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

	Three Months Ended March 31,			Three Months Ended December 31,	
	2008		**2007**	**2007**	
Net Sales	**$ 5,668**		$ 5,217	$ 5,841	
Costs and Expenses					
Cost of products sold	**4,261**		3,851	4,242	
Selling and administrative expenses	**472**		435	500	
Depreciation, amortization and cost of timber harvested	**286**		262	278	
Distribution expenses	**285**		256	269	
Taxes other than payroll and income taxes	**44**		42	38	
Restructuring and other charges	**42**	**(a)**	18 (c)	9 (f)	
Net gains on sales and impairments of businesses	**(1)**		(314) (d)	(13) (g)	
Interest expense, net	**81**		61	79	
Earnings From Continuing Operations Before Income Taxes, Equity Earnings and Minority Interest	**198**	**(a)**	606 (c,d)	439 (f,g)	
Income tax provision	**59**		143	94 (h)	
Equity earnings, net of taxes	**16**		-	-	
Minority interest expense, net of taxes	**5**		6	7	
Earnings From Continuing Operations	**150**	**(a)**	457 (c,d)	338 (f-h)	
Discontinued Operations, net of taxes and minority interest	**(17)**	**(b)**	(23) (e)	(11) (i)	
Net Earnings	**$ 133**	**(a,b)**	$ 434 (c-e)	$ 327 (f-i)	
Basic Earnings Per Common Share					
Earnings from continuing operations	**$ 0.36**	**(a)**	$ 1.03 (c,d)	$ 0.80 (f-h)	
Discontinued operations	**(0.04)**	**(b)**	(0.05) (e)	(0.02) (i)	
Net earnings	**$ 0.32**	**(a,b)**	$ 0.98 (c-e)	$ 0.78 (f-i)	
Diluted Earnings Per Common Share					
Earnings from continuing operations	**$ 0.35**	**(a)**	$ 1.02 (c,d)	$ 0.80 (f-h)	
Discontinued operations	**(0.04)**	**(b)**	(0.05) (e)	(0.02) (i)	
Net earnings	**$ 0.31**	**(a,b)**	$ 0.97 (c-e)	$ 0.78 (f-i)	
Average Shares of Common Stock Outstanding - Diluted	**423.3**		448.4	423.8	
Cash Dividends Per Common Share	**$ 0.25**		$ 0.25	$ 0.25	

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

(a) Includes a $40 million pre-tax charge ($25 million after taxes) for adjustments to legal reserves, a pre-tax charge of $5 million ($3 million after taxes) for costs associated with the reorganization of the Company's Shorewood operations in Canada, and a pre-tax gain of $3 million ($2 million after taxes) for adjustments to previously recorded reserves associated with the Company's Transformation Pl

(b) Includes a pre-tax charge of $25 million ($16 million after taxes) for the settlement of a post-closing adjustment on the sale of the beverage packaging business and the operating results of certain wood products facilities during the quarter.

(c) Includes an $18 million pre-tax charge ($11 million after taxes) for severance and other charges associated with the Company's Transformation Plan.

(d) Includes a pre-tax gain of $103 million ($96 million after taxes) on the sale of the Arizona Chemical business, a pre-tax gain of $205 million ($164 million after taxes) related to the asset exchange for the Luiz Antonio mill in Brazil, and a $6 million pre-tax credit ($4 million after taxes) for adjustments to the loss on the sale of the coated and supercalendered papers business.

(e) Includes a pre-tax gain of $21 million ($9 million after taxes) relating to the sale of the wood products business, a pre-tax loss of $15 million ($39 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 operating results of the beverage packaging and wood products businesses.

(f) 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.

(g) 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.

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

(i) 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.

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

	Three Months Ended March 31,		
	2008	**2007**	**2007**
Earnings Before Special Items	$ 175	$ 203	$ 294
Restructuring and other charges	(26)	(11)	(6)
Net gains on sales and impairments of businesses	1	264	9
Interest Income	-	1	-
Income tax adjustments	-	-	41
Earnings Per Common Share from Continuing Operations	150	457	338
Discontinued operations	(17)	(23)	(11)
Net Earnings as Reported	$ 133	$ 434	$ 327

Diluted Earnings per Common Share	Three Months Ended March 31,		
	2008	**2007**	**2007**
Earnings Per Share Before Special Items	$ 0.41	$ 0.45	$ 0.69
Restructuring and other charges	(0.06)	(0.02)	(0.03)
Net gains on sales and impairments of businesses	-	0.59	0.02
Income tax adjustments	-	-	0.12
Earnings Per Common Share from Continuing Operations	0.35	1.02	0.80
Discontinued operations	(0.04)	(0.05)	(0.02)
Diluted Earnings per Common Share	$ 0.31	$ 0.97	$ 0.78

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.

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

Sales by Industry Segment

	Three Months Ended March 31,		Three Months Ended December 31,
	2008	**2007**	**2007**
Printing Papers	$ 1,715	$ 1,540	$ 1,720
Industrial Packaging	1,445	1,235	1,390
Consumer Packaging	770	715	780
Distribution	1,985	1,675	2,045
Forest Products	25	85	190
Other Businesses (4)	-	135	-
Corporate and Inter-segment Sales	(272)	(168)	(284)
Net Sales	$ 5,668	$ 5,217	$ 5,841

Operating Profit by Industry Segment

	Three Months Ended March 31,		Three Months Ended December 31,
	2008	**2007 (2)**	**2007 (2)**
Printing Papers	$ 185	$ 167	$ 243
Industrial Packaging	97	73	109
Consumer Packaging	9 (3)	40	15
Distribution	16	20	28
Forest Products	25	97	171
Other Businesses (4)	-	6	-
Operating Profit (1)	332	403	566
Interest expense, net	(81)	(61)	(79)
Minority interest / equity earnings adjustment (5)	4	5	4
Corporate items, net	(21)	(37)	(56)
Restructuring and other charges	(37)	(18)	(9)
Net gains on sales and impairments of businesses	1	314	13
Earnings From Continuing Operations Before Income Taxes, Equity Earnings, and Minority Interest	$ 198	$ 606	$ 439
Equity Earnings in Ilim Holding S.A., Net of Taxes (1)	$ 17	$ -	$ -

(1) In addition to the operating profits shown above, International Paper recorded $17 million of equity earnings, net of taxes, for the three months ended March 31, 2008, related to its equity investment in Ilim Holding S.A., a separate reportable industry segment.

(2) Prior-year information has been revised to reflect a change in the allocation of corporate overhead to the Company's industry segments.

(3) Includes a charge of $5 million related to the reorganization of the Company's Shorewood operations in Canada.

(4) Includes Arizona Chemical and certain smaller businesses.

(5) 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 and equity earnings for these subsidiaries are included here to present consolidated earnings before income taxes, equity earnings and minority interest.

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

International Paper Consolidated

	Three Months Ended March 31,		Three Months Ended December 31,
	2008	**2007**	**2007**
Printing Papers (In thousands of short tons)			
U.S. Uncoated Papers	910	982	917
European & Russian Uncoated Papers	373	376	367
Brazilian Uncoated Papers	210	144	227
Asian Uncoated Papers	8	5	6
Uncoated Papers	1,501	1,507	1,517
Market Pulp (3)	354	335	382
Packaging (In thousands of short tons)			
Container of the Americas	882	882	895
European Container (Boxes)	295	307	294
Other Industrial and Consumer Packaging	179	131	187
Industrial and Consumer Packaging	1,356	1,320	1,376
Containerboard	506	392	461
Coated Paperboard	606	591	609
Saturated and Bleached Kraft Papers	65	53	63

(1) Sales volumes include third party and inter-segment sales and exclude sales of equity investees.
(2) Sales volumes for divested businesses are included through the date of sale, except for discontinued operations.
(3) Includes internal sales to mills.

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

	March 31, 2008	December 31, 2007
Assets		
Current Assets		
Cash and Temporary Investments	$ 880	$ 905
Accounts and Notes Receivable, Net	3,206	3,152
Inventories	2,147	2,071
Assets of Businesses Held for Sale	-	24
Deferred Income Tax Assets	206	213
Other	273	370
Total Current Assets	6,712	6,735
Plants, Properties and Equipment, Net	10,290	10,141
Forestlands	778	770
Investments	1,317	1,276
Goodwill	3,658	3,650
Deferred Charges and Other Assets	1,600	1,587
Total Assets	$ 24,355	$ 24,159
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes Payable and Current Maturities of Long-Term Debt	$ 727	$ 267
Liabilities of Businesses Held for Sale	-	4
Accounts Payable and Accrued Liabilities	3,418	3,571
Total Current Liabilities	4,145	3,842
Long-Term Debt	6,037	6,353
Deferred Income Taxes	3,117	2,919
Other Liabilities	1,823	2,145
Minority Interest	234	228
Common Shareholders' Equity		
Invested Capital	4,603	4,297
Retained Earnings	4,396	4,375
Total Common Shareholders' Equity	8,999	8,672
Total Liabilities and Common Shareholders' Equity	$ 24,355	$ 24,159

INTERNATIONAL PAPER

CONSOLIDATED STATEMENT OF CASH FLOWS

Preliminary and Unaudited

(In Millions)

	Quarter Ended March 31, 2008	Quarter Ended March 31, 2007
Operating Activities		
Net earnings	$ 133	$ 434
Discontinued operations, net of taxes and minority interest	17	23
Earnings from continuing operations	150	457
Depreciation, amortization and cost of timber harvested	286	262
Deferred income tax (benefit) expense, net	(130)	74
Restructuring and other charges	42	18
Payments related to restructuring and legal reserves	(22)	(22)
Net gains on sales and impairments of businesses	(1)	(314)
Equity earnings, net	(16)	-
Periodic pension expense, net	28	52
Other, net	34	51
Changes in current assets and liabilities		
Accounts and notes receivable	5	(81)
Inventories	(32)	(129)
Accounts payable and accrued liabilities	(75)	(61)
Other	118	(11)
Cash provided by operations - continuing operations	387	296
Cash used for operations - discontinued operations	-	(44)
Cash Provided by Operations	387	252
Investment Activities		
Invested in capital projects		
Continuing Operations	(215)	(178)
Proceeds from divestitutures	14	1,633
Other	(140)	(118)
Cash (used for) provided by investment activities - continuing operations	(341)	1,337
Cash used for investment activities - discontinued operations	-	(11)
Cash (Used for) Provided by Investment Activities	(341)	1,326
Financing Activities		
Repurchases of common stock	-	(398)
Issuance of common stock	1	30
Issuance of debt	83	-
Reduction of debt	(26)	(362)
Change in book overdrafts	(39)	20
Dividends paid	(112)	(114)
Other	-	(3)
Cash Used for Financing Activities	(93)	(827)
Effect of Exchange Rate Changes on Cash	22	15
Change in Cash and Temporary Investments	(25)	766
Cash and Temporary Investments		
Beginning of the period	905	1,624
End of the period	$ 880	$ 2,390