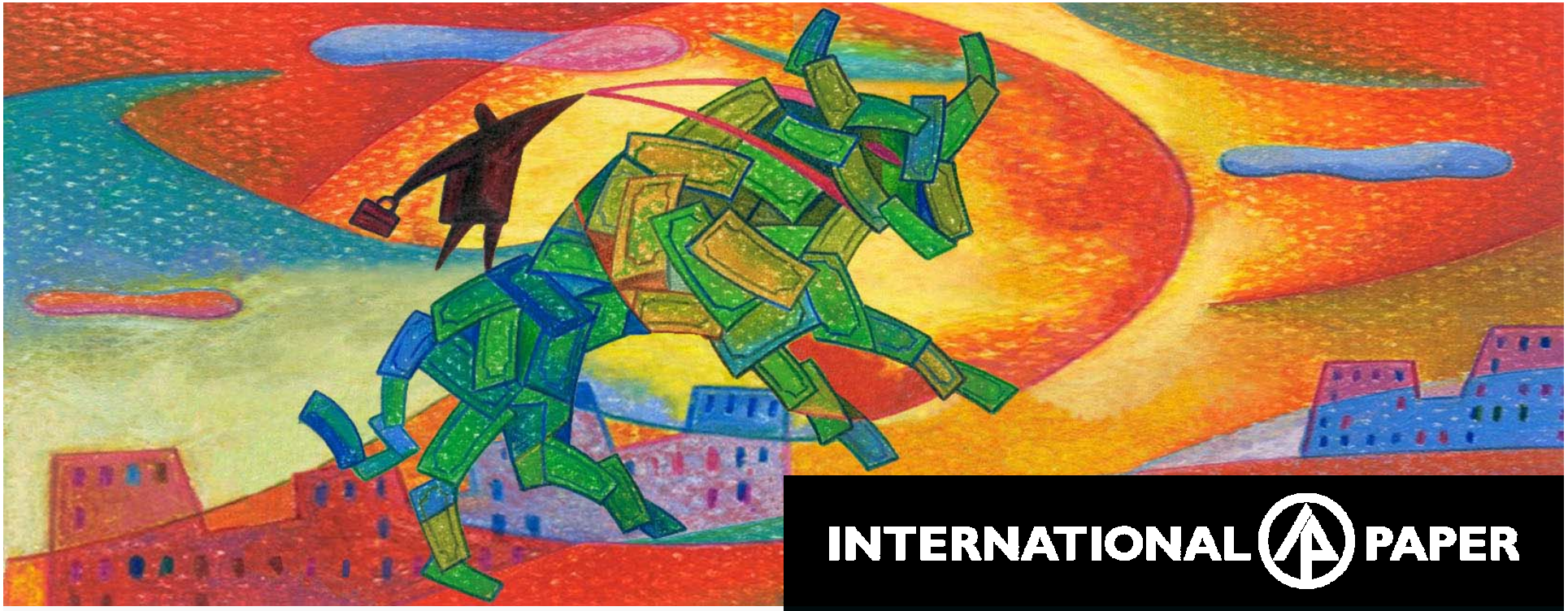


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Opening Comments

John V. Faraci
Chairman & CEO

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) industry conditions, including changes in the cost or availability of raw materials and energy, changes in transportation costs, competition, changes in the Company's product mix and demand and pricing for the Company's products; (ii) market and economic factors, including changes in international conditions, specifically in Brazil, Russia, Poland, China and South Korea, changes in currency exchange rates, changes in credit ratings issued by nationally recognized statistical rating organizations, pension and healthcare costs and natural disasters, such as hurricanes; (iii) the Company's transformation plan, including the ability to accomplish the transformation plan, the impact of the plan on the Company's relationship with its employees, the ability to realize anticipated profit improvement from the plan, the ability to successfully negotiate satisfactory sale terms for assets that are contemplated for sale but are not currently under contract and the ability to invest proceeds with attractive financial returns; (iv) the execution of sale transactions currently under contract and the realization of anticipated sales proceeds there under, including, the ability to successfully consummate the transactions without a purchase price adjustment, the successful fulfillment (or waiver) of all conditions set forth in the sale agreements, the successful closing of the transactions within the estimated timeframes and the ability to monetize the non-cash portion of the sale proceeds, if any; and (v) results of legal proceedings and compliance costs, including unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and the uncertainty of the costs and other effects of pending litigation. 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.

Agenda

- Three areas of focus
  - Strengthen existing businesses – focus North America
  - Build on success – global opportunities
  - Transformation process, people, financial summary
- 15 – 20 minutes Q&A after each section
- Table discussions

Transformation Plan

- Why
  - Improve IP relative and absolute returns
- How
  - Focus the company
  - Redeploy resources

Improving Results

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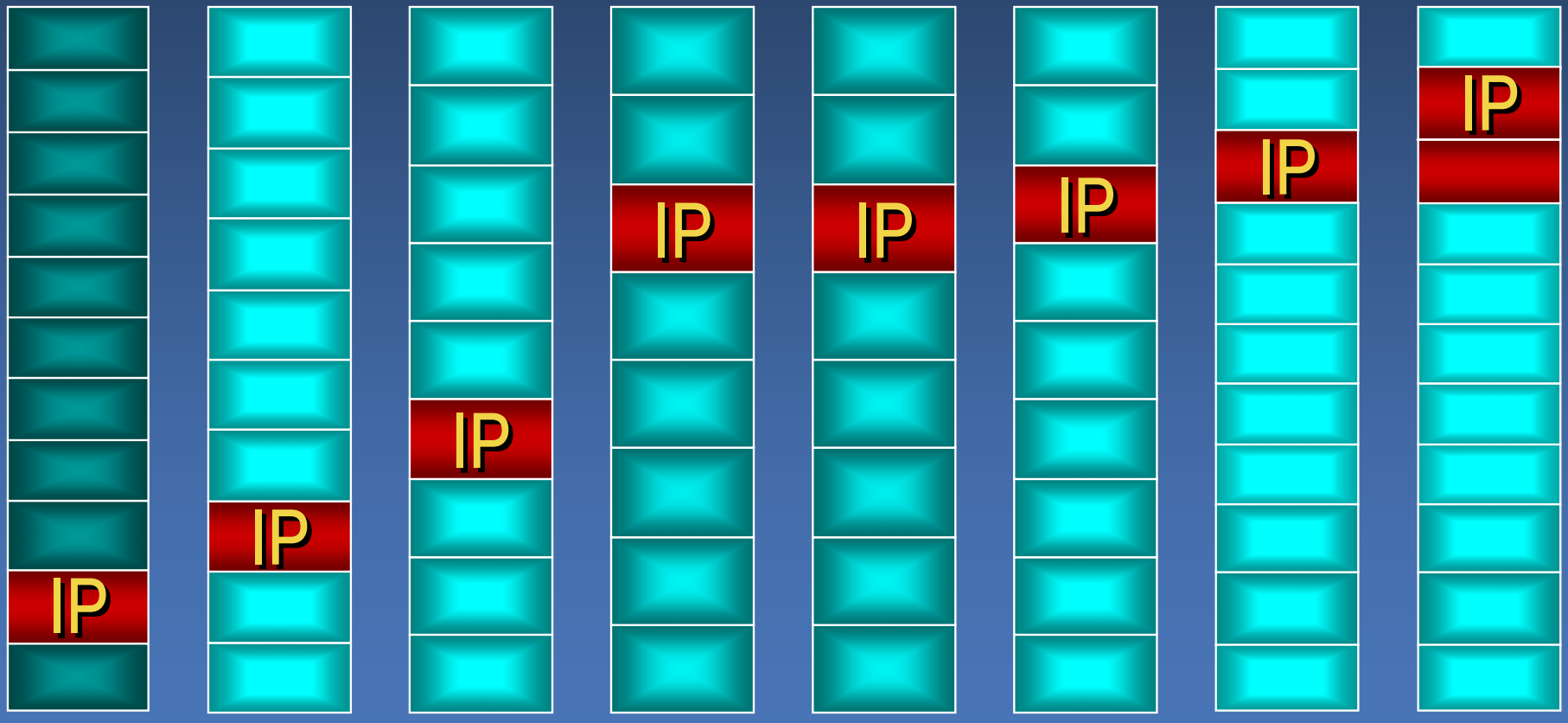
Improve Earnings and Returns on Absolute and Relative Basis

	2003	2006 Run Rate
EPS	0.80	1.56*
ROI	4%	6%
ROI Rank	3 of 8	2 of 11

*EPS represents 3Q'06 annualized

Where We Are

- A huge improvement in relative performance since 1999

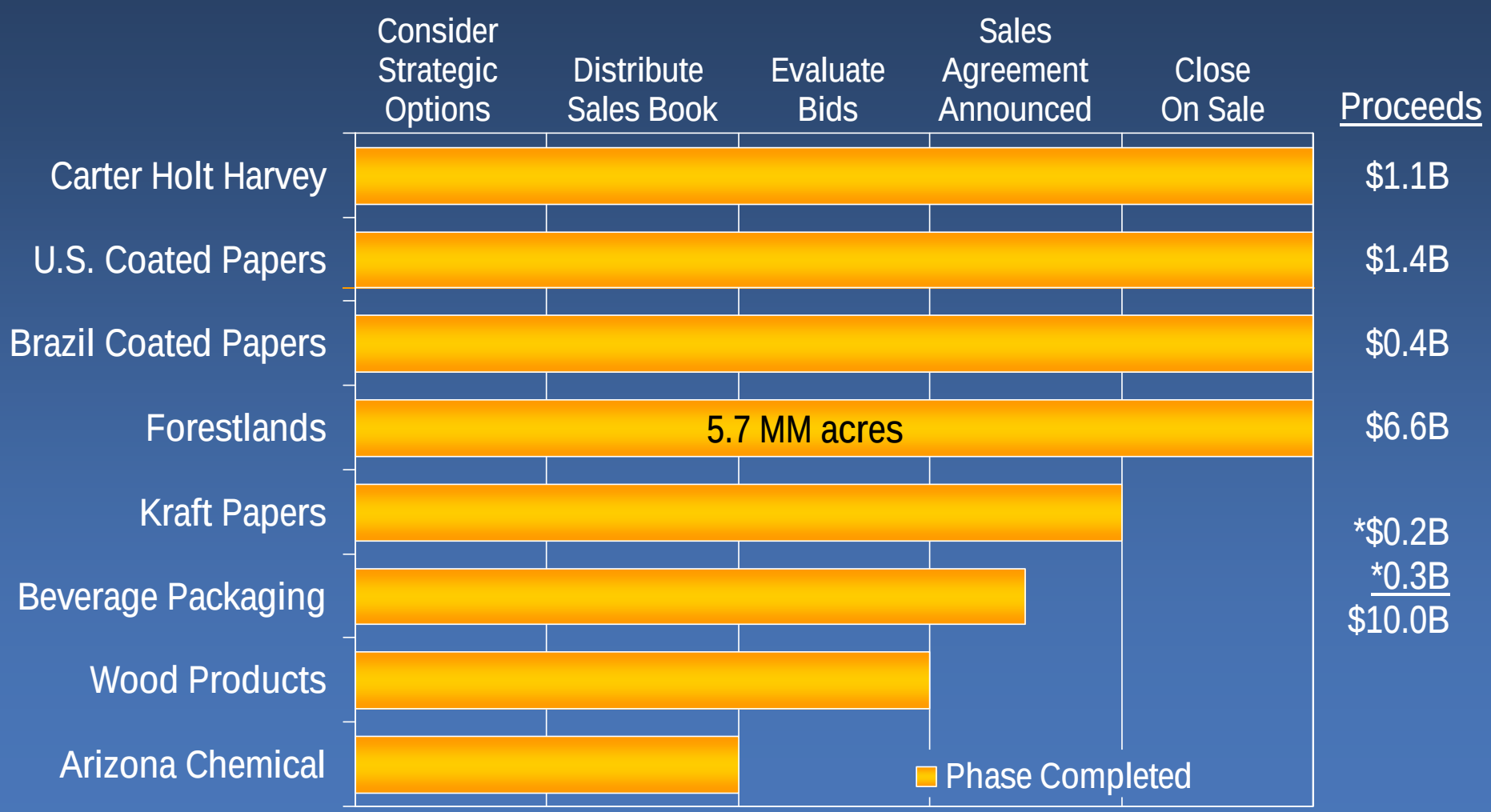


Transformation Plan Execution



Transformation Plan Update

Divestments Status as of December 6, 2006



*Estimated proceeds to be received in 4Q'06 and 1Q'07

Use of Proceeds: What We Said

- Use of estimated $11 billion in cash proceeds plus free cash flow from operations to focus on three key areas:

Return Value to Shareholders	Committed to returning value to shareholders through share repurchases
Strengthen Balance Sheet	Committed to debt repayment and pension plan contribution
Selective Reinvestments	Disciplined approach to selective reinvestment in strategic opportunities

Transformation Plan Scorecard – Year 1

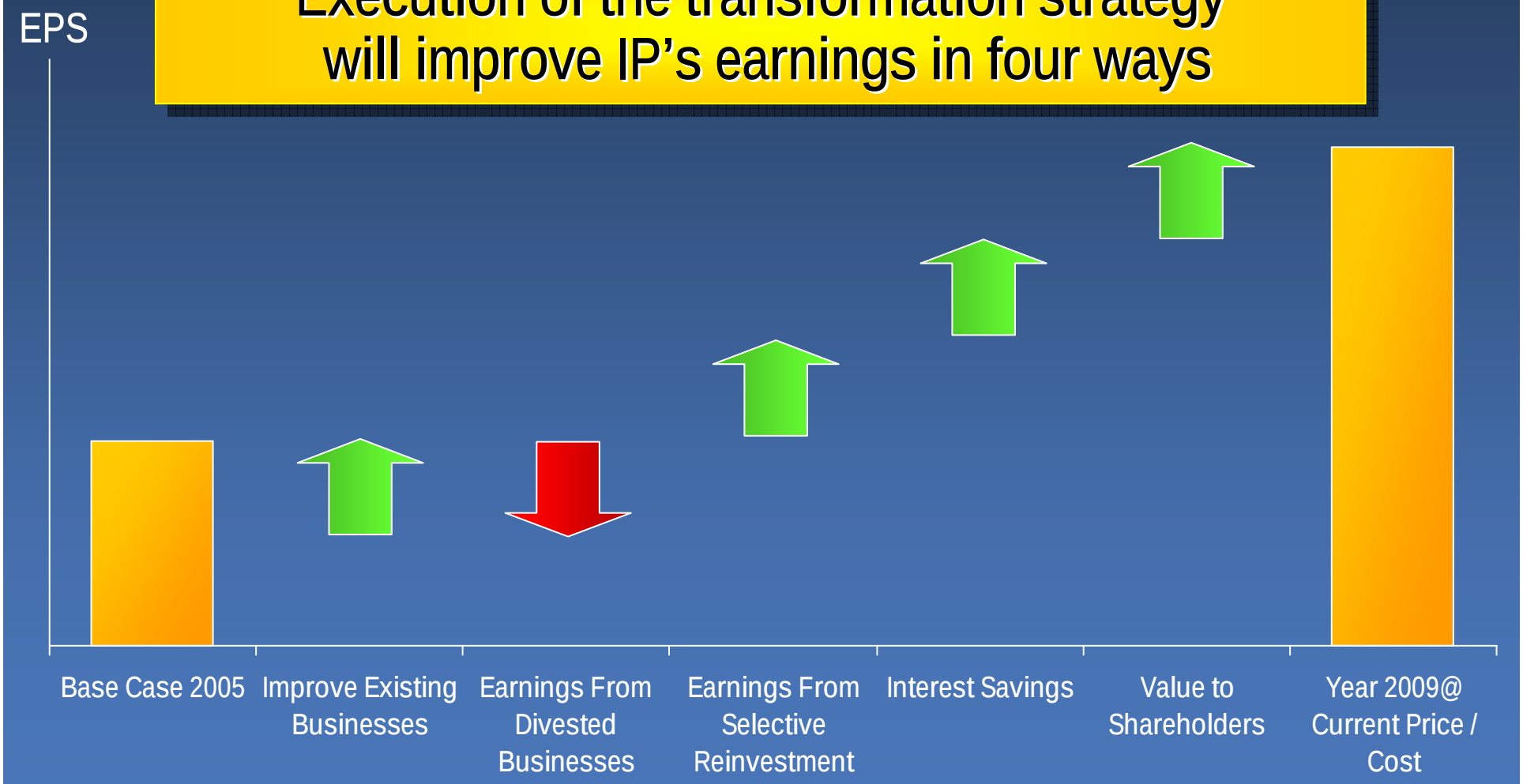
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	Grade	
Divestitures	G	$9.5 Billion Received
Improve Existing Businesses	G	$.275 Billion 9M06
Input Cost / Transportation	R	$.250 Billion 9M06
Price	G	$.270 Billion 9M06
Return Value to Shareholders	Y	~ 50% Complete
Strengthen B/S	G	$3.3 B Debt Reduction
Selective Reinvestment	G	$2.0 B Announced Average Returns ~ 12%

Earnings Improvement Summary*

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Execution of the transformation strategy will improve IP's earnings in four ways



* Component symbols used for illustrative purposes only, proportions not indicative of actual EPS impact

A Stronger, More Valuable IP

