

INTERNATIONAL PAPER

First Quarter 2007 Review

May 3, 2007

John V. Faraci
Chairman & CEO

Marianne M. Parrs
EVP & CFO

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 and China, 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 ability to realize anticipated profit improvement from the transformation plan and the ability to invest proceeds with attractive financial returns and (iv) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and the uncertainty of the costs and other effects of potential 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.

Statements Relating to Non-GAAP Financial Measures

During the course of this presentation, certain non-U.S. GAAP financial information will be presented. A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at www.internationalpaper.com under Investors.

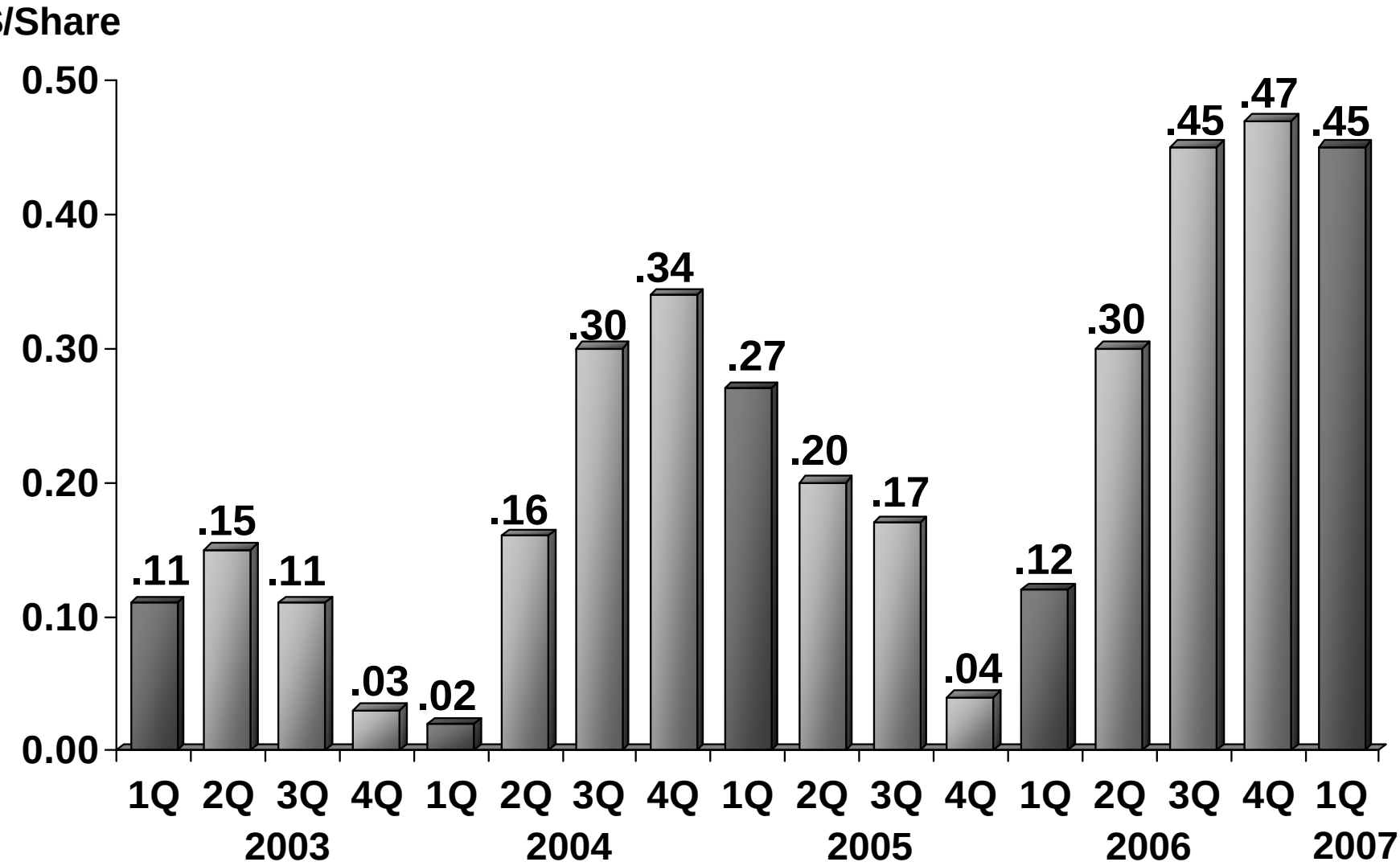
Agenda

- **First Quarter 2007 Review**
- **Second Quarter 2007 Outlook**
- **2007 Priorities**

First Quarter 2007 Summary

- Best first quarter since year 2000
- Pricing momentum maintained
- Volumes flat
- Manufacturing operations performed well
- Higher raw material and distribution costs
- Lower land sales and higher tax rate
- Lower interest expense and share count
- Earnings from selective reinvestment

Diluted EPS from Continuing Operations and Before Special Items

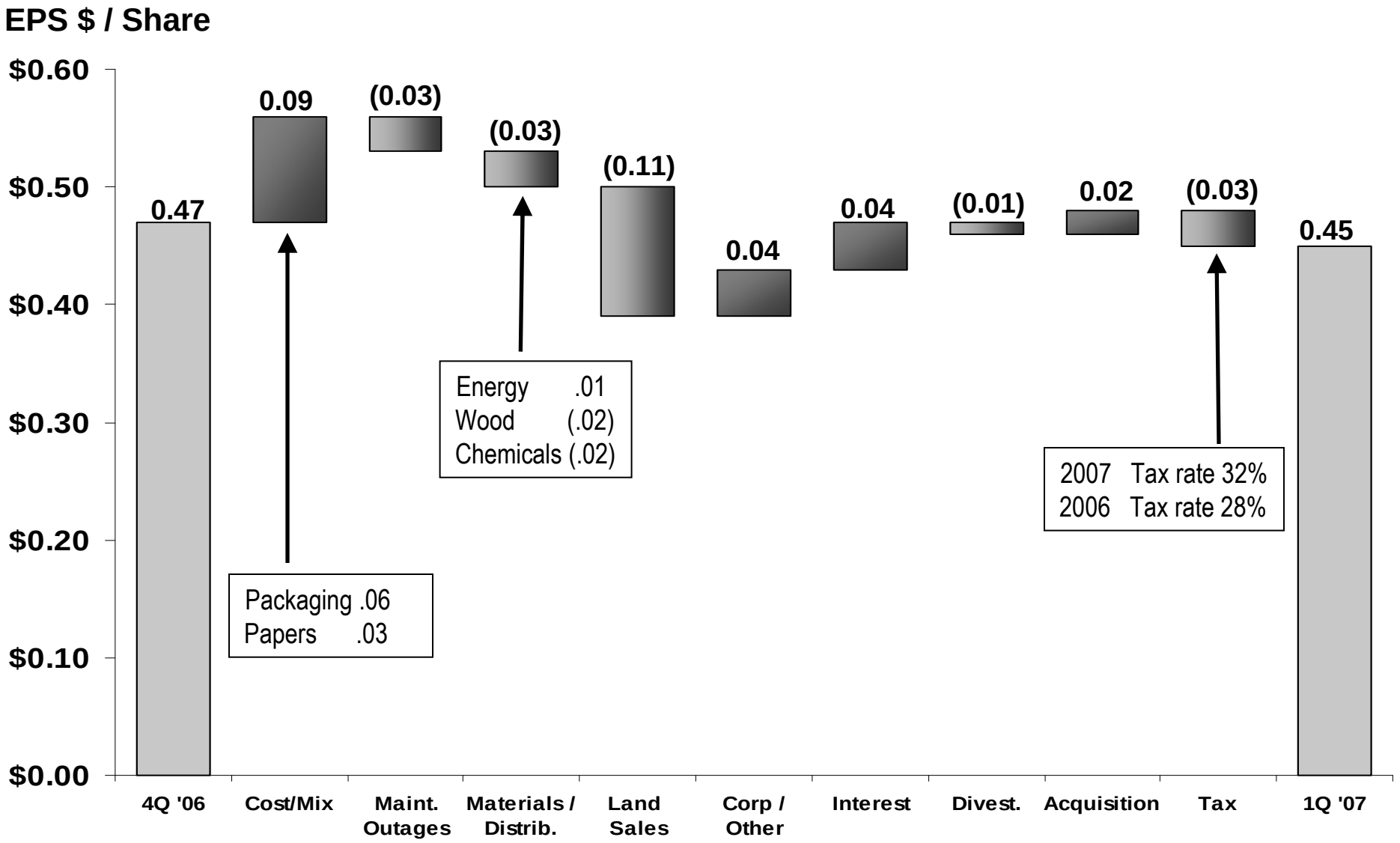


** A reconciliation to GAAP EPS is available at www.internationalpaper.com under Investors/Presentations*

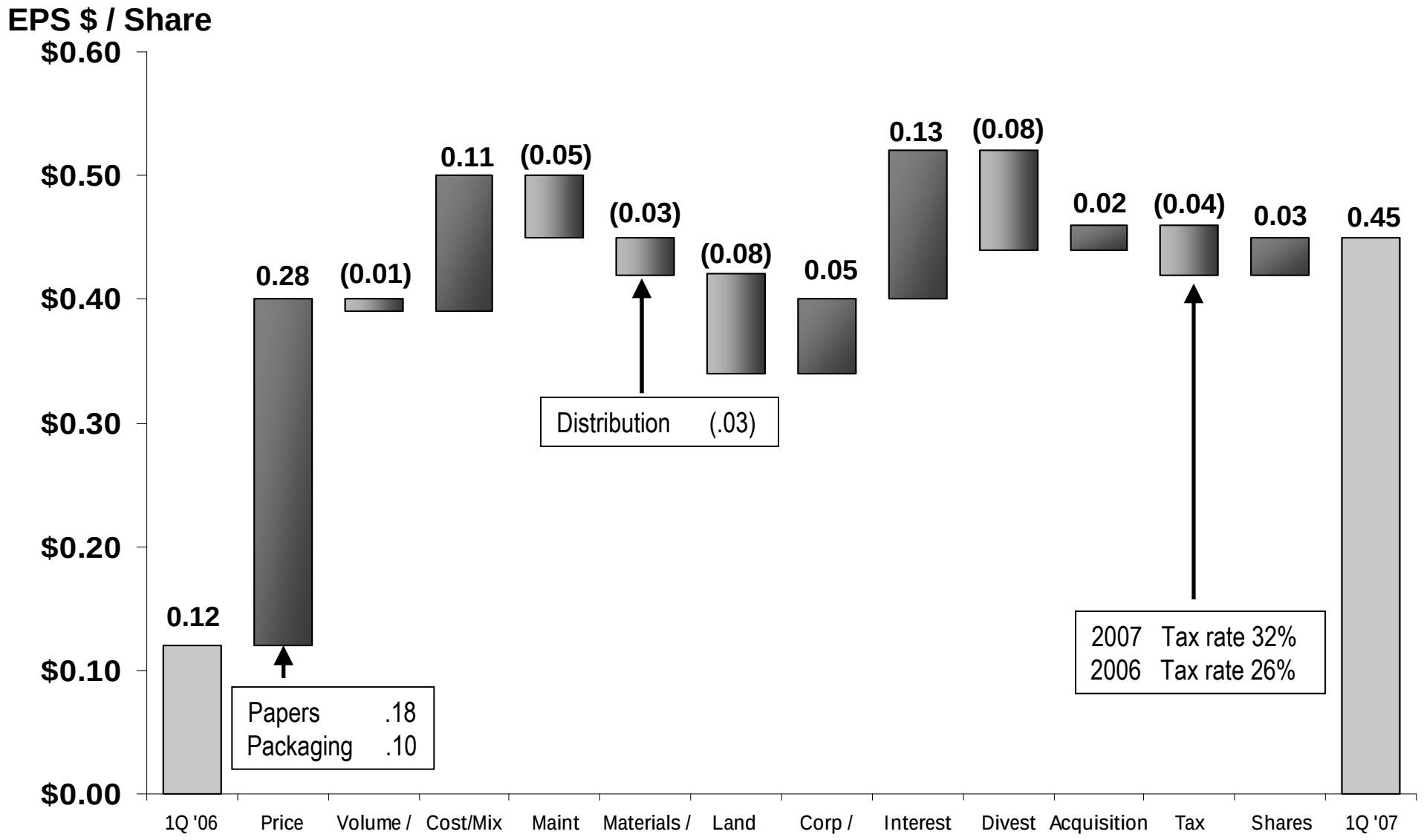
** 2006 EPS restated to reflect new accounting guidelines for planned maintenance outages*

1Q '07 vs. 4Q '06

EPS from cont. ops before special items

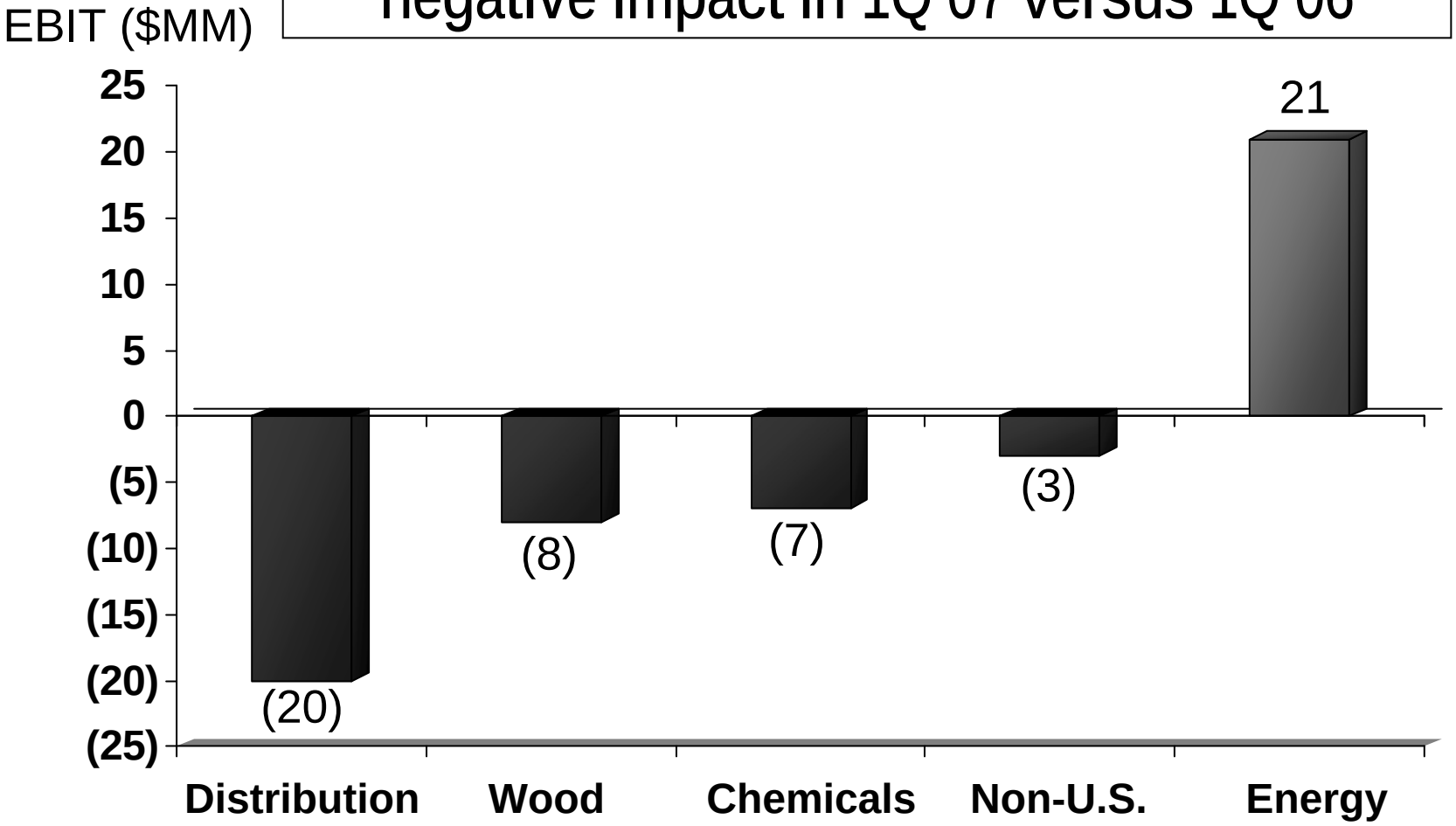


1Q '07 vs. 1Q '06
EPS from cont. ops before special items



Raw Material & Distribution Costs
EBIT impact 1Q'07 vs. 1Q'06

Total of $17 million or $0.03 per share negative impact in 1Q'07 versus 1Q'06



All costs exclude coated papers and discontinued operations

Printing Papers

$ Millions	*1Q'07*	*4Q'06*
Sales	$ 1,540	$ 1,475
Earnings	231	191*

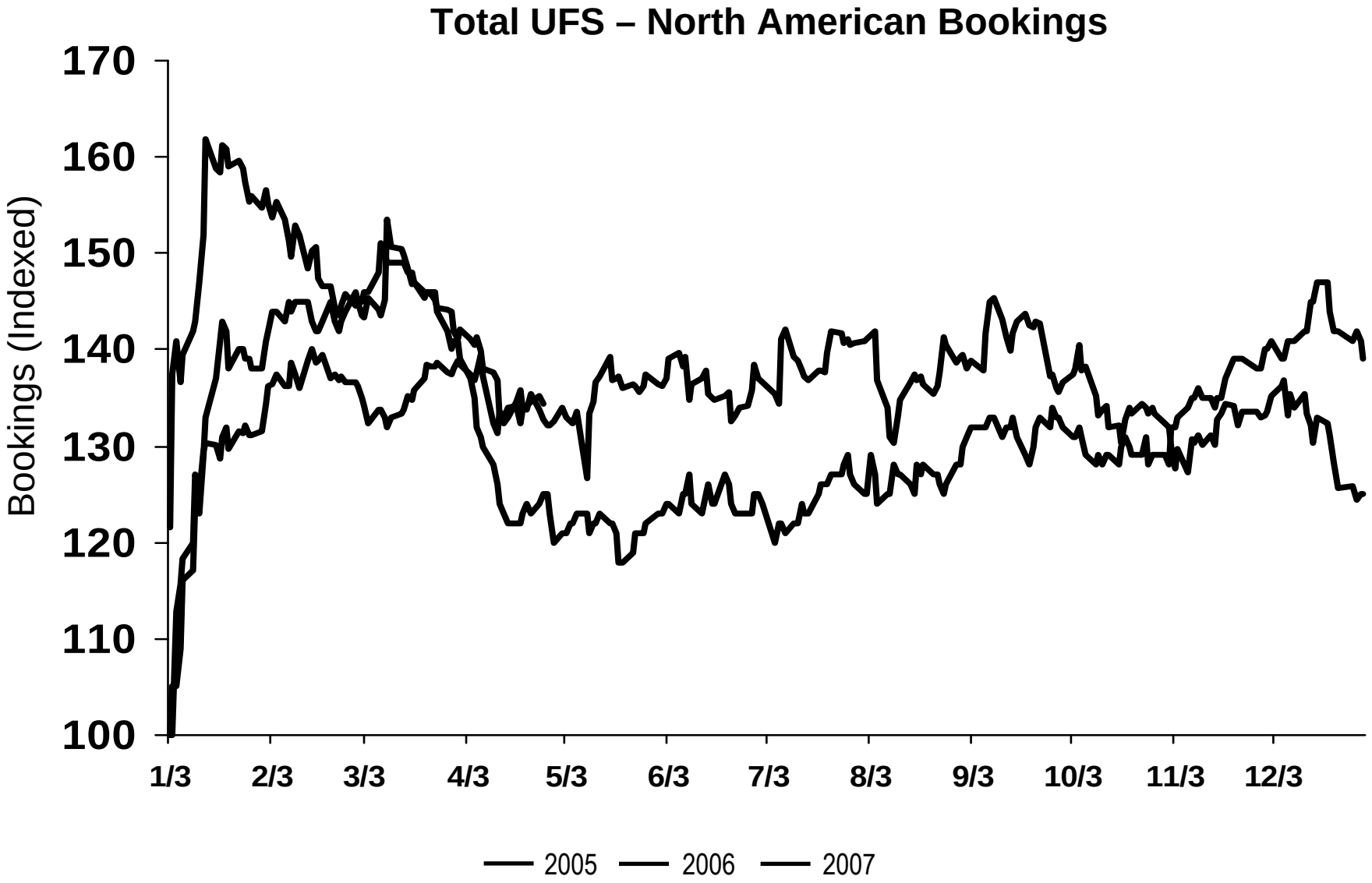
1Q'07 Change vs 4Q'06:

	Volume	*Realizations/ton*
Uncoated	3%	($10)
Pulp	23%	$11
Europe (uncoated)	(3%)	€29
Brazil (cutsize)	10%	$9

Average IP realization (includes the impact of mix across all grades)

* Excluding a $128MM special charge

IP UFS Backlogs



Industrial Packaging

$ Millions	*1Q'07*	*4Q'06*
Sales	$ 1,235	$ 1,265
Earnings	103	130

1Q'07 Change vs 4Q'06:

	Volume	*Realizations/ton*
Containerboard	(9%)	$3
U.S. Container	(2%)	$12

Average IP realization (includes the impact of mix across all grades)

Consumer Packaging

$ Millions	*1Q'07*	*4Q'06*
Sales	$ 750	$ 735
Earnings	61	27

1Q'07 Change vs 4Q'06:

	Volume	*Realizations/ton*
Coated Paperboard	3%	$3

	Sales Revenue
Converting Businesses	(7%)

Average IP realization (includes the impact of mix across all grades)

Distribution

$ Millions	*1Q'07*	*4Q'06*
Sales	$ 1,675	$ 1,715
Earnings	29	31

- Record first quarter EBIT; up 6% compared to 2006

Forest Resources

$ Millions	*1Q'07*	*4Q'06*
Sales	$ 85	$ 190
Earnings	100	162

Special Items & Discontinued Operations – 1Q'07

	$MM	$/Share
Special Items (net of tax & minority interest)		
– Brazil Asset Exchange	$164	
– Divestitures	100	
– Restructuring / Corporate	(10)	
Total Special Items	$254	$0.57
Discontinued Operations (net of tax)		
– Beverage Packaging	$(29)	
– Wood Products	(4)	
– Kraft	4	
– Weldwood Tariff Refund	6	
Total Discontinued Operations	$(23)	$(0.05)

Reconciliation to 1Q'07 Diluted Earnings Per Share

	Diluted EPS
Earnings from Continuing Operations and Before Special Items	$0.45
Special Items	0.57
Earnings from Continuing Operations	1.02
Discontinued Operations	(0.05)
Net Earnings	$0.97

Highlights
First Quarter 2007

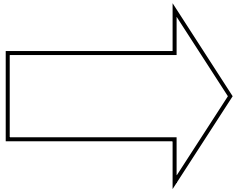
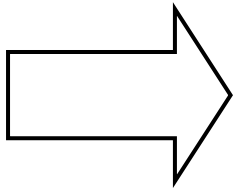
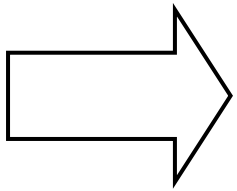
- Operating margins up nearly 300 basis points compared to first quarter 2006
- Record first quarter profit for Europe and xpedx
- Riegelwood mill improvement on track
- Brazil Asset Swap completed
- Divestitures completed
- Strength of global footprint

Second Quarter 2007 Outlook

- Volume - seasonally stronger in addition to a full quarter of Luiz Antonio
- Prices - Implementing IP's previously announced
  - North American, European and Brazilian paper price increases
  - Global containerboard and box price increases
- Continued progress in improving operations
- Input costs remain high
- Maintenance outage expense slightly higher than first quarter 2007
- Forest Resources earnings slightly down from first quarter 2007

2007 Priorities

Building on a Solid First Quarter 2007

- Improve Existing Businesses  G
- Deliver on earnings from Selective Reinvestments  G
  - Luiz Antonio
  - IP/Sun JV
- Return Value to Shareholders  G
  - Dutch Tender $1.4 Billion
  - Open market $817 Million



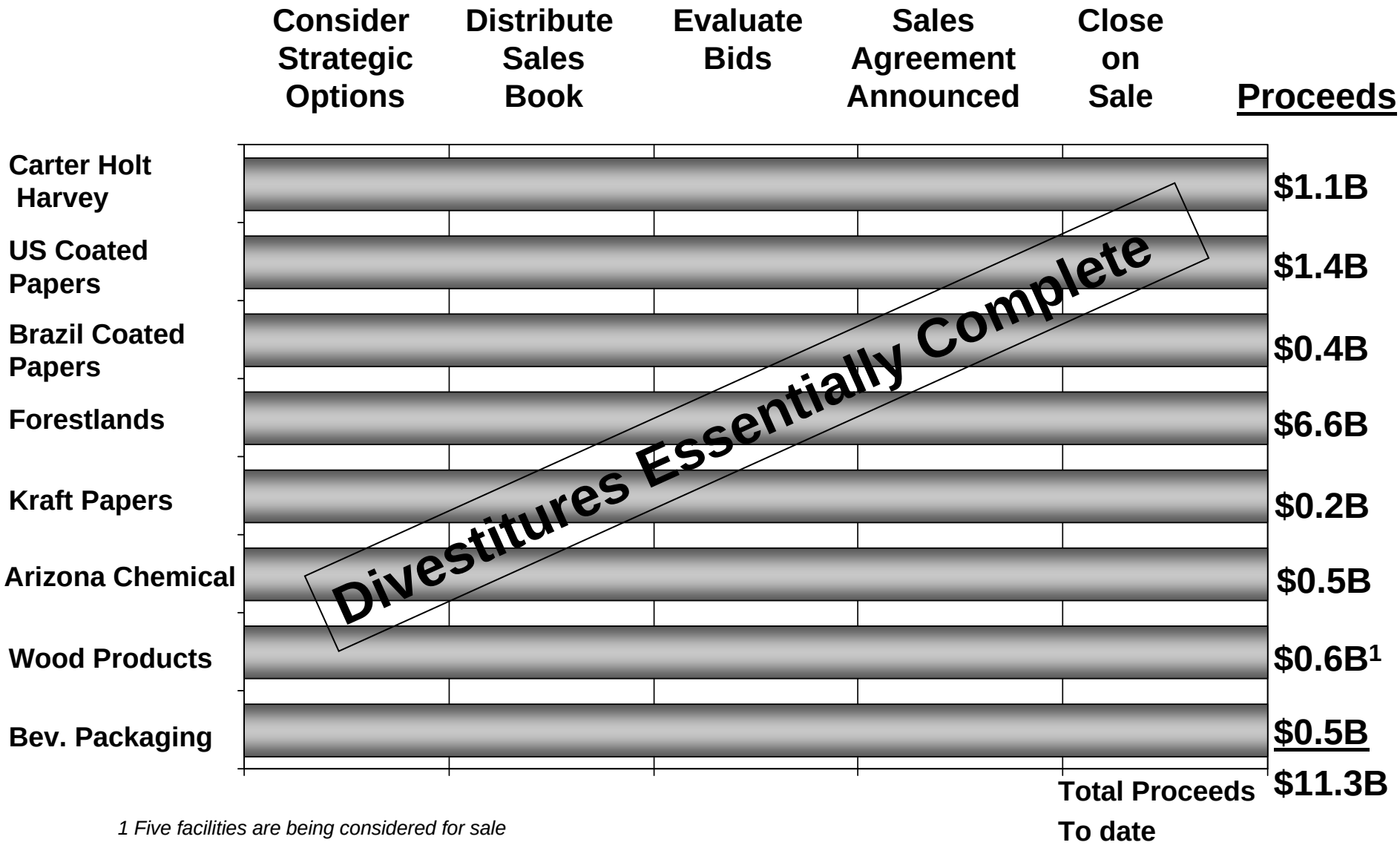
Q & A



Appendix

Transformation Plan Update

Divestitures Essentially Complete – May 3, 2007



1 Five facilities are being considered for sale

Key Financial Statistics
Updated as of May 3, 2007

	2005[1]	2006[1]	2007 Est.
Capital Spending	$1.1 B	$1.1 B	$1.1-1.2 B
Depreciation & Amort.	$1.2 B	$1.1 B	$1.1 -1.2 B
Net Interest Expense	$595 MM	$521 MM	$330 MM
Supply Chain Expense	$135 MM	$156 MM	$210 MM
Corporate Items	$607 MM	$746 MM	$675–725 MM
Effective Tax Rate[2]	20%	29%	30-32%

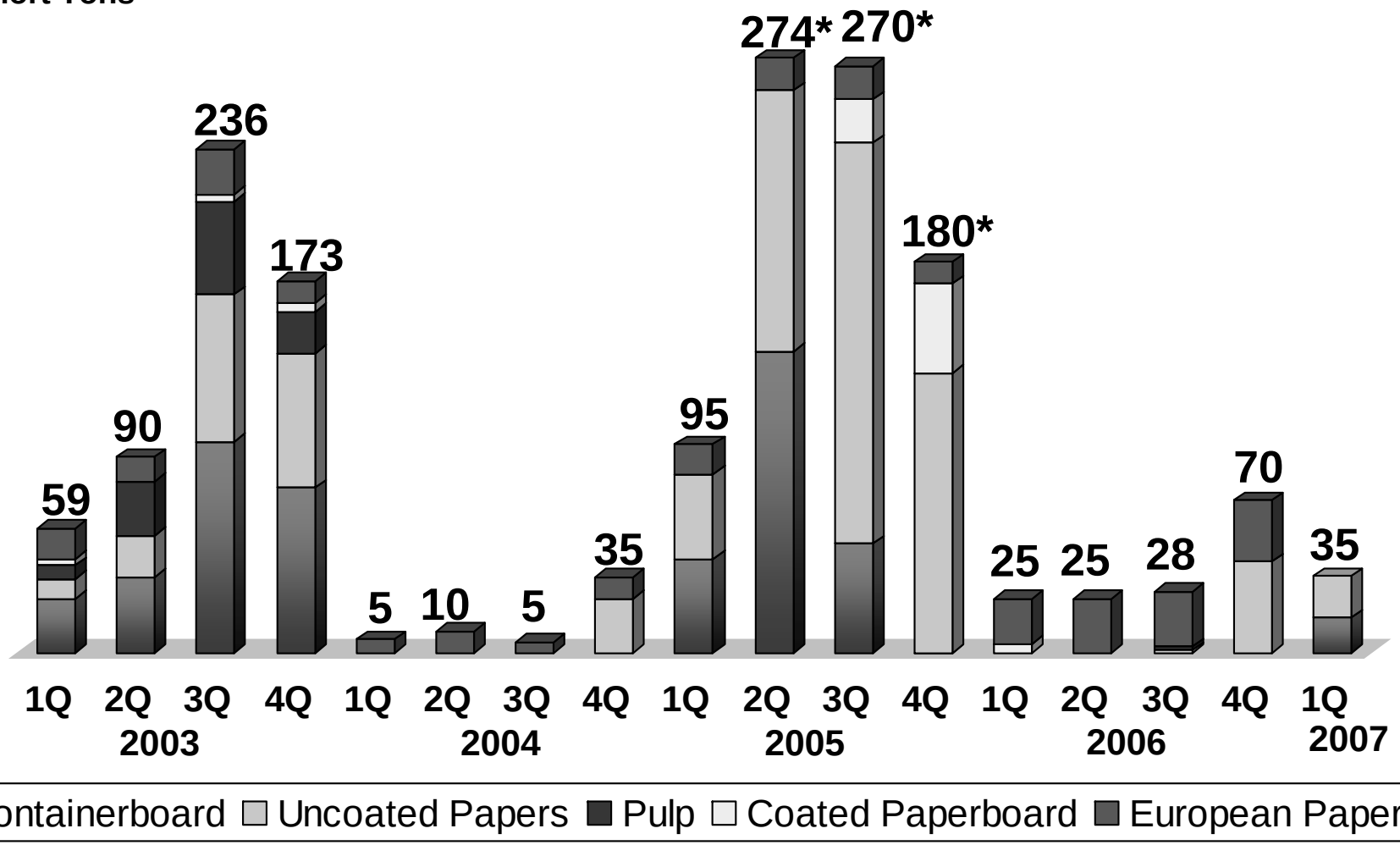
[1] Excludes discontinued operations results and Coated Papers

[2] Before special items

Lack of Order Downtime

INTERNATIONAL PAPER

M Short Tons

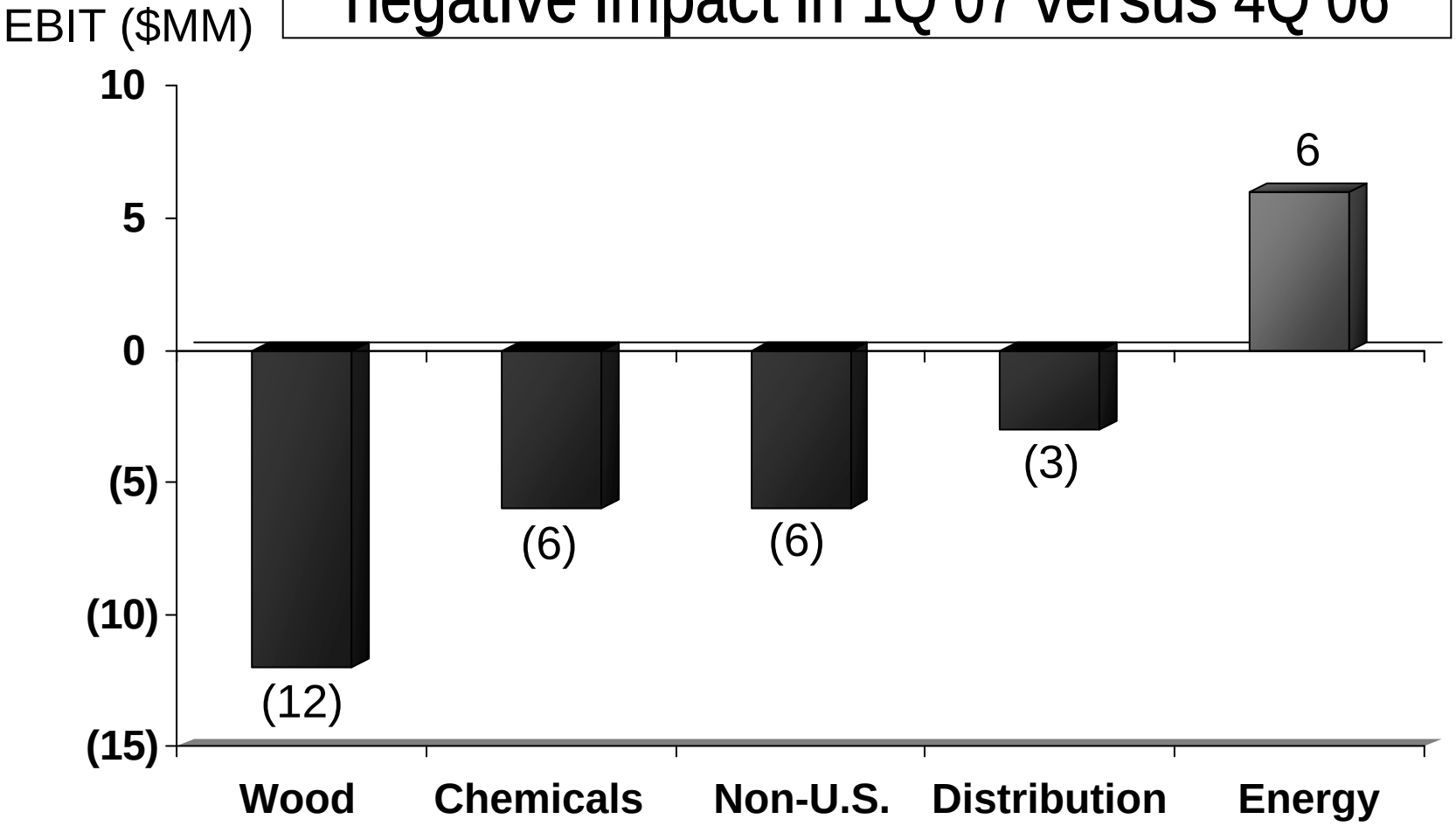


*Includes indefinitely closed uncoated papers capacity at Pensacola, FL, Bastrop, LA and Jay, ME in 2Q05 (72,000 tons), 3Q05 (108,000 tons) and 4Q'05 (108,000 tons). Permanently closed at end of 4Q'05.

Raw Material & Distribution Costs
EBIT impact 1Q'07 vs. 4Q'06

INTERNATIONAL PAPER

Total of $21 million or $0.03 per share negative impact in 1Q'07 versus 4Q'06



All costs exclude discontinued operations

Q2'07 Maintenance Outages

	Maintenance Outage (tons)	2Q'07 Forecast vs. 1Q'07 Actual $(MM)
Printing Papers	55,000	(22)
Industrial Packaging	30,000	29
Consumer Packaging	10,000	(15)
Total Impact	95,000	(8)

Maintenance outages and dollar impacts are estimated and are subject to change.

Earnings by Industry Segment
Before special items

$ Millions

	1Q'07	4Q'06	1Q'06
Earnings by Industry Segment			
Printing Papers	$231	$191	$105
Industrial Packaging	103	130	29
Consumer Packaging	61	27	47
Distribution	29	31	27
Forest Products	100	162	190
Other Businesses	6	12	13
Operating Profit	530	553	411
Interest Expense, net	(63)	(86)	(149)
Minority Interest	5	3	3
Corporate Items, net	(164)	(166)	(180)
Earnings from continuing operations before income taxes, minority interest & special items	$308	$304	$85

**Industry segment information has been reclassified to conform with minor changes in 2006 organizational structure.*

2007 Earnings from Continuing Operations

	Pre-Tax	Tax	MI	Net	ETR	Average Shares[1]	Diluted EPS[2]
	$ MM	*$ MM*	*$ MM*	*$ MM*		*MM Shares*	*$/Share*
Before Special Items							
Q1	308	(99)	(6)	203	32%	448.4	0.45
Special Items							
Q1	298	(44)	0	254	15%	448.4	0.57
Earnings from Continuing Operations							
Q1	606	(143)	(6)	457	24%	448.4	1.02

MI – Minority Interest; Net – Net Income; ETR – Effective Tax Rate; EPS – Earnings per Share

[1] *Assuming dilution*

[2] *A reconciliation to GAAP EPS is available at www.internationalpaper.com under Investor Information*

Average Sales Realizations

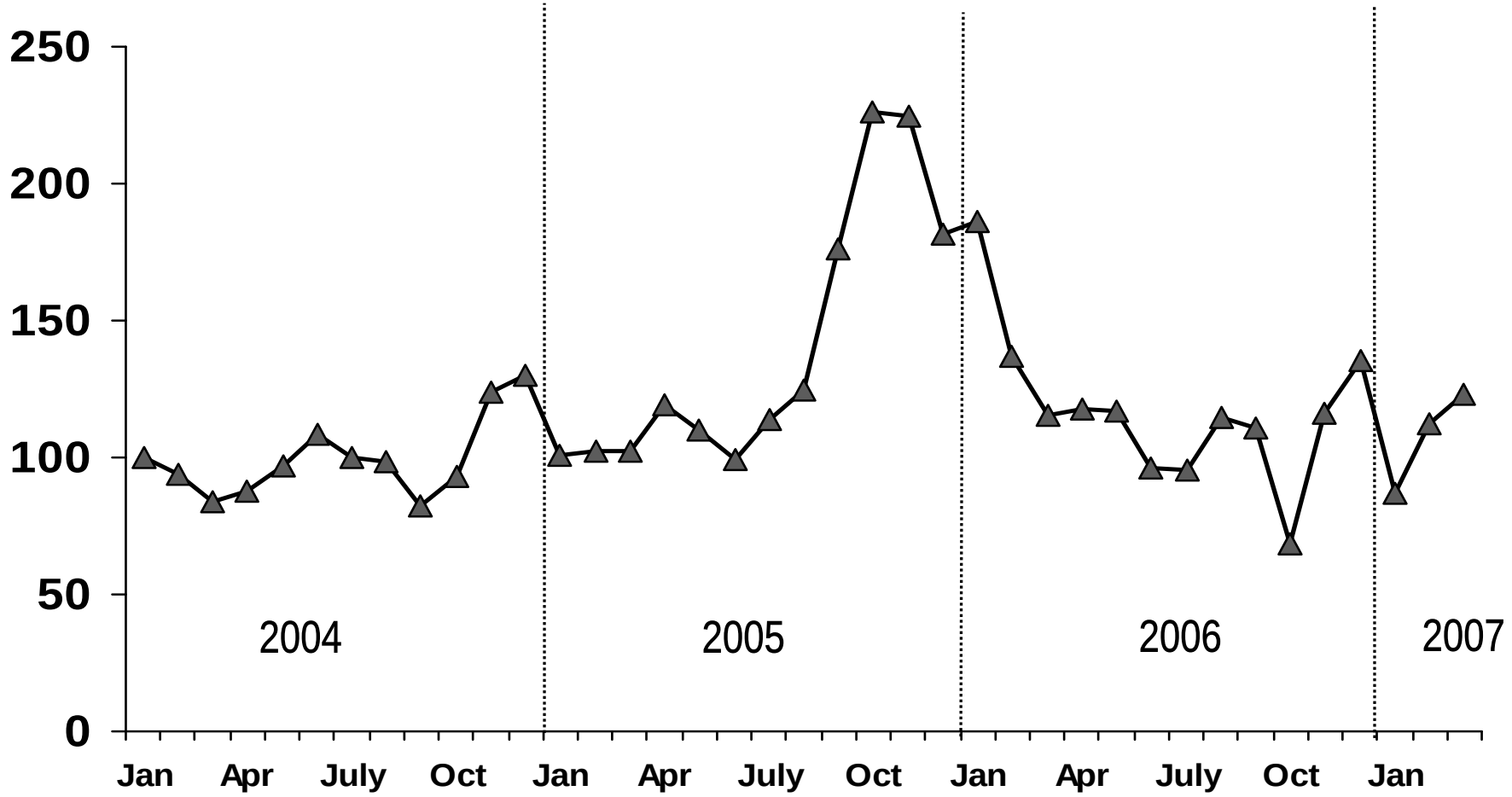
Segments*	Grades ($/ton)	Average Sales Realizations Mar 07	Mar 06	1Q'07	4Q'06	1Q'06
Printing Papers						
	Uncoated	**891**	**817**	**888**	**898**	**803**
	Pulp	**581**	**510**	**577**	**566**	**499**
	Containerboard	**501**	**454**	**511**	**509**	**437**
Packaging						
	Corrugated boxes	**798**	**735**	**799**	**787**	**721**

* U.S. only

Average IP realization (includes the impact of mix across all grades)

Natural Gas Costs

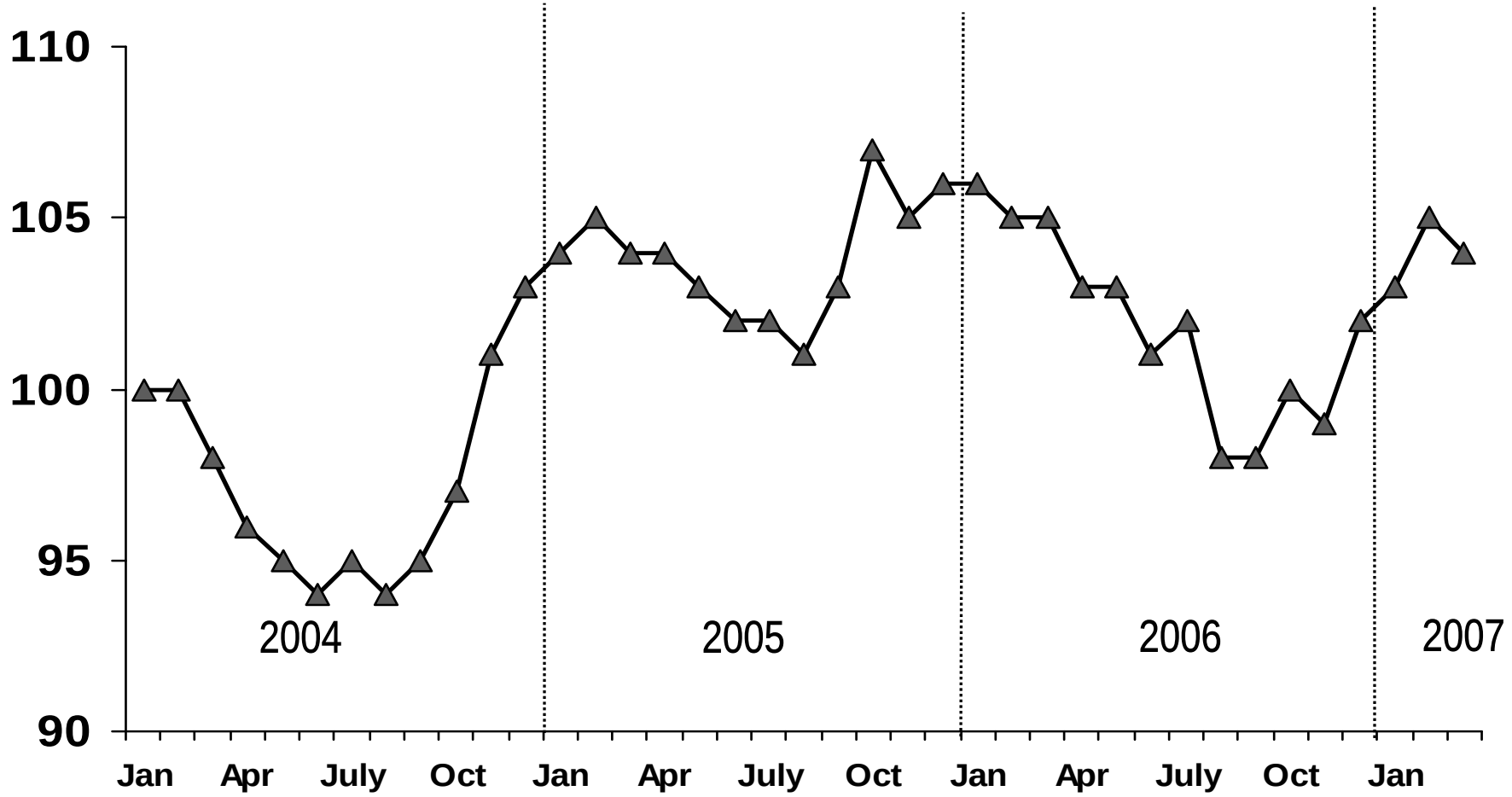
Index: Jan 2004 Natural Gas Costs = 100



* NYMEX Natural Gas closing prices

U.S. Mill Wood Costs

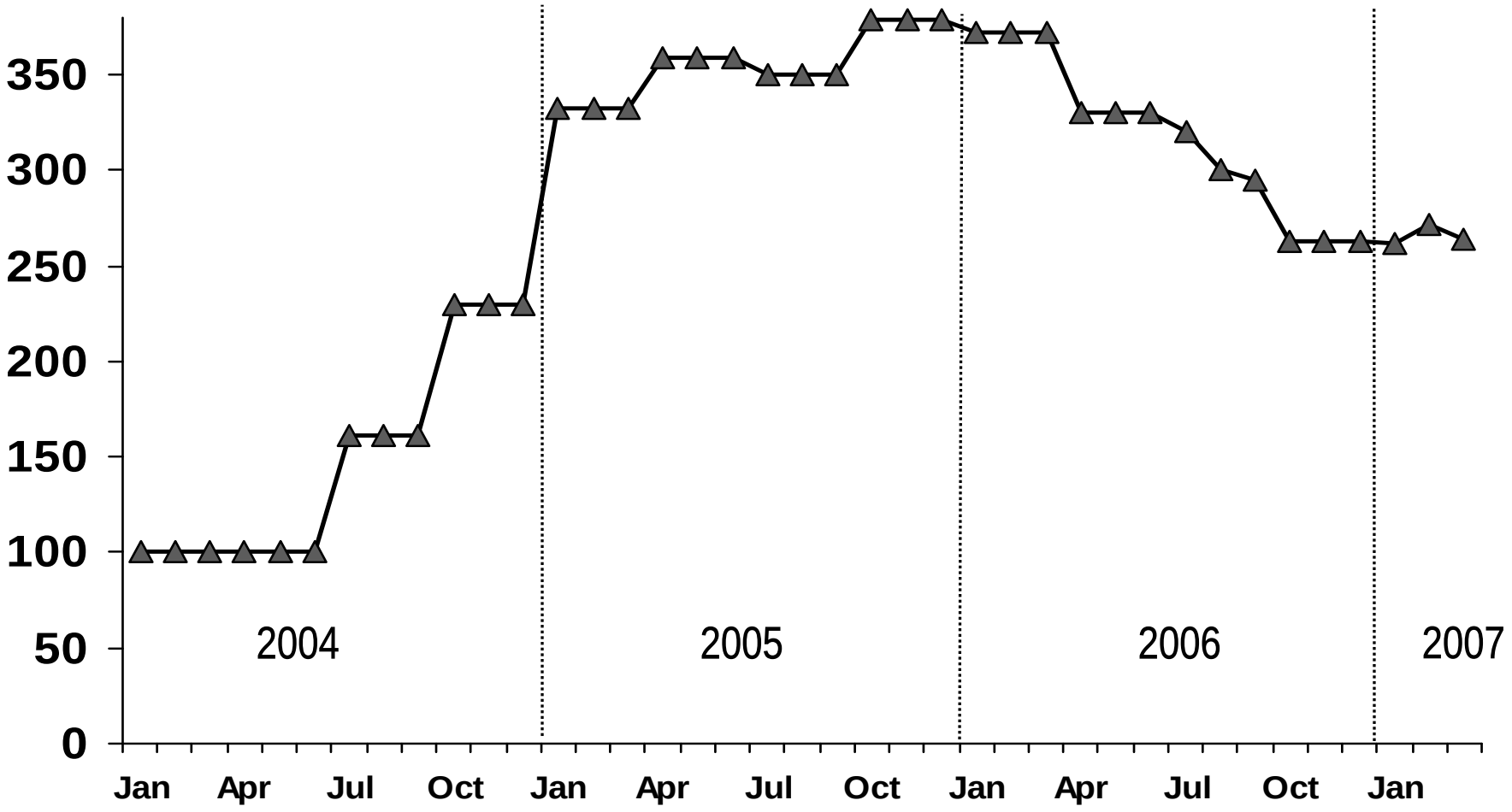
Index: Jan 2004 Wood Costs = 100



* Delivered cost to U.S. pulp & paper mills

Caustic Soda Costs

Index: Jan 2004 Caustic Soda Costs = 100



* Delivered cost to U.S. facilities

Global Consumption

Key input indicative annual purchase levels[1]

Energy	***Units***	***U.S.[2]***	***Non- U.S.***
Natural Gas	MMbtu	28,000,000	14,000,000
# 6 Fuel Oil	BBL	4,100,000	400,000
Coal	Tons	1,300,000	230,000
Fiber			
Wood	Tons	40,000,000	8,200,000
OCC[3]	Tons	600,000	313,000
Chemicals			
Caustic Soda	Tons	340,000	55,000
Sodium Chlorate	Tons	215,000	49,000
LD Polyethylene	Tons	40,000	-
Latex	Tons	24,000	4,000

[1] 2006 Run Rate estimates [2] Excludes discontinued operations, Arizona Chemical and US Coated Paper business

[3] Old corrugated containers



INTERNATIONAL PAPER