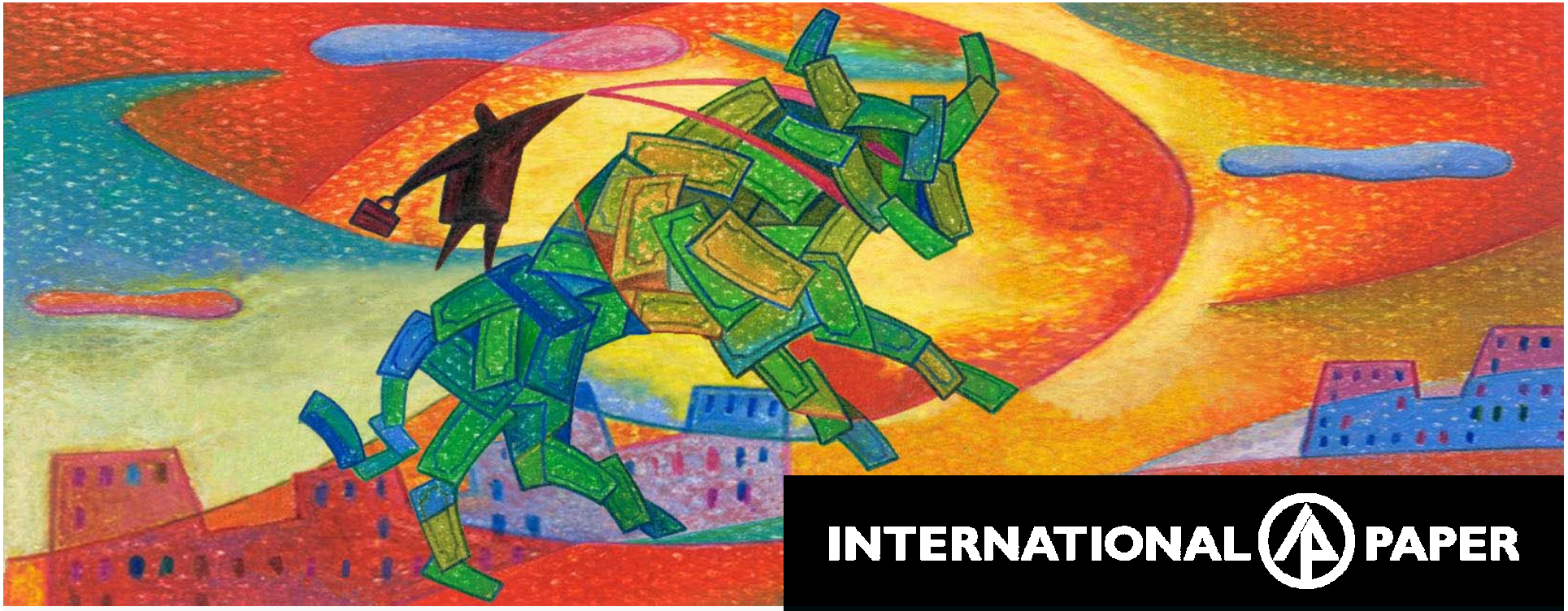


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Industrial Packaging

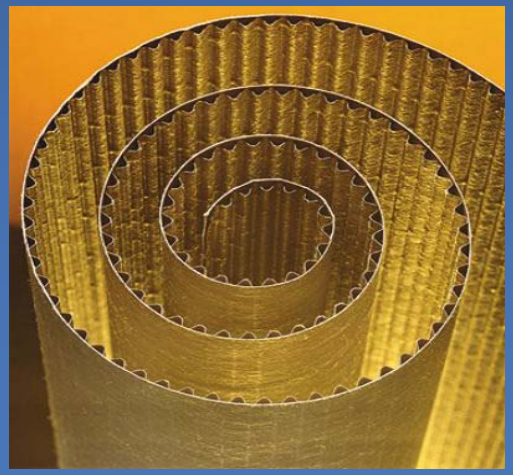
Carol Roberts

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Building on Our Strengths

- Low cost assets, great capabilities & reach
  - 6 mills, 67 converting plants, 4.8 million tons of capacity
- Engaged workforce of 9,500 employees
- Attractive customer base
- 2005 revenue of $3.5 billion



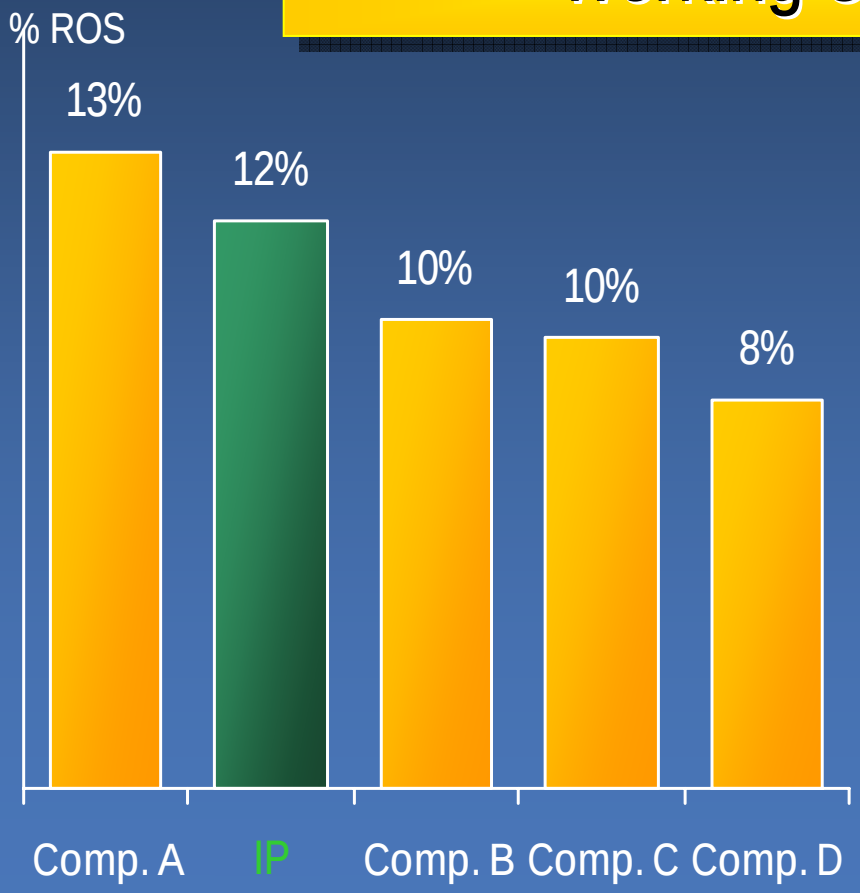


Source: IP Analysis

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Return on Sales Working Our Way to #1



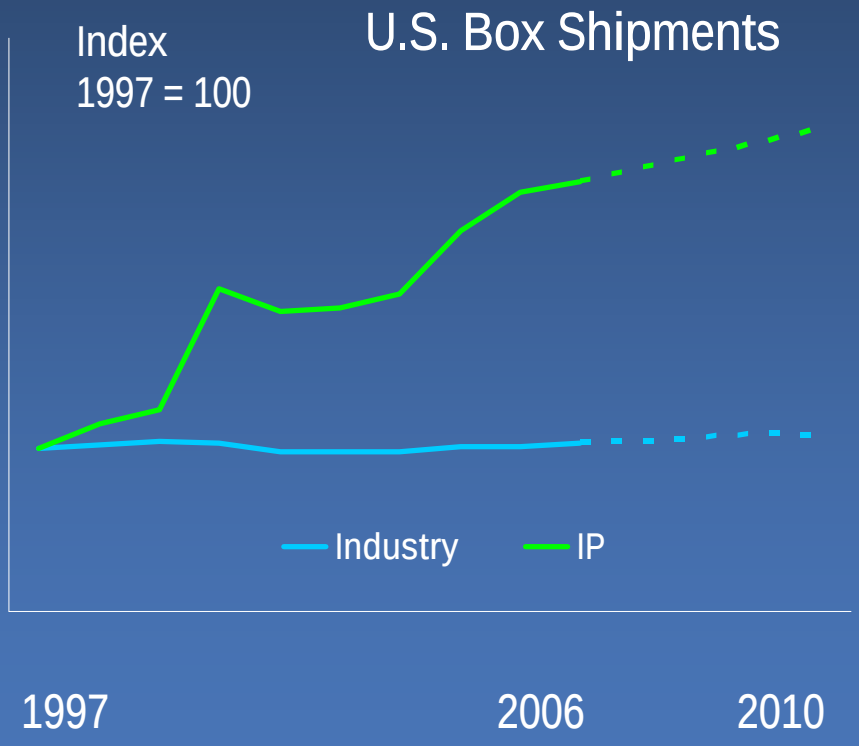
- Grow box business faster than market
- Target right segments and customers
- Align asset capability with target markets
- Drive down manufacturing and supply chain costs

ROS for 3rd quarter 2006. Source: Press Releases, SEC Filings, IP Analysis

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IP's Box Business Will Grow Faster Than Market



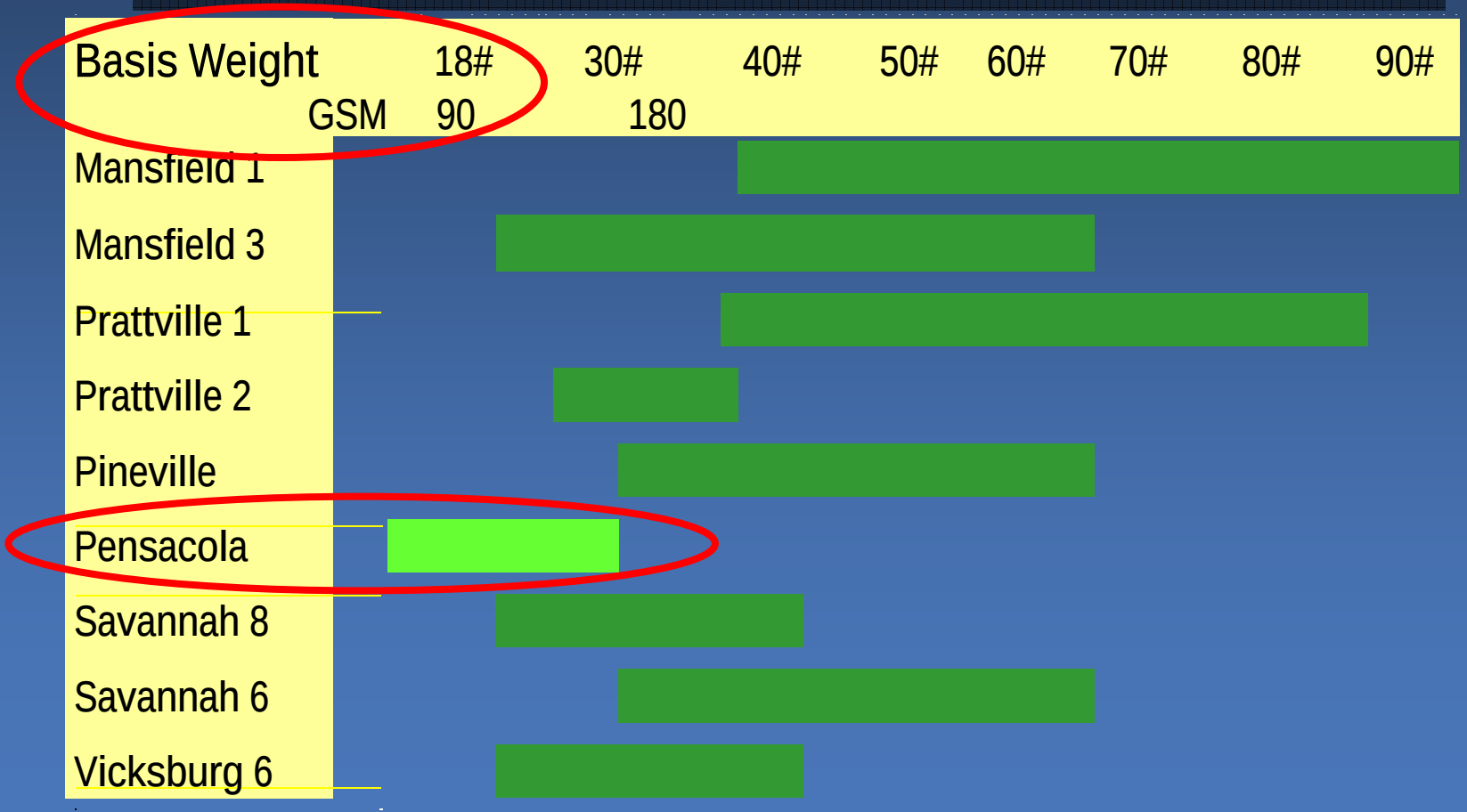
- Proven record of growth
  - Organic: 3% CAGR
  - Acquisitions: 8% CAGR
- Positioned in attractive markets
- Strong box plant system
- High quality containerboard

Source: FBA, RISI, IP Analysis

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Pensacola will Provide Lightest "Virgin" Linerboard in the World

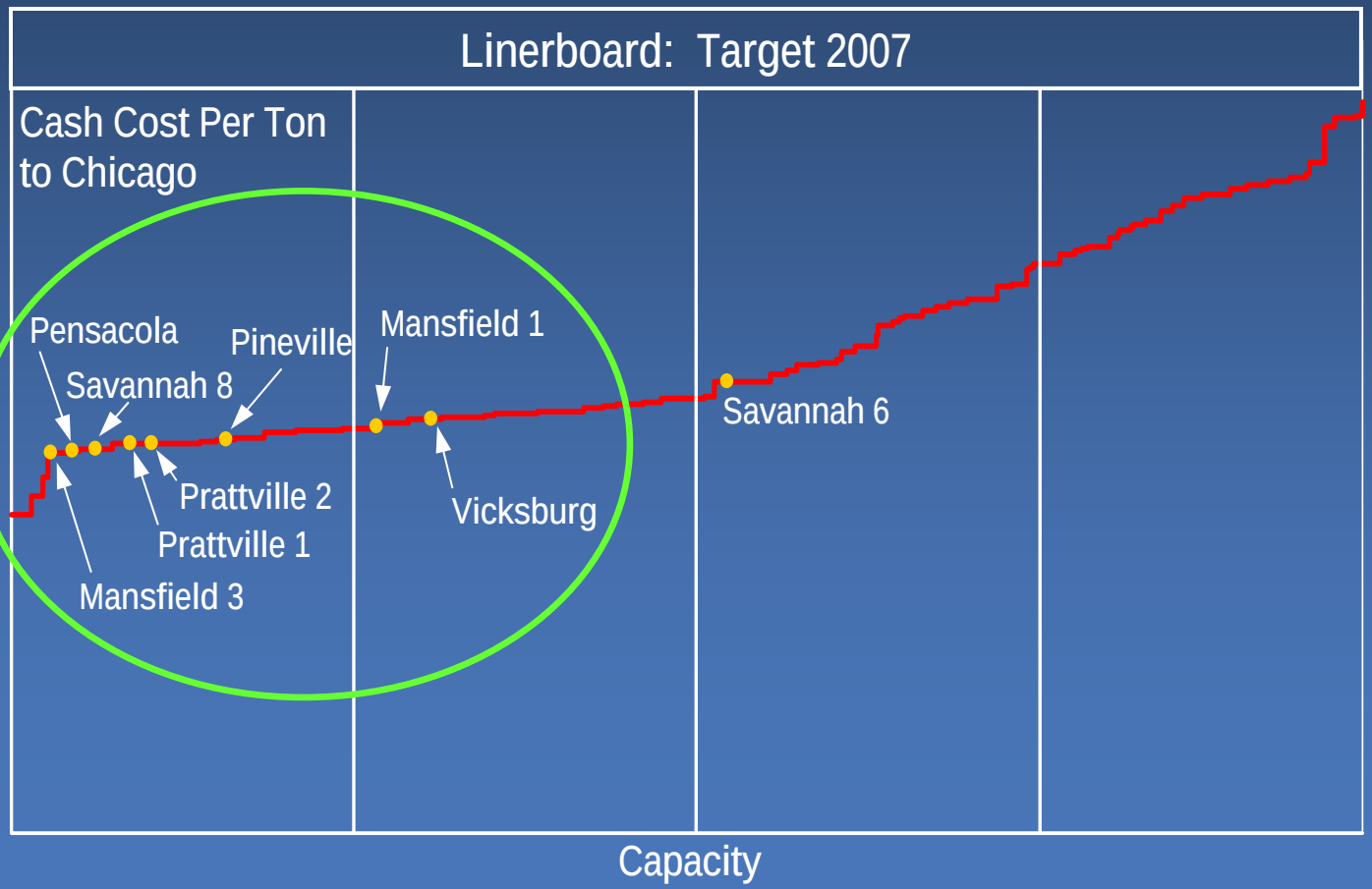


Source: Pöyry, IP Analysis

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Mill Manufacturing Costs Approaching 1st Quartile



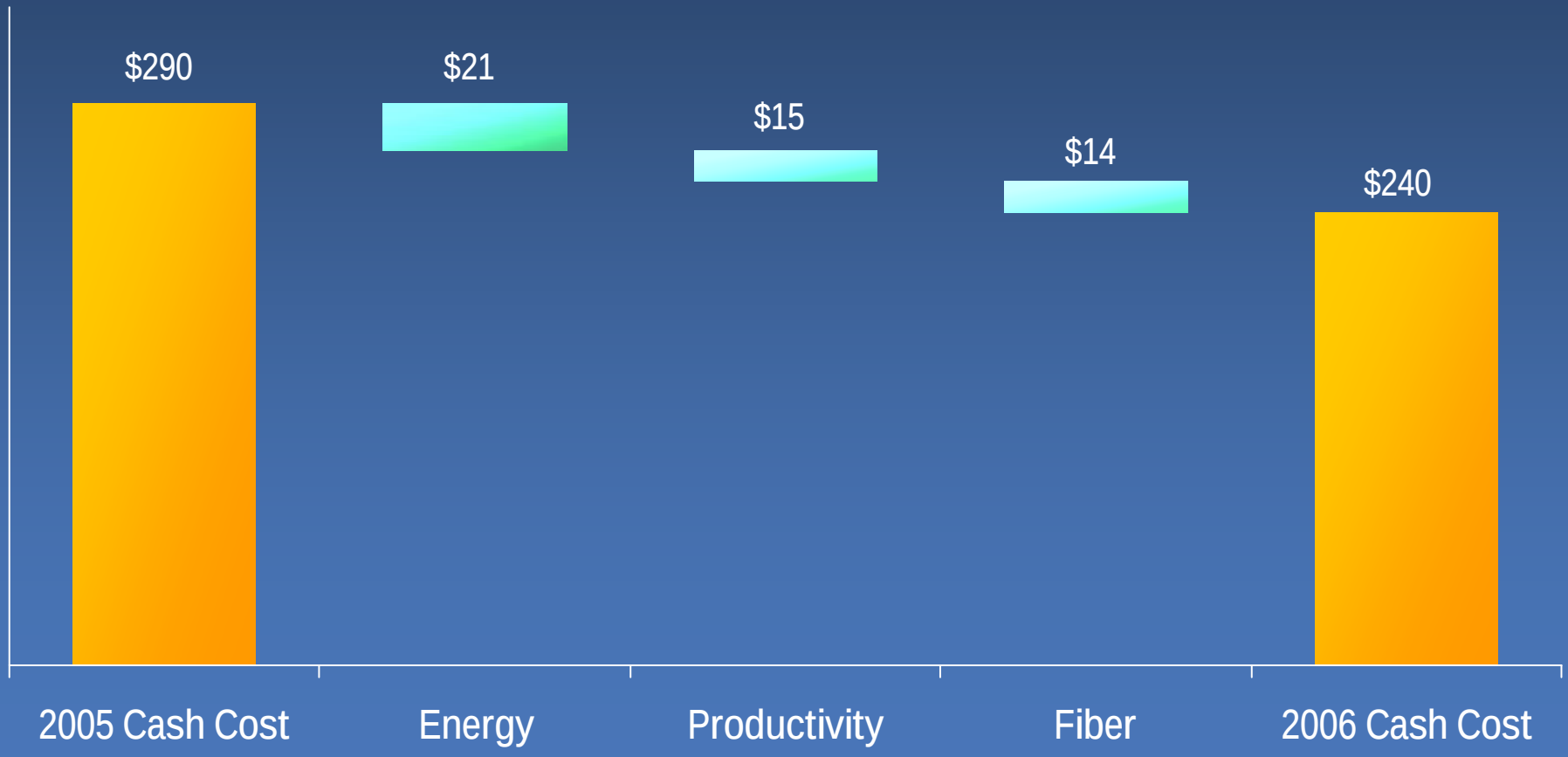
- Manufacturing excellence
  - Reliability
  - Productivity
  - Fiber & energy optimization
  - Employee engagement

Source: Pöyry, IP Analysis, Savannah 8 and Pensacola based on 26# curve, all others based on 42#

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Pineville Mill Reduced Cost by $50 / Ton

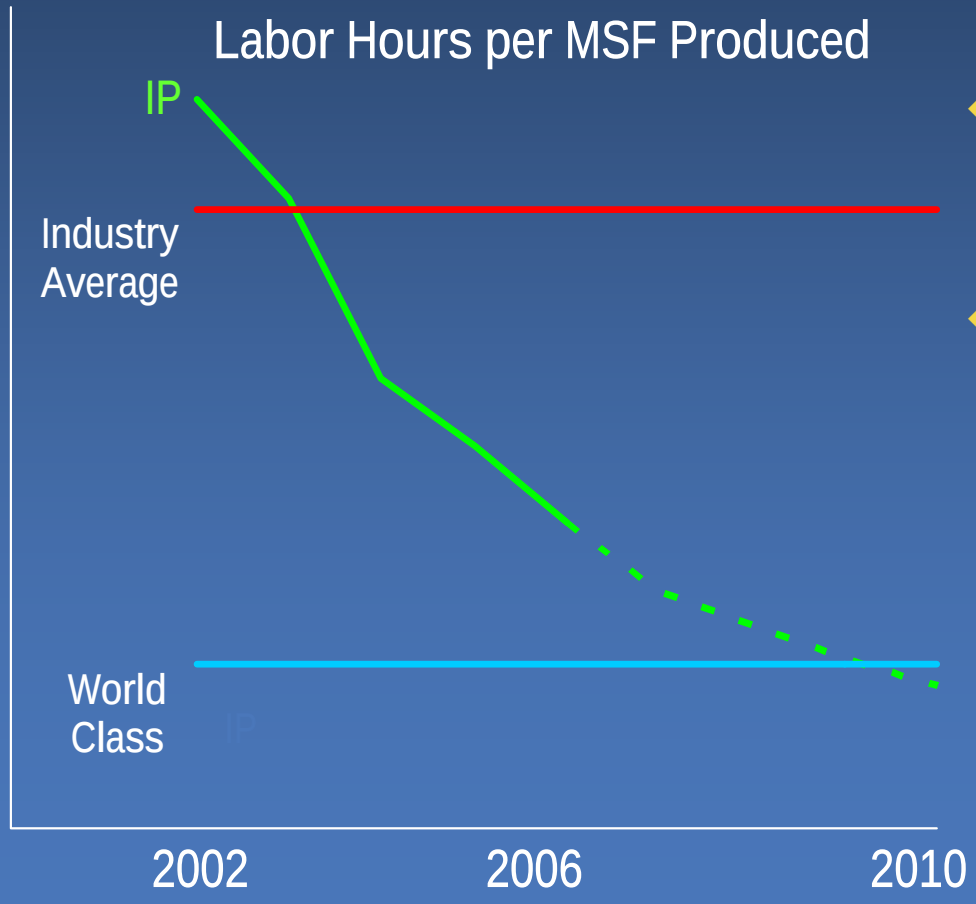


Source: IP Analysis

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Converting Costs Approaching World Class Status



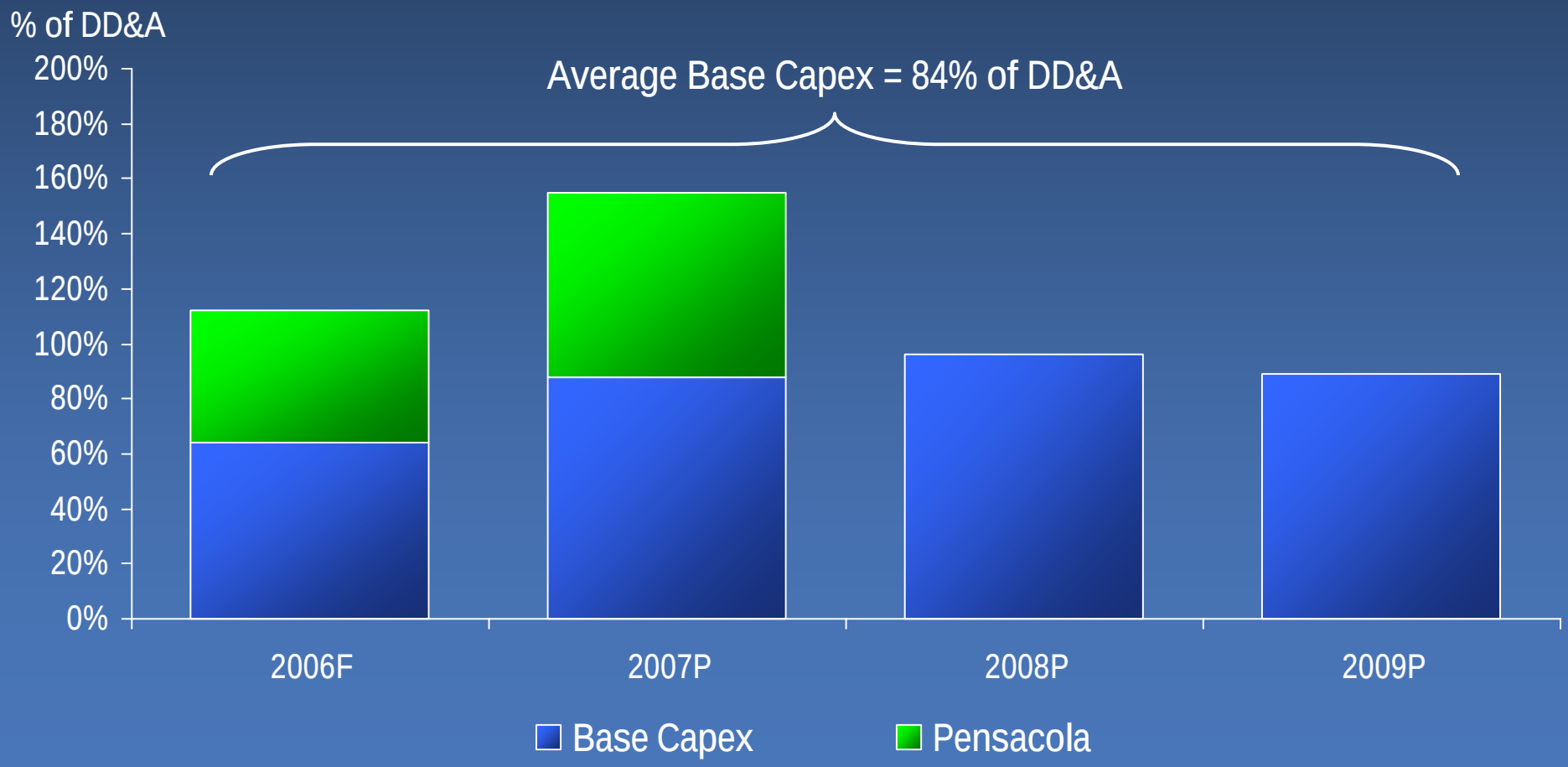
- Today – beating the industry
  - 30% improvement since 2002
- Future – world class efficiency
  - Better quality
  - Less waste
  - Lower costs
  - Greater throughput to support growth strategy

Source: FBA (Industry Avg. and World Class based on 2005), IP Analysis

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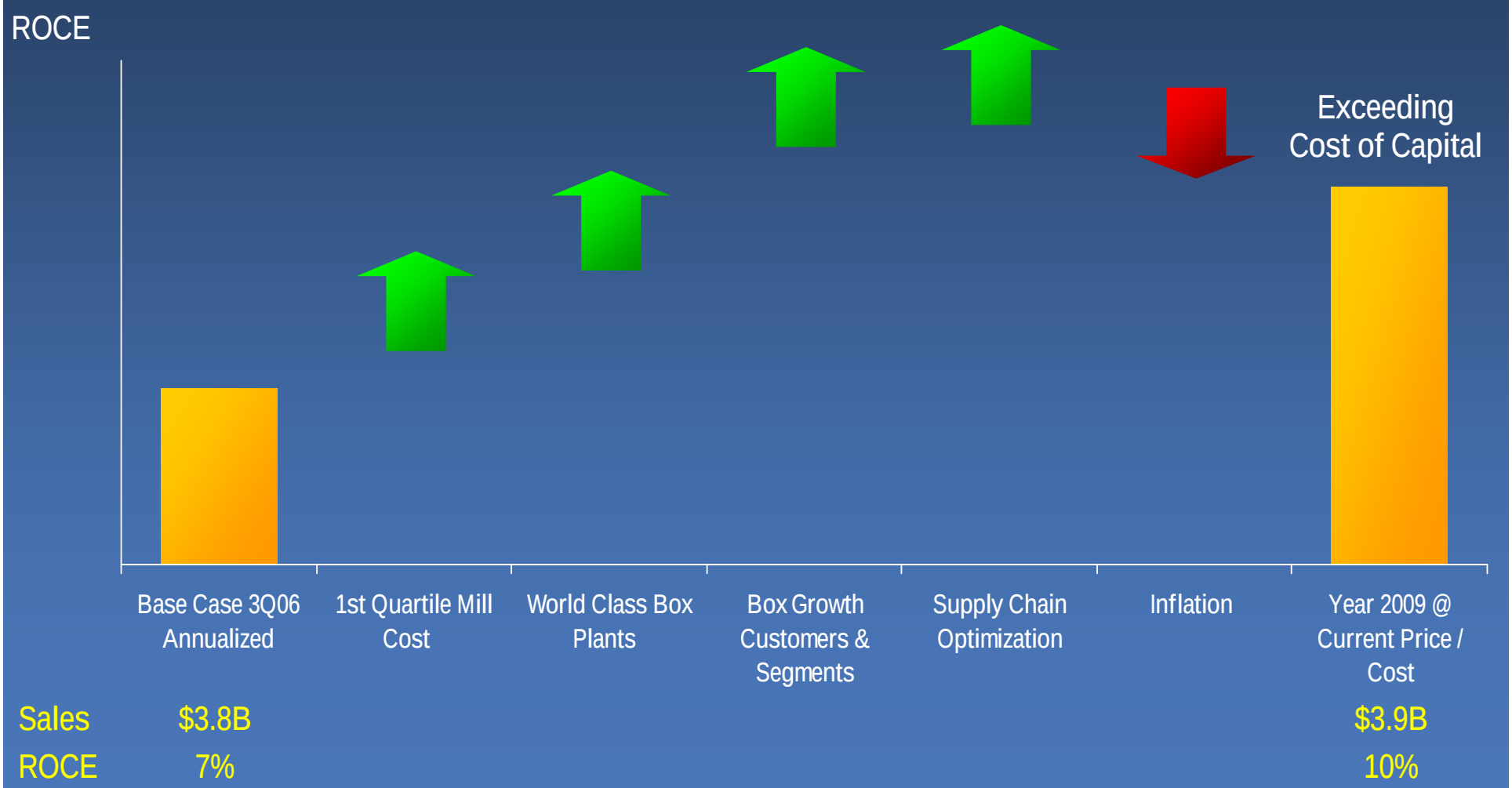
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Disciplined Capital Investment Strategy



Source: IP Analysis

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Sales	$3.8B						$3.9B
ROCE	7%						10%

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

Industrial Packaging Moving Forward

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2007 Priorities

- Box growth
- Supply / demand balance
- Pensacola conversion
- Manufacturing cost reduction
- Supply chain improvement

A Stronger, More Valuable IP

