

INTERNATIONAL PAPER

Second Quarter 2007 Review August 2, 2007

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Forward-Looking Statements

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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 its 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

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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

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- Second Quarter 2007 Review
- Third Quarter 2007 Outlook
- 2007 Priorities

Second Quarter 2007 Summary

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- Solid Quarter, best quarter since year 2000
- Margins Expanding
- Manufacturing operations performed well
- Volumes solid
- Pricing strong
- Pensacola Conversion
- Lower tax rate
- Lower share count

Diluted EPS from Continuing Operations and Before Special Items

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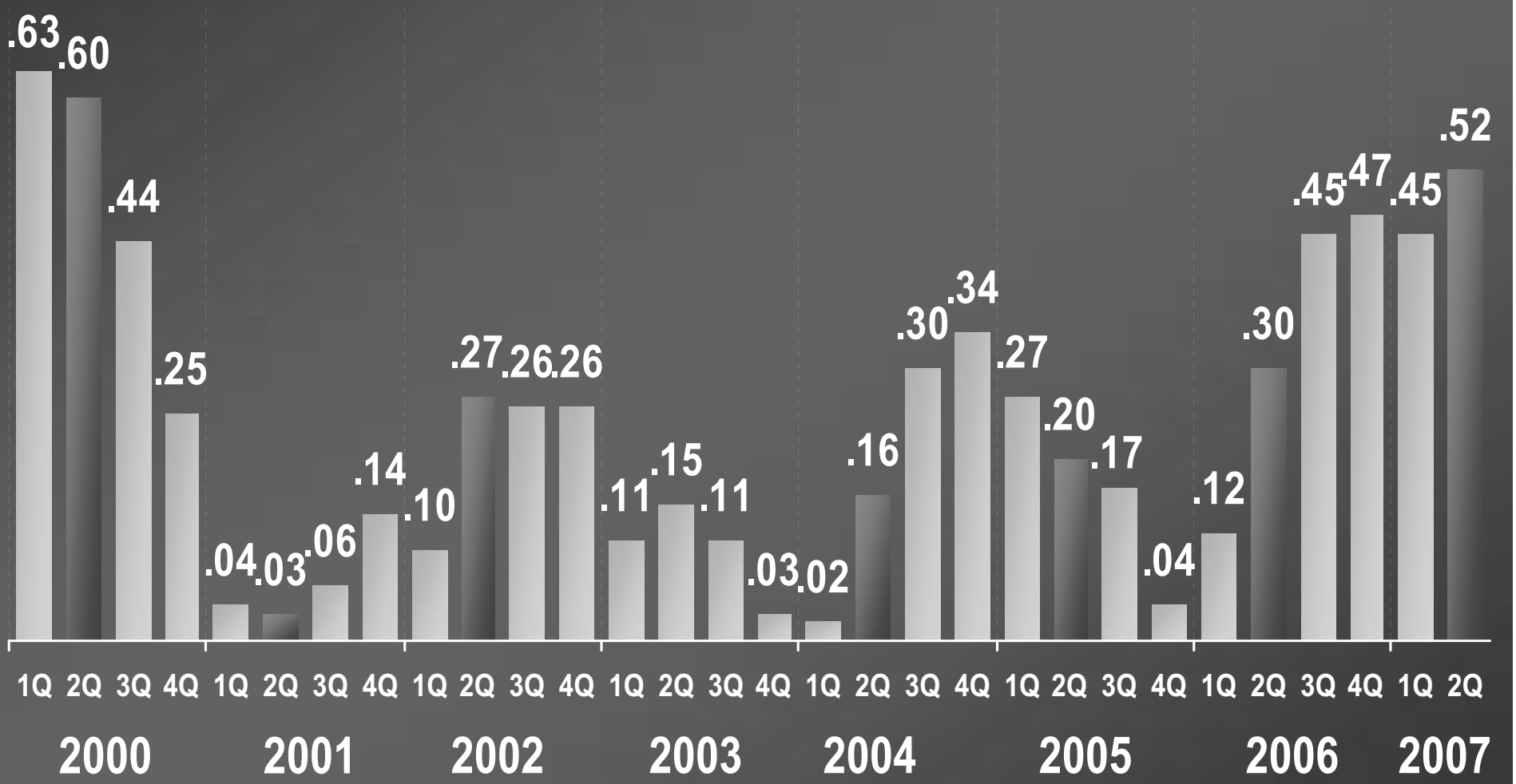

** A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations*

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

2Q '07 vs. 1Q '07

EPS from cont. ops before special items

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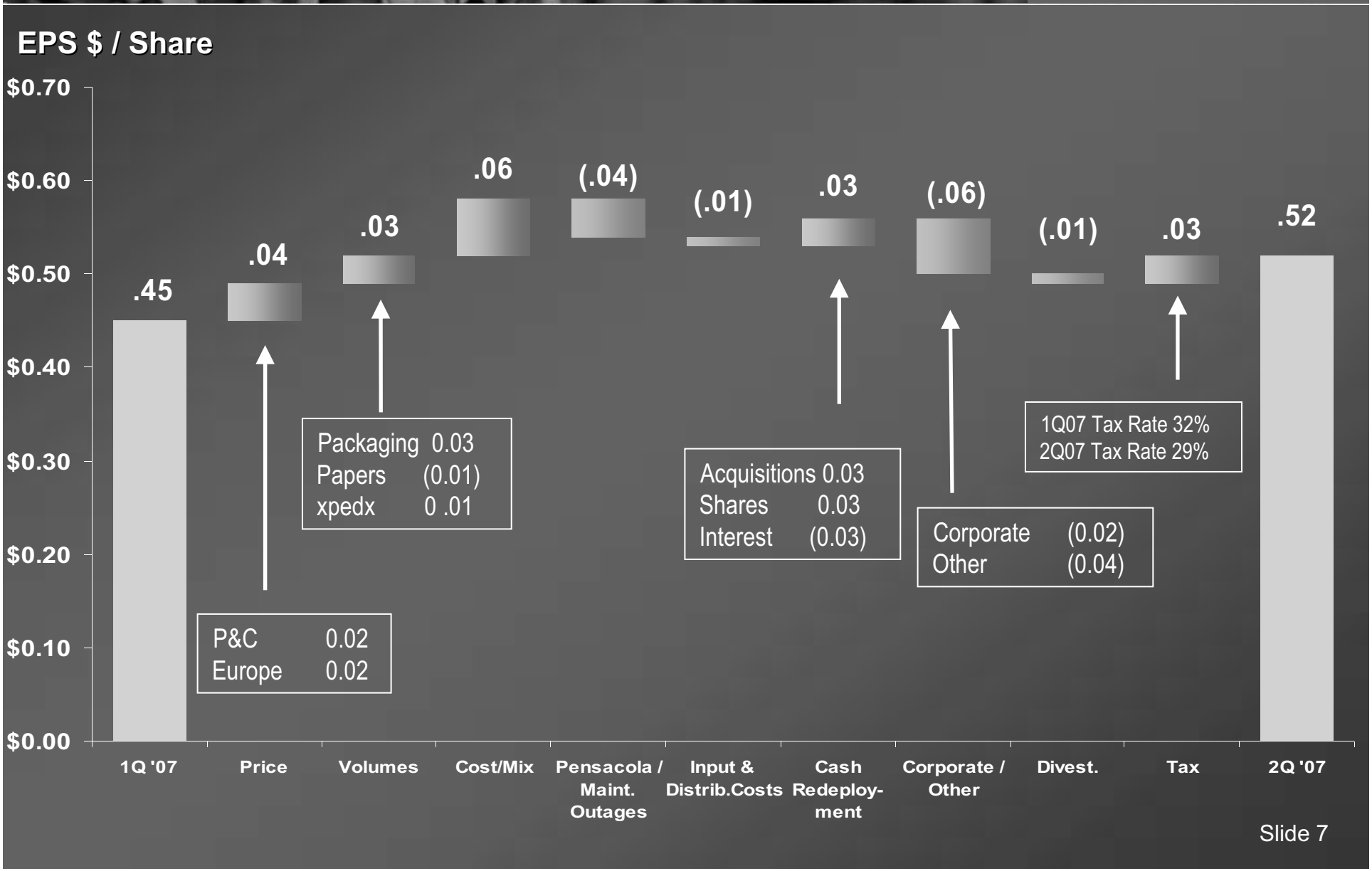

6M'07 vs. 6M'06

EPS from cont. ops before special items

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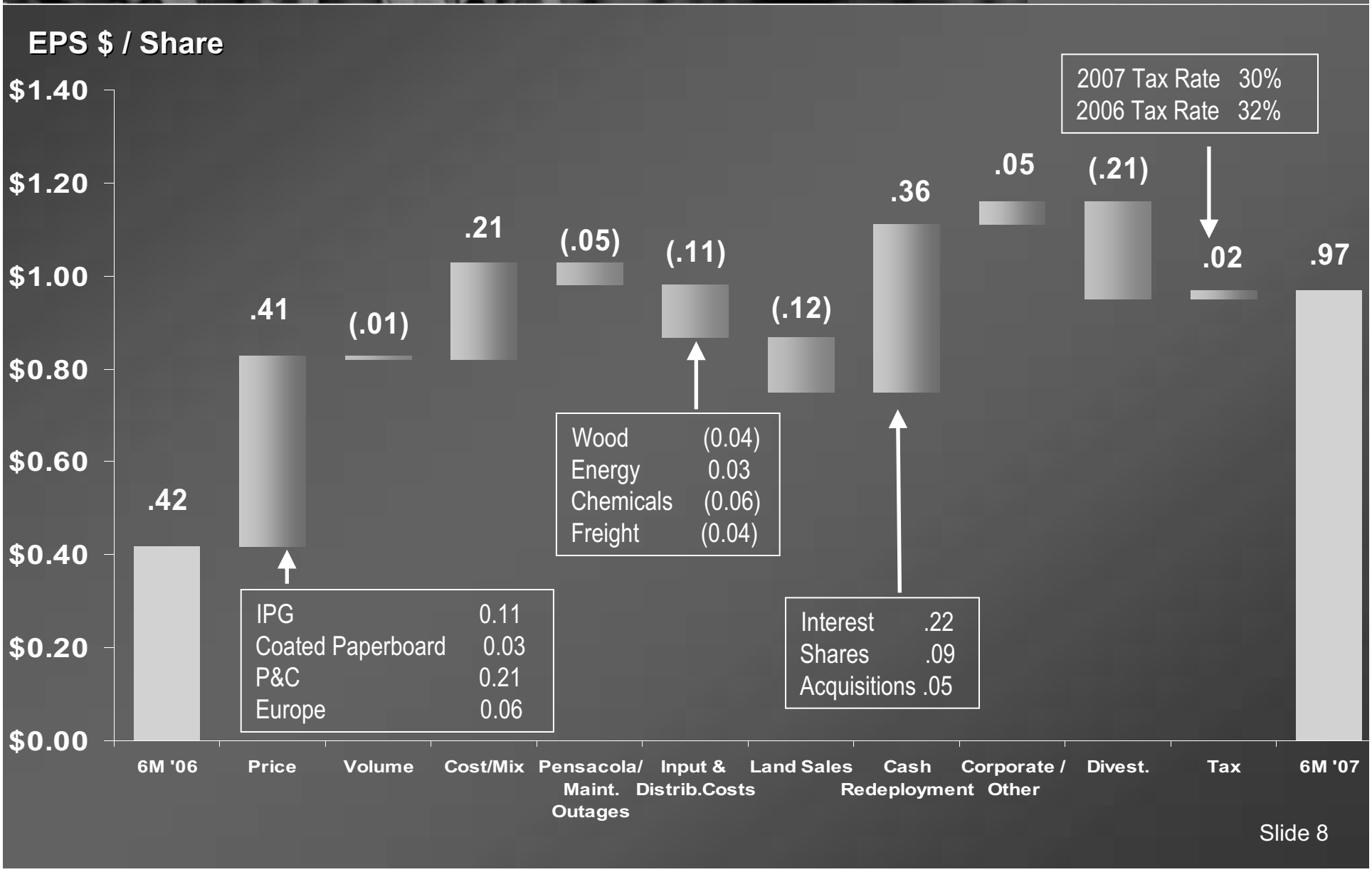

Higher Input & Distribution Costs
EBIT impact 6M'07 vs. 6M'06

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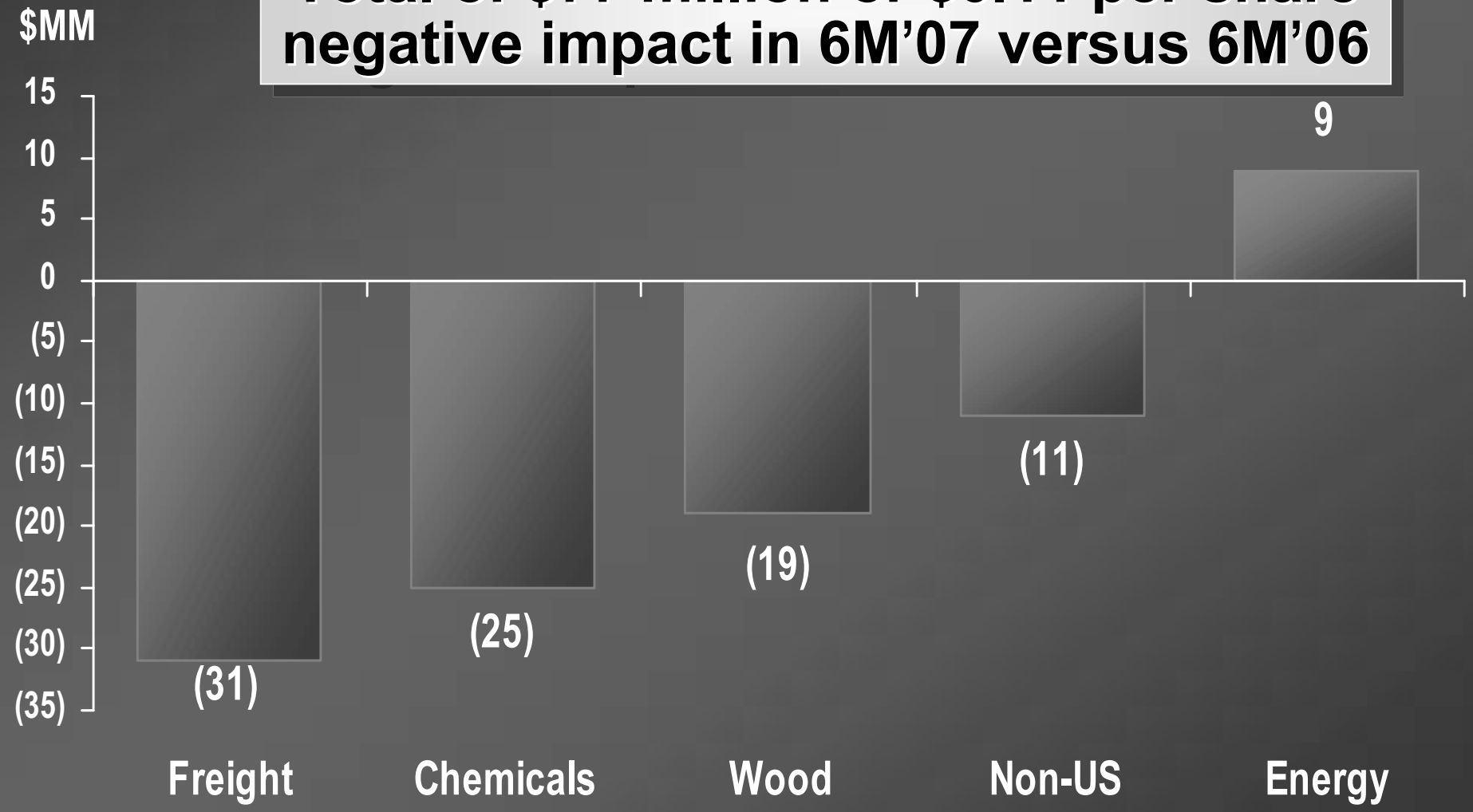
Total of $77 million or $0.11 per share negative impact in 6M'07 versus 6M'06



All costs include ongoing businesses

Printing Papers

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$ Millions	*2Q'07*	*1Q'07*
Sales	$ 1,610	$ 1,540
Earnings	249	231

2Q'07 Change vs 1Q'07:

	Volume	*Realizations/ton*
Uncoated	(3%)	$16
Pulp	(1%)	$9
Europe (uncoated)	(6%)	€29
Brazil (uncoated)	38%	$27

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

Improving Business in Brazil

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$MM	Avg. Monthly Run Rate	Annualized
Operating Profit		
2Q	20	240
3Q	23	275
4Q	25	300
Depreciation & Amort.		100
EBITDA Run Rate Range		~375 - 400

Uncoated Freesheet
EBIT Growth Outside North America

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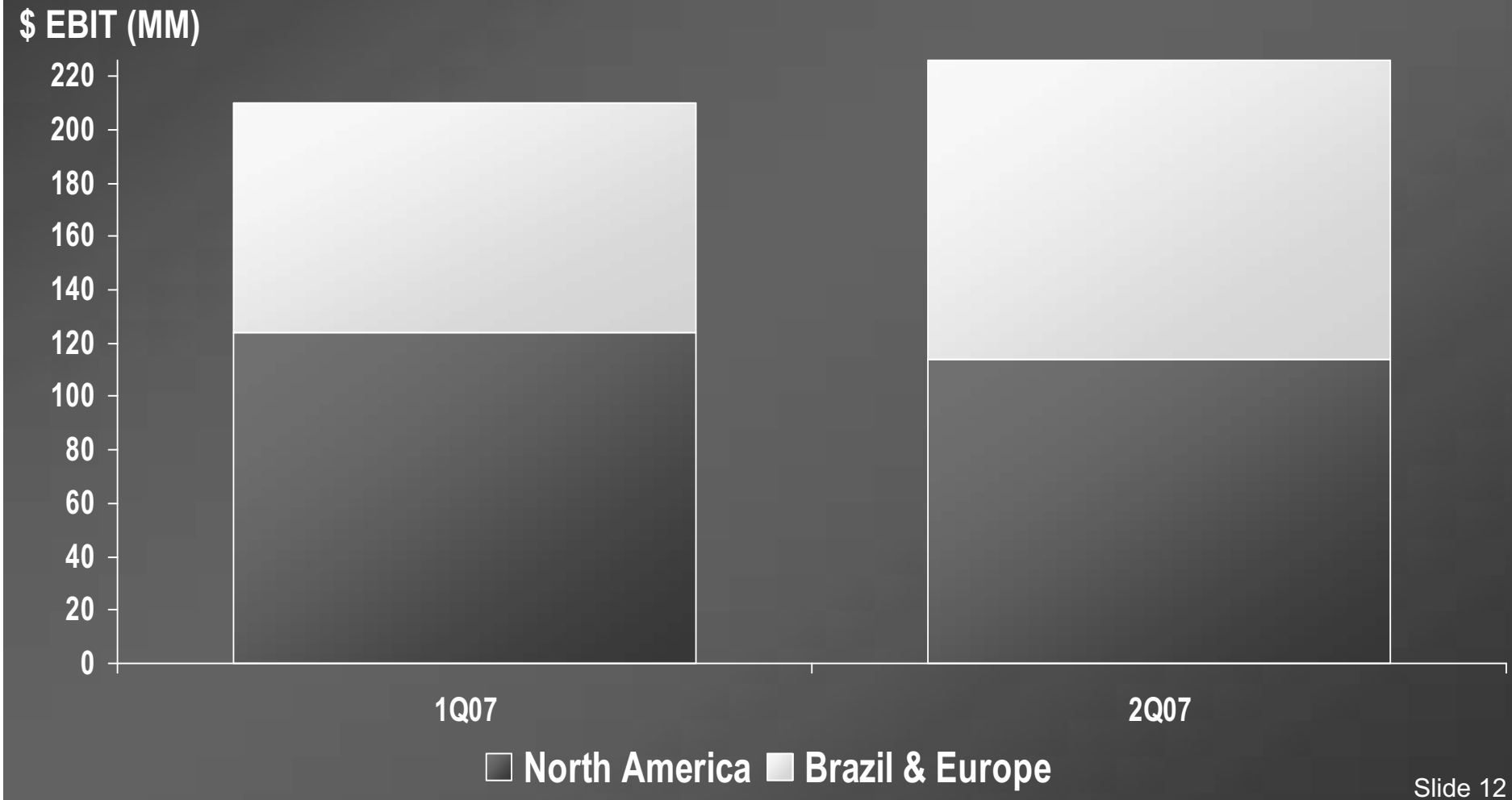
Increasing EBIT Outside North America



Industrial Packaging

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$ Millions	*2Q'07*	*1Q'07*
Sales	$ 1,315	$ 1,235
Earnings	139	103

2Q'07 Change vs 1Q'07:

	Volume	*Realizations/ton*
Containerboard	17%	$2
U.S. Container	5%	($0.60)

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

U.S. Container volumes and prices are reported in MSF

Industrial Packaging
Q1 '07 vs. Q2 '07

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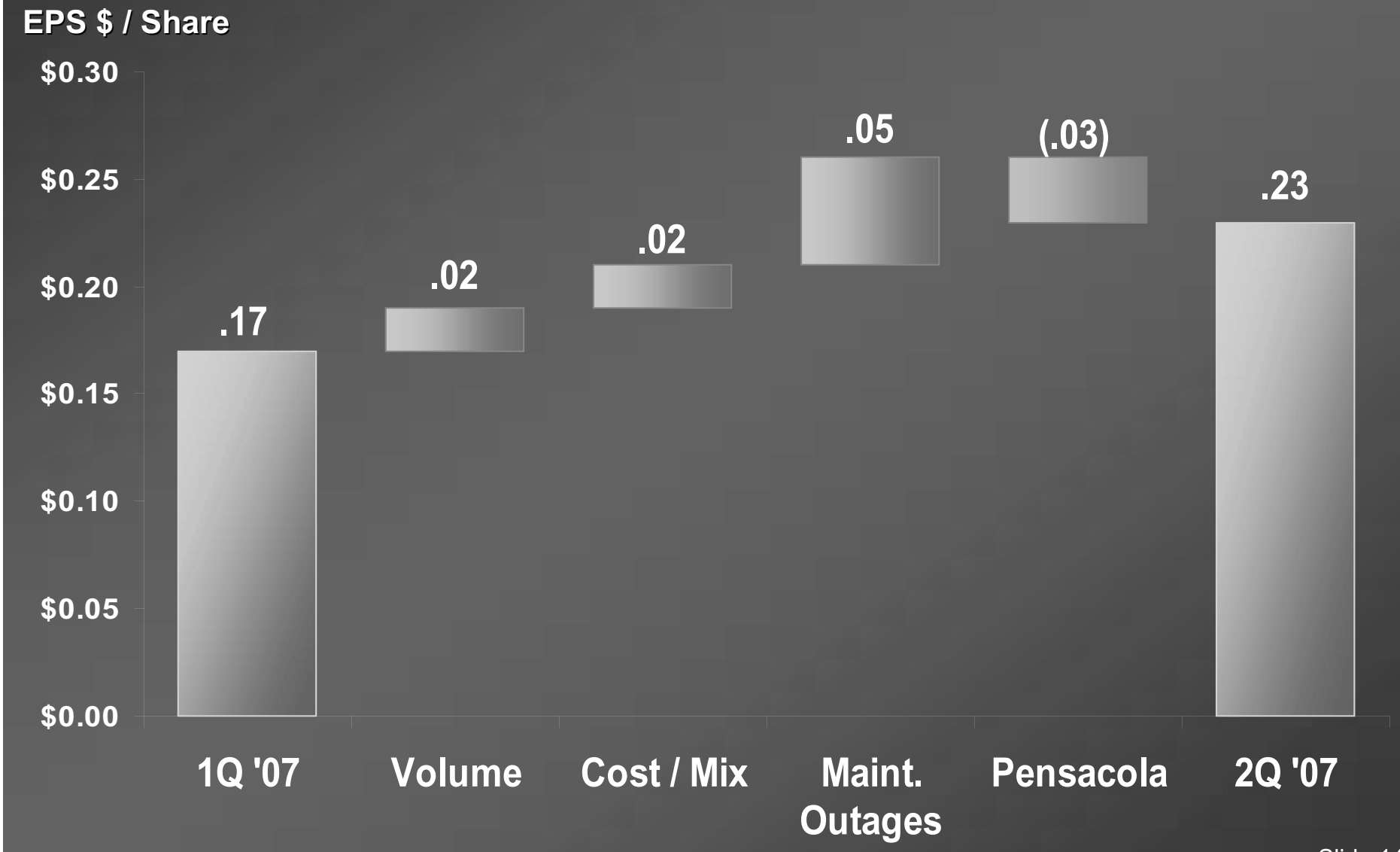

Assumes constant tax rate and shares outstanding

Consumer Packaging

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$ Millions	*2Q'07*	*1Q'07*
Sales	$ 790	$ 750
Earnings	48	61

2Q'07 Change vs 1Q'07:

	Volume	*Realizations/ton*
Coated Paperboard	3%	$1

	Sales Revenue
Converting Businesses	9%

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

Distribution

$ Millions	*2Q'07*	*1Q'07*
Sales	$ 1,720	$ 1,675
Earnings	38	29

- Record second quarter earnings; up 30% compared to first quarter 2007
- Volume and margins up

Forest Products

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$ Millions	*2Q'07*	*1Q'07*
Sales	$ 90	$ 85
Earnings	98	100

Special Items & Discontinued Operations – 2Q'07

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	$MM	$/Share
Special Items (net of tax)		
– Divestitures	$(7)	
– Restructuring / Corporate	(16)	
Total Special Items	$(23)	$(0.06)
Discontinued Operations (net of tax)		
– Beverage Packaging	$(3)	
– Wood Products	(7)	
Total Discontinued Operations	$(10)	$(0.02)

Reconciliation to 2Q'07 Diluted Earnings Per Share

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	Diluted EPS
Earnings from Continuing Operations and Before Special Items	$0.52
Special Items	(0.06)
Earnings from Continuing Operations	0.46
Discontinued Operations	(0.02)
Net Earnings	$0.44

Highlights
Second Quarter 2007

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- Margin Expansion
- Record second quarter profit for Europe, xpedx, and Foodservice
- Conversion of Pensacola Mill
- Strength of global footprint
- Transformation plan on track

Earnings Improvement Transformation Plan on Track

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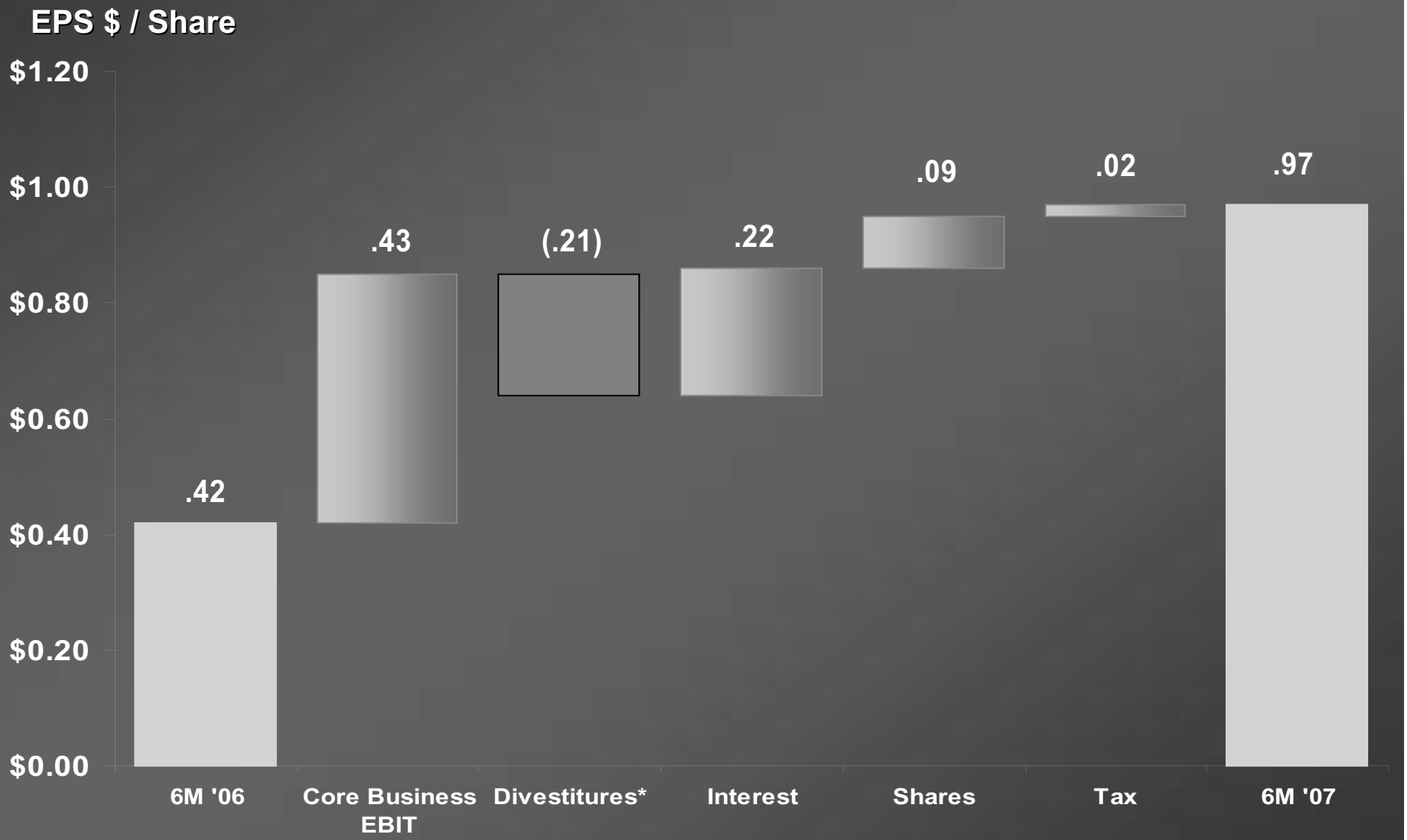

* Includes Forest divestiture, Coated Papers and Arizona Chemical

Third Quarter 2007 Outlook

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- Volumes steady
- Prices – modest improvement
- Continued progress in improving operations
- Input costs slightly higher
- Lower maintenance outage expenses
- Pensacola conversion expenses
- Forest Resources earnings higher than second quarter 2007

IP / Ilim JV Update

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- Ilim's EBITDA improved significantly
- Expecting lower EV/EBITDA multiple
- Expect to make decision soon

2007 Priorities

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Building on a Solid Second Quarter 2007

- Improve Existing Businesses → G
- Deliver value from Selective Reinvestments → G
  - Luiz Antonio
  - IP/Sun JV
- Return Value to Shareholders → G
  - Dutch Tender $1.4 Billion
  - Open market $1.1 Billion

Q & A

Investor Relations Contacts

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Appendix

Key Financial Statistics

Updated as of August 2, 2007

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	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	$310 MM
Supply Chain Expense	$135 MM	$156 MM	$200 MM
Corporate Items	$607 MM	$746 MM	$675–725 MM
Effective Tax Rate[2]	20%	29%	30-31%

[1] Excludes discontinued operations results and Coated Papers

[2] Before special items

Lack of Order Downtime

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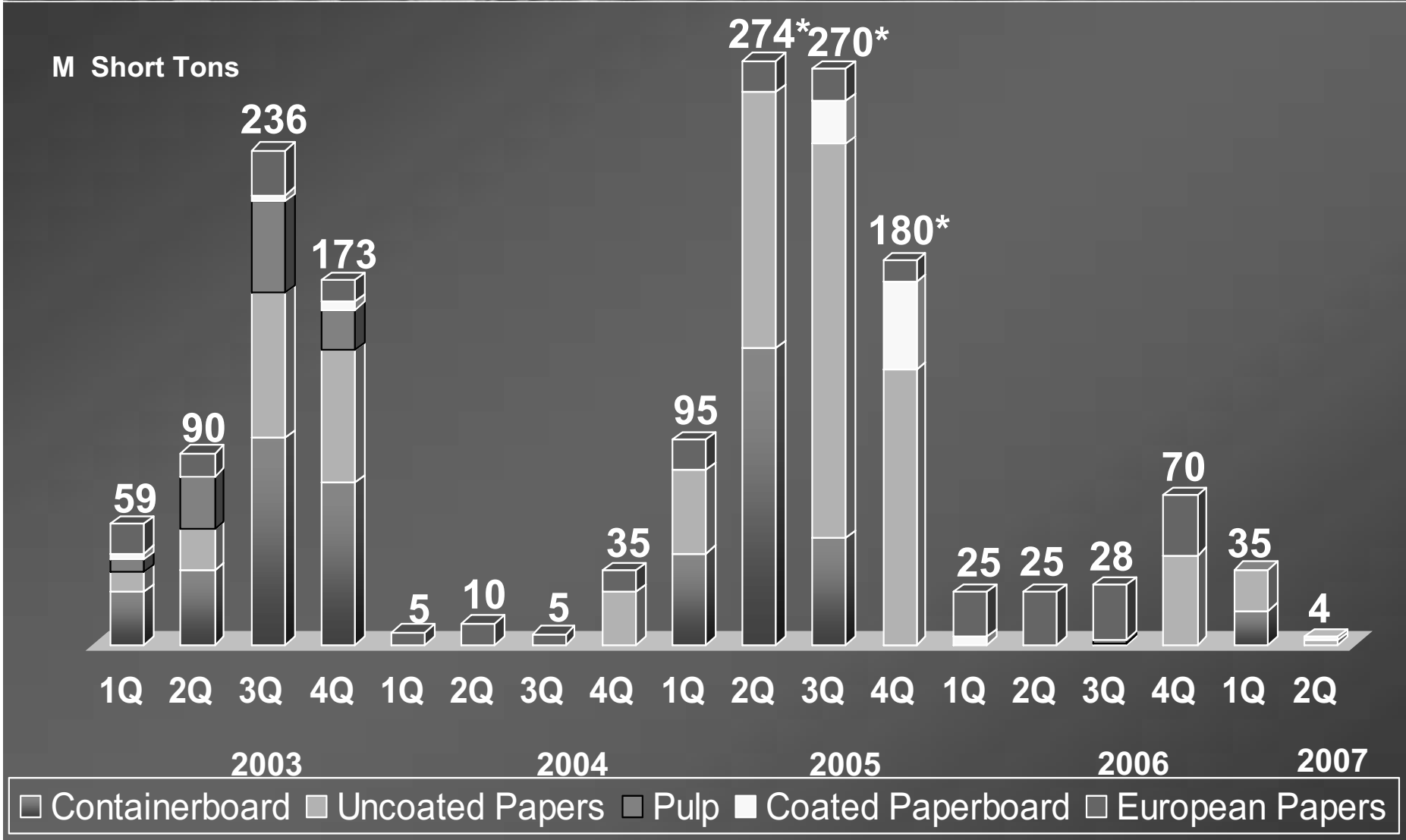

*Includes indefinitely closed uncoated papers capacity at Pensacola, FL, Bastrop, LA and Jay, ME in 2Q05 (72,000 tons), 3Q05 (108,000 tons) and 4Q'05 (108,000 tons) which we permanently closed at end of 4Q'05.

Raw Material & Distribution Costs
EBIT impact 2Q'07 vs. 1Q'07

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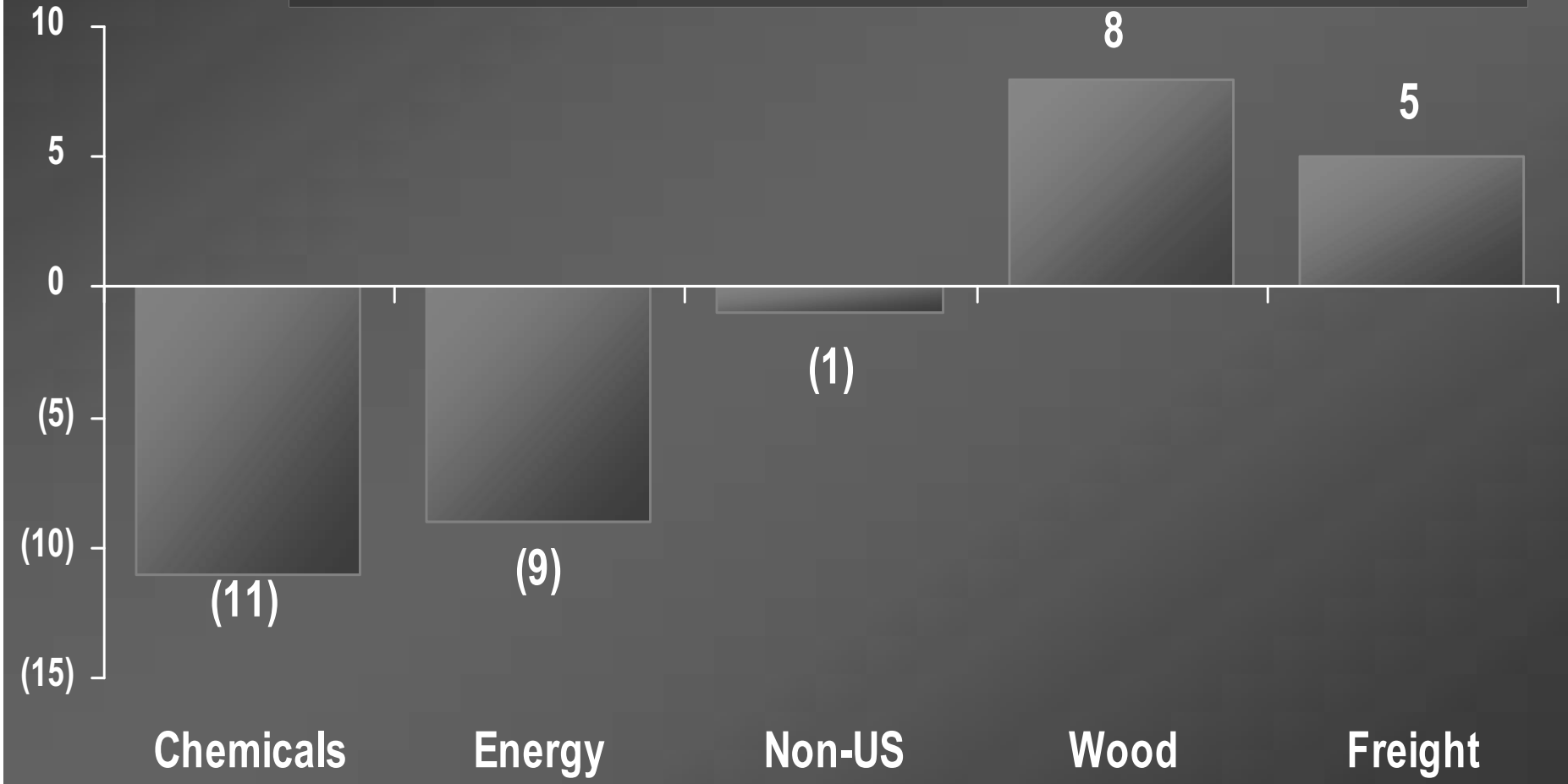
Total of $8 million or $0.01 per share negative impact in 2Q'07 versus 1Q'07



All costs include ongoing businesses

Q3'07 Maintenance Outages

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	Maintenance Outage (tons)	3Q'07 Forecast vs. 2Q'07 Actual $(MM)
Printing Papers	52,000	13
Industrial Packaging	22,000	10
Consumer Packaging	6,000	7
Total Impact	80,000	30

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

Earnings by Industry Segment

Before special items

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$ Millions

Earnings by Industry Segment	2Q'07	1Q'07	2Q'06
Printing Papers	$249	$231	$209
Industrial Packaging	139	103	86
Consumer Packaging	48	61	44
Distribution	38	29	36
Forest Products	98	100	160
Other Businesses	-	6	17
Operating Profit	572	530	552
Interest Expense, net	(80)	(63)	(148)
Minority Interest	6	5	2
Corporate Items, net	(179)	(164)	(179)
Earnings from continuing operations before income taxes, minority interest & special items	$319	$308	$227

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

2007 Earnings from Continuing Operations

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	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
Q2	319	(91)	(5)	223	29%	431.2	0.52
Special Items							
Q1	298	(44)	0	254	15%	448.4	0.57
Q2	(25)	2	0	(23)	8%	431.2	(0.06)
Earnings from Continuing Operations							
Q1	606	(143)	(6)	457	24%	448.4	1.02
Q2	294	(89)	(5)	200	30%	431.2	0.46

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 the Investors tab at presentations

Average Sales Realizations

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Segments*	Average Sales Realizations Jun 07	Jun 06	2Q'07	1Q'07	2Q'06
Printing Papers ($/ton)					
Uncoated	**912**	**817**	**904**	**888**	**862**
Pulp	**593**	**510**	**586**	**577**	**525**
Packaging					
Containerboard *($/ton)*	**514**	**454**	**513**	**511**	**489**
Corrugated boxes *($/MSF)*	**61**	**61**	**61**	**62**	**60**

** U.S. only*

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

Natural Gas Costs

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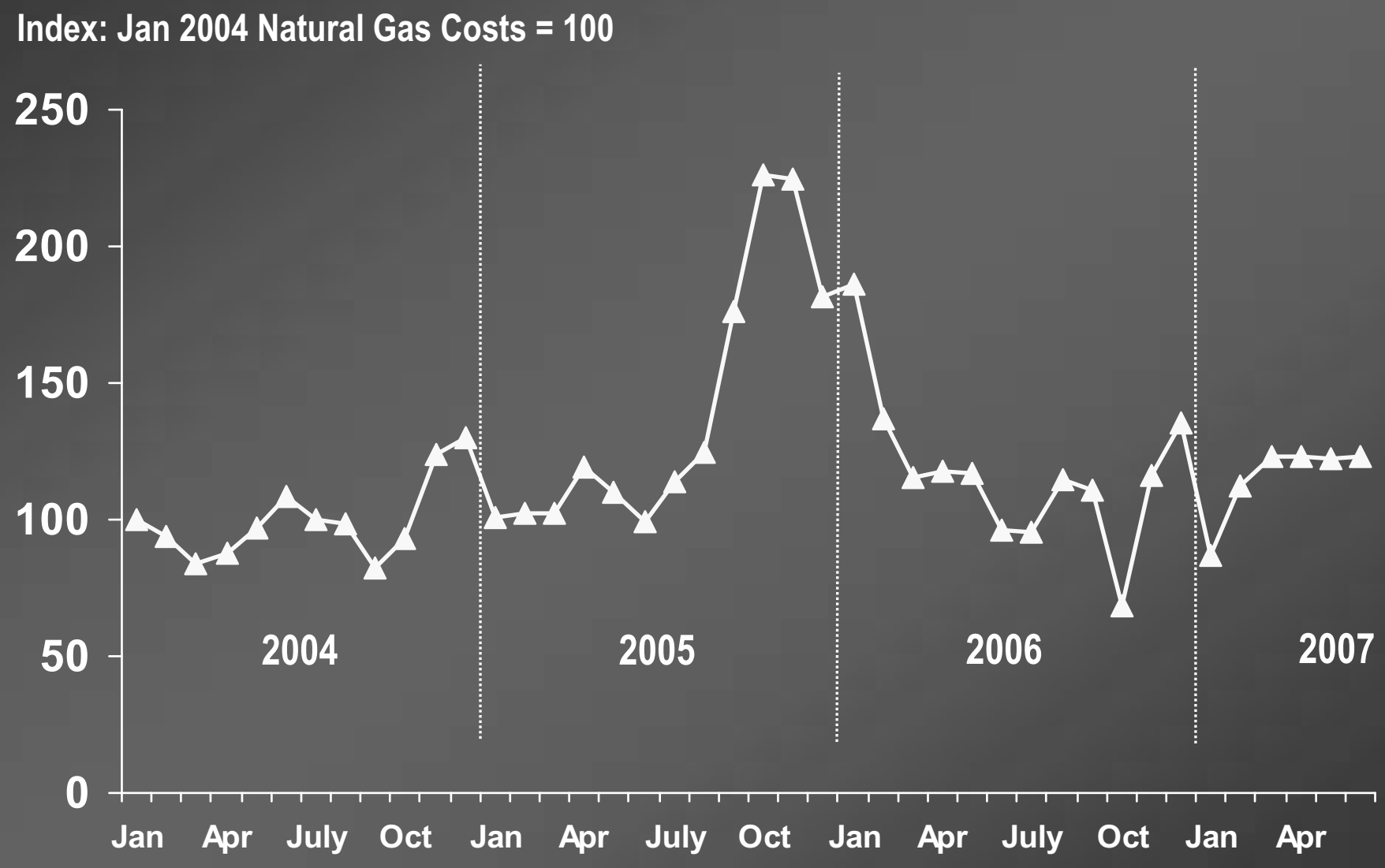

** NYMEX Natural Gas closing prices*

U.S. Mill Wood Costs

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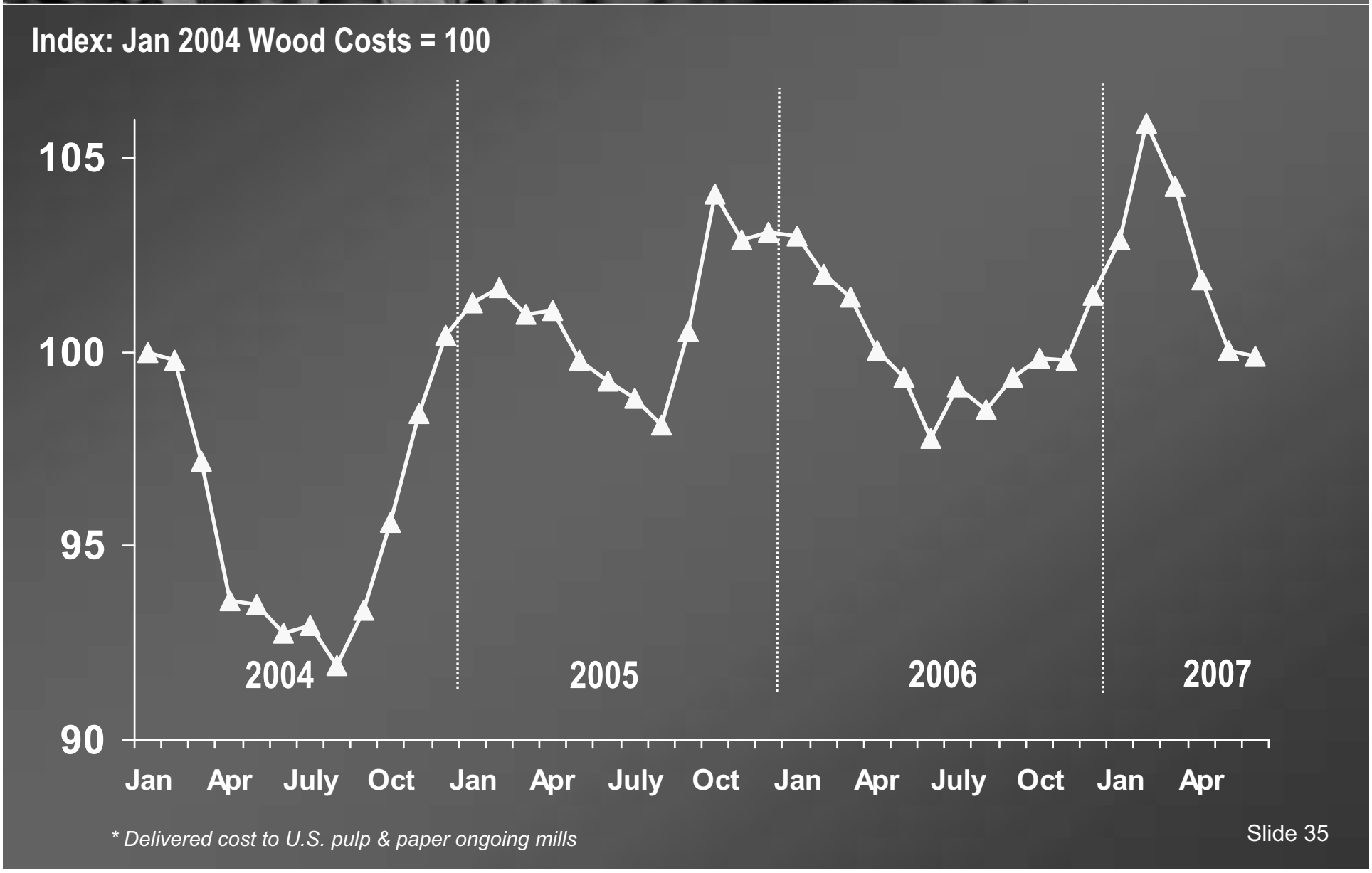

** Delivered cost to U.S. pulp & paper ongoing mills*

Caustic Soda Costs

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Index: Jan 2004 Caustic Soda Costs = 100



** Delivered cost to U.S. facilities*

Corn Starch Costs

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** Delivered cost to U.S. facilities*

Global Consumption

Key input indicative annual purchase levels[1]

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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] *2007 Run Rate estimates* [2] Only includes ongoing businesses

[3] *Old corrugated containers*



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