

INTERNATIONAL PAPER

First Quarter 2008 Review

April 30, 2008



John V. Faraci
Chairman &
Chief Executive Officer



Tim S. Nicholls
Senior Vice President &
Chief Financial Officer

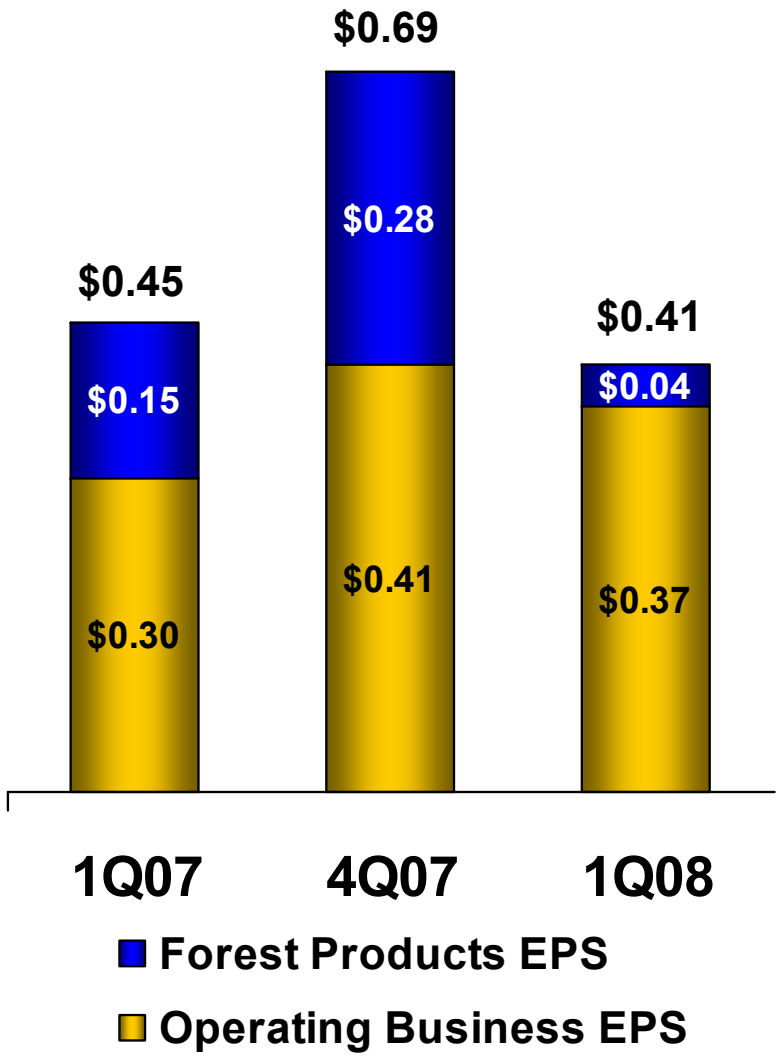
Forward-Looking Statements

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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 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.

First Quarter 2008 Results Summary

- **Volumes**
  - Weakened in North America
  - Held up outside North America
- **Prices**
  - Improved globally
- **Input Costs**
  - Escalated globally
- **Improved free cash flow**
- **Lower Forest Products earnings**
- **Ilim's 4Q07 earnings on track**



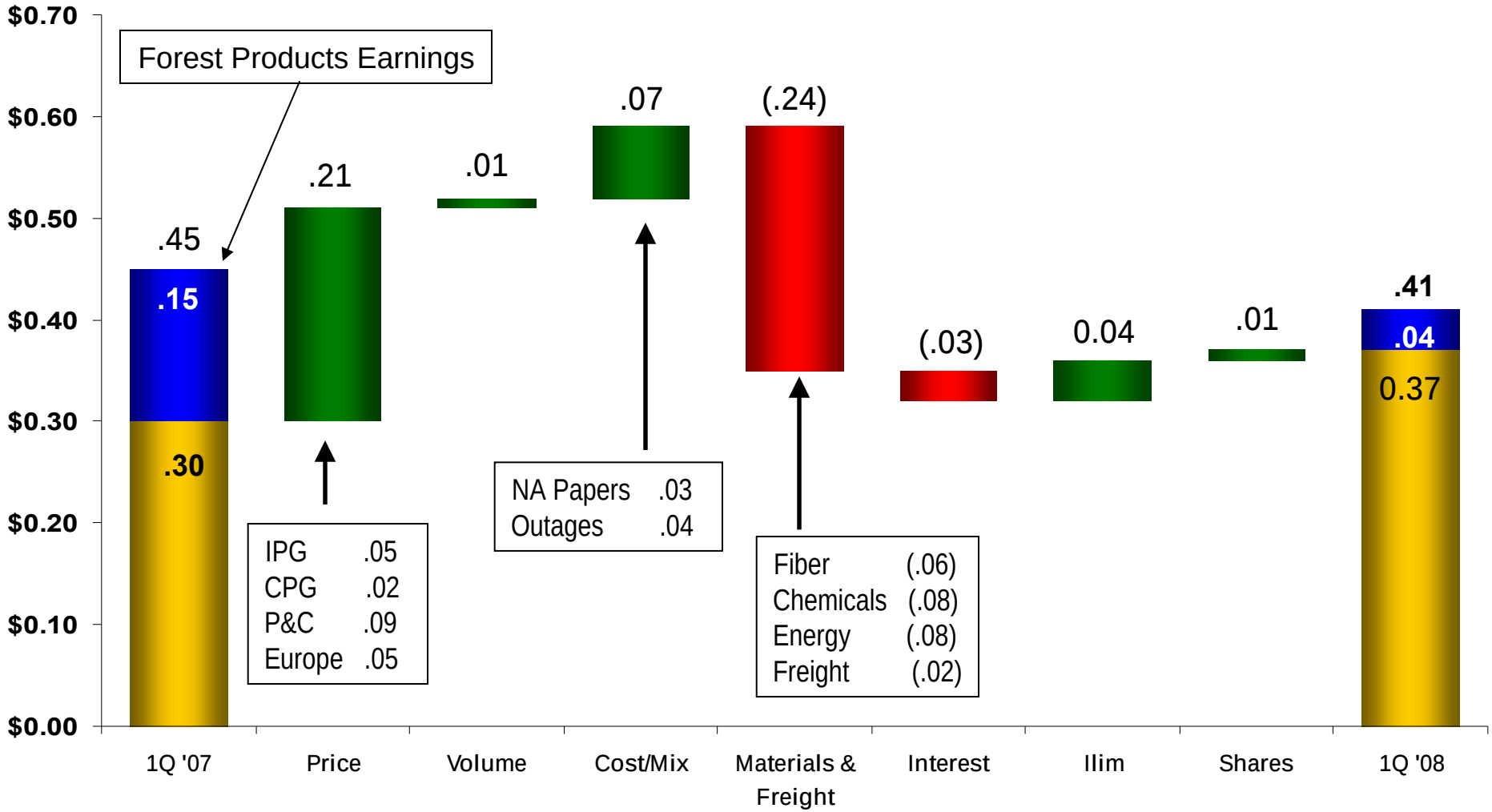
Earnings from continuing operations before special items

1Q08 vs. 1Q07 EPS

Higher Costs, Higher Prices, Lower Forest Products Earnings

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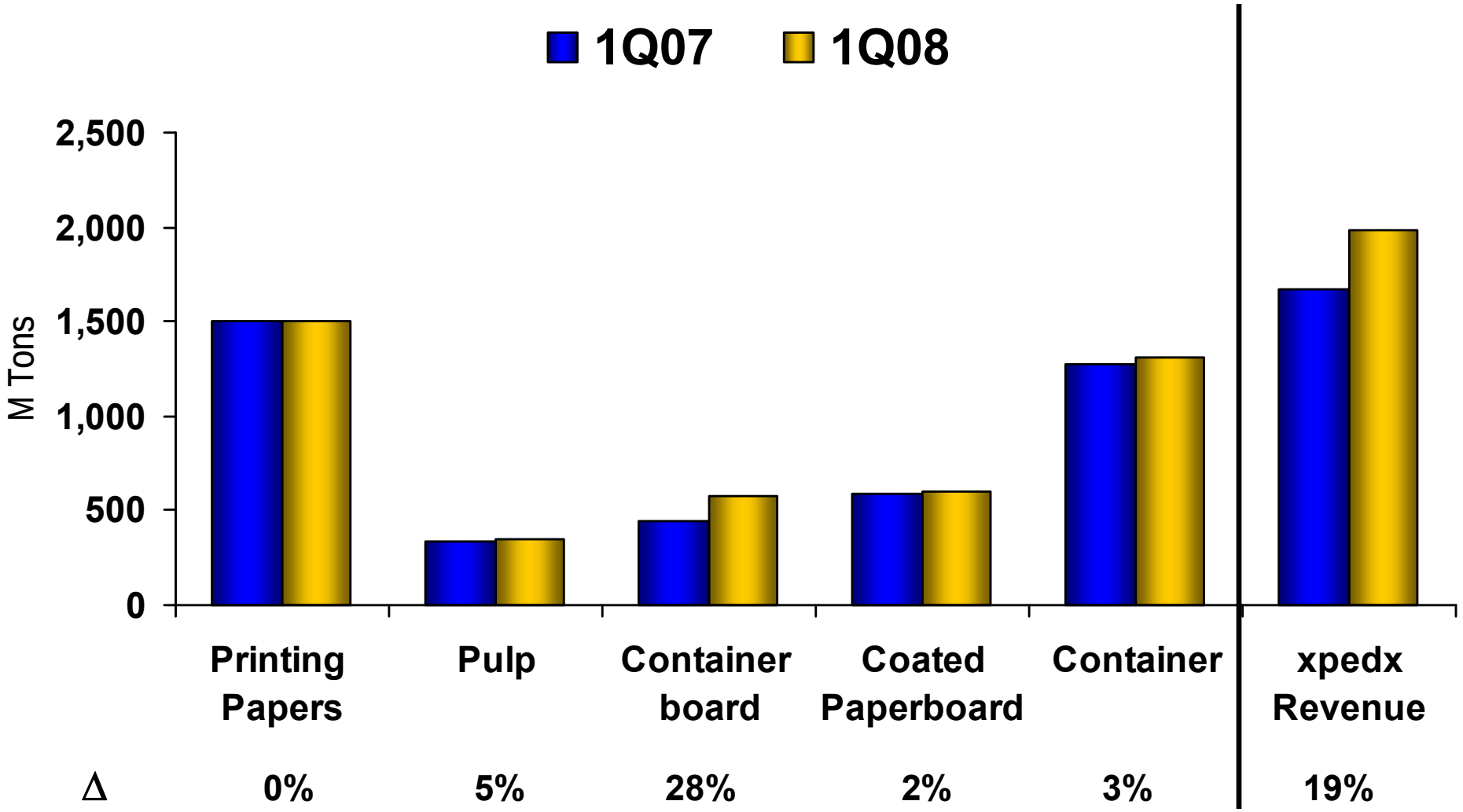
$ / Share



Earnings from continuing operations before special items

Global Sales Volumes
1Q08 vs. 1Q07

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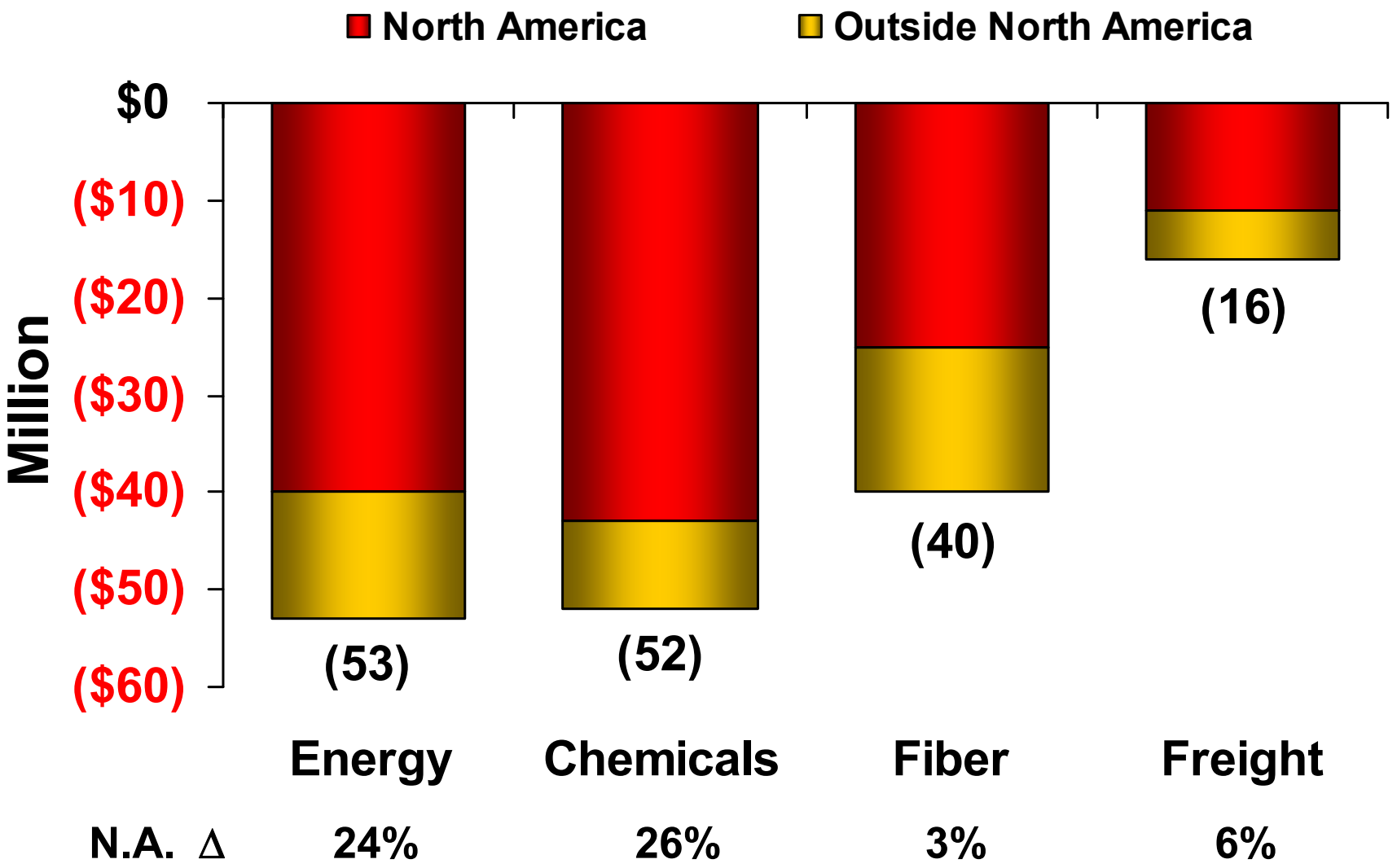


xpedx includes the addition of Central Lewmar revenues

Increasing Global Input & Freight Costs

$161MM, or $0.24/Share *Impact vs. 1Q07*

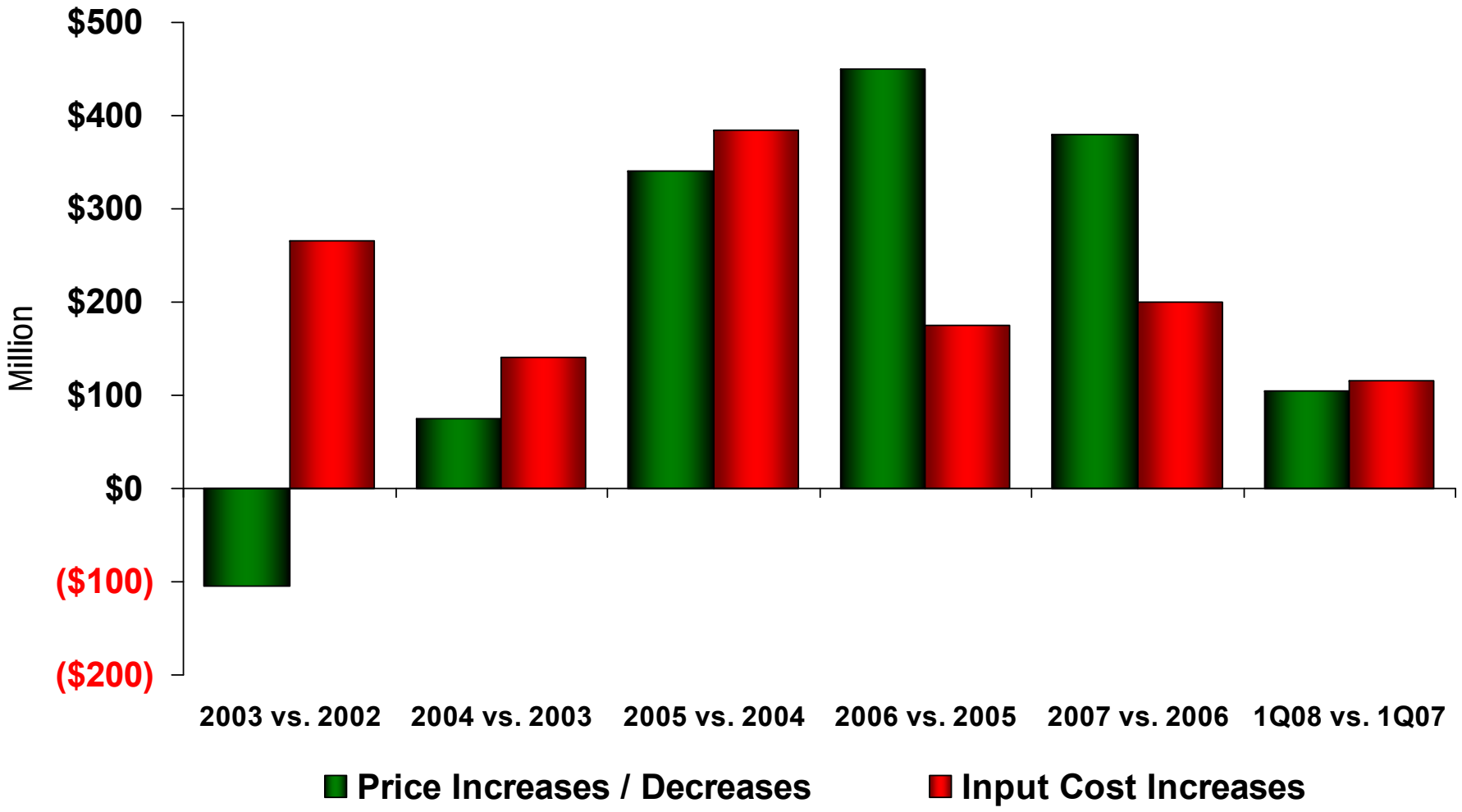
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Input costs for continuing businesses
Percentage change reflects North American input costs

Recovering North American Input Cost Increases

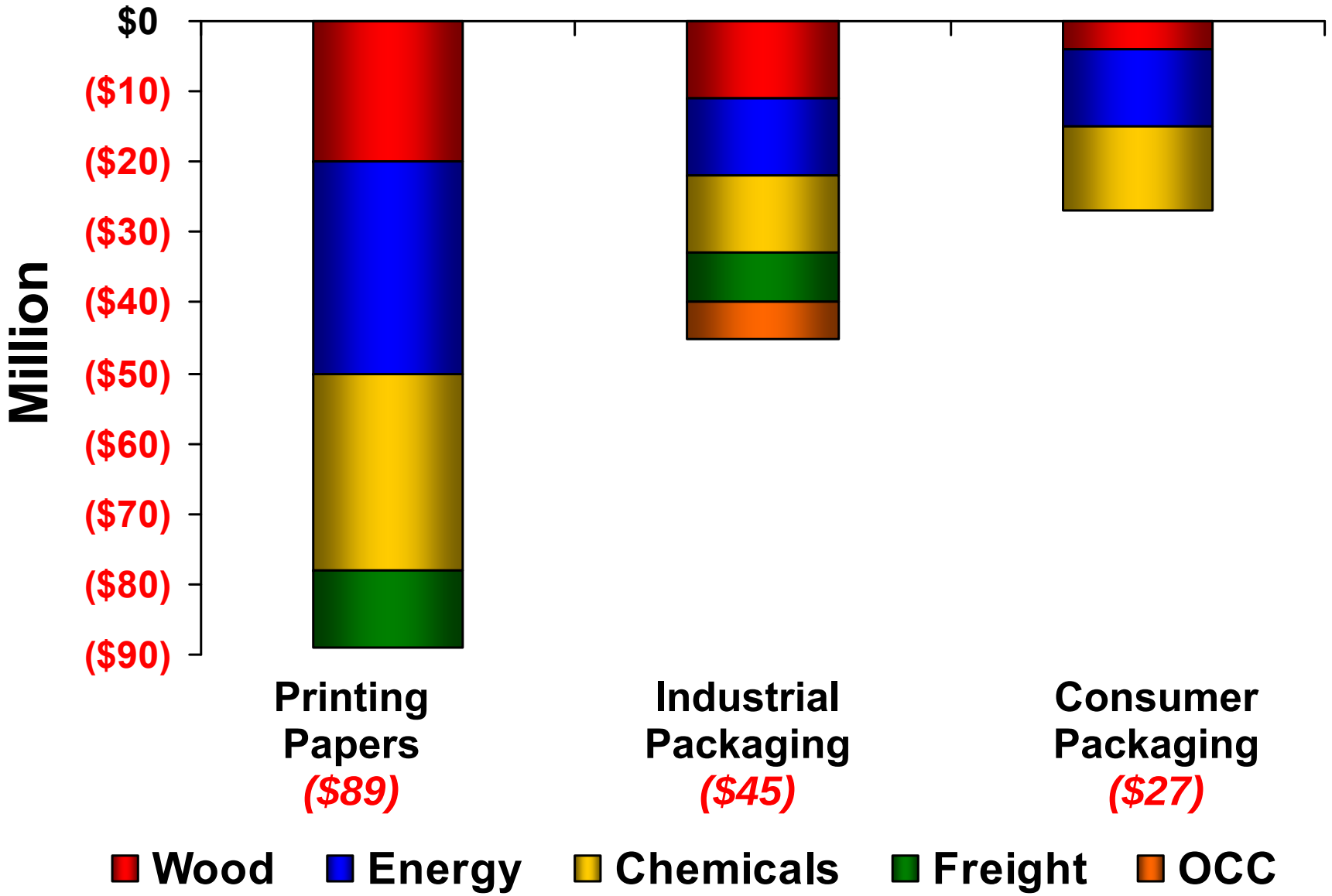
Recovered via Price Increases



Global Input & Freight Costs by Segment

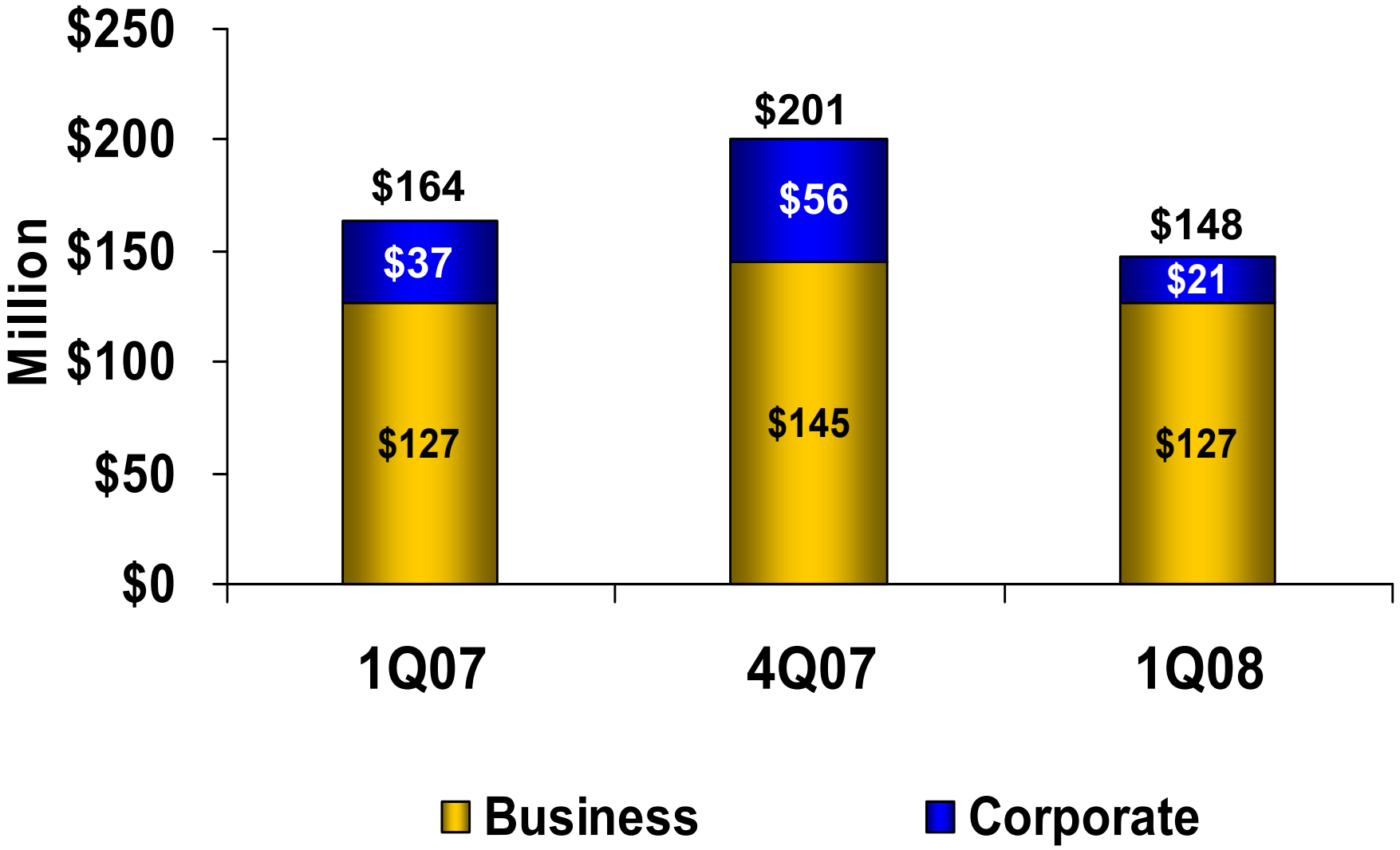
$161 Million Global Impact 1Q08 vs. 1Q07

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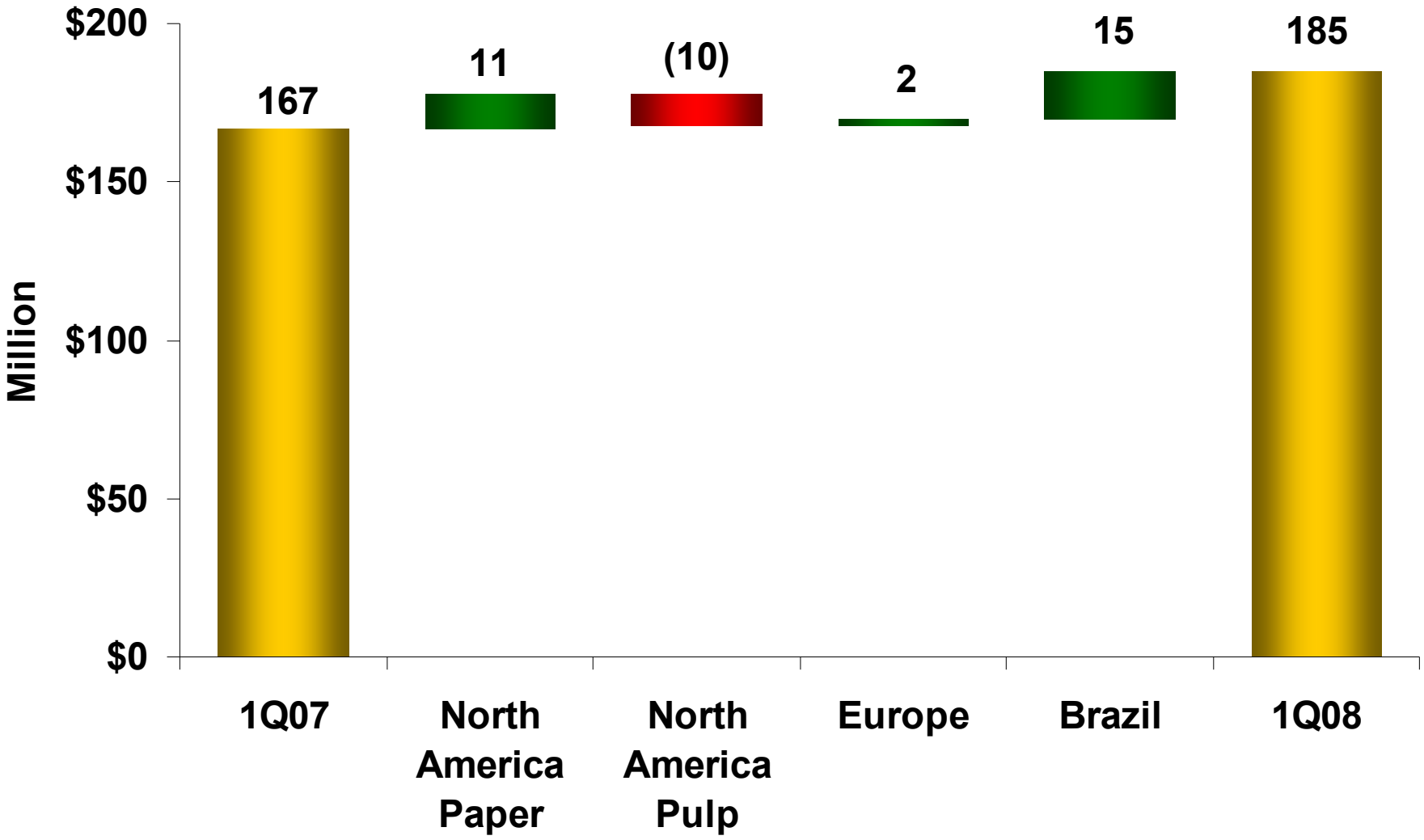


Corporate Items

10% Reduction 1Q07 vs. 1Q08



Printing Papers Earnings
1Q08 vs. 1Q07



Printing Papers

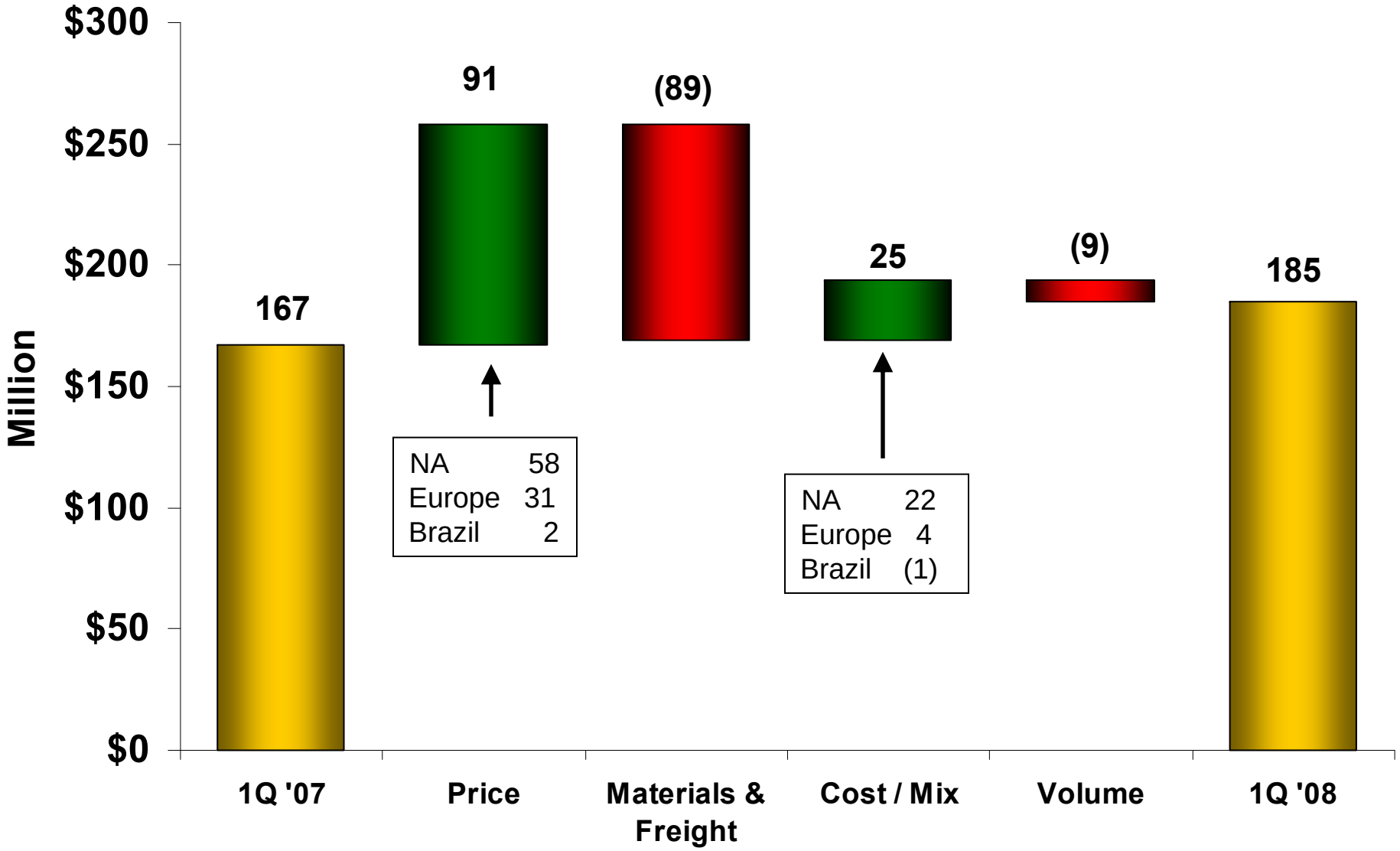
$ Million	1Q07	4Q07	1Q08
Sales	$1,540	$1,720	$1,715
Earnings	$167	$243	$185

	1Q08 vs. 1Q07		1Q08 vs. 4Q07	
Business	Volume	Price/ton	Volume	Price/ton
N.A. Uncoated Papers	(7%)	$62	(1%)	$24
U.S. Pulp	(5%)	$69	(14%)	$26
European Uncoated Papers	(1%)	€44	2%	(€7)
Brazilian Uncoated Papers	46%	$28	(7%)	($20)

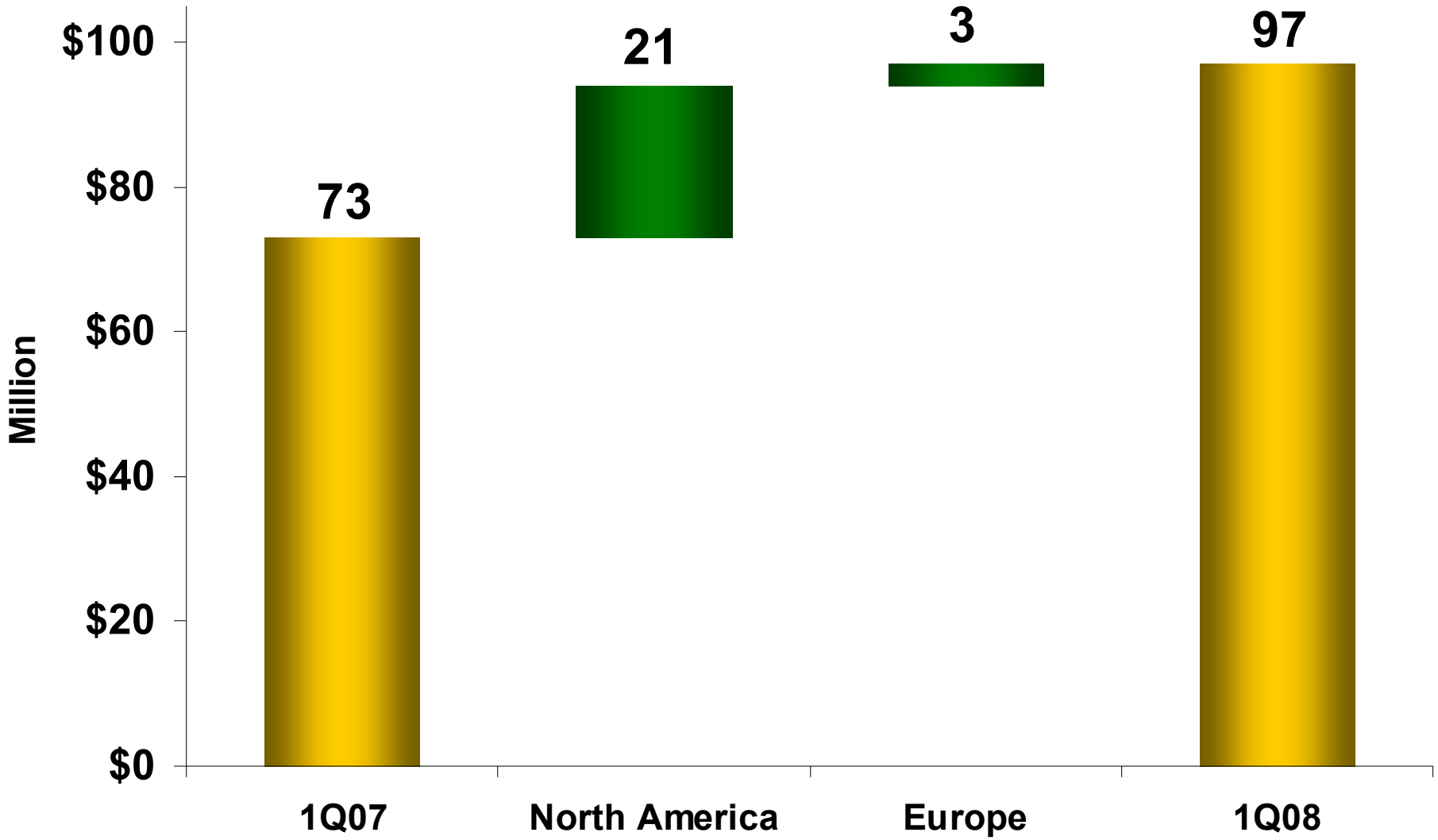
Average IP price realization (includes the impact of mix across all grades)

Printing Papers Earnings
1Q08 vs. 1Q07

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Industrial Packaging Earnings
1Q08 vs. 1Q07



Industrial Packaging

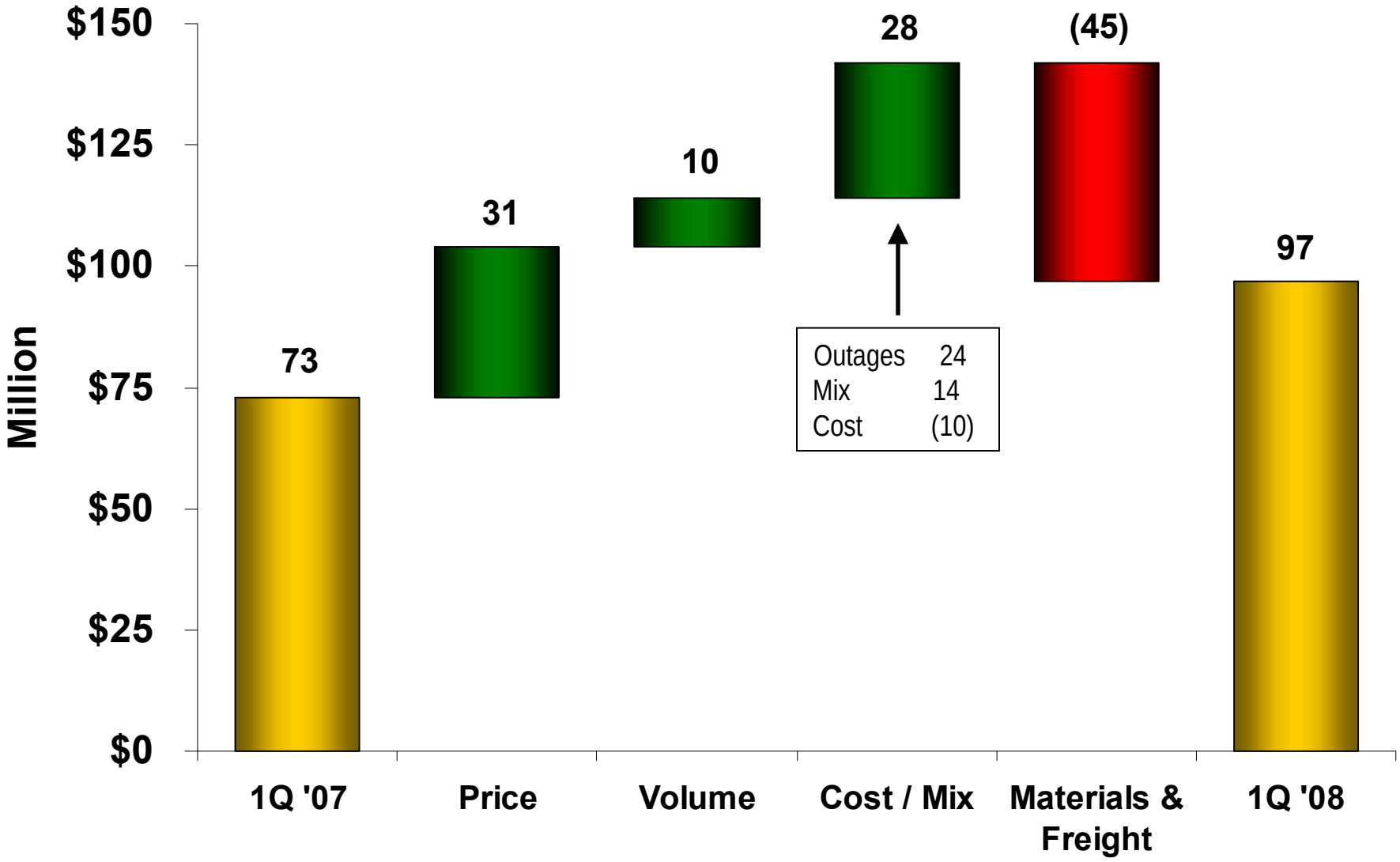
$ Million	1Q07	4Q07	1Q08
Sales	$1,235	$1,390	$1,445
Earnings	$73	$109	$97

	1Q08 vs. 1Q07		1Q08 vs. 4Q07	
Business	Volume	Price / Ton	Volume	Price / Ton
N.A. Containerboard	29%	$43	10%	$19
N.A. Container	Flat	$47	(2%)	$21
European Container	(4%)	€63	1%	€4

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

Industrial Packaging Earnings
1Q08 vs. 1Q07

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Consumer Packaging

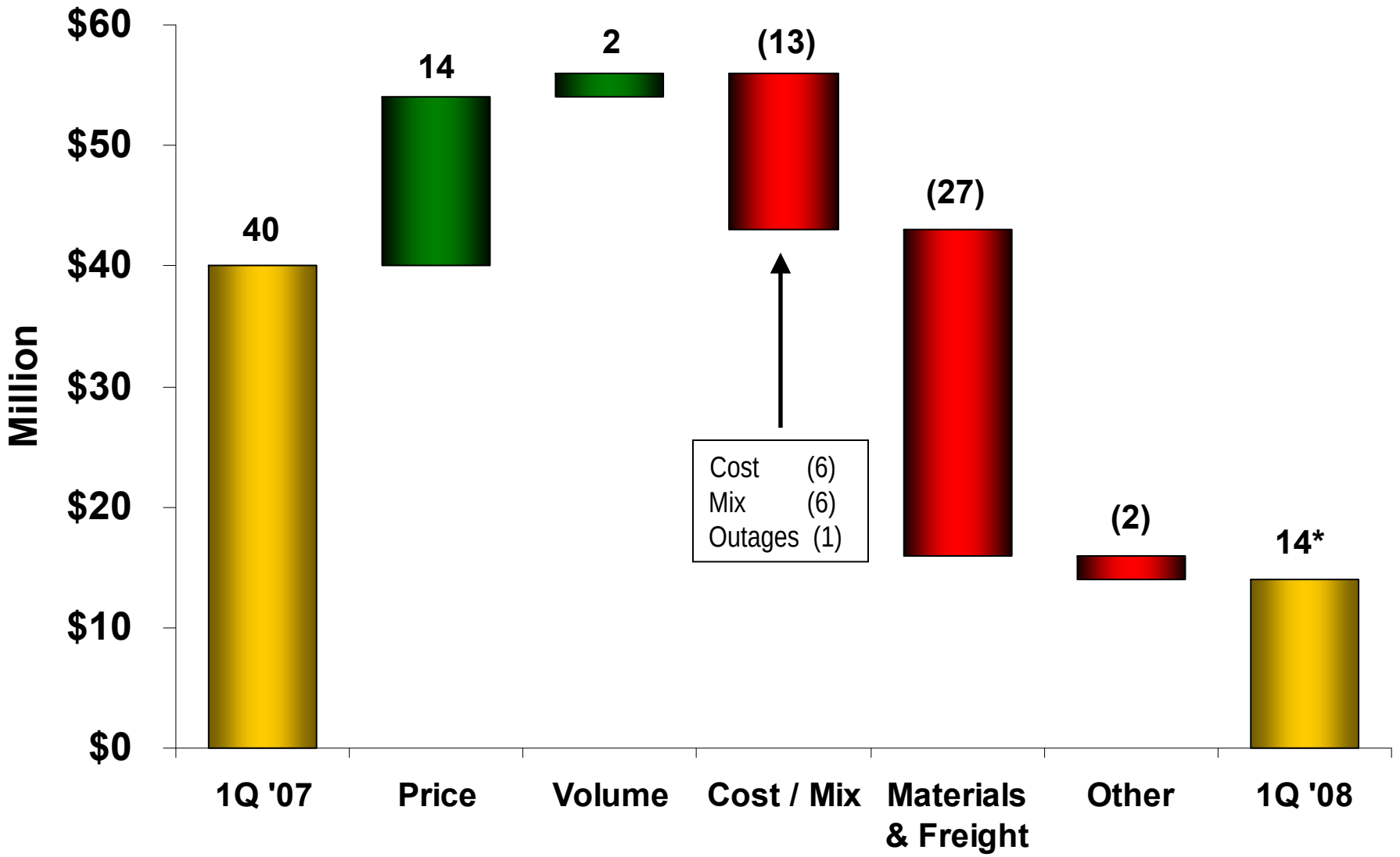
$ Million	1Q07	4Q07	1Q08
Sales	$715	$780	$770
Earnings	$40	$15	$14*

	1Q08 vs. 1Q07		1Q08 vs. 4Q07	
Business	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	4%	$31	1%	$12
Business	**Revenue**	**Price**	**Revenue**	**Price**
Converting Businesses	4%	NA	(7%)	NA

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

*Excludes a special item of ($5) million related to the reorganization of Shorewood's Canadian operations

Consumer Packaging Earnings
1Q08 vs. 1Q07



*Excludes a special item of ($5) million related to the reorganization of Shorewood's Canadian operations

xpedx

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$ Million	1Q07	4Q07	1Q08
Sales	$1,675	$2,045	$1,985
Earnings	$20	$28	$16

- Operating earnings up slightly from 1Q07
  - Including incremental bad debt expenses
  - Including Canadian unit start-up costs
- Earnings decline since 1Q07 due to changes in overhead allocation

Forest Products

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	1Q07	4Q07	1Q08
Sales ($ Million)	$85	$190	$25
Earnings ($ Million)	$97	$171	$25
Acres Sold	30,000	61,000	13,000
Price / Acre	$2,659	$2,750	$1,871

Ilim Joint Venture 4Q07 Results

IP's Share: $17MM or $0.04 EPS

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- **Strong end-use markets in Russia & China**
  - **Solid economic growth**
  - **Growing demand for pulp, paper & packaging**
  - **Increasing pricing**
- **Business performing ahead of plan**
  - **Shipments of 663,000 MT**
  - **Producing at full capacity**
  - **20%+ EBITDA margins**
- **Ilim board of directors has approved $350 million 2008 capital plan**

- IP's share of the earnings includes a ($6) million one-time fair market value adjustment to work-in-process and finished goods inventories
- Ilim EBITDA margin is on a 100% basis before IP adjustments and IP NA margins excludes Forest Products and xpedx

Free Cash Flow Improvement

Free Cash Flow ($ Million)	1Q07	1Q08
Cash Provided by Continuing Operations	$296	$387
Less Capital Investment	($178)	($215)
Free Cash Flow	$118	$172

Weyerhaeuser CBPR Acquisition Update

Creating the Premier Global Supplier

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- **Compelling Valuation** ☑
- **Consistent with Transformation Plan** ☑
- **Good Strategic Fit** ☑
- **Improves Core Business** ☑
- **Well-Maintained, Quality Assets** ☑
- **Significant Synergies** ☑
- **Low Integration Risk** ☑
- **Higher EBITDA Margins and Cash Flow** ☑

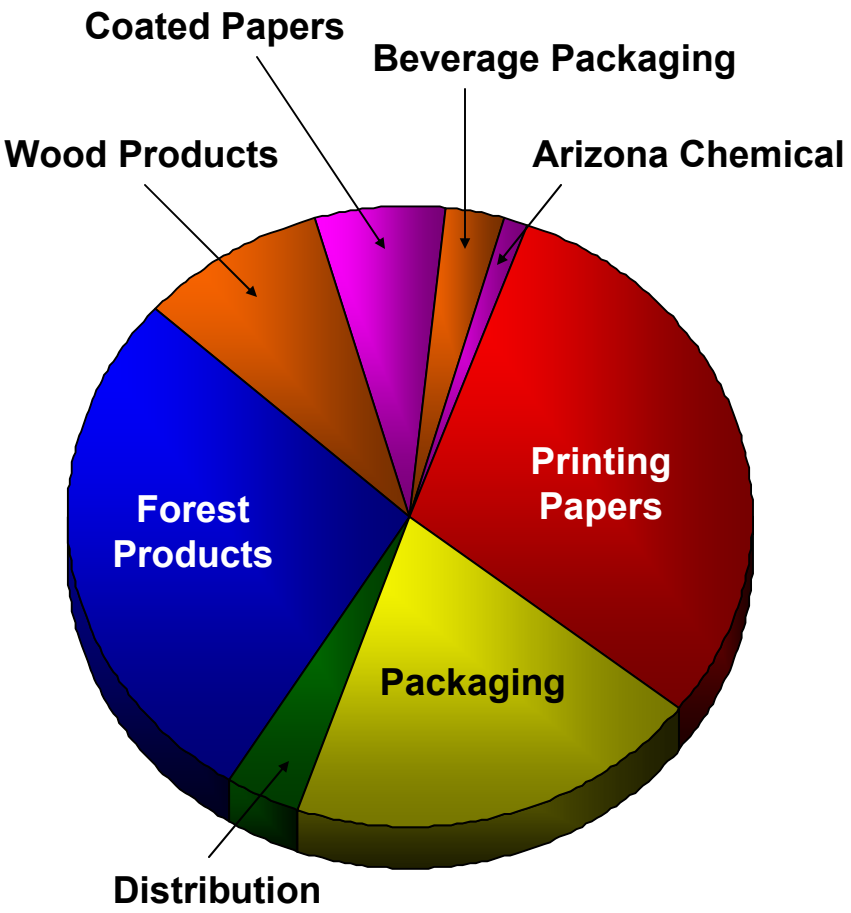
Weyerhaeuser CBPR Acquisition Update

Improving the Quality of our Earnings

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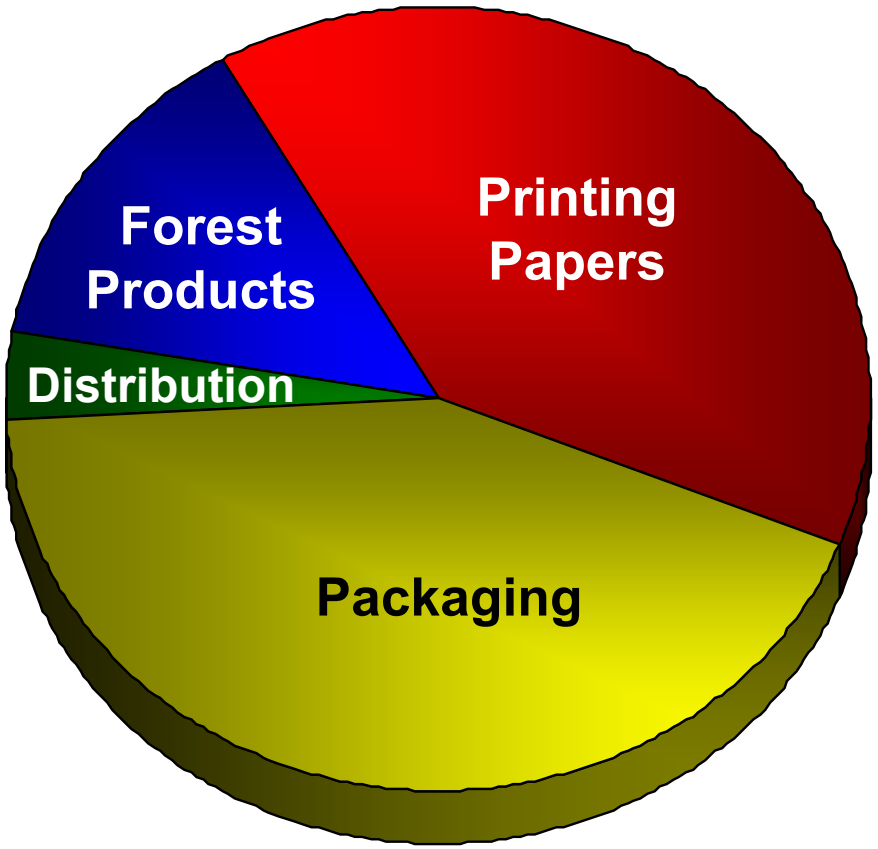
2005

EBITDA - $2.8B



2007 Pro Forma with Weyerhaeuser Assets

EBITDA - $3.9B(1)



(1) Includes $400 million in run rate synergies

EBITDA = Operating profit plus depreciation and amortization less special items

Weyerhaeuser CBPR Acquisition Update

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- Filed for Hart-Scott-Rodino Act approval
- Integration planning in progress
- Preparing for transition services
- Targeting to close during 3Q

2Q08 Outlook
Changes from 1Q08

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		North America	Non-North America
Pricing	Paper	Improving	Improving
	Packaging	Flat	Flat
Volume	Paper	Slight Decrease	Increase
	Packaging	Flat	Slight Increase
Maintenance Outages		Increase	Slight Increase
Operations		Better	Better
Input & Freight Costs		Uncertain	Uncertain

Questions & Answers

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Media Contact

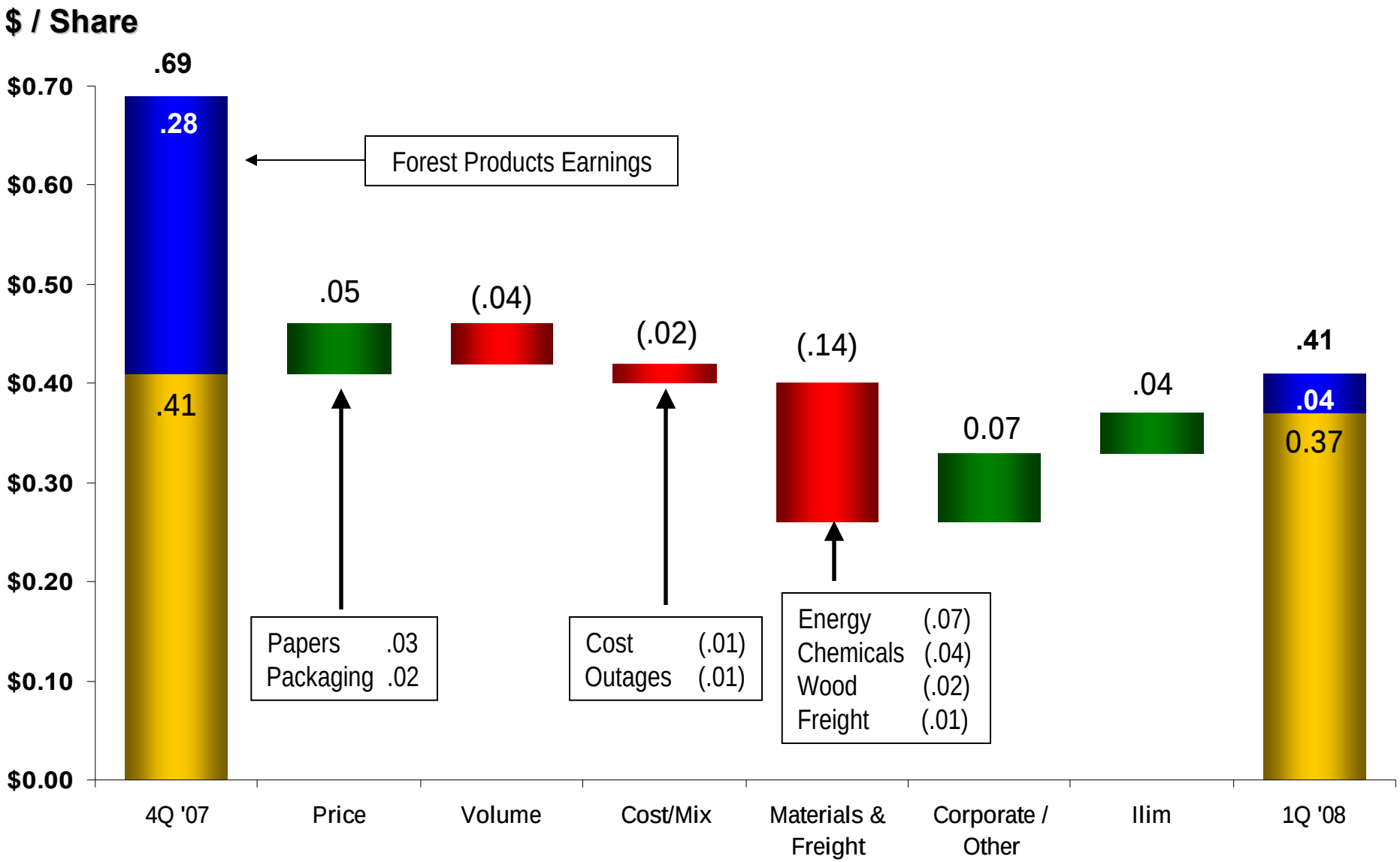
Patty Neuhoff	901-419-4052

Appendix

1Q08 vs. 4Q07 EPS

Lower Forest Products Earnings & Increasing Input Costs

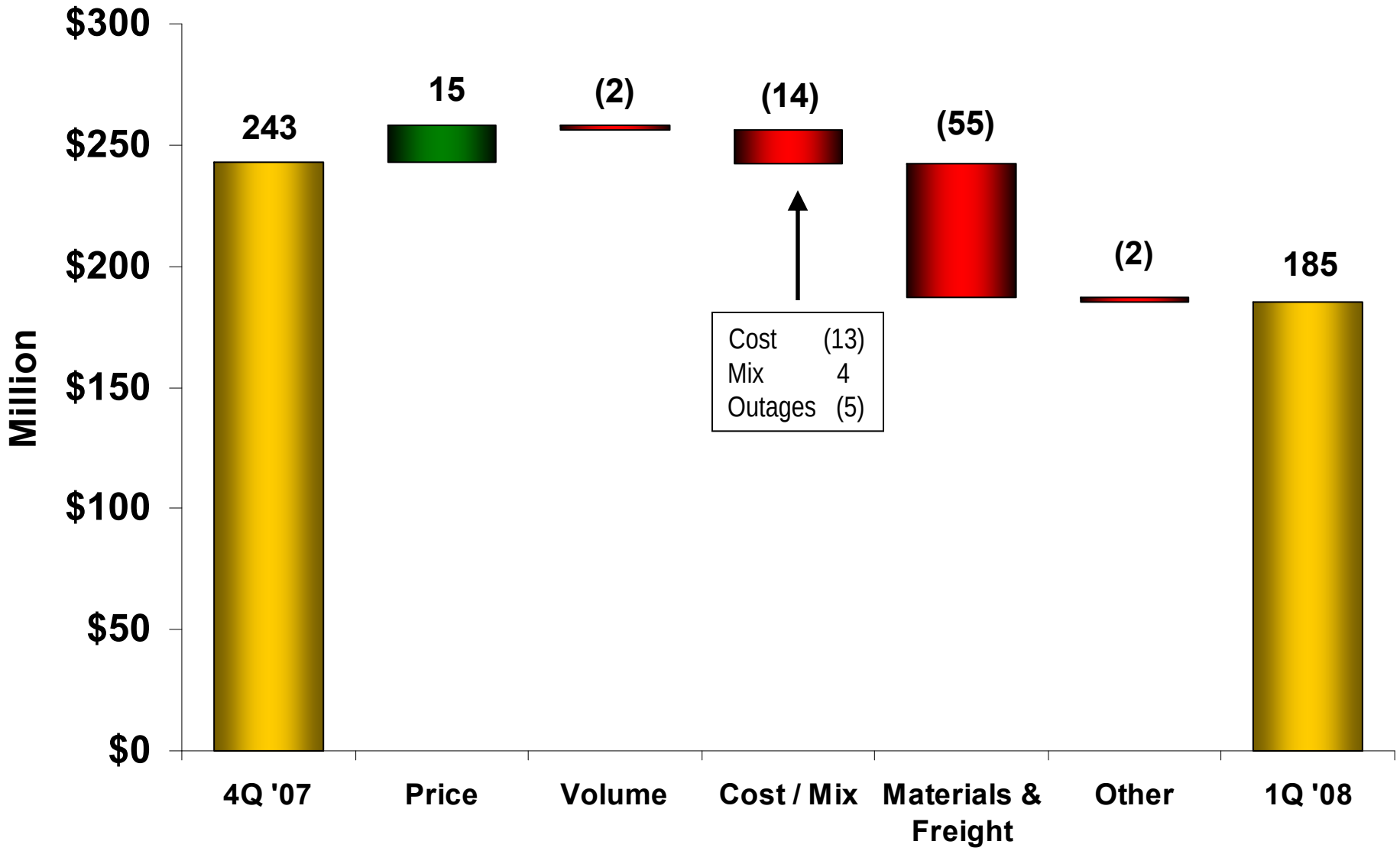
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Earnings from continuing operations before special items

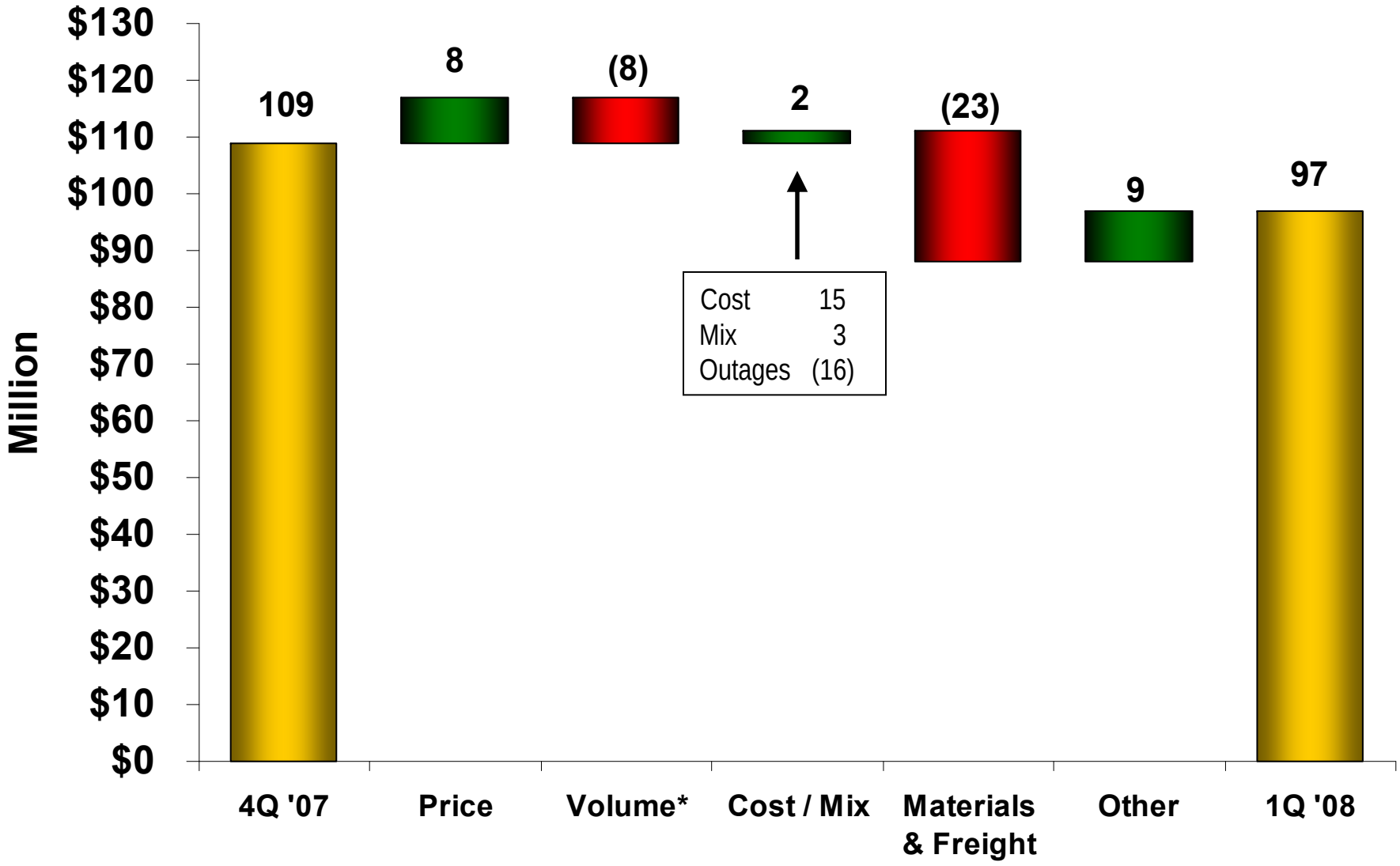
Printing Papers Earnings
1Q08 vs. 4Q07

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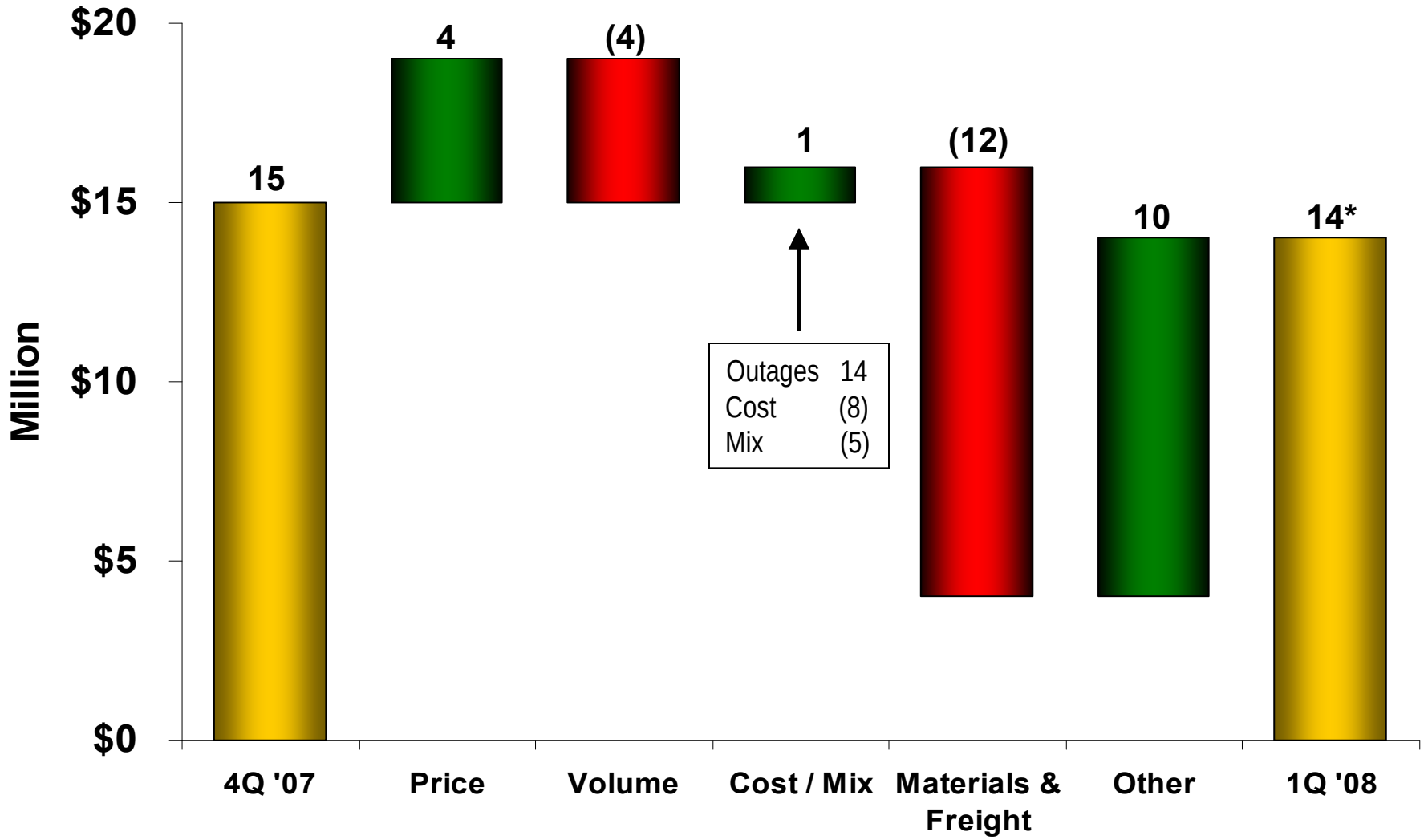
Industrial Packaging Earnings
1Q08 vs. 4Q07

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*Excludes trade volume

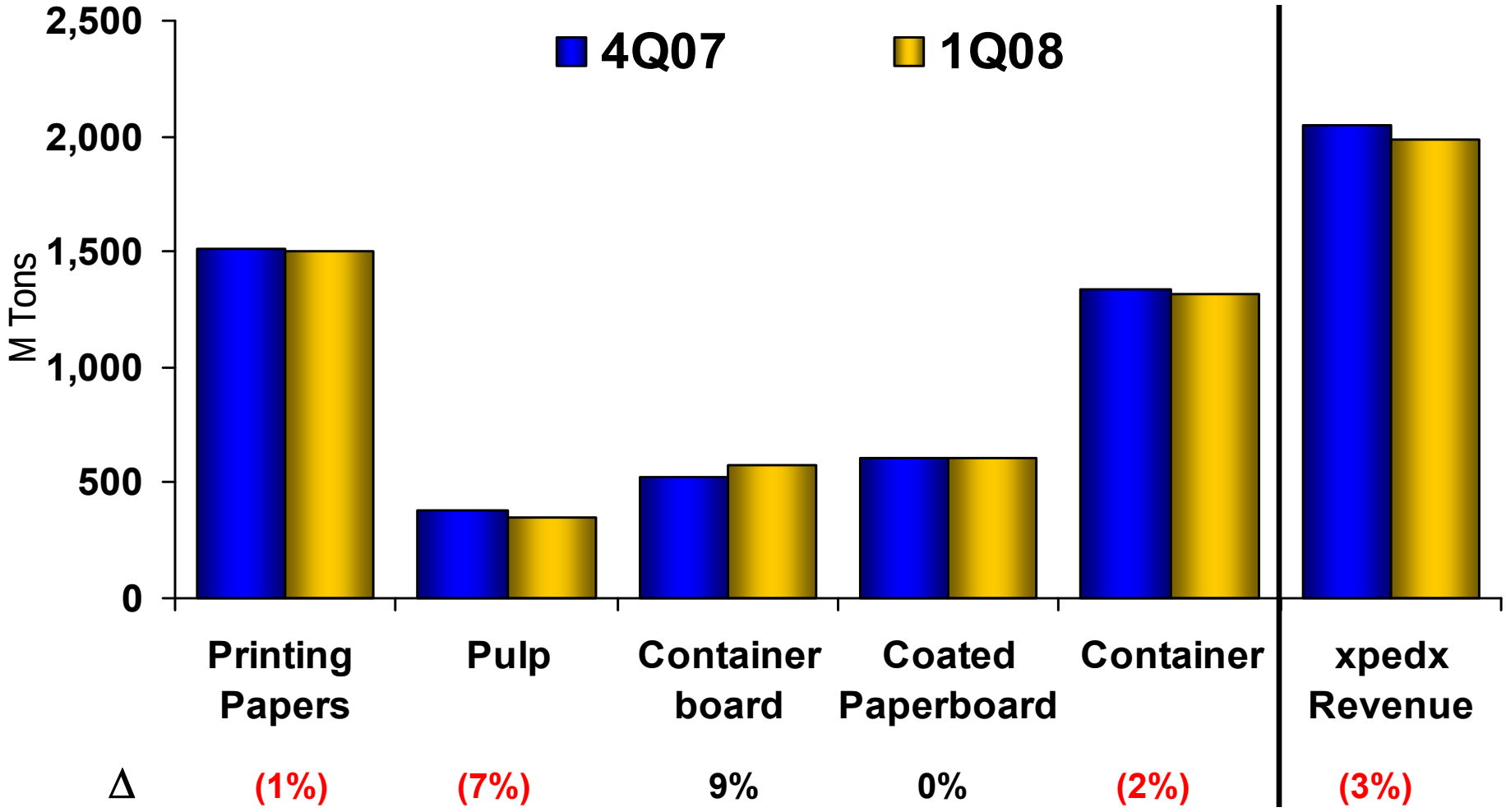
Consumer Packaging Earnings
1Q08 vs. 4Q07



*Excludes a special item of ($5) million related to the reorganization of Shorewood's Canadian operations

Global Sales Volumes
1Q08 vs. 4Q07

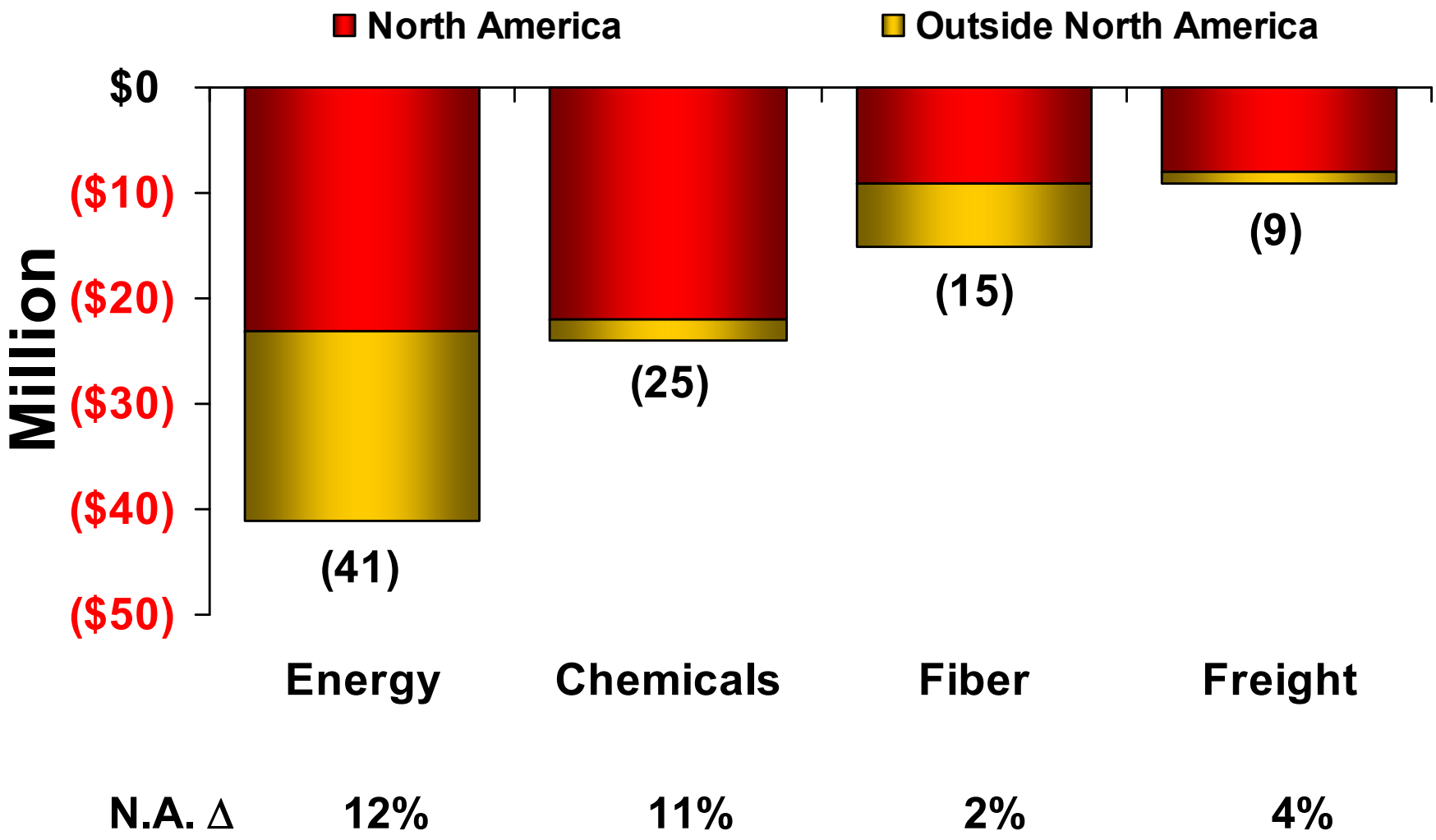
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Containerboard includes the addition of Pensacola linerboard capacity
xpedx includes the addition of Central Lewmar revenues

Increasing Global Input & Freight Costs

$90MM, or $0.14/Share Impact vs. 4Q07

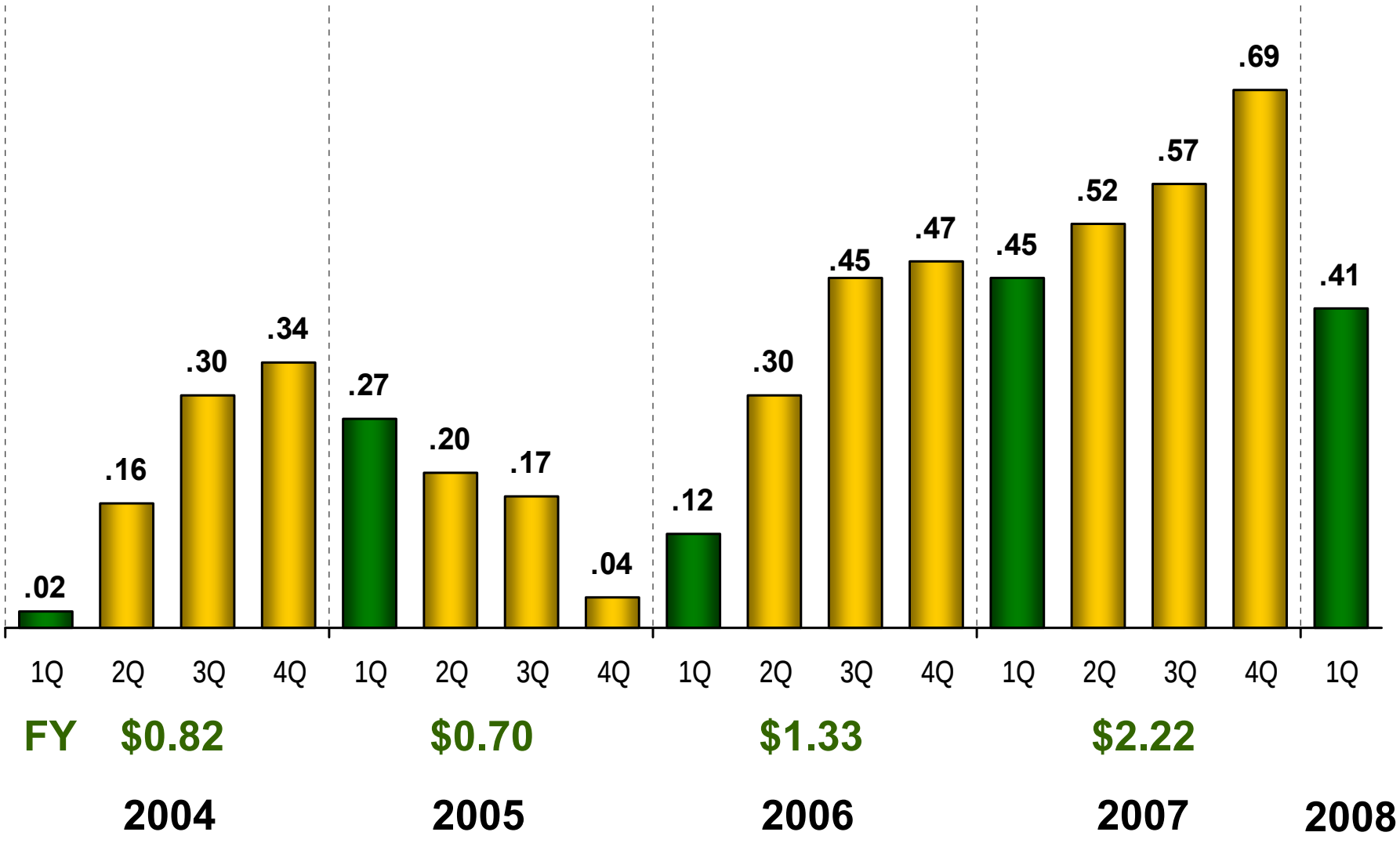


Input costs for continuing businesses

Percentage change reflects North American input costs

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

Special Items & Discontinued Operations

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Diluted Earnings per Share	1Q08
Earnings from Continuing Operations & Before Special Items	$0.41
Special Items	($0.06)
Earnings from Continuing Operations	$0.35
Discontinued Operations	($0.04)
Net Earnings	$0.31

Special Items & Discontinued Operations
1Q08

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Special Items (net of tax & minority interest)	$ Million	Earnings per Share
Legal Reserves	($25)	
Shorewood Canadian Reorganization	($3)	
Restructuring & Corporate	$3	
Total Special Items	($25)	($0.06)
Discontinued Operations (net of tax)	**$ Million**	**Earnings per Share**
Beverage Packaging	($16)	
Wood Products	($1)	
Total Discontinued Operations	($17)	($0.04)

Key Financial Statistics

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	2006[1]	2007[1]	2008 Estimate[3]
Capital Spending ($ Billion)	$1.1	$1.3	$1.1
Depreciation & Amortization ($ Billion)	$1.2	$1.1	$1.1
Net Interest Expense ($ Million)	$521	$297	$340 - $360
Corporate Items ($ Million)	$276	$206	$140 - $160
Effective Tax Rate[2]	29%	30%	32 - 33%

[1] Excludes discontinued operations and Coated Papers
[2] Before special items and excluding Ilim
[3] Not including Weyerhaeuser

Incremental Maintenance Outages

2Q08 Forecast vs. 1Q08 Actual	Δ in Maintenance Outages (Tons)	Impact ($ Million)
Printing Papers	(25,000)	($24)
Industrial Packaging	(55,000)	($26)
Consumer Packaging	(5,000)	($10)
Total Impact	(85,000)	($60)

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

Planned Maintenance Outages

$ Millions	1Q08	2Q08E	3Q08E	4Q08E
Printing Papers	$28	$52	$25	$16
Industrial Packaging	$24	$50	$2	$11
Consumer Packaging	$1	$11	$9	$17
Total Impact	$53	$113	$36	$44

Planned maintenance outages are subject to change

Corporate Items

Revised Allocations for 2006 & 2007

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$ Million	2006	2007	1Q07	2Q07	3Q07	4Q07	1Q08
Printing Papers	$183	$262	$64	$61	$66	$71	$63
Industrial Packaging	$122	$127	$30	$31	$31	$35	$30
Consumer Packaging	$79	$86	$21	$18	$22	$25	$21
Distribution	$31	$38	$9	$8	$10	$11	$11
Forest Products	$47	$13	$3	$4	$3	$3	$2
Other	$8	$0	$0	$0	$0	$0	$0
Unallocated Corporate Items	$276	$206	$37	$57	$56	$56	$21
Total	**$746**	**$732**	**$164**	**$179**	**$188**	**$201**	**$148**

Operating Profits by Industry Segment

from Continuing Operations before Special Items

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$ Million	1Q07	4Q07	1Q08
Printing Papers	$167	$243	$185
Industrial Packaging	$73	$109	$97
Consumer Packaging	$40	$15	$14
Distribution	$20	$28	$16
Forest Products	$97	$171	$25
Other Businesses	$6	$0	$0
Operating Profit	**$403**	**$566**	**$337**
Net Interest Expense	($61)	($79)	($81)
Minority Interest / Equity Earnings Adjustment	$5	$4	$4
Corporate Items	($37)	($56)	($21)
Special Items	$296	$4	($41)
Earnings from continuing operations before income taxes, equity earnings & minority interest	**$606**	**$439**	**$198**
Equity Earnings, net of taxes - Ilim	**$0**	**$0**	**$17**

Geographic Business Segment Operating Results

from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	1Q07	4Q07	1Q08	1Q07	4Q07	1Q08
Printing Papers						
North American	$885	$865	$885	$94	$101	$106
European	$355	$415	$435	$40	$53	$42
Brazilian	$140	$255	$225	$18	$61	$33
U.S. Market Pulp	$155	$180	$165	$15	$27	$4
Asian	$5	$5	$5	$0	$1	$0
Industrial Packaging						
North American	$925	$1,005	$1,050	$57	$90	$79
European	$265	$300	$315	$15	$19	$18
Asian	$45	$85	$80	$1	$0	$0
Consumer Packaging						
North American	$570	$620	$600	$25	$4	$2
European	$70	$75	$75	$14	$7	$9
Asian	$75	$85	$95	$1	$4	$3
Distribution	$1,675	$2,045	$1,985	$20	$28	$16

Excludes Forest Products

2008 Earnings from Continuing Operations

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	Pre-Tax $MM	Tax $MM	Minority Interest $MM	Equity Earnings	Net Income $MM	Estimated Tax Rate	Average Shares[1] MM	Diluted EPS[2]
Before Special Items								
1Q08	$239	($75)	($5)	$16	$175	31.5%	423	$0.41
Special Items								
1Q08	($41)	$16	$0	$0	($25)	39%	423	($0.06)
Earnings from Continuing Operations								
1Q08	$198	($59)	($5)	$16	$150	30%	423	$0.35

[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

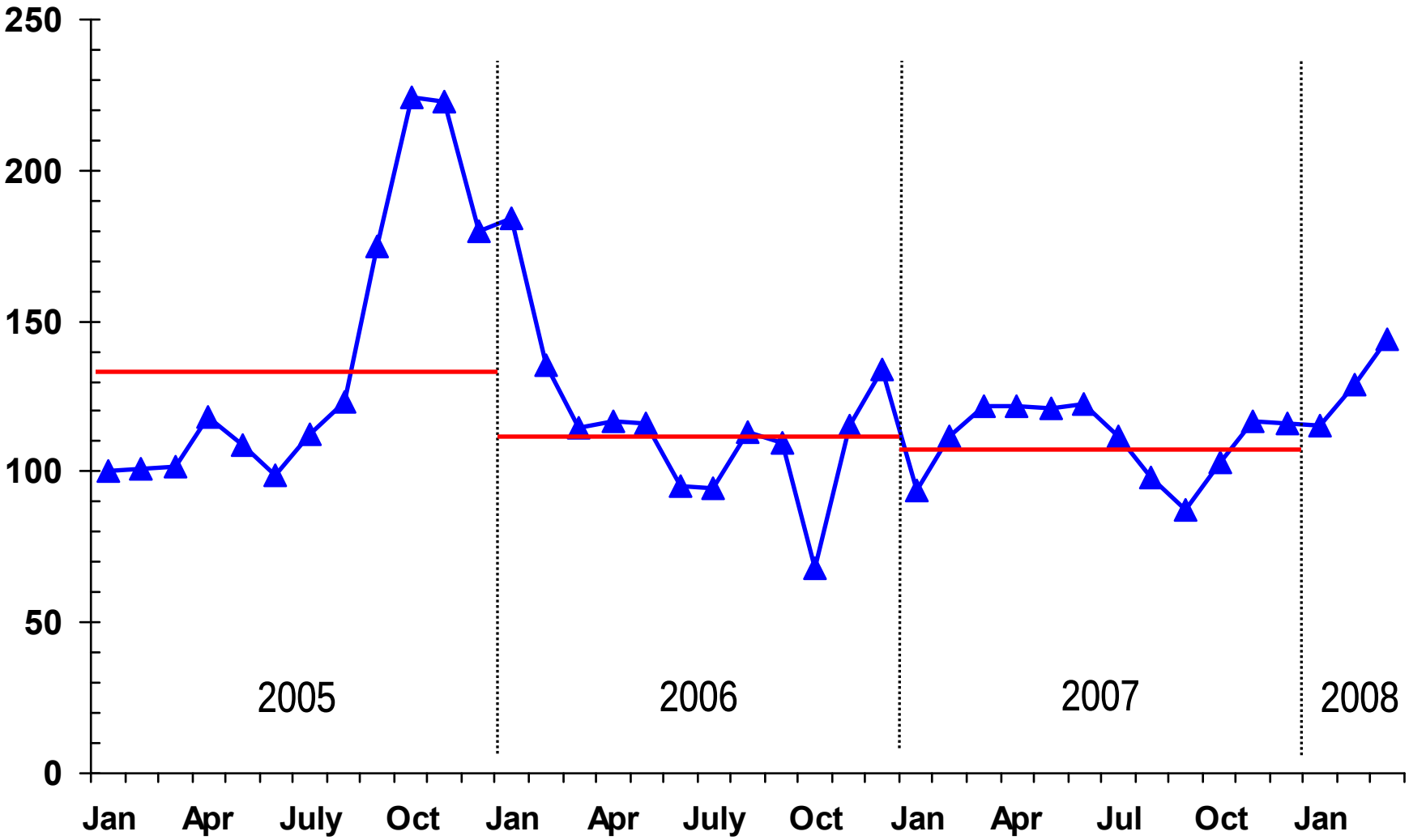
	Average Selling Price Realizations		
Printing Papers ($/ton)	**1Q07**	**4Q07**	**1Q08**
Uncoated Freesheet	$888	$925	$950
Pulp	$577	$621	$646
Industrial Packaging ($/ton)	**1Q07**	**4Q07**	**1Q08**
Containerboard	$511	$536	$554
Corrugated Boxes	$799	$825	$846

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

Natural Gas Costs

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Index: Jan 2005 Natural Gas Costs = 100

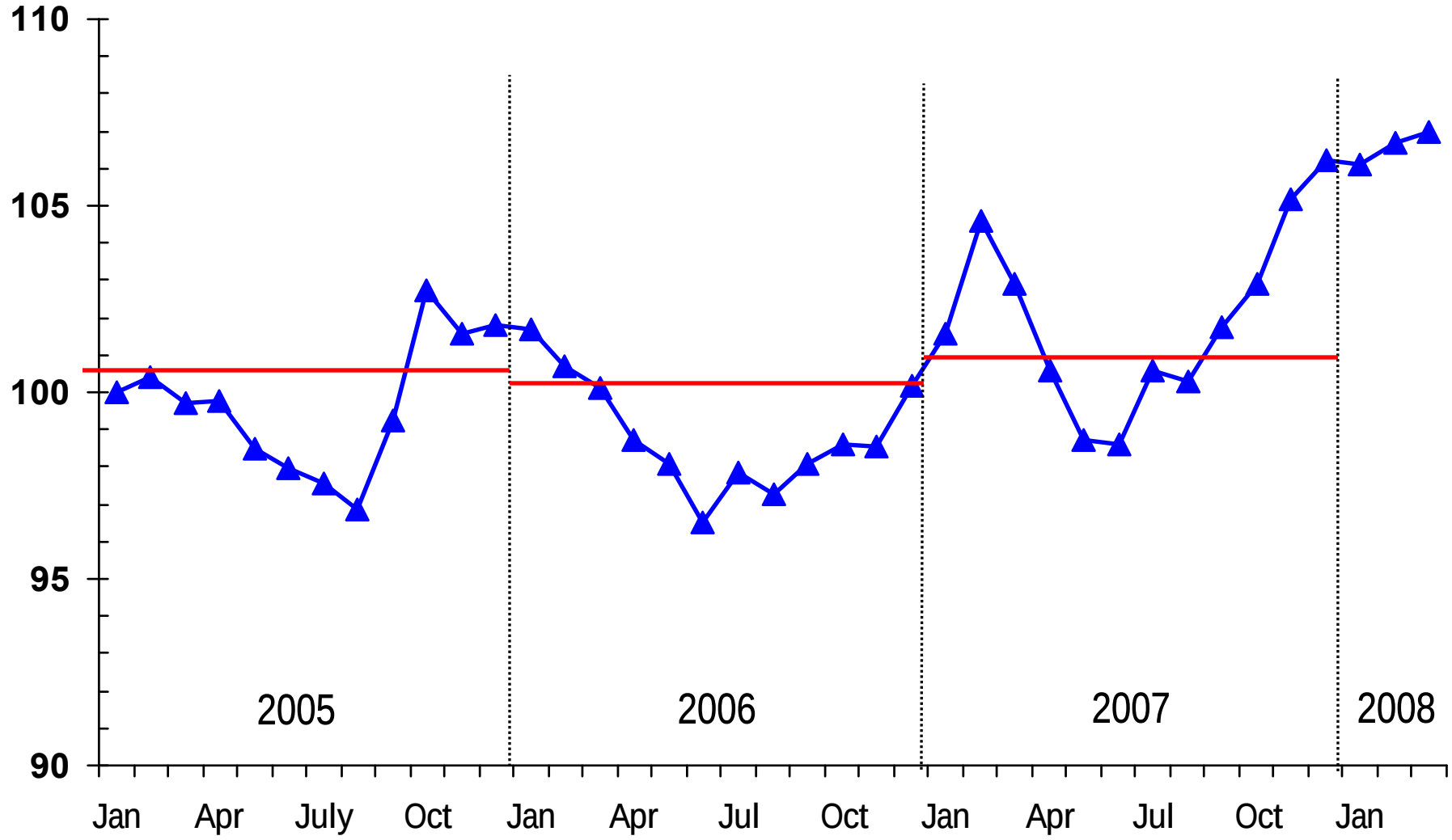


NYMEX Natural Gas closing prices

U.S. Mill Wood Costs

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Index: Jan 2005 Wood Costs = 100

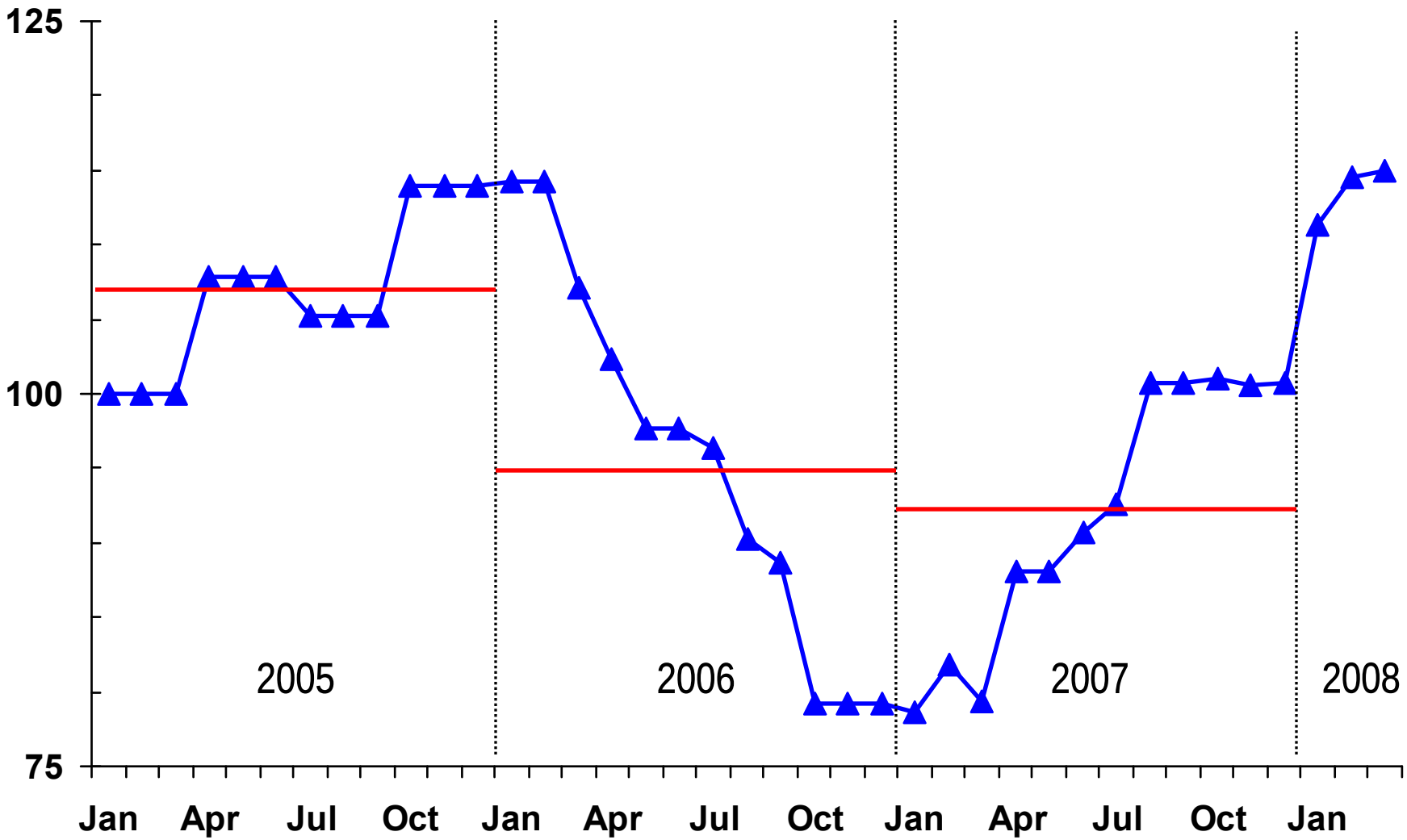


Delivered cost to U.S. facilities

U.S. Caustic Soda Costs

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Index: Jan 2005 Caustic Soda Costs = 100

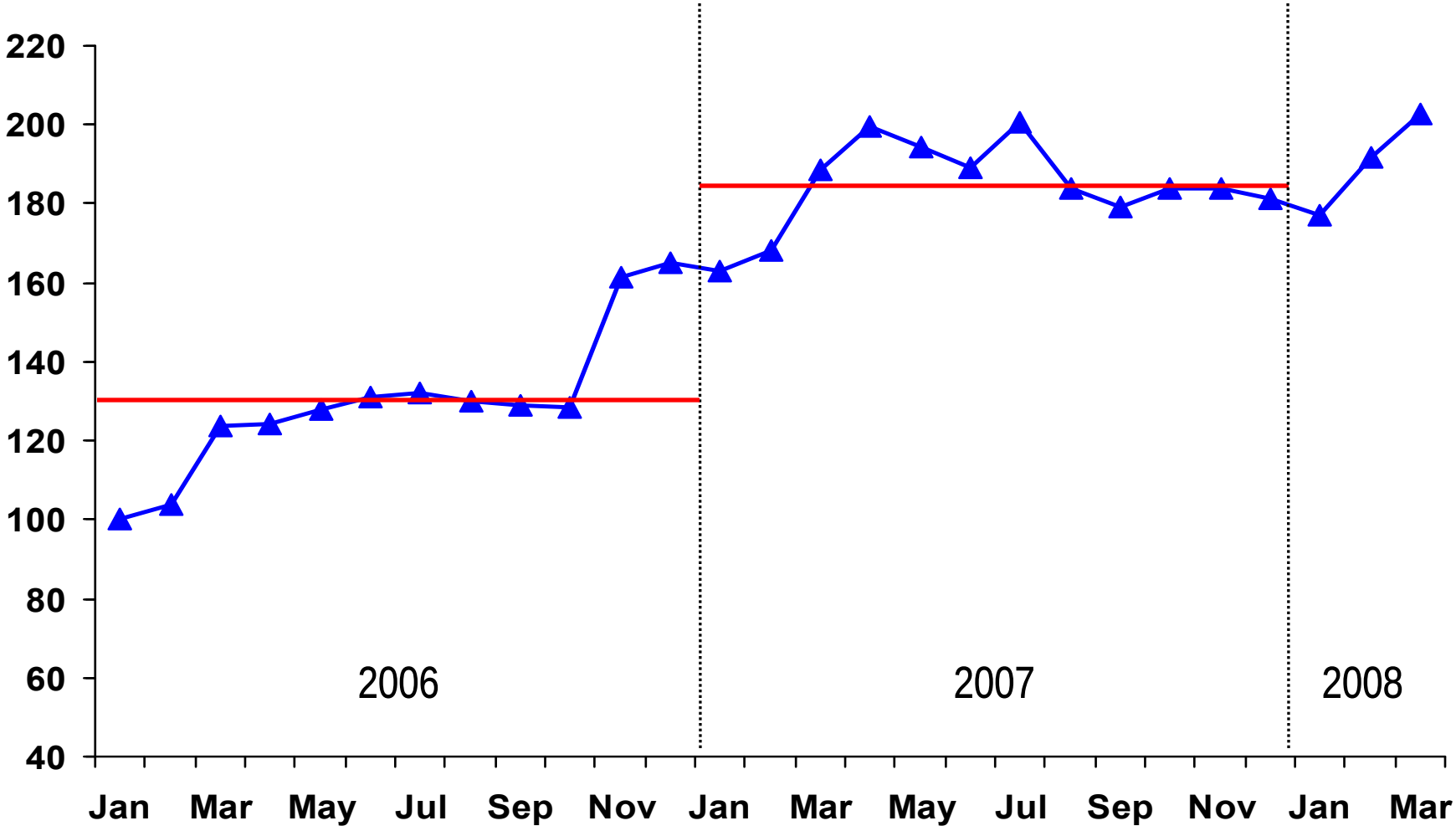


Delivered cost to U.S. facilities

U.S. Corn Starch Costs

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Index: Jan 2006 Corn Starch Costs = 100



Delivered cost to U.S. facilities

Global Consumption

Annual Purchase Estimates for Key Inputs

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	Commodity	U. S.	Non – U. S.
Energy	Natural Gas (MM BTUs)	28,000,000	15,000,000
	#6 Fuel Oil (Barrels)	3,000,000	500,000
	Coal (Tons)	1,300,000	230,000
Fiber	Wood (Tons)	43,000,000	8,200,000
	Old Corrugated Containers (Tons)	600,000	310,000
Chemicals	Caustic Soda (Tons)	300,000	60,000
	Corn Starch (Tons)	350,000	110,000
	Sodium Chlorate (Tons)	240,000	50,000
	LD Polyethylene (Tons)	40,000	-
	Latex (Tons)	24,000	4,000

Includes only continuing businesses; does not include Asian consumption