International Paper Company
Consolidated Statement of Operations
Preliminary and Unaudited
(In millions, except per share amounts)

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2007	**2006**	**2007**	**2007**	**2006**
Net Sales	**$ 5,841**	$ 5,324	$ 5,541	$21,890	$ 21,995
Costs and Expenses					
Cost of products sold	**4,242**	3,903	4,086	16,060	16,248
Selling and administrative expenses	**500**	454	455	1,831	1,848
Depreciation, amortization and cost of timber harvested	**278**	275	277	1,086	1,158
Distribution expenses	**269**	247	255	1,034	1,075
Taxes other than payroll and income taxes	**38**	55	42	169	215
Restructuring and other charges	**9 (a)**	111 (e)	42 (k)	95 (m)	300 (p)
Insurance recoveries	**-**	-	-	-	(19)
Forestland sales	**-**	(4,422) (f)	(9) (l)	(9) (l)	(4,788) (q)
Impairment of goodwill	**-**	759 (g)	-	-	759 (g)
Net losses (gains) on sales and impairments of businesses	**(13) (b)**	149 (h)	1	(327) (n)	1,496 (r)
Reversal of reserves no longer required, net	**-**	(5)	-	-	(6)
Interest expense, net	**79**	80 (i)	77	297	521 (i)
Earnings From Continuing Operations Before Income Taxes and Minority Interest	**439 (a,b)**	3,718 (e-i)	315 (k,l)	1,654 (l-n)	3,188 (g,i,p-r)
Income tax provision	**94 (c)**	1,668	89	415 (c)	1,889
Minority interest expense, net of taxes	**7**	3	6	24	17
Earnings From Continuing Operations	**338 (a-c)**	2,047 (e-i)	220 (k,l)	1,215 (c,l-n)	1,282 (g,i,p-r)
Discontinued Operations, net of taxes and minority interest	**(11) (d)**	(68) (j)	(3)	(47) (o)	(232) (s)
Net Earnings	**$ 327 (a-d)**	$ 1,979 (e-j)	217 (k,l)	$ 1,168 (c,l-o)	$ 1,050 (g,i,p-s)
Basic Earnings Per Common Share					
Earnings from continuing operations	**$ 0.80 (a-c)**	$ 4.56 (e-i)	0.52 (k,l)	$ 2.83 (c,l-n)	$ 2.69 (g,i,p-r)
Discontinued operations	**(0.02) (d)**	(0.15) (j)	(0.01)	(0.11) (o)	(0.48) (s)
Net earnings	**$ 0.78 (a-d)**	$ 4.41 (e-j)	0.51 (k,l)	$ 2.72 (c,l-o)	$ 2.21 (g,i,p-s)
Diluted Earnings Per Common Share					
Earnings from continuing operations	**$ 0.80 (a-c)**	$ 4.53 (e-i)	0.52 (k,l)	$ 2.81 (c,l-n)	$ 2.65 (g,i,p-r)
Discontinued operations	**(0.02) (d)**	(0.15) (j)	(0.01)	(0.11) (o)	(0.47) (s)
Net earnings	**$ 0.78 (a-d)**	$ 4.38 (e-j)	0.51 (k,l)	$ 2.70 (c,l-o)	$ 2.18 (g,i,p-s)
Average Shares of Common Stock Outstanding - Diluted	**423.8**	451.2	425.6	433.0	488.7
Cash Dividends Per Common Share	**$ 0.25**	$ 0.25	0.25	$ 1.00	$ 1.00

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 $4 million ($3 million after taxes) for asset write-offs at the Pensacola mill, a pre-tax charge of $14 million ($9 million after taxes) for severance and other charges associated with the Company's Transformation Plan, and a pre-tax gain of $9 million ($6 million after taxes) for an Ohio Commercial Activity Tax adjustment.

(b) Includes a pre-tax gain of $7 million ($5 million after taxes) for an adjustment to the loss on the sale of box plants in the United Kingdom and Ireland, a pre-tax gain of $5 million ($3 million after taxes) for an adjustment to the loss on the sale of the Marasquel mill, and a net pre-tax gain of $1 million ($1 million after taxes) for other items.

(c) Includes a $41 million tax benefit relating to the effective settlement of certain income tax audit issues.

(d) Includes a pre-tax charge of $9 million ($5 million after taxes) for the beverage packaging business and a pre-tax gain of $4 million ($3 million after taxes) for the wood products business for adjustments related to the sale of those businesses, a pre-tax charge of $4 million ($3 million after taxes) for additional taxes associated with the sale of Weldwood of Canada Limited, and the quarterly operating results of the wood products business.

(e) Includes a $34 million pre-tax charge ($21 million after taxes) for severance and other charges associated with the Company's Transformation Plan, a pre-tax gain of $115 million ($70 million after taxes) for payments received relating to the Company's participation in the U.S. Coalition for Fair Lumber Imports, a pre-tax charge of $157 million ($97 million after taxes) for losses on early debt extinguishment, a $40 million pre-tax charge ($25 million after taxes) for increases to legal reserves, and a $5 million pre-tax credit ($4 million after taxes) for other items.

(f) Includes a pre-tax gain of $4.4 billion ($2.7 billion after taxes) from sales of U.S. forestlands included in the Company's Transformation Plan.

(g) Includes a $759 million charge (before and after taxes) for the impairment of goodwill in the Company's coated paperboard and Shorewood businesses.

(h) Includes a $128 million pre-tax charge ($84 million after taxes) to reduce the carrying value of the fixed assets of the Company's Saillat mill in France to their estimated fair value, and a $21 million net pre-tax charge (zero after taxes) relating to smaller asset sales.

(i) Includes a $6 million pre-tax credit ($4 million after taxes) for interest received from the Canadian government on refunds of prior-year softwood lumber duties.

(j) Includes pre-tax charges of $104 million ($69 million after taxes) for the wood products business and $18 million ($11 million after taxes) for the beverage packaging business to adjust the carrying value of these businesses based on the terms of the definitive agreements to sell these businesses, a $38 million pre-tax credit ($23 million after taxes) for refunds received from the Canadian government of duties paid by the Company's Weldwood of Canada Limited business, a pre-tax charge of $1 million ($2 million after taxes) for adjustments of prior discontinued operations estimates, and the quarterly operating results of the Company's kraft papers, wood products and beverage packaging businesses.

(k) Includes a pre-tax charge of $27 million ($17 million after taxes) of accelerated depreciation charges for the Terre Haute, IN mill, which has been closed as part of the Company's Transformation Plan, 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, and a pre-tax charge of $2 million ($1 million after taxes) for severance and other charges associated with the Company's Transformation Plan.

(l) 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.

(m) Includes a pre-tax charge of $27 million ($17 million after taxes) of accelerated depreciation charges for the Terre Haute, IN mill, which has been closed as part of the Company's Transformation Plan, a pre-tax charge of $10 million ($6 million after taxes) for environmental costs associated with this closure, a pre-tax charge of $4 million ($2 million after taxes) for Brazilian restructuring charges, accelerated depreciation charges of $33 million ($21 million after taxes) for long-lived assets being removed from service, $30 million ($19 million after taxes) for severance and other charges associated with the Company's Transformation Plan, and a pre-tax gain of $9 million ($6 million after taxes) for an Ohio Commercial Activity Tax adjustment.

(n) 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 pre-tax gain of $5 million ($3 million after taxes) for an adjustment to the loss on the sale of the Marasquel mill, 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 $1 million net pre-tax loss ($1 million after taxes) for other items.

(o) Includes a pre-tax gain of $20 million ($8 million after taxes) relating to the sale of the wood products business, a pre-tax loss of $30 million ($48 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 net $6 million pre-tax credit ($4 million after taxes) relating to the Company's Weldwood of Canada Limited business, and the year-to-date operating results of the beverage packaging and wood products businesses.

(p) Includes a pre-tax charge of $157 million ($95 million after taxes) for severance and other charges associated with the Company's Transformation Plan; a pre-tax charge of $165 million ($102 million after taxes) for losses on early debt extinguishment; a $97 million pre-tax charge ($60 million after taxes) for legal reserves; a pre-tax gain of $115 million ($70 million after taxes) for payments received relating to the Company's participation in the U.S. Coalition for Fair Lumber Imports; and a $4 million pre tax credit ($3 million after taxes) for other items.

(q) Includes a pre-tax gain of $4.8 billion ($2.9 billion after taxes) from sales of U.S. forestlands included in the Company's Transformation Plan.

(r) Includes pre-tax charges of $1.4 billion ($1.3 billion after taxes) to reduce the carrying value of net assets of the U.S. 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 $128 million pre-tax charge ($84 million after taxes) to reduce the carrying value of the fixed assets of the Company's Saillat mill to their estimated fair value, and a net pre-tax charge of $21 million (zero after taxes) for other smaller items.

(s) 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 charges of $117 million ($72 million after taxes) for the kraft papers business, $267 million ($234 million after taxes) for the wood products business and $121 million ($90 million after taxes) for the beverage packaging business to adjust the carrying value of these businesses to their estimated fair value; and the 2006 operating results of the kraft paper, 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 December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2007	**2006**	**2007**	**2007**	**2006**
Earnings Before Special Items	$ 294	$ 216	$ 243	$ 963	$ 635
Restructuring and other charges	(6)	(69)	(26)	(59)	(184)
Insurance recoveries	-	-	-	-	12
Reversals of reserves no longer required	-	3	-	-	3
Net gains (losses) on sales and impairments of businesses	9	(84)	1	267	(1,382)
Forestland sales	-	2,740	5	5	2,964
Impairment of goodwill	-	(759)	-	-	(759)
Interest income	-	4	-	1	4
Income tax adjustments	41	(4)	(3)	38	(11)
Earnings from Continuing Operations	338	2,047	220	1,215	1,282
Discontinued operations	(11)	(68)	(3)	(47)	(232)
Net Earnings as Reported	$ 327	$ 1,979	$ 217	$ 1,168	$ 1,050

Diluted Earnings per Common Share	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2007	**2006**	**2007**	**2007**	**2006**
Earnings Per Share Before Special Items	$ 0.69	$ 0.47	$ 0.57	2.22	$ 1.33
Restructuring and other charges	(0.03)	(0.15)	(0.05)	(0.15)	(0.37)
Insurance recoveries	-	-	-	-	0.02
Net gains (losses) on sales and impairments of businesses	0.02	(0.18)	-	0.62	(2.80)
Forestland sales	-	6.07	0.01	0.01	6.01
Impairment of goodwill	-	(1.68)		-	(1.54)
Interest income	-	-	-	-	0.01
Income tax adjustments	0.12	-	(0.01)	0.11	(0.01)
Earnings Per Common Share from Continuing Operations	0.80	4.53	0.52	2.81	2.65
Discontinued operations	(0.02)	(0.15)	(0.01)	(0.11)	(0.47)
Diluted Earnings per Common Share	$ 0.78	$ 4.38	$ 0.51	$ 2.70	$ 2.18

Notes:

(1) The Company calculates Earnings Before Special Items by excluding the after-tax effect of items considered by management to be unusual from the earnings 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 provides for a more complete analysis of the results of operations by quarter. Net earnings 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, twelve-month per share amounts may not equal the sum of the respective quarters.

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

Sales by Industry Segment

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,		
	2007	**2006**	**2007**	**2007**	**2006**	
Printing Papers (2)	$ 1,720	$ 1,475	$ 1,660	$ 6,530	$ 6,700	(5)
Industrial Packaging	1,390	1,265	1,305	5,245	4,925	
Consumer Packaging (2)	780	735	775	3,015	2,685	
Distribution	2,045	1,715	1,880	7,320	6,785	
Forest Products	190	190	120	485	765	
Other Businesses (3)	-	225	-	135	935	
Corporate and Inter-segment Sales	(284)	(281)	(199)	(840)	(800)	
Net Sales	$ 5,841	$ 5,324	$ 5,541	$ 21,890	$ 21,995	

Operating Profit by Industry Segment

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,		
	2007	**2006 (1)**	**2007**	**2007**	**2006 (1)**	
Printing Papers (2)	$ 314	$ 63	(6) $ 307	$ 1,101	$ 636	(5,6)
Industrial Packaging	144	130	115	501	399	(7)
Consumer Packaging (2)	40	27	49	198	172	
Distribution	39	31	40	146	128	
Forest Products	174	162	99	471	678	
Other Businesses (3)	-	12	-	6	61	
Operating Profit	711	425	610	2,423	2,074	
Interest expense, net	(79)	(80)	(77)	(297)	(521)	
Minority interest (4)	4	3	4	19	8	
Corporate items, net	(201)	(166)	(188)	(732)	(746)	
Restructuring and other charges	(9)	(111)	(42)	(95)	(300)	
Insurance recoveries	-	-	-	-	19	
Forestland sales	-	4,422	9	9	4,788	
Impairments of goodwill	-	(759)	-	-	(759)	
Net gains (losses) on sales and impairments of businesses	13	(21)	(1)	327	(1,381)	
Reserve adjustments	-	5	-	-	6	
Earnings From Continuing Operations Before Income Taxes and Minority Interest	$ 439	$ 3,718	$ 315	$ 1,654	$ 3,188	

(1) Prior-year 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 Arizona Chemical, European Distribution and certain smaller businesses.

(4) 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.

(5) Includes $920 million of sales and $75 million of operating profits for the 12 months ended December 31, 2006, from the coated and supercalendered paper business sold in 2006.

(6) Includes a fourth-quarter charge of $128 million before taxes to write down the assets of the Saillat mill in France to its estimated fair value.

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

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

	Three Months Ended December 31,		Three Months Ended September 30,	Twelve Months Ended December 31,	
	2007	**2006**	**2007**	**2007**	**2006**
Printing Papers (In thousands of short tons)					
U.S. Uncoated Papers	917	954	940	3,788	3,973
European & Russian Uncoated Papers	367	383	351	1,448	1,455
Brazilian Uncoated Papers	227	124	225	794	477
Asian Uncoated Papers	6	6	6	24	18
Uncoated Papers	1,517	1,467	1,522	6,054	5,923
Coated Papers	-	-	-	-	1,168
Market Pulp (3)	382	268	348	1,402	1,124
Packaging (In thousands of short tons)					
Container of the Americas	895	895	896	3,578	3,628
European Container (Boxes)	294	328	274	1,173	1,267
Other Industrial and Consumer Packaging	187	124	158	641	525
Industrial and Consumer Packaging	1,376	1,347	1,328	5,392	5,420
Containerboard	461	431	466	1,776	1,816
Bleached Packaging Board	509	438 (4)	514	2,010	1,503 (4)
Coated Bristols	100	99	105	408	410
Saturated and Bleached Kraft Papers	63	36	61	240	232

(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 two months of sales for International Paper & Sun Cartonboard Co., Ltd. in which International Paper acquired a 50% interest in the fourth quarter of 2006.

International Paper Company
Consolidated Balance Sheet
Preliminary and Unaudited
(In Millions)

	December 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash and Temporary Investments	$ 905	$ 1,624
Accounts and Notes Receivable, Net	3,152	2,704
Inventories	2,071	1,909
Assets of Businesses Held for Sale	24	1,778
Deferred Income Tax Assets	213	490
Other	167	132
Total Current Assets	6,532	8,637
Plants, Properties and Equipment, Net	10,141	8,993
Forestlands	770	259
Investments	1,276	641
Goodwill	3,650	2,929
Assets Held for Exchange	-	1,324
Deferred Charges and Other Assets	1,587	1,251
Total Assets	$ 23,956	$ 24,034
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes Payable and Current Maturities of Long-Term Debt	$ 267	$ 692
Liabilities of Businesses Held for Sale	4	333
Accounts Payable and Accrued Liabilities	3,368	3,616
Total Current Liabilities	3,639	4,641
Long-Term Debt	6,353	6,531
Deferred Income Taxes	2,919	2,233
Other Liabilities	2,145	2,453
Minority Interest	228	213
Common Shareholders' Equity		
Invested Capital	4,297	4,226
Retained Earnings	4,375	3,737
Total Common Shareholders' Equity	8,672	7,963
Total Liabilities and Common Shareholders' Equity	$ 23,956	$ 24,034

INTERNATIONAL PAPER

CONSOLIDATED STATEMENT OF CASH FLOWS

Preliminary and Unaudited

(In Millions)

	Year Ended December 31,	
	2007	**2006**
Operating Activities		
Net earnings	$ 1,168	$ 1,050
Discontinued operations, net of taxes and minority interest	47	232
Earnings from continuing operations	1,215	1,282
Depreciation, amortization and cost of timber harvested	1,086	1,158
Deferred income tax expense, net	233	1,619
Restructuring and other charges	95	300
Payments related to restructuring and legal reserves	(78)	(79)
Reversal of reserves no longer required. Net	-	(6)
Insurance recoveries	-	(19)
Net (gains) losses on sales and impairments of businesses	(327)	1,496
Gains on sales of forestlands	(9)	(4,788)
Periodic pension expense, net	210	377
Impairment of Goodwill	-	759
Other, net	75	265
Voluntary pension plan contribution	-	(1,000)
Changes in current assets and liabilities		
Accounts and notes receivable	(141)	(39)
Inventories	(82)	(43)
Accounts payable and accrued liabilities	(338)	(202)
Other	(23)	(70)
Cash provided by operations - continuing operations	1,916	1,010
Cash (used for) provided by operations - discontinued operations	(61)	213
Cash Provided by Operations	1,855	1,223
Investment Activities		
Invested in capital projects	(1,292)	(1,073)
Acquisitions, net of cash acquired	(254)	(103)
Proceeds from divestititures	1,675	1,833
Equity investment Ilim	(578)	-
Proceeds from sale of forestlands	-	1,635
Cash deposit for asset exchange	-	(1,137)
Other	30	(48)
Cash (used for) provided by investment activities - continuing operations	(419)	1,107
Cash used for investment activities - discontinued operations	(12)	(73)
Cash (Used for) Provided by Investment Activities	(431)	1,034
Financing Activities		
Repurchases of common stock	(1,224)	(1,433)
Issuance of common stock	128	32
Issuance of debt	85	223
Reduction of debt	(865)	(5,391)
Monetization of Timber Notes	-	4,850
Change in book overdrafts	77	10
Dividends paid	(436)	(485)
Other	-	(131)
Cash used for financing activities - continuing operations	(2,235)	(2,325)
Cash provided by financing activities - discontinued operations	-	21
Cash Used for Financing Activities	(2,235)	(2,304)
Effect of Exchange Rate Changes on Cash	92	30
Change in Cash and Temporary Investments	(719)	(17)
Cash and Temporary Investments		
Beginning of the period	1,624	1,641
End of the period	$ 905	$ 1,624