

Partners Name Board of Directors, Management Team

MEMPHIS, Tenn. and ST. PETERSBURG, Russia, Oct. 5 /PRNewswire - FirstCall/ -- International Paper (NYSE: IP) and Ilim Holding S.A. have completed the previously announced formation of a 50:50 joint venture, the largest foreign- domestic alliance in the Russian forest sector. The joint venture will operate as Ilim Group (Ilim).

To form the joint venture, International Paper purchased 50 percent of Ilim Holding, S.A., for approximately \$620 million. The deal received approval from the Russian Federal Antimonopoly Service in June and the partners signed a definitive agreement for the deal in August.

"The formation of this 50:50 joint venture is a real strategic milestone for International Paper," said International Paper Chairman and Chief Executive Officer John Faraci. "Both parties bring important strengths and expertise to the JV, and we are very positive about the future success of this new partnership."

"We are very pleased to begin our partnership with Ilim and work together to continue to grow this business," said International Paper Senior Vice President and President of IP Europe Mary Laschinger. "We believe the joint venture has all the ingredients needed for success: good management, talented, hard-working employees, a solid asset base with improvement potential, and strong supply positions in high-growth markets."

Chairman of Ilim Group Zakhar Smushkin said, "Today we are opening a new page in the history of Ilim Group and the entire Russian pulp and paper industry. We have formed an alliance that is unprecedented in our sector and will become the center of dynamic growth of the entire Russian forest products industry. This is a response to global market challenges and the appeals from the Russian President and the government of the Russian Federation. The company's products will be able to meet the demand of the growing Russian market for high-quality paper and packaging products and also resolve the import replacement problem. In five years' time, every fourth sheet of paper and every third corrugated box in the Russian market will be produced by our company."

A key element of the joint venture strategy is a long-term investment program in which the joint venture will invest, through cash from operations and additional debt, approximately \$1.5 billion in Ilim's four mills over approximately five years. This unprecedented investment in the Russian pulp and paper industry will upgrade equipment, increase production capacity and allow for new high-value uncoated paper, pulp and corrugated packaging product development.

The pulp and paper mill that International Paper currently owns and operates in Svetogorsk, in Russia's Leningrad region, will not be owned by the joint venture and will continue to operate as part of IP's European Papers business. Similarly, Ilim Pulp's wood products enterprises will not be integrated into the joint venture; instead they will be combined to create Russia's largest wood products holding company.

Board of Directors and Management Team

The joint venture has formed a new board of directors which includes four members each from Ilim and International Paper. Board members from International Paper are: Mary Laschinger, senior vice president and president, IP Europe; Cato Ealy, senior vice president, corporate development; Richard Phillips, retired senior vice president, technology; Dwight Van Inwegen, chief financial officer, IP Europe. Ilim is represented by the current Ilim Pulp shareholders, Boris Zingarevich, Mikhail Zingarevich, and Leonid Erukhimovich, as well as Zakhar Smushkin, who will also chair the board of directors.

Paul Herbert, former International Paper senior vice president, has been named the joint venture's chief executive officer. Ilim Group's full management team is as follows:

- Sergey Kostylev, deputy CEO (formerly of Ilim)
- Alexandr Pozdnyakov, deputy CEO, managing director, Ilim West (formerly of Ilim)
- Brian McDonald, deputy CEO, managing director, Ilim East (formerly of International Paper)
- Yuri Aivazov, deputy CEO, managing director, corrugated box business (formerly of Ilim)
- Alexandr Emdin, deputy CEO, chief financial officer (formerly of Ilim)
- John Rankin, deputy CEO, managing director, manufacturing and investments (formerly of International Paper)
- Yuri Masiyansky, chief administration and human resources director (formerly of Ilim)
- Alexandr Bass, chief managing director, supply chain (formerly of Ilim)
- Viktor Atamanov, managing director, strategic planning and marketing (formerly of Ilim)
- Alexei Lomko, general counsel and central legal (formerly of Ilim)
- Alexandr Khromov, managing director, security (formerly of Ilim)
- Elena Konnova, public relations director (formerly of Ilim)
- Dmitry Chuiko, government relations director (formerly of Ilim)
- Igor Tyukov, board of directors administration officer (formerly of Ilim)

About International Paper

International Paper (NYSE: IP), founded in 1898, is a global uncoated paper and packaging company with primary markets and manufacturing operations in North America, Europe, Russia, Latin America, Asia and North Africa. Its uncoated papers and packaging businesses are complemented by xpedx, North America's largest distributor of printing papers and graphics supplies and equipment. Headquartered in the United States, International Paper employs approximately 54,000 people in more than 20 countries, and serves customers worldwide. Annual sales are about \$22 billion. International Paper partners with customers and environmental, academic, civic and governmental organizations, as well as landowners and harvesting professionals, to encourage responsible forest stewardship, improve the health and productivity of forestlands and increase recovery of our recyclable products. The company has a long-standing policy of using no wood from endangered forests. To learn more about International Paper, its products and commitment to economic, social and environmental sustainability, visit www.internationalpaper.com.

About Ilim Group

Ilim Group was registered in St. Petersburg on September 27, 2006. In 2007, the Group was joined by Kotlas Pulp and Paper Mill, Bratsk Pulp and Containerboard Mill and Ust-Ilimsk Pulp and Paper Mill as the mills were converted to a single share. On July 2 Ilim Group started its activities as a unified company. Production assets of the Group are structured on the production and geographical basis and include the following business units: "Ilim West" (North-Western Pulp and Paper Production), "Ilim East" (Siberian Pulp and Paper Production) and Corrugated Packaging. Business unit Ilim West includes Koryazhma Branch of Ilim Group (Arkhangelsk region), as well as timber suppliers, regional service companies in Arkhangelsk region and St. Petersburg Cartonboard and Printing Mill (Leningrad region), its distributor PetroBoardTrading and Alt Papier. Business unit Ilim East includes Bratsk and Ust-Ilimsk Branches of Ilim Group, as well as regional logging companies and service companies. Corrugated Packaging business unit includes corrugated plant Ilim Gofropak and Ilim Gofra, whose aim is to implement the Group's projects to establish new corrugated board plants. The company also includes centralized service providers to the Group's branches and subsidiaries. To learn more, visit <http://www.ilimgroup.com>

This press release may contain forward-looking statements. These statements reflect the current views of management of International Paper and Ilim 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) the ability of the joint venture to finance and execute the long-term investment program; (ii) pulp and paper industry conditions, including

changes in the cost or availability of raw materials and energy, changes in transportation costs, competition, changes in product mix and demand and pricing for the joint venture's products; and (iii) supply and demand conditions and other economic factors affecting Russia, Eastern Europe and Asia, including changes in political conditions, changes in currency exchange rates and natural disasters. International Paper and Ilim undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail in International Paper's Securities and Exchange Commission filings.

SOURCE International Paper