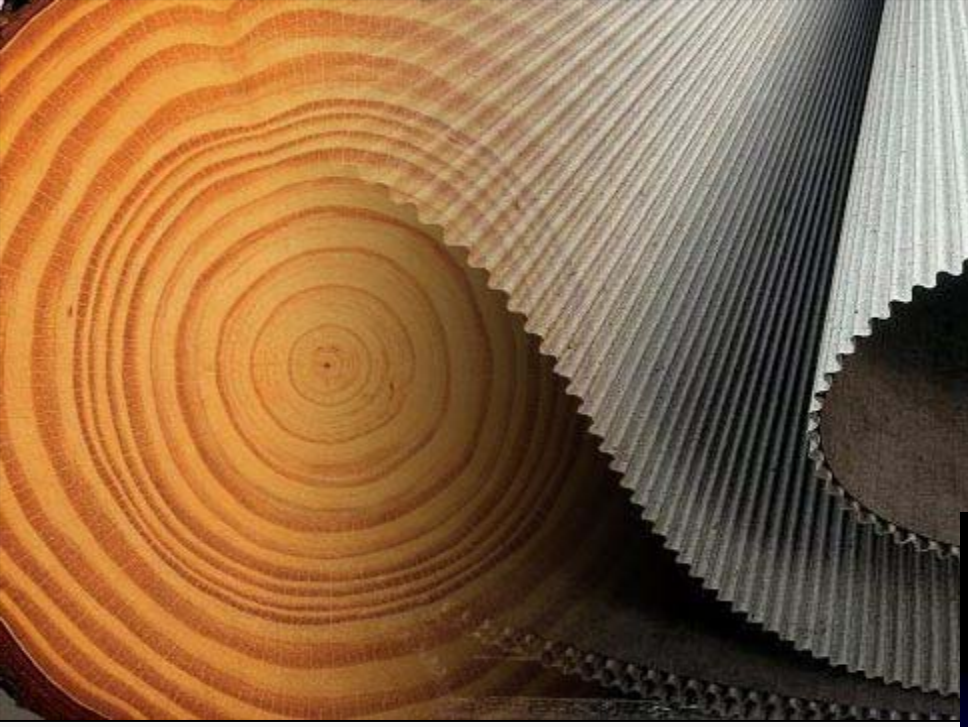


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Second Quarter 2008 Review

July 31, 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) the company's ability to realize anticipated profit improvement from its transformation plan, including our ability to realize the expected benefits of our acquisition of the assets of Weyerhaeuser Company’s containerboard, packaging and recycling business in light of integration difficulties and other challenges; (ii) increases in interest rates and our ability to meet our debt service obligations; (iii) industry conditions, including but not limited to changes in the cost or availability of raw materials and energy, transportation costs, competition we face, the company's product mix, demand and pricing for its products; (iv) global economic conditions and political changes, including but not limited to changes in currency exchange rates, credit availability, the company's credit ratings issued by recognized credit rating organizations and pension and health care costs; (v) unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations and to actual or potential litigation; and (vi) whether we experience a material disruption at one of our manufacturing facilities. 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

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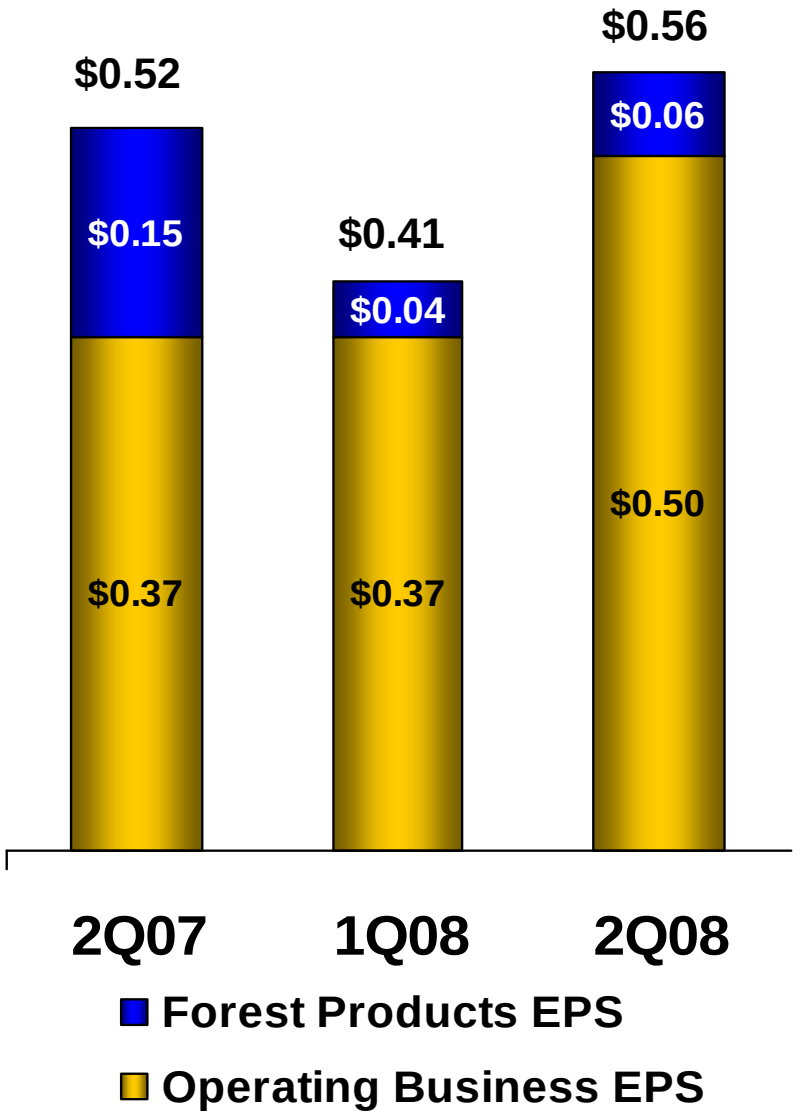
During the course of this presentation, certain non-U.S. GAAP financial information will be presented.

A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at internationalpaper.com under Investors.

Second Quarter 2008 Results Summary

EPS up 8% vs. 2Q07

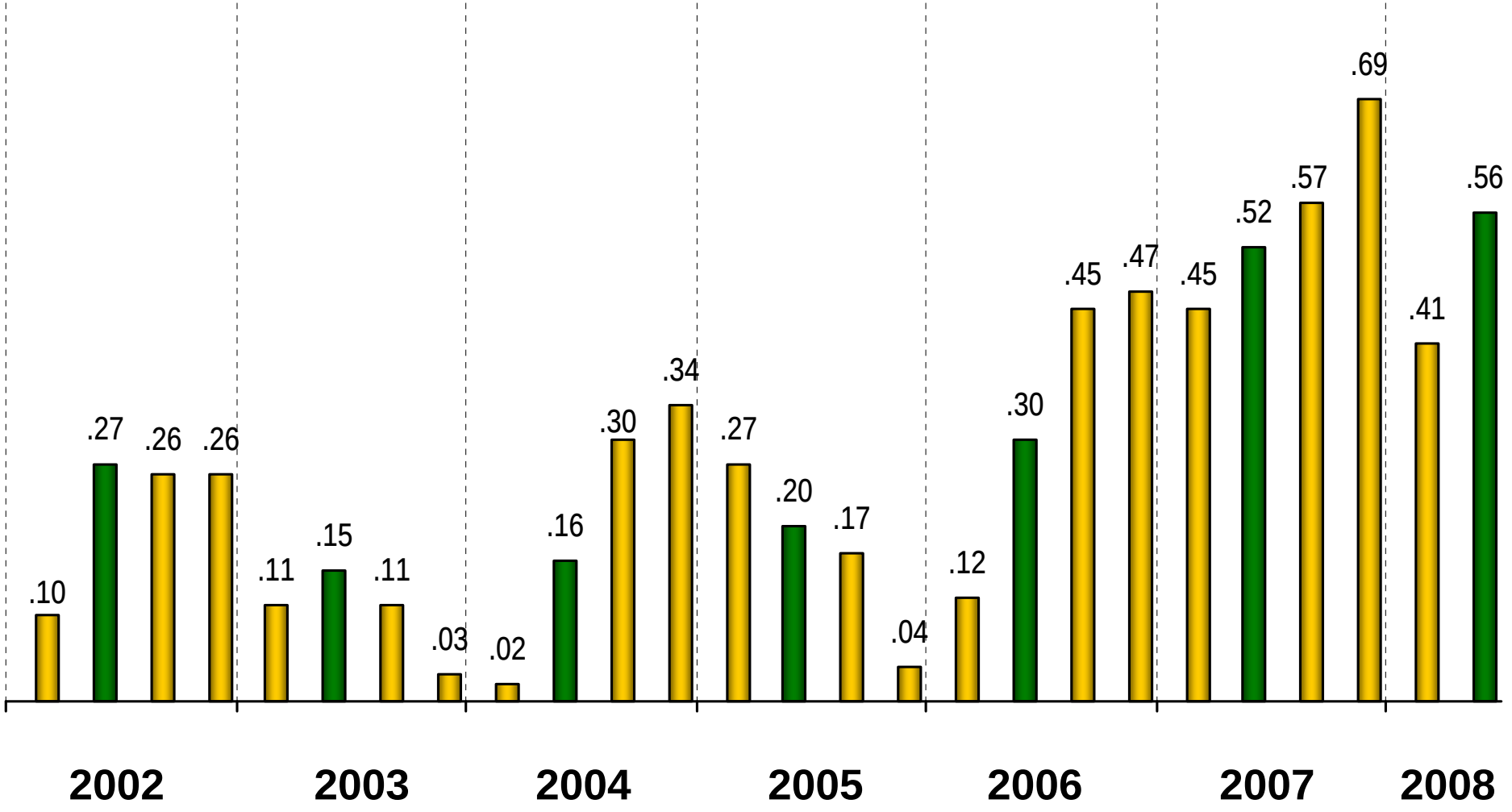
- **Input costs escalated**
- **EPS excluding land sales up 35% vs. 2Q07**
- **Prices improved**
- **Reduced mill operating costs**
- **Benefited from global balance**



Earnings from continuing operations before special items

Diluted EPS *from Continuing Operations before Special Items*

Best 2nd-Quarter Results since 2000

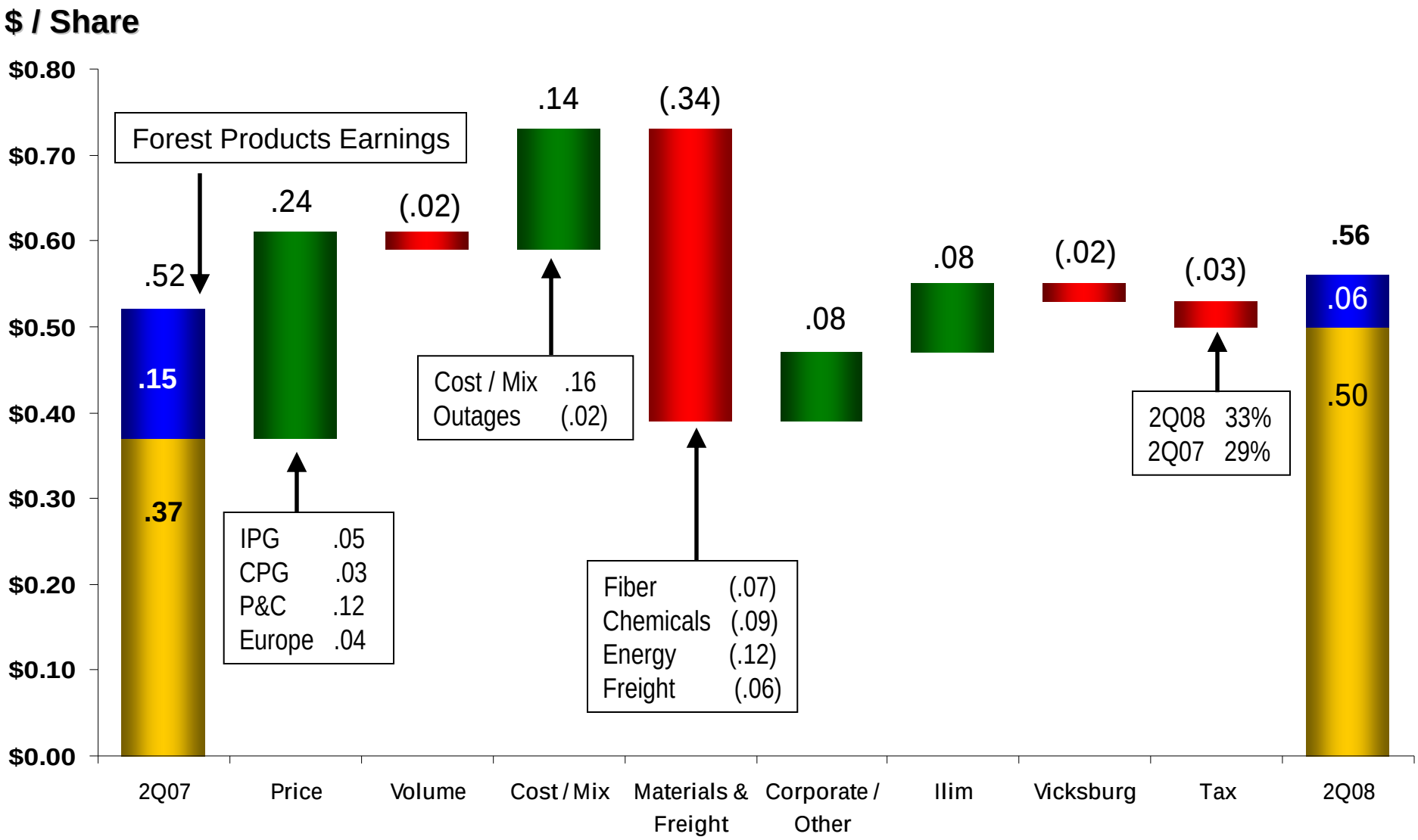


A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations

2Q08 vs. 2Q07 EPS

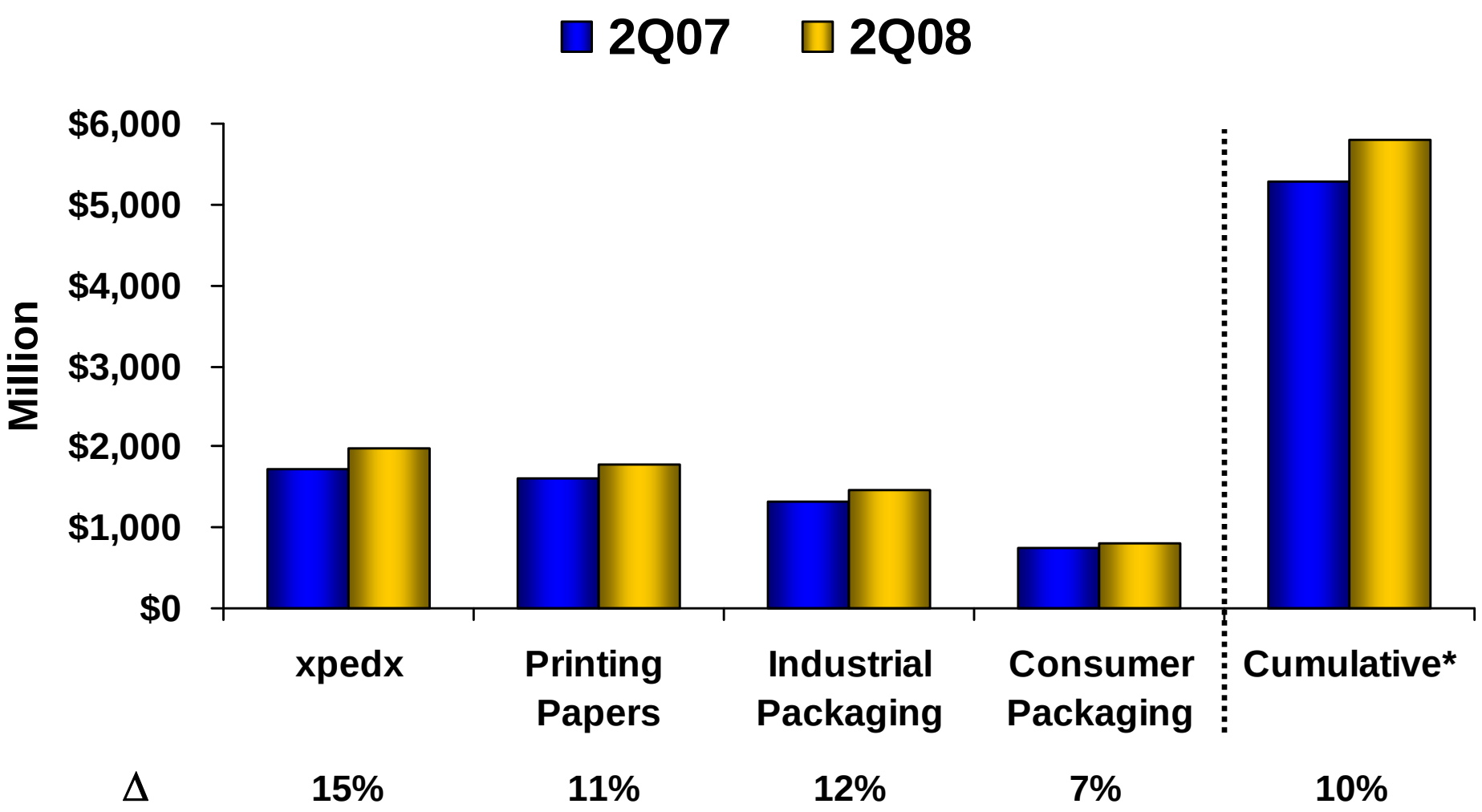
Higher Costs, Higher Prices, Lower Forest Products Earnings

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Earnings from continuing operations before special items

Global Sales Revenues
2Q08 vs. 2Q07

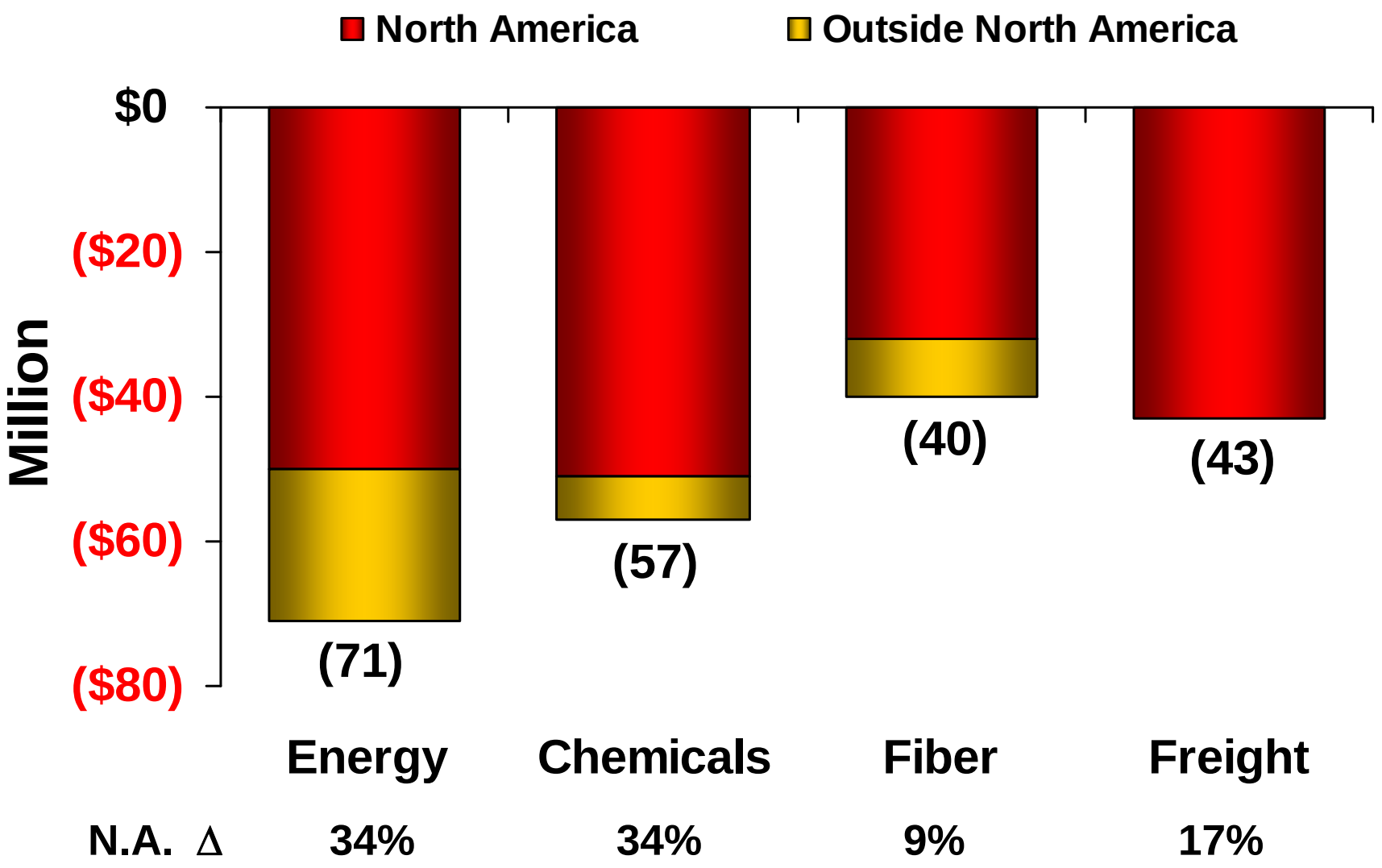


xpedx includes the addition of Central Lewmar revenues in 2Q08
*Includes Forest Products and inter-segment sales eliminations

Increasing Global Input & Freight Costs

$211MM, or $0.34/Share Impact vs. 2Q07

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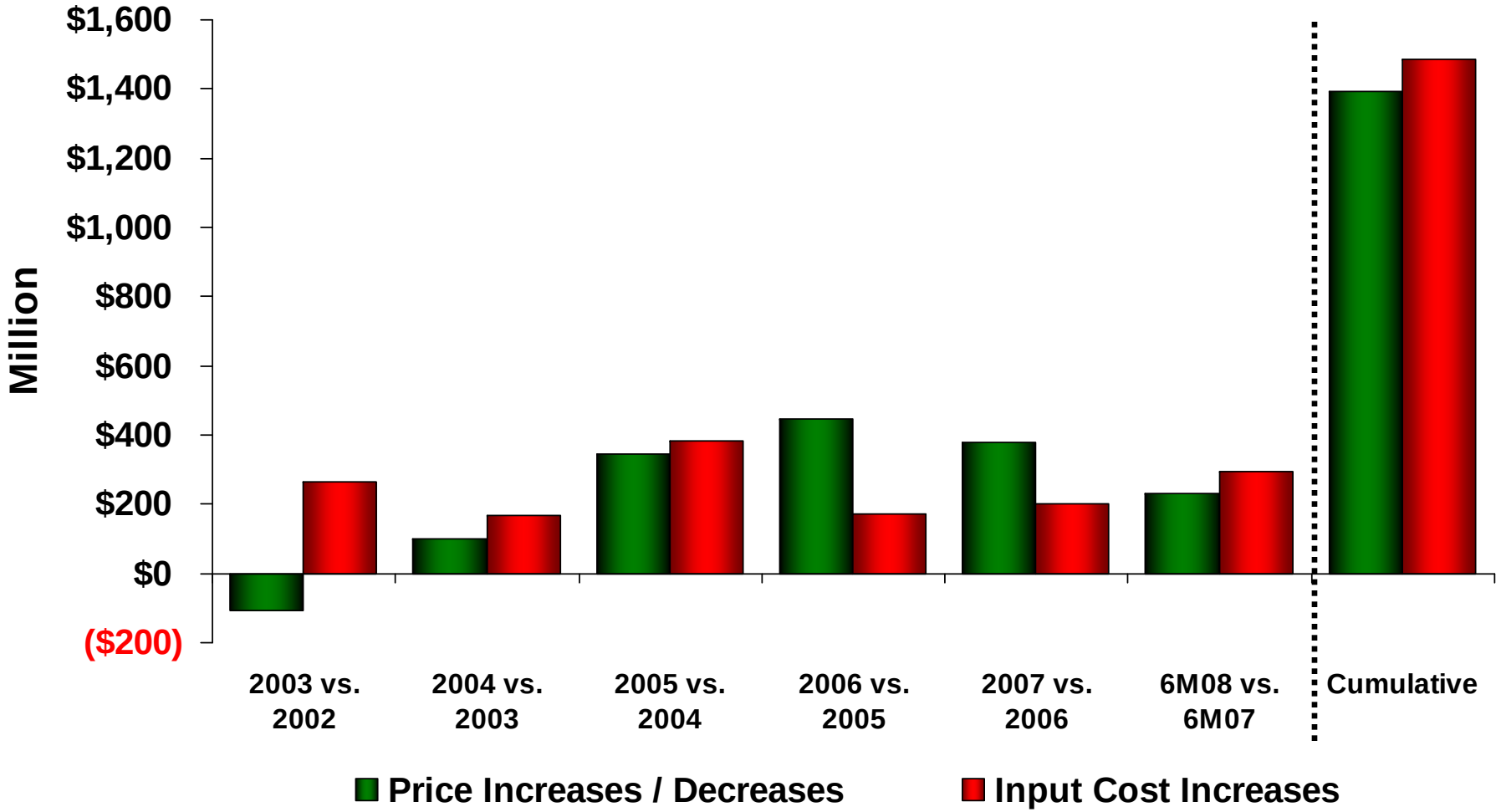


Input costs for continuing businesses

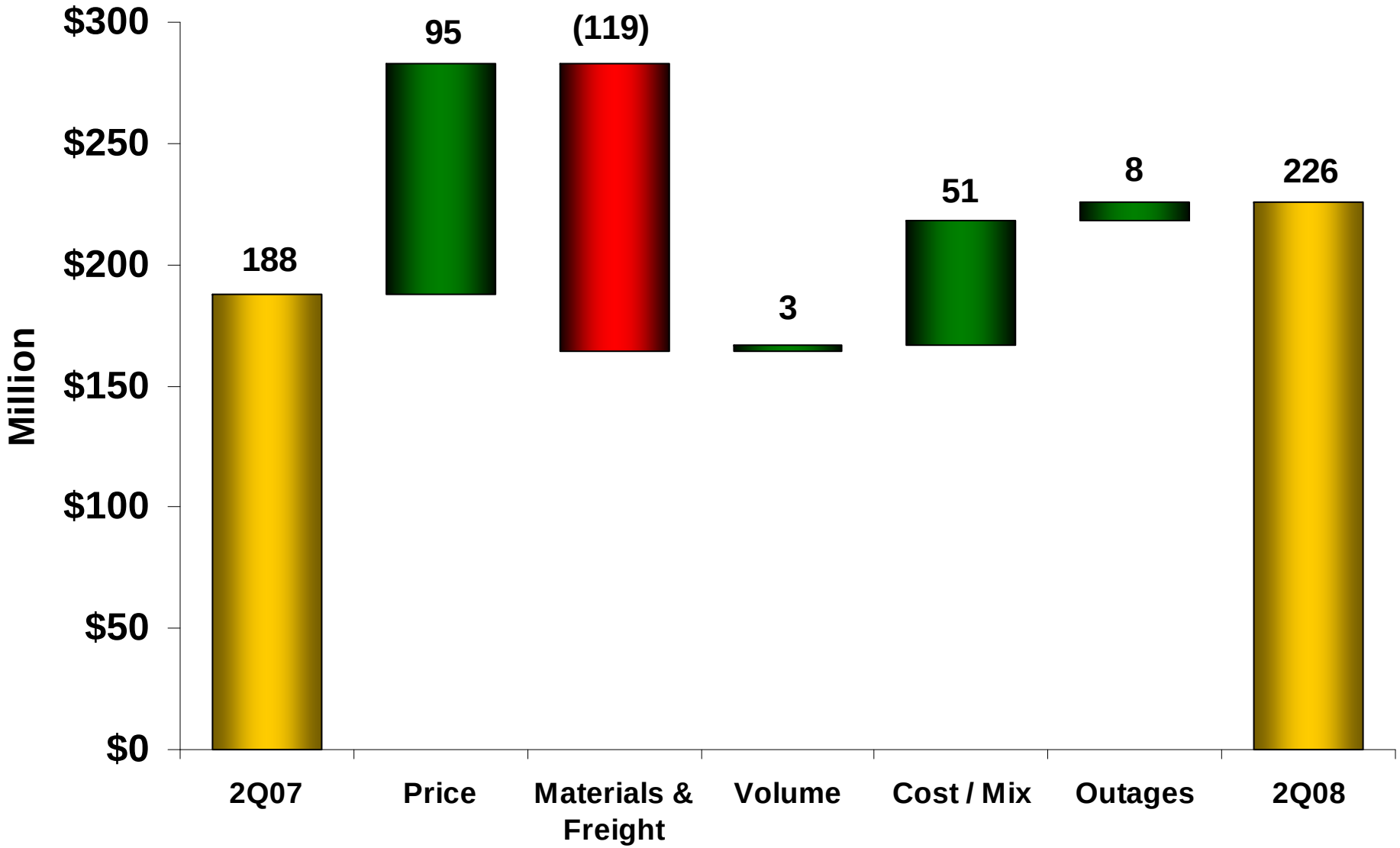
Percentage change reflects estimated North American input cost increases

North American Input Cost Escalation

Increasing Prices to Recover Costs



Printing Papers Earnings
$38 Million Increase



Printing Papers
Margin Expansion

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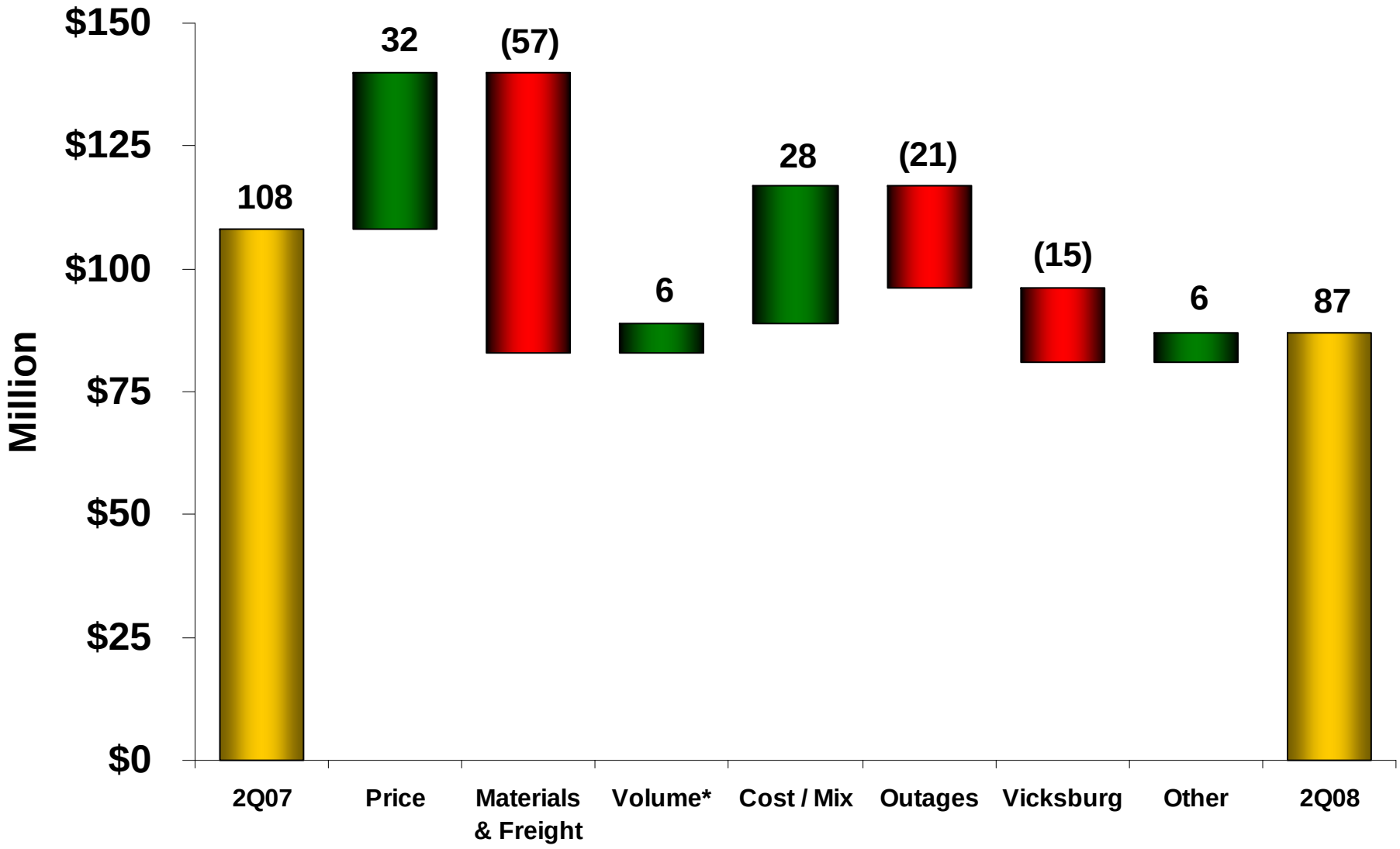
$ Million	2Q07	1Q08	2Q08
Sales	$1,610	$1,715	$1,790
Earnings	$188	$185	$226

	2Q08 vs. 2Q07		2Q08 vs. 1Q08	
Business	Volume	Price/ton	Volume	Price/ton
N.A. Uncoated Papers	(8%)	$84	(4%)	$38
U.S. Pulp	18%	$65	22%	$5
European Uncoated Papers	5%	€18	0%	€3
Brazilian Uncoated Papers	6%	$22	0%	$10

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

Industrial Packaging Earnings

Cost Inflation Exceeded Price Increases



*Excludes trade volume

Industrial Packaging

U.S. Margins Under Pressure

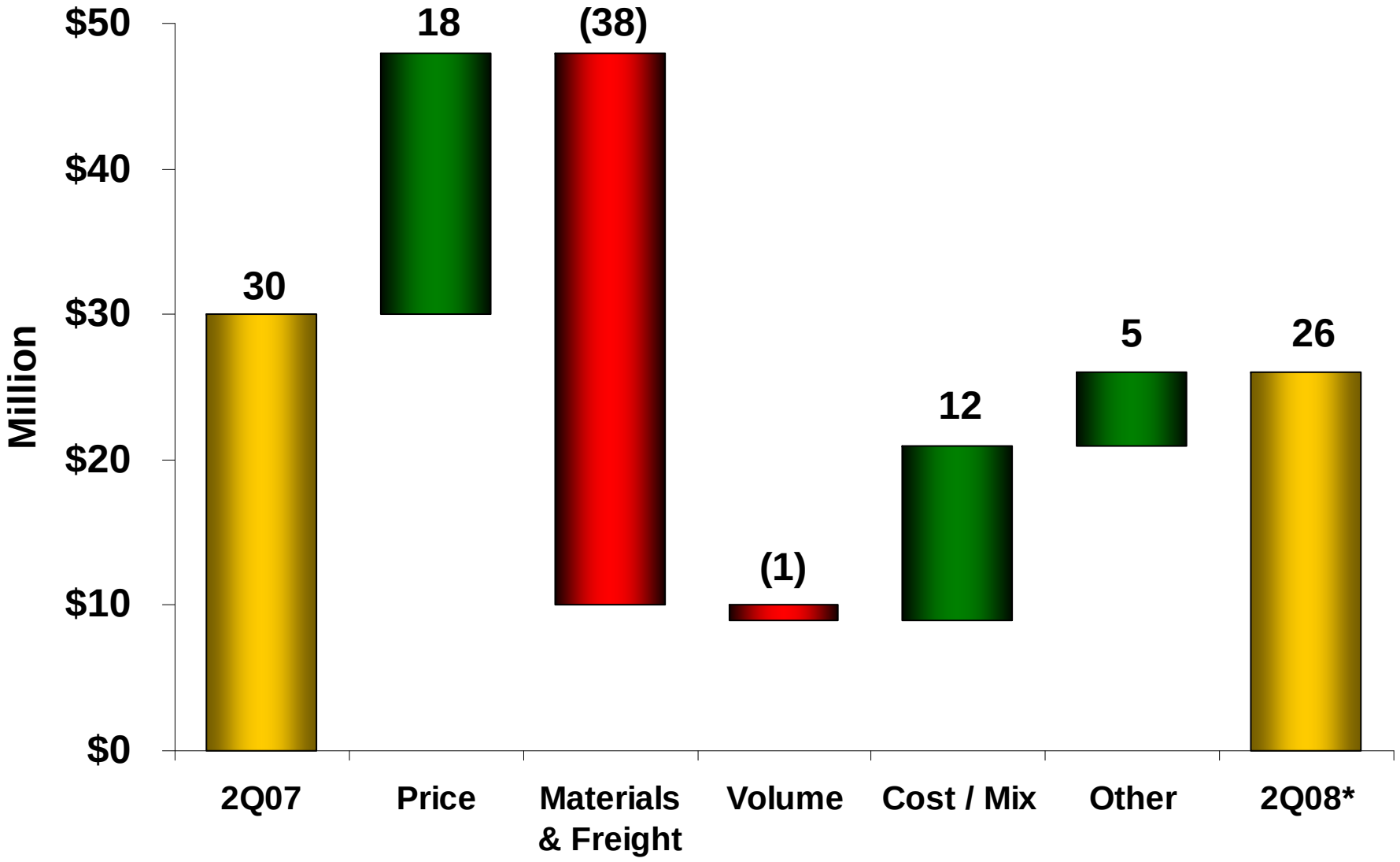
$ Million	2Q07	1Q08	2Q08
Sales	$1,315	$1,445	$1,470
Earnings	$108	$97	$87

	2Q08 vs. 2Q07		2Q08 vs. 1Q08	
Business	Volume	Price / Ton	Volume	Price / Ton
N.A. Containerboard	8%	$43	(2%)	$2
N.A. Container	(1%)	$60	2%	$5
European Container	(3%)	€48	(3%)	€5

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

Consumer Packaging Earnings

Cost Inflation Exceeded Price Increases



*Excludes a special item of ($13) million related to the reorganization of Shorewood's Canadian operations

Consumer Packaging
Margins Under Pressure

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$ Million	2Q07	1Q08	2Q08
Sales	$745	$770	$795
Earnings	$30	$14[1]	$26[1]

	2Q08 vs. 2Q07		2Q08 vs. 1Q08	
Business	Volume	Price/Ton	Volume	Price/Ton
U.S. Coated Paperboard	1%	$44	0%	$15
Business	**Revenue**	**Price**	**Revenue**	**Price**
Converting Businesses	2%	NA	7%	NA

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

[1] Excludes a special item of ($5) and ($13) million in 1Q08 and 2Q08, respectively, related to the reorganization of Shorewood's Canadian operations

xpedx
Focus on Cost Reduction

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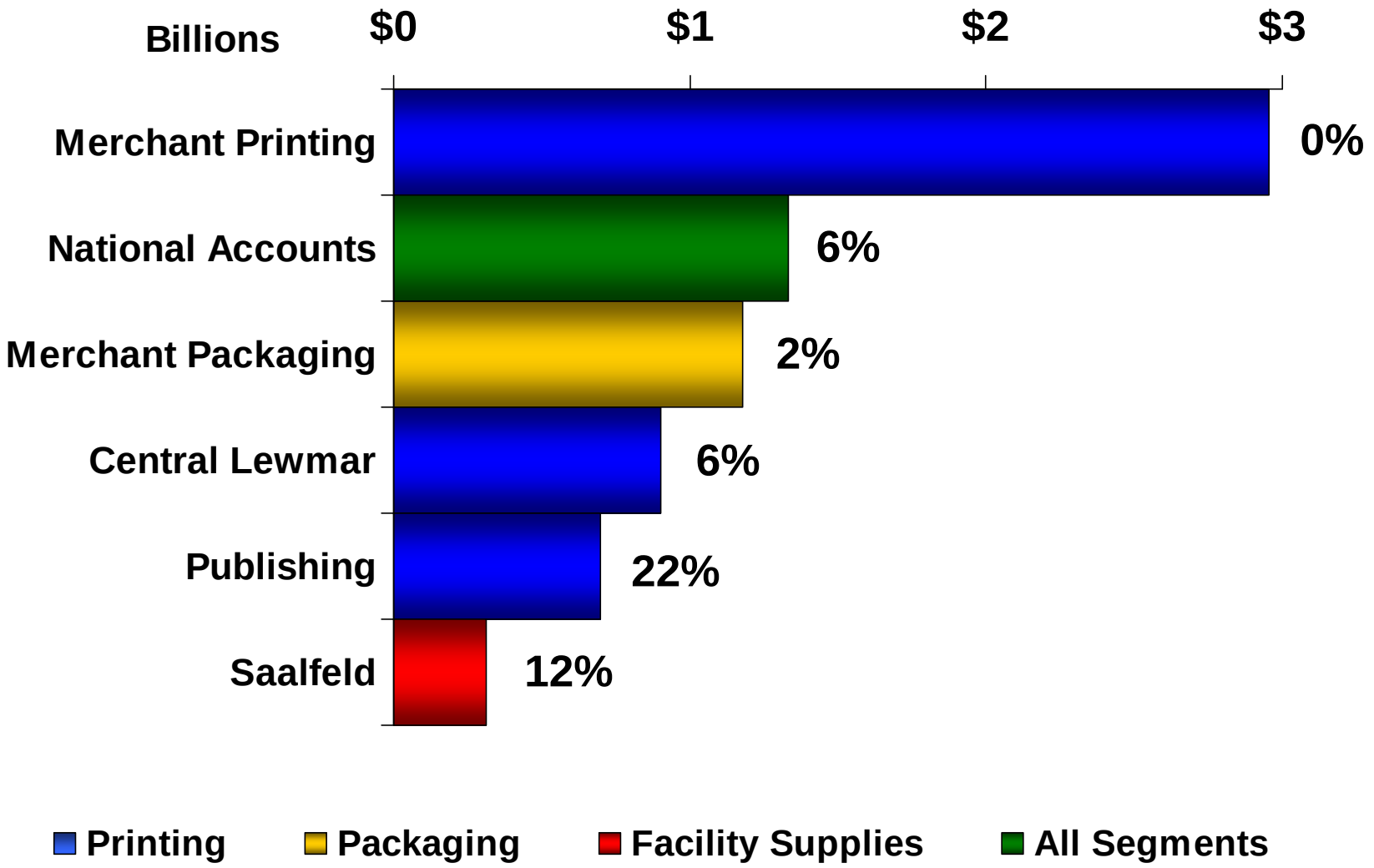
$ Million	2Q07	1Q08	2Q08
Sales	$1,720	$1,985	$1,970
Earnings	$30	$16	$26
Fuel & Freight	$15	$19	$21

- Weak demand for commercial printing and packaging
- Growth from price increases and national accounts
- Benefiting from cost reductions
- Offset by fuel costs despite fewer miles & deliveries

xpedx

Product Diversity Overcoming Market Conditions

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Revenue dollars and growth percentages are based on 6M08 vs. 6M07 results

Forest Products
Focusing on Maximizing Value

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	2Q07	1Q08	2Q08
Sales ($ Million)	**$90**	**$25**	**$55**
Earnings ($ Million)	**$94**	**$25**	**$41**
Acres Sold	**37,000**	**13,000**	**30,000**
Price / Acre	**$2,144**	**$1,871**	**$1,872**

Asia
Building New Capabilities

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$ Million	6M07	6M08
Sales	$315	$415
Earnings	$10	$15

- Strong sales and earnings growth
- High demand growth for board and boxes
- Focus on domestic consumption

This slide includes the Asian business segments in Printing Papers, Industrial Packaging, and Consumer Packaging as well as Asian sales and operating profits reported in Foodservice and Shorewood results

Asia
World-Class Assets, Low Capital Costs

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Forming Section

- Start-up of 420,000-ton Sun joint venture coated board machine
- Chinese cartonboard demand growing at 7% annually
- Box plant and folding carton plant start ups



Film Size Press



Heated Belt Calender



Folio Sheeter

Ilim Joint Venture 1Q08 Results

IP's After-Tax Share: $32MM or $0.08 EPS

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$ Million	4Q07	1Q08
Sales (100%)	$529	$555
Earnings (IP Share)	$17	$32

	1Q08 vs. 4Q07	
Business	Volume (000 Metric Tons)	Price / Ton
Pulp	0%	$42
Containerboard	2%	$13

IP's share of Ilim's 1Q08 earnings include a $14 million after-tax foreign exchange gain and a $3 million after-tax charge to write off a share repurchase option

Ilim Joint Venture
Sale of KPK Mill

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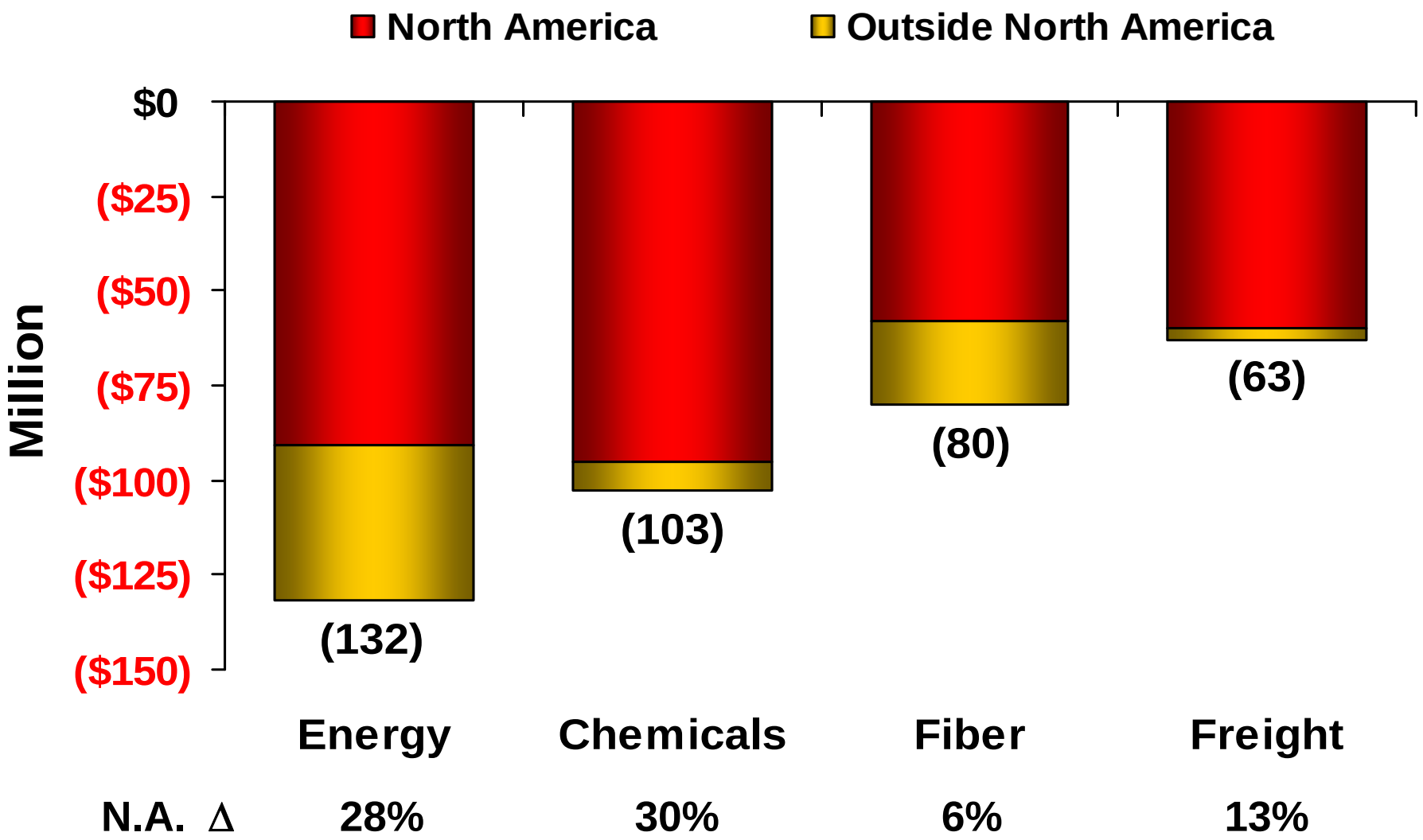
- **Ilim Holding S. A. signed an agreement to sell its 56% interest in the KPK recycled paperboard mill to Knauf, its joint venture partner in this mill**
- **After the transaction has been completed, Knauf will own the 220,000-TPY mill**
- **The transaction is expected to close in 3Q08**
- **After the divestiture, Ilim will continue to focus on its market pulp, industrial packaging, and paper businesses**

Free Cash Flow Improvement

Free Cash Flow ($ Million)	2Q07	1Q08	2Q08	6M08
Cash Provided by Continuing Operations	$392	$434	$576	$1,010
Less Capital Investment	($299)	($215)	($267)	($482)
Free Cash Flow	$93	$219	$309	$528

Increasing Global Input & Freight Costs

$378MM, or $0.60/Share Impact vs. 6M07

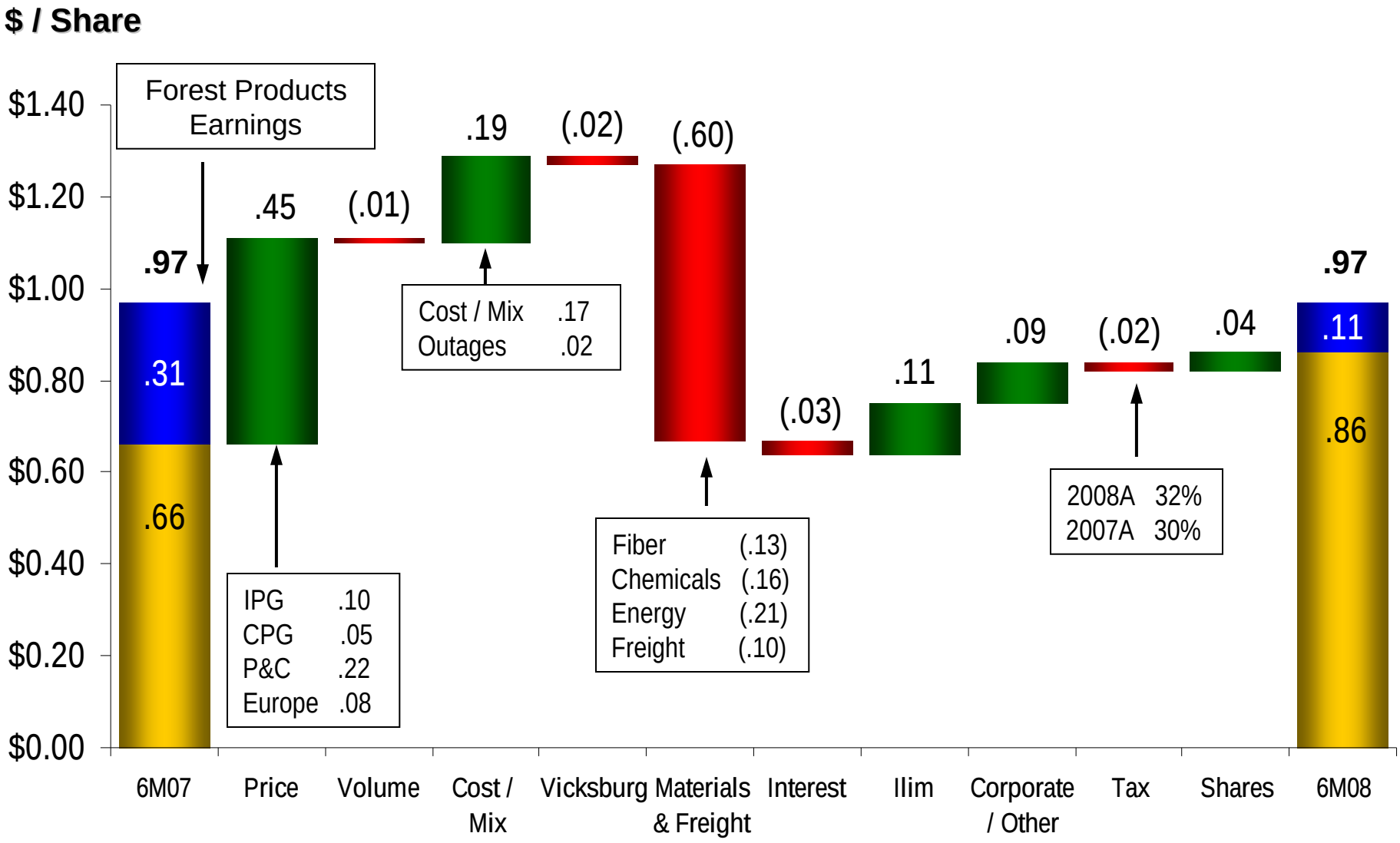


Input costs for continuing businesses
Percentage change reflects North American input costs

6M08 vs. 6M07 EPS

Higher Costs, Higher Prices, Lower Forest Products Earnings

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Earnings from continuing operations before special items

Weyerhaeuser CBPR Acquisition Update

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- On schedule for August close
- Management team in place
- Expecting more merger benefits at faster pace
- Expect acquisition to be cash positive in 2008

Weyerhaeuser CBPR Acquisition Update
Financing in Place

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Original Financing Plan

5-Year Term Loan	$2 Billion
18-Month Bridge Loan	$4 Billion

Current Financing

5-Year Term Loan	$2.5 Billion
Bond Offering	$3.0 Billion
Cash & Short-Term Debt	$0.5 Billion

Weyerhaeuser CBPR Acquisition
Key Financial Statistics

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- **$50 million in 2008 merger benefits**
- **$80 million one-time costs in 2008**
  - **Establish data center and IT systems**
  - **Severance and relocation expenses**
  - **Transition costs**
- **$35 million one-time, non-cash charge in 3Q08 due to the write up of inventory in connection with the asset purchase**
- **$160 - $180 million in 2008 incremental interest expense**
- **Also targeting $150 - $200 million in incremental IP overhead reduction by 2010**

3Q08 Outlook
Changes from 2Q08

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		North America	Ex-North America
Input & Freight Costs		Increase	Increase
Pricing	Paper	Improving	Improving
	Packaging	Improving	Under Pressure
Volume	Paper	Flat	Slight Increase
	Packaging	Flat	Flat
Maintenance Outages		Decrease	Slight Increase
Operations		Steady	Steady

2008 Forest Products Earnings

- **Signed agreement to sell mineral rights in northwest Louisiana for $263 million**
- **Expect transaction to close in 3Q08**
- **At end of 2Q08, portfolio includes 270,000 acres of land and mineral rights with an NPV of $675 million to $775 million**
- **Expect 2008 Forest Products earnings of $350 million to $400 million**

Summary

2Q08 Solid Results in Tough Market Conditions

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- **8% year-over-year earnings increase**
- **$0.34 per share of increased input costs**
- **Announced price increases to recover costs**
- **Reduced mill operating costs**
- **Benefit of global operations**

Questions & Answers

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Investor Relations Contacts

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Emily Nix	901-419-4987

Media Contact

Patty Neuhoff	901-419-4052

Appendix

Special Items & Discontinued Operations
2Q08

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	$ Million	Earnings per Share
Earnings from Continuing Operations & Before Special Items	$235	$0.56
Special Items		
Shorewood Canadian Reorganization	($9)	
Adjustment to Gain on Sale of Forestlands	$2	
Total Special Items	**($7)**	**($0.02)**
Earnings from Continuing Operations	$228	$0.54
Total Discontinued Operations	**($1)**	**$0.00**
Net Earnings	$227	$0.54

Planned Maintenance Outages

$ Millions	1Q08	2Q08	3Q08E	4Q08E
North America	$28	$41	$28	$19
Europe	$0	$9	$24	$0
Printing Papers Total	**$28**	**$50**	**$52**	**$19**
Industrial Packaging	**$24**	**$40**	**$3**	**$11**
Consumer Packaging	**$1**	**$13**	**$8**	**$13**
Total Impact	**$53**	**$103**	**$63**	**$43**

Dollar impact of planned maintenance outages are estimates and subject to change

Operating Profits by Industry Segment

from Continuing Operations before Special Items

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$ Million	2Q07	1Q08	2Q08
Printing Papers	$188	$185	$226
Industrial Packaging	$108	$97	$87
Consumer Packaging	$30	$14	$26
Distribution	$30	$16	$26
Forest Products	$94	$25	$41
Other Businesses	$0	$0	$0
Operating Profit	**$450**	**$337**	**$406**
Net Interest Expense	($80)	($81)	($81)
Minority Interest / Equity Earnings Adjustment	$6	$4	$8
Corporate Items	($57)	($21)	($21)
Special Items	($25)	($41)	($10)
Earnings from continuing operations before income taxes, equity earnings & minority interest	**$294**	**$198**	**$302**
Equity Earnings, net of taxes - Ilim	**$0**	**$17**	**$32**

Geographic Business Segment Operating Results

from Continuing Operations before Special Items

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$ Million	Sales			Operating Profit		
	2Q07	1Q08	2Q08	2Q07	1Q08	2Q08
Printing Papers						
North American	$875	$885	$880	$85	$106	$125
European	$370	$435	$445	$44	$42	$39
Brazilian	$205	$225	$255	$41	$33	$51
U.S. Market Pulp	$155	$165	$205	$18	$4	$11
Asian	$5	$5	$5	$0	$0	$0
Industrial Packaging						
North American	$975	$1,050	$1,060	$84	$79	$65
European	$270	$315	$315	$23	$18	$20
Asian	$70	$80	$95	$1	$0	$2
Consumer Packaging						
North American	$595	$600	$625	$21	$2	$13
European	$65	$75	$75	$6	$9	$8
Asian	$85	$95	$95	$3	$3	$5
Distribution	$1,720	$1,985	$1,970	$30	$16	$26

Excludes Forest Products

2008 Earnings from Continuing Operations

	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
2Q08	$312	($100)	($7)	$30	$235	32.5%	423	$0.56
Special Items								
1Q08	($41)	$16	$0	$0	($25)	39%	423	($0.06)
2Q08	($10)	$3	$0	$0	($7)	30%	423	($0.02)
Earnings from Continuing Operations								
1Q08	$198	($59)	($5)	$16	$150	30%	423	$0.35
2Q08	$302	($97)	($7)	$30	$228	32%	423	$0.54

[1] Assuming dilution

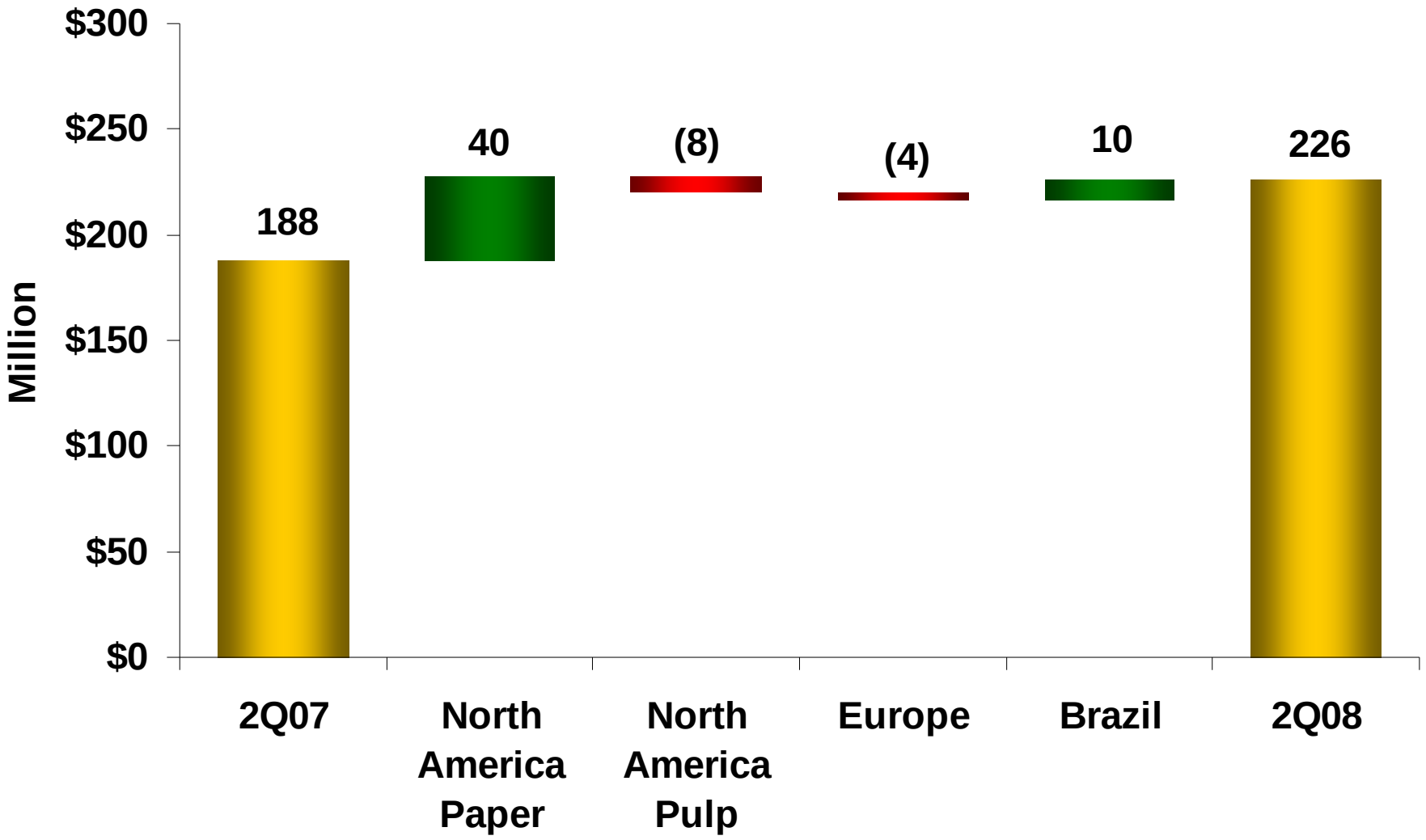
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations

Business Segment Price Realization

	Average Selling Price Realizations		
Printing Papers ($/ton)	**2Q07**	**1Q08**	**2Q08**
Uncoated Freesheet	$904	$950	$988
Market Pulp	$586	$646	$651
Industrial Packaging ($/ton)	**2Q07**	**1Q08**	**2Q08**
Containerboard	$513	$554	$556
Corrugated Boxes	$791	$846	$851

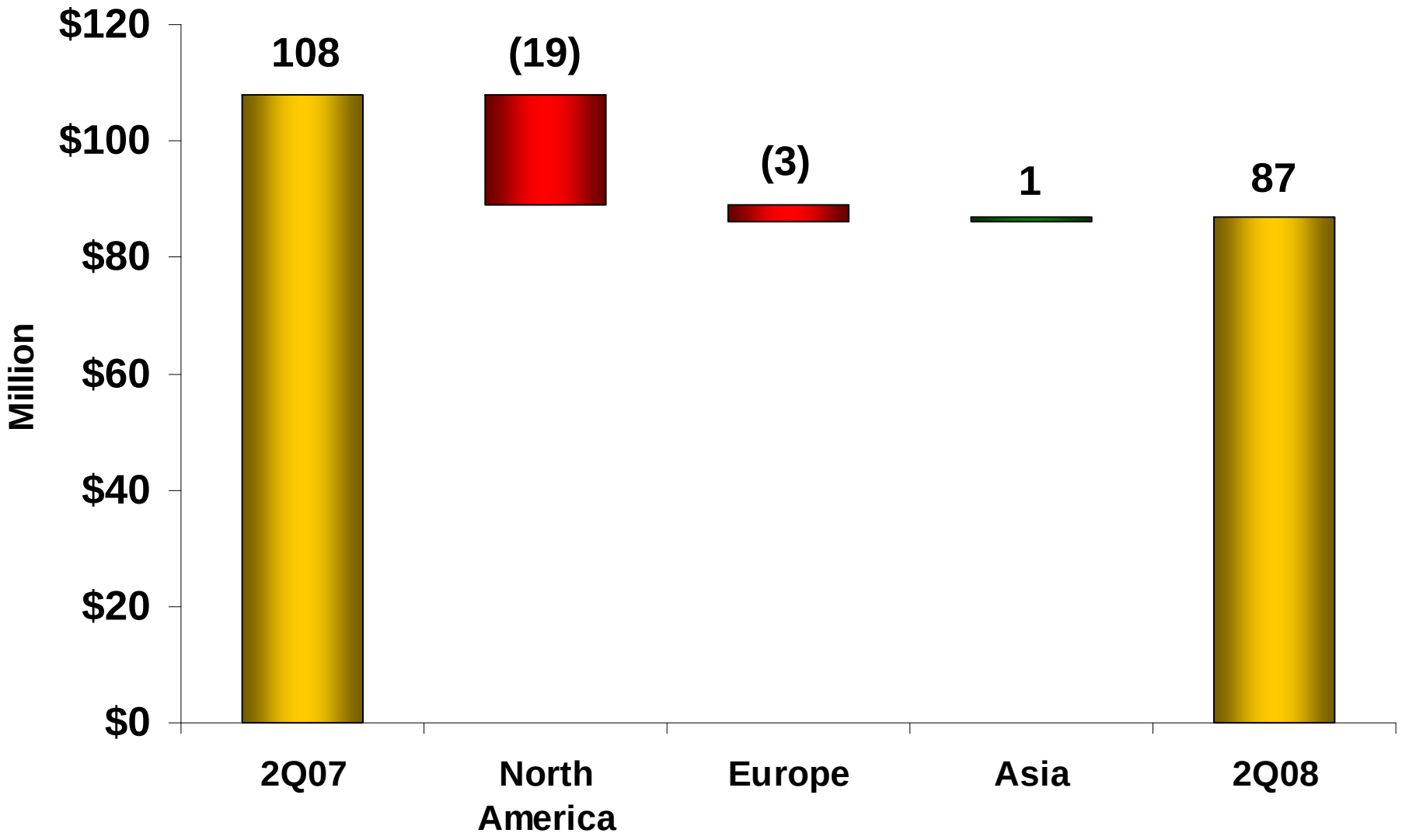
Average IP U.S. selling price realizations (includes the impact of mix across all grades)

Printing Papers Earnings
2Q08 vs. 2Q07



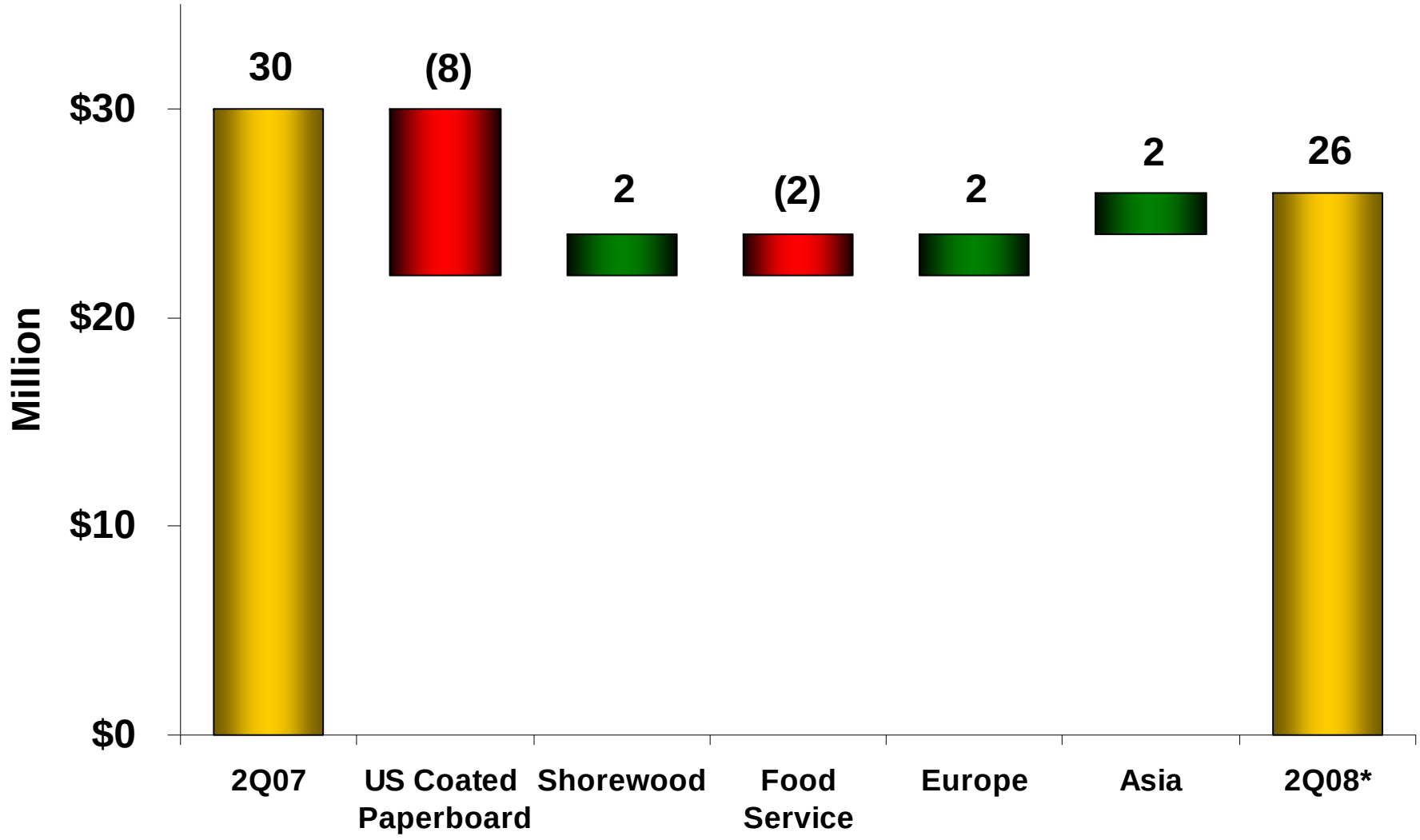
Brazilian earnings include a one-time, $6 million gain from the sale of government credits

Industrial Packaging Earnings
2Q08 vs. 2Q07



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

Consumer Packaging Earnings
2Q08 vs. 2Q07

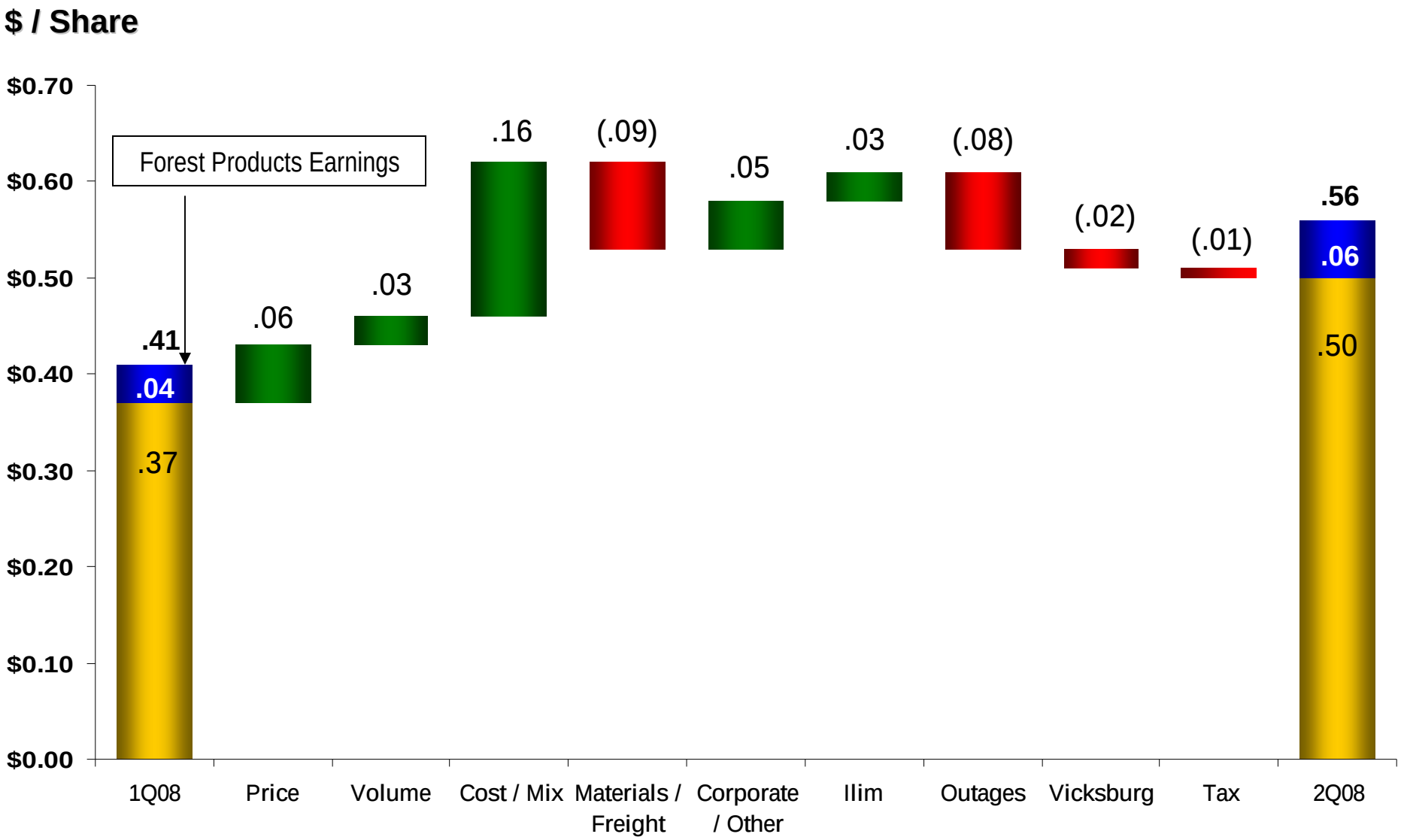


*Excludes a special item of ($13) million related to the reorganization of Shorewood's Canadian operations

2Q08 vs. 1Q08 EPS

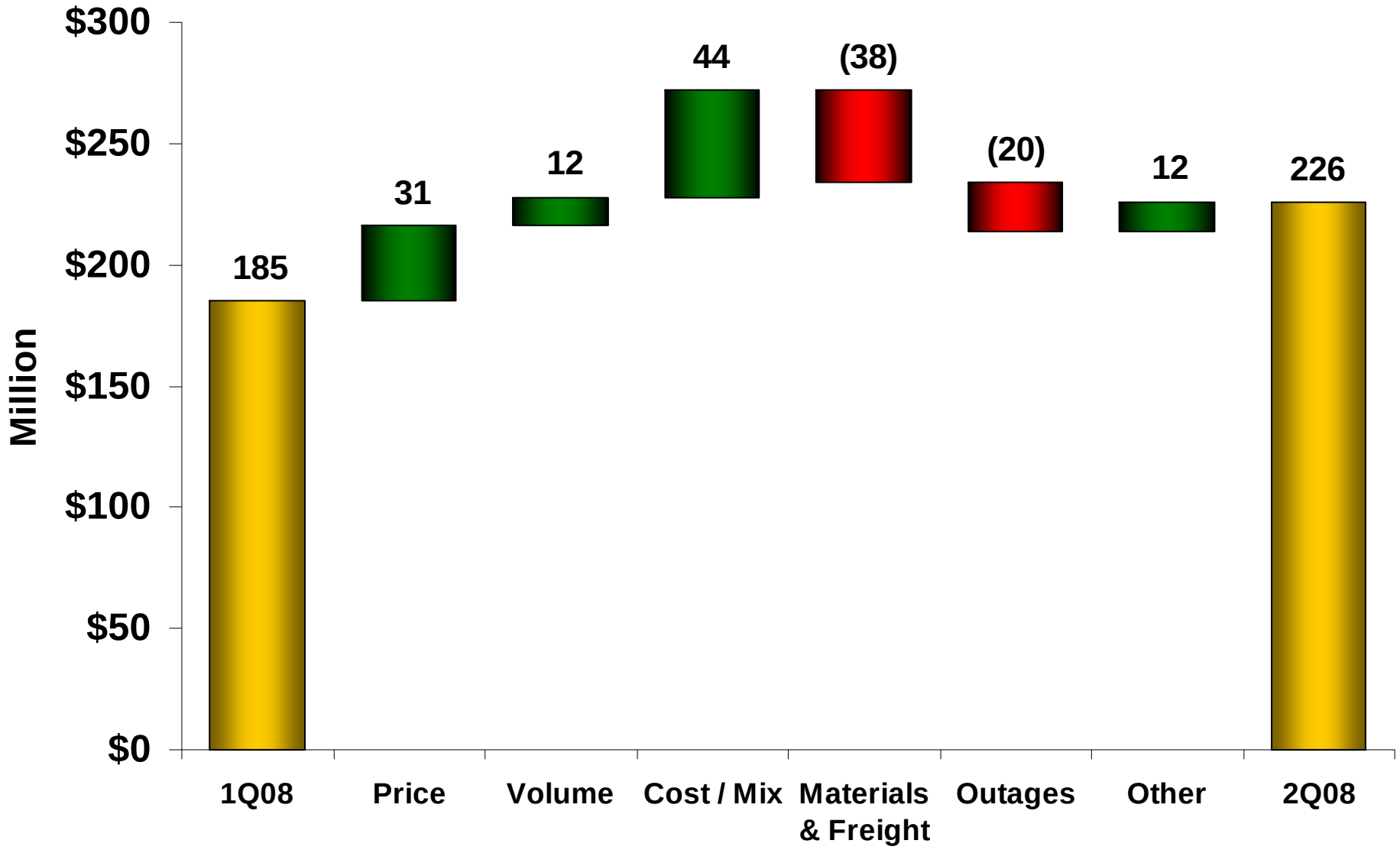
Higher Costs, Higher Prices, Higher Maintenance Outages

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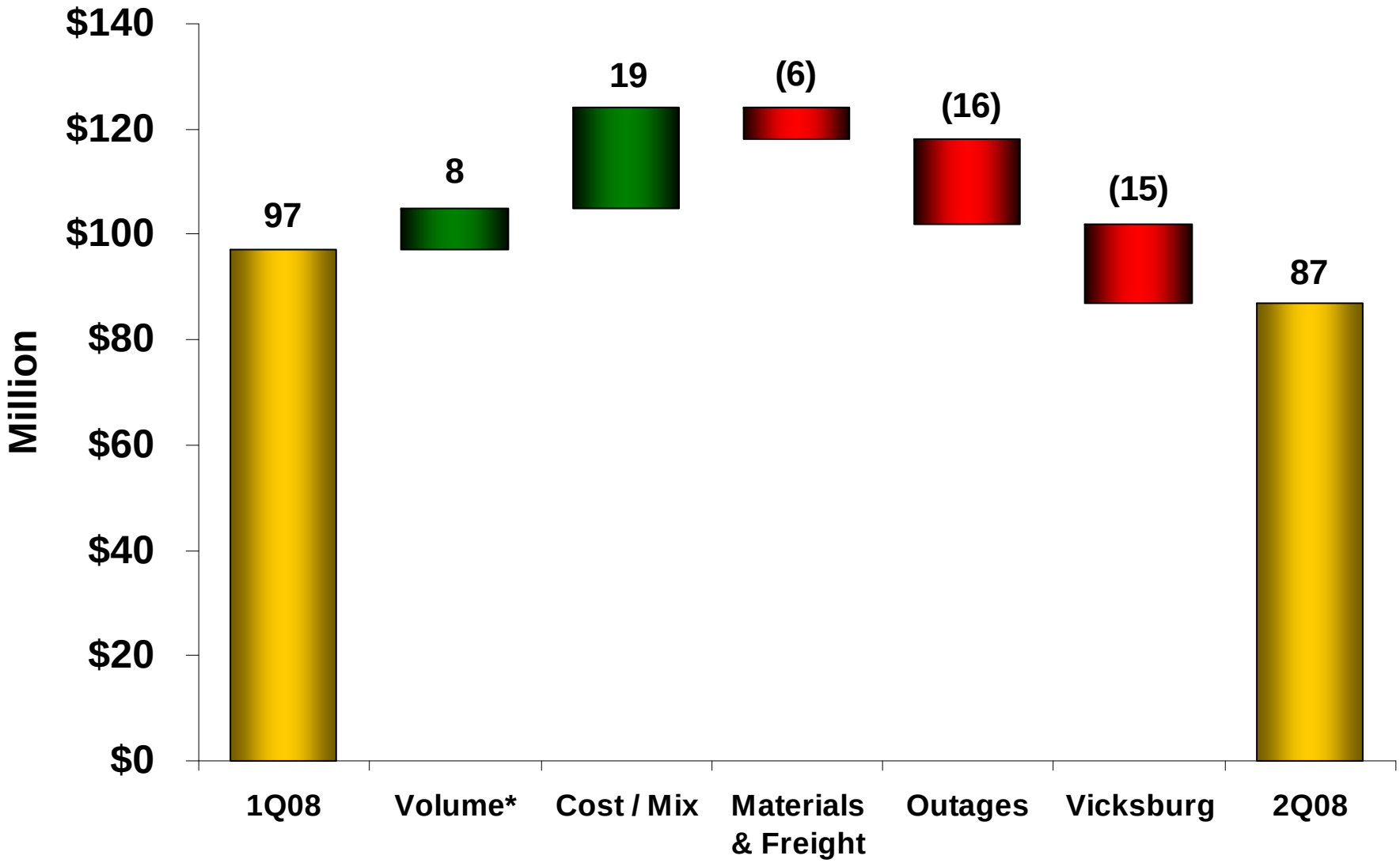


Earnings from continuing operations before special items

Printing Papers Earnings
2Q08 vs. 1Q08

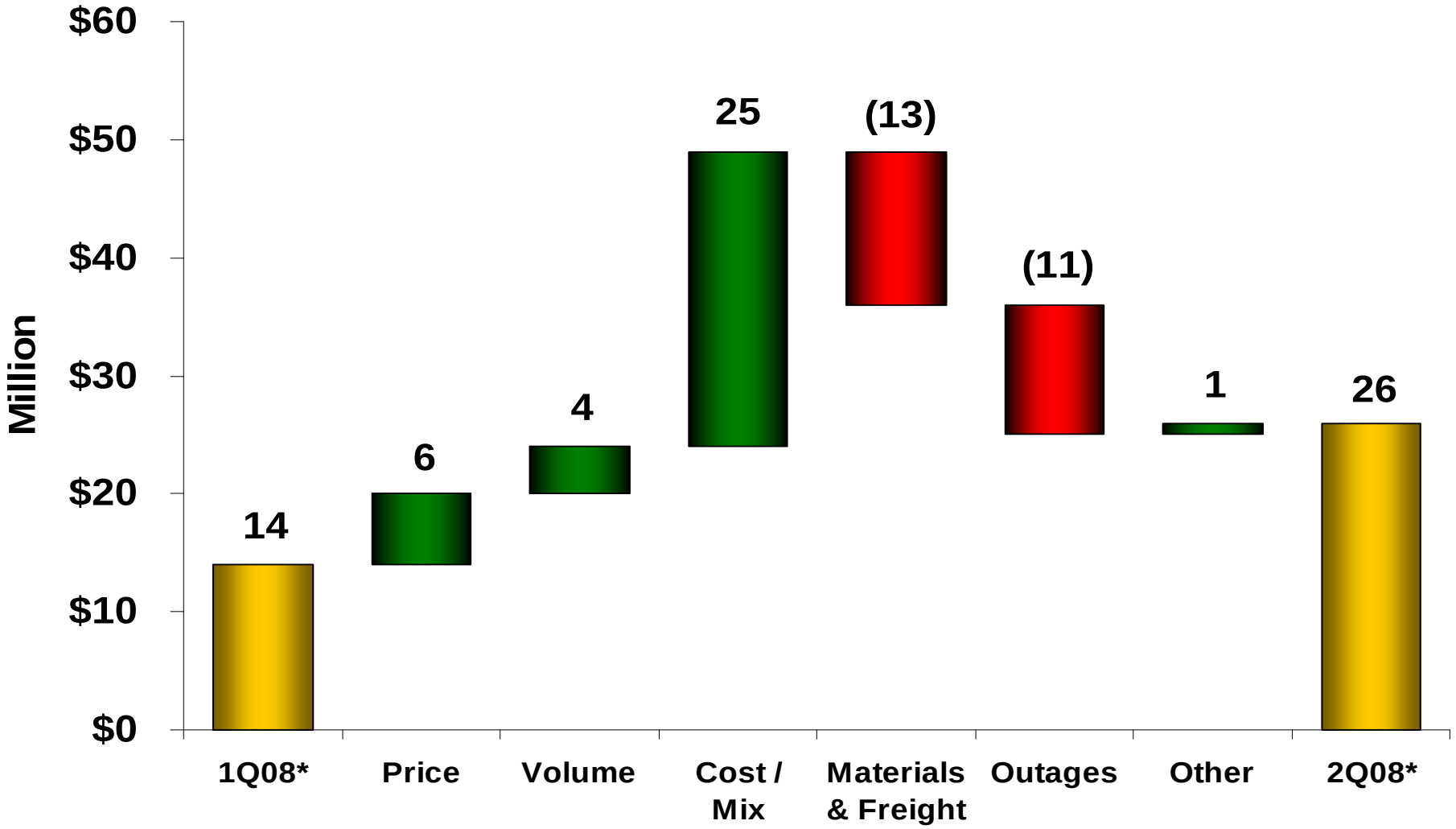


Industrial Packaging Earnings
2Q08 vs. 1Q08



*Excludes trade volume

Consumer Packaging Earnings
2Q08 vs. 1Q08



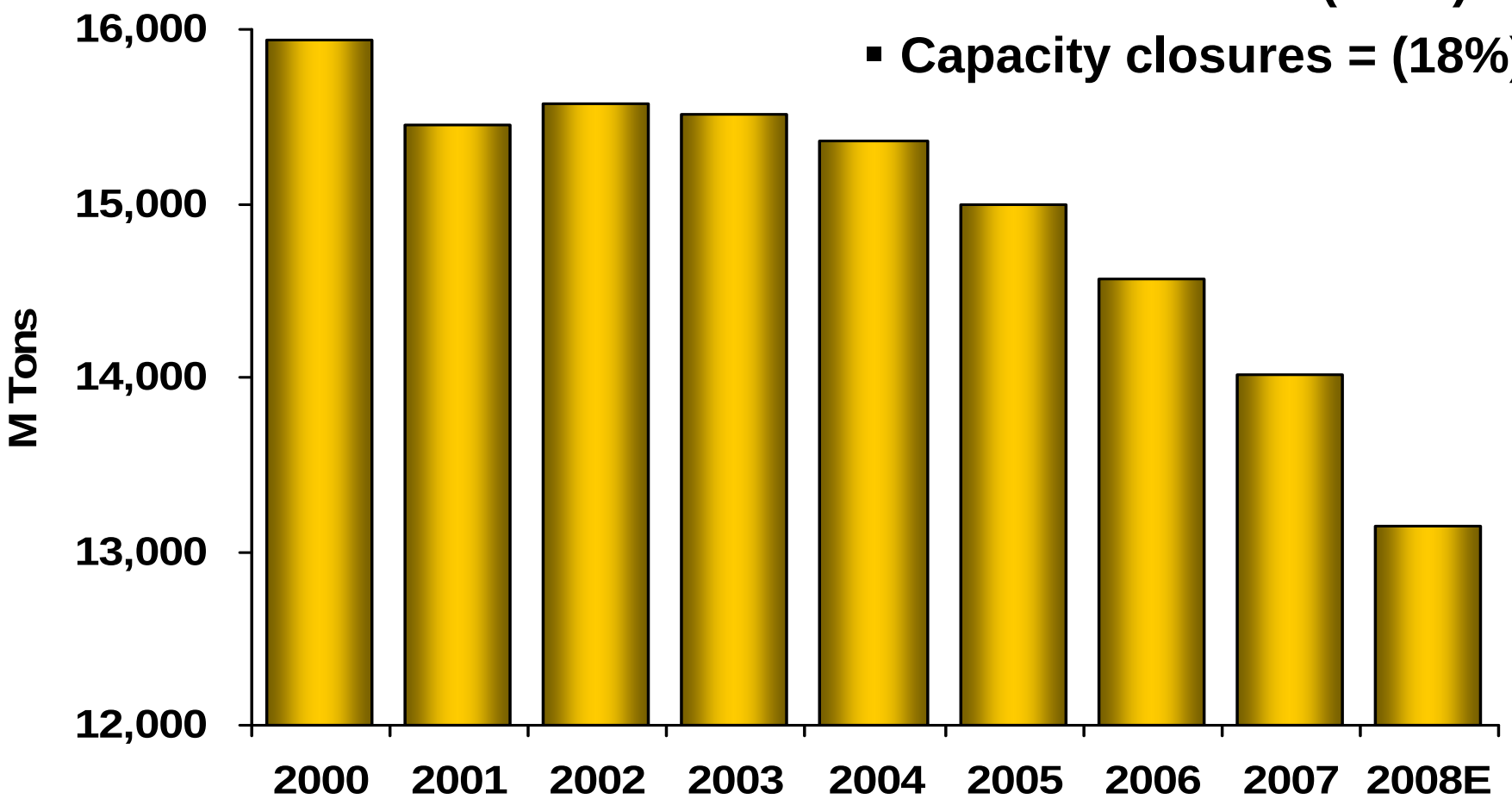
* Excludes a special item of ($5) and ($13) million in 1Q08 and 2Q08, respectively, related to the reorganization of Shorewood's Canadian operations

North American Industry Capacity Closures
Uncoated Freesheet

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2000 – 2008

- **Demand CAGR = (2.4%)**
- **Capacity closures = (18%)**



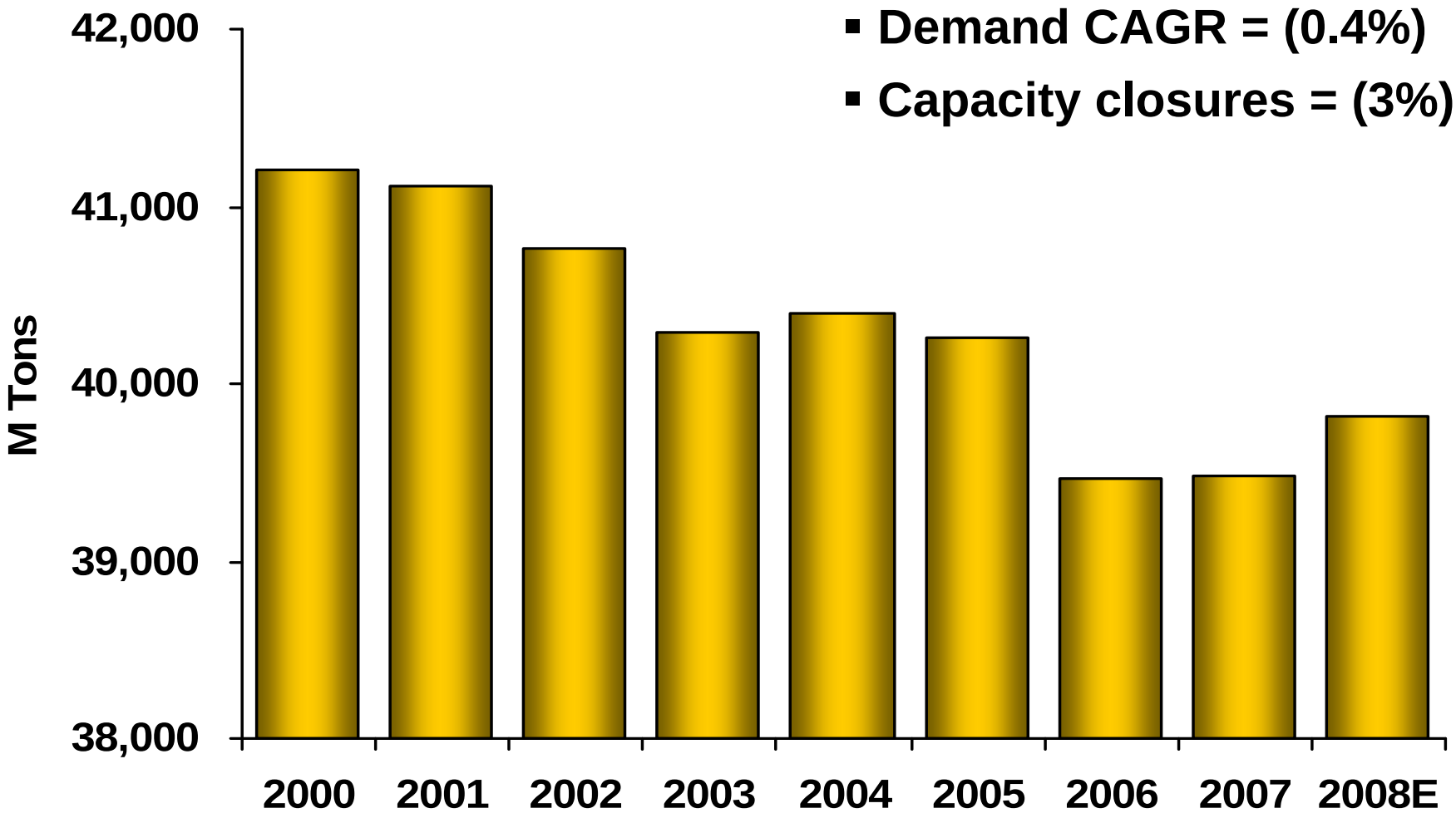
Source: AF&PA, RISI, IP Analysis

North American Industry Capacity Closures
Containerboard

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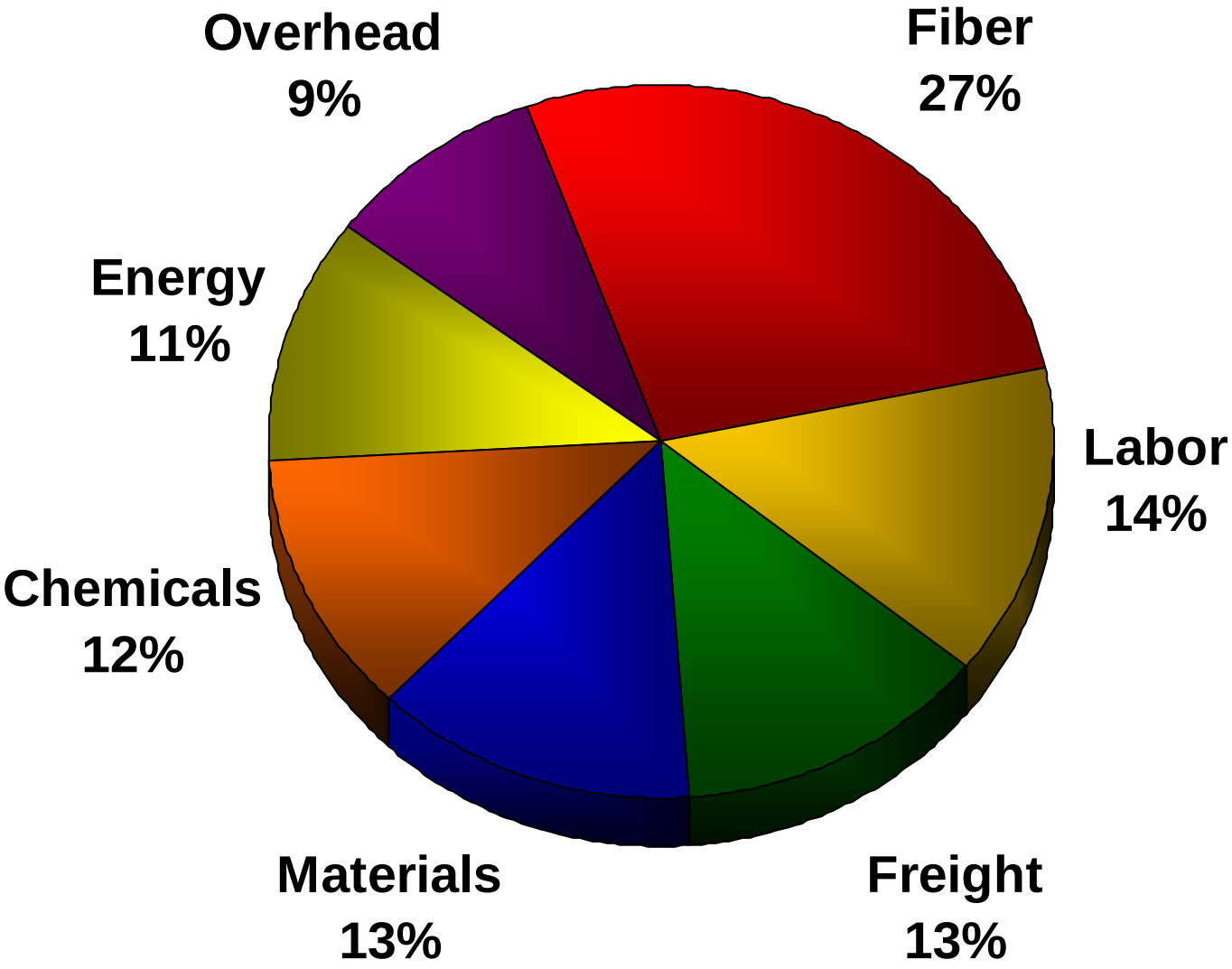
2000 – 2008

- **Demand CAGR = (0.4%)**
- **Capacity closures = (3%)**



Source: AF&PA, RISI, IP Analysis
2008E includes Pratt's new machine in Shreveport, LA: 360 M Tons

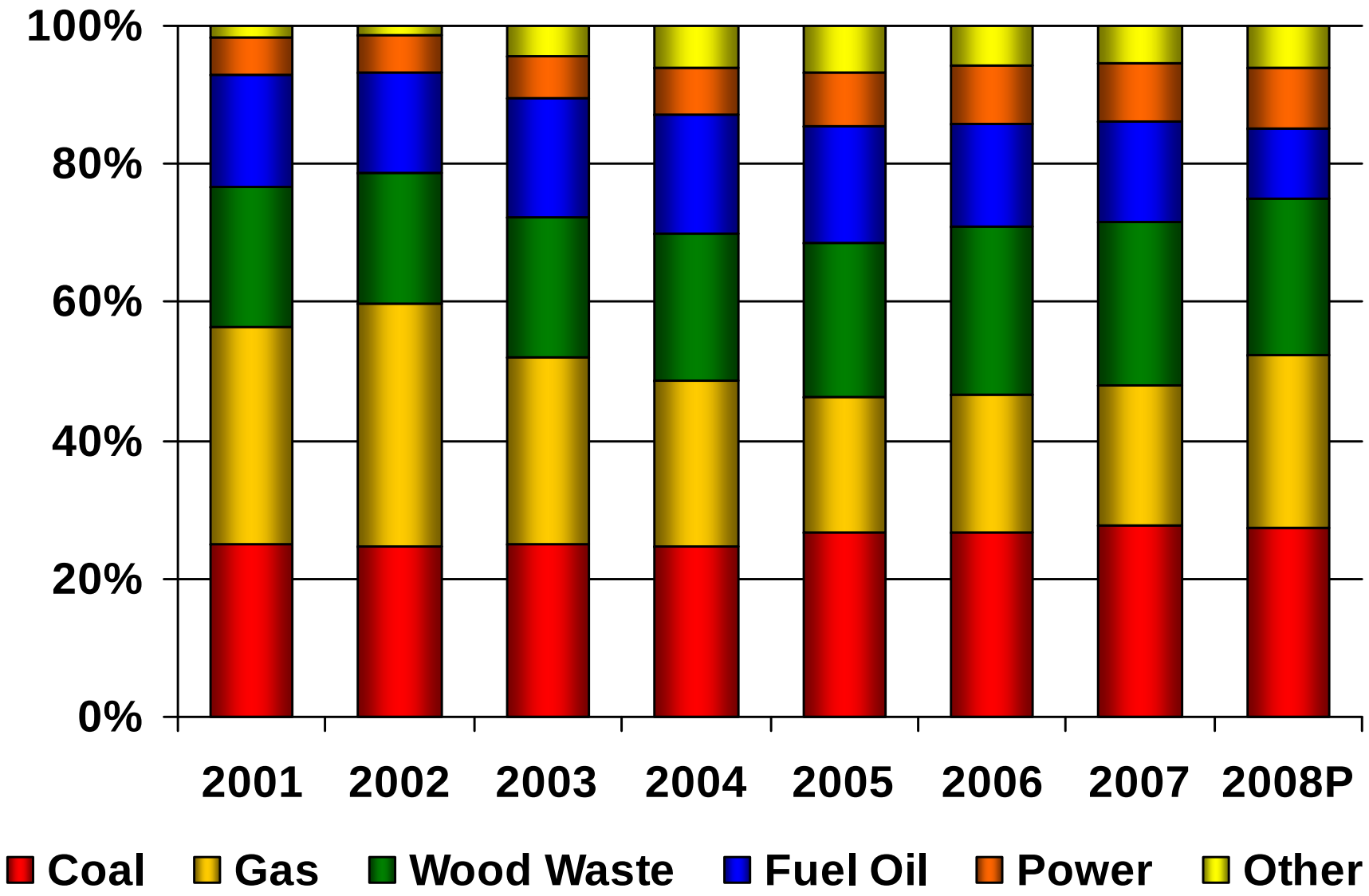
Total Cash Cost Components
6M08



North American Mills Only

Energy
Substituting Lower-Cost Energy

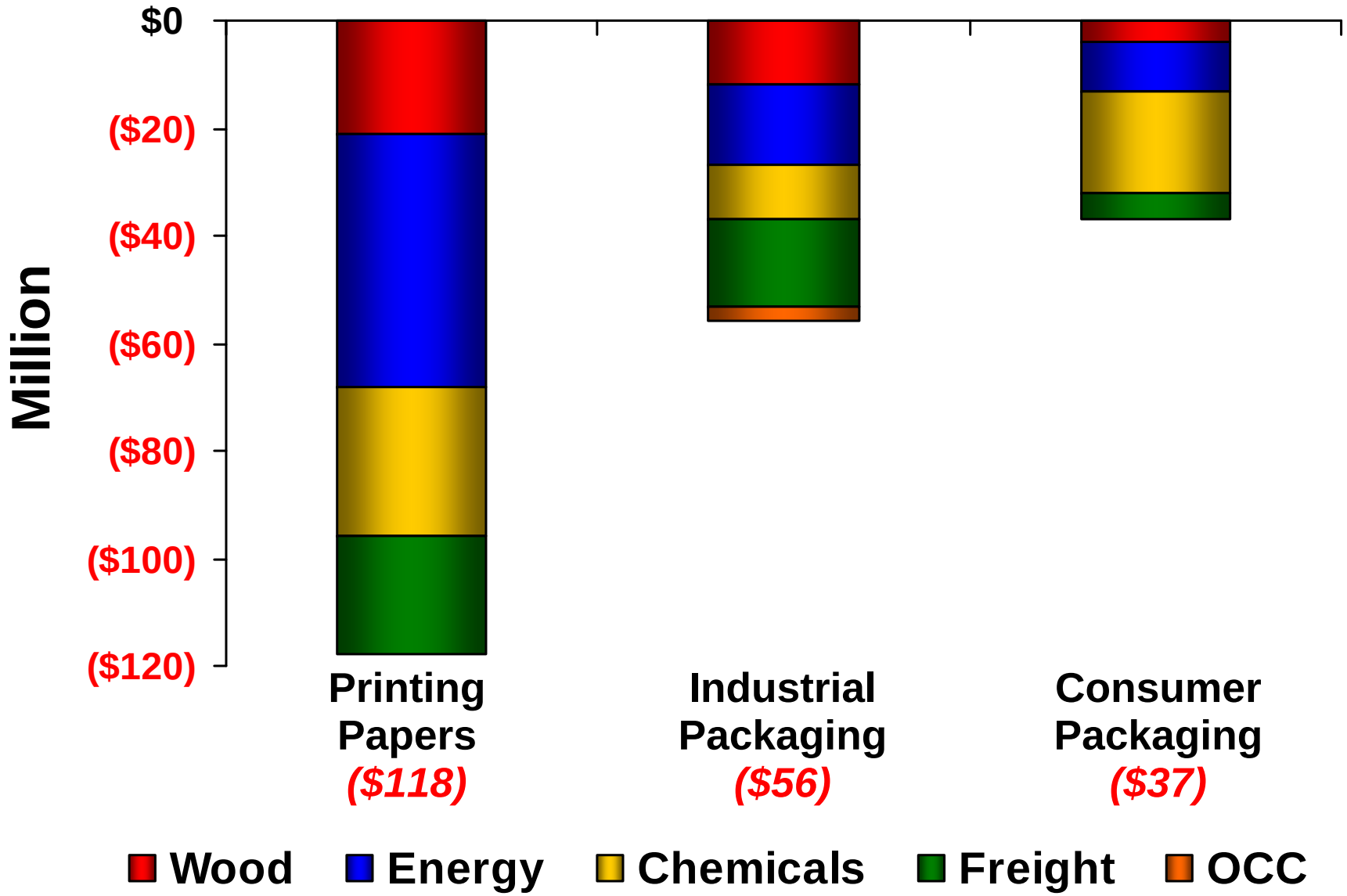
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*Other includes shredded tires, recycled oil, and any other fossil fuels

Global Input & Freight Costs by Segment

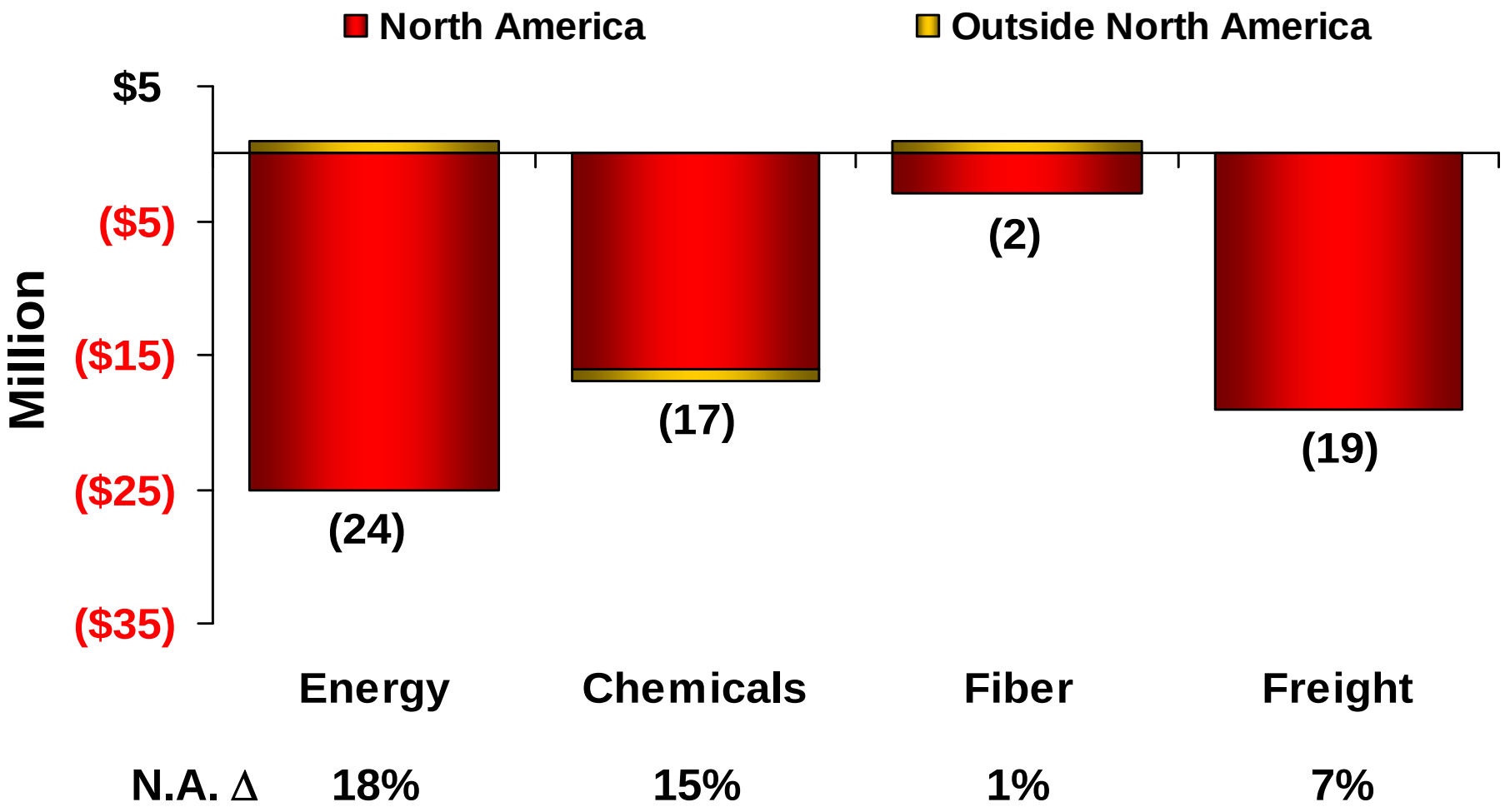
$211 Million Global Impact vs. 2Q07



Increasing Global Input & Freight Costs

$62MM, or $0.10/Share Impact vs. 1Q08

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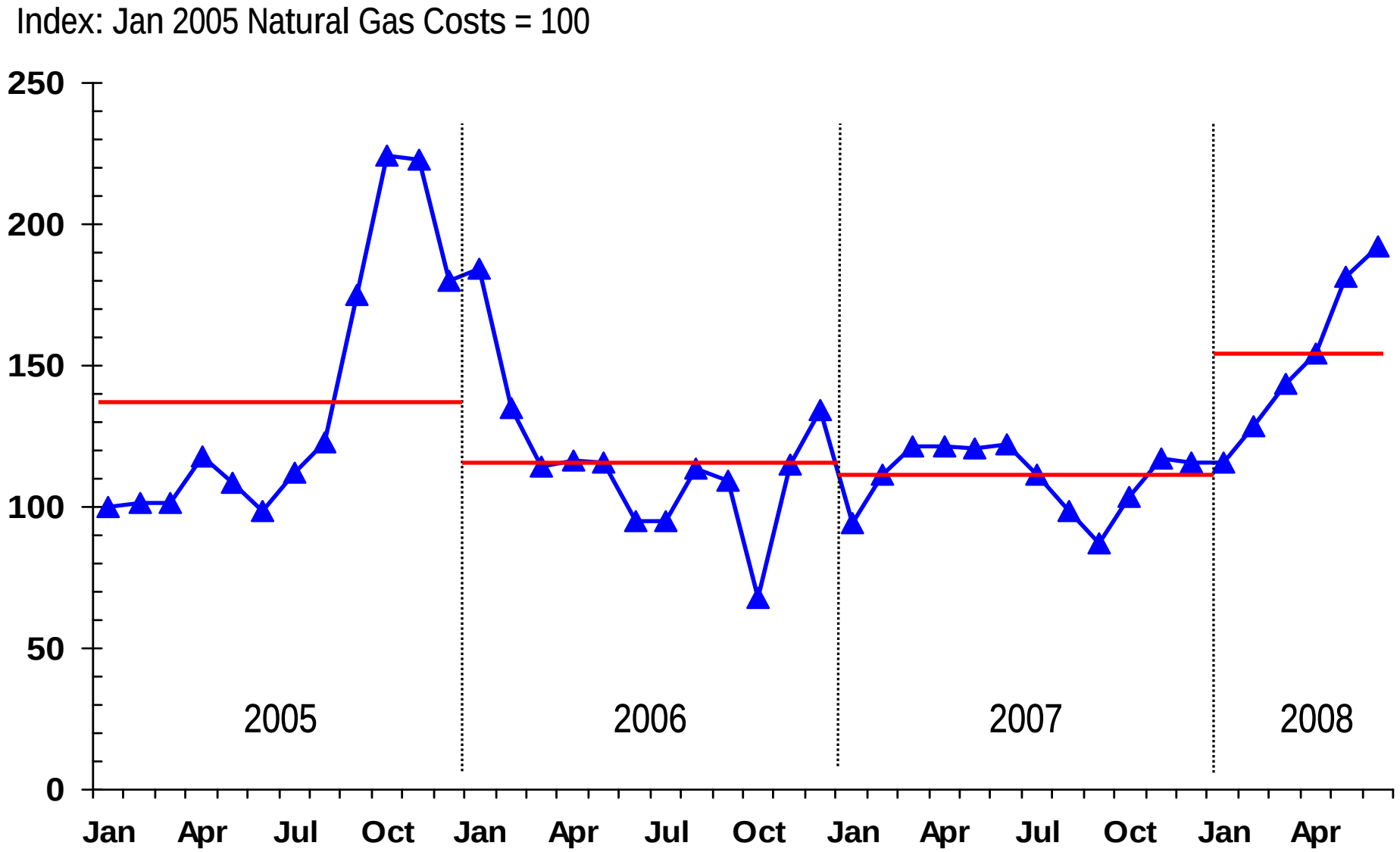


Input costs for continuing businesses
Percentage change reflects North American input costs

Natural Gas Costs

45% increase vs. 2Q07 average cost

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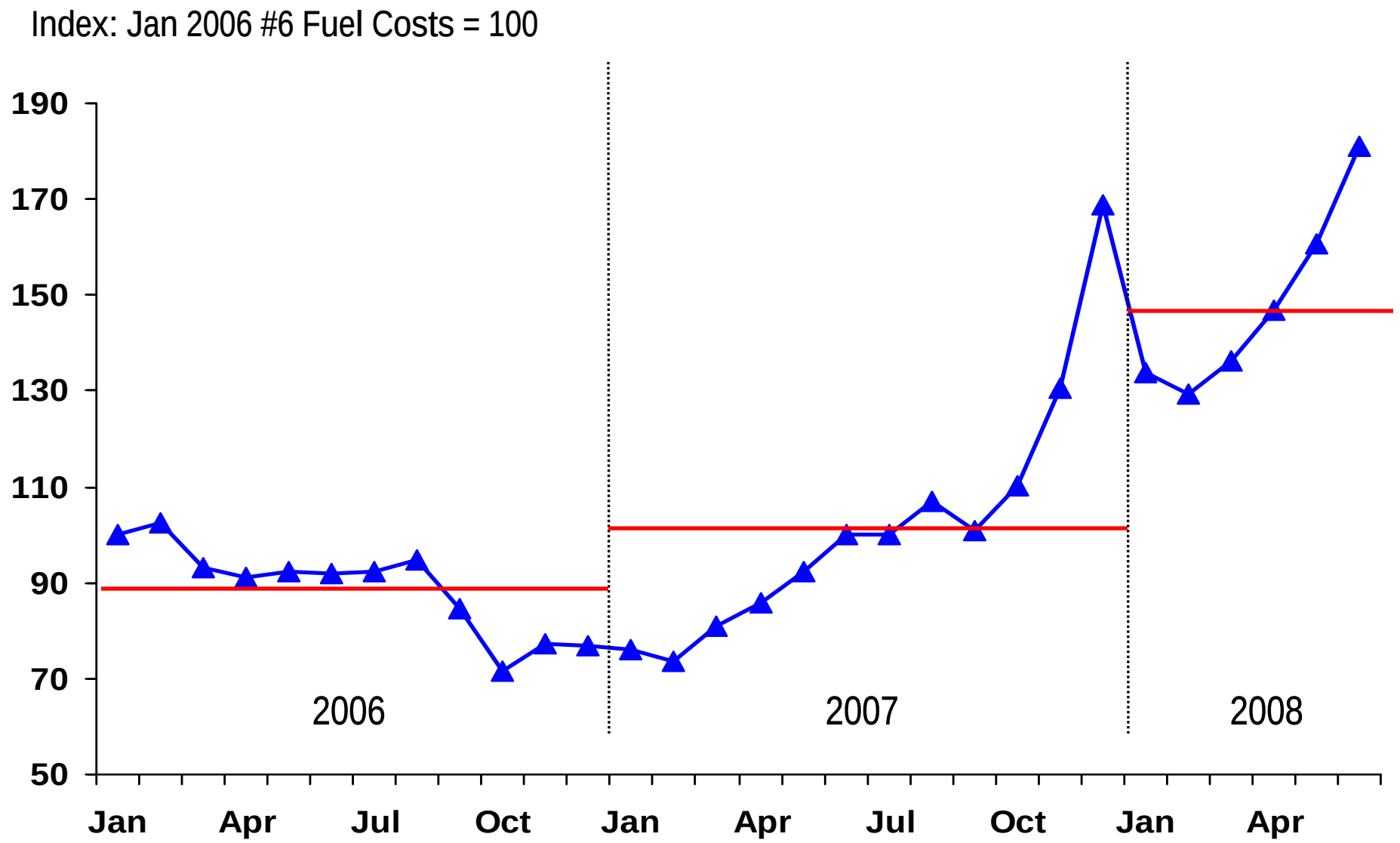


NYMEX Natural Gas closing prices

U.S. #6 Fuel Oil

75% increase vs. 2Q07 average cost

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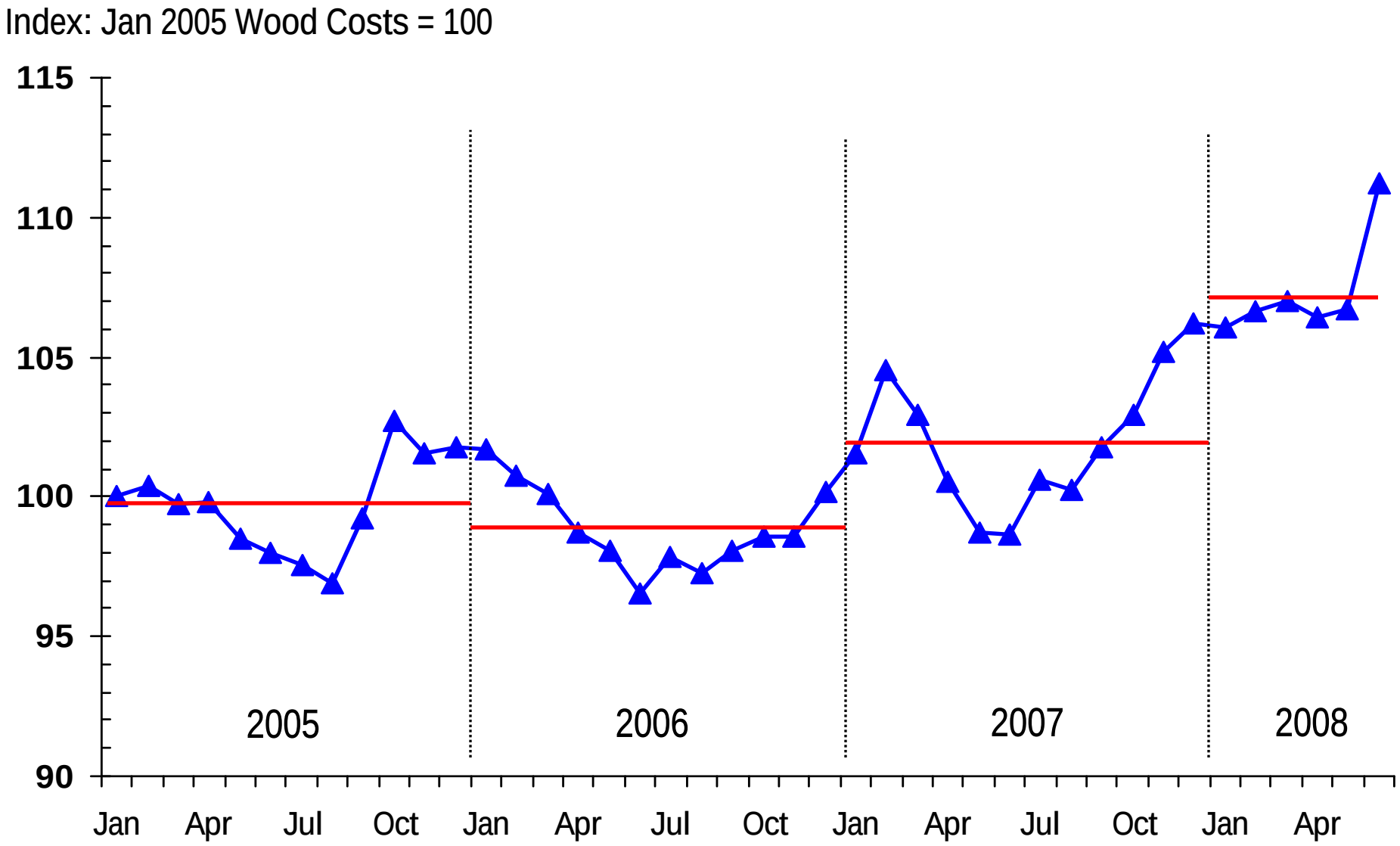


Delivered cost to U.S. facilities

U.S. Mill Wood Costs

9% increase vs. 2Q07 average cost

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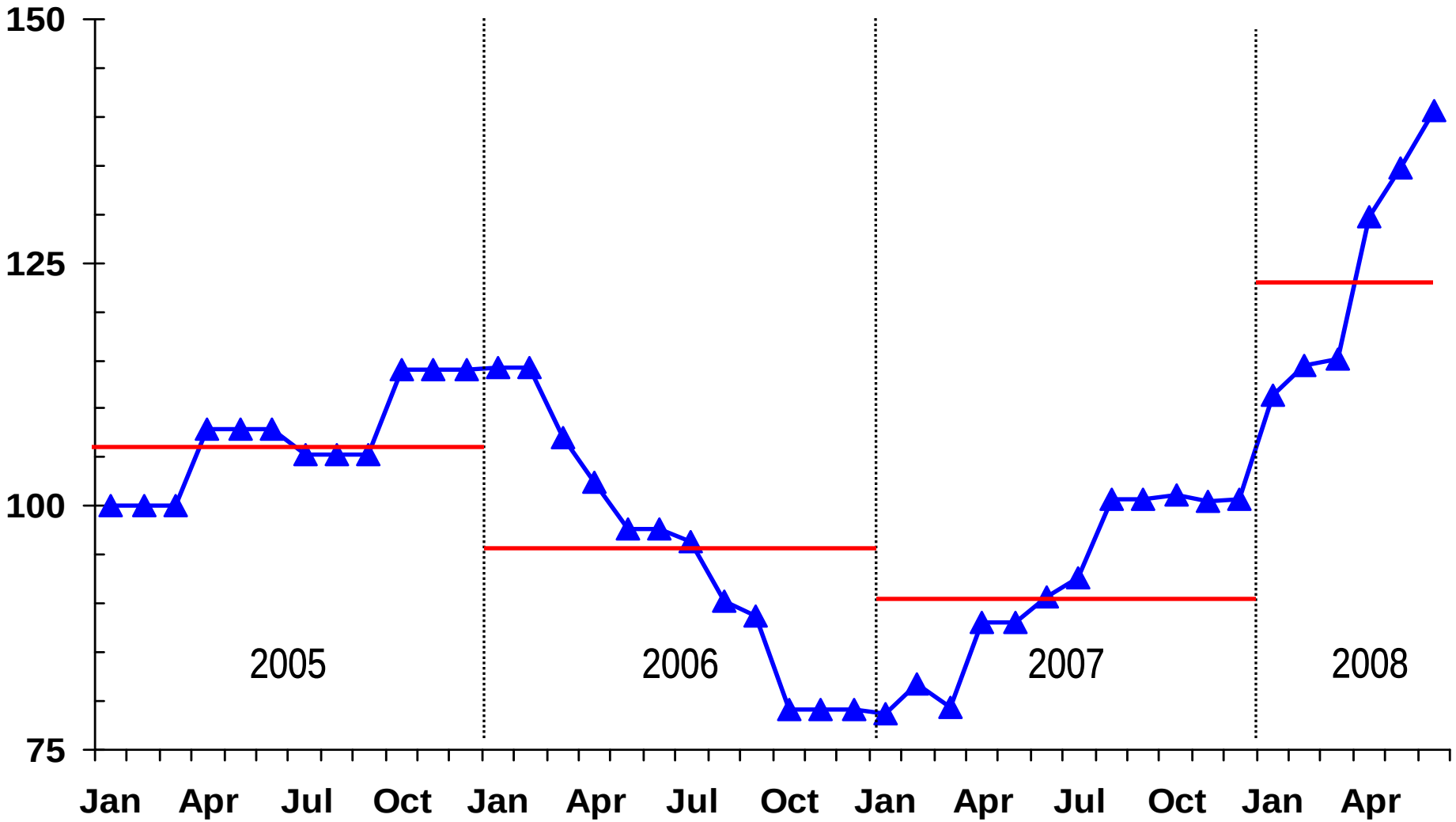
Delivered cost to U.S. facilities

U.S. Caustic Soda Costs

52% increase vs. 2Q07 average cost

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Index: Jan 2005 Caustic Soda Costs = 100

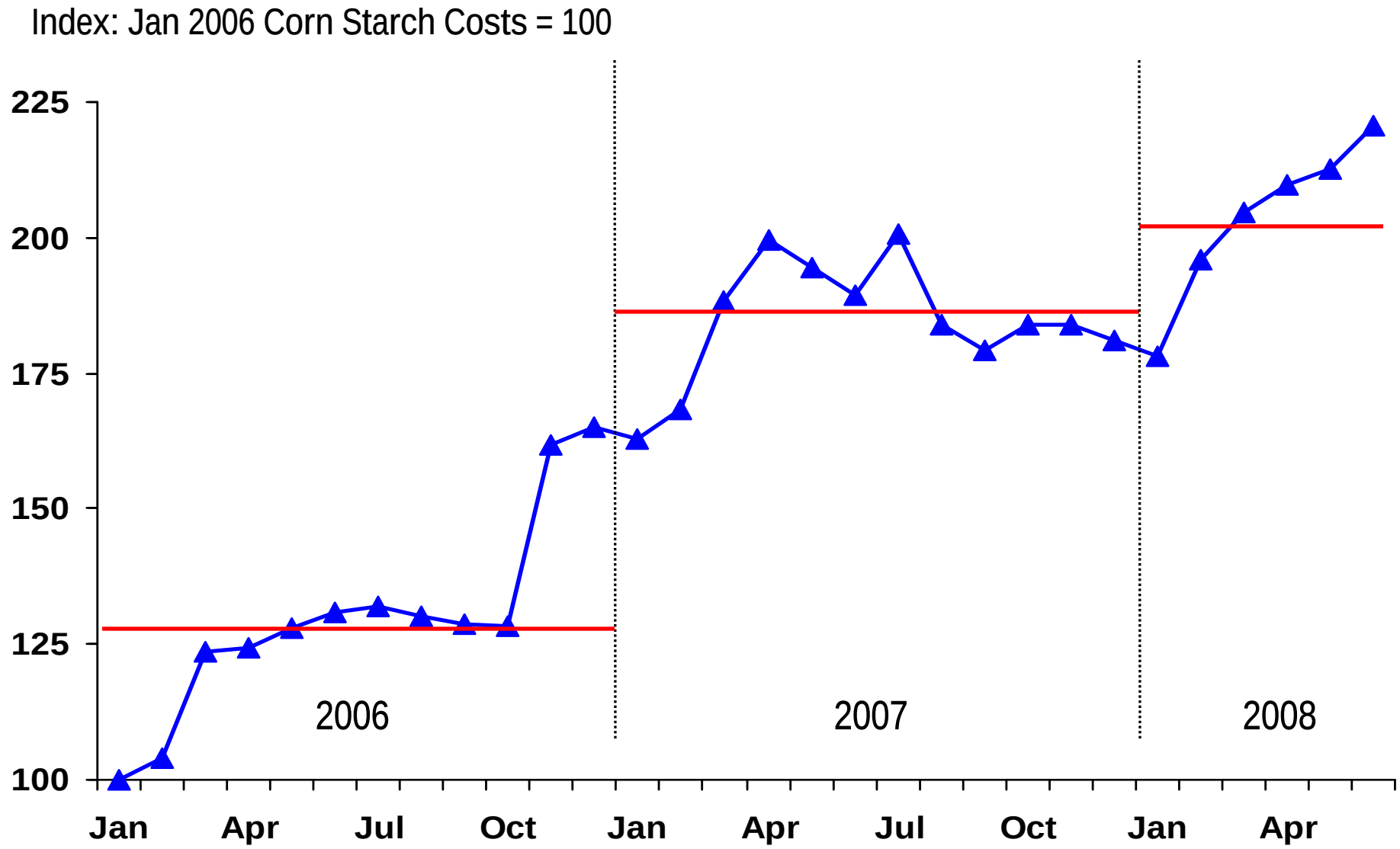


Delivered cost to U.S. facilities

U.S. Corn Starch Costs

10% increase vs. 2Q07 average cost

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Delivered cost to U.S. facilities

Global Consumption

2008 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 or Weyerhaeuser consumption