



INTERNATIONAL  PAPER

***Poised to Take Off?  
U.S. Economy in 2011  
and Beyond . . .***

**Tim Nicholls**  
**Chief Financial Officer,  
Senior Vice President**  
**Southern Legislative Conf.**  
**July 17, 2011**

# International Paper: A Global Perspective



- ◆ Leading global paper & packaging company
- ◆ \$25 billion in revenues
- ◆ Nearly 60,000 employees
- ◆ Manufacturing operations in 24 countries
- ◆ Fortune's most admired company in industry – eight years
- ◆ Worldwide presence and customer base



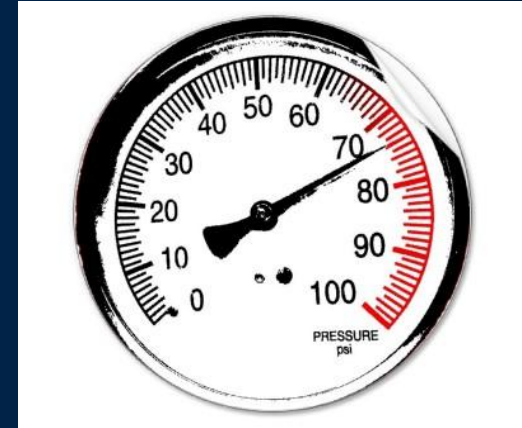
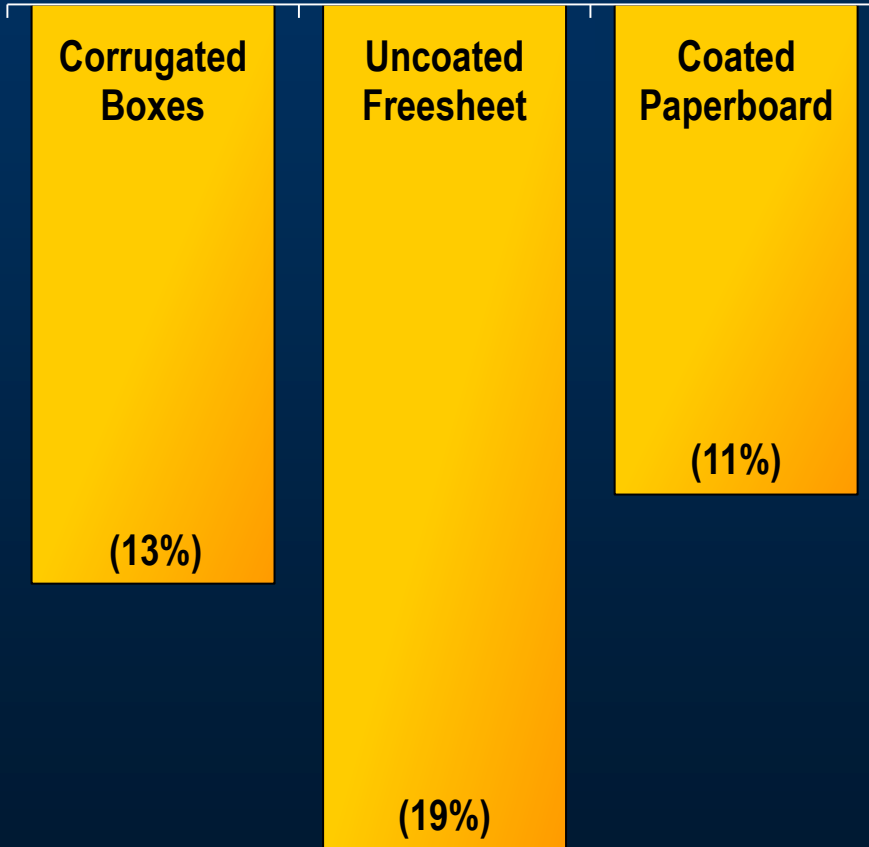
# Streamlined Business Portfolio

## *Improved Positions in more Profitable Segments*

|                           | Segment Position |        |
|---------------------------|------------------|--------|
| Market Segment            | 2004             | 2010   |
| U.S. Industrial Packaging | #3               | #1     |
| U.S. Uncoated Papers      | #1               | #2     |
| U.S. Coated Paperboard    | #1               | #1     |
| Global Market Pulp        | Secondary        | #4     |
| U.S. Coated Papers        | Secondary        | Exited |
| U.S. Wood Products        | Secondary        | Exited |
| U.S. Forestland           | #2               | Exited |
| U.S. Kraft Paper          | Secondary        | Exited |
| U.S. Chemicals            | Secondary        | Exited |
| U.S. Beverage Packaging   | Secondary        | Exited |

# Pressure Testing the Transformation Plan

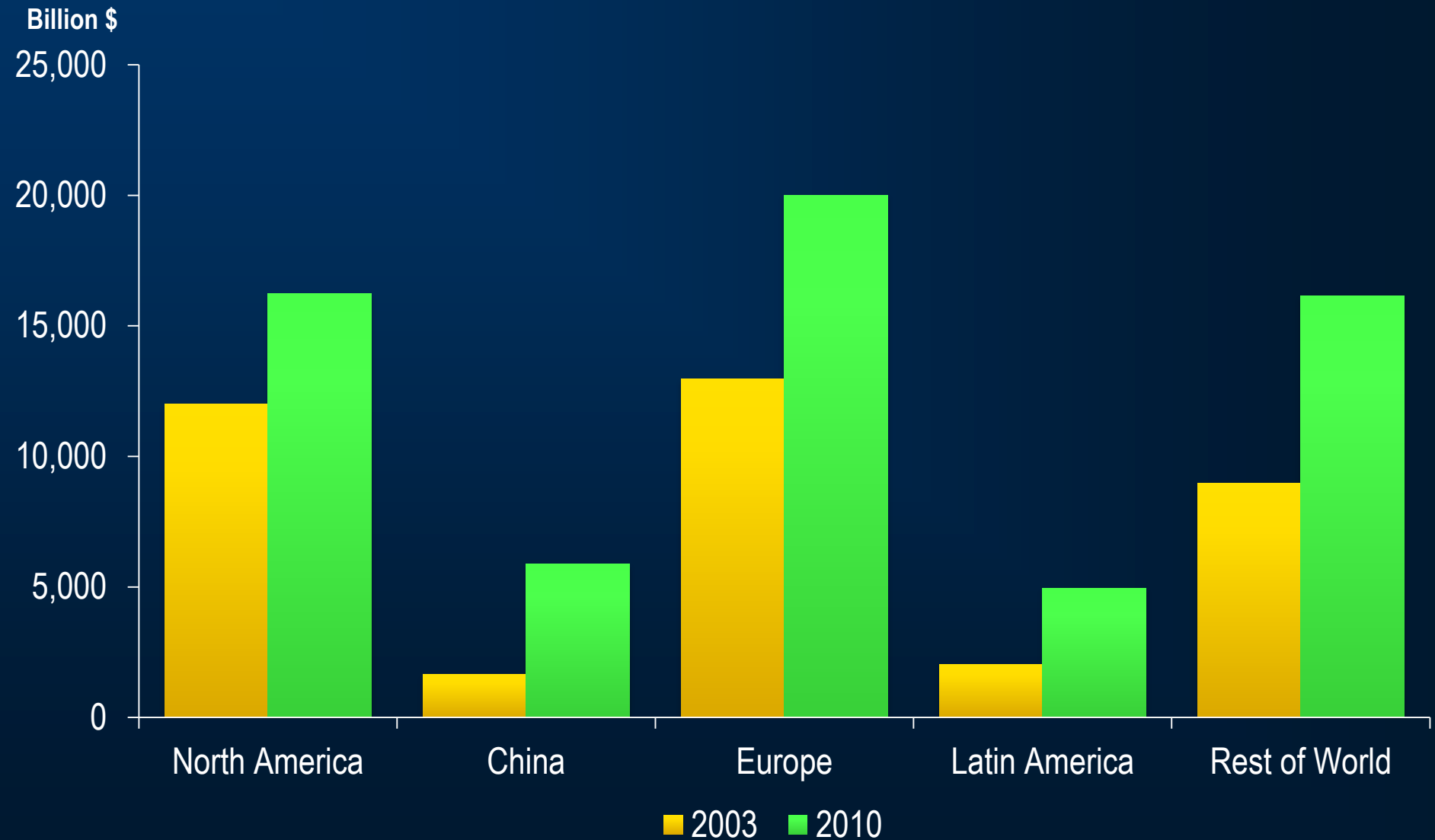
## Recession Impact on U. S. Industry Demand



- ◆ Experienced the longest and deepest recession in 60 years
- ◆ Maintained strong earnings and free cash flow
- ◆ Entered recovery phase without excess inventory
- ◆ Recovered recession price erosion quickly

Source: RISI, 2008 & 2009 cumulative shipment changes.

# Real GDP By Geographic Region

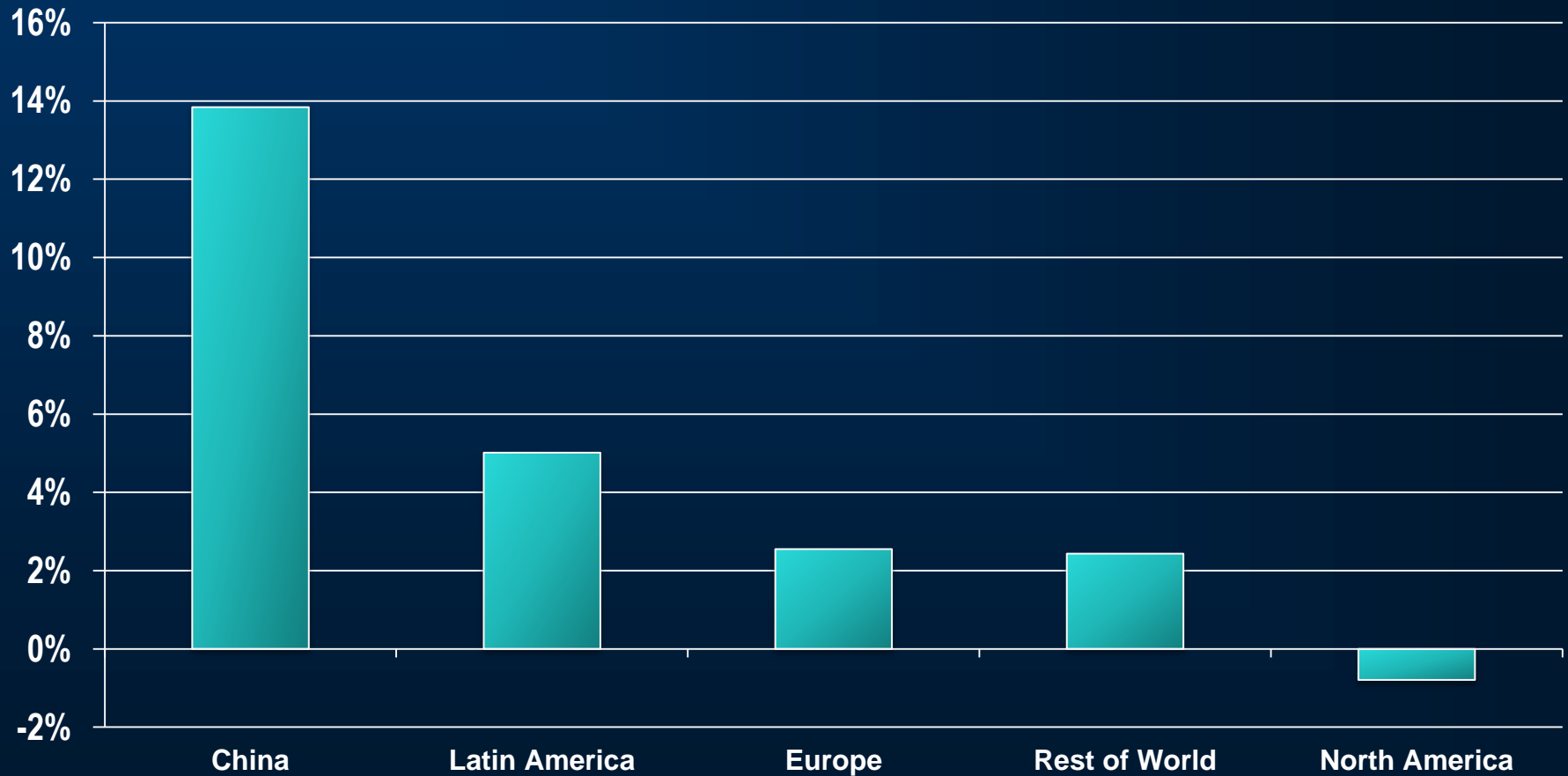


Source: Global Insight, World Overview tables

# Global Containerboard Industry

2003-2010

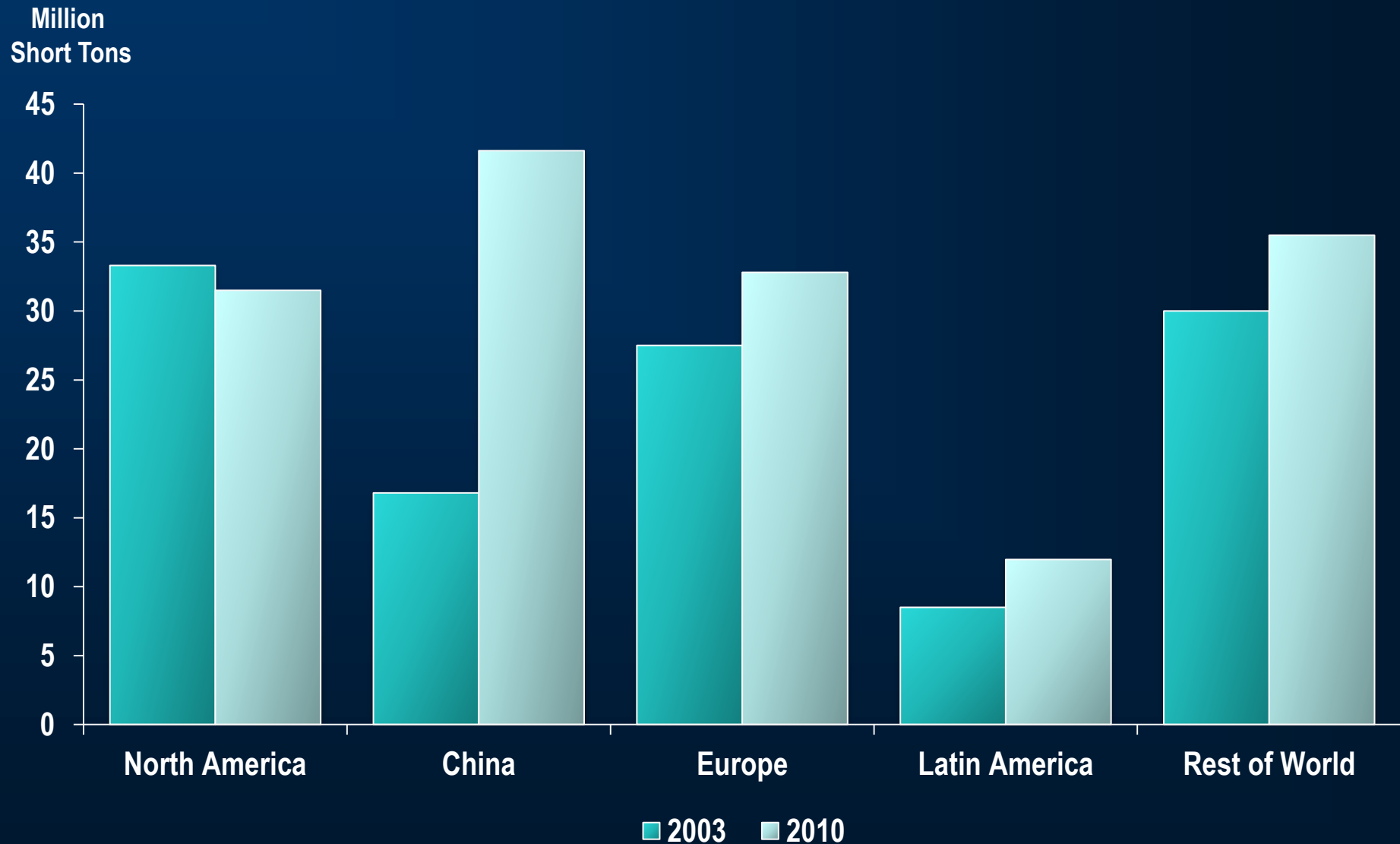
Containerboard  
CAGR



Source: RISI Forecast Tables (World)



# Global Containerboard Industry Box Demand



Source: RISI Forecast Tables (World)


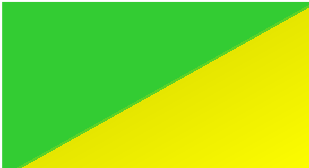

# The Advancing China Market

INTERNATIONAL  PAPER





# Brownfield Installation of 200,000 TPY UFS Paper Machine

| Region        | Total Capex<br>(USD 000's) | Capex<br>Per Installed<br>Annual Ton<br>(USD) | Duration<br>(Conceptual<br>to Start-Up)<br>(months) | Execution<br>Complexity  |
|---------------|----------------------------|---|---|--|
| North America | 345                        | 1,725   | 24-28   |   |
| Brazil        | 270                        | 1,350   | 28-32   |   |
| China         | 150                        | 750   | 18-20   |  |

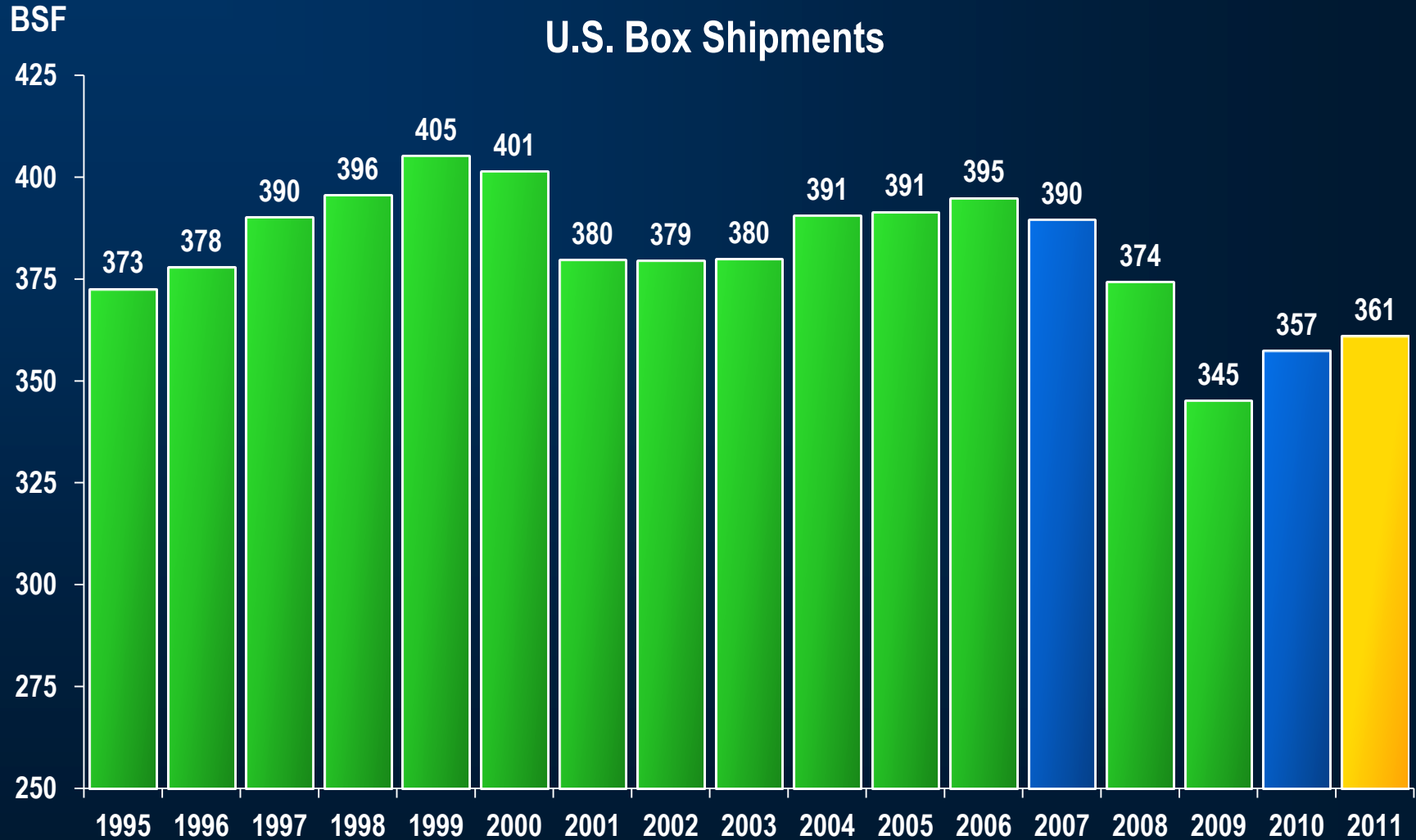
 No major hindrances

 Moderate difficulty

# Our Southern Footprint

- ◆ 70+ of our mills, plants and facilities
- ◆ 40% of our U.S. mfg footprint
- ◆ 30% of our global mfg footprint
- ◆ 20,000+ employees . . . . 1/3 of our population
- ◆ Nearly \$9 billion capital employed in the south
- ◆ \$750 million additional capital spent in 2011

# 2011 – Demand Still Recovering



Source: Fibre Box Association  
2011 1Q Run Rate

The background of the image is a dark blue world map. A grid of thin, light blue lines is overlaid on the map. From the center of the map, numerous light blue rays emanate outwards, creating a sunburst effect. A dark horizontal band is positioned across the middle of the image, containing the company name and logo.

**INTERNATIONAL  PAPER**