

North American Uncoated Freesheet

INTERNATIONAL PAPER

H. Wayne Brafford
Senior Vice President,
Printing & Communications Papers

Credit Suisse Equity Research

December 2007

Forward-Looking Statements

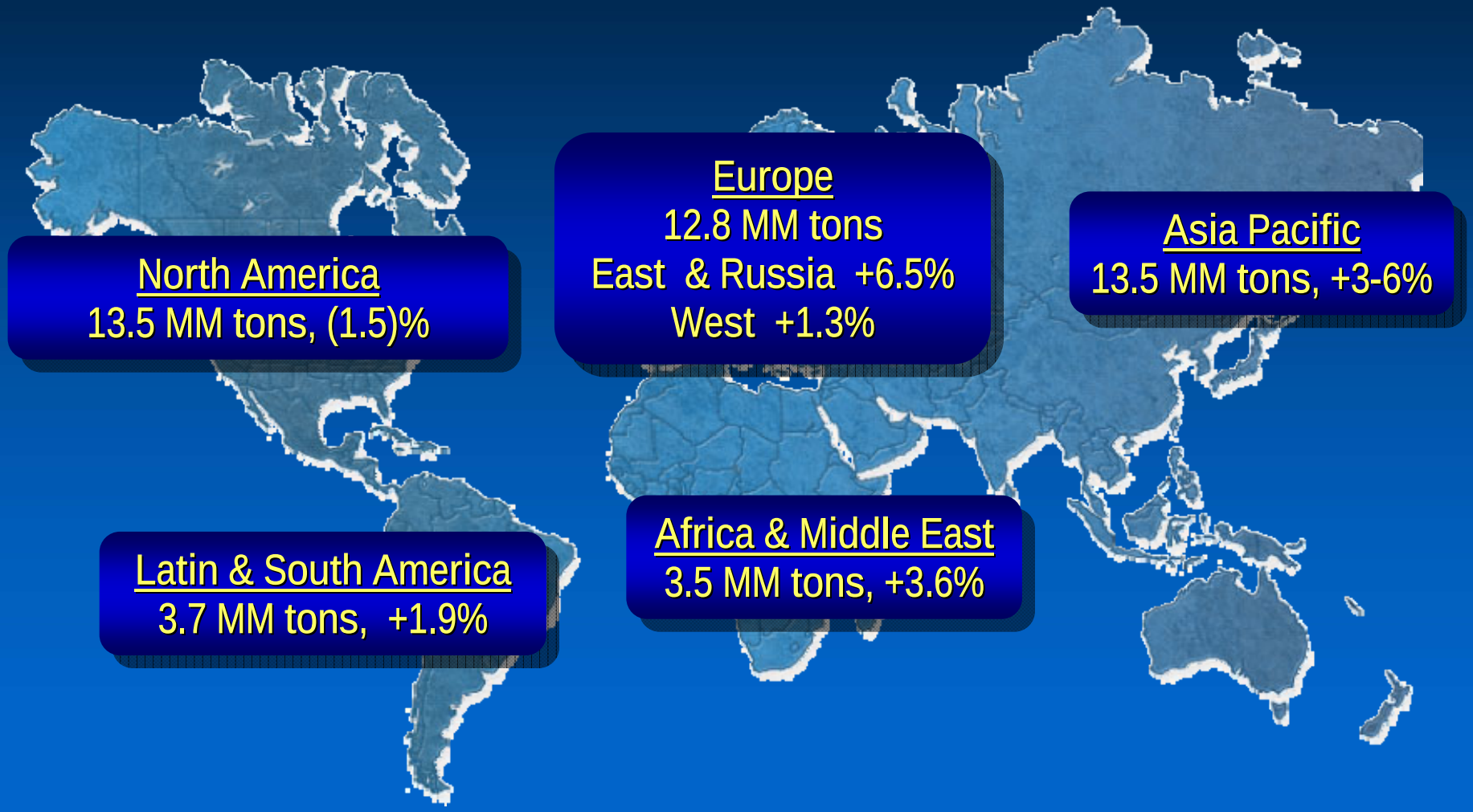
These slides and statements made during this presentation contain forward-looking statements. These statements reflect management's current views and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ relate to: (i) industry conditions, including but not limited to changes in the cost or availability of raw materials and energy, transportation costs, the company's product mix, demand and pricing for its products; (ii) global economic conditions and political changes, particularly in Latin America, Russia, Europe and Asia, including but not limited to changes in currency exchange rates, credit availability, and the company's credit ratings issued by recognized credit rating organizations; (iii) natural disasters, such as hurricanes and earthquakes; (iv) the company's ability to realize anticipated profit improvement from its transformation plan, and (v) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or 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.

2006 Global Uncoated Freesheet Demand

Global UFS demand continues to grow

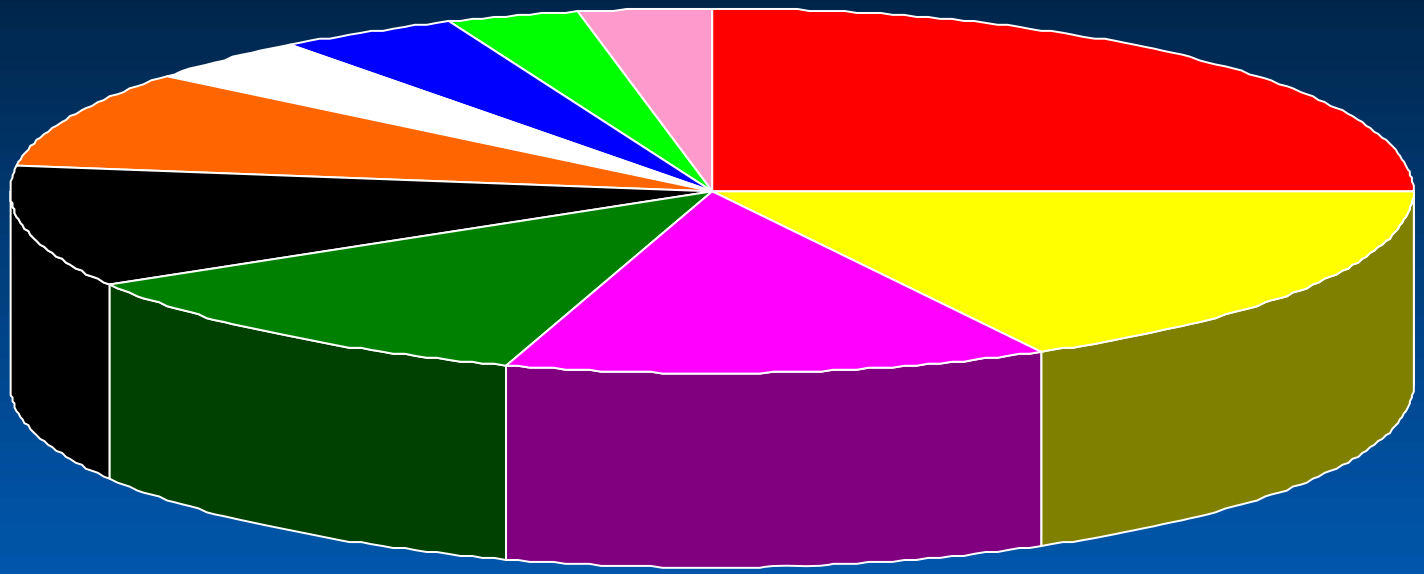
INTERNATIONAL PAPER

47 million short tons with a 2006 - 2011 CAGR of 1 - 2%



Source: Poyry Consulting, RISI, EMGE

UFS is used in many applications



- Desktop Papers
- Quick Print Papers
- Forms
- Envelopes
- Commercial Printing
- Direct Mail
- Books
- Converting
- Tablets
- Other

Sources: GAPTRAC, CAPV

Key Factors Influencing North American Uncoated Freesheet Demand

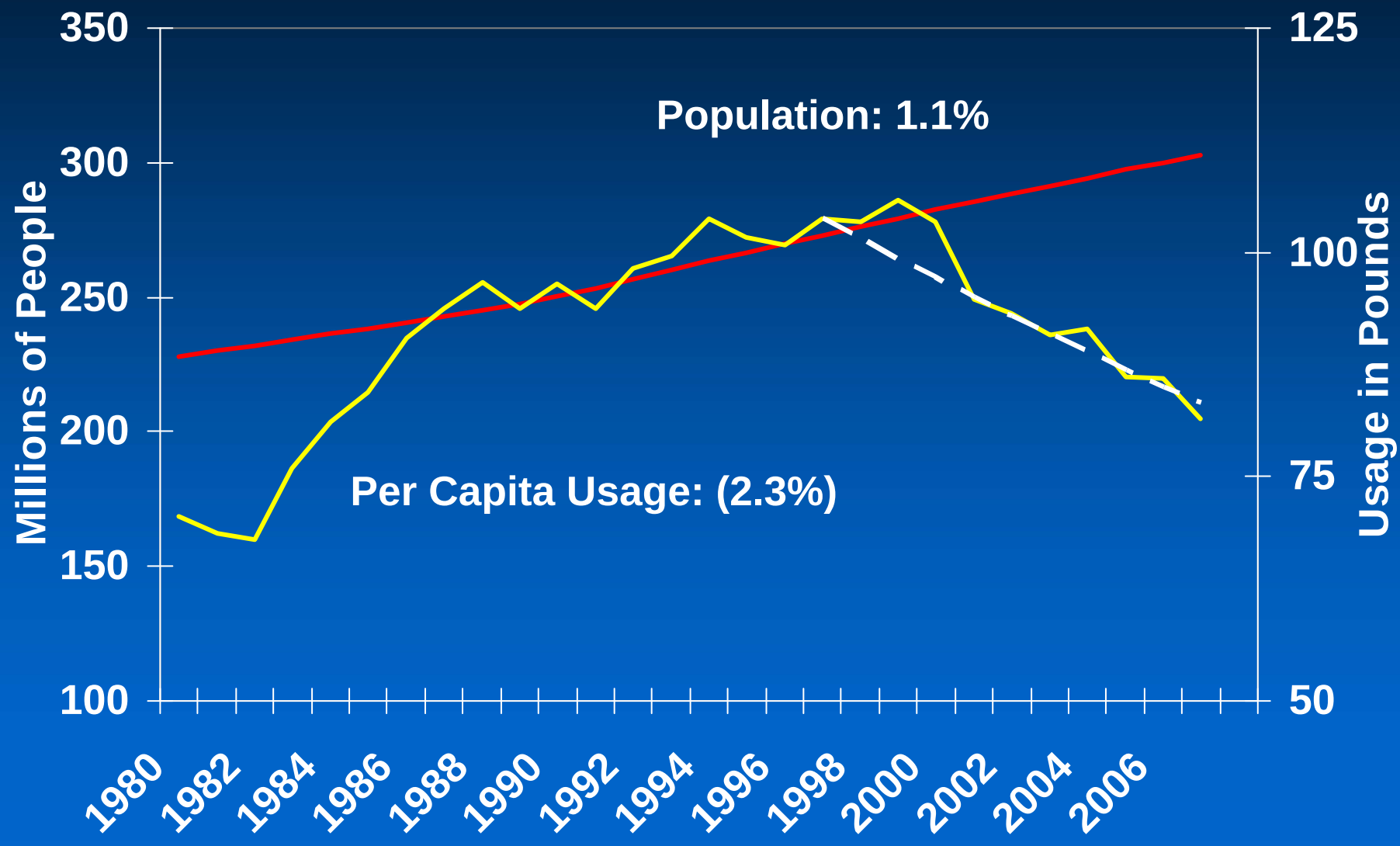
INTERNATIONAL PAPER

- Structural demand decline
- Sawtooth demand patterns
- Economic cycles

Structural Demand Decline - *US Per Capita*

Purchases suggest a 1.2% decline

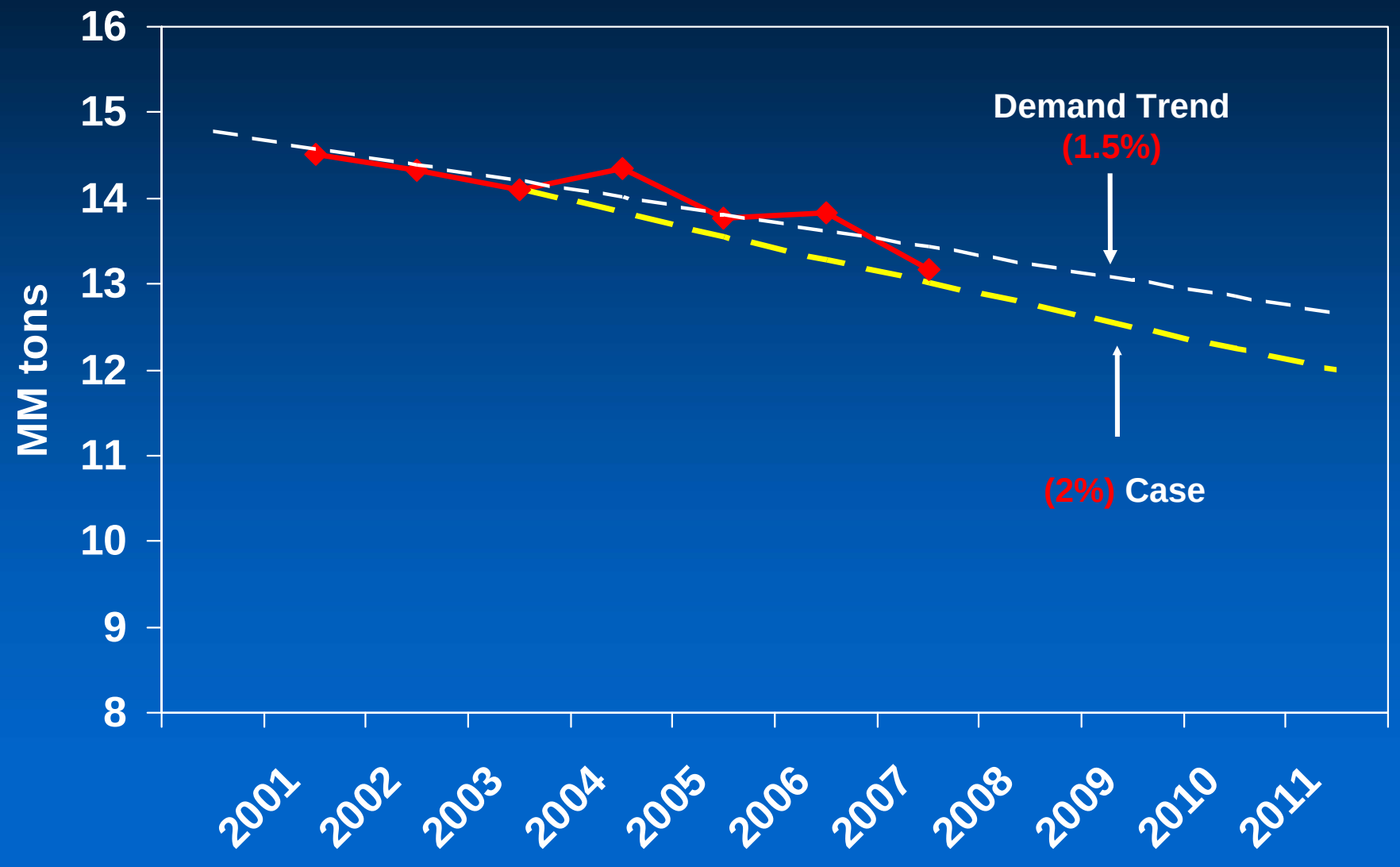
INTERNATIONAL PAPER



Source: AF&PA, US Census Bureau

A sawtooth demand pattern has emerged for North American UFS purchases

INTERNATIONAL PAPER



Sources: AF&PA

Key factors influencing the year-over-year sawtooth pattern of NA UFS demand

INTERNATIONAL PAPER

Sawtooth Demand Factors						
	2003	2004	2005	2006	2007E	2008F
NA UFS Purchases	(1.3%)	1.6%	(4.8%)	0.5%	(~5.5%)	
US Elections	No	Yes	No	Congress	No	Yes
Olympics	No	Summer	No	Winter	No	Summer
US Postal Rate Increase	7.9%	0	5.4%	0	8.7%	2 - 3%
US Print Ad Spending Growth	3.2%	5.5%	3.7%	2.4%	(1.2%)	1.9%

Sources: AF&PA, USPS, Universal McCann.

Economic Cycles Impact on NA UFS Demand

INTERNATIONAL PAPER

Economic Cycles						
	2003	2004	2005	2006	2007E	2008F
US Economy (GDP)	2.5%	3.6%	3.1%	2.9%	2.1%	1.9%
NA UFS Purchases	(1.3%)	1.6%	(4.8%)	0.5%	(~5.5%)	

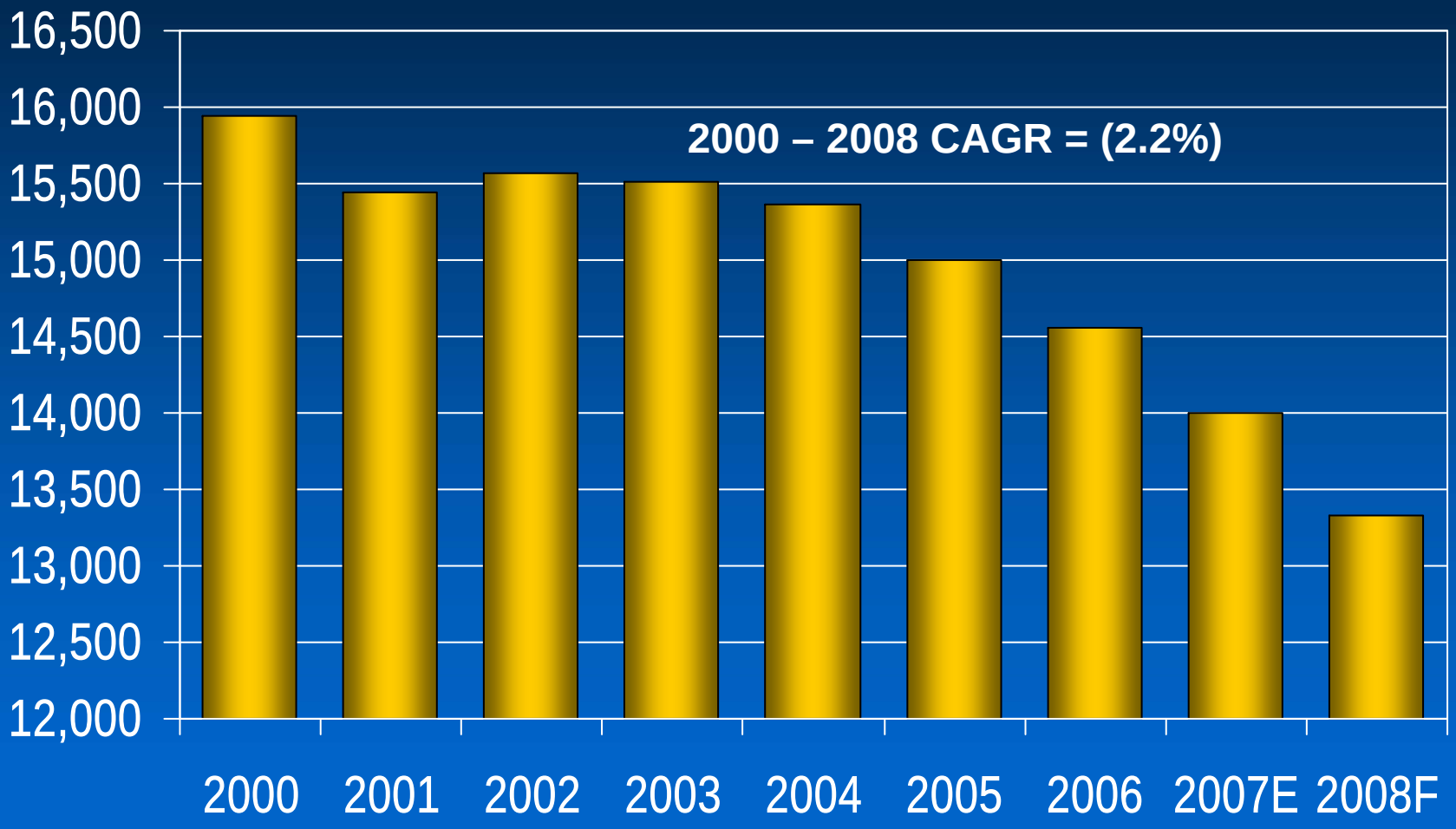
Sources: Global Insight, AF&PA, RISI

Key Factors Influencing North American Uncoated Freesheet Demand

INTERNATIONAL PAPER

Factor	UFS Impact	Sample Indicators
1. Structural Demand Decline	~ (1.5%)	♦ Electronic Substitution ♦ Printer Placements
2. Sawtooth Demand Patterns	2% - (5%)	♦ Elections ♦ Olympics ♦ Postal Rate Increases
3. Economic Cycles	Limited	♦ GDP

North American UFS capacity has declined in line with the demand decline



Source: AF&PA, Company Announcements

Summary of Announced Mill Shutdowns
2007 – 2008 Capacity Reductions

INTERNATIONAL PAPER

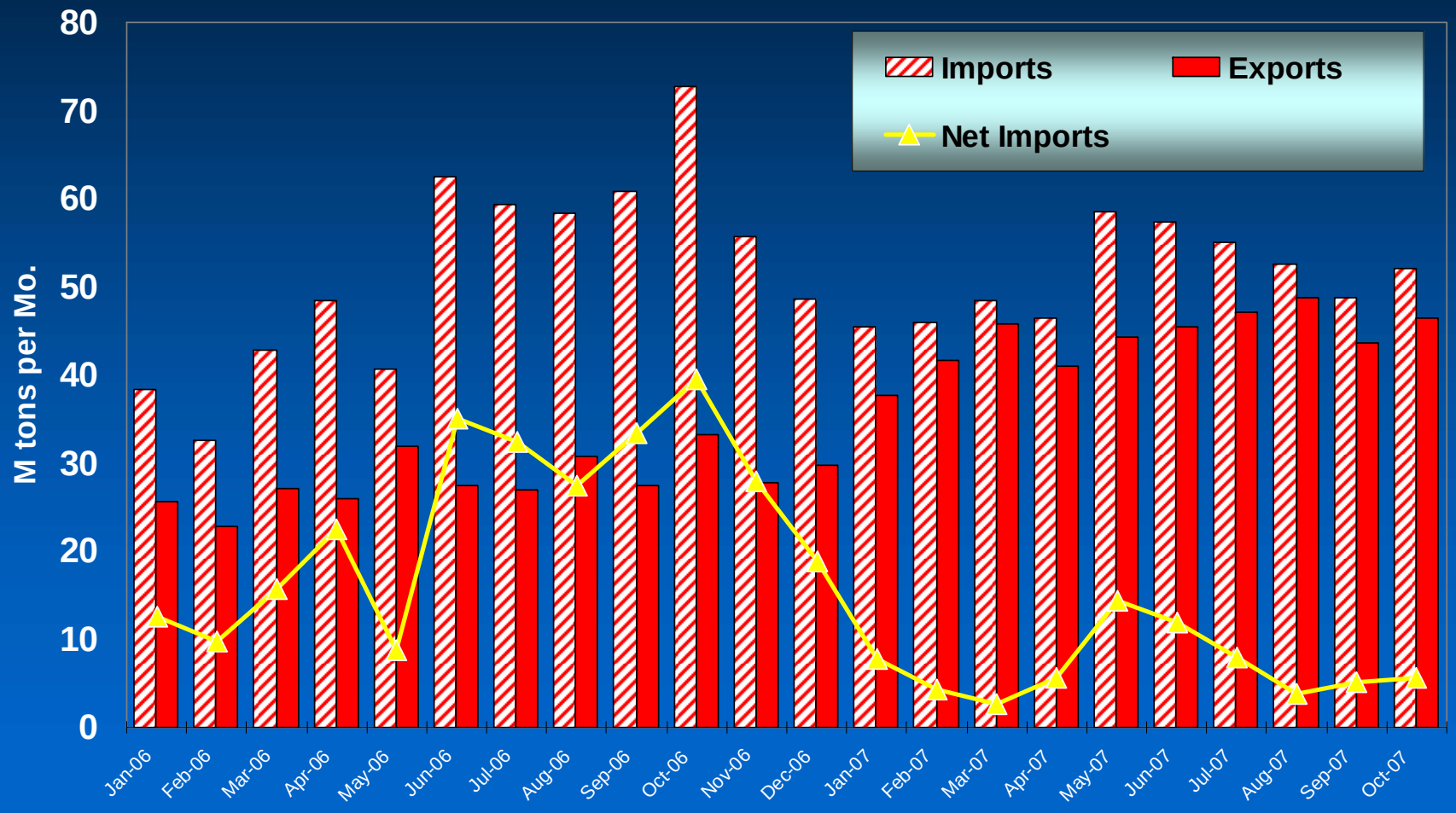
Company	Shutdown Date	Facility	M Tons
Boise	April 2007	Wallula	200
International Paper	May 2007	Pensacola	350
Neenah	July 2007	Urbana, Housatonic	40
Glatfelter	July 2007	Neenah	125
Georgia-Pacific	August 2007	Wauna	100
Domtar	August 2007	Hull, Port Edwards, Woodland	200
Fraser	September 2007	Madawaska	70
	2007 Total		**1,085**
Wausau	January 2008	Groveton	105
Valentine	January 2008	Lockport	25
International Paper	First Half 2008	Bastrop	250
Domtar	First Half 2008	Dryden, Port Edwards	340
	2008 Total		**720**
	2007 – '08 Total		**1,800**

Source: AF&PA, Company Announcements

North American net UFS imports are at low levels

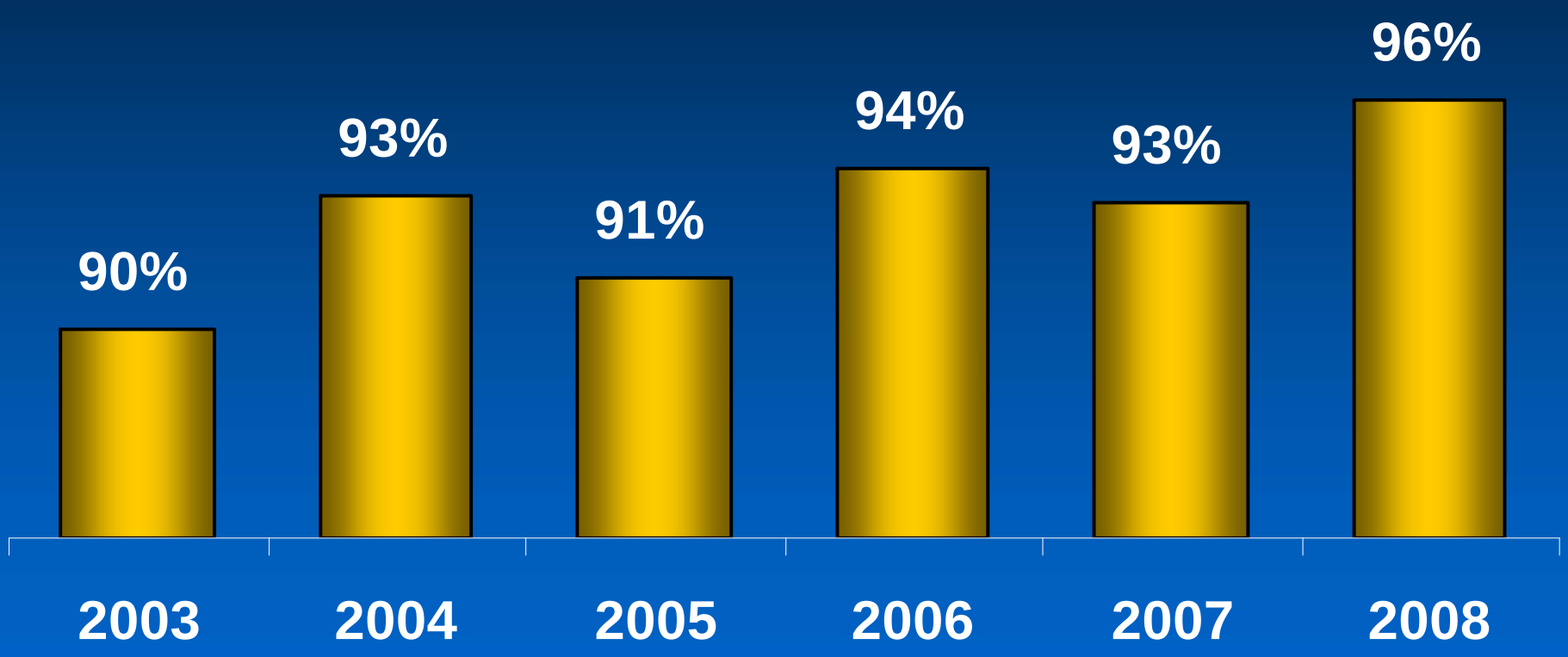
The weak US$ suggests imports will remain low

INTERNATIONAL PAPER



Source: AF&PA, U.S. Department of Commerce

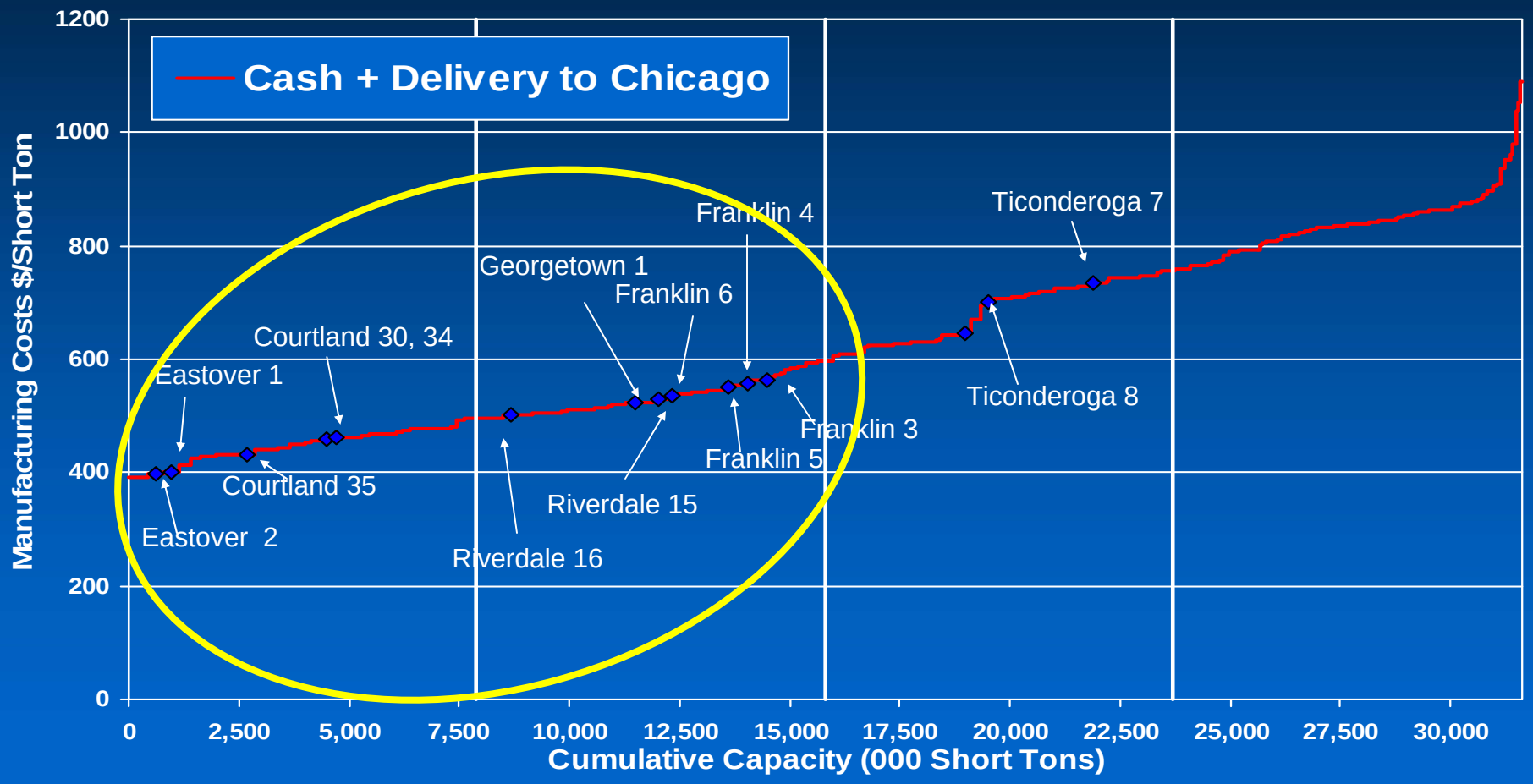
North American UFS Operating Rates



Source: PPPC (Actual 2003-2007), RISI Forecast 2008

IP has the lowest-cost North American UFS System

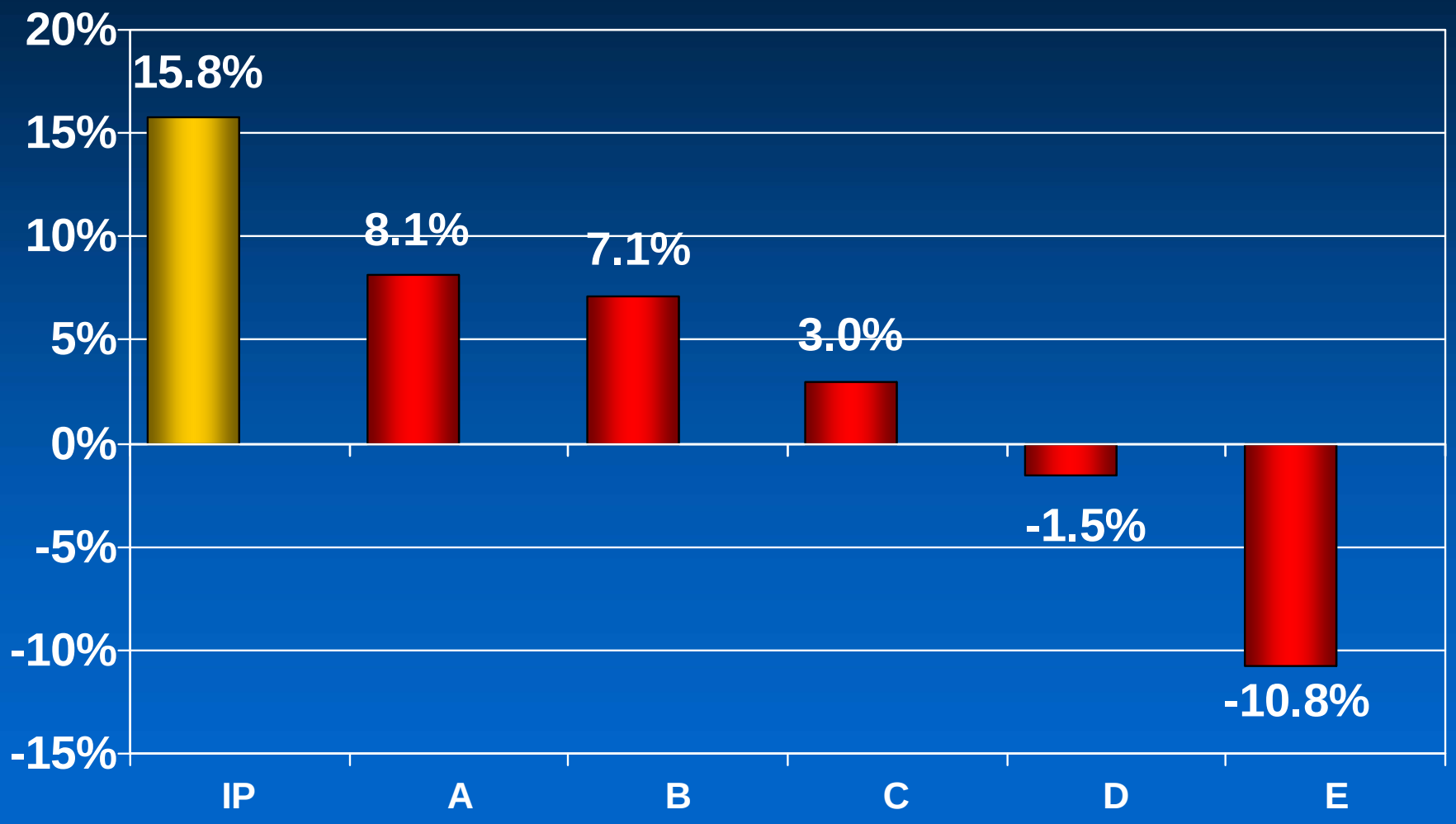
80% of capacity in 1st & 2nd cost quartiles



Based on Poyry Consulting 2006 CostTrac At 1st Quarter 2007 Prices and Exchange Rates

North American Competitive Performance
Q207 & Q307 Average EBIT ROS

INTERNATIONAL PAPER



Source: Company 10Qs

Summary

- NA UFS demand declining 1-2% annually
- NA UFS supply is declining at faster rate than demand
- Operating rates are strong
- International Paper is well positioned with low cost NA capacity


INTERNATIONAL PAPER