

INTERNATIONAL PAPER



THE MARKET

Have you ever noticed how many times you use products made from trees in the course of daily life? Chances are that the cereal, milk, juice, and toothpaste you might wake up to every morning came in paper packaging. At the office, the pads you take notes on, the folders you file documents in, the presentations and articles you print out, and even your paychecks are all paper products. Paper products might even figure prominently in your leisure activities. The popcorn and ice cream you snack on during movies stay wholesome in their paper packaging. In fact, your VHS or DVD player probably arrived in your home in a box made from paper.

As a global leader in the paper, packaging, and wood products industry, International Paper supplies a wide range of goods that people rely on day in and day out. With the world population expected to nearly double to 10 billion in the next 50 years, more people will be turning to International Paper for the products that fulfill basic needs for everything from keeping food fresh to providing the materials for shelter. International Paper takes great pride in meeting those needs by using the world's most renewable resource — trees — to make the products that play a vital role in consumers' lives.

As its name implies, International Paper is truly a global company, with operations spanning the Americas, Europe, Asia Pacific, and Australasia.

ACHIEVEMENTS

International Paper is always working toward its vision of being one of the best and most respected companies in the world by

staying focused on its mission: making people's lives better. International Paper distinguishes itself from its competition by strengthening and leveraging the power of its three success drivers — its customers, its people, and operational excellence — to accomplish this mission.

Since it was founded over 100 years ago, International Paper has steadily grown its businesses and today maintains operations in over 40 countries and employs nearly 90,000 people all over the world. International Paper is listed as number 71 on the *Fortune* 500 ranking of the nation's largest companies, and its stock is traded on six international exchanges, including New York and Zurich.

As a company focused on the success of its customers, IP has a long tradition of identifying opportunities and developing solutions tailored to the needs of its partners. International

Paper continually develops innovative solutions that help its partners grow their businesses. As a result, International Paper is consistently named "Supplier of the Year" by a number of different customers.

Another of International Paper's proudest achievements is its leadership role in forest management practices. As one of the largest private landowners in the world, IP foresters and ecologists manage the woods with great care in compliance with the rigorous standards of the Sustainable Forestry Initiative® program. The SFI® program is an independent certification system that ensures the perpetual planting, growing, and harvesting of trees while protecting wildlife, biodiversity, and plants as well as soil, air, and water quality. In the United States alone, IP protects more than a half million acres of unique and environmentally important habitats on its forestlands through conservation easements and land sales to environmental groups. The company also has a longstanding policy of using no wood from endangered forests.

These achievements are just a few of the reasons *Fortune* magazine named International Paper in its 2003 and 2004 Most Admired Companies surveys.

HISTORY

International Paper was formed in 1898 in Albany, New York, through the merger of 17 pulp and paper mills. Since then, driven by its commitment to creating value for its customers, the company has worked tirelessly to establish a global network of resources. In the mid-1990s, for example, the company undertook strategic expansion in Eastern Europe, especially within Poland and Russia. The company's growth strategy, together with its focus on innovation, helped push sales past the \$20 billion mark by 1996.

The late 1990s witnessed high-profile mergers, including the acquisition of Federal Paper Board and Union Camp, followed by those of Shorewood Packaging and Champion International, which gave International Paper a significant position in South America. Today, under Chairman and CEO John Faraci, the company continues to leverage its



formula for success: embracing dedicated and highly motivated employees, who are in turn focused on delivering superior value to customers through operational excellence.

THE PRODUCT

International Paper's corporate strength results from its focus on three core businesses: paper, packaging, and wood products. Its printing and writing papers help people throughout the world to connect with one another and share stories and information. IP owns some of the best-known and most popular names in paper today, including Hammermill®, Strathmore®, Rey®, and ChameX®.

International Paper's packaging carries and protects the goods of the world. Boxes developed by International Paper can be found in practically every room of your home. In the kitchen, IP packaging protects and preserves prepared foods, poultry, beverages, and seasonings, among other essentials. In the family room, everything from CDs to video games comes wrapped in IP packaging. Even the home medicine cabinet is stocked with cosmetics, perfumes, and pharmaceuticals sold in IP-manufactured packaging.

To provide shelter throughout the world, International Paper produces a broad array of critical building materials, including lumber, plywood, panels, poles, pilings, and veneers. In addition, IP produces natural and renewable pine co-products to make such common consumables as adhesives, chewing gum, fragrances, and soaps.

RECENT DEVELOPMENTS

International Paper's commitment to its customers makes it one of the industry's most prolific innovators. For example, the company recently worked

vendors often had to provide a second paper cup or a paperboard sleeve to protect against heat. IP developed a paperboard notable for its low heat transfer, thus eliminating the need for a second cup or a paper sleeve while preserving the taste of the drink.

In another innovation designed to meet customers' needs, IP developed a special lightweight coated paper aimed at helping catalog and magazine publishers manage postage and production costs without compromising the look and feel of their publications.

In yet another example of the benefit of partnering with IP, one juice producer was concerned that traditional juice packaging was not preventing the dissipation of vitamin C from juice containers. IP redesigned the cartons to maximize the preservation of the essential vitamin without sacrificing freshness or flavor. The patented technology prevents oxygen and light from seeping into the containers and ensures that 15 percent more vitamin C is retained.

By working with customers to develop the products they need, International Paper has become the preferred partner in the industry.

PROMOTION

International Paper invests in advertising and sponsorships that build greater worldwide awareness of its brand and its efforts on behalf of the environment, the consumer, and its own customers. One of its most successful campaigns to date has been a black-and-white series of print and television advertisements that feature the children of IP employees. Aimed at increasing awareness of International Paper's innovative technologies and environmental practices, the creative approach was extremely successful in meeting the campaign's goals. By featuring children, the campaign captured the company's concern for protecting the environment for today and future generations, while also highlighting recent innovations.

BRAND VALUES

International Paper understands that its corporate brand is one of its most valuable assets. IP's brand value is built upon principles of



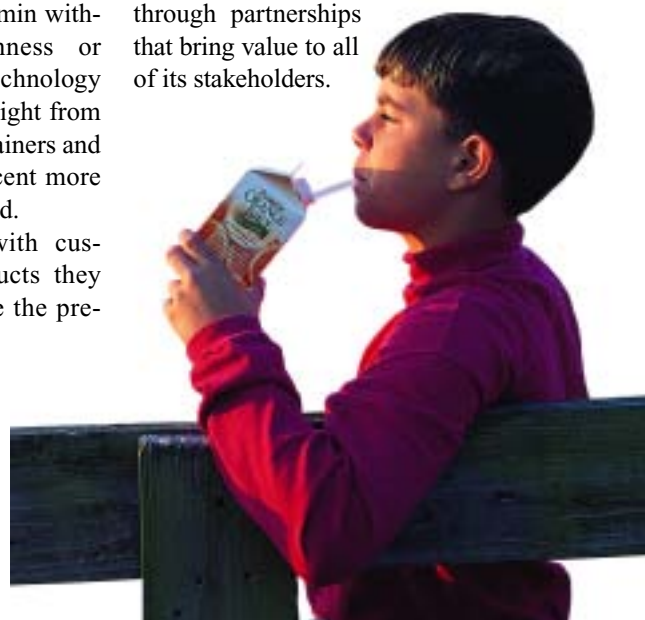
in partnership with one of its business partners to develop a carryout hot-drink cup that wouldn't adversely affect the taste of the drink or burn fingers. While many consumers prefer the taste of hot drinks from paper cups — rather than foam —

excellence that guide everything the company and its employees do. These principles include upholding the highest ethical standards and accountability in every action taken; being a good corporate citizen by protecting employees and the environment;



promoting dignity and respect throughout the workplace; insisting on excellence, leadership, and innovation; and being passionately focused on customer success and business results. These principles help form a global brand with small-town values.

Through the years, International Paper's customers, employees, neighbors, and shareholders have learned firsthand that the company is focused on growing a business that benefits each and every one of them. IP believes that success is best achieved through partnerships that bring value to all of its stakeholders.



THINGS YOU DIDN'T KNOW ABOUT INTERNATIONAL PAPER

- You can find International Paper practically everywhere. At present, the company sells its products in 120 nations around the world.
- IP pioneered a new generation of smart packaging by inventing a way of incorporating Radio Frequency Identification (RFID) technology into packaging material. These smart packages can be tracked throughout the transport process for a variety of purposes ranging from security to inventory control.
- IP maintains and enhances habitat for more than 30 federally protected species such as the Red-Cockaded Woodpecker, the Flatwood Salamander, and the Florida Panther, among others.
- There are more trees in America today than 100 years ago, thanks to replanting and regrowing efforts by International Paper and others.