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

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007**	**2008**	**2008**	**2007**
Net Sales	**$ 5,807**	$ 5,291	**$ 5,668**	**$ 11,475**	$ 10,508
Costs and Expenses					
Cost of products sold	**4,305**	3,881	**4,261**	**8,566**	7,732
Selling and administrative expenses	**459**	441	**472**	**931**	876
Depreciation, amortization and cost of timber harvested	**305**	269	**286**	**591**	531
Distribution expenses	**301**	254	**285**	**586**	510
Taxes other than payroll and income taxes	**44**	47	**44**	**88**	89
Restructuring and other charges	**13 (a)**	26 (c)	**42 (e)**	**55 (g)**	44 (h)
Insurance recoveries	**- (a)**	-	-	-	-
Forestland sales	**(3) (b)**	-	-	**(3) (b)**	-
Impairment of goodwill	**- (a)**	-	-	-	-
Net gains on sales and impairments of businesses	-	(1)	**(1)**	**(1)**	(315) (i)
Reversal of reserves no longer required, net	-	-	-	-	-
Interest expense, net	**81**	80	**81**	**162**	141
Earnings From Continuing Operations Before Income Taxes, Equity Earnings and Minority Interest	**302 (a,b)**	294 (c)	**198 (e)**	**500 (b,g)**	900 (h,i)
Income tax provision	**97**	89	**59**	**156**	232
Equity earnings, net of taxes	**30**	-	**16**	**46**	-
Minority interest expense, net of taxes	**7**	5	**5**	**12**	11
Earnings From Continuing Operations	**228 (a,b)**	200 (c)	**150 (e)**	**378 (b,g)**	657 (h,i)
Discontinued operations, net of taxes and minority interest	**(1)**	(10) (d)	**(17) (f)**	**(18) (f)**	(33) (j)
Net Earnings	**$ 227 (a,b)**	$ 190 (c,d)	**$ 133 (e,f)**	**$ 360 (b,f,g)**	$ 624 (h-j)
Basic Earnings Per Common Share					
Earnings from continuing operations	**$ 0.54 (a,b)**	$ 0.46 (c)	**$ 0.36 (e)**	**$ 0.90 (b,g)**	$ 1.50 (h,i)
Discontinued operations	**(0.00)**	(0.02) (d)	**(0.04) (f)**	**(0.04) (f)**	(0.07) (j)
Net earnings	**$ 0.54 (a,b)**	$ 0.44 (c,d)	**$ 0.32 (e,f)**	**$ 0.86 (b,f,g)**	$ 1.43 (h-j)
Diluted Earnings Per Common Share					
Earnings from continuing operations	**$ 0.54 (a,b)**	$ 0.46 (c)	**$ 0.35 (e)**	**$ 0.89 (b,g)**	$ 1.49 (h,i)
Discontinued operations	**(0.00)**	(0.02) (d)	**(0.04) (f)**	**(0.04) (f)**	(0.07) (j)
Net earnings	**$ 0.54 (a,b)**	$ 0.44 (c,d)	**$ 0.31 (e,f)**	**$ 0.85 (b,f,g)**	$ 1.42 (h-j)
Average Shares of Common Stock Outstanding - Diluted	**422.6**	431.2	**423.3**	**423.9**	440.4
Cash Dividends Per Common Share	**$ 0.25**	$ 0.25	**$ 0.25**	**$ 0.50**	$ 0.50

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

(a) Includes a pre-tax charge of $13 million ($9 million after taxes) for costs associated with the reorganization of the Company's Shorewood operations in Canada.

(b) Includes a pre-tax gain of $3 million ($2 million after taxes) for an adjustment to the gain on the 2006 Transformation Plan forestland sales.

(c) Includes $17 million ($11 million after taxes) of accelerated depreciation charges for long-lived assets being removed from service, and $9 million ($5 million after taxes) of other charges associated with the Company's Transformation Plan.

(d) Includes a pre-tax charge of $6 million ($4 million after taxes) for adjustments relating to the sale of the wood products business, a pre-tax charge of $5 million ($3 million after taxes) for adjustments relating to the sale of the beverage packaging business, and the operating results of these businesses.

(e) 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 Plan.

(f) 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.

(g) Includes a $40 million pre-tax charge ($25 million after taxes) for adjustments to legal reserves, a pre-tax charge of $18 million ($12 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 Plan.

(h) Includes $29 million ($18 million after taxes) of accelerated depreciation charges, and $15 million ($9 million after taxes) for severance and other charges associated with the Company's Transformation Plan.

(i) Includes a pre-tax gain of $113 million ($101 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 $6 million pre-tax loss ($4 million after taxes) for adjustments to the loss on the sale of UK and Ireland box plants, 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, and a $3 million pre-tax loss ($3 million after taxes) for other small items.

(j) Includes a pre-tax gain of $15 million ($5 million after taxes) relating to the sale of the wood products business, a pre-tax loss of $20 million ($42 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 year-to-date operating results of the beverage packaging and wood products businesses.

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

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007**	**2008**	**2008**	**2007**
Earnings Before Special Items	$ 235	$ 223	$ 175	$ 410	$ 426
Restructuring and other charges	(9)	(16)	(26)	(35)	(27)
Net gains (losses) on sales and impairments of businesses	-	(7)	1	1	257
Forestland sales	2	-	-	2	-
Interest Income	-	-	-	-	1
Earnings Per Common Share from Continuing Operations	228	200	150	378	657
Discontinued operations	(1)	(10)	(17)	(18)	(33)
Net Earnings as Reported	$ 227	$ 190	$ 133	$ 360	$ 624

Diluted Earnings per Common Share	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007**	**2008**	**2008**	**2007**
Earnings Per Share Before Special Items	$ 0.56	$ 0.52	$ 0.41	$ 0.97	$ 0.97
Restructuring and other charges	(0.02)	(0.04)	(0.06)	(0.08)	(0.06)
Net gains (losses) on sales and impairments of businesses	-	(0.02)	-	-	0.58
Earnings Per Common Share from Continuing Operations	0.54	0.46	0.35	0.89	1.49
Discontinued operations	-	(0.02)	(0.04)	(0.04)	(0.07)
Diluted Earnings per Common Share	$ 0.54	$ 0.44	$ 0.31	$ 0.85	$ 1.42

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) Since diluted earnings per share are computed independently for each period, six-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 June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007**	**2008**	**2008**	**2007**
Printing Papers	$ 1,790	$ 1,610	$ 1,715	$ 3,505	$ 3,150
Industrial Packaging	1,470	1,315	1,445	2,915	2,550
Consumer Packaging	795	745	770	1,565	1,460
Distribution	1,970	1,720	1,985	3,955	3,395
Forest Products	55	90	25	80	175
Other Businesses (4)	-	-	-	-	135
Corporate and Inter-segment Sales	(273)	(189)	(272)	(545)	(357)
Net Sales	$ 5,807	$ 5,291	$ 5,668	$ 11,475	$ 10,508

Operating Profit by Industry Segment

	Three Months Ended June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007 (2)**	**2008**	**2008**	**2007 (2)**
Printing Papers	$ 226	$ 188	$ 185	$ 411	$ 355
Industrial Packaging	87	108	97	184	181
Consumer Packaging	13 (3)	30	9 (3)	22 (3)	70
Distribution	26	30	16	42	50
Forest Products	41	94	25	66	191
Other Businesses (4)	-	-	-	-	6
Operating Profit (1)	393	450	332	725	853
Interest expense, net	(81)	(80)	(81)	(162)	(141)
Minority interest/equity earnings adjustment (5)	8	6	4	12	11
Corporate items, net	(21)	(57)	(21)	(42)	(94)
Restructuring and other charges	-	(26)	(37)	(37)	(44)
Sale of forestlands	3	-	-	3	-
Net gains on sales and impairments of businesses	-	1	1	1	315
Earnings From Continuing Operations Before Income Taxes, Equity Earnings, and Minority Interest	$ 302	$ 294	$ 198	$ 500	$ 900
Equity Earnings in Ilim Holdings S.A., Net of Taxes (1)	$ 32	$ -	$ 17	$ 48	$ -

(1) In addition to the operating profits shown above, International Paper recorded $17 million and $32 million of equity earnings, net of taxes, for the three months ended March 31, 2008 and June 30, 2008, respectively, related to its equity investment in Ilim Holdings 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 charges of $5 million and $13 million for the first and second quarters of 2008, respectively, 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 June 30,		Three Months Ended March 31,	Six Months Ended June 30,	
	2008	**2007**	**2008**	**2008**	**2007**
Printing Papers (In thousands of short tons)					
U.S. Uncoated Papers	868	949	910	1,778	1,931
European & Russian Uncoated Papers	373	354	373	746	730
Brazilian Uncoated Papers	211	198	210	421	342
Asian Uncoated Papers	7	7	8	15	12
Uncoated Papers	1,459	1,508	1,501	2,960	3,015
Market Pulp (3)	416	337	354	770	672
Packaging (In thousands of short tons)					
Container of the Americas	896	905	882	1,778	1,787
European Container (Boxes)	288	298	295	583	605
Other Industrial and Consumer Packaging	198	165	179	377	296
Industrial and Consumer Packaging	1,382	1,368	1,356	2,738	2,688
Containerboard	493	457	506	999	849
Coated Paperboard	595	599	606	1,201	1,190
Saturated and Bleached Kraft Papers	61	63	65	126	116

(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)

	June 30, 2008	December 31, 2007
Assets		
Current Assets		
Cash and Temporary Investments	$ 3,979	$ 905
Accounts and Notes Receivable, Net	3,284	3,152
Inventories	2,219	2,071
Assets of Businesses Held for Sale	-	24
Deferred Income Tax Assets	184	213
Other	353	370
Total Current Assets	10,019	6,735
Plants, Properties and Equipment, Net	10,442	10,141
Forestlands	824	770
Investments	1,357	1,276
Goodwill	3,722	3,650
Deferred Charges and Other Assets	1,609	1,587
Total Assets	$ 27,973	$ 24,159
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes Payable and Current Maturities of Long-Term Debt	$ 757	$ 267
Liabilities of Businesses Held for Sale	-	4
Accounts Payable and Accrued Liabilities	3,581	3,571
Total Current Liabilities	4,338	3,842
Long-Term Debt	8,915	6,353
Deferred Income Taxes	3,166	2,919
Other Liabilities	1,806	2,145
Minority Interest	245	228
Common Shareholders' Equity		
Invested Capital	4,986	4,297
Retained Earnings	4,517	4,375
Total Common Shareholders' Equity	9,503	8,672
Total Liabilities and Common Shareholders' Equity	$ 27,973	$ 24,159

International Paper Company

Consolidated Statement of Cash Flows

Preliminary and Unaudited

(In Millions)

	Six Months Ended June 30,	
	2008	**2007**
Operating Activities		
Net earnings	$ 360	$ 624
Discontinued operations, net of taxes and minority interest	18	33
Earnings from continuing operations	378	657
Depreciation, amortization and cost of timber harvested	591	531
Deferred income tax (benefit) expense, net	(113)	95
Restructuring and other charges	55	44
Payments related to restructuring and legal reserves	(42)	(38)
Net gains on sales and impairments of businesses	(1)	(315)
Equity earnings, net	(46)	-
Periodic pension expense, net	57	105
Other, net	45	186
Changes in current assets and liabilities		
Accounts and notes receivable	(27)	(156)
Inventories	(90)	(118)
Accounts payable and accrued liabilities	110	(233)
Other	93	(70)
Cash provided by operations - continuing operations	1,010	688
Cash used for operations - discontinued operations	-	(53)
Cash Provided by Operations	1,010	635
Investment Activities		
Invested in capital projects	(482)	(477)
Proceeds from divestitures	14	1,670
Equity investment in Ilim	(21)	-
Other	(159)	(103)
Cash (used for) provided by investment activities - continuing operations	(648)	1,090
Cash used for investment activities - discontinued operations	-	(12)
Cash (Used for) Provided by Investment Activities	(648)	1,078
Financing Activities		
Repurchases of common stock	(47)	(1,073)
Issuance of common stock	1	71
Issuance of debt	3,135	2
Reduction of debt	(125)	(467)
Change in book overdrafts	(53)	1
Dividends paid	(218)	(223)
Other	(20)	-
Cash Provided by (Used for) Financing Activities	2,673	(1,689)
Effect of Exchange Rate Changes on Cash	39	33
Change in Cash and Temporary Investments	3,074	57
Cash and Temporary Investments		
Beginning of the period	905	1,624
End of the period	$ 3,979	$ 1,681