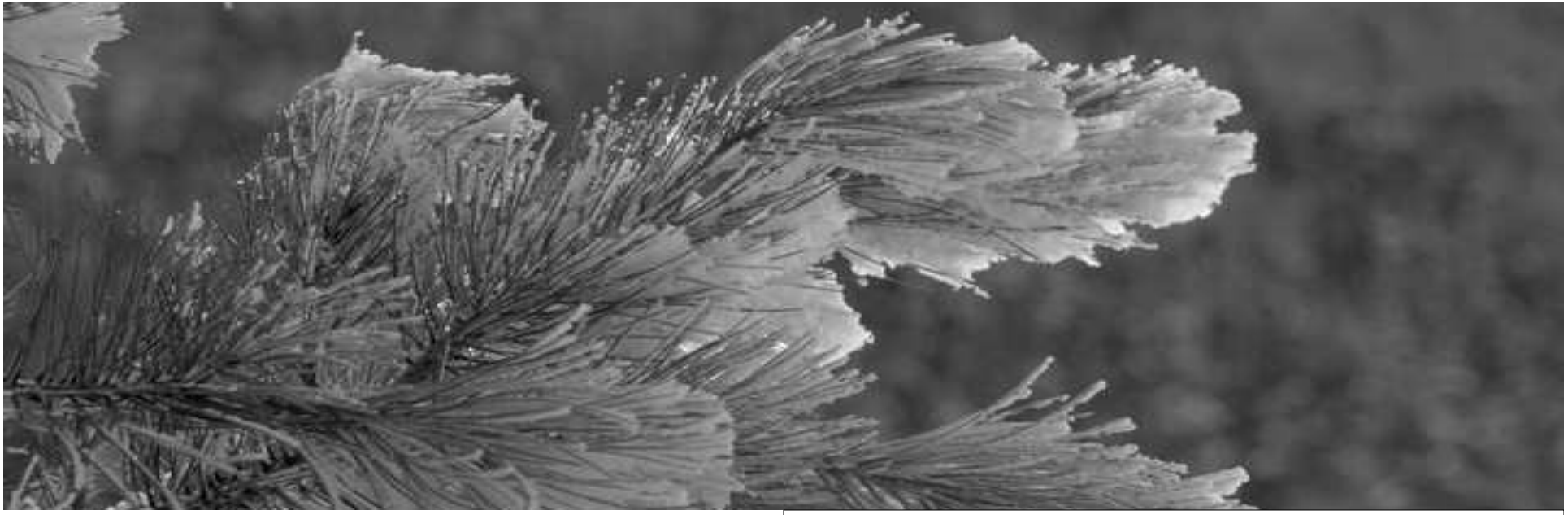



John V. Faraci
Chairman & Chief Executive Officer



Tim S. Nicholls
Senior Vice President & Chief Financial Officer

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Fourth Quarter 2007 Review February 7, 2008

Final Speaker Notes

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.

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 internationalpaper.com under Investors.

IP Fourth-Quarter Profits up 21%



- **2007 annual profits up 52%**
- **2007 EPS up 67%**
- **Transformation plan on track**
- **Continuing trend of margin expansion**
- **Steady & balanced NA paper & packaging demand**
- **Record earnings growth outside North America**

From continuing operations and before special items

Operating Profit Expansion

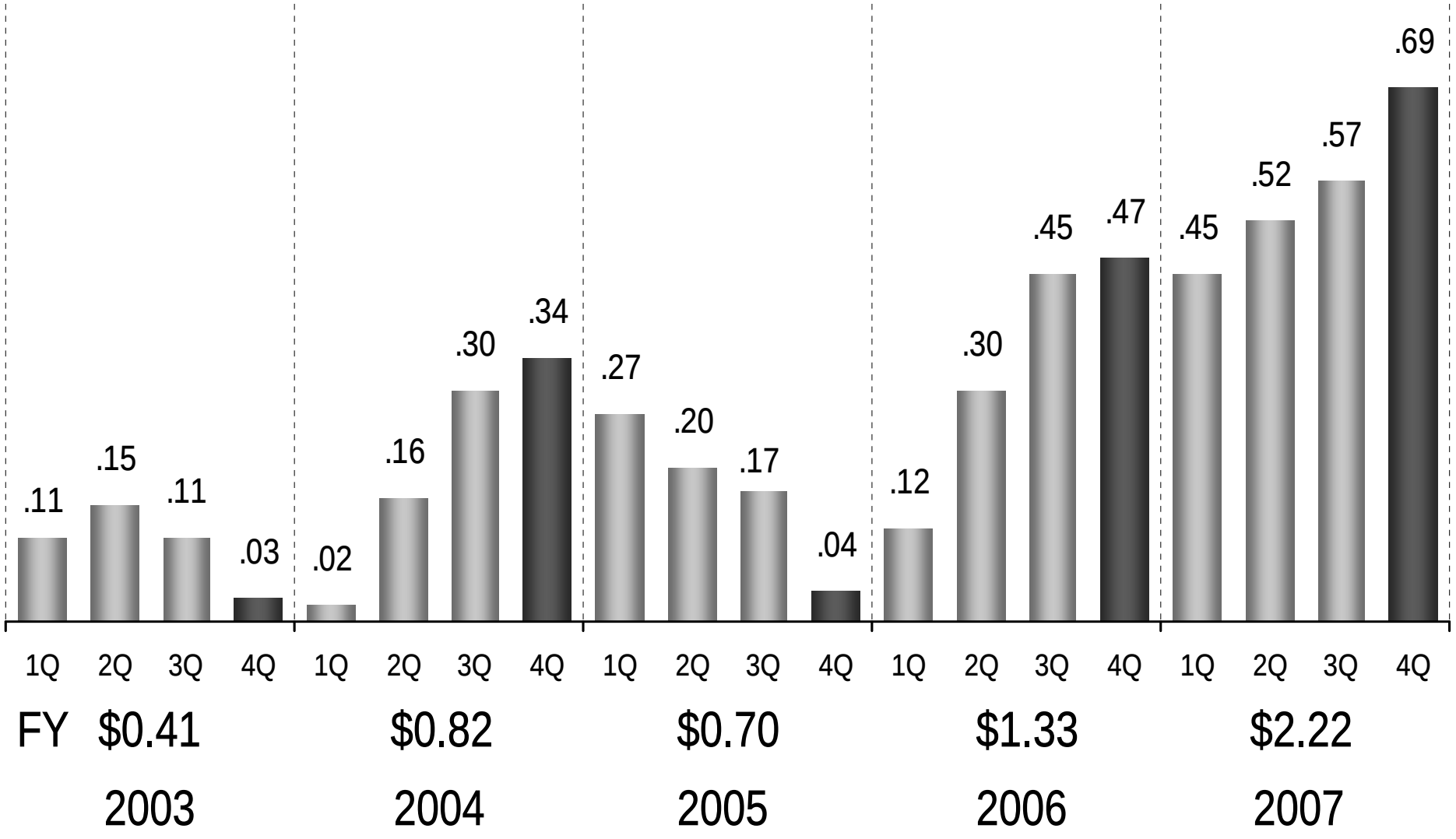
Improvement in all Operating Businesses

($MM)	2007 vs. 2006 Δ
Printing Papers	44%
Industrial Packaging	30%
Consumer Packaging	15%
Distribution	14%
Forest Products	(31%)
Operating Profits	**11%**

From continuing operations before special items

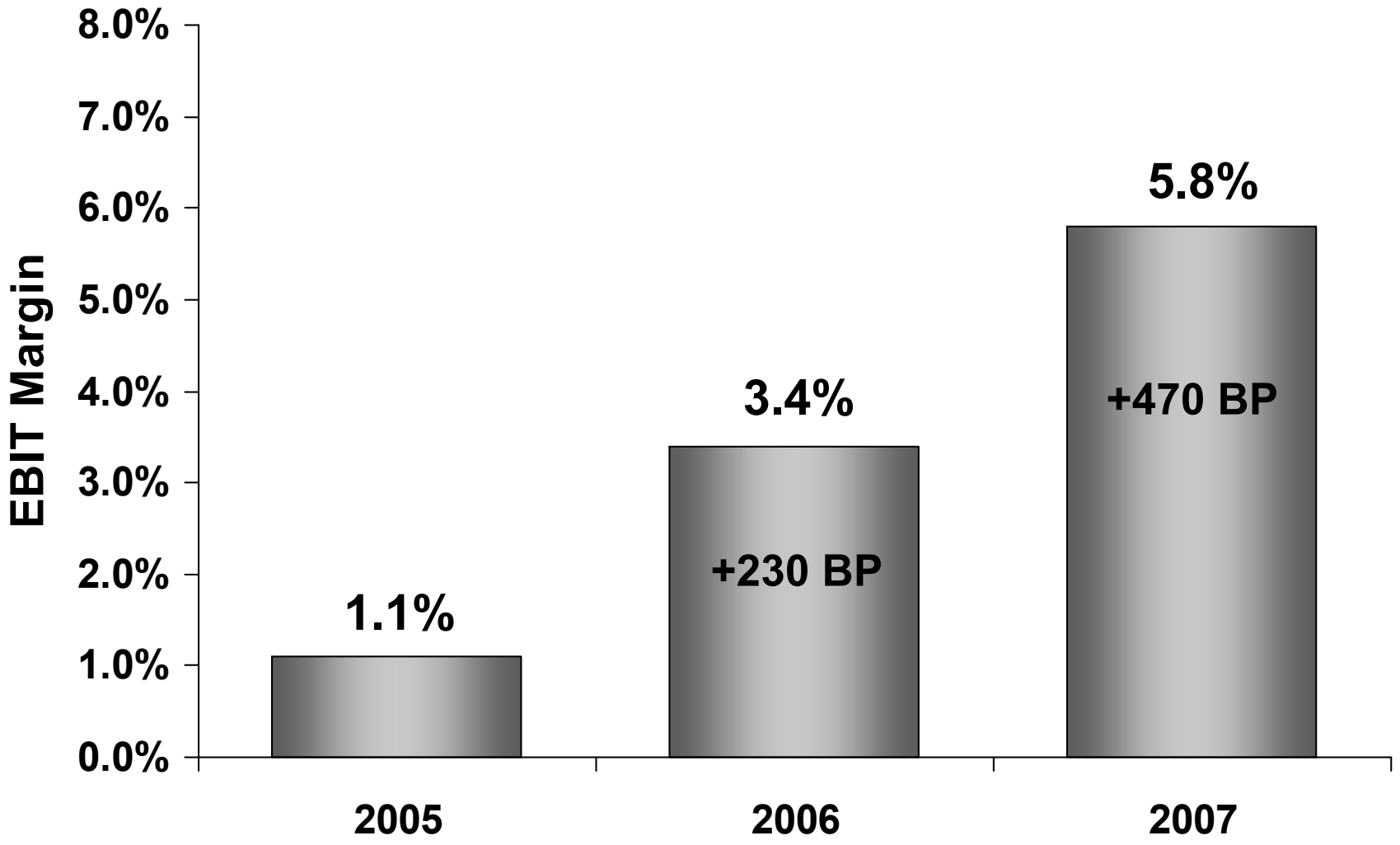
Diluted EPS

from Continuing Operations before Special Items



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

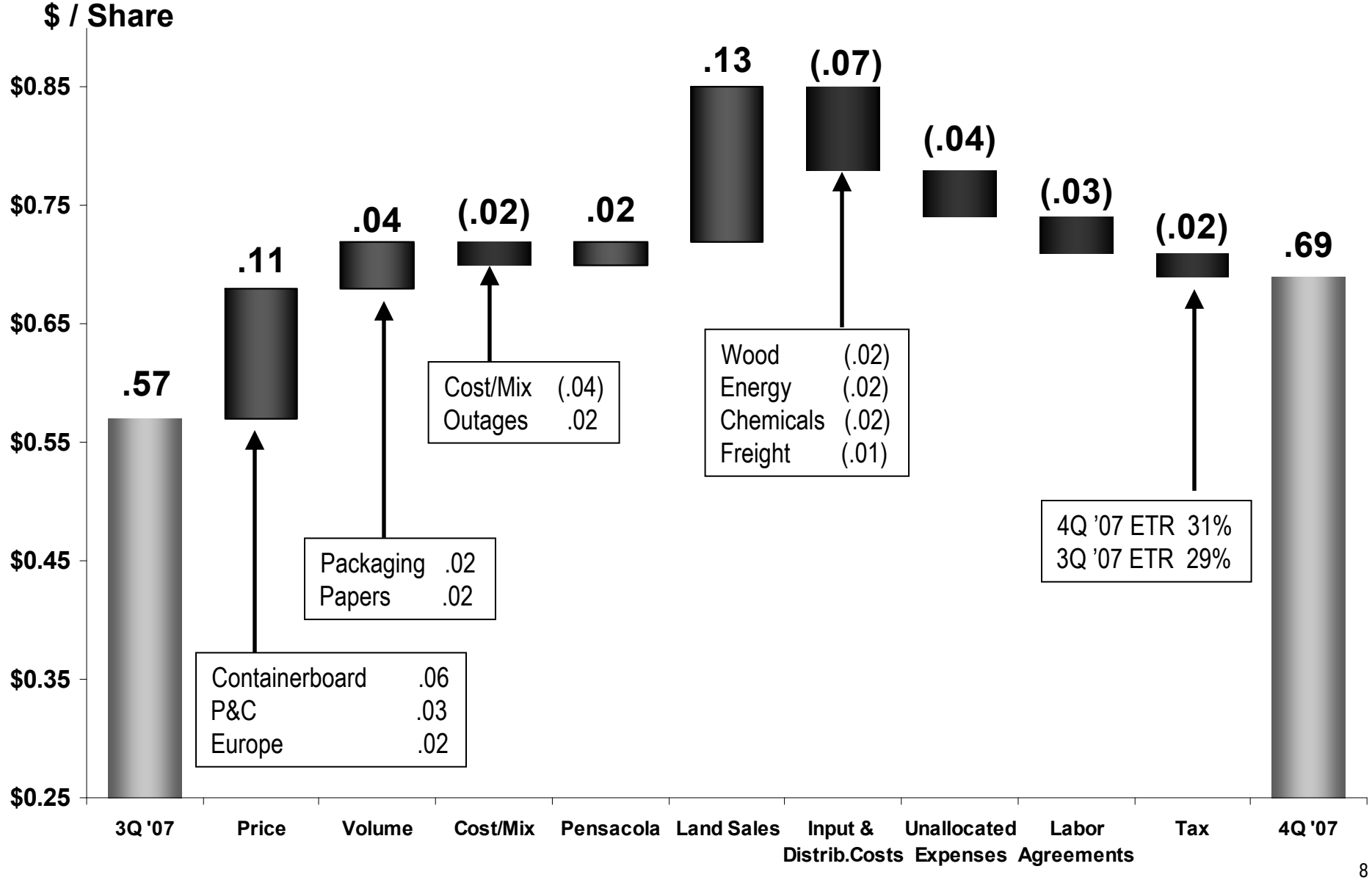
EBIT Margins
Expansion in Operating Businesses



Includes unallocated expenses
Excludes special items, Forest Products and divested businesses

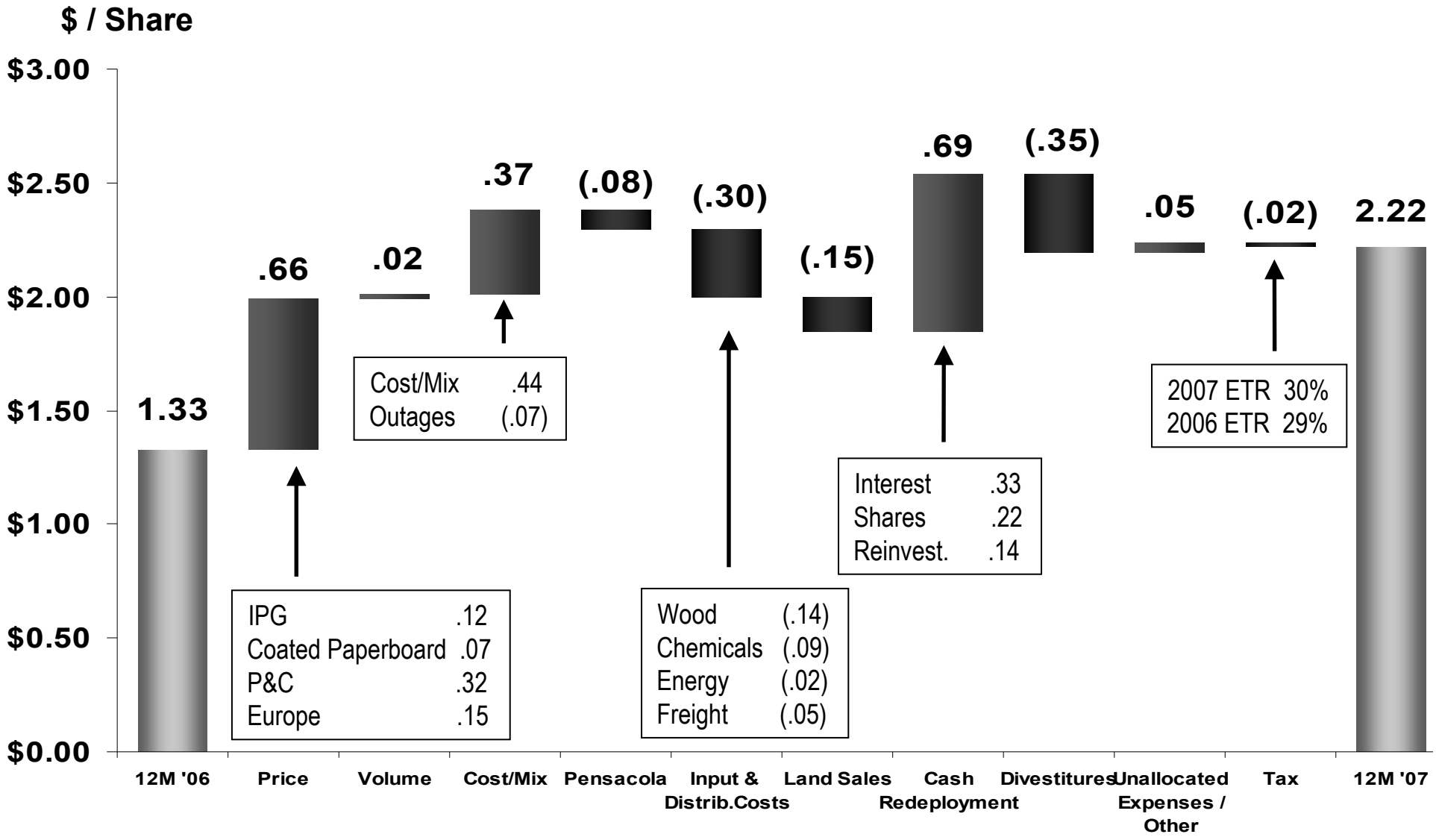
4Q07 vs. 3Q07 EPS

from Continuing Operations before Special Items



2007 vs. 2006 EPS

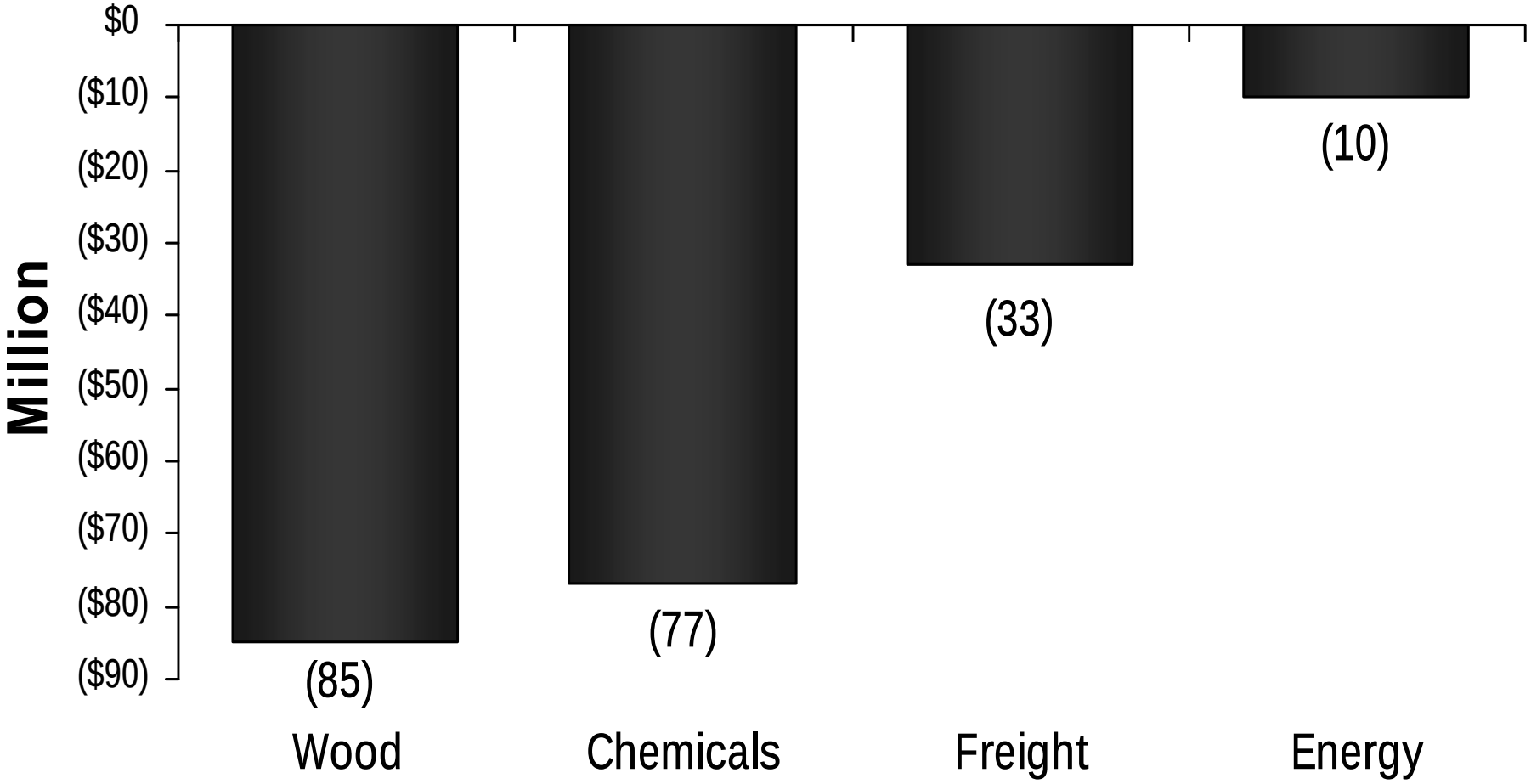
from Continuing Operations before Special Items



Increasing Input & Distribution Costs

Global EBIT Impact 2007 vs. 2006

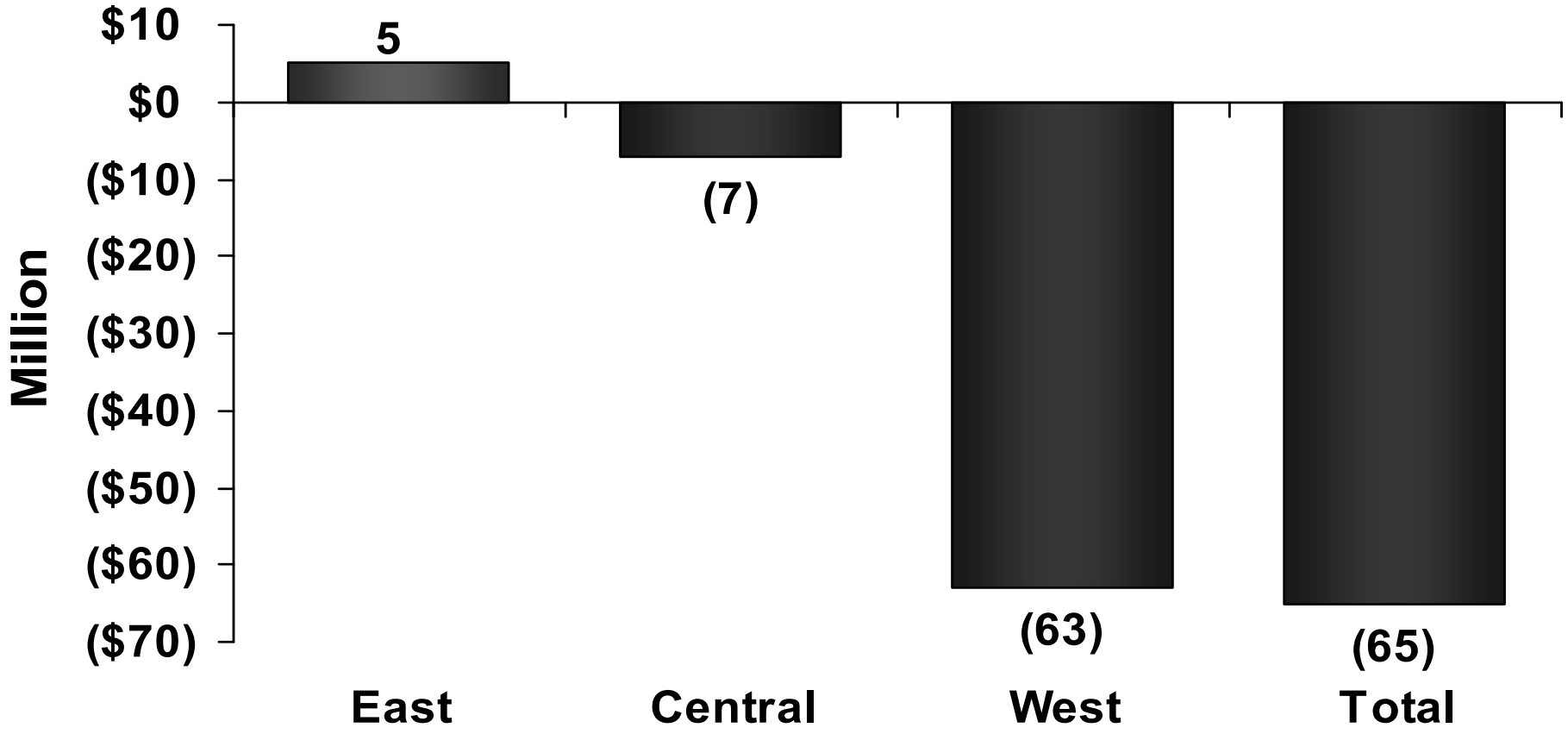
$205 million, or $0.30/share, negative purchase price variance in 2007 vs. 2006



Costs for continuing businesses

U.S Mills Wood Cost

Significant Increases in the West Region



% of Total Volume	46%	29%	25%	100%

IP West Region Mills: Mansfield & Pineville (containerboard), Texarkana (coated paperboard), Louisiana (uncoated freesheet)

Purchase price variance for delivered wood costs

U.S. Total Purchased Energy Consumption

Reduced 27% per/ton since 2001

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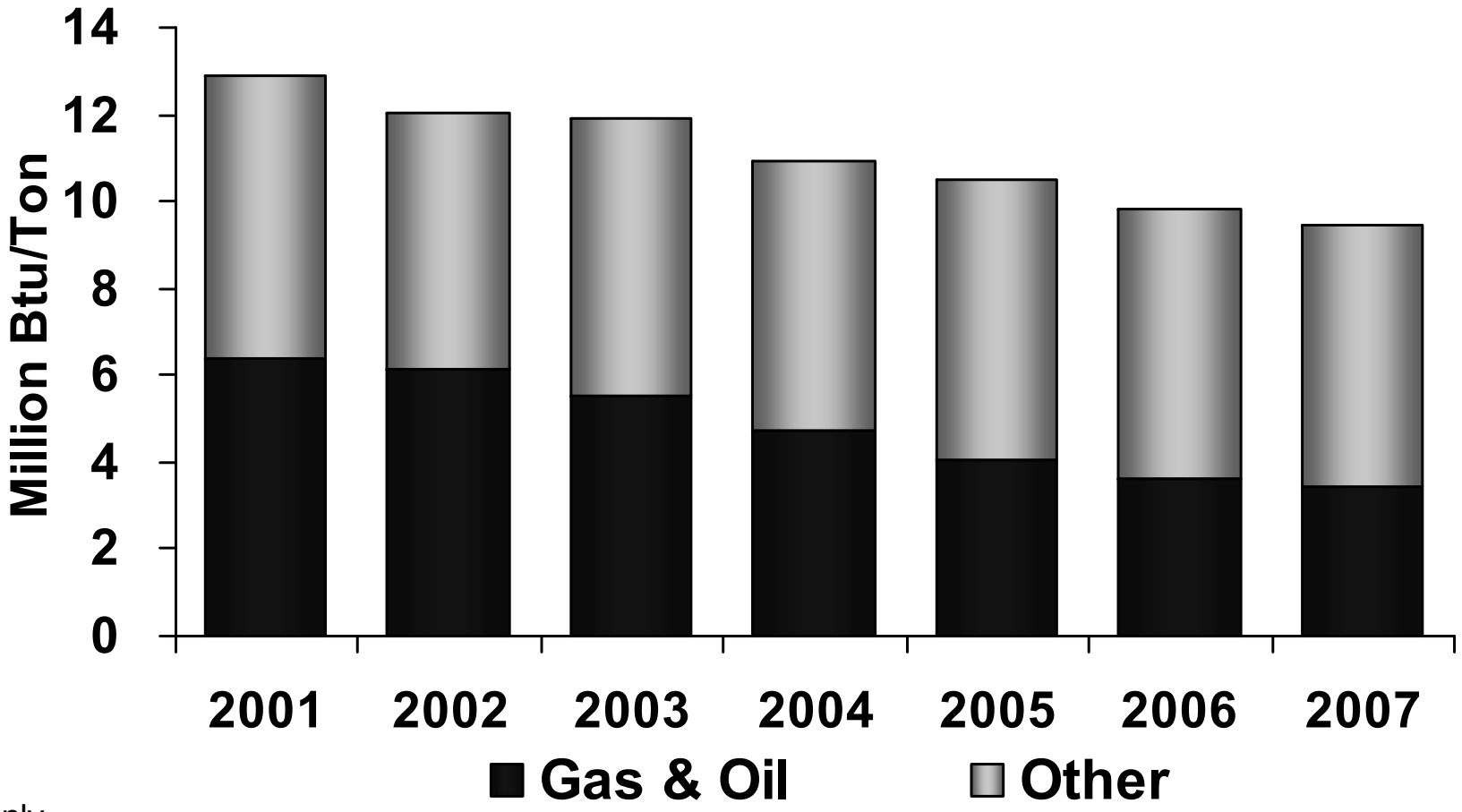
The annual savings from the reduction in consumption and change in fuel mix is $285 million



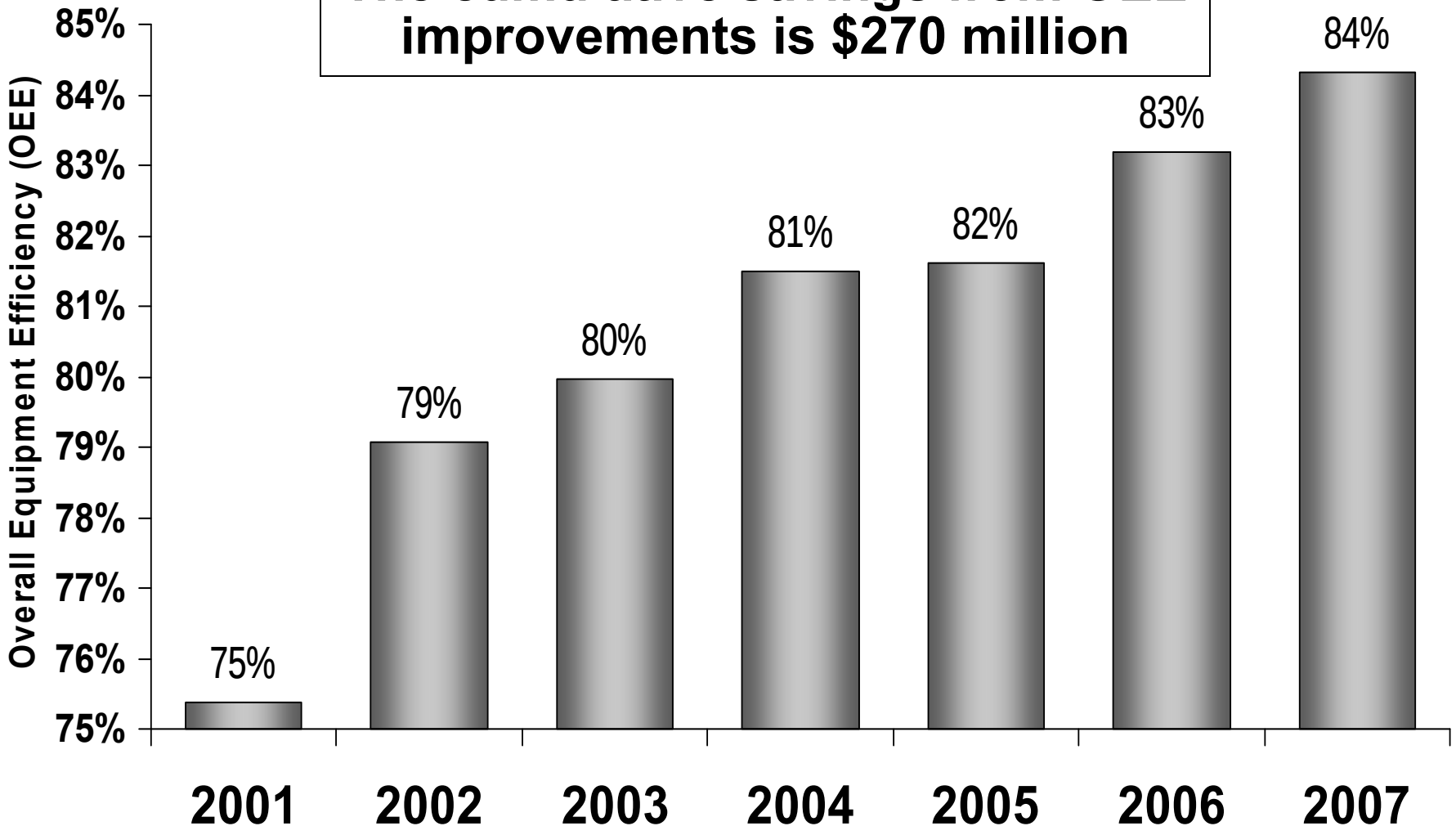
Mills only

"Other" includes purchased electricity and steam, coal, purchased wood waste, and other materials

Improved Overall Equipment Efficiency

Reducing Manufacturing Costs

The cumulative savings from OEE improvements is $270 million



All IP mills

Non-Price Improvement Update

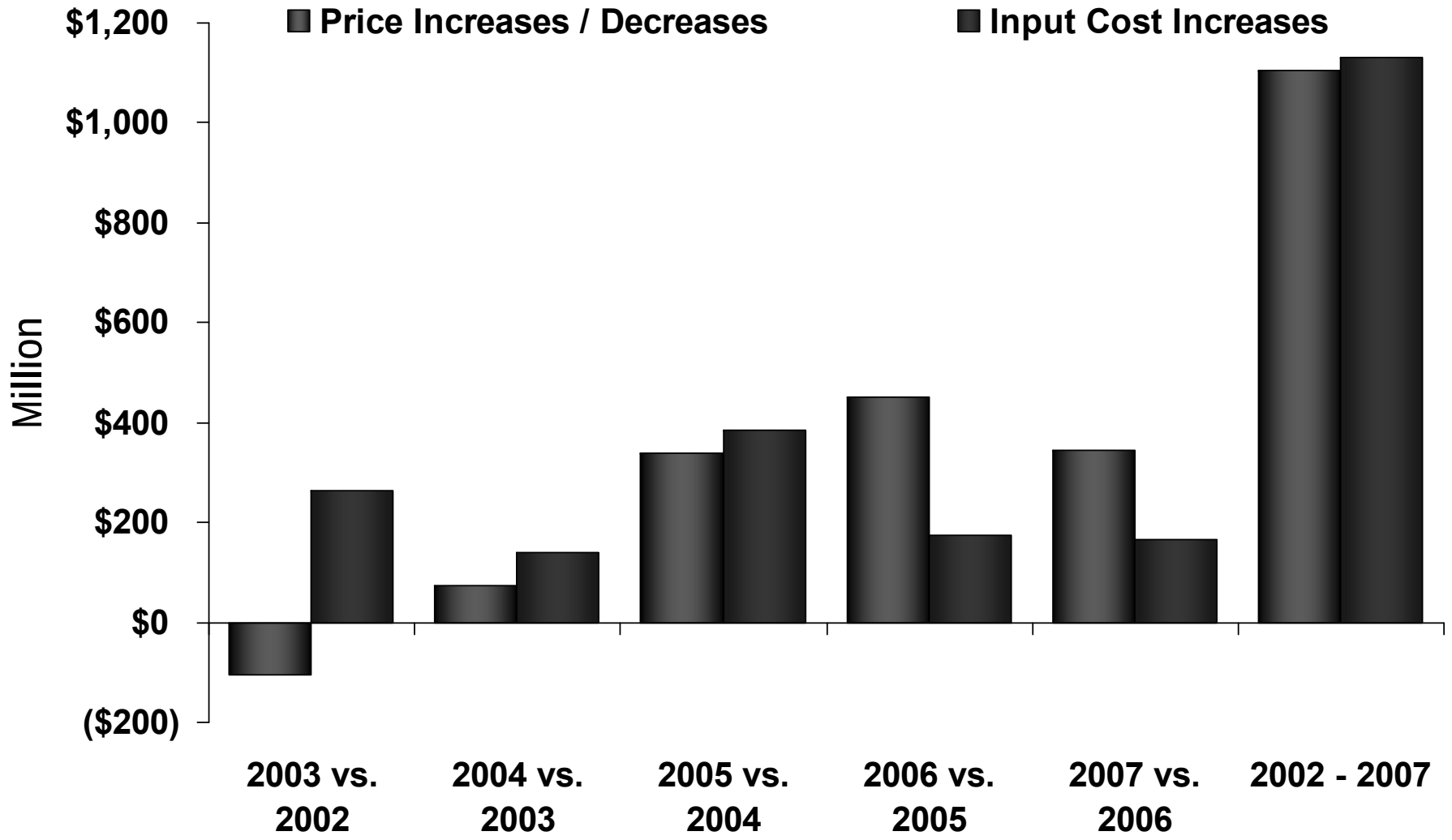
$400 Million Target

$ Millions	2006	2007
Volume	$140	$15
Mix	$45	$125
Cost Reduction	$145	$130
Total Non-Price Improvement	$330	$270*

* Excludes Pensacola start-up costs

Recovering Input Cost Increases

Recovered via Price Increases



Quarterly Operating Profit Growth

from Continuing Operations before Special Items

4Q07 vs. 3Q07 Δ	$ Million
North American Paper	($31)
Pulp	$9
Brazilian Paper	$9
European Paper	$20
North American Industrial Packaging	$18
European Industrial Packaging	$10
Consumer Packaging	($9)
Distribution	($1)
Forest Products	$75

Printing Papers

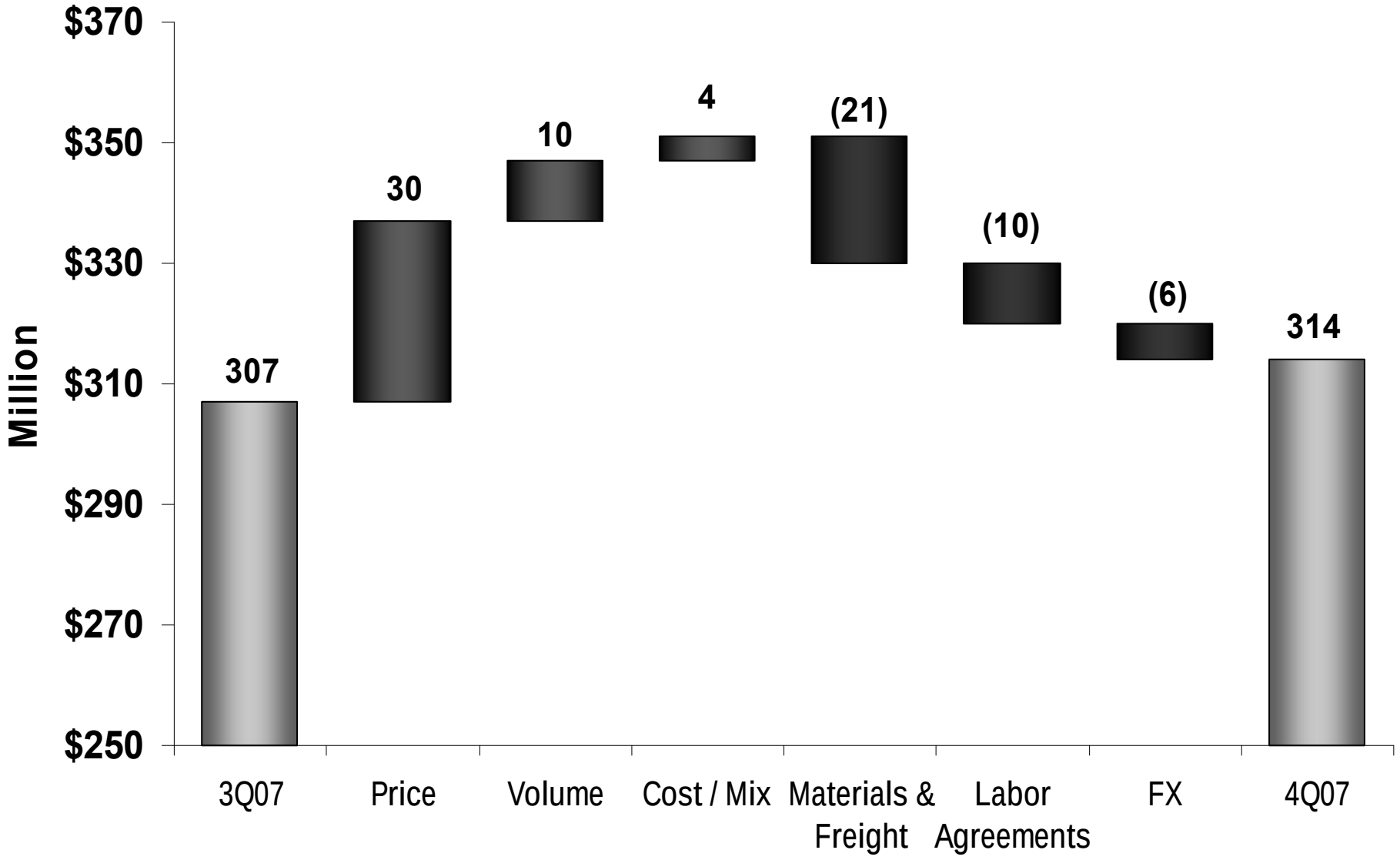
$ Million	4Q06	3Q07	4Q07
Sales	$1,475	$1,660	$1,720
Earnings	$191*	$307	$314

4Q07 vs. 3Q07		
Business	Volume	Price Realization per Ton
N.A. Uncoated Papers	(2%)	$13
U.S. Pulp	11%	$16
European Uncoated Papers	5%	€7
Brazilian Uncoated Papers	1%	$4

* Excludes a $128 million special charge

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

Printing Papers Earnings
4Q07 vs. 3Q07



Industrial Packaging

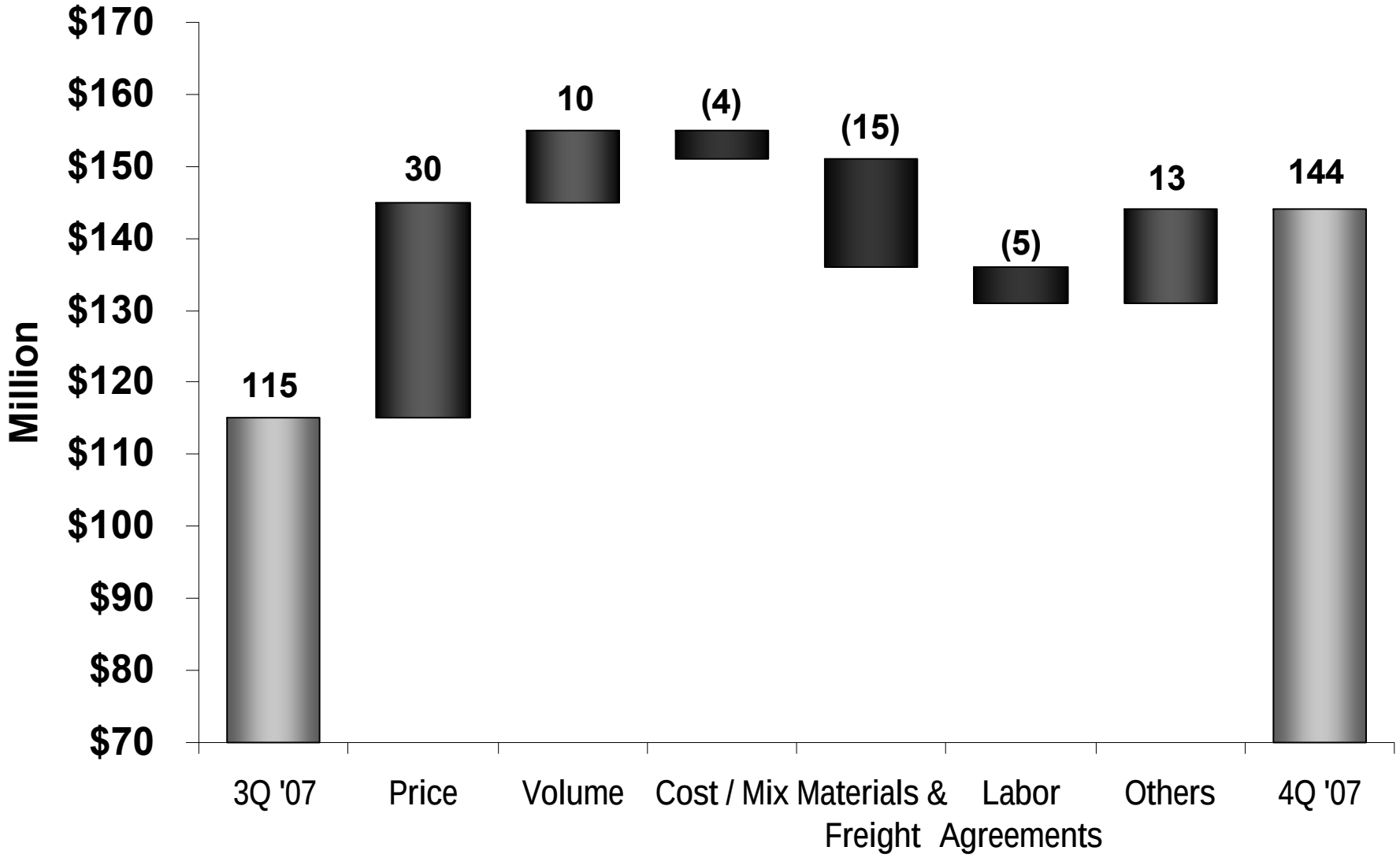
$ Million	4Q06	3Q07	4Q07
Sales	$1,265	$1,305	$1,390
Earnings	$130	$115	$144

4Q07 vs. 3Q07		
Business	Volume	Price Realization per Ton
N.A. Containerboard	(1%)	$14*
N.A. Container	(1%)	$33

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

* Total 3Q07 and 4Q07 domestic containerboard price realization was $35/ton; DEC exit rate reflected full realization of the $40 increase

Industrial Packaging Earnings
4Q07 vs. 3Q07



Consumer Packaging

$ Million	4Q06	3Q07	4Q07
Sales	$735	$775	$780
Earnings	$27	$49	$40

4Q07 vs. 3Q07		
Business	Volume	Price Realization
U.S. Coated Paperboard	(1%)	$11/ton
Converting Businesses	(1%)	

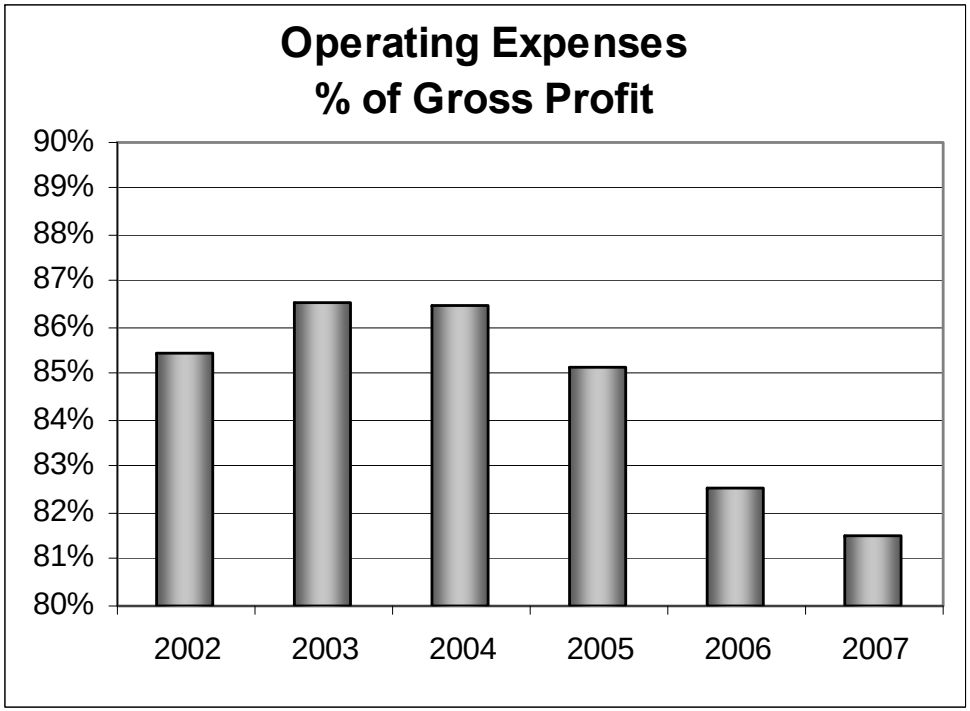
Average IP price realization (includes the impact of mix across all grades)

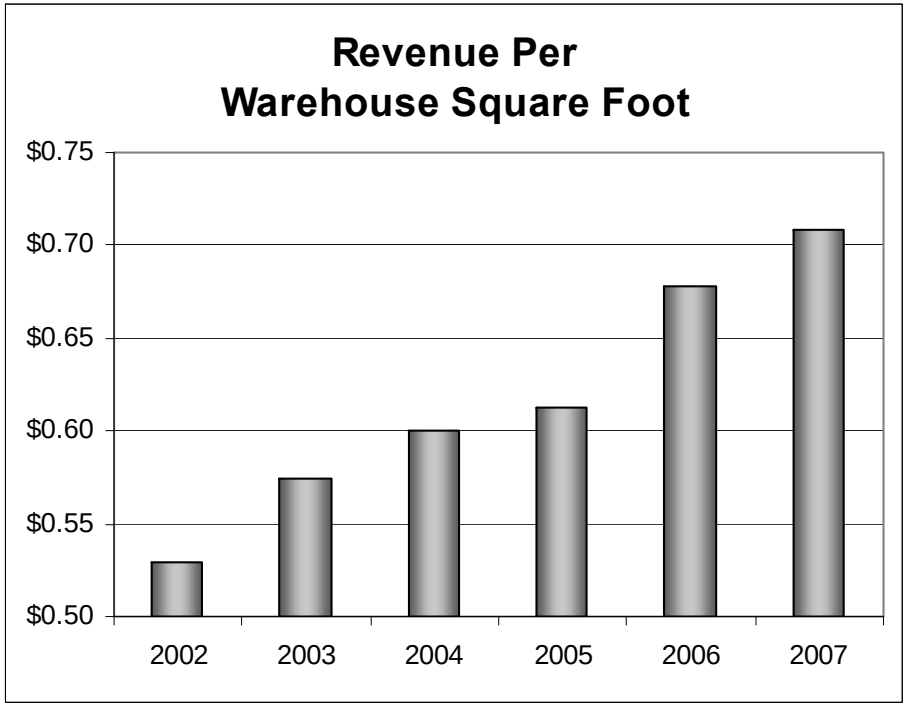
Distribution
Continued Strong xpedx Performance

$ Million	4Q06	3Q07	4Q07
Sales	$1,715	$1,880	$2,045
Earnings	$31	$40	$39

- Record 4Q07 earnings
- Record full-year sales and earnings
- 2007 full-year earnings up 14% vs. 2006

xpedx Margin Improvement





- **400 BP improvement since 2002**
- **Each 100 BP improvement increases profits by $13 million**

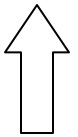
- **34% increase in productivity since 2002**
- **12% decrease in total warehouse space**

Forest Products

$ Million	4Q06	3Q07	4Q07
Sales	$190	$120	$190
Earnings	$162	$99	$174

	2006	2007
Acres Sold	207,000	165,000
Price / Acre	$2,130	$2,655

Replacing Land Sales Earnings
Confident in our Ability

($ Million)	'02 – '06 Average	2007	2008 Budget
Forest Products Operating Profit	$639	$471	$185-$275
Total International Paper Operating Profit	$1,734	$2,423	

Excludes special items and discontinued operations

Strategic Projects
Good Progress on all Projects

- Pensacola Lightweight Linerboard
- Riegelwood Fluff Pulp
- Svetogorsk BCTMP
- Sun Coated Paperboard Machine
- Tres Lagoas Paper Machine

Pensacola No. 5 PM



Tres Lagoas PM



Sun Coated Paperboard PM



Ilim Joint Venture
Proceeding According to Plan

- Reporting IP's 50% share of Ilim Holding SA earnings with a 90-day lag using the equity method of accounting
- Continuing healthy economic conditions in Russia & China
  - Strong demand growth
- Operations performed well
- Focus on cost reduction, quality improvement, and capacity expansion

Geographic Operating Profit Growth

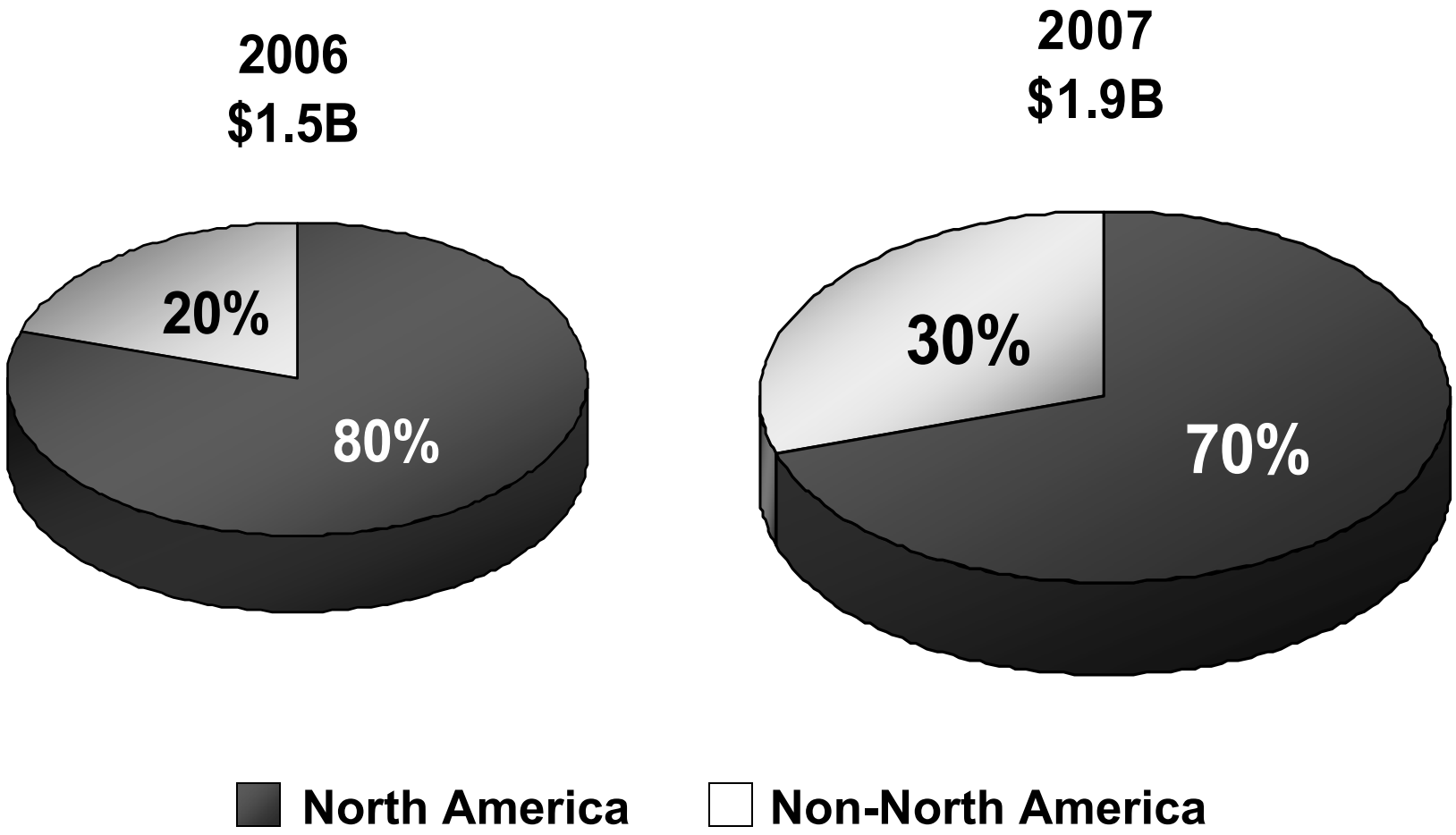
from Continuing Operations before Special Items

2007 vs. 2006 Δ	$ Million	%
Printing Papers	$55	11%
Industrial Packaging	$80	24%
Consumer Packaging	$14	11%
U.S. Market Pulp	$56	117%
Distribution	$18	14%
Total North America	**$223**	**20%**
Brazil	$124	102%
Europe	$130	62%
Asia	$19	380%
Total Outside North America	**$273**	**80%**

Excludes Forest Products and other businesses

Operating Profit Growth Outside North America

Diversifying our Earnings Capacity



Operating profits excluding special items, Forest Products and other businesses

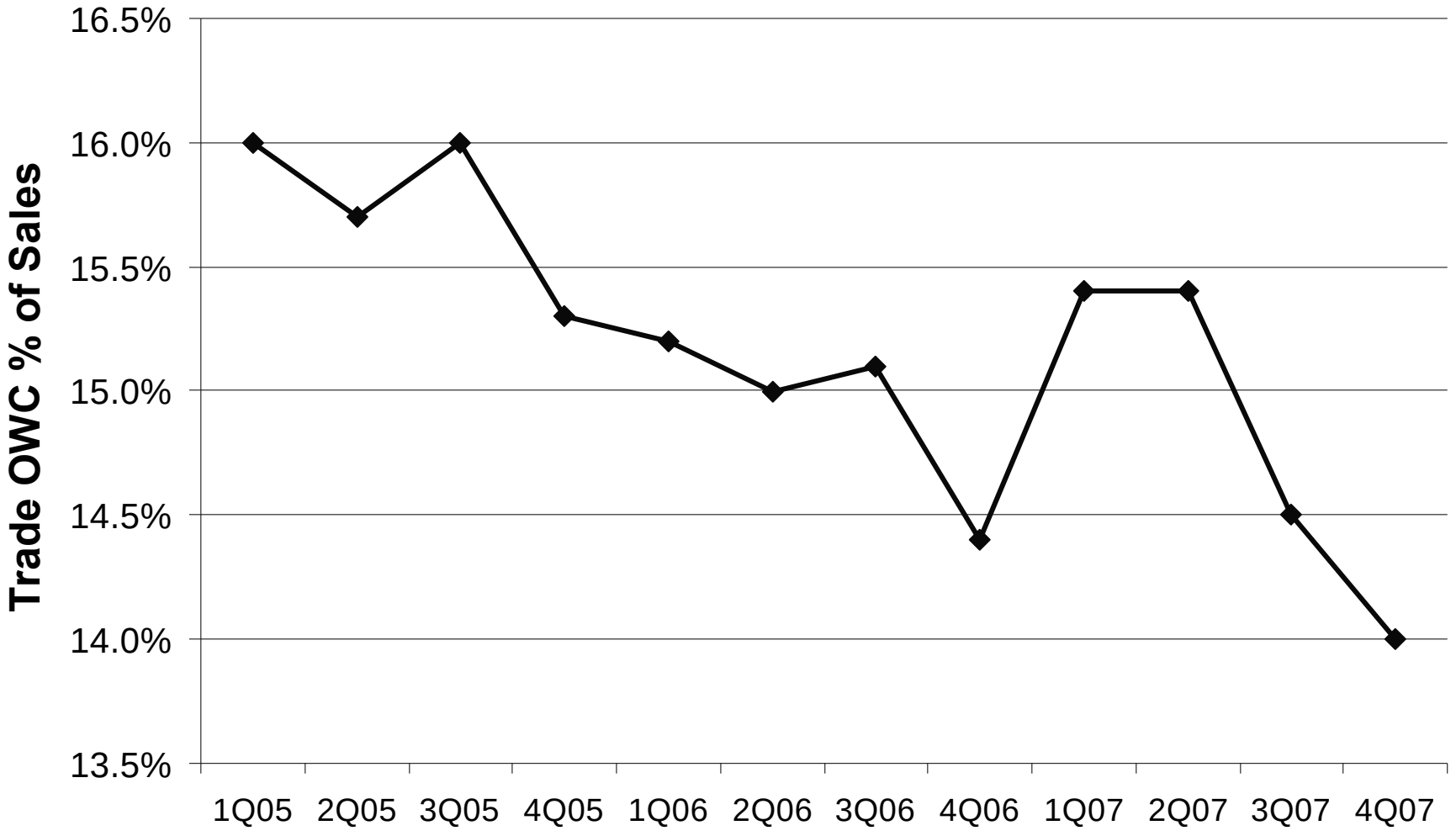
Free Cash Flow Improvement

Up $700 million in 2007

2007 Free Cash Flow ($ Billion)	2006	2007
Cash Provided by Continuing Operations	$1.0	$1.9
Less Capital Investment	($1.1)	($1.3)
Free Cash Flow	($0.1)	$0.6

Working Capital Management

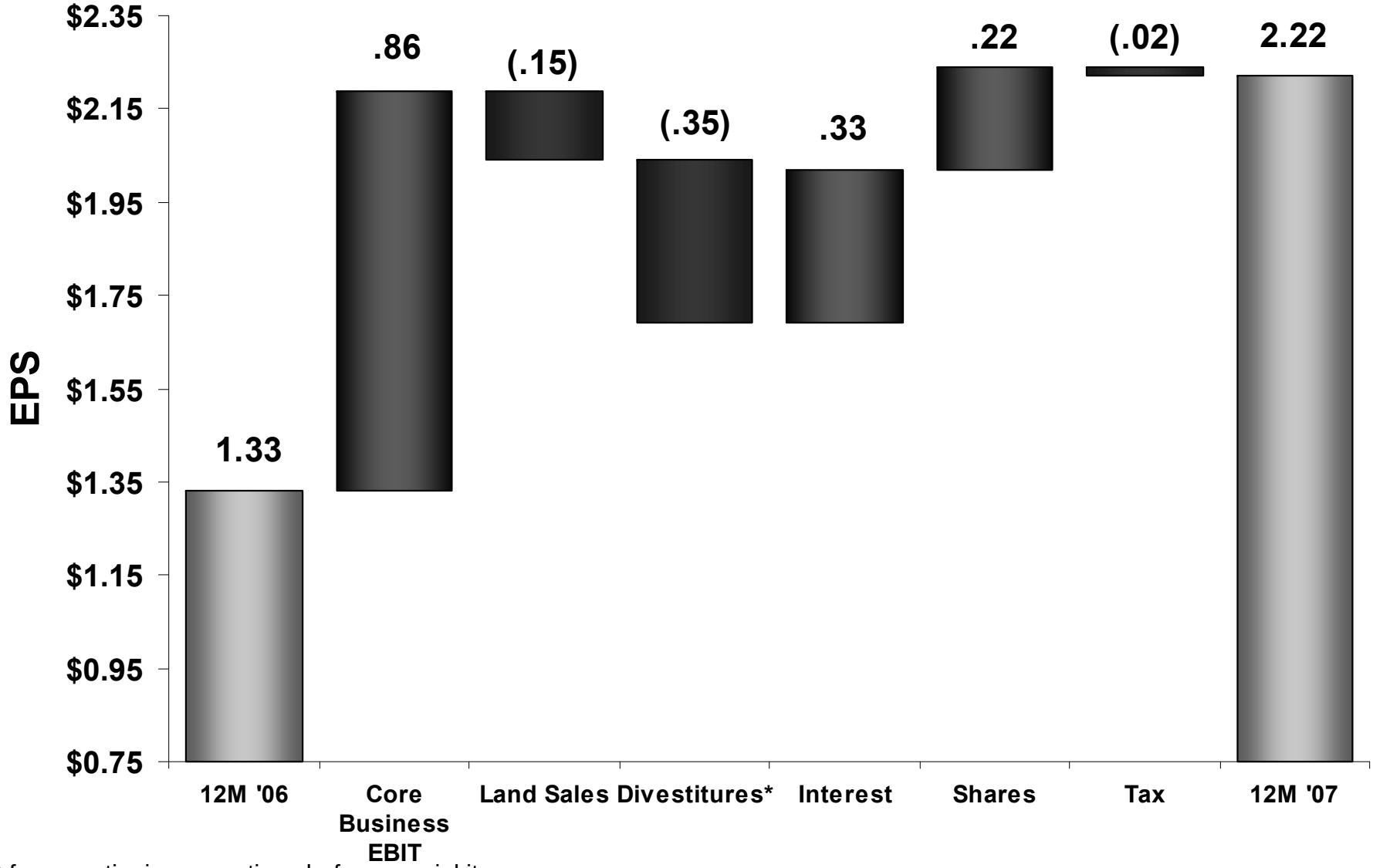
200 Basis Point Improvement since 1Q05



Transformation Plan Scorecard
On Track Through Year Two

Improve Existing Businesses	Y/G
Return Value to Shareholders	G
EPS	G
Improve Pricing	G
Improve Balance Sheet	G
Divestitures	G
Input Cost / Transportation	R
Selective Reinvestment	G

Transformation Plan
Yielding Results



EPS from continuing operations before special items

* Includes Harvest and Recreation income, Coated Papers and Arizona Chemical

Outlook

Current IP Business Conditions

North America

- Steady demand
- Inventories in good shape
- Realizing announced paper & packaging price increases
- Increasing input costs

Europe

- Some inventory building
- Increasing input costs

Brazil

- Economy is strong
- Paper demand growing at GDP rate
- Increasing energy costs

Looking Forward to 1Q08

1Q08 Earnings Outlook		
Volume	Paper	Steady
	Packaging	Steady
IP Pricing	Paper	Slight Increase
	Packaging	Slight Increase
Land Sales Earnings		Decrease
Planned Maintenance Outages		Slight Increase
Input & Distribution Costs		Increase
Ilim Group 4Q07 Earnings		Accretive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Questions & Answers

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Appendix

Special Items & Discontinued Operations

Diluted Earnings per Share	4Q07	2007
Earnings from Continuing Operations & Before Special Items	$0.69	$2.22
Special Items	$0.11	$0.59
Earnings from Continuing Operations	$0.80	$2.81
Discontinued Operations	($0.02)	($0.11)
Net Earnings	$0.78	$2.70

Special Items & Discontinued Operations

	4Q07		2007	
	($MM)	$/Share	($MM)	$/Share
Special Items (Net of minority interest & tax)				
Brazil Asset Exchange	-		$159	
Divestitures	$9		$113	
Tax Adjustments	$41		$38	
Restructuring & Corporate	($6)		($58)	
Total Special Items	$44	$0.11	$252	$0.59
Discontinued Operations (Net of tax)				
Beverage Packaging	($6)		($39)	
Wood Products	($2)		($16)	
Kraft Papers	-		$4	
Weldwood	($3)		-	
Other	-		$4	
Total Discontinued Operations	($11)	($0.02)	($47)	($0.11)

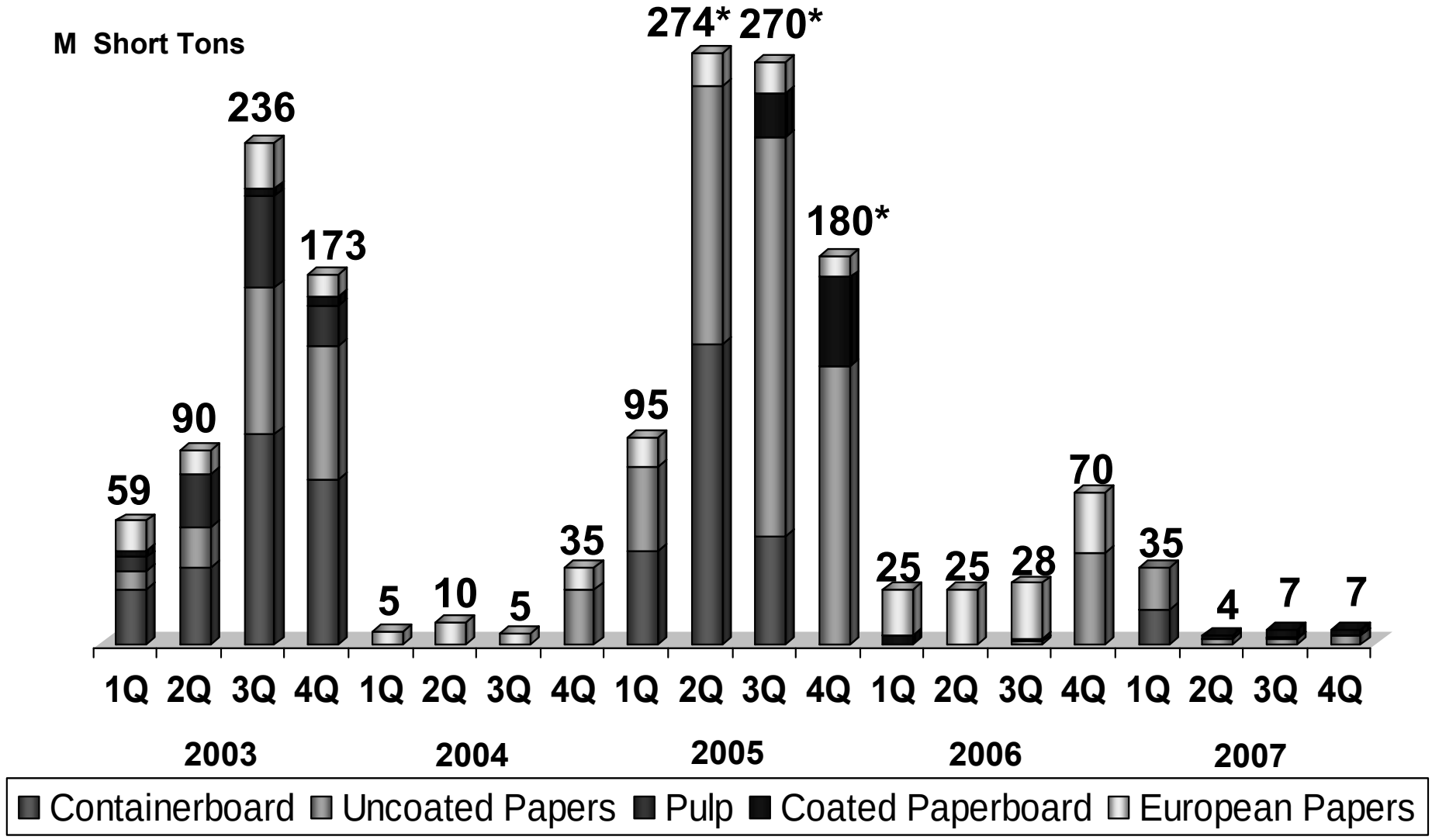
Key Financial Statistics

	2005[1]	2006[1]	2007[1]	2008 Estimate
Capital Spending ($ Billion)	$1.1	$1.1	$1.3	$1.1
Depreciation & Amortization ($ Billion)	$1.2	$1.2	$1.1	$1.1
Net Interest Expense ($ Million)	$595	$521	$297	$340 - $360
Unallocated Expenses ($ Million)	$607	$746	$732	$650 - $675
Effective Tax Rate[2]	20%	29%	30%	32 - 33%

[1] Excludes discontinued operations and Coated Papers

[2] Before special items and excluding Ilim

Lack of Order Downtime



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

Incremental Maintenance Outages

1Q08 Forecast vs. 4Q07	Δ in Maintenance Outages (Tons)	Impact ($ Million)
Printing Papers	(7,000)	($4)
Industrial Packaging	(26,000)	($16)
Consumer Packaging	13,000	$9
Total Impact	(20,000)	($11)

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

Operating Profits by Industry Segment

from Continuing Operations before Special Items

($ Million)	4Q06	3Q07	4Q07	2006	2007
Printing Papers	$191	$307	$314	$764*	$1,101
Industrial Packaging	$130	$115	$144	$386	$501
Consumer Packaging	$27	$49	$40	$172	$198
Distribution	$31	$40	$39	$128	$146
Forest Products	$162	$99	$174	$678	$471
Other Businesses	$12	-	-	$61	$6
Operating Profit	**$553**	**$610**	**$711**	**$2,189**	**$2,423**
Net Interest Expense	($86)	($77)	($79)	($527)	($297)
Minority Interest	$3	$4	$4	$8	$19
Net Unallocated Expenses	($166)	($188)	($201)	($746)	($732)
Earnings from continuing operations before income taxes, minority interest & special items	**$304**	**$349**	**$435**	**$924**	**$1,413**

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

*Includes $75 million for the Coated and Supercalendered papers business sold in 2006.

Geographic Business Segment Operating Results

from Continuing Operations before Special Items

$ Million	Sales				
	4Q06	3Q07	4Q07	2006	2007
Printing Papers					
North American	$870	$870	$865	$4,430*	$3,495
European	$345	$370	$415	$1,250	$1,510
Brazilian	$130	$250	$255	$495	$850
U.S. Market Pulp	$125	$165	$180	$510	$655
Asian	$5	$5	$5	$10	$20
Industrial Packaging					
North American	$945	$975	$1,005	$3,725	$3,880
European	$275	$265	$300	$1,020	$1,100
Asian	$45	$65	$85	$180	$265
Consumer Packaging					
North American	$615	$620	$620	$2,405	$2,405
European	$70	$70	$75	$230	$280
Asian	$50	$85	$85	$50	$330
Distribution	$1,715	$1,880	$2,045	$6,785	$7,320

*Includes $920 million for the Coated and Supercalendered papers business sold in 2006.

Geographic Business Segment Operating Results

From Continuing Operations before Special Items

$ Million	Operating Profit				
	4Q06	3Q07	4Q07	2006	2007
Printing Papers					
North American	$115	$165	$134	$482*	$537
European	$42	$45	$65	$112	$214
Brazilian	$18	$72	$81	$122	$246
U.S. Market Pulp	$16	$25	$34	$48	$104
Industrial Packaging					
North American	$114	$99	$117	$327	$407
European	$15	$15	$25	$56	$88
Asian	$1	$1	$2	$3	$6
Consumer Packaging					
North American	$15	$39	$25	$129	$143
European	$10	$5	$9	$41	$37
Asian	$2	$5	$6	$2	$18
Distribution	$31	$40	$39	$128	$146

*Includes $75 million for the Coated and Supercalendered papers business sold in 2006

2007 Earnings from Continuing Operations

	Pre-Tax $MM	Tax $MM	Minority Interest $MM	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items							
1Q07	$308	($99)	($6)	$203	32%	448	$0.45
2Q07	$319	($91)	($5)	$223	29%	431	$0.52
3Q07	$349	($100)	($6)	$243	29%	426	$0.57
4Q07	$435	($134)	($7)	$294	31%	424	$0.69
Full Year Total	$1,411	($424)	($24)	$963	30%	433	$2.22
Special Items							
1Q07	$298	($44)	$0	$254	15%	448	$0.57
2Q07	($25)	$2	$0	($23)	8%	431	($0.06)
3Q07	($34)	$11	$0	($23)	32%	426	($0.05)
4Q07	$4	$40	$0	$44	NM[3]	424	$0.11
Full Year Total	$243	$9	$0	$252	-4%	433	$0.59
Earnings from Continuing Operations							
1Q07	$606	($143)	($6)	$457	24%	448	$1.02
2Q07	$294	($89)	($5)	$200	30%	431	$0.46
3Q07	$315	($89)	($6)	$220	28%	426	$0.52
4Q07	$439	($94)	($7)	$338	21%	424	$0.80
Full Year Total	$1,654	($415)	($24)	$1,215	25%	433	$2.81

[1] Assuming dilution
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations
[3] Not meaningful

2006 Earnings from Continuing Operations

	Pre-Tax $MM	Tax $MM	Minority Interest $MM	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items							
1Q06	$85	($22)	($5)	$58	26%	486	$0.12
2Q06	$227	($78)	($4)	$145	34%	487	$0.30
3Q06	$308	($87)	($5)	$216	28%	485	$0.45
4Q06	$304	($85)	($3)	$216	28%	451	$0.47
Full Year Total	$924	($272)	($17)	$635	29%	489	$1.33
Special Items							
1Q06	($1,308)	$38	$0	($1,270)	3%	486	($2.61)
2Q06	($128)	$45	$0	($83)	35%	487	($0.17)
3Q06	$286	($117)	$0	$169	41%	485	$0.35
4Q06	$3,414	($1,583)	$0	$1,831	46%	451	$4.06
Full Year Total	$2,264	($1,617)	$0	$647	71%	489	$1.32
Earnings from Continuing Operations							
1Q06	($1,223)	$16	($5)	($1,212)	1%	486	($2.49)
2Q06	$99	($33)	($4)	$62	33%	487	$0.13
3Q06	$594	($204)	($5)	$385	34%	485	$0.80
4Q06	$3,718	($1,668)	($3)	$2,047	45%	451	$4.53
Full Year Total	$3,188	($1,889)	($17)	$1,282	59%	489	$2.65

[1] Assuming dilution

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

Business Segment Price Realization

	Average Selling Price Realizations				
	Quarterly			Full Year	
Printing Papers ($/ton)	**4Q06**	**3Q07**	**4Q07**	**2006**	**2007**
Uncoated Freesheet	$898	$912	$925	$862	$907
Pulp	$566	$605	$621	$533	$598
Industrial Packaging ($/ton)	**4Q06**	**3Q07**	**4Q07**	**2006**	**2007**
Containerboard	$509	$521	$536	$483	$521
Corrugated Boxes	$787	$792	$825	$763	$802

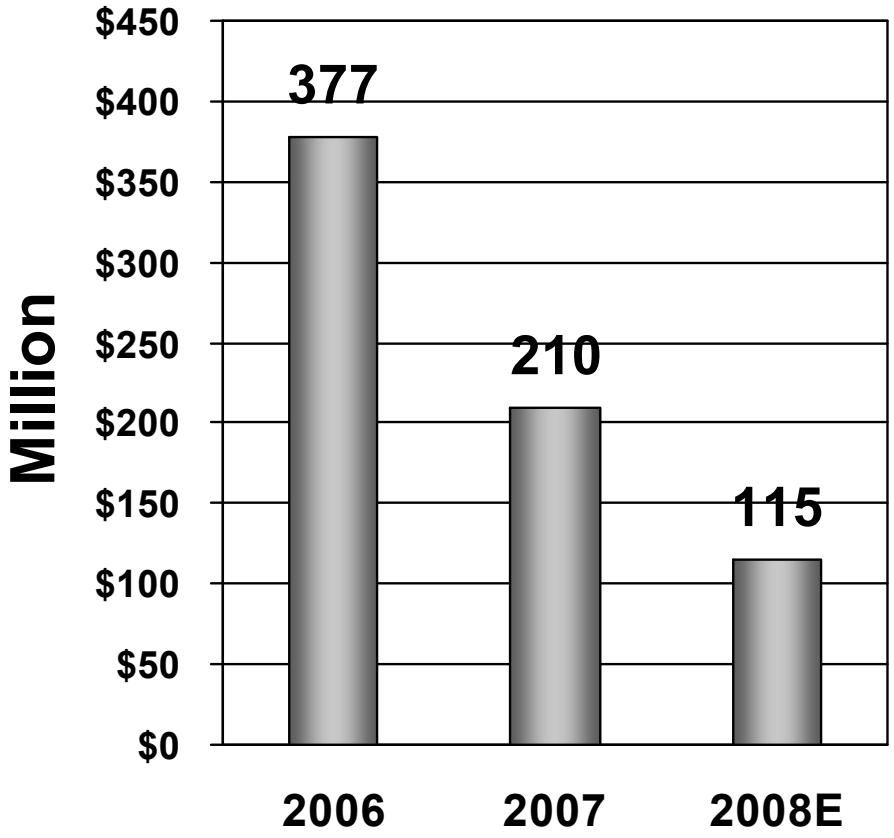
Average IP U.S. selling price realizations (includes the impact of mix across all grades)

Pension Returns

Average Annualized Returns	
2007	9.6%
Past Five Years	15.1%
Past Ten Years	9.3%
Portfolio Asset Allocation at 12/31/07	
Equity	59%
Bonds	31%
Real Estate & Other	10%

Pension Expense

Annual Pension Expense*



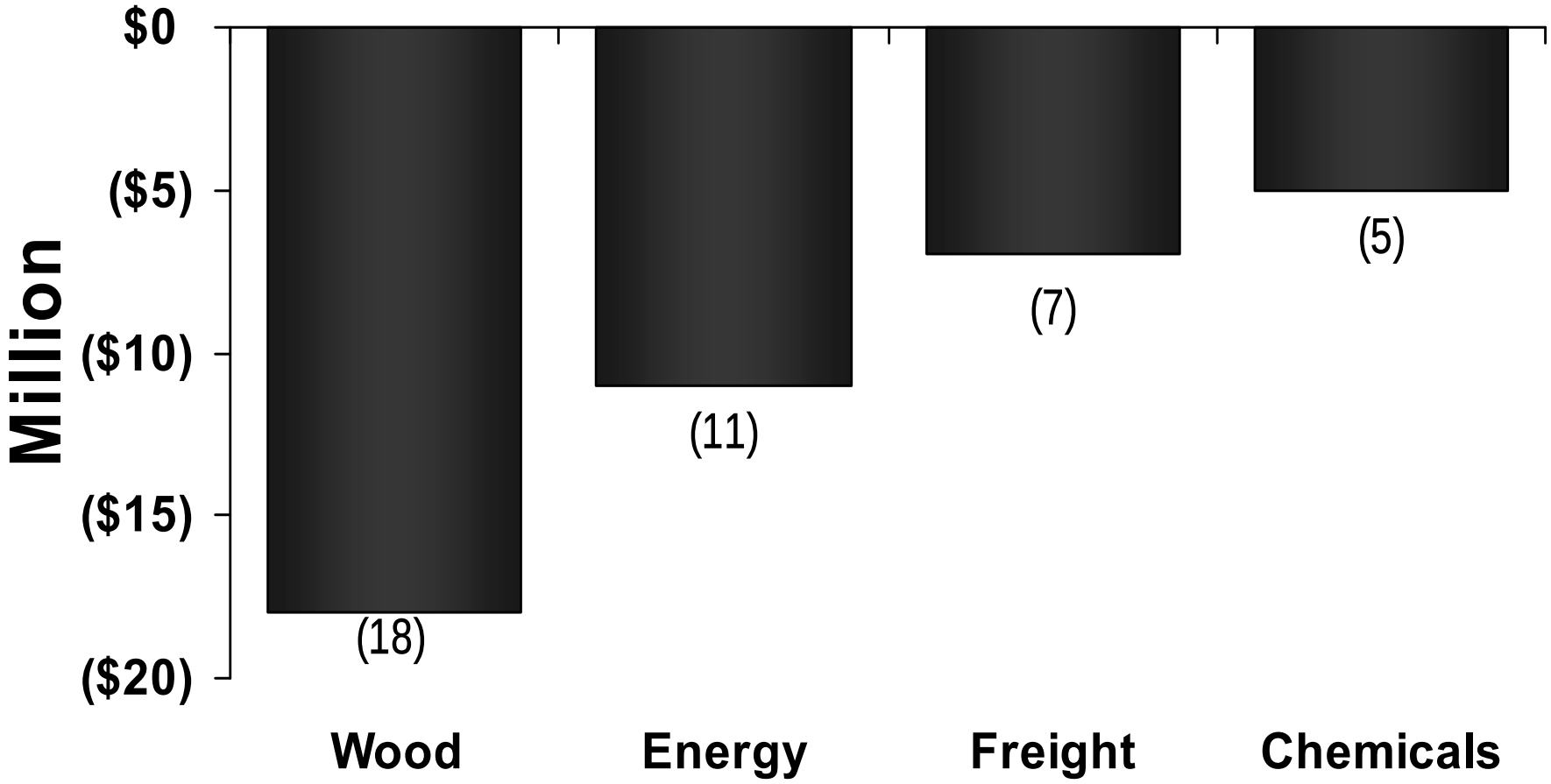
Key Variables			
	2006	2007	2008E
Rate of Return	8.5%	8.5%	8.5%
Discount Rate	5.5%	5.75%	6.2%

* U.S. plans only. Pension expense reflects service cost, interest cost, amortization of actuarial losses and expected return on plan assets

Increasing Input & Distribution Costs

Global EBIT Impact 4Q07 vs. 3Q07

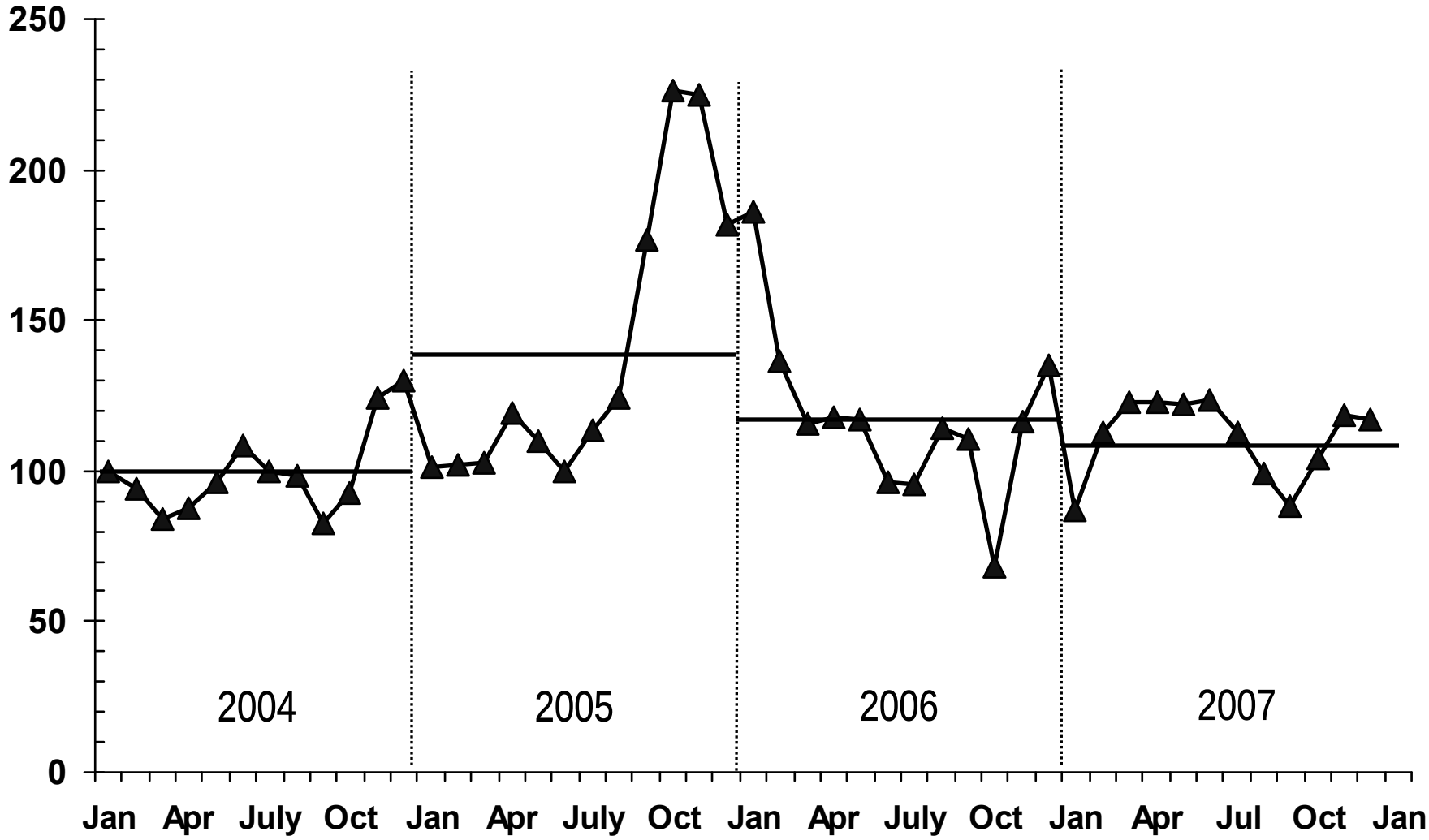
$41 million, or $0.07 per share, negative purchase price variance in 4Q07 versus 3Q07



Costs for continuing businesses

Natural Gas Costs

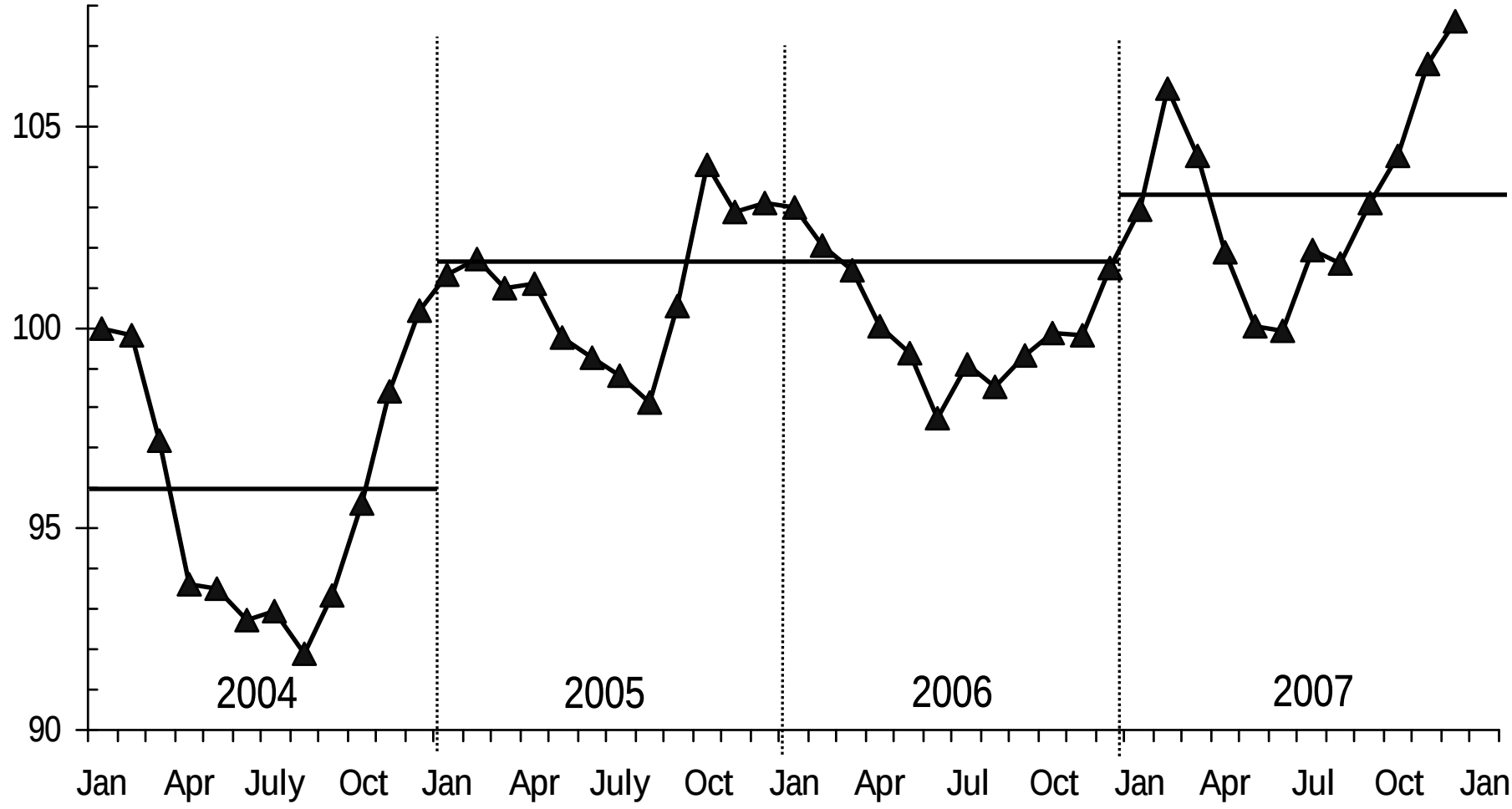
Index: Jan 2004 Natural Gas Costs = 100



NYMEX Natural Gas closing prices

U.S. Mill Wood Costs

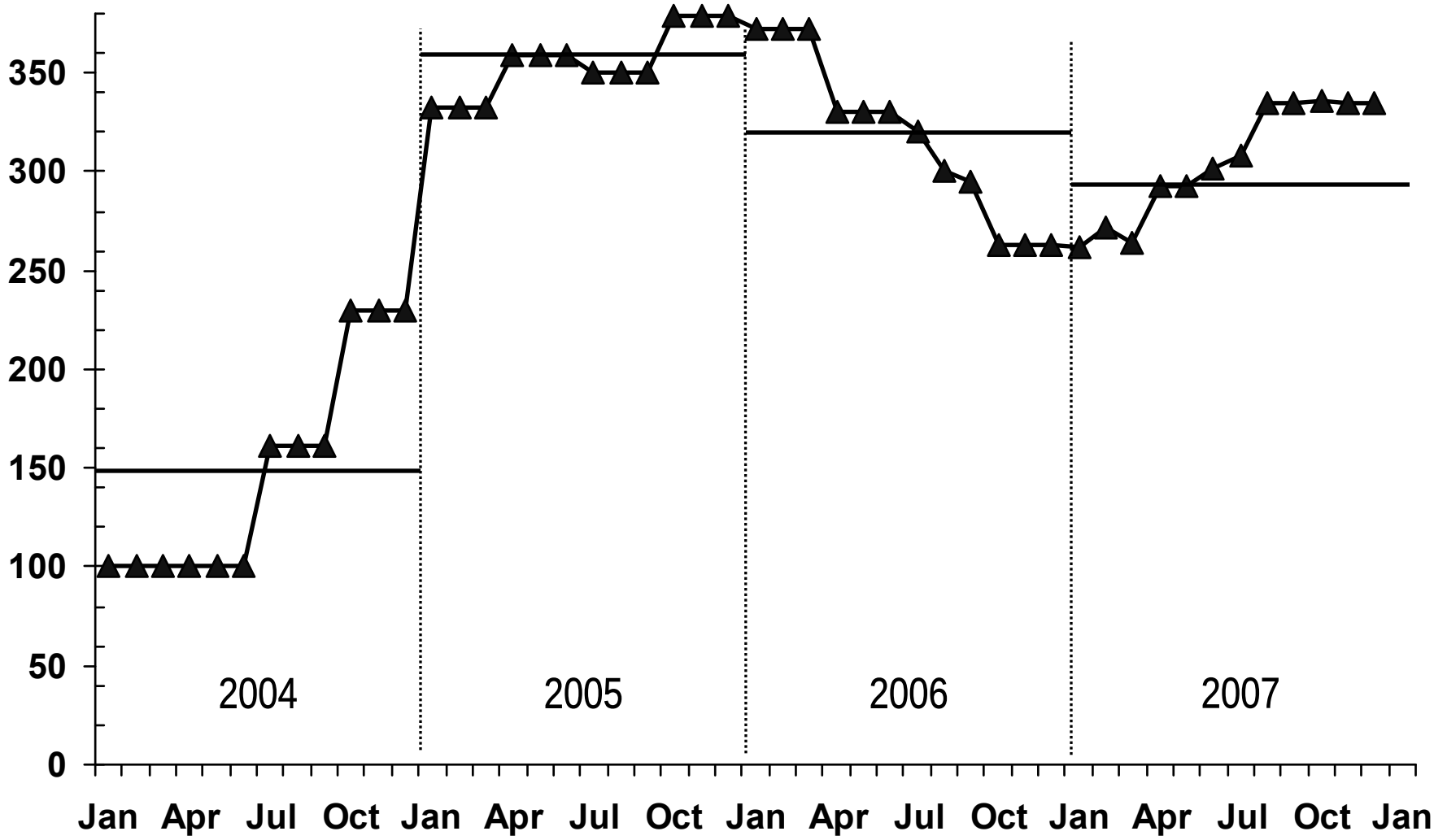
Index: Jan 2004 Wood Costs = 100



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

U.S. Caustic Soda Costs

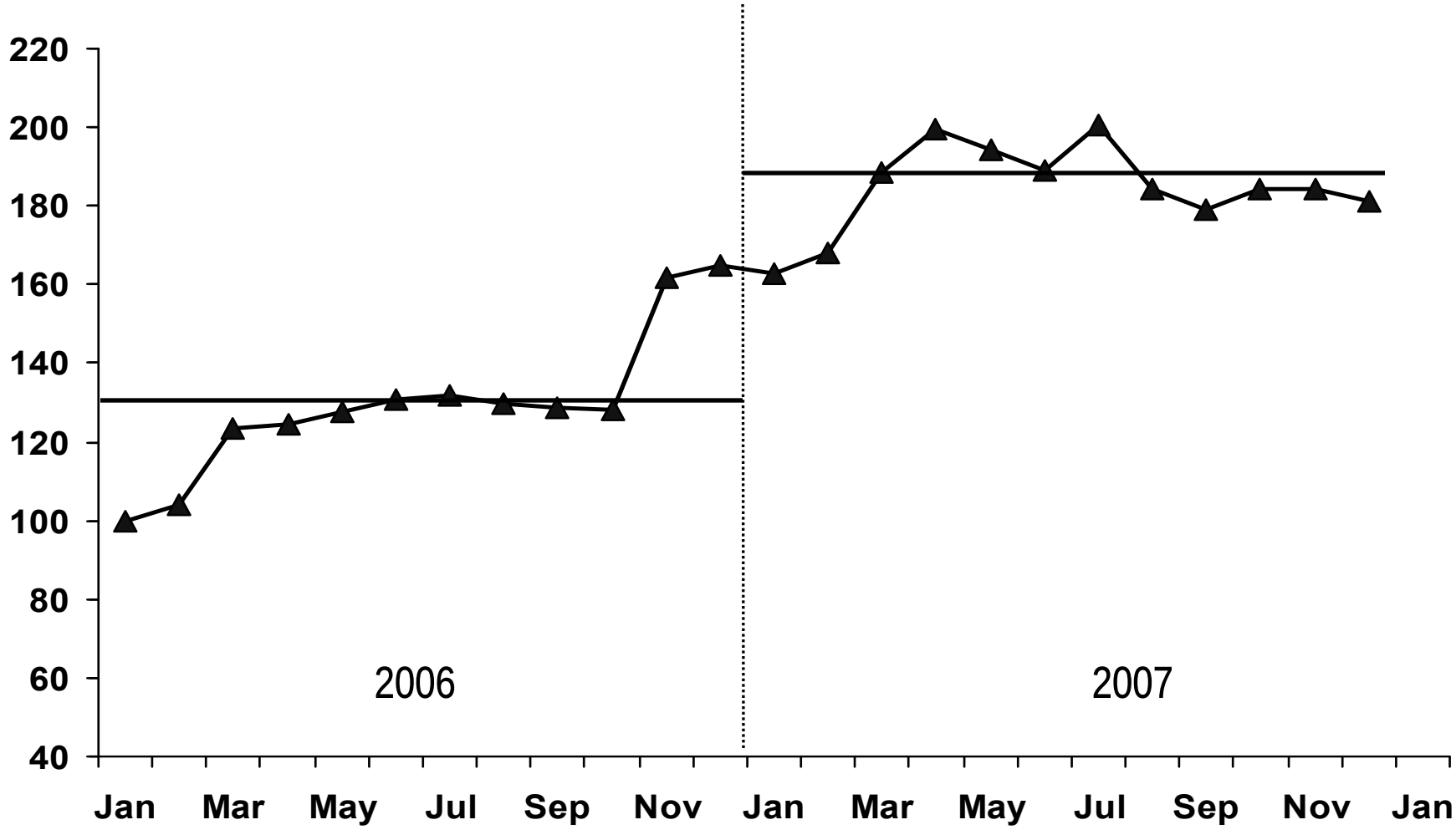
Index: Jan 2004 Caustic Soda Costs = 100



Delivered cost to U.S. facilities

U.S. Corn Starch Costs

Index: Jan 2006 Corn Starch Costs = 100



Delivered cost to U.S. facilities

Global Consumption

Annual Purchase Estimates for Key Inputs

	Commodity	U. S.	Non – U. S.
Energy	Natural Gas (MM BTU)	28,000,000	15,000,000
	#6 Fuel Oil (Barrel)	4,000,000	500,000
	Coal (Ton)	1,300,000	230,000
Fiber	Wood (Ton)	40,000,000	8,200,000
	Old Corrugated Containers (Ton)	600,000	310,000
Chemicals	Caustic Soda (Ton)	340,000	60,000
	Sodium Chlorate (Ton)	215,000	50,000
	LD Polyethylene (Ton)	40,000	-
	Latex (Ton)	24,000	4,000

2007 Run Rate Estimates
Includes only continuing businesses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