INTERNATIONAL PAPER COMPANY
Consolidated Statement of Earnings
Preliminary and Unaudited
(In millions, except per share amounts)

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2007**	**2006**
Net Sales	**$ 5,541**	$ 5,429	$ 5,291	$ 16,049	$ 16,671
Costs and Expenses					
Cost of products sold	**4,086**	3,906	3,881	11,818	12,345
Selling and administrative expenses	**455**	465	441	1,331	1,394
Depreciation, amortization and cost of timber harvested	**277**	287	269	808	883
Distribution expenses	**255**	267	254	765	828
Taxes other than payroll and income taxes	**42**	52	47	131	160
Restructuring and other charges	**42 (a)**	92 (c)	26 (g)	86 (i)	189 (l)
Insurance recoveries	-	-	-	-	(19)
Forestland sales	**(9) (b)**	(304) (d)	-	(9) (b)	(366) (m)
Impairment of goodwill	-	-	-	-	-
Net losses (gains) on sales and impairments of businesses	**1**	(74) (e)	(1)	(314) (j)	1,346 (n)
Reversal of reserves no longer required, net	-	-	-	-	-
Interest expense, net	**77**	144	80	218	441
Earnings (Loss) From Continuing Operations Before Income Taxes and	-	-	-		
Minority Interest	**315 (a,b)**	594 (c-e)	294 (g)	1,215 (b,i,j)	(530) (l,m,n)
Income tax provision	**89**	204	89	321	221
Minority interest expense, net of taxes	**6**	5	5	17	14
Earnings (Loss) From Continuing Operations	**220 (a,b)**	385 (c-e)	200 (g)	877 (b,i,j)	(765) (l,m,n)
Discontinued Operations, net of taxes and minority interest	**(3)**	(161) (f)	(10) (h)	(36) (k)	(164) (o)
Net Earnings (Loss)	**$ 217 (a,b)**	$ 224 (c-f)	$ 190 (g,h)	$ 841 (b,i-k)	$ (929) (l-o)
Basic Earnings Per Common Share					
Earnings (loss) from continuing operations	**$ 0.52 (a,b)**	$ 0.81 (c-e)	$ 0.46 (g)	$ 2.03 (b,i,j)	$ (1.57) (l,m,n)
Discontinued operations	**(0.01)**	(0.34) (f)	(0.02) (h)	(0.08) (k)	(0.34) (p)
Net earnings (loss)	**$ 0.51 (a,b)**	$ 0.47 (c-f)	$ 0.44 (g,h)	$ 1.95 (b,i-k)	$ (1.91) (l-o)
Diluted Earnings Per Common Share					
Earnings (loss) from continuing operations	**$ 0.52 (a,b)**	$ 0.80 (c-e)	$ 0.46 (g)	$ 2.01 (b,i,j)	$ (1.57) (l,m,n)
Discontinued operations	**(0.01)**	(0.34) (f)	(0.02) (h)	(0.08) (k)	(0.34) (p)
Net earnings (loss)	**$ 0.51 (a,b)**	$ 0.46 (c-f)	$ 0.44 (g,h)	$ 1.93 (b,i-k)	$ (1.91) (l-o)
Average Shares of Common Stock Outstanding - Diluted	**425.6**	484.9	431.2	435.7	485.2
Cash Dividends Per Common Share	**$ 0.25**	$ 0.25	$ 0.25	$ 0.75	$ 0.75

The accompanying notes are an integral part of these financial statements.

Certain 2006 amounts have been revised to reflect the retrospective application of a change in accounting for planned major maintenance activities.

(a) Includes a pre-tax charge of $27 million ($17 million after taxes) to reduce the carrying value of the fixed assets of the Terre Haute, IN mill, which has been closed as part of the Company's Transformation Plan, to their estimated fair value and a pre-tax charge of $10 million ($6 million after taxes) for environmental costs associated with this closure, a pre-tax charge of $3 million ($2 mil after taxes) for Brazilian restructuring charges, and a pre-tax charge of $2 million ($1 million after taxes) for severance and other charges associated with the Company's Transformation Plan.

(b) Includes a pre-tax gain of $9 million ($5 million after taxes) to reduce estimated transaction costs accrued in connection with the 2006 sale of U.S. Forestlands included in the Company's Transformation Plan.

(c) Includes a pre-tax charge of $57 million ($35 million after taxes) for severance and other charges associated with the Company's Transformation Plan and a pre-tax charge of $35 million ($21 million after taxes) for legal reserves.

(d) Includes a pre-tax gain of $304 million ($185 million after taxes) from sales of U.S. forestlands included in the Company's Transformation Plan.

(e) Includes the recognition of a previously deferred $110 million pre-tax gain ($68 million after taxes) related to a 2004 sale of forestlands in Maine, a pre-tax charge of $38 million ($23 million after taxes) to reflect the completion of the sales of the Company's U.S. coated and supercalendered papers business, and a net pre-tax gain of $2 million (a loss of $1 million after taxes) related to other smaller items.

(f) Includes a pre-tax credit of $101 million ($80 million after taxes) for the gain on the sale of the Company's Brazilian coated papers business, pre-tax losses of $115 million and $165 million ($82 million and $165 million after taxes) to adjust the carrying values of the Company's beverage packaging and wood products businesses to estimated fair values, a net $12 million pre-tax gain ($3 million after taxes) related to smaller items, and the operating results of the kraft papers, Brazilian coated papers, wood products and beverage packaging businesses.

(g) Includes $17 million ($11 million after taxes) of accelerated depreciation charges for long-lived assets being removed from service, and $9 million ($5 million after taxes) of other charges, associated with the Company's Transformation Plan.

(h) Includes a pre-tax charge of $6 million ($4 million after taxes) for adjustments relating to the sale of the wood products business, a pre-tax charge of $5 million ($3 million after taxes) for adjustments relating to the sale of the beverage packaging business, and the operating results of these businesses.

(i) Includes a pre-tax charge of $27 million ($17 million after taxes) to reduce the carrying value of the fixed assets of the Terre Haute, IN mill, which has been closed as part of the Company's Transformation Plan, to their estimated fair value and a pre-tax charge of $10 million ($6 million after taxes) for environmental costs associated with this closure, a pre-tax charge of $3 million ($2 million after taxes) for Brazilian restructuring charges, accelerated depreciation charges of $29 million ($18 million after taxes) for long-lived assets being removed from service, and $17 million ($10 million after taxes) for severance and other charges, associated with the Company's Transformation Plan.

(j) Includes a pre-tax gain of $113 million ($102 million after taxes) on the sale of the Arizona Chemical business, a pre-tax gain of $205 million ($159 million after taxes) related to the asset exchange for the Luiz Antonio mill in Brazil, a $6 million pre-tax loss ($4 million after taxes) for adjustments to the loss on the sale of UK and Ireland box plants, a $5 million pre-tax credit ($4 million after taxes) for adjustments to the loss on the sale of the coated and supercalendered papers business, and a $3 million pre-tax loss ($3 million after taxes) for other small items.

(k) Includes a pre-tax gain of $16 million ($6 million after taxes) relating to the sale of the wood products business, a pre-tax loss of $21 million ($43 million after taxes) for adjustments to the loss on the sale of the beverage packaging business, a pre-tax gain of $6 million ($4 million after taxes) for adjustments to the loss on the sale of the kraft papers business, a $10 million pre-tax credit ($6 million after taxes) for additional refunds received from the Canadian government of duties paid by the Company's Weldwood of Canada Limited business, and the year-to-date operating results of the beverage packaging and wood products businesses.

(l) Includes a pre-tax charge of $124 million ($75 million after taxes) for severance and other charges associated with the Company's Transformation Plan, a pre-tax charge of $8 million ($5 million after taxes) for losses on early debt extinguishment, and a pre-tax charge of $57 million ($35 million after taxes) for legal reserves.

(m) Includes a pre-tax gain of $366 million ($224 million after taxes) from sales of U.S. forestlands included in the Company's Transformation Plan.

(n) Includes a pre-tax charge of $1.4 billion ($1.3 billion after taxes) to reduce the carrying value of the net assets of the coated and supercalendered papers business to their estimated fair value, a pre-tax charge of $52 million ($37 million after taxes) to write down the carrying value of certain assets in Brazil to their estimated fair value, the recognition of a previously deferred $110 million pre-tax gain ($68 million after taxes) related to a 2004 sale of forestlands in Maine, a pre-tax charge of $38 million ($23 million after taxes) to reflect the completion of the sales of the Company's U.S. coated and supercalendered papers business, and a net pre-tax gain of $2 million (a loss of $5 million after taxes) related to other smaller items.

(o) Includes a pre-tax credit of $101 million ($80 million after taxes) for the gain on the sale of the Company's Brazilian coated papers business, pre-tax losses of $115 million and $165 million ($82 million and $165 million after taxes) to adjust the carrying values of the Company's beverage packaging and wood products businesses to their estimated fair values, a pre-tax charge of $116 million ($72 million after taxes) to reduce the carrying value of the net assets of the kraft papers business to their estimated fair value, a net $12 million pre-tax credit ($3 million after taxes) related to smaller items, and the operating results of the company's kraft papers, Brazilian coated papers, wood products and beverage packaging businesses.

International Paper Company
Reconciliation of Earnings Before
Special Items to Net Earnings
(In millions except for per share amounts)

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	2006	2007	2007	2006
Earnings Before Special Items	$ 243	$ 216	$ 223	$ 669	$ 419
Restructuring and other charges	(26)	(56)	(16)	(53)	(115)
Insurance recoveries	-	-	-	-	12
Reversals of reserves no longer required	-	-	-	-	-
Net gains (losses) on sales and impairments of businesses	1	44	(7)	258	(1,298)
Forestland sales	5	185	-	5	224
Impairment of goodwill	-	-		-	-
Interest income	-	-	-	1	-
Income tax adjustments	(3)	(4)	-	(3)	(7)
Earnings (Loss) Per Common Share from Continuing Operations	220	385	200	877	(765)
Discontinued operations	(3)	(161)	(10)	(36)	(164)
Net Earnings (Loss) as Reported	$ 217	$ 224	$ 190	$ 841	$ (929)

Diluted Earnings per Common Share	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	2006	2007	2007	2006
Earnings Per Share Before Special Items	$ 0.57	$ 0.45	$ 0.52	$ 1.54	$ 0.87
Restructuring and other charges	(0.05)	(0.12)	(0.04)	(0.11)	(0.24)
Insurance recoveries	-	-	-	-	0.02
Reversals of reserves no longer required	-	-	-	-	-
Net gains (losses) on sales and impairments of businesses	-	0.09	(0.02)	0.58	(2.67)
Forestland sales	0.01	0.38	-	0.01	0.46
Impairment of goodwill			-	-	-
Interest Income	-	-	-	-	-
Income tax adjustments	(0.01)	-	-	(0.01)	(0.01)
Earnings (Loss) Per Common Share from Continuing Operations	0.52	0.80	0.46	2.01	(1.57)
Discontinued operations	(0.01)	(0.34)	(0.02)	(0.08)	(0.34)
Diluted Earnings (Loss) per Common Share	$ 0.51	$ 0.46	$ 0.44	$ 1.93	$ (1.91)

Notes:

(1) The Company calculates Earnings Before Special Items by excluding the after-tax effect of the adoption of new accounting standards and items considered by management to be unusual from the net earnings (loss) reported under U.S. generally accepted accounting principles ("GAAP"). Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information along with net earnings (loss) provides for a more complete analysis of the results of operations by quarter. Net earnings (loss) is the most directly comparable GAAP measure.

(2) Diluted earnings per common share reflect the inclusion of contingently convertible securities in the computation.

(3) Certain 2006 amounts have been revised to reflect the retrospective application of a change in accounting for planned major maintenance activities.

(4) Since diluted earnings per share are computed independently for each period, nine-month per share amounts may not equal the sum of the respective quarters.

International Paper
Sales and Earnings by Industry Segment
Preliminary and Unaudited
(In Millions)

Sales by Industry Segment

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2007**	**2006**
Printing Papers (2)	$ 1,660	$ 1,610 (3)	$ 1,610	$ 4,810	$ 5,225 (3)
Industrial Packaging	1,305	1,250	1,315	3,855	3,665
Consumer Packaging (2)	775	705	790	2,315	1,950
Distribution	1,880	1,730	1,720	5,275	5,070
Forest Products	120	135	90	295	575
Other Businesses (6)	-	245	-	135	705
Corporate and Inter-segment Sales	(199)	(246)	(234)	(636)	(519)
Net Sales	$ 5,541	$ 5,429	$ 5,291	$ 16,049	$ 16,671

Operating Profit by Industry Segment

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	**2006 (1)**	**2007**	**2007**	**2006 (1)**
Printing Papers (2)	$ 307	$ 251	$ 249	$ 787	$ 573 (5)
Industrial Packaging	115	152 (4)	139	357	267 (4)
Consumer Packaging (2)	49	62	48	158	145 (5)
Distribution	40	34	38	107	97
Forest Products	99	166	98	297	516
Other Businesses (6)	-	21	-	6	51
Operating Profit	610	686	572	1,712	1,649
Interest expense, net	(77)	(144)	(80)	(218)	(441)
Minority interest (7)	4	-	6	15	5
Corporate items, net	(188)	(221)	(179)	(531)	(580)
Restructuring and other charges	(42)	(92)	(26)	(86)	(189)
Insurance recoveries	-	-	-	-	19
Forestland sales	9	304	-	9	366
Net gains (losses) on sales and impairments of businesses	(1)	61	1	314	(1,359)
Earnings (Loss) From Continuing Operations Before Income Taxes and Minority Interest	$ 315	$ 594	$ 294	$ 1,215	$ (530)

(1) Prior-period information has been revised to reflect the retrospective application of a change in accounting for planned major maintenance activities.

(2) Reflects the reclassification of the European coated paperboard business from Printing Papers to Consumer Packaging.

(3) Includes $140 million and $920 million for the three months and nine months ended September 30, 2006, respectively, from the coated and supercalendered paper business sold in 2006.

(4) Includes a 2006 third-quarter gain of $13 million before taxes related to a sale of property in Spain.

(5) Includes a 2006 second-quarter special charge of $8 million before taxes in the Consumer Packaging segment for asset write-offs, and a credit of $8 million before taxes in the Printing Papers segment for a tax settlement in Brazil.

(6) Includes Arizona Chemical, European Distribution and certain smaller businesses.

(7) Operating profits for industry segments include each segment's percentage share of the profits of subsidiaries included in that segment that are less than wholly owned. The pre-tax minority interest for these subsidiaries is added here to present consolidated earnings before income taxes and minority interest.

INTERNATIONAL PAPER
CONSOLIDATED BALANCE SHEET
Preliminary and Unaudited
(In Millions)

	September 30, 2007	December 31, 2006
Assets		
Current Assets		
Cash and Temporary Investments	$ 1,702	$ 1,624
Accounts and Notes Receivable, Net	3,080	2,704
Inventories	2,030	1,909
Assets of Businesses Held for Sale	21	1,778
Deferred Income Tax Assets	516	490
Other	156	132
Total Current Assets	7,505	8,637
Plants, Properties and Equipment, Net	9,842	8,993
Forestlands	735	259
Investments	608	641
Goodwill	3,652	2,929
Assets Held for Exchange	-	1,324
Deferred Charges and Other Assets	1,373	1,251
Total Assets	$ 23,715	$ 24,034
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes Payable and Current Maturities of Long-Term Debt	$ 586	$ 692
Liabilities of Businesses Held for Sale	5	333
Accounts Payable and Accrued Liabilities	3,438	3,616
Total Current Liabilities	4,029	4,641
Long-Term Debt	6,191	6,531
Deferred Income Taxes	2,751	2,233
Other Liabilities	2,567	2,453
Minority Interest	221	213
Common Shareholders' Equity		
Invested Capital	3,802	4,226
Retained Earnings	4,154	3,737
Total Common Shareholders' Equity	7,956	7,963
Total Liabilities and Common Shareholders' Equity	$ 23,715	$ 24,034

INTERNATIONAL PAPER

CONSOLIDATED STATEMENT OF CASH FLOWS

Preliminary and Unaudited

(In Millions)

	Nine Months Ended September 30,	
	2007	**2006**
Operating Activities		
Net earnings (loss)	$ 841	$ (929)
Discontinued operations, net of taxes and minority interest	36	164
Earnings (loss) from continuing operations	877	(765)
Depreciation, amortization and cost of timber harvested	808	883
Deferred income tax expense, net	125	133
Restructuring and other charges	86	189
Payments related to restructuring and legal reserves	(60)	(65)
Insurance recoveries	-	(19)
Net (gains) losses on sales and impairments of businesses	(314)	1,346
Gains on sales of forestlands	(9)	(366)
Periodic pension expense, net	158	283
Other, net	143	184
Changes in current assets and liabilities		
Accounts and notes receivable	(6)	(249)
Inventories	(95)	(32)
Accounts payable and accrued liabilities	(318)	152
Other	1	(182)
Cash provided by operations - continuing operations	1,396	1,492
Cash (used for) provided by operations - discontinued operations	(56)	146
Cash Provided by Operations	1,340	1,638
Investment Activities		
Invested in capital projects	(804)	(764)
Acquisitions, net of cash acquired	(216)	-
Proceeds from divestititures	1,675	2,163
Other	(135)	(241)
Cash provided by investment activities - continuing operations	520	1,158
Cash used for investment activities - discontinued operations	(12)	(57)
Cash Provided by Investment Activities	508	1,101
Financing Activities		
Repurchases of common stock	(1,124)	(1,385)
Issuance of common stock	122	26
Issuance of debt	15	1,258
Reduction of debt	(528)	(3,156)
Change in book overdrafts	(3)	(50)
Dividends paid	(330)	(372)
Other	-	(2)
Cash used for financing activities - continuing operations	(1,848)	(3,681)
Cash provided by financing activities - discontinued operations	-	22
Cash Used for Financing Activities	(1,848)	(3,659)
Effect of Exchange Rate Changes on Cash	78	15
Change in Cash and Temporary Investments	78	(905)
Cash and Temporary Investments		
Beginning of the period	1,624	1,641
End of the period	$ 1,702	$ 736

International Paper
Sales Volume by Product (1) (2)
Preliminary and Unaudited

International Paper Consolidated

	Three Months Ended September 30,		Three Months Ended June 30,	Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2007**	**2006**
Printing Papers (In thousands of short tons)					
U.S. Uncoated Papers	940	1,002	949	2,871	3,019
European & Russian Uncoated Papers	351	353	354	1,081	1,072
Brazilian Uncoated Papers	225	121	198	567	353
Asian Uncoated Papers	6	4	7	18	12
Uncoated Papers	1,522	1,480	1,508	4,537	4,456
Coated Papers	-	175	-	-	1,168
Market Pulp (3)	348	282	337	1,020	856
Packaging (In thousands of short tons)					
Container of the Americas	896	902	905	2,683	2,733
European Container (Boxes)	274	293	298	879	939
Other Industrial and Consumer Packaging	158	124	165	454	401
Industrial and Consumer Packaging	1,328	1,319	1,368	4,016	4,073
Containerboard	466	451	457	1,315	1,385
Bleached Packaging Board	514 (4)	369	496 (4)	1,501 (4)	1,065
Coated Bristols	105	101	103	308	311
Saturated and Bleached Kraft Papers	61	62	63	177	196
Wood Products (In millions)					
Panels (sq. ft. 3/8" - basis)	0	0	0	0	0
Lumber (board feet)	0	0	0	0	0

(1) Sales volumes include third party and inter-segment sales.
(2) Sales volumes for divested businesses are included through the date of sale, except for discontinued operations.
(3) Includes internal sales to mills.
(4) Includes sales for International Paper & Sun Cartonboard Co., Ltd. (in which International Paper acquired a 50% interest in the fourth quarter of 2006).