

Antitrust Matters

On May 14, 1999 and May 18, 1999, two lawsuits were filed in federal court in the Eastern District of Pennsylvania against International Paper, the former Union Camp Corporation (acquired by International Paper in 1999), and other manufacturers of linerboard (the Defendants). These suits allege that the Defendants conspired to fix prices for corrugated sheets and containers during the period from October 1, 1993 through November 30, 1995. These lawsuits, which seek injunctive relief as well as treble damages and other costs associated with the litigation, were consolidated and, on September 4, 2001, certified as a class action. On September 22, 2003, International Paper, along with Weyerhaeuser Co. and Georgia-Pacific Corp., agreed with the class plaintiffs to settle the litigation for an aggregate amount of \$68 million. The settlement, of which International Paper's and Union Camp's share totaled \$24.4 million, was approved by the court in an order entered on December 10, 2003.

Twelve complaints with multiple plaintiffs who opted out of the class action described above, have been filed in various federal district courts around the country. These suits allege that the defendants conspired to fix prices for corrugated sheets and containers during the period from October 1, 1993 through February 28, 1997. One opt-out plaintiff voluntarily dismissed its complaint on October 10, 2003. Another opt-out plaintiff settled its case. All of the remaining federal opt-out cases have been consolidated for pre-trial purposes in the federal court for the Eastern District of Pennsylvania. Discovery in the federal opt-out cases is currently scheduled to conclude in June 2005. Additionally, one opt-out case was originally filed in Kansas state court, but has been removed to federal court and transferred to the Eastern District of Pennsylvania. The plaintiff in that case has filed a motion to remand the case to Kansas state court. The Company is vigorously defending these cases and believes it has valid defenses. However, due to the complexity of evaluating the factors upon which damages might be based (including, but not limited to, the uncertainties of the class period, defendants' sales to various opt-out plaintiffs, and other defendants' potential settlements), the Company cannot assess its potential exposure at this time.

In 2000, purchasers of high-pressure laminates filed a number of purported class actions under the federal antitrust laws alleging that International Paper's Nevamar division (which was part of the Decorative Products division) participated in a price-fixing conspiracy with competitors between January 1, 1994 and June 30, 2000. In 2000 and 2001, indirect purchasers of high-pressure laminates also filed similar purported class action cases under various state antitrust and consumer protection statutes in Arizona, California, Florida, Maine, Michigan, Minnesota, New Mexico, New York, North Carolina, North Dakota, South Dakota,

Tennessee, West Virginia, Wisconsin and the District of Columbia. In the third quarter of 2002, International Paper completed the sale of the Decorative Products operations, but retained any liability for these cases. In June 2003, the federal district court certified the consolidated federal cases as a class action. In 2004, the federal and all of the state cases were settled for a total of \$38.5 million. The federal settlement has been approved by the court, and the state cases have all received preliminary approval and are proceeding toward final approval.

On September 16, 2002, International Paper was served in Federal District Court in Columbia, South Carolina with a class action lawsuit by a group of private landowners alleging that International Paper and certain of its fiber suppliers, known as Quality Suppliers, engaged in an unlawful conspiracy to artificially depress the prices at which International Paper procures fibers for its mills. The suit seeks injunctive relief as well as treble damages and other costs associated with the litigation. On March 31, 2004, the case was certified as a class action. International Paper then asked the U.S. Court of Appeals for the Fourth Circuit for permission to appeal the District Court's order granting class certification, but that request was denied. Discovery and issues concerning class notice are ongoing. On January 10, 2005, with the District Court's approval, International Paper filed motions requesting dismissal of the plaintiffs' claim based on plaintiffs' lack of standing to sue and decertification of the class. The motions are scheduled for hearing on April 7, 2005.

In May 2004, the press reported that European, U.S. and Canadian antitrust authorities were investigating possible cartel activity relating to publication papers. Following these press reports, a number of private plaintiffs filed purported class actions on behalf of purchasers of publication papers in various U.S. federal and state courts. These class actions allege that manufacturers of publication papers, including International Paper, participated in a price fixing conspiracy from 1993 to the present. The cases filed in federal court assert a violation of the federal antitrust laws, while the cases filed in the state court allege violations of state antitrust and consumer protection statutes. These lawsuits seek injunctive relief, as well as treble damages and other costs associated with the litigation. The federal cases were consolidated for pre-trial purposes in December 2004 in the federal court for the District of Connecticut. Discovery and related pretrial proceedings have not yet begun. Discovery in the state cases is expected to be coordinated with the consolidated federal cases. The Company believes it has valid defenses and intends to vigorously defend these cases. However, at this early stage the Company cannot assess its potential exposure.