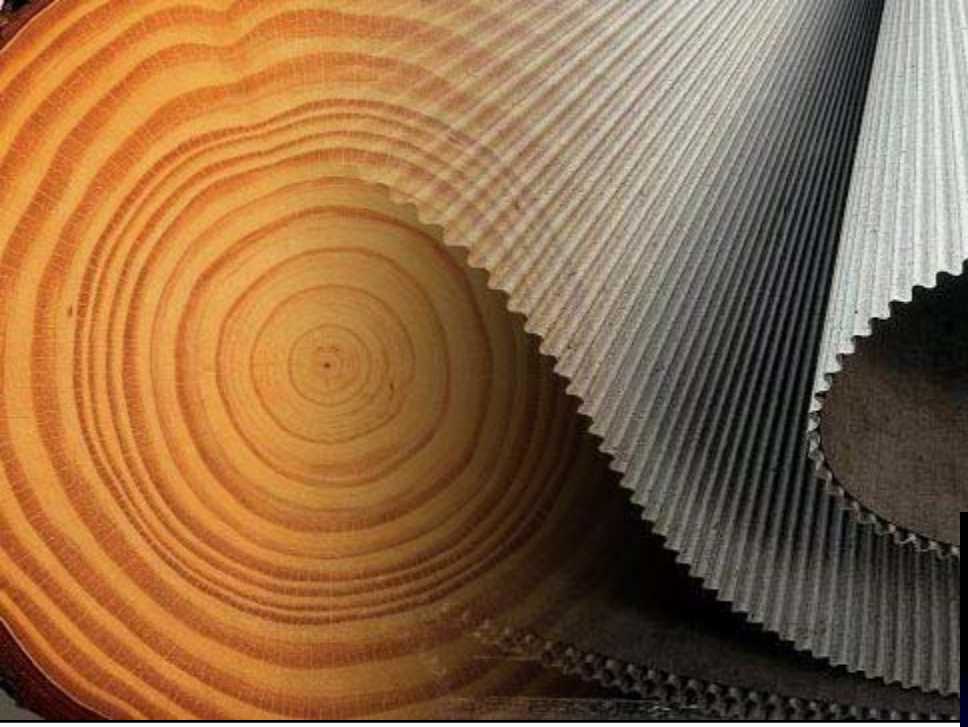


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# Fourth Quarter 2008 Review

## January 29, 2009



**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.

# The World Changed
## *2008 – Two Distinct Periods*

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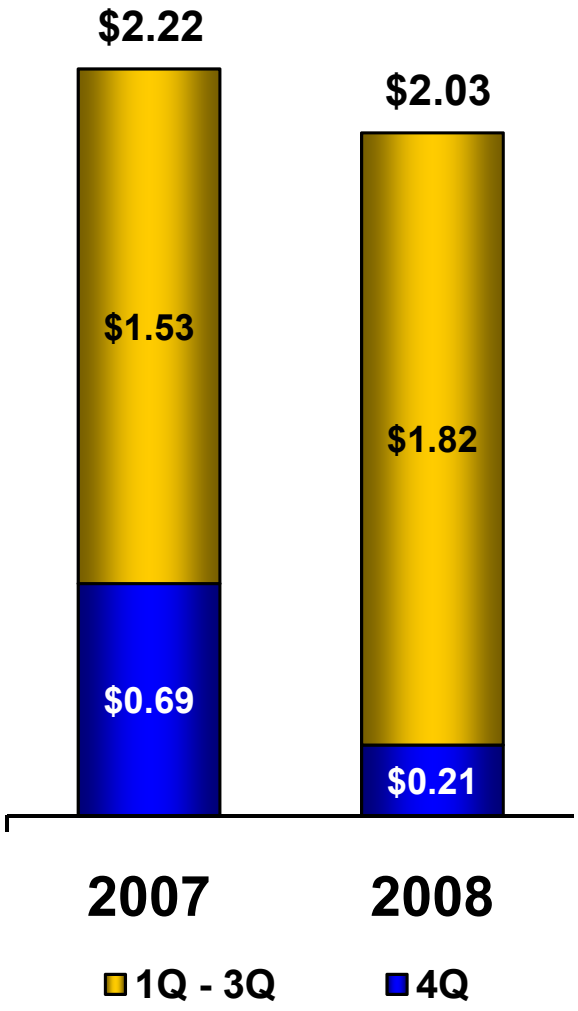
| | First Three Quarters | Fourth Quarter |
|---|---|---|
| Volume | Steady | Dramatic Decline |
| Price | Increasing | Peaking, Decline in Pulp |
| Market Downtime | Limited | Significant in UFS & KLB |
| Input Costs | Significant Increase | Relief |
| Cost Reduction | Started Early | Progress |
| Operations | Good | Good |

# 2008 Full-Year Results

## *Solid Earnings, Record Free Cash Flow*

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| | 2007 | 2008 | Δ |
|---|---|---|---|
| **Sales** ($Billion) | $21.9 | $24.8 | 13% |
| **EBITDA** ($Million) | $2.8 | $3.0 | 8% |
| **Free Cash Flow**[1] ($Million) | $0.7 | $1.7 | 158% |



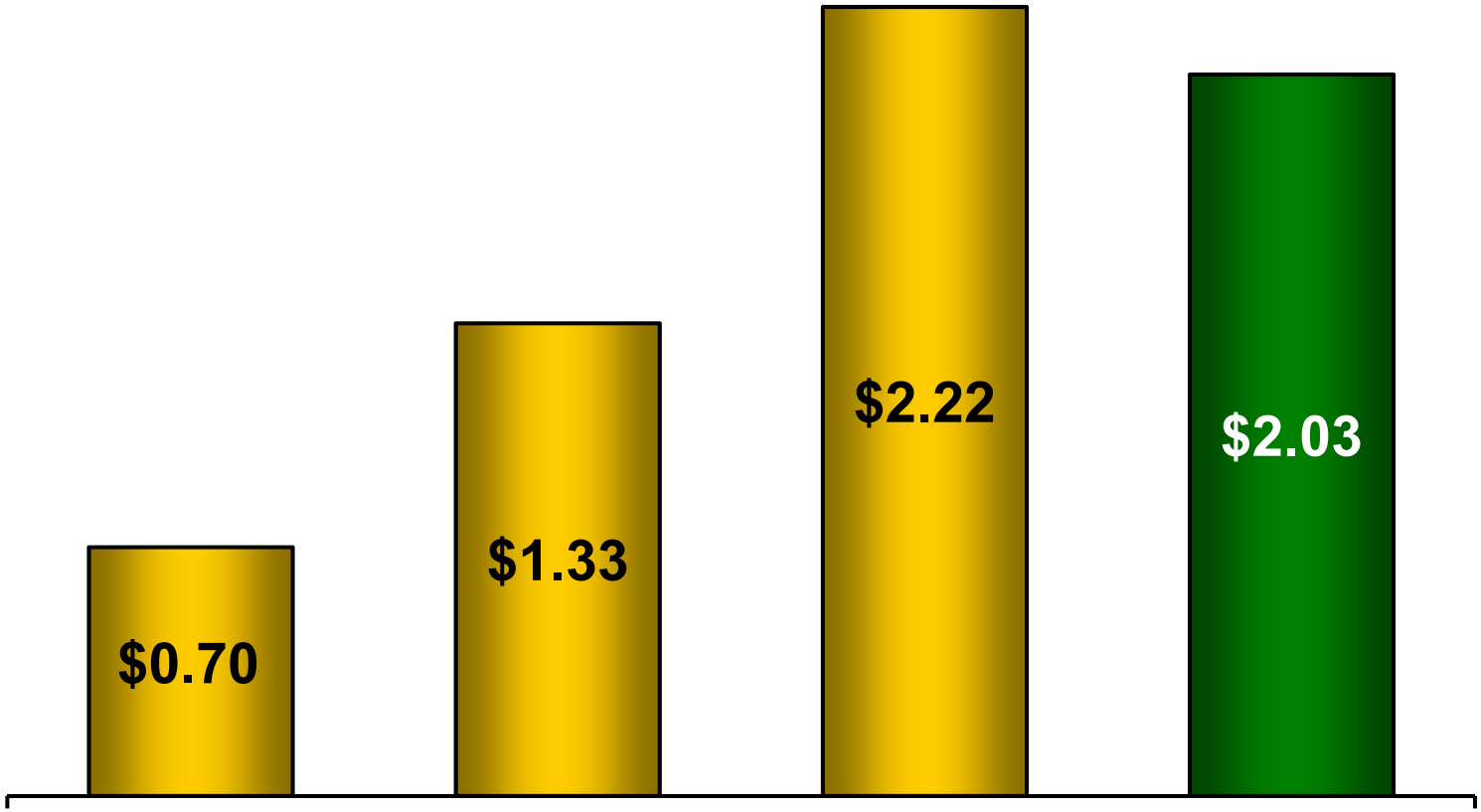

Earnings from continuing operations before special items; includes CBPR

[1] Cash provided by continuing operations less capital expenditures

# Diluted EPS

## *from Continuing Operations before Special Items*

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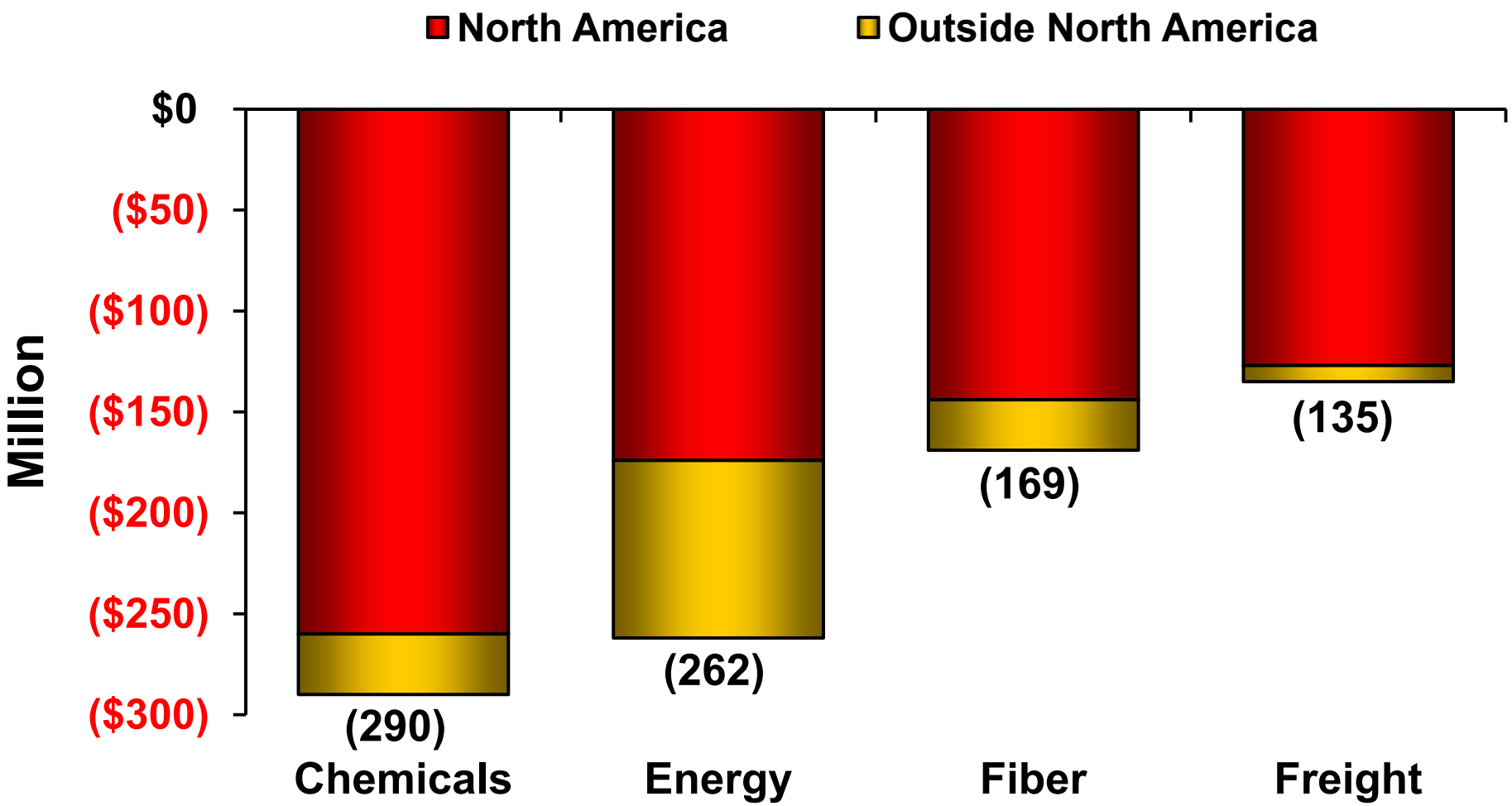

| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| % of Operating Profit from Forest Products | 52% | 37% | 24% | 23% |

A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations
Forest Products earnings percentages are based on operating income

# Global Input & Freight Costs

## *$856MM, or $1.38/Share Impact vs. 2007*

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Input costs for continuing businesses; does not include CBPR

# Responding to the Economic Contraction

*Decisive Actions to Weather the Storm*

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## Capacity Curtailments

**Containerboard**
- 700,000 tons
- Valliant #3 Shutdown
- 5 packaging plants

**Uncoated Freesheet**
- 140,000 tons
- Franklin #3 Shutdown
- Inverurie Mill Review

**Market Pulp**
- 140,000 tons
- Bastrop Mill Shutdown

**Coated Paperboard**
- 14,000 tons

## Cost Reductions

- $100MM Overhead Reduction
- 4,400 Headcount Reduction
- Hiring & Salary Freeze
- Executive Compensation up to 50% Reduction

## Asset Sales

- Haynesville Mineral Rights

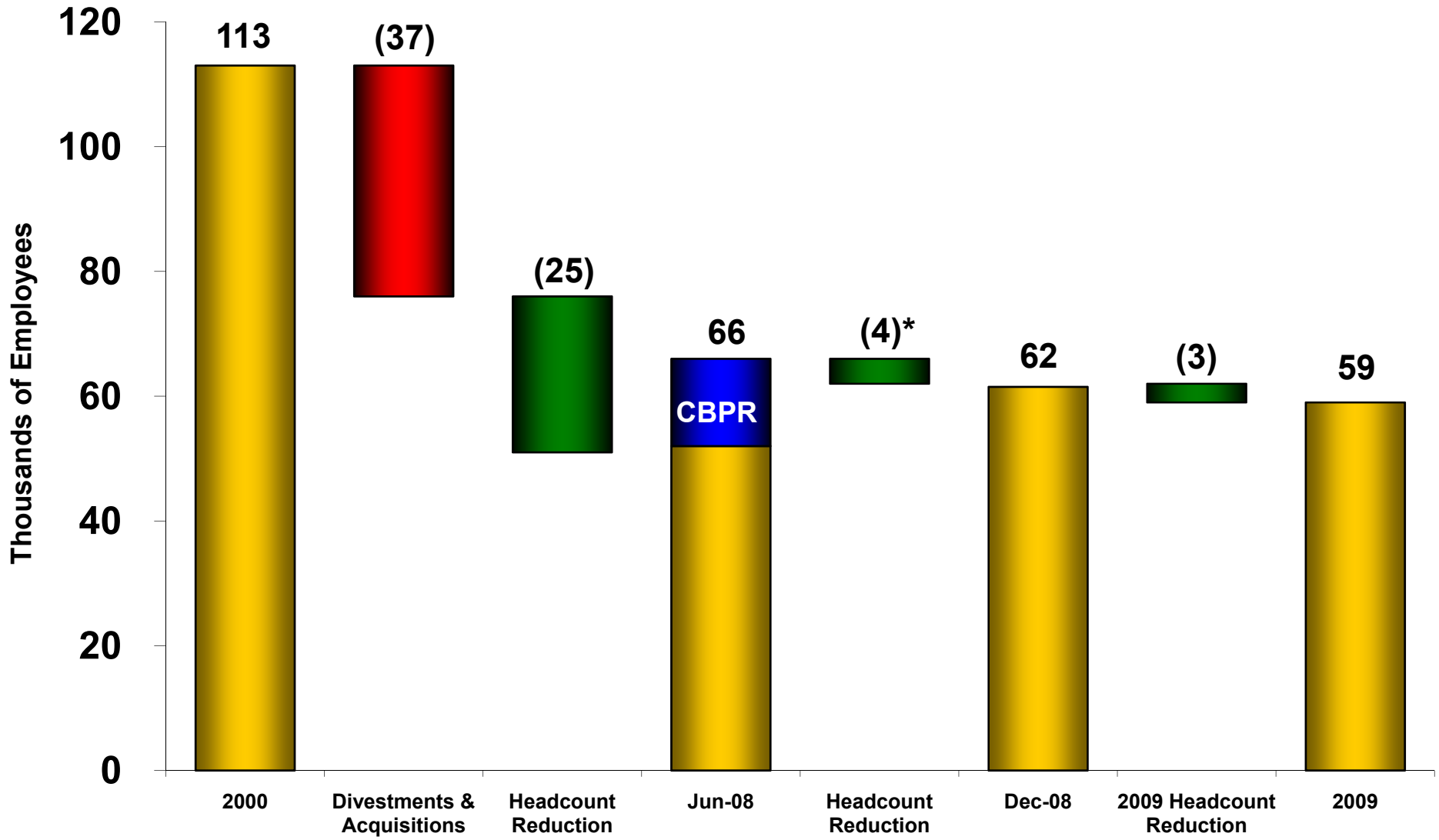
## Cash & Liquidity Initiatives

- $300MM 2008 Capex Reduction
- $300MM 2009 Capex Reduction
- Fund Company 401(k) Match with Shares
- Extend A/R Securitization
- Ilim Dividend
- Working Capital Focus

# IP Continues to Become a Leaner Company

## *10% Headcount Reduction in 2008/09*

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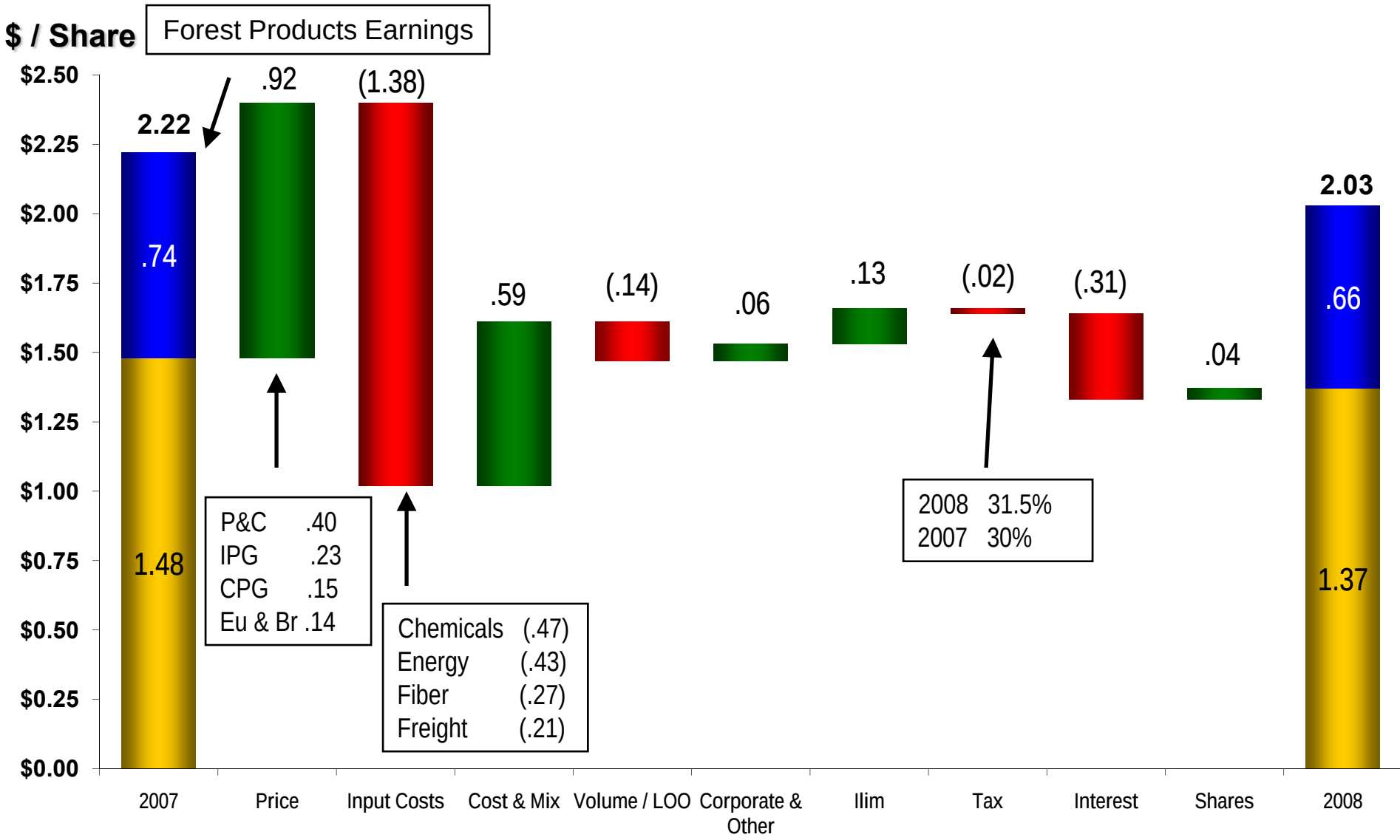

Excludes Ilim joint venture employees

* Includes 900 Weyerhaeuser positions that did not come to IP

# 2008 vs. 2007 EPS

## *Input Cost Inflation, Improved Price & Mix*

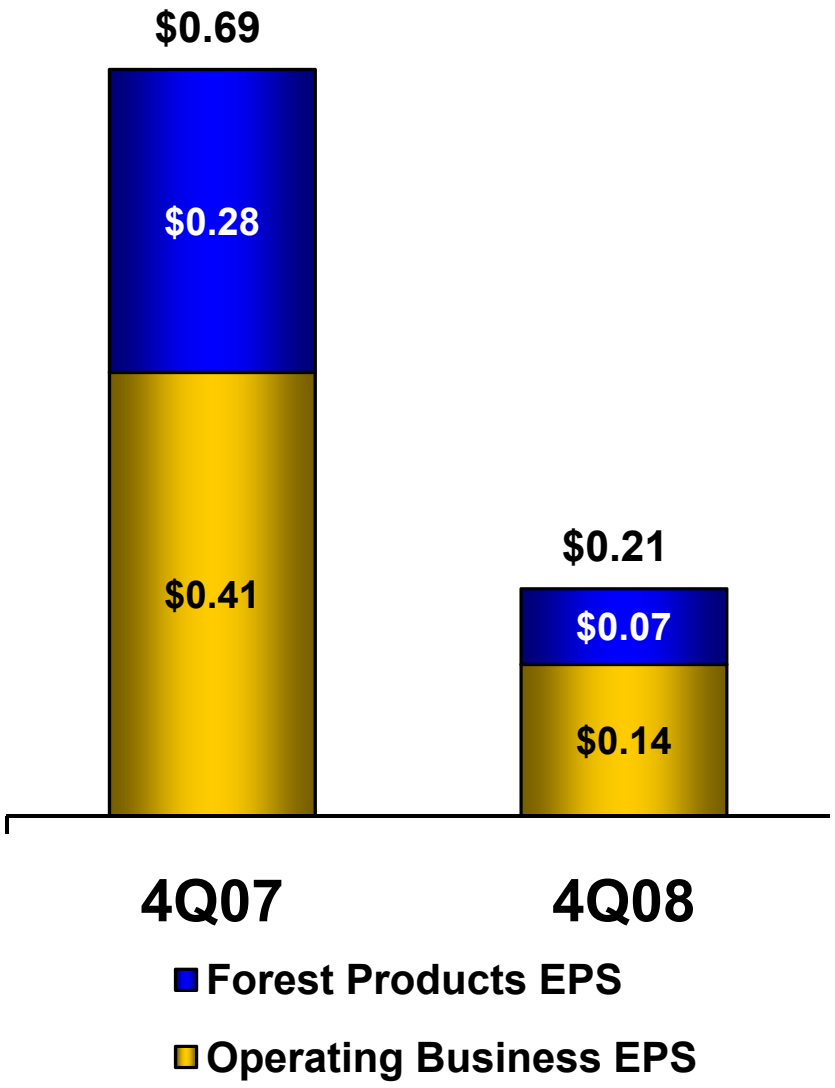
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Earnings from continuing operations before special items; volume includes earnings from CBPR

# Fourth Quarter 2008 Summary

## *Dramatic Economic Deceleration*




### What Changed in North America

- Double-digit volume declines
- Prices peaked & under pressure
- Input costs peaked & declining

### How We Accelerated our Actions

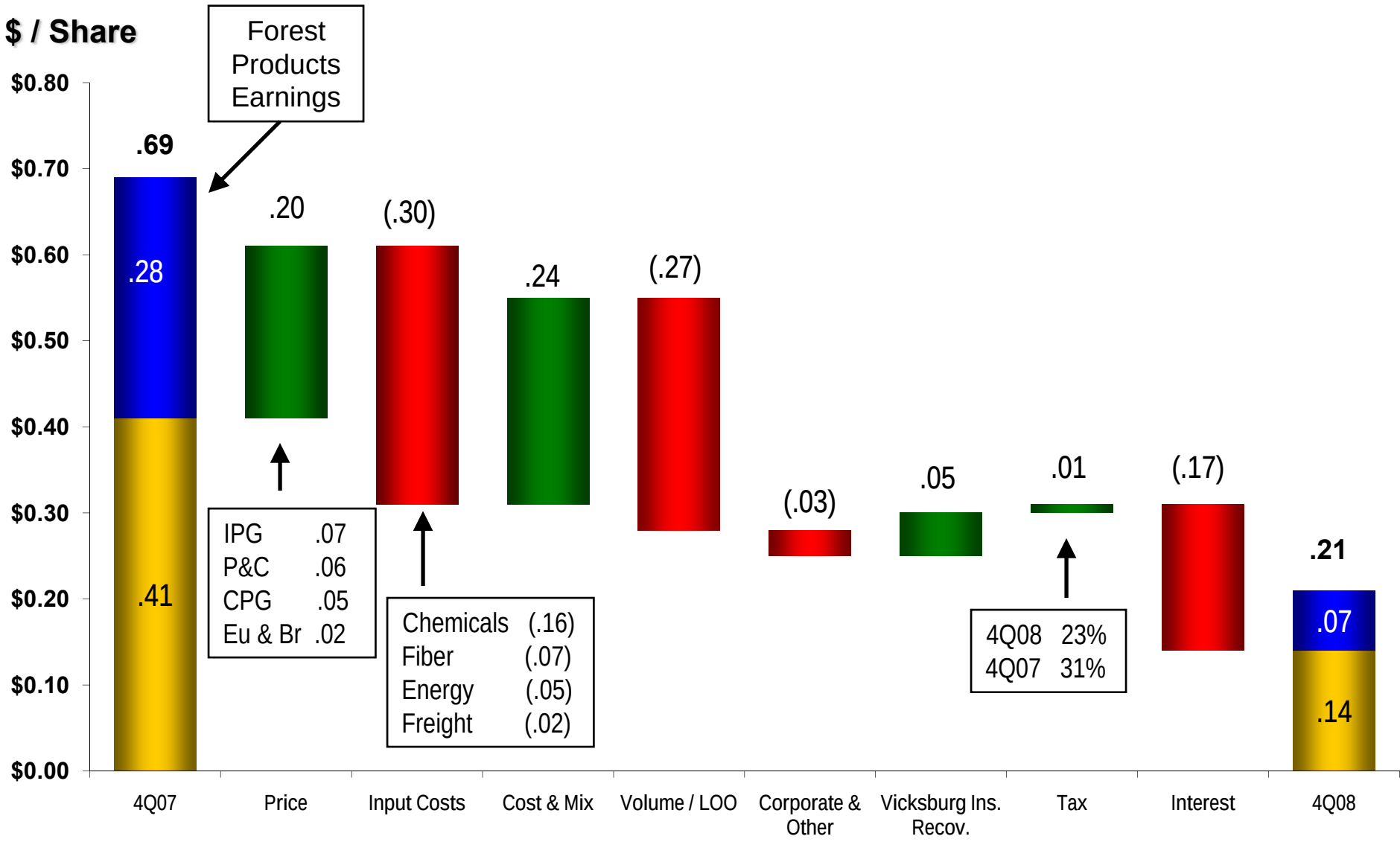
- 25% Downtime in KLB
- 15% Downtime in NA UFS
- 30% Downtime in NA Market Pulp
- No inventory build in KLB & UFS
- Accelerated overhead reductions
- Focus on improving free cash flow

Earnings from continuing operations before special items

# 4Q08 vs. 4Q07 EPS

## *Higher Prices, Weak Volumes, Increased Input Costs*

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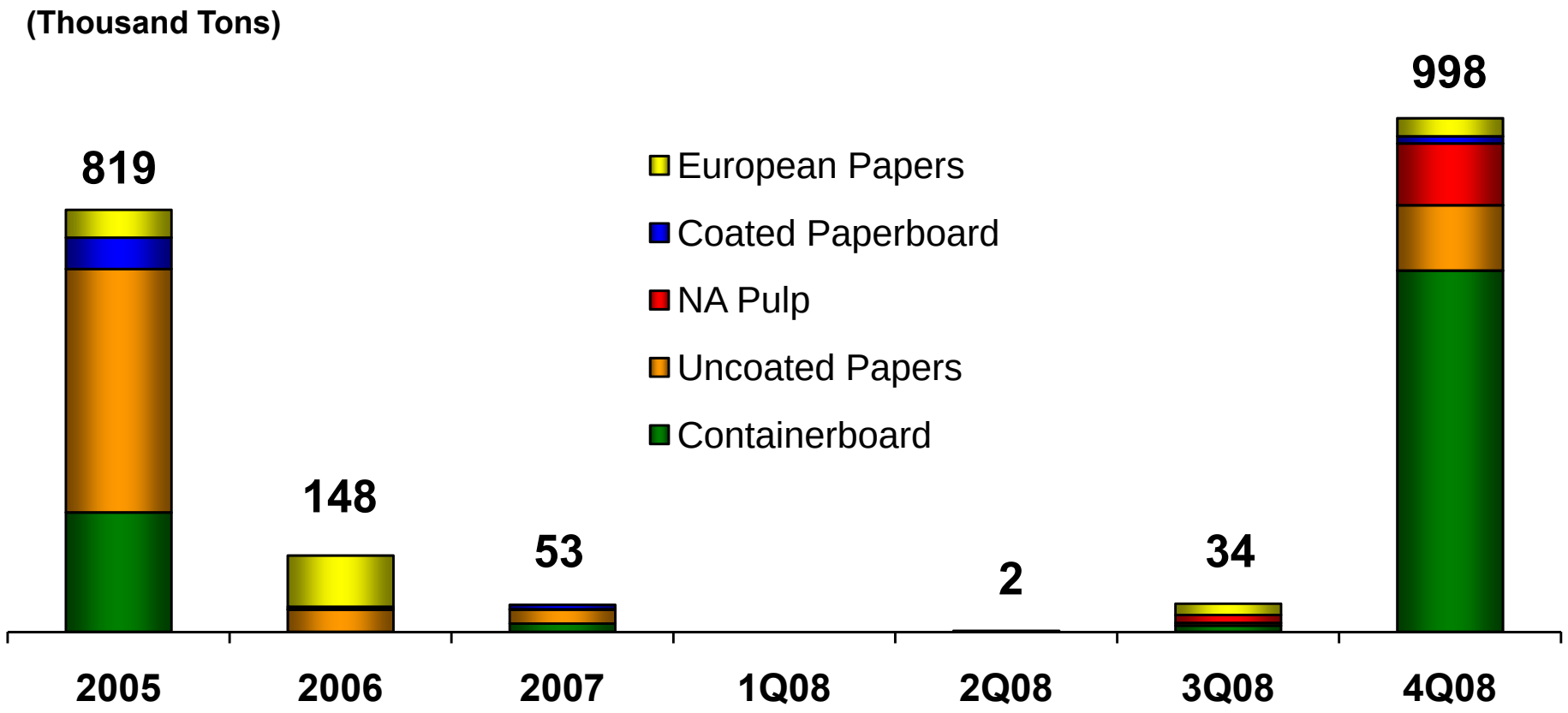



Earnings from continuing operations before special items; volume includes earnings from CBPR

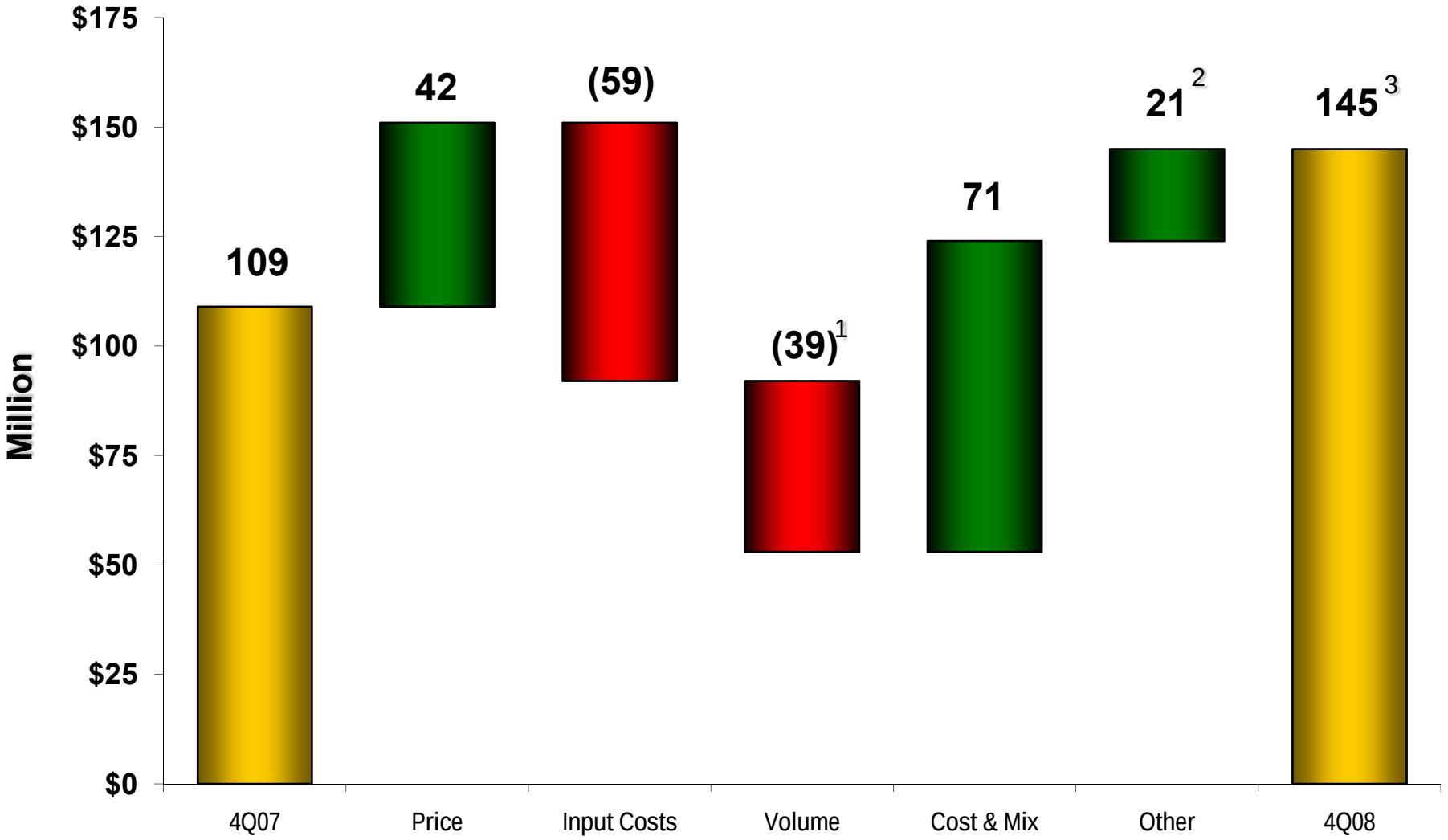
# Lack of Order Downtime

*Matching Our Production to Our Customers' Needs*

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# Industrial Packaging Earnings
## *4Q08 vs. 4Q07*

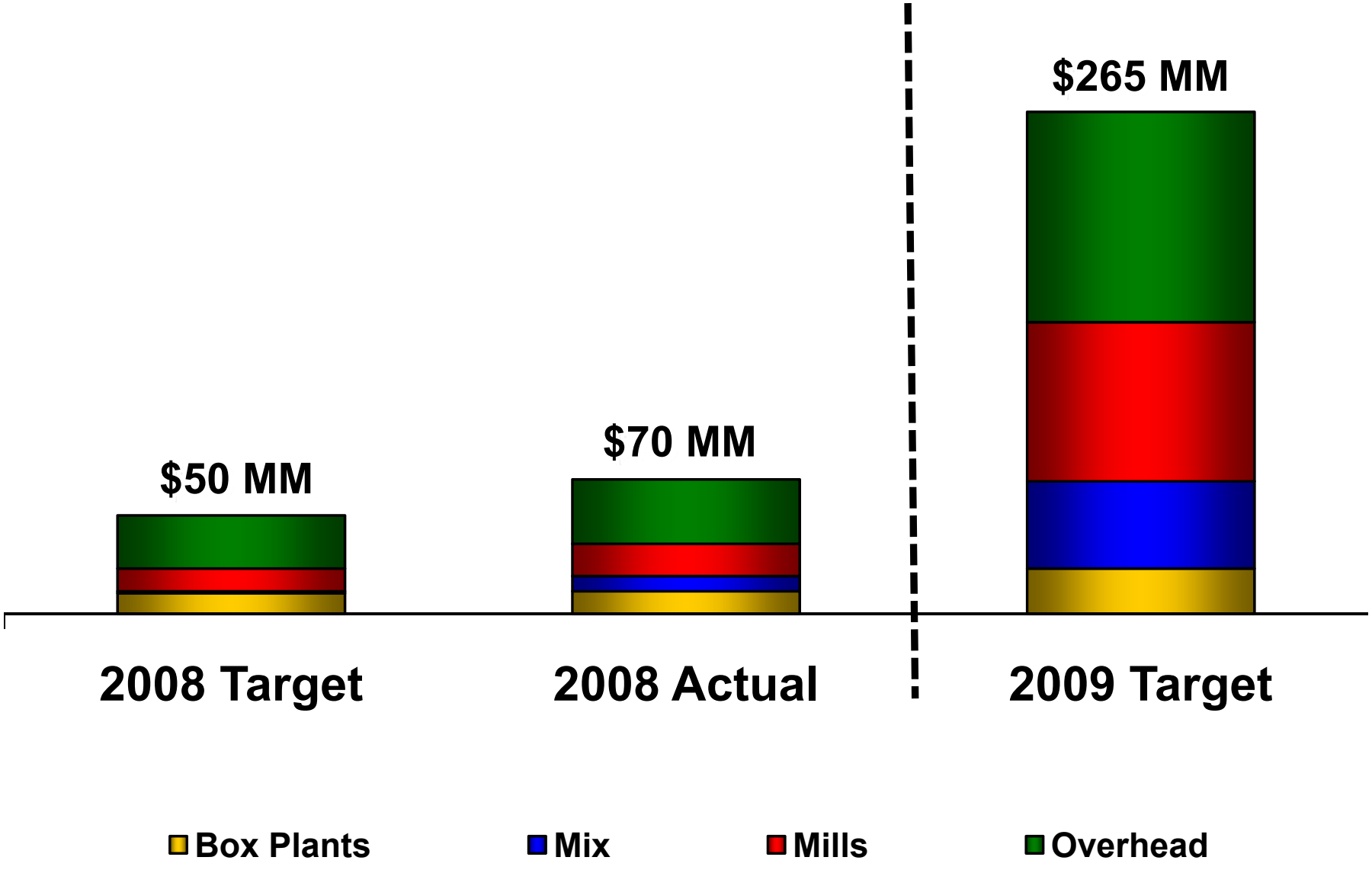



[1] Excludes trade volume and includes CBPR earnings
[2] Includes $33 million of insurance recovery for Vicksburg mill
[3] Excludes special charges of $26 million for CBPR integration costs and $8 million for Ace Packaging facility closures

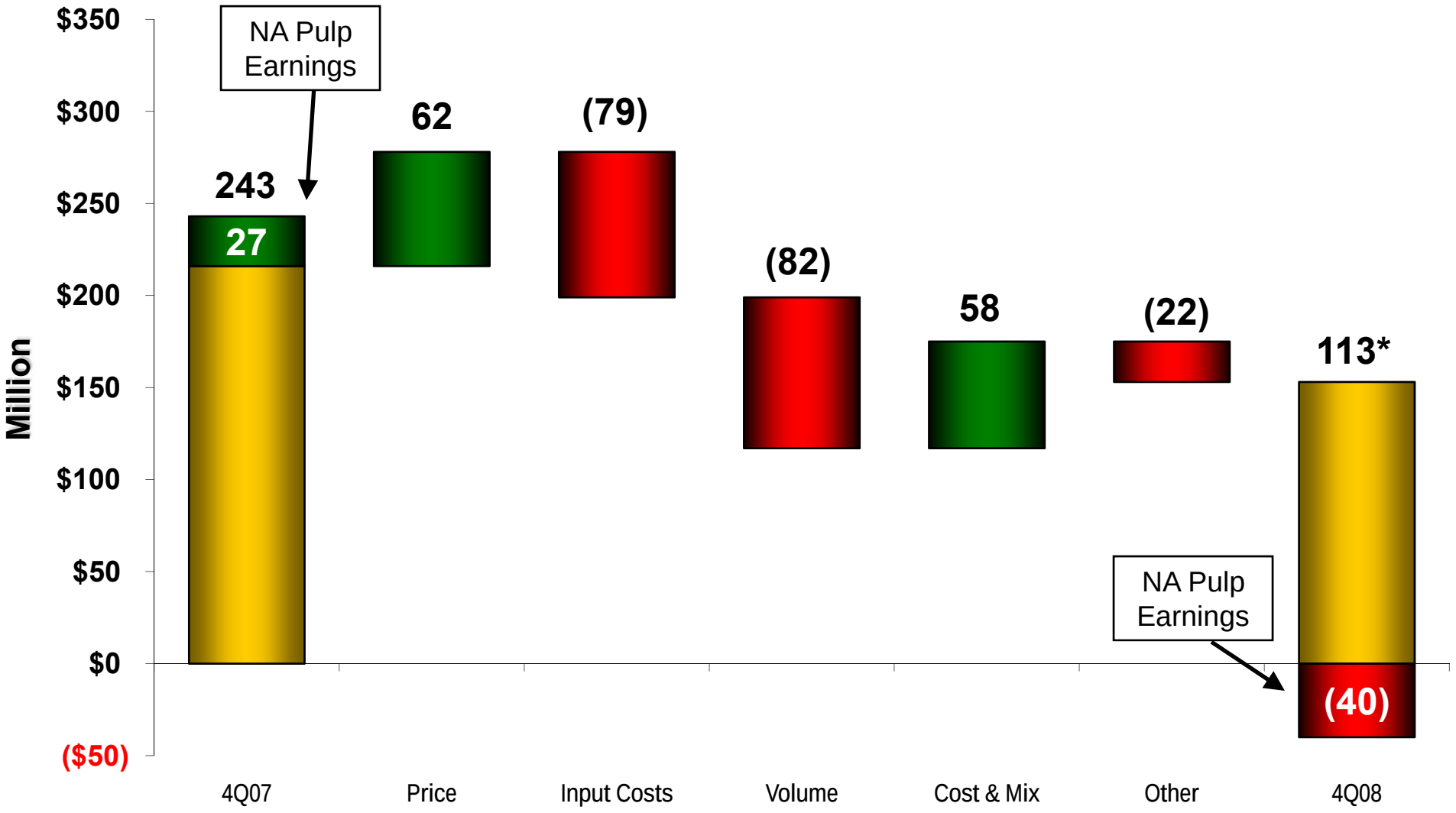
# CBPR Synergies

## *Achieving Higher Savings at Faster Rate*

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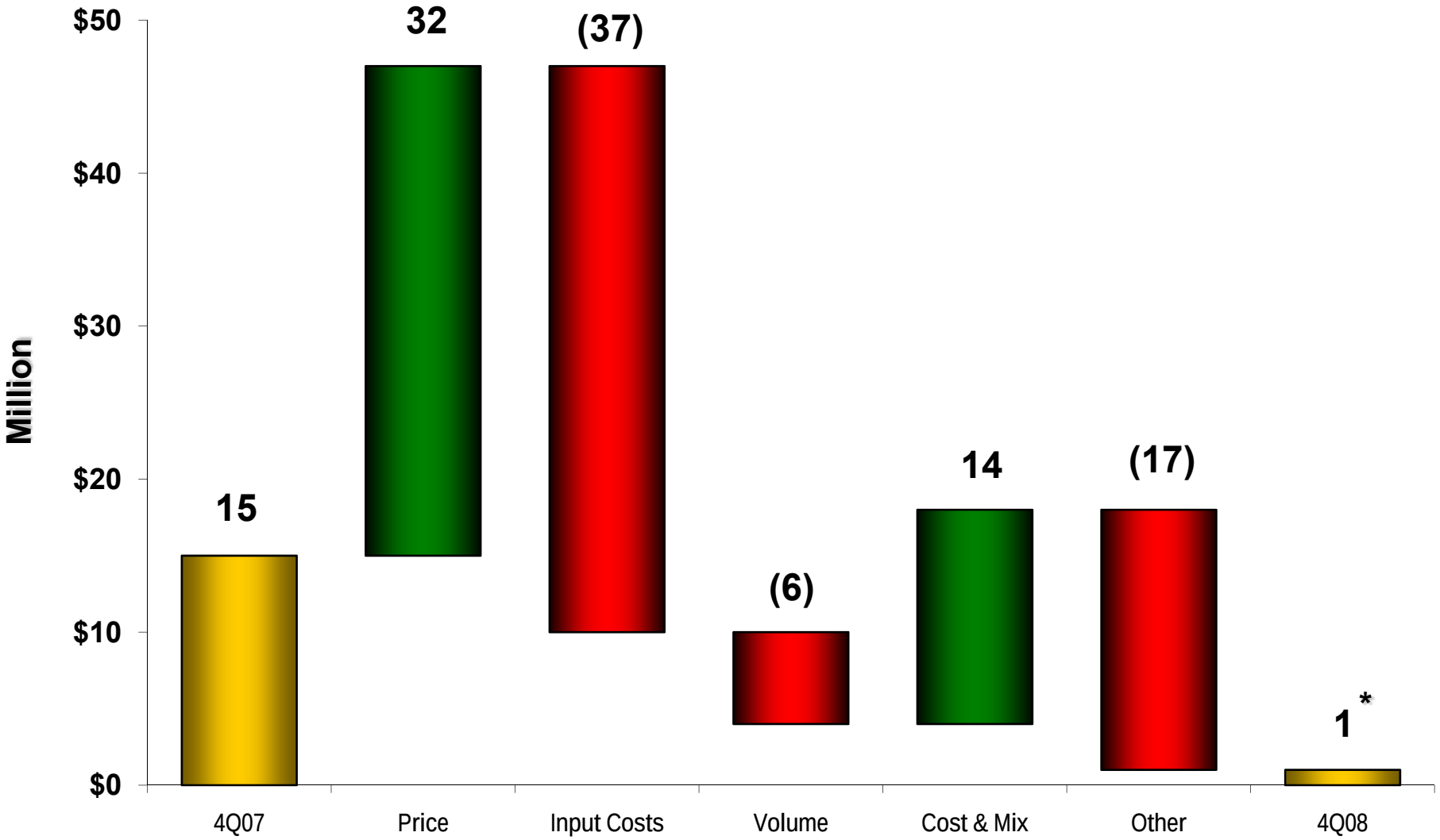
# Printing Papers Earnings
## *4Q08 vs. 4Q07*




* Excludes special charges of $123 million for the permanent shutdown of the Louisiana mill and $30 million for the permanent shutdown of the # 3 paper machine at the Franklin mill

# Consumer Packaging Earnings
## *4Q08 vs. 4Q07*

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* Excludes a special charge of $4 million related to the reorganization of Shorewood's Canadian operations

# xpedx
## Continued Operating Cost Improvements

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| $ Million | 4Q07 | 3Q08 | 4Q08 |
|---|---|---|---|
| Sales | $2,045 | $2,075 | $1,940 |
| Earnings | $28 | $35 | $26 |

- Sales down 5% vs. 4Q07
- Paper & packaging volumes weakened; facility supplies volumes remained solid
- National accounts sales growth offset most of the paper & packaging decline
- Reduced headcount by 275 positions, or $17MM

# Forest Products

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| | 4Q07 | 3Q08 | 4Q08 |
|---|---|---|---|
| Sales ($ Million) | $190 | $55* | $65 |
| Earnings ($ Million) | $171 | $305 | $38 |
| Acres Sold | 61,000 | 33,000 | 30,000 |
| Price / Acre | $2,750 | $1,564 | $2,106 |
| 200,000 acres remaining with NPV of up to $300MM | | | |

* Mineral rights sale is not reflected in sales but in Other Income

# Ilim Joint Venture 4Q08 Results

## *Weak Demand in China & Price Declines*

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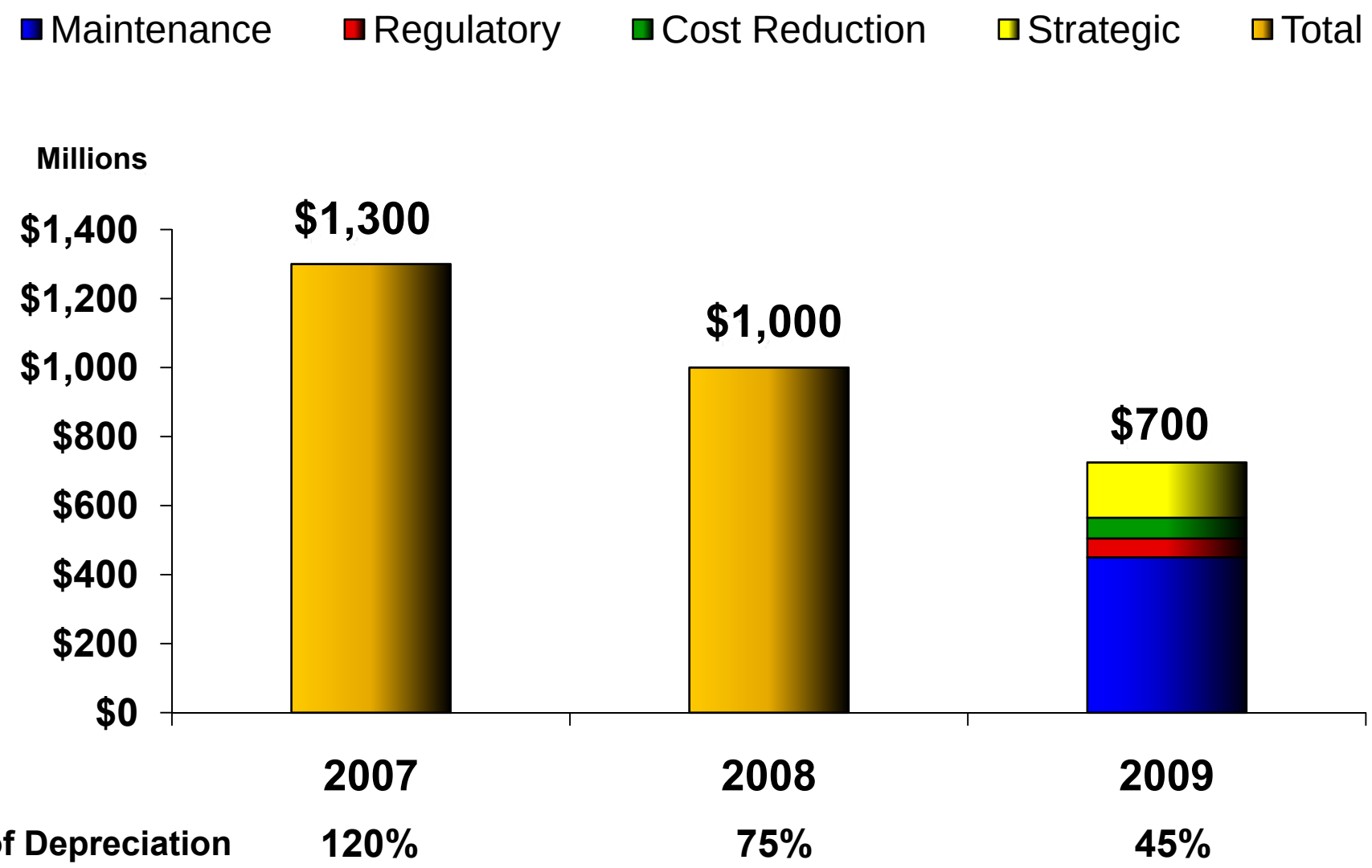
| $ Million | 3Q08 | 4Q08 |
|---|---|---|
| Sales (100%) | $530 | $530 |
| Earnings (IP Share) | $5 | $0 |
| **Business** | **Volume (000 Metric Tons)** | **Price / Ton** |
| Pulp | 4% | ($26) |
| Containerboard | 1% | ($16) |
| Received $62MM Cash Dividend | | |

Ilim's results are reported on a one-quarter lag

IP's share of Ilim's 3Q08 & 4Q08 earnings include $4 million & $14 million unfavorable pre-tax foreign exchange impacts respectively.

# Capital Expenditures
## *2007 - 2009*

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# Free Cash Flow

## *New Company Record*

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| Free Cash Flow ($ Billion) | 2007 | 2008 | Δ |
|---|---|---|---|
| Cash Provided by Continuing Operations | $2.0 | $2.7 | $0.7 |
| Less Capital Investment | ($1.3) | ($1.0) | $0.3 |
| Free Cash Flow | $0.7 | $1.7 | $1.0 |

# Cash & Committed Facilities

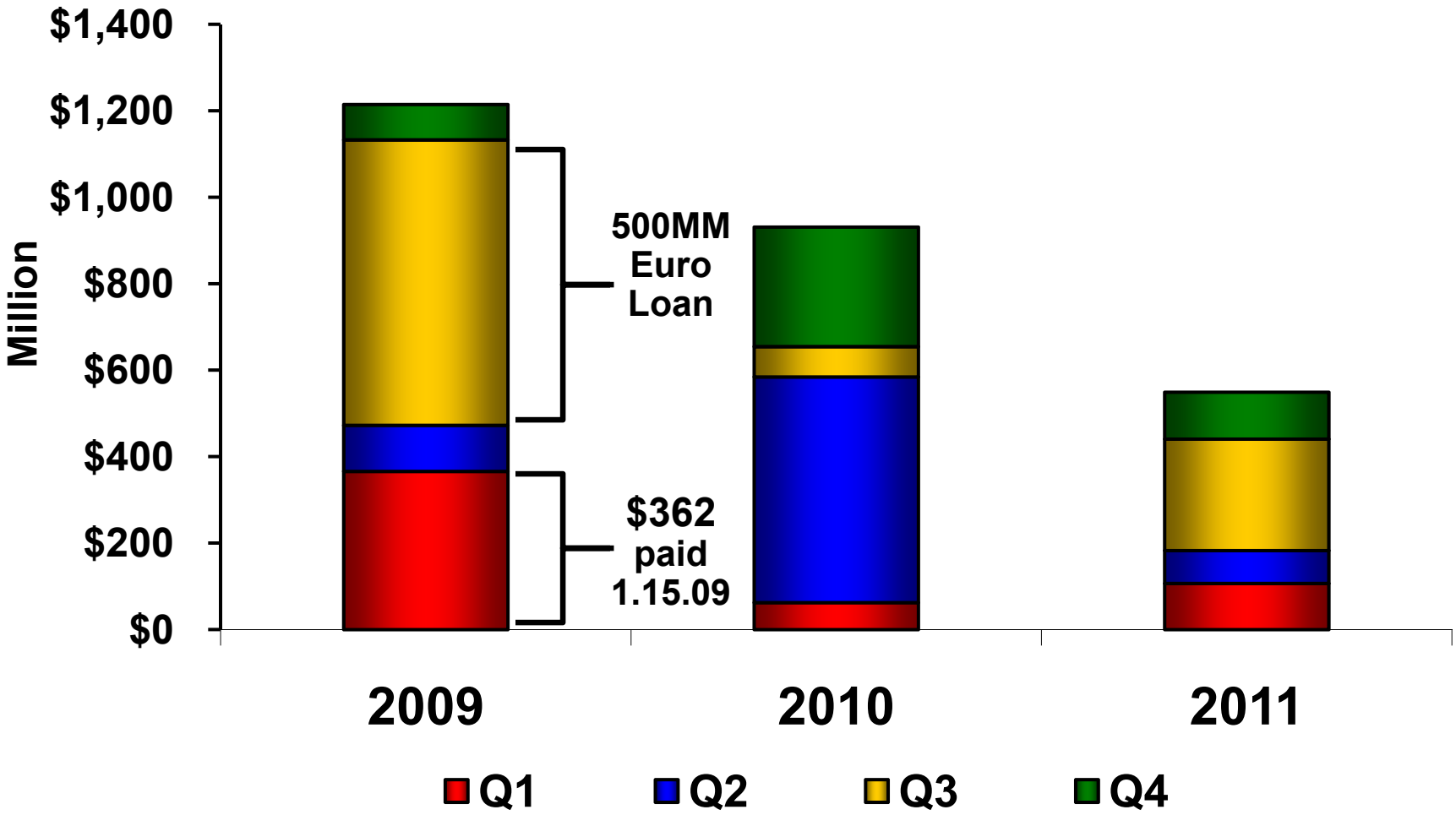
## *$3.6 Billion*

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| $ Million | Maturity | Facility | Cost |
|---|---|---|---|
| Year-End 2008 Cash | - | $1,100 | - |
| $1.0B Accounts Receivables Program | JAN 2010 | Zero Drawn | CP Rate + 150 bps |
| $1.5B Corporate Revolver | MAR 2011 | Zero Drawn | LIBOR + 50 - 60 bps |
| **Total Cash & Committed Facilities** | | **$3,600** | - |

Cost includes commitment fees

# Debt Maturities by Quarter
## *2009-2011*




Euro denominated 500 million note due in 3Q09 assumes an exchange rate of 1.31 USD/EUR
The profile does not include Timber Monetization debt or non-US short-term credit facilities and loans

# Progress on Debt Reduction Commitment

*$1 Billion Reduction in First Six Months*

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| | $ Billion |
|---|---|
| August 2008 Pro Forma with CBPR | $12.7 |
| 2H08 Debt Reduction | $0.6 |
| January 2009 Debt Reduction | $0.4 |
| Total Debt Balance | $11.7 |

# Pension Update

## *No Cash Contribution Required in 2009*

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- **Market value of plan assets decreased by 23% to $6.1B**
- **PBO increased to $9.3B* due to a lower discount rate**

* US GAAP basis

# Goodwill Impairment Charges

| $ Million | 4Q08 |
|---|---|
| Coated Paperboard | $438 |
| Printing Papers | $1,339 |

- Performing annual goodwill review
- Impaired all recorded goodwill for U.S. Printing Papers and U.S. Coated Paperboard
- Testing will be finalized during 1Q09

# Special Items & Discontinued Operations
## *4Q08*

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| | ($MM) | $/Share |
|---|---|---|
| **Special Items (Net of minority interest & tax)** | | |
| Goodwill Impairments | **($1,777)** | |
| Louisiana Mill Permanent Shutdown | **($75)** | |
| Franklin Mill PM #3 Shutdown | **($18)** | |
| 2008 Overhead Cost Reduction | **($32)** | |
| CBPR Acquisition Costs | **($16)** | |
| Other | **($7)** | |
| Tax Adjustment | **$40** | |
| **Total Special Items** | **($1,885)** | **($4.47)** |
| **Discontinued Operations (Net of tax)** | **$5** | **$0.01** |

# 1Q09 Outlook
## *Changes from 4Q08*

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| | |
|---|---|
| Selling Prices | Under Pressure |
| Volumes | Continued Weakness |
| Input & Freight Costs | Declining |
| Maintenance Outages | Increasing |
| Operations | Good, but Impacted by Downtime |

# 2008 Summary
## *Record Free Cash Flow*

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- Record 4Q and Full-Year Free Cash Flow
- Record Input Cost Inflation
- Severe Demand Decline in Fourth Quarter
- Rapid Integration of Acquisition
- Strong Earnings Despite Headwinds
- Significant Back-Up Liquidity

# Questions & Answers

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## Investor Relations Contacts

| | |
|---|---|
| Thomas A. Cleves | 901-419-7566 |
| Ann-Marie Donaldson | 901-419-4967 |
| Emily Nix | 901-419-4987 |

## Media Contact

| | |
|---|---|
| Kathleen Bark | 901-419-4333 |

# Appendix

# Key Financial Statistics

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| | 2007[1] | 2008 | 2009 Estimate |
|---|---|---|---|
| **Capital Spending ($ Billion)** | **$1.3** | **$1.0** | **$.7** |
| **Depreciation & Amortization ($ Billion)** | **$1.1** | **$1.3** | **$1.6** |
| **Net Interest Expense ($ Million)** | **$297** | **$492** | **$700** |
| **Corporate Items[2] ($ Million)** | **$206** | **$103** | **$250** |
| **Effective Tax Rate[2]** | **30%** | **31.5%** | **34%** |

[1] Excludes discontinued operations
[2] Before special items and excluding Ilim

# Business Segment Price Realization

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| | Average Selling Price Realizations | | | | |
|---|---|---|---|---|---|
| | Quarterly | | | Full Year | |
| **Printing Papers ($/ton)** | **4Q07** | **3Q08** | **4Q08** | **2007** | **2008** |
| Uncoated Freesheet | $925 | $1,013 | $1,005 | $907 | $988 |
| Pulp | $621 | $645 | $577 | $598 | $630 |
| **Industrial Packaging ($/ton)** | **4Q07** | **3Q08** | **4Q08** | **2007** | **2008** |
| Containerboard | $536 | $567 | $584 | $521 | $563 |
| Corrugated Boxes | $825 | $864 | $910 | $802 | $866 |

Average IP U.S. selling price realizations (includes the impact of mix across all grades)
Does not include CBPR

# Industrial Packaging

| | 4Q08 vs. 4Q07 | | 4Q08 vs. 3Q08 | |
|---|---|---|---|---|
| **Business** | **Volume** | **Price / Ton** | **Volume** | **Price / Ton** |
| N.A. Containerboard | (23%) | $48 | (24%) | $17 |
| N.A. Container | (18%) | $85 | (17%) | $46 |
| European Container | (5%) | €0 | 7% | (€33) |

Volume and price exclude CBPR
Average IP price realization (includes the impact of mix across all grades)

# Printing Papers

| | 4Q08 vs. 4Q07 | | 4Q08 vs. 3Q08 | |
|---|---|---|---|---|
| **Business** | **Volume** | **Price / Ton** | **Volume** | **Price / Ton** |
| N.A. Paper | (19%) | $80 | (15%) | ($8) |
| N.A. Pulp | (1%) | ($44) | (10%) | ($68) |
| European Paper | (2%) | (€23) | 2% | (€11) |
| Brazilian Paper | (5%) | $36 | (1%) | $24 |

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

# Consumer Packaging

| | 4Q08 vs. 4Q07 | | 4Q08 vs. 3Q08 | |
|---|---|---|---|---|
| | Volume | Price/Ton | Volume | Price/Ton |
| U.S. Coated Paperboard | (3%) | $81 | (5%) | $25 |
| | Revenue | Price | Revenue | Price |
| Converting Businesses | 0% | NA | (3%) | NA |

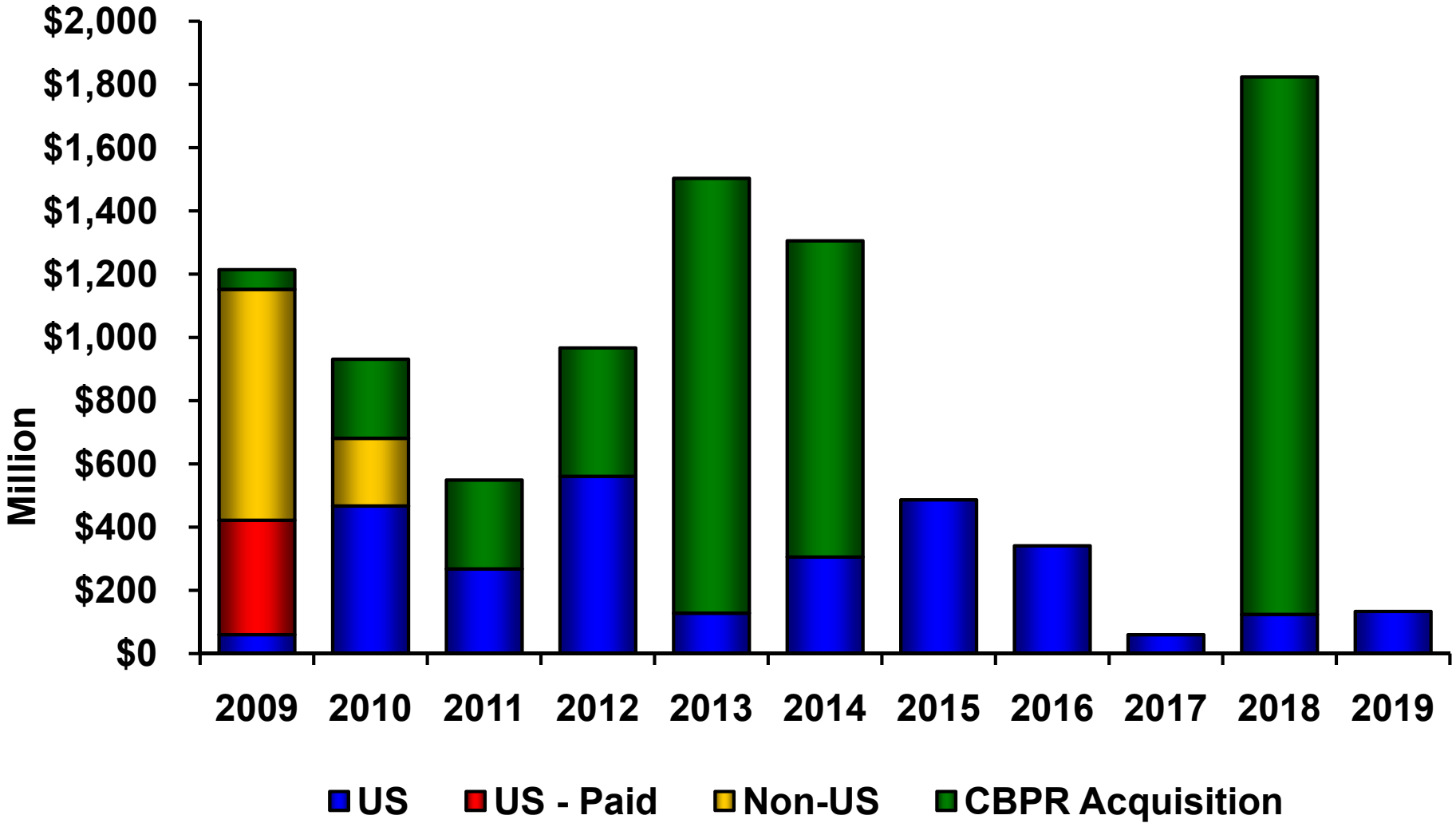
Average IP price realization (includes the impact of mix across all grades)

# Debt Covenants

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| | Covenant | 2008 Year-End |
|---|---|---|
| Debt to Total Capital | Maximum of 60% | 52% |
| Consolidated Net Worth | Minimum of $9 Billion | $11.2 Billion |

# Debt Maturity Profile



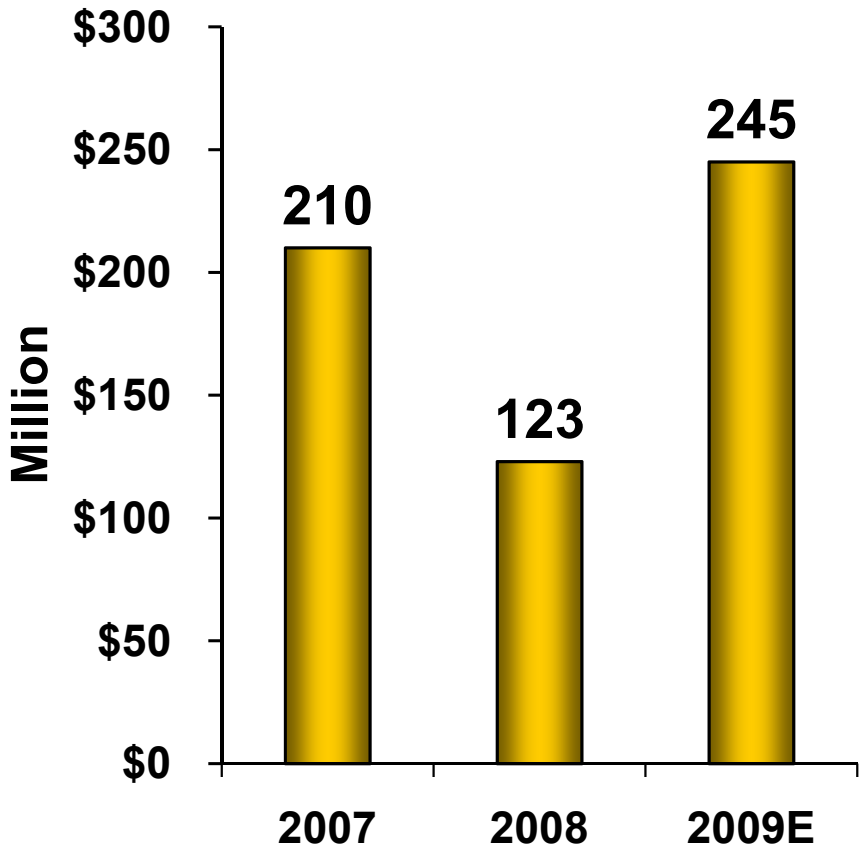

Euro denominated 500 million note due in 2009 assumes an exchange rate of 1.31 USD/EUR

The 10-year profile does not include Timber Monetization debt or non-US short-term credit facilities and loans

# Pension Plan Expense Information

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## Annual Pension Expense*




| Key Variables | | | |
|---|---|---|---|
| | 2007 | 2008 | 2009E |
| Assumed Rate of Return | 8.5% | 8.5% | 8.25% |
| Discount Rate | 5.75% | 6.2% | 6.0% |

| Average Annualized Returns | |
|---|---|
| 2008 | (23.6%) |
| Past Five Years | 4.2% |
| Past Ten Years | 5.4% |
| **Portfolio Asset Allocation at 12-31-08** | |
| Equity | 38% |
| Bonds | 40% |
| Real Estate & Other | 22% |

* U.S. plans only

Pension expense reflects service cost, interest cost, amortization of actuarial losses and expected return on plan assets

# Maintenance Outages Expenses

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| $ Millions | 4Q08 | 1Q09E | 2008 | 2009E |
|---|---|---|---|---|
| North America | $21 | 19 | $122 | $125 |
| Europe | 0 | 2 | 38 | 34 |
| Brazil | 2 | 4 | 10 | 8 |
| **Printing Papers Total** | **$23** | **$25** | **$170** | **$167** |
| **Industrial Packaging** | **$13** | **$53** | **$80** | **$153** |
| **Consumer Packaging** | **$14** | **$5** | **$38** | **$46** |
| **Total Impact** | **$50** | **$83** | **$288** | **$366** |

Dollar impact of planned maintenance outages are estimates and subject to change
2009 estimates include CBPR outages

# Special Items & Discontinued Operations

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| Diluted Earnings per Share | 4Q08 | 2008 |
|---|---|---|
| Earnings from Continuing Operations & Before Special Items | $0.21 | $2.03 |
| Special Items | ($4.47) | ($5.05) |
| Earnings (Loss) from Continuing Operations | ($4.26) | ($3.02) |
| Discontinued Operations | $0.01 | ($0.03) |
| Net Earnings (Loss) | ($4.25) | ($3.05) |

# 2008 Special Items

| | ($Millions) | $/Share |
|---|---|---|
| **Special Items (Net of minority interest & tax)** | | |
| Goodwill Impairments | ($1,777) | |
| Louisiana Mill Shutdown | ($75) | |
| Franklin Mill PM # 3 Shutdown | ($18) | |
| 2008 Overhead Cost Reduction | ($32) | |
| CBPR Acquisition Costs & Supply Chain Write-off | ($85) | |
| Inverurie Mill Asset Impairment Charge | ($84) | |
| Legal Reserves | ($47) | |
| U.S. Taxes on non-U.S. Gain | ($29) | |
| Shorewood Reorganization | ($19) | |
| Other | $2 | |
| Tax Adjustment | $40 | |
| **Total Special Items** | **($2,124)** | **($5.05)** |

# 2008 EBITDA

*from Continuing Operations before Special Items*

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| | Operating Profit $ Millions | D & A $ Millions | Tons (000) | EBITDA / Ton |
|---|---|---|---|---|
| **Printing Papers** | | | | |
| **North American** | $435 | $275 | 3,397 | $209 |
| **European** | $146 | $81 | 1,461 | $155 |
| **Brazilian** | $186 | $131 | 853 | $372 |
| **U.S. Market Pulp** | ($33) | $28 | 1,604 | ($3) |
| **Industrial Packaging** | | | | |
| **North American** | $414 | $411 | 8,821 | $94 |
| **European** | $64 | $37 | 1,123 | $90 |
| **Consumer Packaging** | | | | |
| **U.S. Coated Paperboard** | $46 | $138 | 1,591 | $116 |
| **Total** | **$1,257** | **$1,101** | **18,850** | **$125** |

# Operating Profits by Industry Segment

*from Continuing Operations before Special Items*

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| $ Million | 4Q07 | 3Q08 | 4Q08 | 2007 | 2008 |
|---|---|---|---|---|---|
| Printing Papers | $243 | $210 | $113 | $839 | $734 |
| Industrial Packaging | $109 | $153 | $145 | $374 | $482 |
| Consumer Packaging | $15 | $6 | $1 | $112 | $47 |
| Distribution | $28 | $35 | $26 | $108 | $103 |
| Forest Products & Other | $171 | $305 | $38 | $464 | $409 |
| **Operating Profit** | **$566** | **$709** | **$323** | **$1,897** | **$1,775** |
| Net Interest Expense | ($79) | ($144) | ($186) | ($297) | ($492) |
| Minority Interest / Equity Earnings Adjustment | $4 | ($1) | ($14) | $19 | ($3) |
| Corporate Items | ($56) | ($40) | ($21) | ($206) | ($103) |
| Special Items | $4 | ($259) | ($681) | $241 | ($991) |
| Earnings (Loss) from continuing operations before income taxes, equity earnings & minority interest | **$439** | **$265** | **($579)** | **$1,654** | **$186** |
| Equity Earnings, net of taxes - Ilim | **NA** | **$5** | **$0** | **NA** | **$54** |

# Geographic Business Segment Operating Results
## *from Continuing Operations*

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| $ Million | Sales | | | | |
|---|---|---|---|---|---|
| | 4Q07 | 3Q08 | 4Q08 | 2007 | 2008 |
| **Printing Papers** | | | | | |
| North American | $865 | $905 | $765 | $3,495 | $3,435 |
| European | $415 | $425 | $350 | $1,510 | $1,655 |
| Brazilian | $255 | $255 | $215 | $850 | $950 |
| U.S. Market Pulp | $180 | $210 | $170 | $655 | $750 |
| Asian | $5 | $5 | $5 | $20 | $20 |
| **Industrial Packaging** | | | | | |
| North American | $1,005 | $1,935 | $2,125 | $3,880 | $6,170 |
| European | $300 | $285 | $255 | $1,100 | $1,170 |
| Asian | $85 | $100 | $75 | $265 | $350 |
| **Consumer Packaging** | | | | | |
| North American | $620 | $645 | $635 | $2,405 | $2,505 |
| European | $75 | $80 | $70 | $280 | $300 |
| Asian | $85 | $105 | $95 | $330 | $390 |
| **Distribution** | $2,045 | $2,075 | $1,940 | $7,320 | $7,970 |

Excludes Forest Products

# Geographic Business Segment Operating Results

*from Continuing Operations before Special Items*

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| $ Million | Operating Profit | | | | |
|---|---|---|---|---|---|
| | 4Q07 | 3Q08 | 4Q08 | 2007 | 2008 |
| **Printing Papers** | | | | | |
| North American | $101 | $131 | $73 | $415 | $435 |
| European | $53 | $29 | $36 | $171 | $146 |
| Brazilian | $61 | $58 | $44 | $174 | $186 |
| U.S. Market Pulp | $27 | ($9) | ($39) | $78 | ($33) |
| Asian | $1 | $1 | ($1) | $1 | $0 |
| **Industrial Packaging** | | | | | |
| North American | $90 | $140 | $130 | $305 | $414 |
| European | $19 | $11 | $15 | $67 | $64 |
| Asian | $0 | $2 | $0 | $2 | $4 |
| **Consumer Packaging** | | | | | |
| North American | $4 | $7 | $16 | $70 | $38 |
| European | $7 | $0 | $5 | $30 | $22 |
| Asian | $4 | ($1) | ($20) | $12 | ($13) |
| **Distribution** | $28 | $35 | $26 | $108 | $103 |

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 |
| **2Q08** | $312 | ($100) | ($7) | $30 | $235 | 32.5% | 423 | $0.56 |
| **3Q08** | $524 | ($170) | ($3) | $5 | $356 | 32.5% | 423 | $0.84 |
| **4Q08** | $103 | ($24) | $12 | ($2) | $89 | 23.0% | 421 | $0.21 |
| **2008** | $1,178 | ($369) | ($3) | $49 | $855 | 31.5% | 421 | $2.03 |
| **Special Items** | | | | | | | | |
| **1Q08** | ($41) | $16 | $0 | $0 | ($25) | 39% | 423 | ($0.06) |
| **2Q08** | ($10) | $3 | $0 | $0 | ($7) | 30% | 423 | ($0.02) |
| **3Q08** | ($259) | $52 | $0 | $0 | ($207) | 20% | 423 | ($0.49) |
| **4Q08** | ($2,021) | $136 | $0 | $0 | ($1,885) | 7% | 421 | ($4.47) |
| **2008** | ($2,331) | $207 | $0 | $0 | ($2,124) | 9% | 421 | ($5.05) |
| **Earnings from Continuing Operations** | | | | | | | | |
| **1Q08** | $198 | ($59) | ($5) | $16 | $150 | 30% | 423 | $0.35 |
| **2Q08** | $302 | ($97) | ($7) | $30 | $228 | 32% | 423 | $0.54 |
| **3Q08** | $265 | ($118) | ($3) | $5 | $149 | 45% | 423 | $0.35 |
| **4Q08** | ($1,918) | $112 | $12 | ($2) | ($1,796) | 6% | 421 | ($4.26) |
| **2008** | ($1,153) | ($162) | ($3) | $49 | ($1,269) | (14%) | 421 | ($3.02) |

[1] Assuming dilution

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

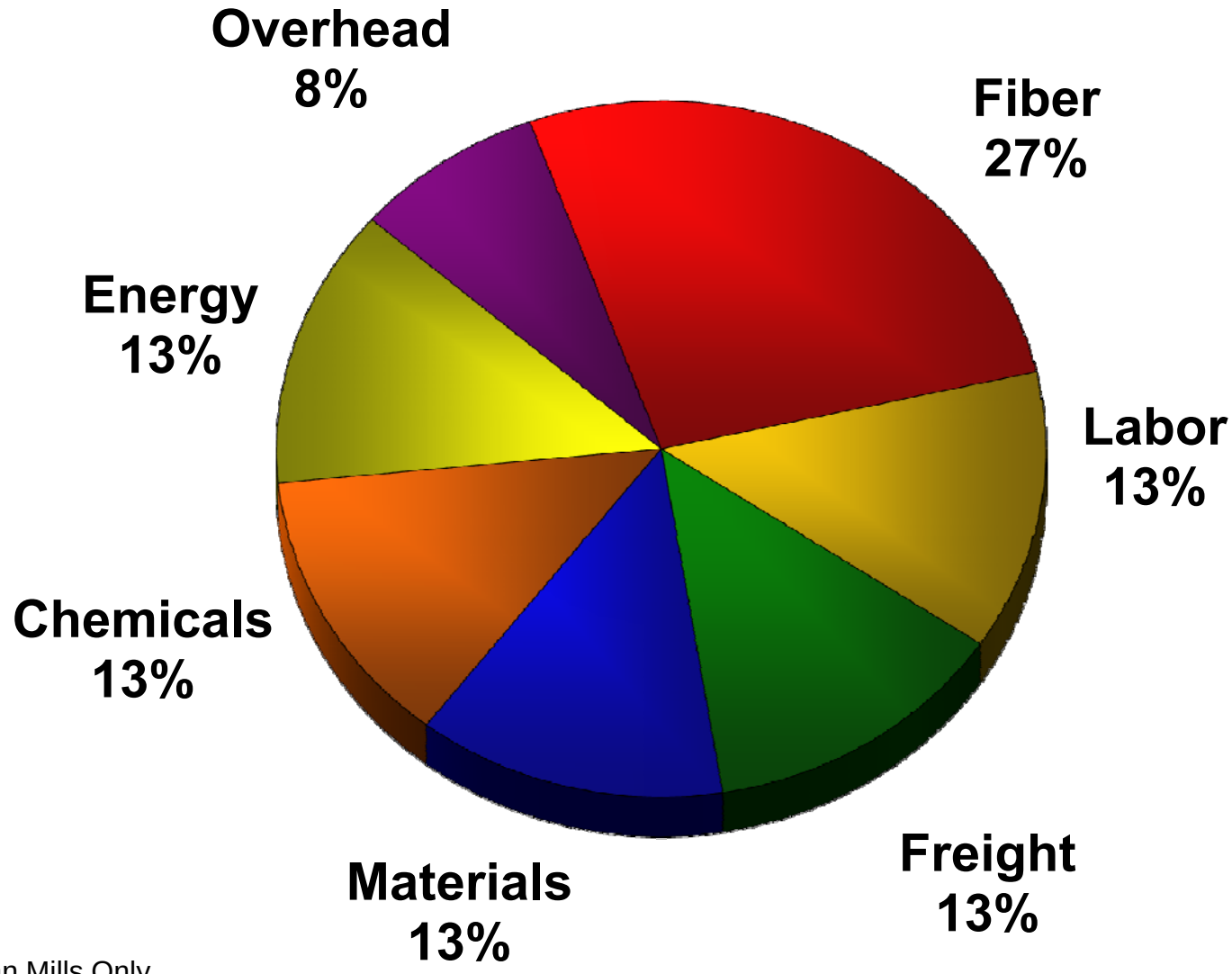
# 2007 Earnings from Continuing Operations

INTERNATIONAL PAPER

| | Pre-Tax $MM | Tax $MM | Minority Interest $MM | Net Income $MM | Estimated Tax Rate | Average Shares[1] MM | Diluted EPS[2] |
|---|---|---|---|---|---|---|---|
| **Before Special Items** | | | | | | | |
| **1Q07** | $308 | ($99) | ($6) | $203 | 32% | 448 | $0.45 |
| **2Q07** | $319 | ($91) | ($5) | $223 | 29% | 431 | $0.52 |
| **3Q07** | $349 | ($100) | ($6) | $243 | 29% | 426 | $0.57 |
| **4Q07** | $435 | ($134) | ($7) | $294 | 31% | 424 | $0.69 |
| **2007** | $1,411 | ($424) | ($24) | $963 | 30% | 433 | $2.22 |
| **Special Items** | | | | | | | |
| **1Q07** | $298 | ($44) | $0 | $254 | 15% | 448 | $0.57 |
| **2Q07** | ($25) | $2 | $0 | ($23) | 8% | 431 | ($0.06) |
| **3Q07** | ($34) | $11 | $0 | ($23) | 32% | 426 | ($0.05) |
| **4Q07** | $4 | $40 | $0 | $44 | NM[3] | 424 | $0.11 |
| **2007** | $243 | $9 | $0 | $252 | -4% | 433 | $0.59 |
| **Earnings from Continuing Operations** | | | | | | | |
| **1Q07** | $606 | ($143) | ($6) | $457 | 24% | 448 | $1.02 |
| **2Q07** | $294 | ($89) | ($5) | $200 | 30% | 431 | $0.46 |
| **3Q07** | $315 | ($89) | ($6) | $220 | 28% | 426 | $0.52 |
| **4Q07** | $439 | ($94) | ($7) | $338 | 21% | 424 | $0.80 |
| **2007** | $1,654 | ($415) | ($24) | $1,215 | 25% | 433 | $2.81 |

[1] Assuming dilution
[2] A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Investors tab at presentations
[3] Not meaningful

# Total Cash Cost Components
## *2008*

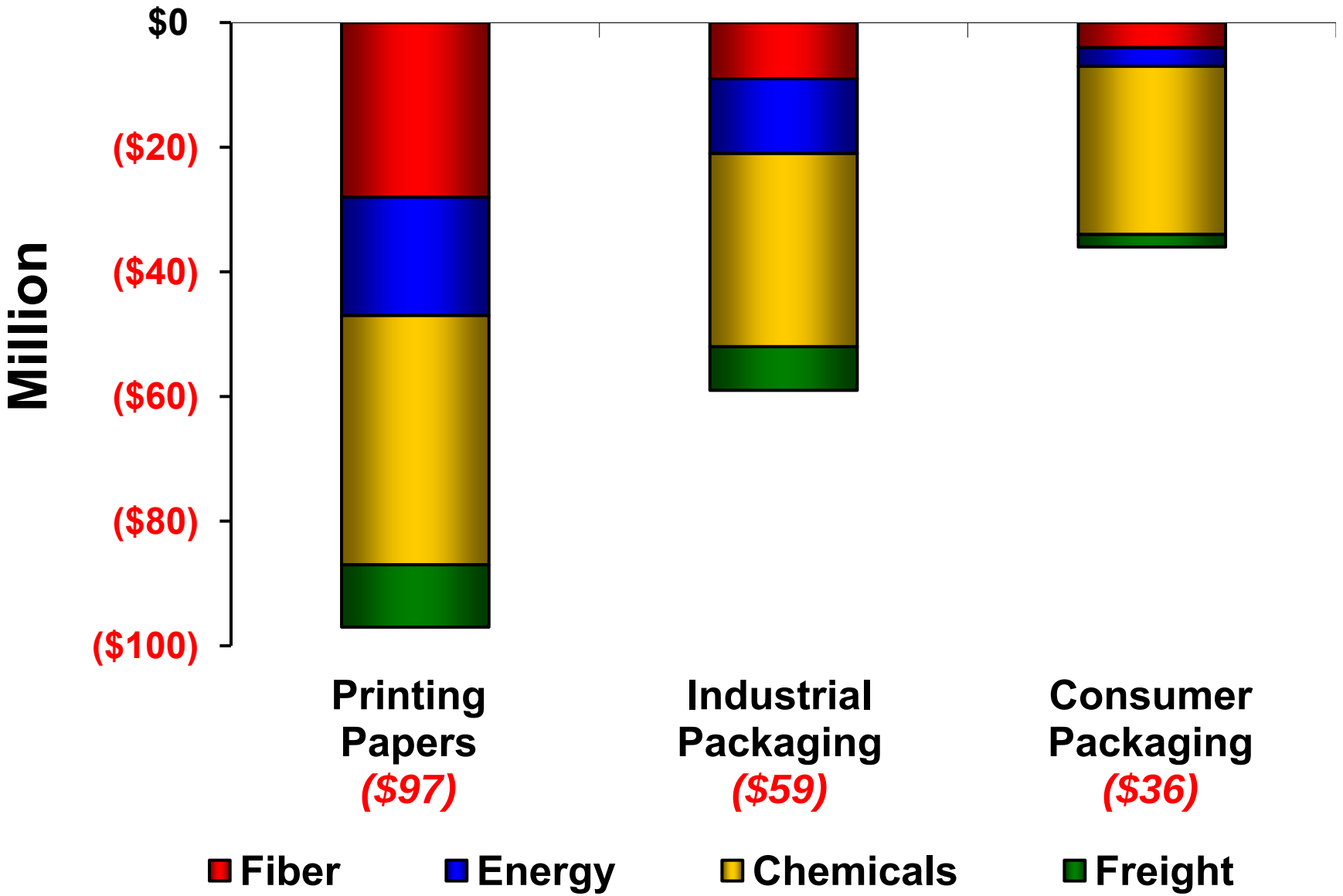



North American Mills Only
Does not include CBPR

# Global Input & Freight Costs by Segment

## *$192 Million Global Impact vs. 4Q07*

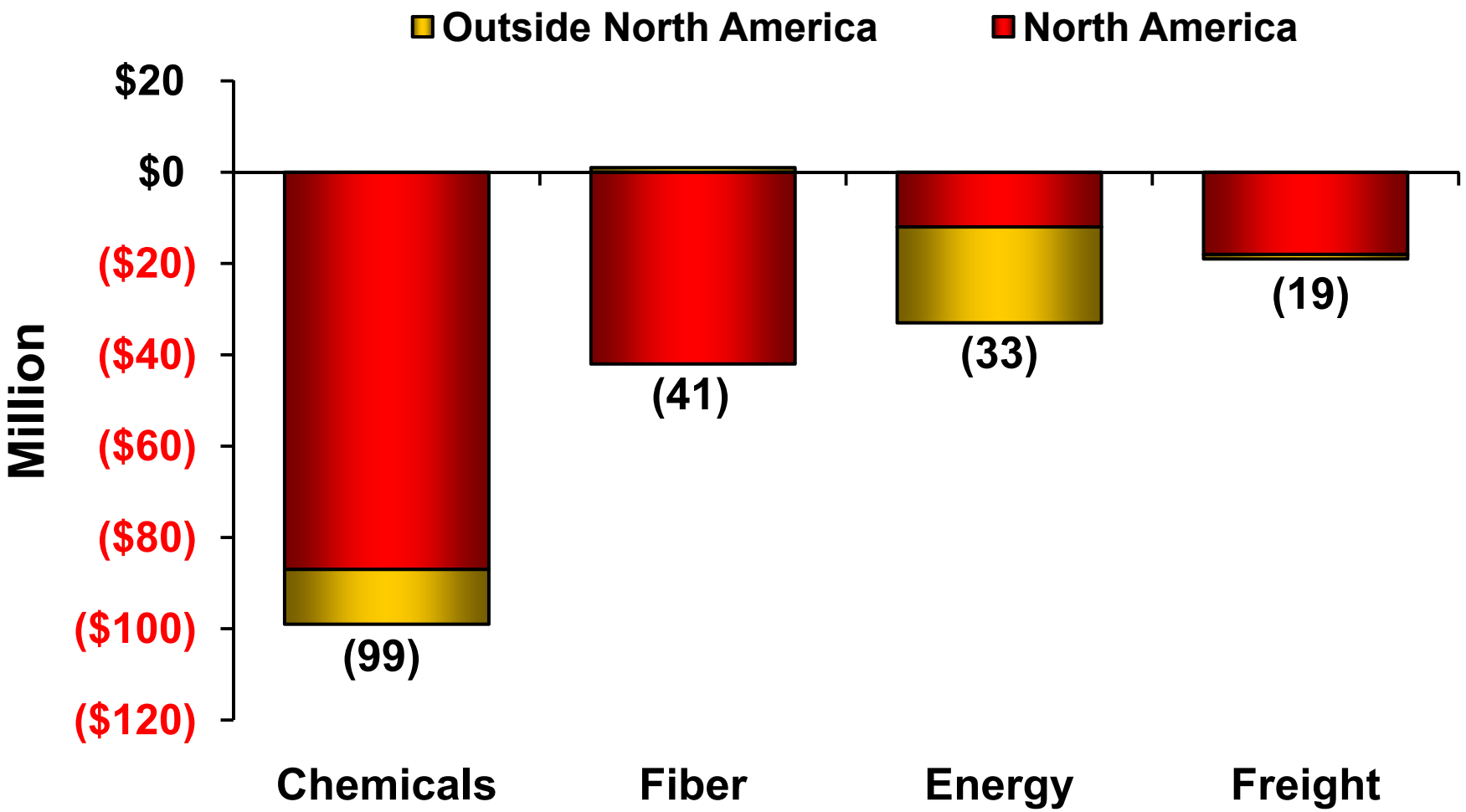
INTERNATIONAL PAPER




Input costs for continuing businesses; does not include CBPR

# Global Input & Freight Costs by Input

## *$192MM, or $0.30/Share Impact vs. 4Q07*

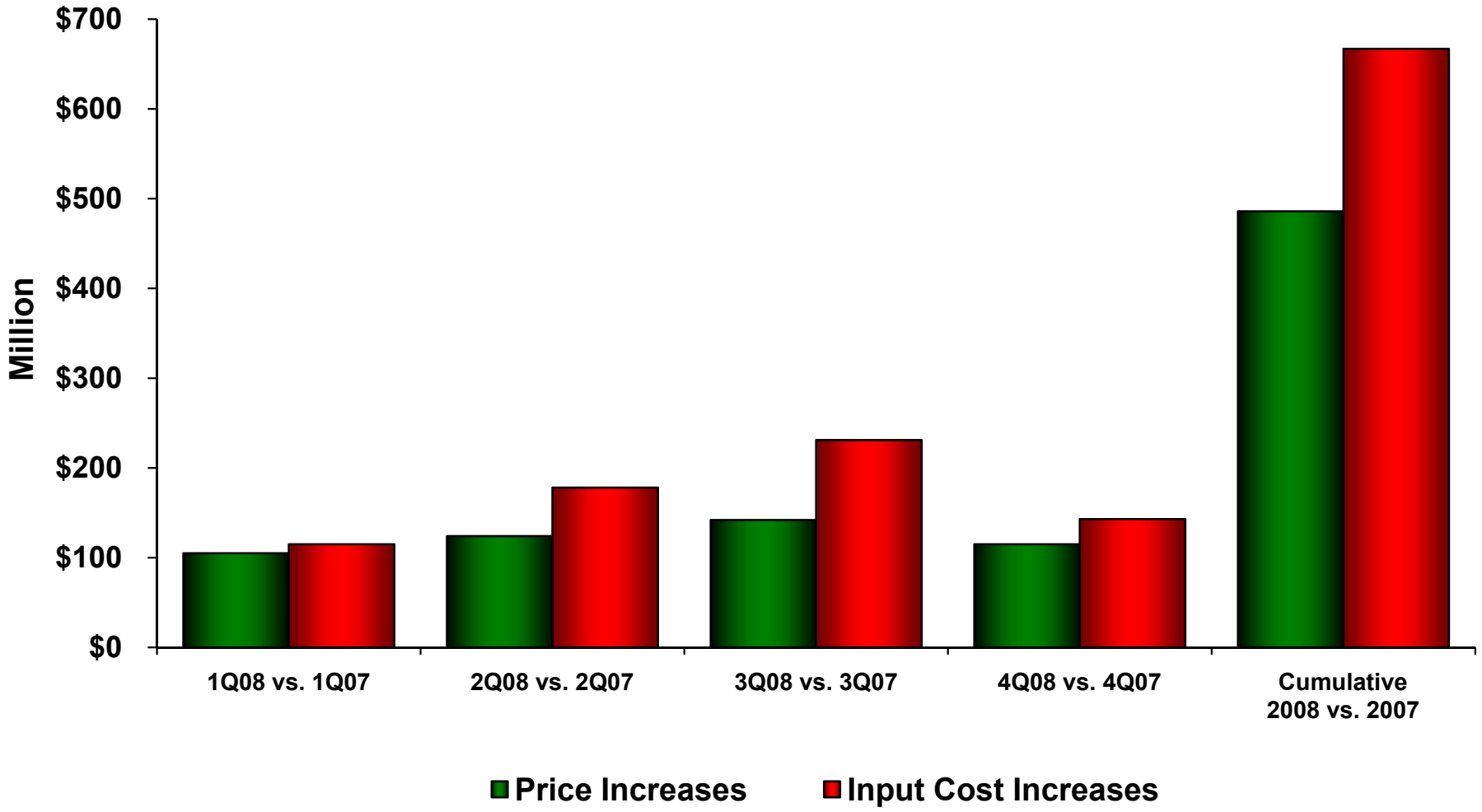



Input costs for continuing businesses; does not include CBPR

# North American Input Cost Escalation

## *Input Cost Inflation Exceeded Price Increases*

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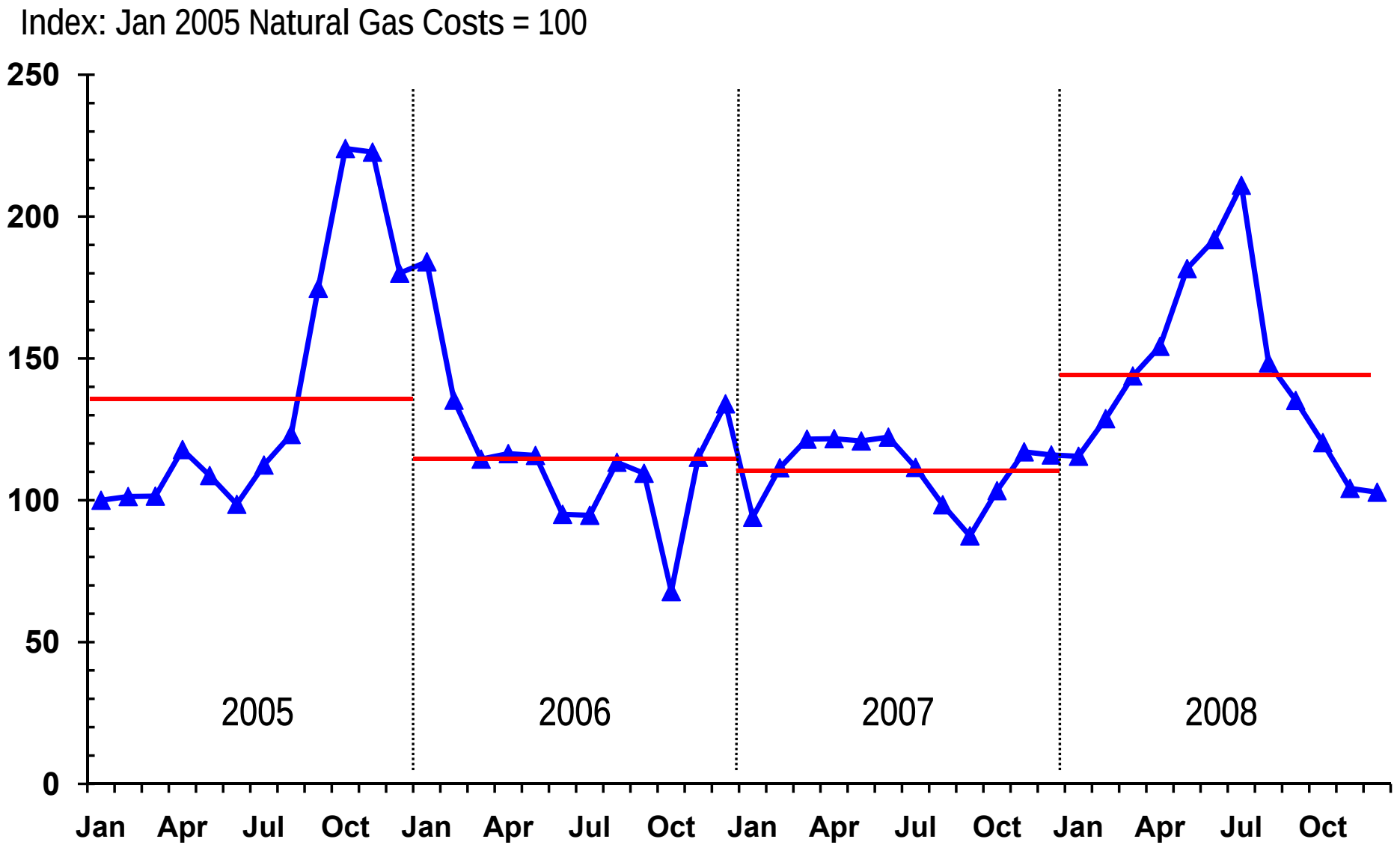



North American Papers & Packaging; does not include CBPR

# Natural Gas Costs

## *3% Decrease vs. 4Q07 Average Cost*

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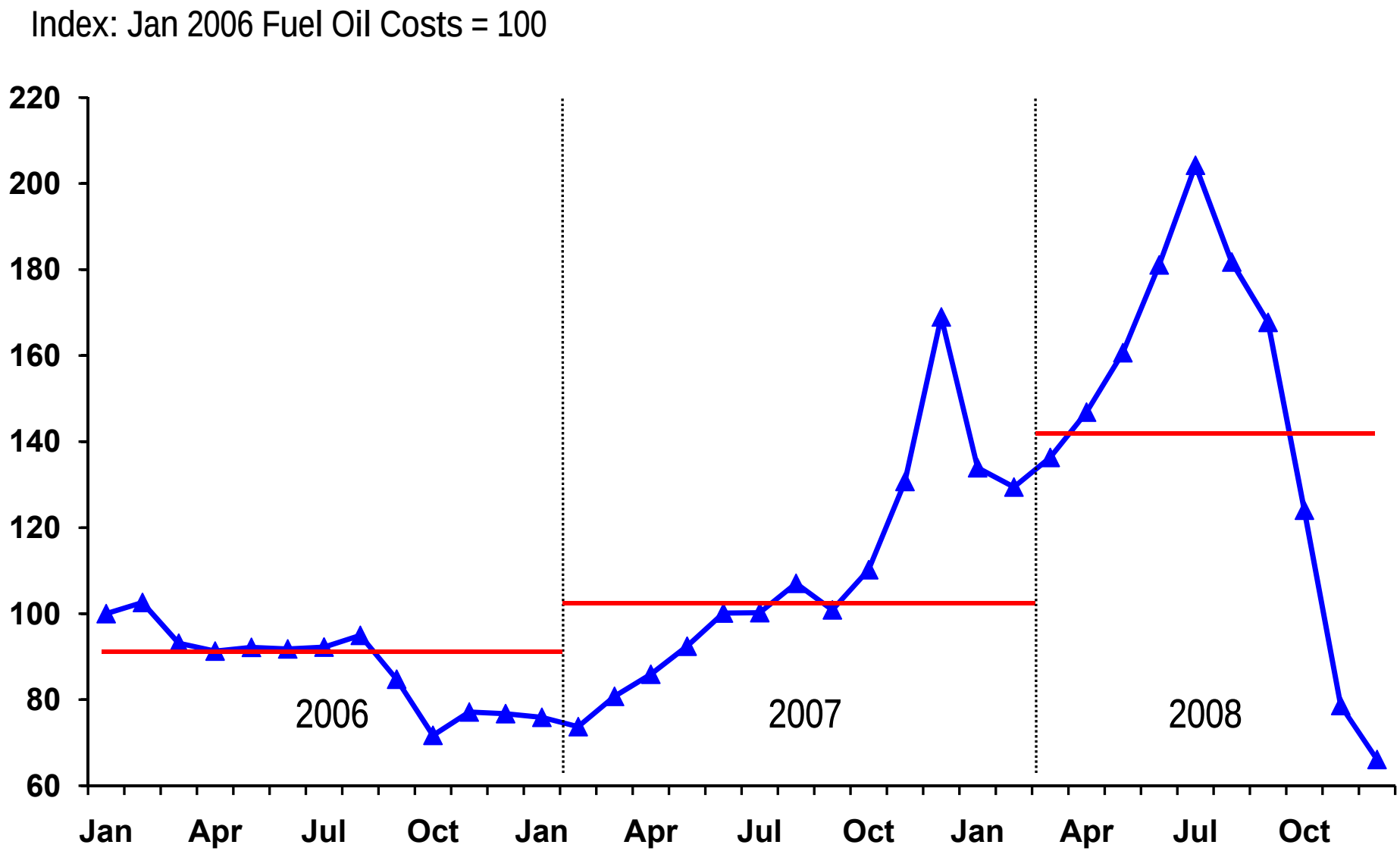



NYMEX Natural Gas closing prices

# U.S. Fuel Oil

## *34% Decrease vs. 4Q07 Average Cost*

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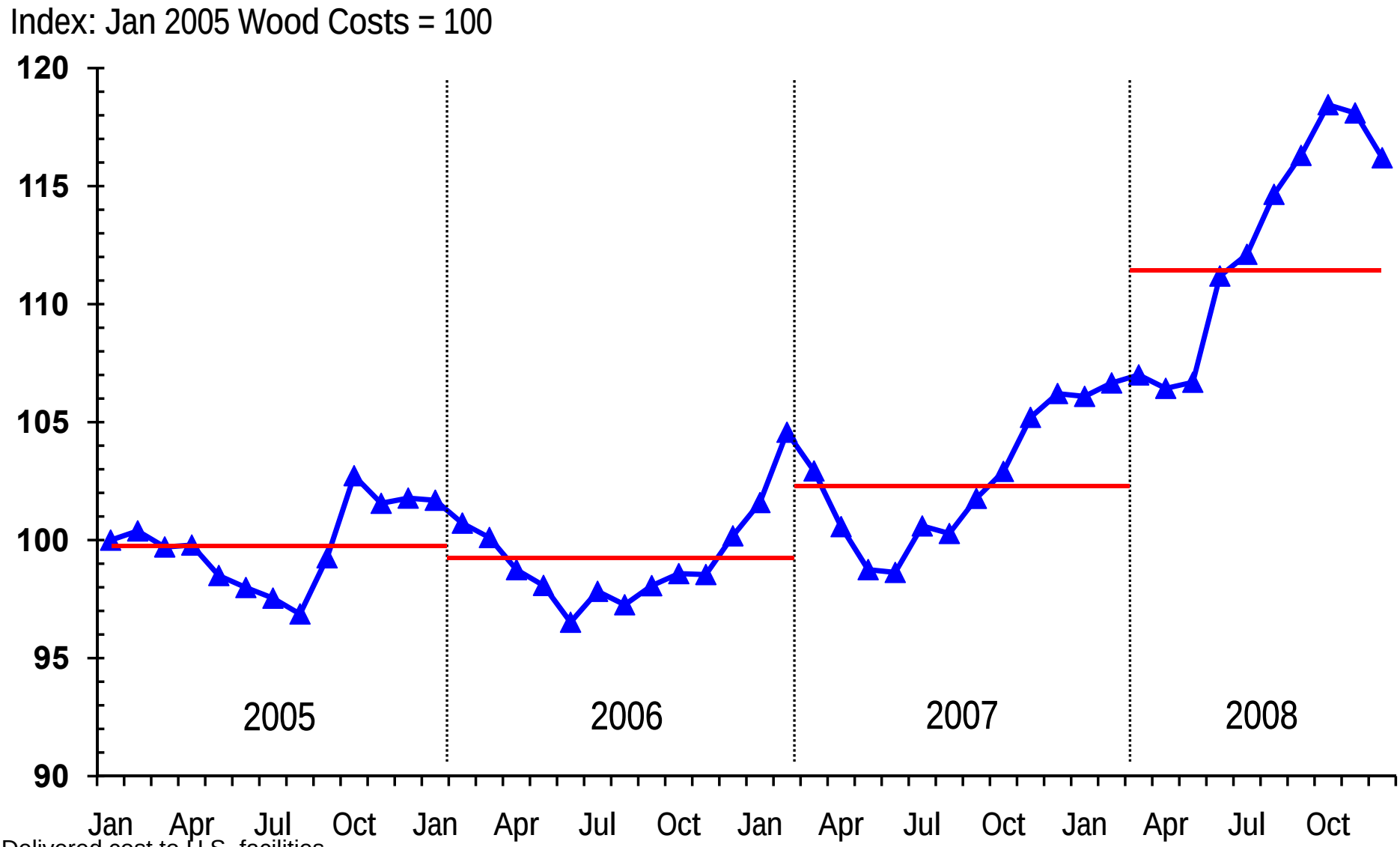



Delivered cost to U.S. facilities
Does not include CBPR

# U.S. Mill Wood Costs

## *12% Increase vs. 4Q07 Average Cost*

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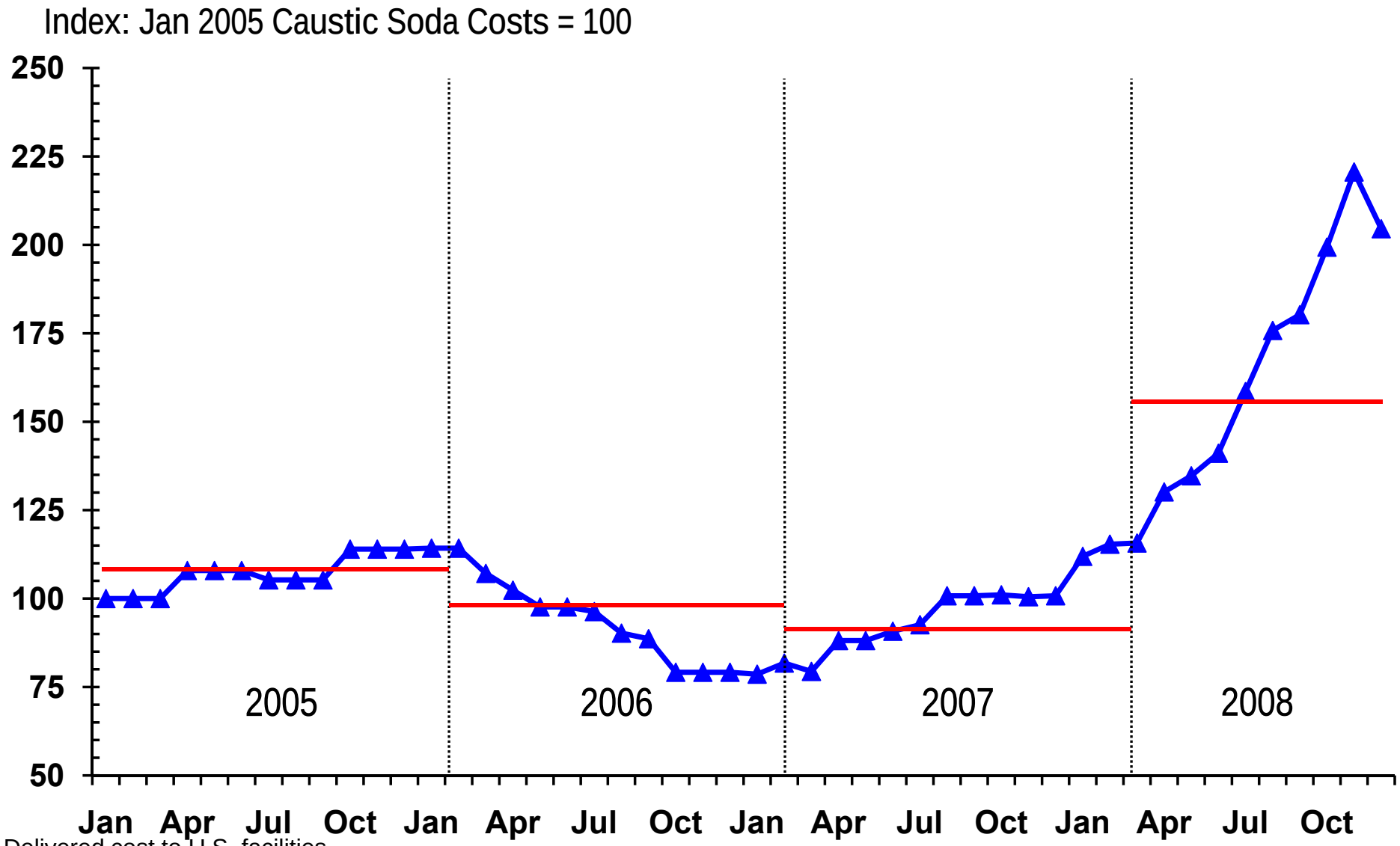



Delivered cost to U.S. facilities
Does not include CBPR

# U.S. Caustic Soda Costs

## *107% Increase vs. 4Q07 Average Cost*

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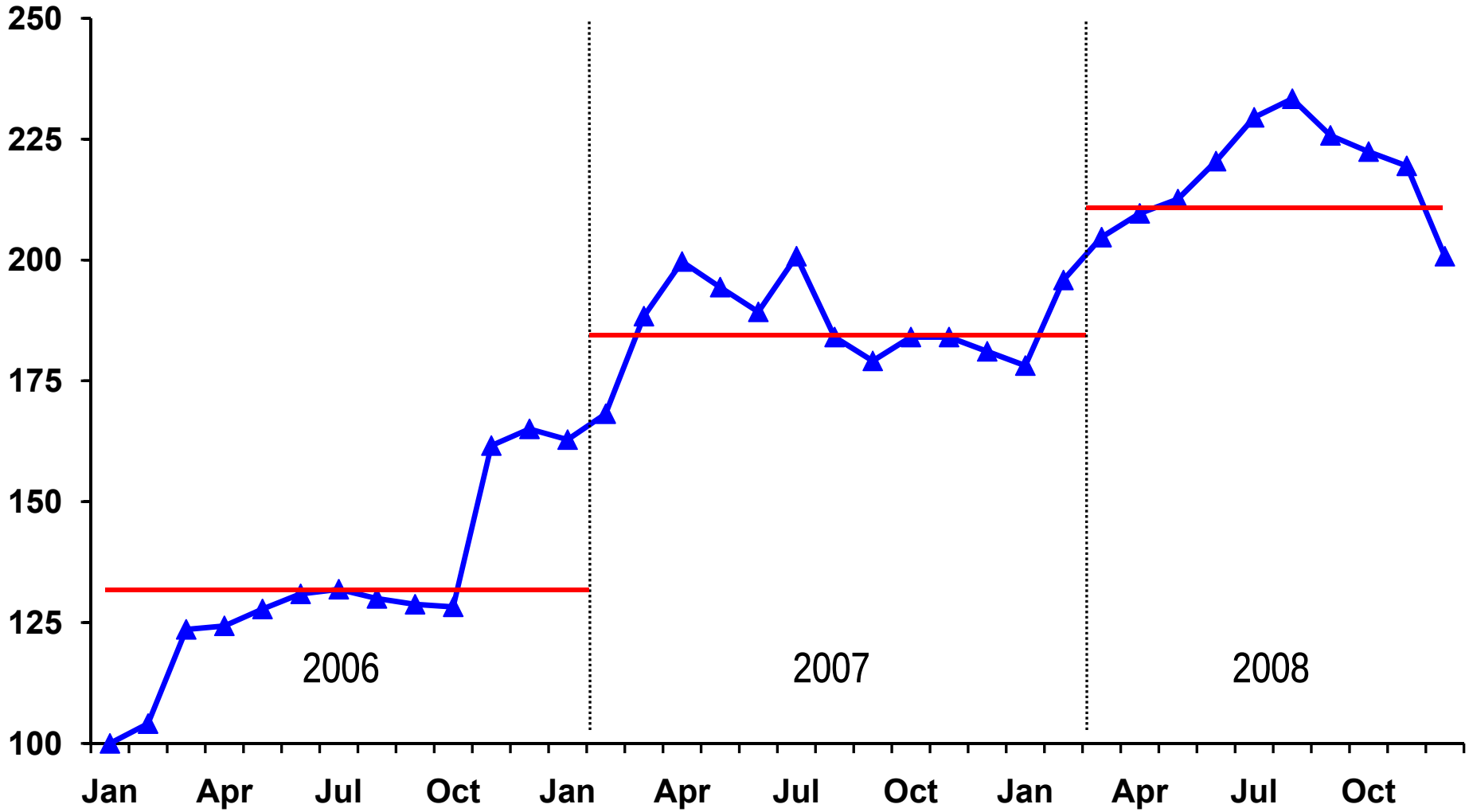

Delivered cost to U.S. facilities
Does not include CBPR

# U.S. Starch Costs

## *17% Increase vs. 4Q07 Average Cost*

INTERNATIONAL PAPER

Index: Jan 2006 Starch Costs = 100




Delivered cost to U.S. facilities
Does not include CBPR

# Global Consumption

## *Annual Purchase Estimates for Key Inputs*

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| | Commodity | U. S. | Non – U. S. |
|---|---|---|---|
| Energy | Natural Gas (MM BTUs) | 50,500,000 | 16,000,000 |
| | Fuel Oil (Barrels) | 2,100,000 | 500,000 |
| | Coal (Tons) | 1,200,000 | 230,000 |
| Fiber | Wood (Tons) | 50,000,000 | 8,400,000 |
| | Old Corrugated Containers (Tons) | 3,500,000 | 310,000 |
| Chemicals | Caustic Soda (Tons) | 350,000 | 60,000 |
| | Starch (Tons) | 500,000 | 110,000 |
| | Sodium Chlorate (Tons) | 250,000 | 50,000 |
| | LD Polyethylene (Tons) | 50,000 | - |
| | Latex (Tons) | 25,000 | 4,000 |

Does not include Asian or Ilim consumption; excludes consumption by permanent & indefinite machine shutdowns
Estimates are based on normal operations and may be impacted by downtime