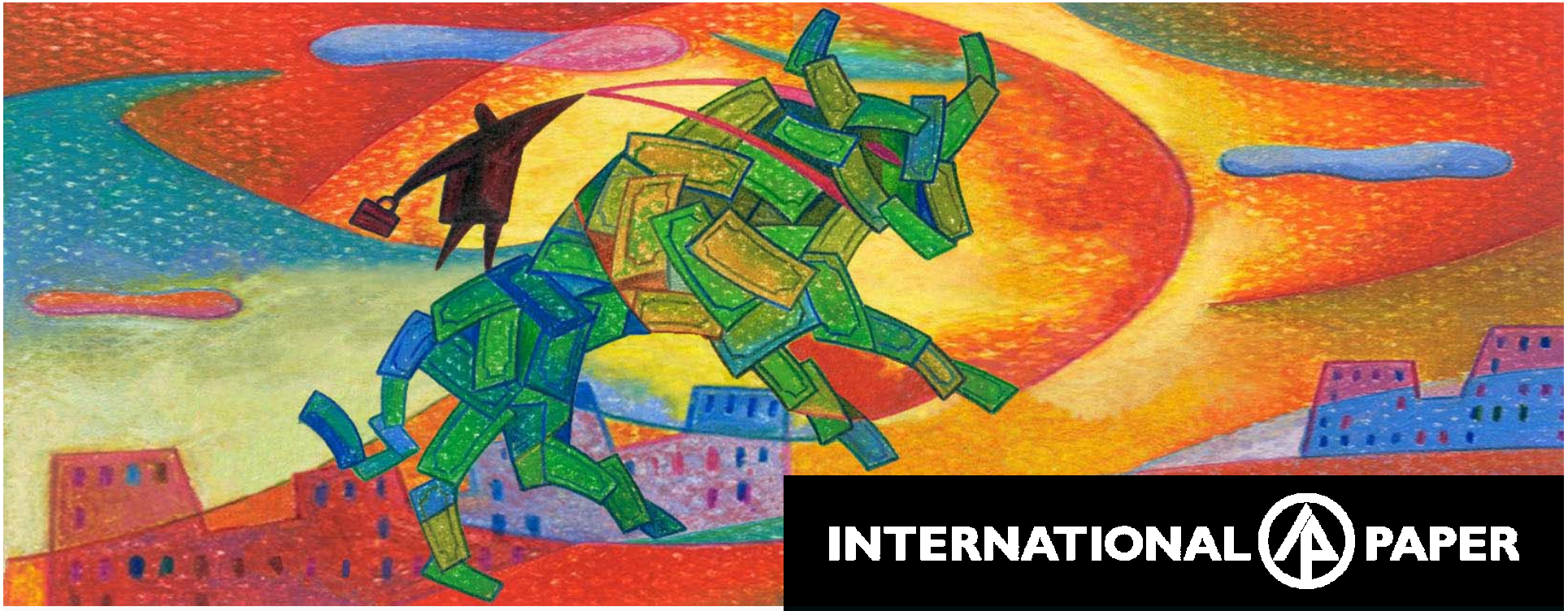


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Financial Outlook

Marianne M. Parrs

Transformation Plan

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Making Choices to Drive Shareholder Value

- Strengthen Existing Businesses
- Improve Balance Sheet
- Focus Portfolio / Complete Divestments
- Selective Reinvestments
- Return Value to Shareholders

Cash From Operations

Strengthen Existing Businesses

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Cash Provided From Operations*

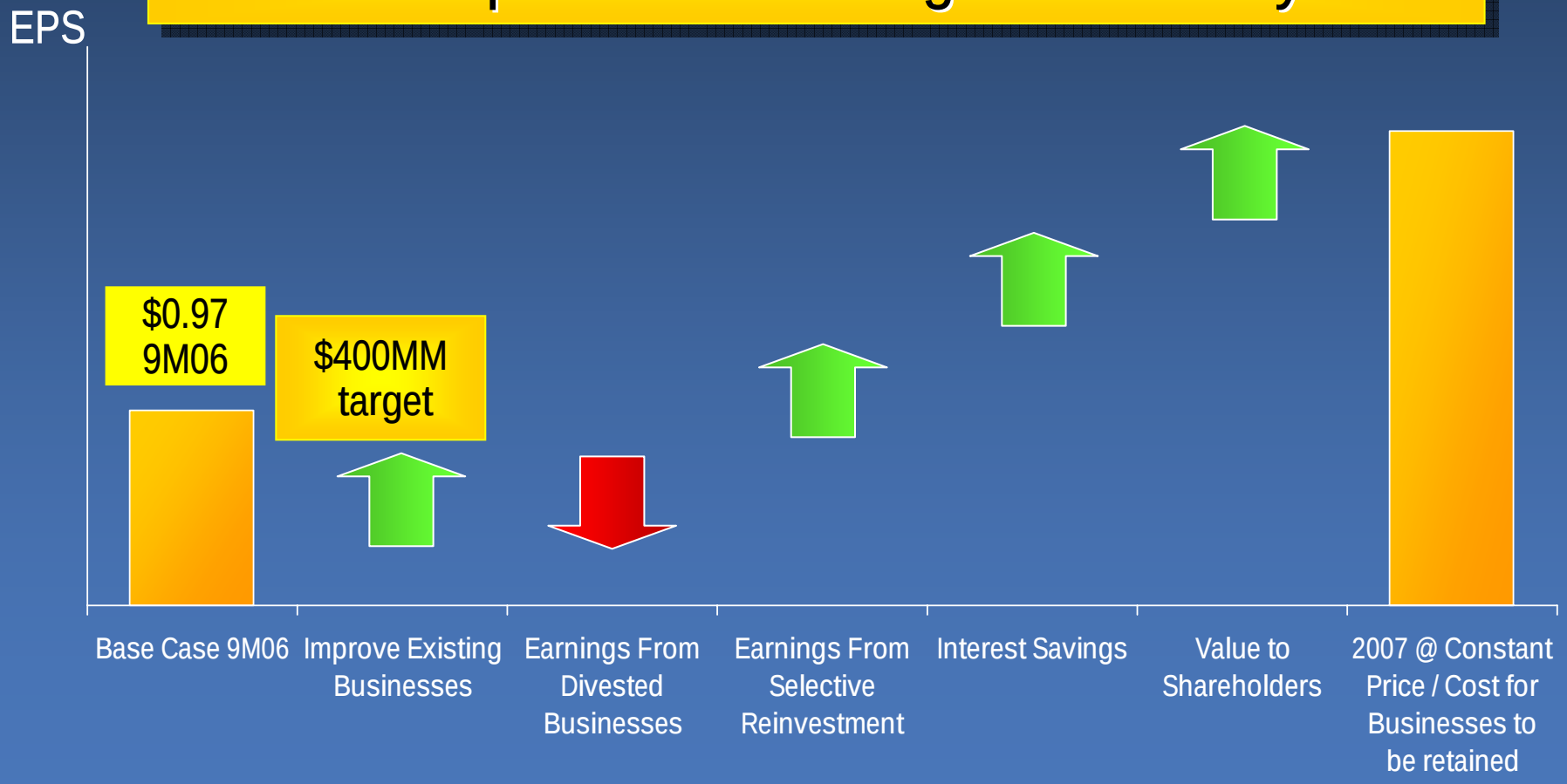


*Includes continued and discontinued cash from operations

Earnings Improvement Summary*

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Execution of the Transformation Strategy Will Improve IP's Earnings in Four Ways

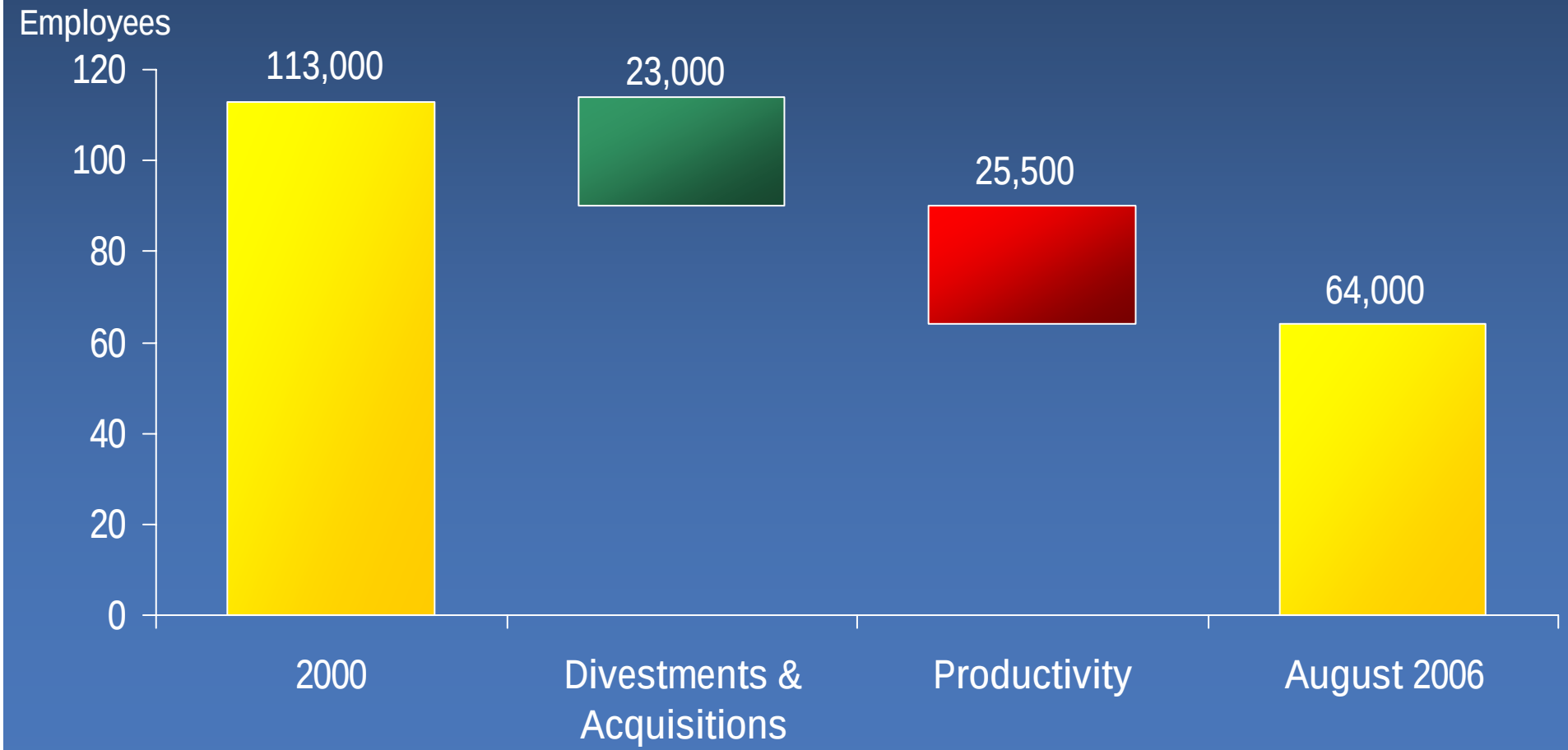


* Component symbols used for illustrative purposes only, proportions not indicative of actual EPS impact

Great Progress in Headcount Reduction
Company Wide

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Standardize + Simplify + Centralize = Doing More With Less



Significant Reduction in Overhead

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Overhead is Being Driven Down

	2003	2006 Estimate
Overhead	$3.5B	$3.1B
OH as % of Sales	13.8%	12.7%

Transformation Plan Update

2006 Results for Businesses Sold or Under Evaluation

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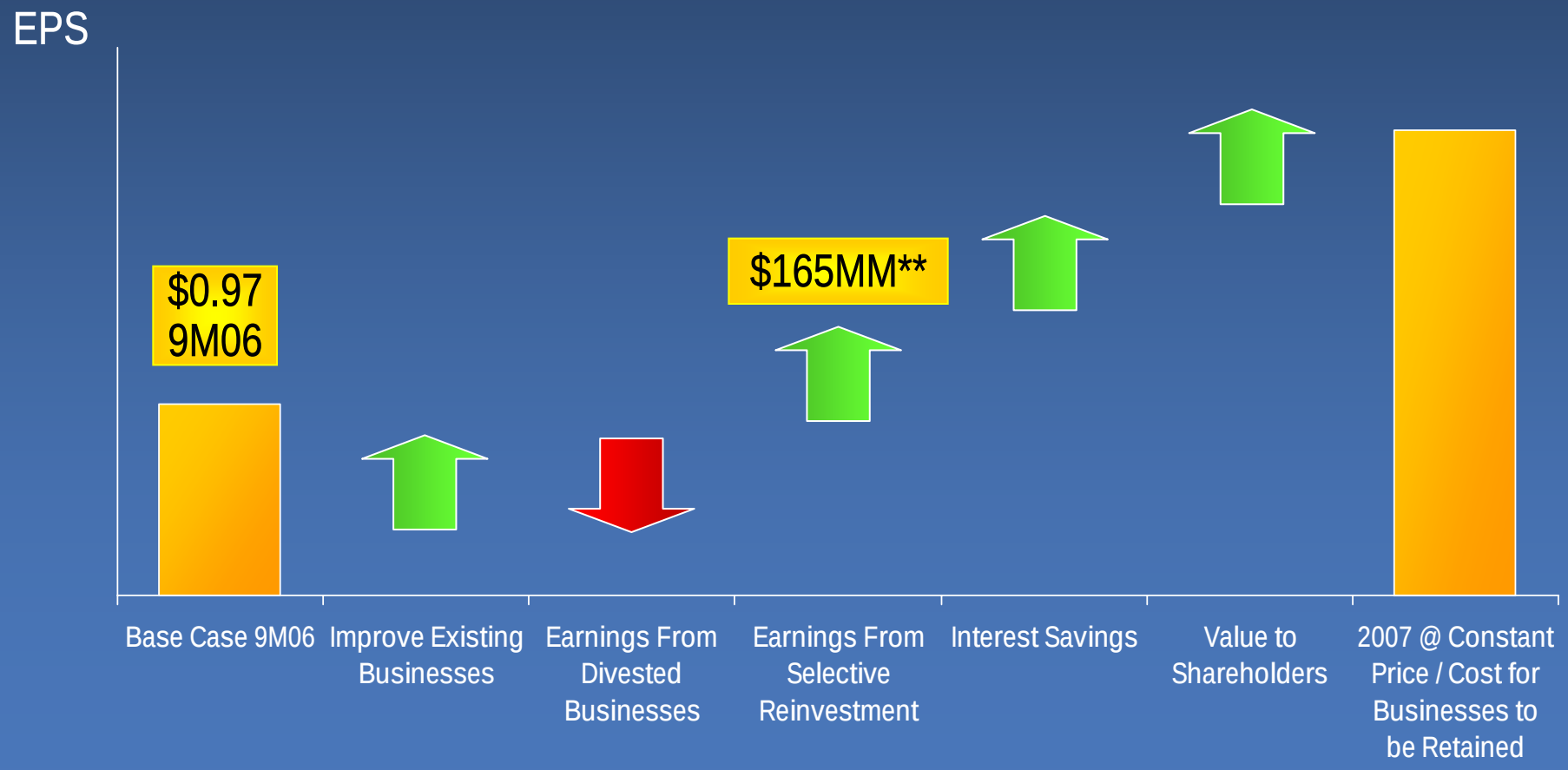
Business	Reporting Segment	Operating Profit
U.S. & Brazil Coated Paper	Printing Papers	65
Beverage Pkg	Consumer Packaging	35
Kraft Papers	Discontinued Operations	25
Arizona Chemical	Other Businesses	50
Forest Harvests / Recreation Income	Forest Products	110
Wood Products	Forest Products	25
BSUE Total		310

Operating profit represents 9M'06 YTD, except for US and Brazil coated papers which are July and August YTD respectively

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 ** 2007 estimate

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

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

2007 Capital Spending

$1.2 B of Projected Spending by Business

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Capital Allocated in Excess of D&A to Brazil and E. Europe



Key Financial Statistics
Updated as of December 6, 2006

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	2005[1]	2006 Est.[2]	2007 Est.
Capital Spending	$ 1.2B	$ 1.2B	$ 1.1 – 1.2B
Depreciation & Amort.	$ 1.4B	$ 1.2B	$1.1 – 1.2B
Net Interest Expense[3]	$ 650MM	$ 560MM	$ 350 – 380MM
Corporate Items	$ 595MM	$700 – 750MM+	$675 – 725MM
Effective Tax Rate[3]	28%	31%	34%

[1] Excludes Carter Holt Harvey results
[2] Includes impact of all businesses for entire year except U.S. Coated Papers, Brazil Coated Papers and Kraft Papers
[3] Before special items

Earnings Improvement Summary*

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Execution of the Transformation Strategy Will Improve IP's Earnings in Four Ways

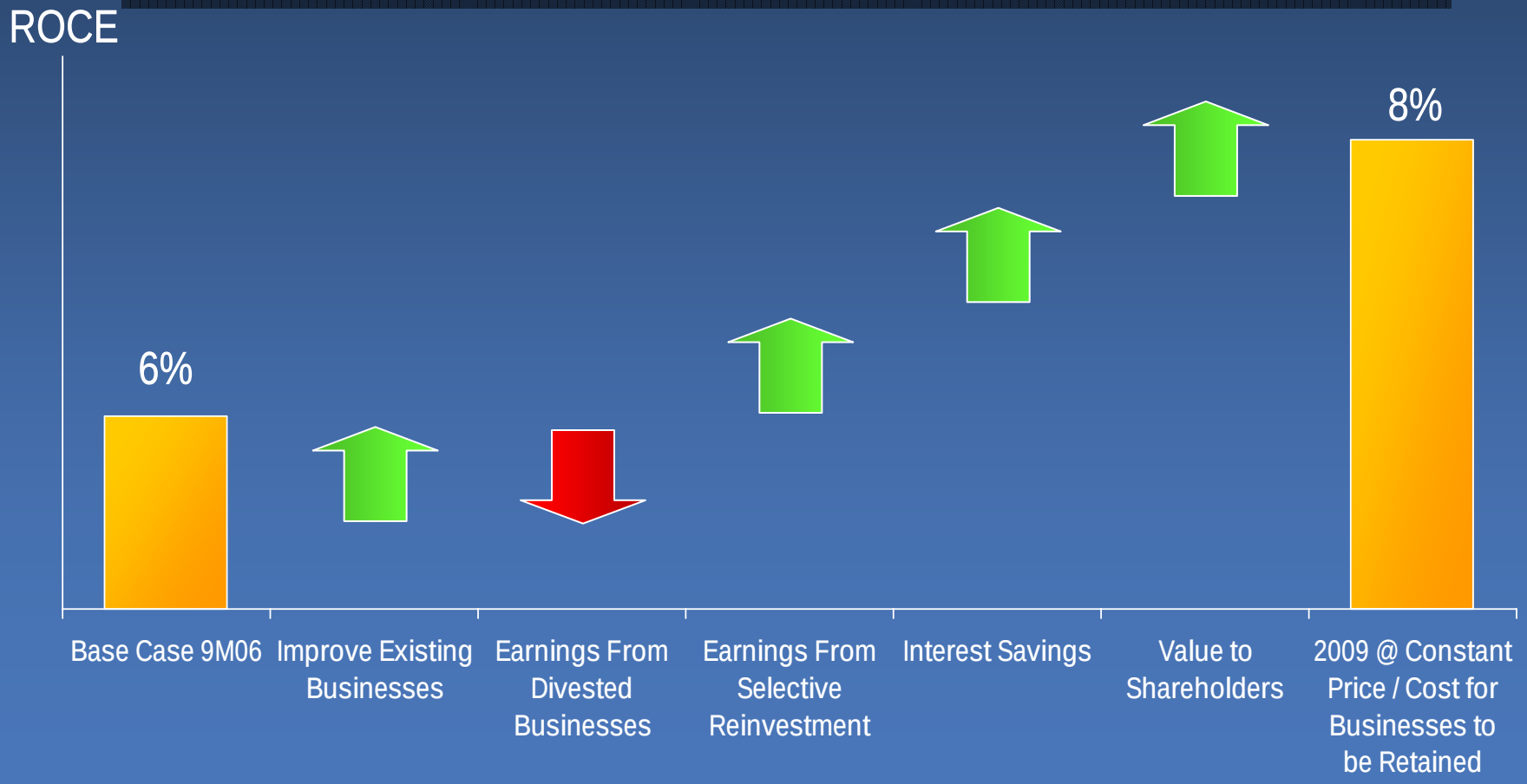


* Component symbols used for illustrative purposes only, proportions not indicative of actual EPS impact

Earnings Improvement Summary*

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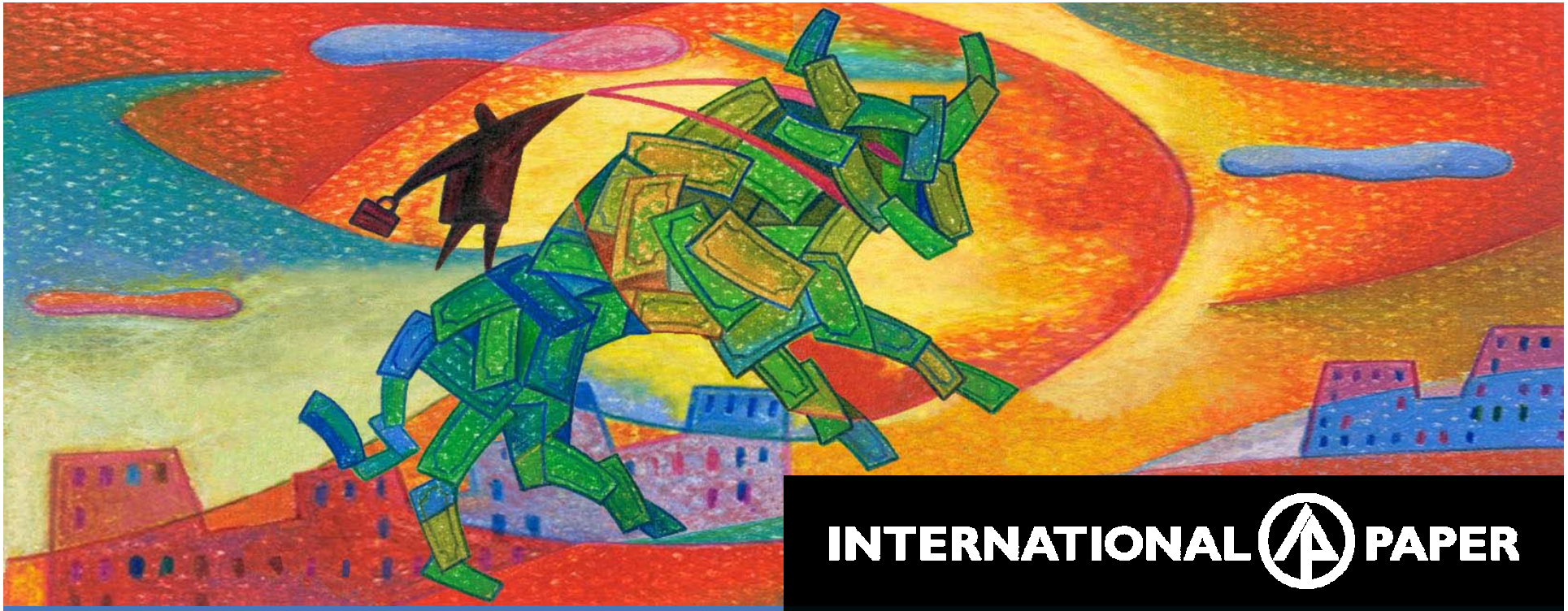
Execution of the Transformation Strategy Will Improve IP's Earnings in Four Ways



* Component symbols used for illustrative purposes only, proportions not indicative of actual EPS impact ** 2009 estimate

A Stronger, More Valuable IP





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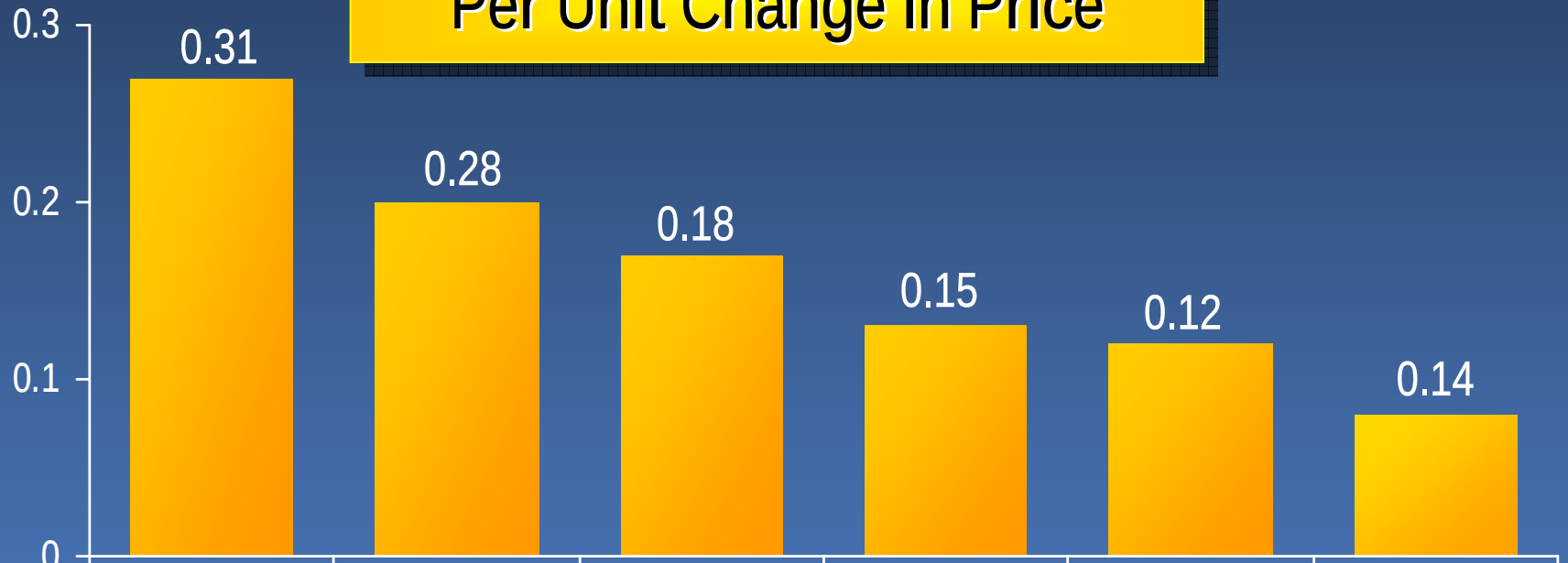
Appendix

Strong Leverage to Improving Prices

*Price Sensitivity of U.S. Businesses**

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EPS Impact for Every $50 Per Unit Change in Price



	Uncoated Paper	Corr. Boxes	Lumber	Container-Board	Plywood	Bleached Board
Annual Sales (M Units)	4,100	3,600	2,400	2,000	1,600	1,800

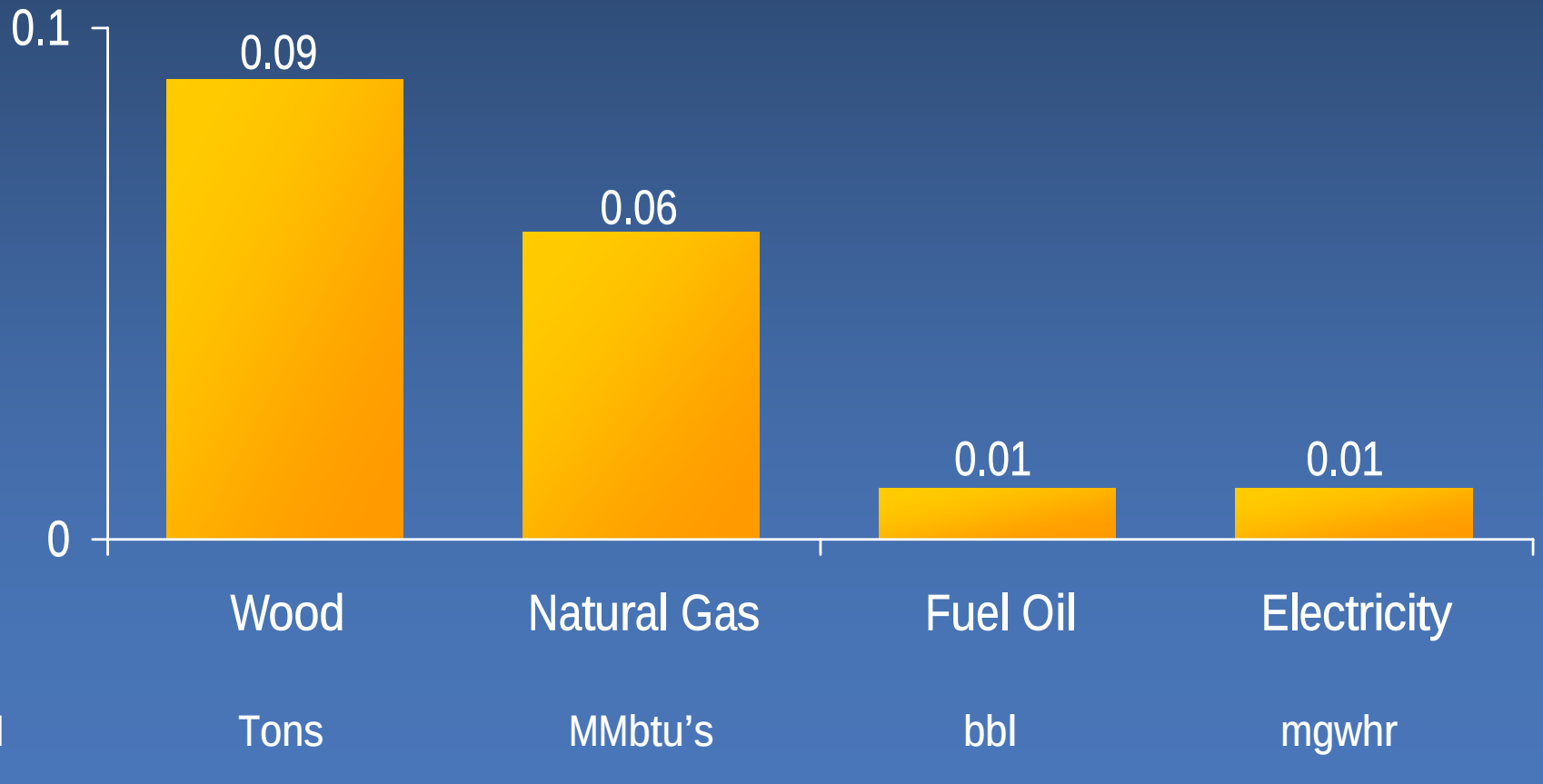
*Price sensitivities may not translate to improvement in EPS shown due to higher costs, operating problems, lower volumes, negative foreign exchange impacts or other factors

**North America third party forecasted 2006 sales volumes and 450MM shares outstanding

North America Input Cost EPS Sensitivity

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EPS Impact for Every $1 Per Unit Change in Purchase Price*



* U.S. impact only

Global Consumption
Key Input Indicative Annual Purchase Levels1

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Energy	Units	U.S.[2]	Non- U.S.
Natural Gas	MMbtu	36,000,000	14,000,000
# 6 Fuel Oil	BBL	4,100,000	280,000
Coal	Tons	1,400,000	225,000
Fiber			
Wood	Tons	61,000,000	6,000,000
OCC[3]	Tons	600,000	300,000
Chemicals			
Caustic Soda	Tons	378,000	60,000
Sodium Chlorate	Tons	240,000	40,000
LD Polyethylene	Tons	90,000	–
Latex	Tons	30,000	4,000

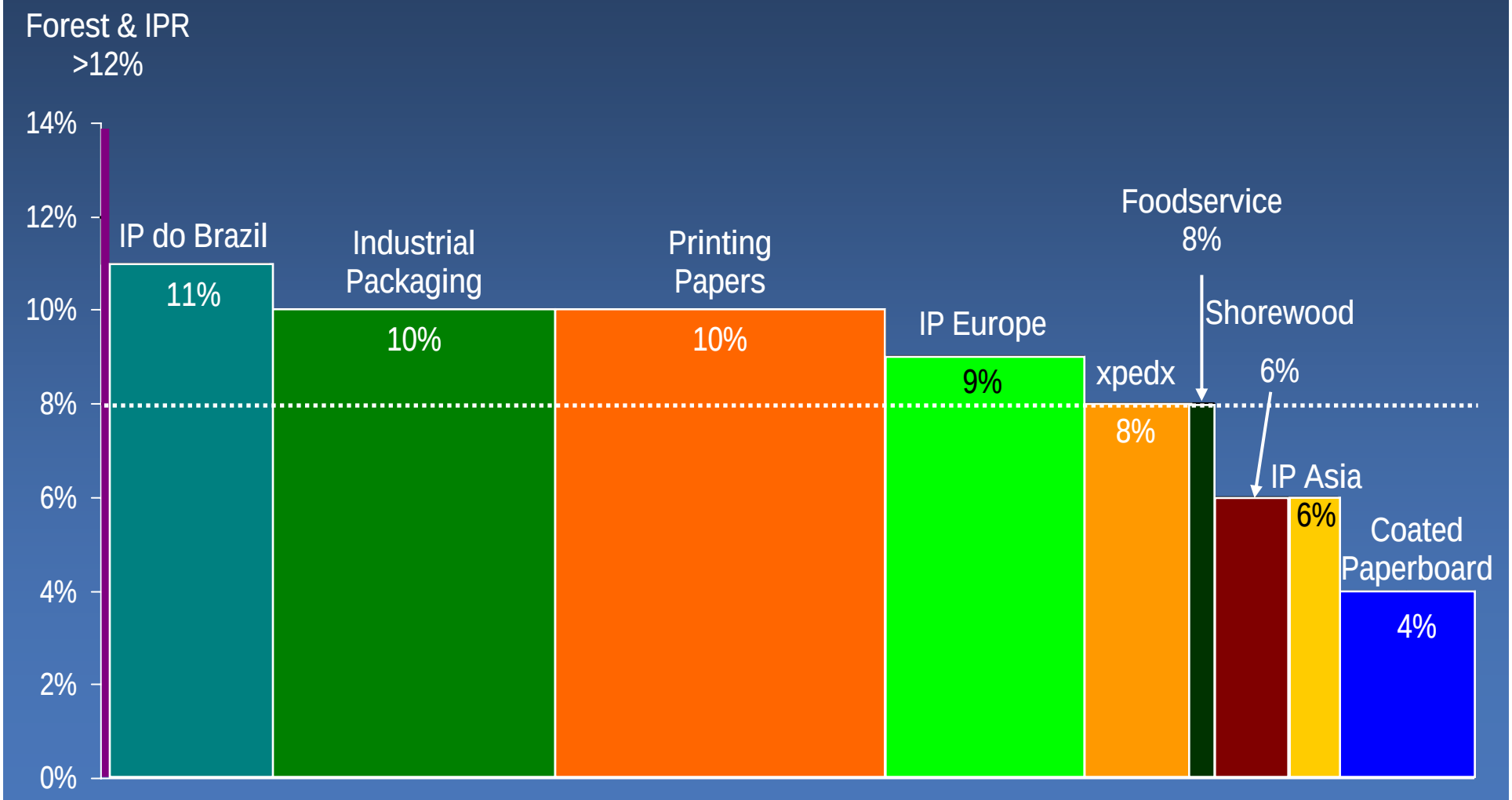
1 2006 Run Rate estimates
2 Includes U.S. Coated Papers business
3 Old corrugated containers

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2009 Business Returns on Capital at Current 2006 Price / Cost

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* Price / Cost at current 2006 levels