liquidity Management & Debt Reduction
$1.8 Billion Reduction in 10 Months

August 2008 Pro Forma with Acquisition

2H08

1Q09

2Q09 YTD

May 31st Balance

$12.7

$10.9

$8

$10

$12

$14
## Liquidity Management & Pension Funding

No Required Cash Contributions in 2009/10

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets</td>
<td>8.9%</td>
<td>8.25%</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>6.8%</td>
<td>8.15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contributions</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-to-Minimum</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Liquidity Management & Pension Funding

Historical Asset Return Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>11.4%</td>
</tr>
<tr>
<td>2007</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

1995 – 2007 Average: 11.4%
1995 – 2008 Average: 8.9%
Liquidity Management & Pension Funding

Historical Discount Rates

Discount Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>9%</td>
</tr>
<tr>
<td>1997</td>
<td>7%</td>
</tr>
<tr>
<td>1999</td>
<td>6%</td>
</tr>
<tr>
<td>2001</td>
<td>5%</td>
</tr>
<tr>
<td>2003</td>
<td>5%</td>
</tr>
<tr>
<td>2005</td>
<td>5%</td>
</tr>
<tr>
<td>2007</td>
<td>5%</td>
</tr>
</tbody>
</table>
Free Cash Flow, Liquidity & Debt Reduction

Efforts Producing Results

- Generated 1Q09 FCF of $520 million*
- Reduced debt by $1.2 billion in 2009YTD
- Reduced & extended 2009-12 maturities

* Excludes $145 million of alternative fuel mixture credits
Liquidity Management & Debt Reduction

Guidelines

• Total Debt-to-EBITDA Target of < 3X

• Limit maturities to ~ $1B per year

• Minimum cash & backup liquidity of ~20% of debt

Total debt includes estimated pension liabilities & operating leases
Total Range of Potential Outcomes

Range of Likely Outcomes

Worst Case

Expected Outcome

Best Case
Total Range of Potential Outcomes

Worst Case

Revised Range of Likely Outcomes

Best Case

Revised Expected Outcome
Capital Allocation

Current Focus on Debt Reduction

Pursue Total Debt-to-EBITDA Ratio of < 3X

Balance Use of Cash to Maximize Shareowner Value with Appropriate Risk

Total debt includes estimated pension liabilities & operating leases
Cash Flow & Debt Reduction Outlook

Positioning for Stronger Cash Flow, Earnings

- Incremental Synergies
- Cost Reductions
- Lower Interest Expense
- Improved Margins
- Increased Volumes
- Reduced Downtime Costs
North America Industrial Packaging
Carol L. Roberts,
Senior Vice President
Agenda

- Containerboard Industry
- IP Strategy & Execution
  - Weyerhaeuser Packaging Integration
  - Low-Cost Mills
  - Profitable Box Plants
  - Market Access & Supply Management
- Financial Performance
North American Containerboard Industry
Consolidated Supply Positions

1995
- Others 50%
- Others 13%
- Smurfit 7%
- GP 9%
- WY 7%
- IP 7%
- TIN 7%

Top 5 = 43%

2005
- Others 27%
- Others 19%
- WY 17%
- GP 10%
- IP 12%
- TIN 9%
- PCA 6%

Top 5 = 67%

2008
- Others 25%
- IP 29%
- SSCC 19%
- GP 11%
- TIN 10%
- PCA 6%

Top 5 = 75%

Source: SEC Filings, RISI, IP Analysis
Global Containerboard Industry

Box Demand Growing with Global GDP

Source: RISI April 2009 Forecast
Global Containerboard Industry
North America Plays Key Role Supplying Growing Regions

Virgin Containerboard Trade Flows

North America: 4.0 MM, 13% Export
Brazil: (2.0) MM, 11% Export
Russia: 1.0 MM, 14% Export

Source: RISI
Vision

Become the premier North American producer of containerboard & corrugated packaging

Mission

Generate strong free cash flow & cost-of-capital returns
IP Strategy & Execution

Positioning to Generate Strong Free Cash Flow

- Greater synergies at faster rates
- World-class, low-cost mill system
- Competitive, profitable box business
- Optimize capacity & market access
- Maximize free cash flow
IP Strategy & Execution

Significant Increase in EBITDA and Margins

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (Million)</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>230</td>
<td>6.7%</td>
</tr>
<tr>
<td>2006</td>
<td>414</td>
<td>11.1%</td>
</tr>
<tr>
<td>2007</td>
<td>568</td>
<td>14.6%</td>
</tr>
<tr>
<td>2008</td>
<td>819</td>
<td>13.3%</td>
</tr>
<tr>
<td>1Q09</td>
<td>1,300</td>
<td>17.5%</td>
</tr>
</tbody>
</table>
## IP Strategy & Execution
### Acquisition Exceeding Expectations

<table>
<thead>
<tr>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Strategic Fit</td>
<td>• Enhanced containerboard &amp; box businesses</td>
</tr>
<tr>
<td>Improves Core Businesses</td>
<td>• Premier North American &amp; global positions</td>
</tr>
<tr>
<td>Low Integration Risk</td>
<td>• Executing well and quickly</td>
</tr>
<tr>
<td>Significant Synergies</td>
<td>• More benefits at faster pace</td>
</tr>
<tr>
<td>Quality Assets</td>
<td>• Low-cost, expanded capability &amp; flexibility</td>
</tr>
<tr>
<td></td>
<td>• Outstanding people</td>
</tr>
<tr>
<td>Cash Accretive</td>
<td>• Strong cash flow</td>
</tr>
</tbody>
</table>
IP Strategy & Execution
Synergies Exceeding Original Target

Projected

2008
$65

2009
$350

2010
$85

2011

2008-2011
$500

Million

$0

$100

$200

$300

$400

$500

$600

Box Plant Rationalizations
Operations Improvements
Commercial Mix Improvements
Overhead Reductions

- Original Target

Does not include $90 million in procurement synergies
### IP Strategy & Execution

#### Line of Sight to $500 Million in Synergies

<table>
<thead>
<tr>
<th>Category</th>
<th>Synergies ($ Million)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried Headcount Reductions</td>
<td>$200</td>
<td>• Reduced business &amp; corporate headcount by 26%</td>
</tr>
<tr>
<td>Mill &amp; Box Plant Operations</td>
<td>$120</td>
<td>• Improved reliability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased efficiency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduced hourly headcount</td>
</tr>
<tr>
<td>Box Margins</td>
<td>$105</td>
<td>• Commercial improvements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mix improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Right-weighting</td>
</tr>
<tr>
<td>Mill Freight Savings</td>
<td>$40</td>
<td>• Fewer total miles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased weight/load by 15-20%</td>
</tr>
<tr>
<td>Box Plant Rationalizations</td>
<td>$35</td>
<td>• 13 plant closures (12 box, 1 sheet)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 96% sales volume retained</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hourly headcount</td>
</tr>
</tbody>
</table>

Excludes $90 million in procurement synergies
IP Strategy & Execution
Delivering Synergies to Bottom Line

Earnings before special items.
## IP Strategy & Execution
### Increased Mill Capacity and Flexibility

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>May 2008</th>
<th>May 2009¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Mills</strong></td>
<td>8</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td><strong># of Containerboard Machines</strong></td>
<td>13</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td><strong>Average Capacity</strong> (Thousand Tons per Mill)</td>
<td>610</td>
<td>870</td>
<td>790</td>
</tr>
<tr>
<td><strong>Mill Headcount</strong></td>
<td>2,800</td>
<td>2,500</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Total Capacity</strong> (Million Tons)</td>
<td>4.9</td>
<td>5.0</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Capacity</strong> (Tons per Mill Employee)</td>
<td>1,700</td>
<td>2,000</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Recycled as % of Total Capacity</strong></td>
<td>20%</td>
<td>16%</td>
<td>38%</td>
</tr>
</tbody>
</table>

¹ Excludes Mexican mill and Valliant #3 machine.
Source: Poyry's 2008 42# Global Kraft Linerboard CostTrac model at 4th quarter input costs and exchange rates.
IP Strategy & Execution
Well-Positioned in Attractive Customer Segments

IP Box Shipments by Segment

- Consumer Packaged Goods: 37%
- Protein: 17%
- Agriculture - Fresh Fruits & Vegetables: 15%
- Other Nondurables: 12%
- Distribution: 8%
- Other Durables: 9%
- Building Materials: 2%

62% of shipments in growing segments

Box shipments in MSF
Source: Fibre Box Association, IP Analysis
IP Strategy & Execution

7% Productivity Improvement since Acquisition

Box Plant Labor Productivity

Index:
Jan 2007 = 100

MSF per Labor Hour

IP Strategy & Execution
Continuing to Outperform Industry and Competitors

Index: 4Q05 = 100

U.S. Box Price History

Box Price

130%
125%
120%
115%
110%
105%
100%

4Q05 2Q06 4Q06 2Q07 4Q07 2Q08 4Q08

IP Competitor A Competitor B FBA

WY PKG Acquisition

IP’s price is for Fibre Box Association facilities.
Source: Competitors’ earnings calls, press releases, and SEC Filings, FBA
# IP Strategy & Execution

## Successful Box Plant Rationalizations

<table>
<thead>
<tr>
<th># of Box Plants Closed(^1)</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Retention(^2)</td>
<td>96%</td>
</tr>
<tr>
<td>S&amp;A Reduction ($ Million)</td>
<td>$20</td>
</tr>
<tr>
<td>Variable Cost Reduction ($ Million)</td>
<td>$15</td>
</tr>
<tr>
<td>Synergy EBITDA Impact ($ Million)</td>
<td>$35</td>
</tr>
</tbody>
</table>

---

1. Excludes closures of 5 plants that were announced on April 3rd, which are still operating today
2. Box plant rationalizations
IP Strategy & Execution

IP’s market access provides choices for maximizing value

N.A. Mill System
11.1 Million Tons

IP N.A. Box Plants
80%

Open Market
20%

Export
50%

Domestic
50%
**IP Strategy & Execution**

*Matching Supply to Customer Demand*

<table>
<thead>
<tr>
<th></th>
<th>3Q08</th>
<th>4Q08</th>
<th>1Q09</th>
</tr>
</thead>
</table>
| **Lack-of-Order Downtime**  
(Thousand Tons)    | 35   | 640  | 730  |
| **Inventory Change**  
(Thousand Tons)     | —    | (75) | (110) |
| **Cost of Downtime**¹  
($ Million)         | $5   | $75  | $95  |

¹ Unabsorbed fixed cost

Excludes lost tons at Vicksburg Mill, Valliant #3 and maintenance downtime of 50K, 89K, and 177K in the last three quarters respectively.

**Earnings Potential from Incremental Volume**

- **Box Margin**
- **Mill Variable Margin**
- **Improved Fixed Cost Coverage**
IP Strategy & Execution

IP Profit More Sensitive to Price than Volume

IP Profit Impact from Change in Price

IP Profit Impact from Change in Volume
Financial Performance
Outperforming Competitors in 1Q09

EBITDA Margin

<table>
<thead>
<tr>
<th></th>
<th>IP</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q08</td>
<td>12.8%</td>
<td>16.2%</td>
<td>9.1%</td>
<td>6.9%</td>
</tr>
<tr>
<td>4Q08</td>
<td>14.3%</td>
<td>17.4%</td>
<td>13.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>1Q09</td>
<td>17.5%</td>
<td>17.2%</td>
<td>#1</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

IP EBITDA margins based on North American Industrial Packaging operating profit before special items
Competitor EBITDA margins obtained from public filings and IP analysis
Financial Performance
Line-of-Sight to Reach the Target

Excludes special items

<table>
<thead>
<tr>
<th>EBITDA ($ Million)</th>
<th>1Q09 EBITDA Annualized</th>
<th>Additional Synergies</th>
<th>Line-of-Sight Opportunities</th>
<th>Normalized Run Rate</th>
<th>Original 3-Year Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,300</td>
<td>350</td>
<td>525</td>
<td>1,700</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Synergies
WY PKG
IP Legacy
IP North American Industrial Packaging
Generating Strong Free Cash Flow

• Strategic acquisition exceeding expectations
• Greater synergies at faster pace
• Strong free cash flow
• Line-of-sight to significant upside potential
• Pursuing cost-of-capital returns
Printing & Communications Papers
H. Wayne Brafford
Senior Vice President
Agenda

Transformation Challenges

• Maximizing Free Cash Flow
• Understanding Demand
• Managing Supply
• Generating Strong Results
## Maximizing Free Cash Flow
### Margin Improvement despite Declining Demand

<table>
<thead>
<tr>
<th></th>
<th>2001-05 Average</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>1Q09 Run Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp &amp; Paper Shipments (Million Tons)</td>
<td>5.5</td>
<td>5.0</td>
<td>5.0</td>
<td>4.7</td>
<td>3.8</td>
</tr>
<tr>
<td>EBITDA ($ Billion)</td>
<td>$0.4</td>
<td>$0.6</td>
<td>$0.8</td>
<td>$0.7</td>
<td>$0.5</td>
</tr>
<tr>
<td>Pulp &amp; Paper EBITDA Margin</td>
<td>10%</td>
<td>15%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Paper-Only EBITDA Margin</td>
<td>11%</td>
<td>17%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Maximizing Free Cash Flow

Strategy

- Maintain low-cost position
- Continue manufacturing excellence
- Reduce overhead and headcount
- Reduce capital spending & working capital
- Innovate cost-effectively
## Maximizing Free Cash Flow
### Fewer, Larger, Low-Cost Mills

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Mills</strong></td>
<td>12</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td><strong># of Pulp &amp; Paper Machines</strong></td>
<td>43</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td><strong>Average Capacity (Tons/Day)</strong></td>
<td>400</td>
<td>600</td>
<td>650</td>
</tr>
<tr>
<td><strong>Headcount</strong></td>
<td>13,000</td>
<td>7,700</td>
<td>6,200</td>
</tr>
<tr>
<td><strong>Total Pulp &amp; Paper Capacity (Million Tons)</strong></td>
<td>6.2</td>
<td>5.2</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Capacity per Employee</strong></td>
<td>475</td>
<td>675</td>
<td>710</td>
</tr>
</tbody>
</table>
Maximizing Free Cash Flow
IP Commodity Mills Well-Positioned

4Q08 North American Cash Cost Curve for UFS Rolls

Cash Cost per Ton

International Paper
Competitor A
Competitor B
Competitor C
Others

Cumulative Tons

Source: Poyry, IP Technology, P&C Strategic Planning
Maximizing Free Cash Flow
Continuous Cost Reduction

Manufacturing Cost / Ton

- Cost
- Total Inflation

Energy

Purchased Energy (BTU / Ton) 21% Improvement
Maximizing Free Cash Flow
Driving Lower Overhead & Headcount

Total Headcount Improvement of 28%
Maximizing Free Cash Flow
Reducing Working Capital & Capex

- **Inventory**
  - Q1 2005: $480 Million
  - Q1 2009: $400 Million

- **Working Capital**
  - Q1 2005: $675 Million
  - Q1 2009: $500 Million

- **CapEx**
  - Q1 2005: $80 Million
  - Q1 2009: $20 Million

- **CapEx % of Depreciation**
  - Q1 2005: 80%
  - Q1 2009: 20%
Maximizing Free Cash Flow

Ongoing Commitment to Innovation

Products

• VIP
• ColorLok

Brands

• Hammermill – North America
• Hewlett-Packard – Global
Understanding Demand
N.A. UFS Purchases vs. GDP

Source: AF&PA, PPPC, BEA, IP Strategic Planning
Understanding Demand

UFS End Use Indicators

Cutsize & Mail Represent the Majority of UFS

- Cutsize: 43%
- Mail: 26%
- Commercial Printing: 12%
- Books: 4%
- Tablets & Notebook Paper: 3%
- Other: 12%

Source: AF&PA, PPPC, IP Strategic Planning.
Understanding Demand
Weak Economy Accelerating Mail Decline

2008 Mail Volume Down 6%
2009 Projected Mail Volume Down 10%

Billions of Annual Mail Pieces

2002: 190
2003: 190
2004: 196
2005: 198
2006: 201
2007: 198
2008: 186
2009P: 167

Source: USPS, IP Strategic Planning
Understanding Demand
Financial Services > 50% of Mail

All Mail Down (6%), But Especially Financial Ad Mail

2007 Business Mail Pieces

- Financial Mail Advertising 53%
- Merchant 17%
- Services 19%
- Non-profit 5%
- Gov't 3%
- Others 3%

Financial Ad Mail 2008 vs. 2007

<table>
<thead>
<tr>
<th>Category</th>
<th>2007</th>
<th>2008</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage &amp; Loan Solicitations</td>
<td>(40%)</td>
<td>(37%)</td>
<td>3%</td>
</tr>
<tr>
<td>Credit Card Solicitations</td>
<td>(40%)</td>
<td>(26%)</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: 2008 USPS Household Diary Study and 2008 Revenue, Pieces, Weight Report, Mintel Compremedia
Understanding Demand

UFS Cutsize Consumption

UFS Cutsize Driven By White Collar Industries

5 Million Tons

- Health: 1.2
- Business: 0.8
- Finance: 0.7
- Mfg: 0.7
- Retail: 0.5
- Gov't: 0.3
- Other: 0.8

Source: AF&PA, 2006 InfoTrends, 2007 BLS Employment Forecast
Understanding Demand
Consumption per WCW Suggests 1.7% Decline

Source: AF&PA, US Census Bureau, IP Strategic Planning
Understanding Demand

>2/3 of Current Decline Likely Driven by the Economy

North American Uncoated Freesheet Demand Decline

- **1Q 08**: (2%)-(3%) (1%)-(2%) (4%)
- **2Q 08**: (2%)-(3%) (3%)-(4%) (6%)
- **3Q 08**: (2%)-(3%) (4%)-(5%) (7%)
- **4Q 08**: (2%)-(3%) (2%)-(3%) (8%)-(10%) (14%)
- **1Q 09**: (3%)-(5%) (2%)-(4%) (9%)-(12%) (17%)

Source: AF&PA, PPC, NPTA, EMA, IP, Strategic Planning.
Understanding Demand

Growth Rates Slowing Across All Regions

Global Uncoated Freesheet Demand

Source: Poyry Consulting, RISI, PPPC, IP Strategic Planning, IP Europe, IP Brazil, IP Asia
At Western Europe’s per capita consumption, North American demand will be 9 million tons/year.
Managing Supply
Structural Changes

1998 Producer Position
Top 2 = 28%
Top 4 = 48%

2008 Producer Position
Top 2 = 56%
Top 4 = 73%

1998 Source: Poyry Consulting, IP Strategic Planning
2008 Source: RISI
Managing Supply 2000-2009

Capacity CAGR (3.7%)
Demand CAGR (2.7%)

PPPC Demand CAGR (8.5%)

Operating Rate
92%
92%
89%

Sources: RISI, AF&PA
Managing Supply

*IP Profit More Sensitive to Price than Volume*

**IP Profit Impact from Change in Price**

<table>
<thead>
<tr>
<th>Change in Price ($ per Ton)</th>
<th>Change in EBITDA ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($300)</td>
<td>(300)</td>
</tr>
<tr>
<td>($200)</td>
<td>(200)</td>
</tr>
<tr>
<td>($100)</td>
<td>(100)</td>
</tr>
<tr>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td>(30)</td>
<td>30</td>
</tr>
<tr>
<td>(60)</td>
<td>60</td>
</tr>
<tr>
<td>(90)</td>
<td>90</td>
</tr>
</tbody>
</table>

**IP Profit Impact from Change in Volume**

<table>
<thead>
<tr>
<th>Change in Volume (Thousand Tons)</th>
<th>Change in EBITDA ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(150)</td>
<td>(150)</td>
</tr>
<tr>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>(50)</td>
<td>(50)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>
## Managing Supply

**Matching Supply with Customer Demand**

<table>
<thead>
<tr>
<th></th>
<th>3Q08</th>
<th>4Q08</th>
<th>1Q09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Paper (All Grades)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack-of-Order Downtime</td>
<td>5</td>
<td>127</td>
<td>152</td>
</tr>
<tr>
<td>(Thousand Tons)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inventory Change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Thousand Tons)</td>
<td>(30)</td>
<td>(1)</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Cost of Downtime(^1)</strong></td>
<td>$1</td>
<td>$24</td>
<td>$36</td>
</tr>
<tr>
<td>($ Million)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Unabsorbed fixed cost
Managing Supply

N.A. Cutsize Price vs. UFS Consumption

Source: RISI, AF&PA, PPPC, IP Strategic Planning
Generating Strong Results
Strategy Driving Strong EBITDA & Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA Million</th>
<th>Cash Flow Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>418</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>484</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>415</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>298</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>613</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>779</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>685</td>
<td></td>
</tr>
<tr>
<td>1Q09</td>
<td>449</td>
<td></td>
</tr>
</tbody>
</table>

Paper-Only EBITDA %

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA %</th>
<th>Pre-Tax Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>1Q09</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>

Paper-Only EBITDA/Ton

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA/Ton</th>
<th>Pre-Tax Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$102</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$118</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$93</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$83</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$142</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$170</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$189</td>
<td></td>
</tr>
<tr>
<td>1Q09</td>
<td>$187</td>
<td></td>
</tr>
</tbody>
</table>
Generating Strong Results

Transformation Successful

• Delivering Free Cash Flow

• Managing Supply to Customer Demand

• Managing Low-Cost Performance

• Generating Strong Returns
Leadership position in attractive markets with low-cost assets that can generate strong free cash flow and cost-of-capital returns

- Scale Businesses
- Leadership Positions
- Operational Excellence
- Paper & Packaging
- North America + Low-Cost Regions
- Attractive Markets
IP Transformation
How Transformation Advanced the Vision

- Established leading global positions
  - Corrugated Packaging
  - UFS
  - Coated Paperboard
- Exited segments where IP lacked sustainable competitive advantage
- Created more sustainable cash flow
- Focused on fewer, larger, lower-cost mills
- Improved profitability

Ability to succeed in weak market conditions
What We’ve Learned

- Execution is key
- Flexibility is vital
- Leverage cuts both ways
- Joint ventures challenging, but important
- Merger benefits drive financial returns
- Contingency plans critical
- Appropriate risk premiums
Where We Go from Here
Navigating Turbulent Waters
Where We Go from Here

Economic Recovery

Current recession has already lasted longer than any since the Great Depression

Months of Recession

Date Recessions Began

<table>
<thead>
<tr>
<th>Months of Recession</th>
<th>Date Recessions Began</th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>Aug 1929</td>
</tr>
<tr>
<td>13</td>
<td>May 1937</td>
</tr>
<tr>
<td>8</td>
<td>Feb 1945</td>
</tr>
<tr>
<td>11</td>
<td>Nov 1948</td>
</tr>
<tr>
<td>10</td>
<td>Jul 1953</td>
</tr>
<tr>
<td>8</td>
<td>Aug 1957</td>
</tr>
<tr>
<td>10</td>
<td>Apr 1960</td>
</tr>
<tr>
<td>11</td>
<td>Dec 1969</td>
</tr>
<tr>
<td>16</td>
<td>Nov 1973</td>
</tr>
<tr>
<td>16</td>
<td>Jan 1980</td>
</tr>
<tr>
<td>8</td>
<td>Jul 1981</td>
</tr>
<tr>
<td>8</td>
<td>Jul 1990</td>
</tr>
<tr>
<td>8</td>
<td>Mar 2001</td>
</tr>
<tr>
<td>18</td>
<td>Dec 2007</td>
</tr>
</tbody>
</table>

Current recession has already lasted longer than any since the Great Depression.
• Global economic conditions could start to improve by year-end
• U.S. economy stabilizing
• De-levering occurring
• Pent-up auto & housing demand
• Emerging economies improving
• U.S. deficits & inflation
Where We Go From Here
Priorities

- Maximize free cash flow
- Reduce debt aggressively
- Manage near-term maturities
- Manage our supply to protect margins
- Pursue systematic cost reductions
- Realistic strategy for each business
- Be willing to make choices

Positions IP to outperform in any economic environment
Strategy & Capital Allocation

Upside Potential

Potential for stronger earnings & increased cash flow in an economic recovery

- Synergies
- Margins
- Volumes

- Operating Costs
- Interest Expense
- Downtime Costs
Pursue Total Debt-to-EBITDA Ratio of < 3X

Balance Use of Cash to Maximize Shareowner Value with Appropriate Risk

- Improving IP Asset Portfolio
  - Cost Reductions
  - Margin Expansion
  - Selective Reinvestment

- Reward Shareowners
  - Dividends
  - Share Repurchases

Total debt includes estimated pension liabilities & operating leases
IP Transformation
Summary

What We’ve Done

- Created portfolio of high-quality assets
- Leveraged IP’s operating expertise
- Improved sustainability of free cash flow
- Reduced debt significantly

What We’re Doing

- Maintaining strong focus on free cash flow
- Realizing greater synergies at a faster rate
- Targeting <3X total debt-to-EBITDA
- Pursuing structural cost reductions

What We Will Do

- Continue free cash flow focus
- Manage our supply to protect margins
- Achieve total debt-to-EBITDA target
- Balance use of cash