



INTERNATIONAL PAPER

Third Quarter 2018 Earnings | October 25, 2018

Forward-Looking Statements

Certain statements in this presentation may be considered forward-looking statements. Words such as “expects”, “anticipates”, “estimates”, “believes” and similar expressions identify forward-looking statements. The forward-looking statements include, but are not limited to, information regarding the ability of International Paper to complete the transaction, the timing of an offer by International Paper, the nature of International Paper’s offer including whether or not a secondary listing will be made and potential synergies and benefits for the combined company. 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 include but are not limited to: (i) the level of indebtedness and changes in interest rates; (ii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition faced, cyclicity and changes in consumer preferences, demand and pricing for International Paper products; (iii) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit ratings issued by recognized credit rating organizations, the amount of future pension funding obligation, changes in tax laws and pension and health care costs; (iv) unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; (v) whether International Paper experiences a material disruption at one of its manufacturing facilities; (vi) risks inherent in conducting business through joint ventures; (vii) our ability to achieve the benefits expected from strategic acquisitions, divestitures, restructurings and capital investments; and (viii) other factors that can be found in International Paper’s press releases and U.S. Securities and Exchange Commission (the “SEC”) filings. 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 International Paper’s SEC filings. International Paper undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Statements Relating to Non-GAAP Measures

During the course of this presentation, certain non-U.S. GAAP financial measures may be presented. A reconciliation of all presented non-GAAP measures (and their components) to U.S. GAAP financial measures is available on IP’s website at internationalpaper.com under Performance/Investors.

Ilim JV and Graphic Packaging Investment Information

All financial information and statistical measures regarding our 50/50 Ilim joint venture in Russia (“Ilim”) and our 20.5% ownership interest in a subsidiary of Graphic Packaging Holding Company, other than historical International Paper Equity Earnings and dividends received by International Paper, have been prepared by the management of Ilim and Graphic Packaging Holding Company, respectively. Any projected financial information and statistical measures reflect the current views of Ilim and Graphic Packaging Holding Company management and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such projections. See “Forward-Looking Statements.”

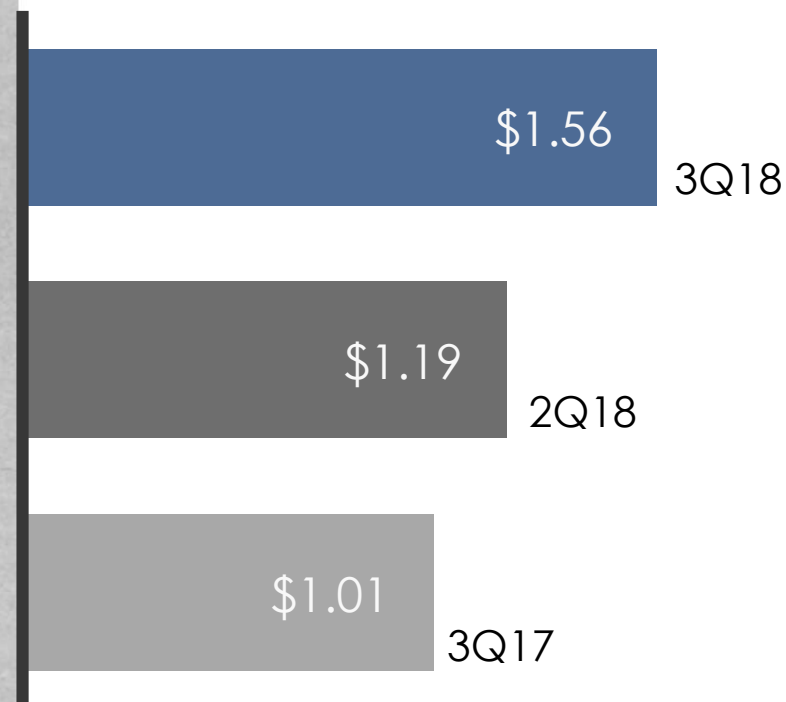
Third Quarter 2018 Results

- Very strong performance and significant year-over-year earnings growth
- Solid commercial performance across all three businesses
- Cost headwinds from distribution and most inputs
- Hurricane Florence impact of \$36MM
- Strong Ilim results
- Share repurchases of \$200MM in 3Q18 and new authorization of \$2B
- Increased dividend by 5.3% to \$2.00/share

See footnotes beginning on Slide 16



Adjusted Operating EPS¹



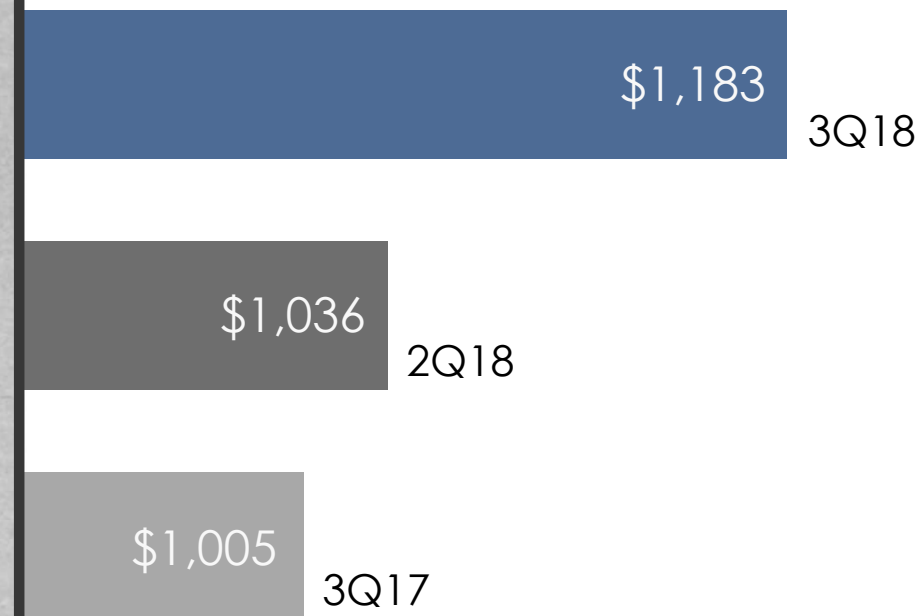
Third Quarter 2018 Financials



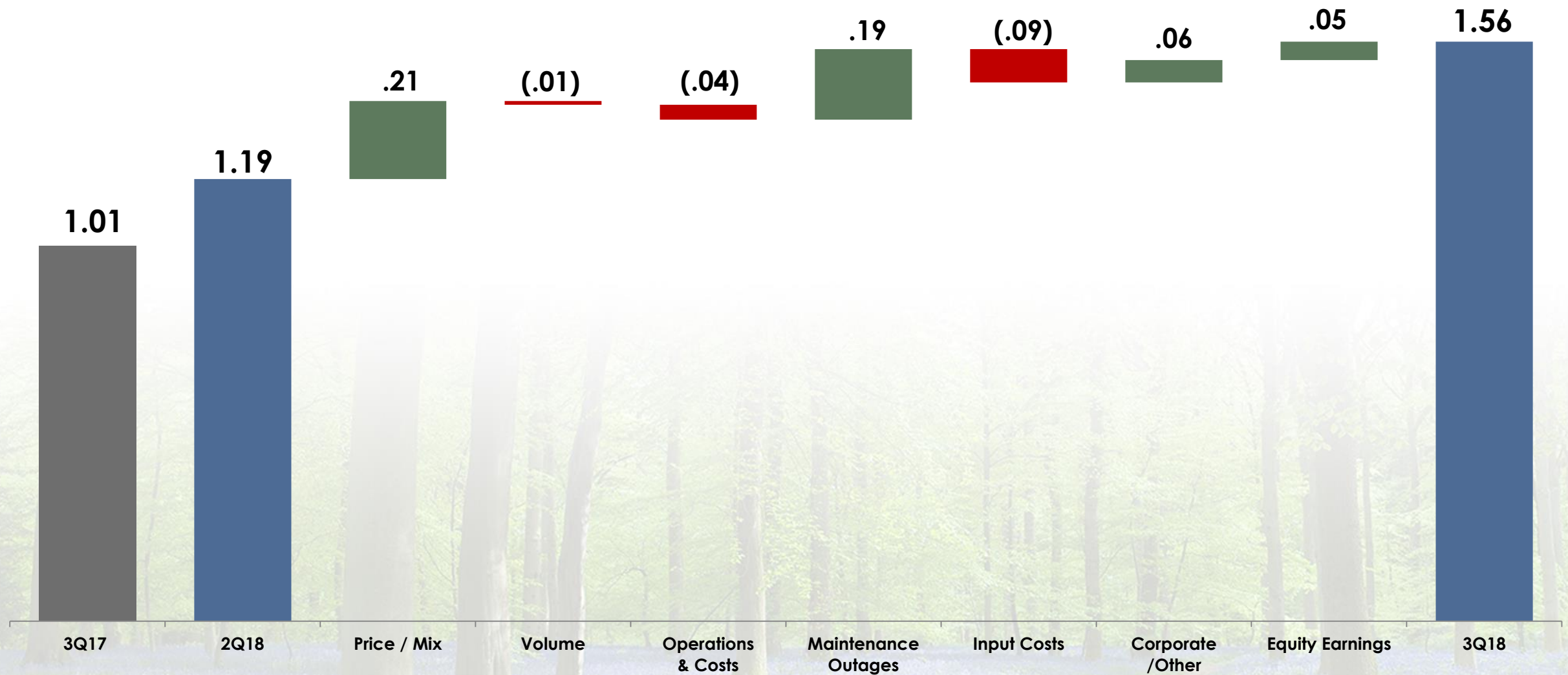
	3Q17	2Q18	3Q18
Sales (\$B)	\$5.5	\$5.8	\$5.9
Adjusted EBIT ¹ (\$MM)	\$665	\$706	\$853
Adjusted Operating EPS ²	\$1.01	\$1.19	\$1.56
Ilm F/X ³ impact to Operating EPS	\$0.02	\$(0.09)	\$(0.06)
Adjusted EBITDA Margin ¹	18.2%	17.8%	20.0%
Equity Earnings (\$MM)	\$45	\$70	\$92
Free Cash Flow ⁴ (\$MM)	\$624	\$361	\$584

See footnotes beginning on Slide 16

Adjusted EBITDA¹
(\$MM)



3Q18 vs. 2Q18 Adjusted Operating EPS¹



See footnotes beginning on Slide 16

Hurricane Florence | Impact & Recovery

\$36MM impact in 3Q18

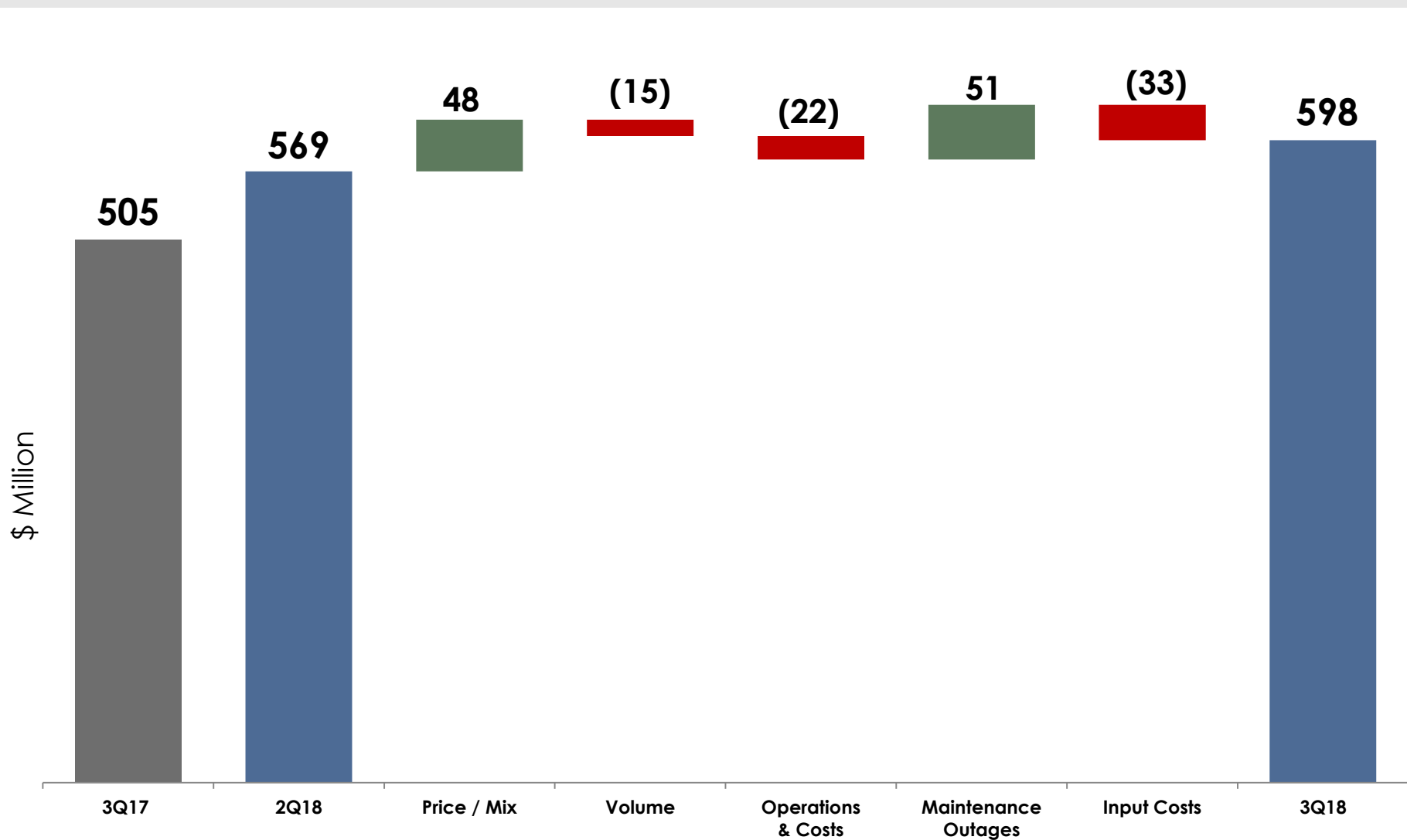
	3Q18A	4Q18E	2018
Global Cellulose Fibers	\$28MM	\$14MM	\$42MM
Printing Papers	\$7MM	\$1MM	\$8MM
Total	~\$36MM	~\$15MM	~\$51MM



Scope	- Three mills and three box plants - Total 56 machine days
Recovery and Employee Relief	- Onsite emergency relief - Assistance of \$1.8MM
Restart	Safe recovery and restart



Industrial Packaging | 3Q18 vs. 2Q18 Adjusted EBIT¹



See footnotes beginning on Slide 16

Healthy demand across all channels

~90% of recent N.A. box price increase realized at 3Q18 exit

IP U.S. Box Shipments
+1.5% YoY (blended basis)



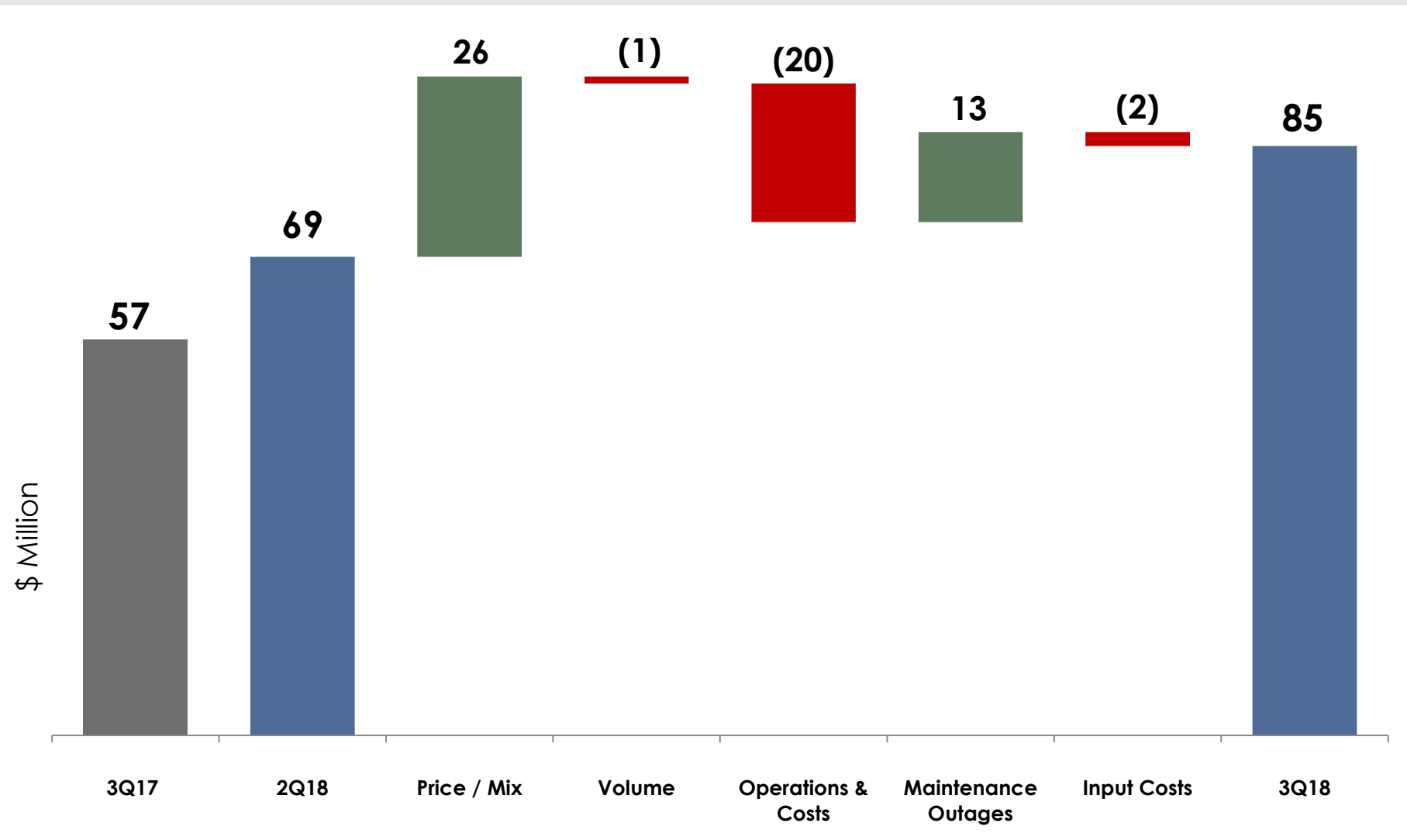
Capturing N.A. Corrugated Growth

Customer Segment	Industry	IP
Food & Beverage	~50%	Overweight
	Processed Food	
	Fresh Produce	✓
	Protein (Meat & Poultry)	✓
Durable Goods & Distribution	Beverage	
	~20%	Overweight
	E-commerce / Shipping	✓
	Building Materials	
Non-Durable Goods	Other Durables	
	~30%	Underweight
	Paper Products	
	Chemicals & Pharma	✓
	Other Non-Durables	

✓
Fastest Growth



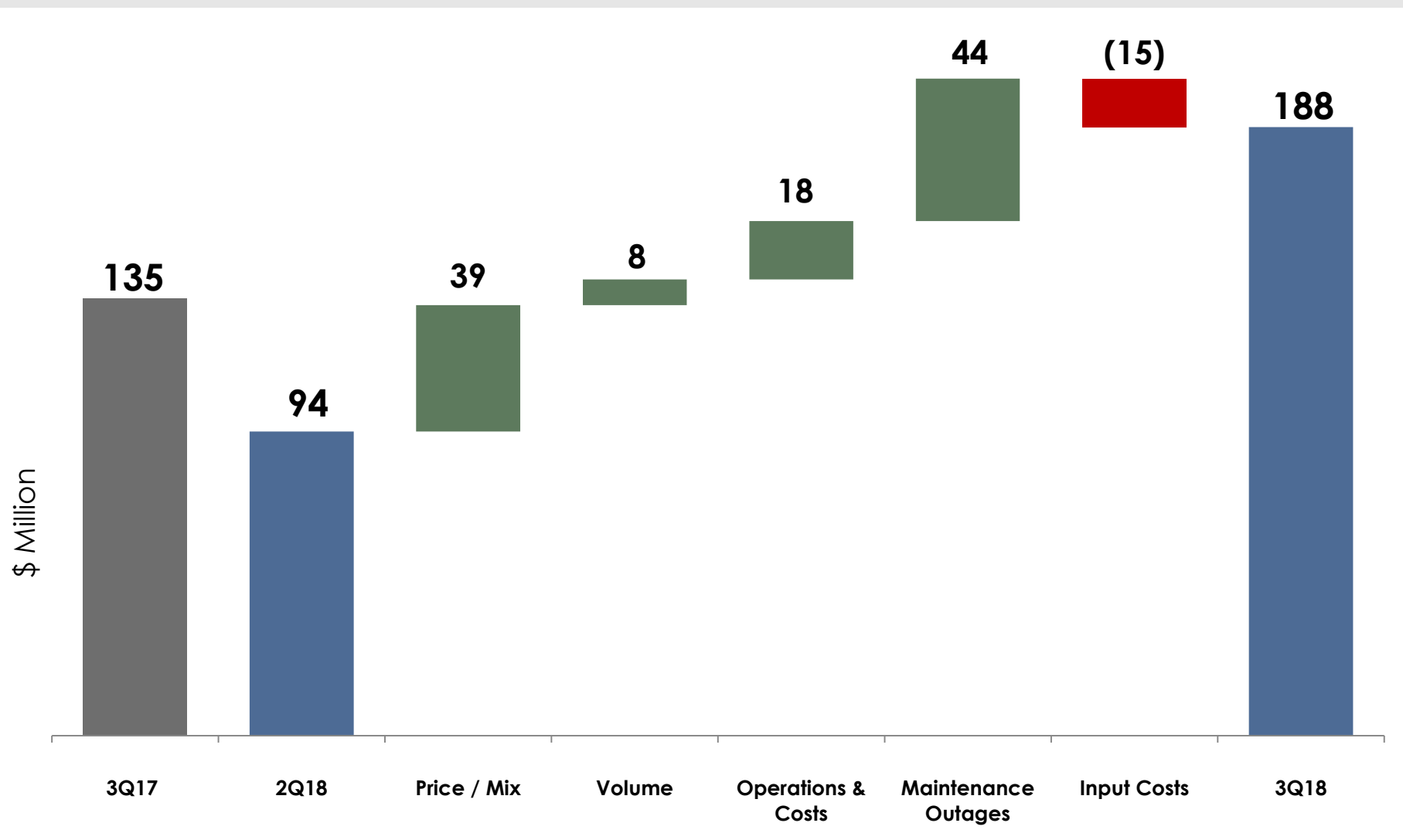
Global Cellulose Fibers | 3Q18 vs. 2Q18 Adjusted EBIT¹



See footnotes beginning on Slide 16

- Record fluff shipments
- Continued price realization
- Hurricane Florence impact of \$(28MM) in 3Q
- 21% EBITDA margin

Printing Papers | 3Q18 vs. 2Q18 Adjusted EBIT¹



See footnotes beginning on Slide 16



Strong commercial execution and continued price realization

Continued distribution cost headwinds in North America

Hurricane Florence impact of \$(7MM) in 3Q

23% EBITDA margin

ILIM Joint Venture | 3Q18 vs. 2Q18

\$ Million	3Q17	2Q18	3Q18
Sales Volume (thousand metric tonnes)	772	831	788
Sales	\$523	\$698	\$655
EBITDA	\$184	\$209	\$239
F/X (Impact of USD Net Debt) ¹	\$18	\$(98)	\$(58)
Adj. Operating EBITDA ²	\$166	\$307	\$297
IP Equity Earnings (Loss) ³	\$48	\$57	\$74

See footnotes beginning on Slide 16



Strong commercial and operating performance

Lower volume due to heavy planned maintenance outages in 3Q18

F/X loss (non-cash) on USD denominated net debt

Fourth Quarter Outlook | Changes from 3Q18

	Industrial Packaging 	Cellulose Fibers 	Printing Paper 
Price & Mix	Price realization	Price realization offset by mix	Price realization
Volume	Stronger seasonal demand (NA & Europe) Two less shipping days	Healthy demand	Stronger seasonal demand
Ops & Costs	Stable	Lower hurricane with offsets	Lower hurricane (NA) Higher FX (Brazil)
Maintenance Outages	~\$57MM Lower	~\$3MM Higher	~\$3MM Higher
Inputs & Freight	Stable	Stable	Higher wood
Equity Earnings	- Equity Earnings from Ilim JV 4Q18 forecast ~\$80MM - Equity Earnings from 20.5% ownership interest in GPI, less accounting basis adjustment		
Other	4Q18 corporate expense of ~\$30MM - Interest expense in line with full-year outlook of ~\$525MM-\$550MM 4Q18 effective tax rate of ~24-25%		

Invest to Create Value

Strategic fit | Compelling Value | Disciplined

- Cost Reduction Capex
- Strategic Capex
- Selective M&A

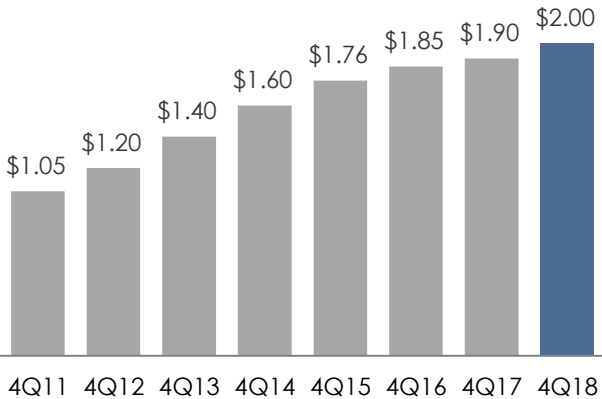
Return Cash to Shareholders

- Sustainable dividend at 40 – 50% of FCF
- Systematic share repurchase

Maintain Strong Balance Sheet

- Target Debt to EBITDA¹ 2.5x to 2.8x
- Pension plan sufficiently funded

Annualized Dividend



Share Repurchases

\$1.5B authorization
(July 2014)

\$2.0B authorization
(October 2018)

	3Q18	3Q18 YTD
Amount	\$200MM	\$500MM
Shares	~3.8MM	~9.1MM

See footnotes beginning on Slide 16



Confident in full-year EBITDA growth of 15%+

Customers

- Unique capabilities to deliver solutions to our customers
- Innovation engine to create value
- Well positioned to capture growth in packaging and fluff pulp

Performance

- Continued healthy demand
- Strong earnings growth and margins in all businesses
- Low-cost, high-quality manufacturing network

Value Creation

- Earnings momentum
- Strong and sustainable free cash flow
- Capital allocation to maximize value creation

Appendix | Contact Information

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Footnotes

Slide 3

¹ Adjusted operating EPS based on Adjusted Operating Earnings (defined as Net Earnings (GAAP) from continuing operations before special items and non-operating pension expense)

Slide 4

2017 financials, with the exception of Free Cash Flow, have been restated to reflect N.A. Consumer Packaging as a Discontinued Operation

¹ From continuing operations before special items and non-operating pension expense

² Adjusted operating EPS based on Adjusted Operating Earnings (defined as Net Earnings (GAAP) from continuing operations before special items and non-operating pension expense)

³ Represents F/X impact including that related to Ilim JV USD-denominated net debt (balance of ~\$0.7B as of September 30, 2018)

⁴ See slide #18 for a reconciliation of cash provided by operations to Free Cash Flow

Slide 5

¹ Adjusted operating EPS based on Adjusted Operating Earnings (defined as Net Earnings (GAAP) from continuing operations before special items and non-operating pension expense)

Slide 7

¹ Segment adjusted operating profit before special items

Includes European Coated Paperboard adjusted operating profit of \$21MM, \$17MM and \$18MM for 3Q17, 2Q18 and 3Q18, respectively

Slide 9

¹ Segment adjusted operating profit before special items

Slide 10

¹ Segment adjusted operating profit before special items

Slide 11

Ilim JV results are on U.S. GAAP basis

¹ Represents F/X impact including amounts related to Ilim JV USD-denominated net debt (balance of ~\$0.7B as of September 30, 2018); Ilim Group's functional currency is the Ruble (RUB); Non-functional-denominated currency balances are measured monthly using the month-end exchange rate

² Before F/X impact including USD-denominated net debt

³ IP Equity Earnings (Loss) for 3Q17, 2Q18 and 3Q18 include after-tax F/X gains (losses) (primarily on USD-denominated net debt) of \$7MM, \$(39)MM and \$(23)MM, respectively



Footnotes

Slide 13

¹ Moody's methodology is used to calculate Adjusted Debt to EBITDA ratio. Moody's adjusts debt to include balance sheet debt, operating leases/deferred tax liability and debt issuance expense, and pension gap. EBITDA is adjusted to include lease and pension adjustments

Slide 23

¹ Excludes special items (Non-GAAP)

² Includes Ilim Joint Venture and Investment in Graphic Packaging (beginning Q1 2018) and other investments

Slide 24

Does not reflect total company sales. Sales as reported is a U.S. GAAP metric. For North American Industrial Packaging, this metric includes Recycling Business Sales and Trade Sales. A reconciliation of this U.S. GAAP metric to a non-U.S. GAAP metric of Sales excluding these items for North American Industrial Packaging is available as a Non-GAAP reconciliation on our website at www.internationalpaper.com under Performance/Investors/Presentations and Events/Webcasts and Presentations.

¹ Excludes special items (Non-GAAP)

Slide 25

¹ A reconciliation to GAAP EPS is available at www.internationalpaper.com under the Performance tab, Investors section

Slide 26

¹ Adjusted operating EPS based on Adjusted Operating Earnings (defined as Net Earnings (GAAP) from continuing operations before special items and non-operating pension expense)

Slide 27

¹ Segment adjusted operating profit before special items

Includes European Coated Paperboard adjusted operating profit of \$21MM and \$18MM for 3Q17 and 3Q18, respectively

Slide 28

¹ Segment adjusted operating profit before special items

Slide 29

¹ Segment adjusted operating profit before special items



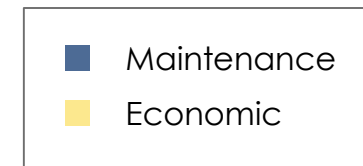
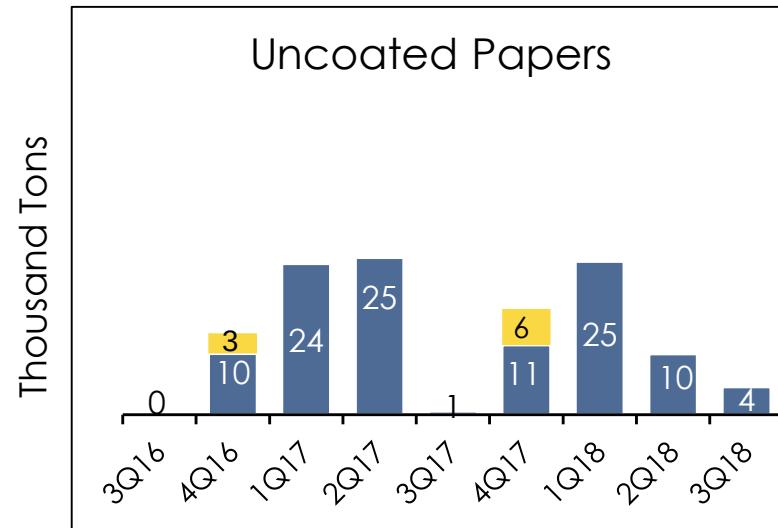
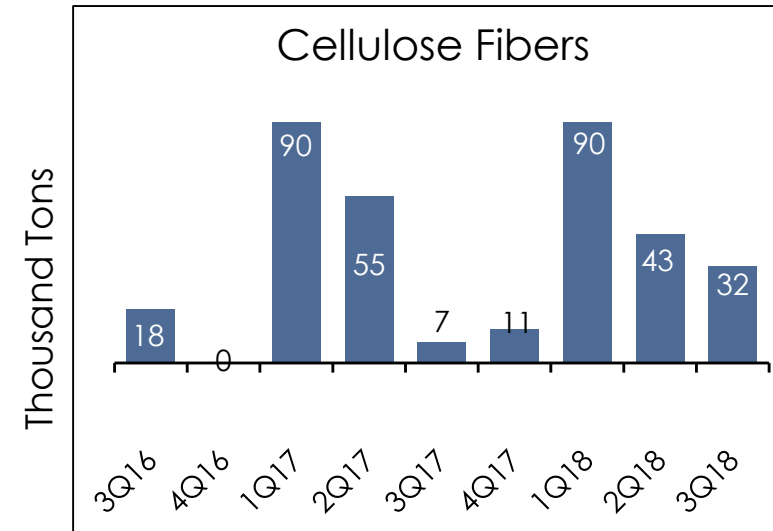
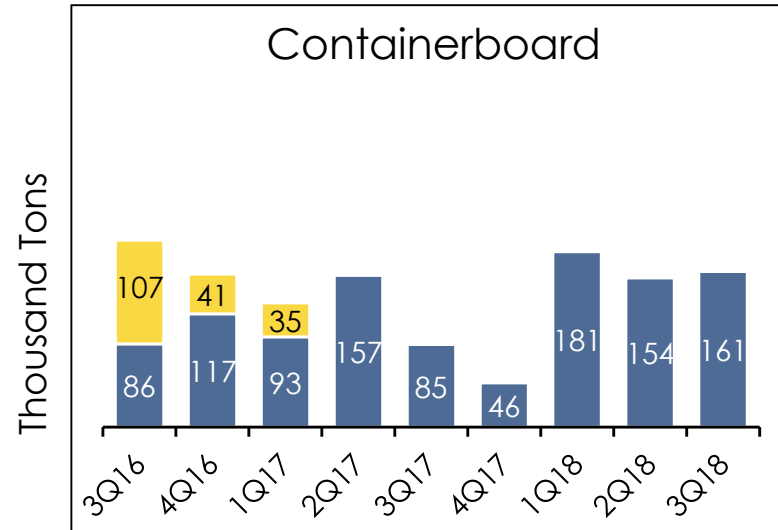
Free Cash Flow

\$ Million	2015	2016	2017	3Q17	2Q18	3Q18
Cash Provided by Operations	\$2,580	\$2,478	\$1,757	\$(709)	\$801	\$941
Cash Invested in Capital Projects	\$(1,487)	\$(1,348)	\$(1,391)	\$(271)	\$(440)	\$(357)
Cash Contribution to Pension Plan	\$750	\$750	\$1,250	\$1,250	-	-
Kleen Products Settlement	-	-	\$354	\$354	-	-
Free Cash Flow	\$1,843	\$1,880	\$1,970	\$624	\$361	\$584

Maintenance Outages Expenses | 2018 Forecast

\$ Million	1Q18A	2Q18A	3Q18A	4Q18F	2018F
 Industrial Packaging	\$107	\$116	\$65	\$8	\$296
North America	102	111	65	8	286
Europe	1	0	0	0	1
Europe Coated Paperboard	4	4	0	0	8
Brazil	0	1	0	0	1
 Global Cellulose Fibers	\$63	\$37	\$24	\$27	\$151
North America	60	29	24	27	140
Europe	3	8	0	0	11
 Printing Papers	\$37	\$50	\$6	\$9	\$102
North America	26	28	5	9	68
Europe	8	18	0	0	26
Brazil	3	4	0	0	7
India	0	0	1	0	1
Total	\$207	\$203	\$95	\$44	\$549

North American Downtime



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Special Items Before Tax | Continuing Operations

Special Items Pre-Tax (\$ Million)		3Q17	2Q18	3Q18
Industrial Packaging	Brazil Packaging Impairment			\$(122)
	EMEA Packaging Restructuring		\$(26)	
	Brazil Packaging Intangible Asset Amortization	\$(10)		
	Other	\$(5)	\$(6)	\$(4)
Global Cellulose Fibers	Pulp Business Acquisition	\$(6)		
	Other	\$(2)	\$(3)	\$(2)
Printing Papers	Riverdale Mill Conversion			\$(5)
Corporate	Smurfit Kappa Acquisition Bid Costs		\$(12)	
	Environmental Remediation Reserve Adjustment			\$(9)
Total Special Items Before Tax		\$(23)	\$(47)	\$(142)

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Special Items Net of Tax

	2Q18		3Q18	
	\$ Million	EPS	\$ Million	EPS
Earnings Before Special Items	\$498	\$1.19	\$641	\$1.56
Special Items Net of Taxes:				
Brazil Packaging Impairment			\$(81)	
EMEA Packaging Restructuring	\$(18)			
Smurfit Kappa Acquisition Bid Costs	\$(9)			
State Income Tax Legislative Changes	\$(9)			
San Jacinto Reserve Adjustment			\$(7)	
Riverdale Mill Machine Conversion			\$(4)	
U.S. Tax Reform			\$36	
Other	\$(7)		\$(4)	
Total Special Items Net of Taxes	\$(43)	\$(0.10)	\$(60)	\$(0.14)
Non-Operating Pension Expense	\$(27)	\$(0.07)	\$(19)	\$(0.05)
Earnings from Continuing Operations	\$428	\$1.02	\$562	\$1.37

Adj. Operating Profits by Industry Segment | Continuing Operations

\$ Million	3Q17	2Q18	3Q18
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$457	\$490	\$553
Interest Expense, Net	\$152	\$133	\$133
Noncontrolling Interest / Equity Earnings Adjustment	-	\$(4)	\$(2)
Corporate Items, Net	\$32	\$30	\$20
Special Items, Net	\$23	\$47	\$142
Non-Operating Pension Expense	\$33	\$36	\$25
Adj. Operating Profit Before Special Items	\$697	\$732	\$871
Industrial Packaging ¹	\$505	\$569	\$598
Global Cellulose Fibers ¹	\$57	\$69	\$85
Printing Papers ¹	\$135	\$94	\$188
Total Adj. Industry Segment Operating Profit¹	\$697	\$732	\$871
Equity Earnings (Loss), net of taxes²	\$45	\$70	\$92

See footnotes beginning on Slide 16

Geographic Business Segment Operating Results | Quarterly

\$ Million	Sales			D & A ¹	Adj. Operating Profit ¹		
	3Q17	2Q18	3Q18	3Q18	3Q17	2Q18	3Q18
 Industrial Packaging							
North America	\$3,383	\$3,582	\$3,653	\$185	\$492	\$580	\$622
Europe	\$333	\$344	\$311	\$10	\$(5)	\$(17)	\$(37)
Europe Coated Paperboard	\$88	\$86	\$87	\$5	\$21	\$17	\$18
Brazil	\$68	\$56	\$57	\$5	\$(3)	\$(11)	\$(5)
 Global Cellulose Fibers							
Global Cellulose Fibers	\$654	\$692	\$714	\$64	\$57	\$69	\$85
 Printing Papers							
North America	\$470	\$493	\$492	\$21	\$54	\$25	\$64
Europe	\$292	\$302	\$311	\$12	\$38	\$15	\$46
Brazil	\$239	\$222	\$255	\$24	\$46	\$49	\$75
India	\$44	\$51	\$47	\$4	\$(3)	\$5	\$3

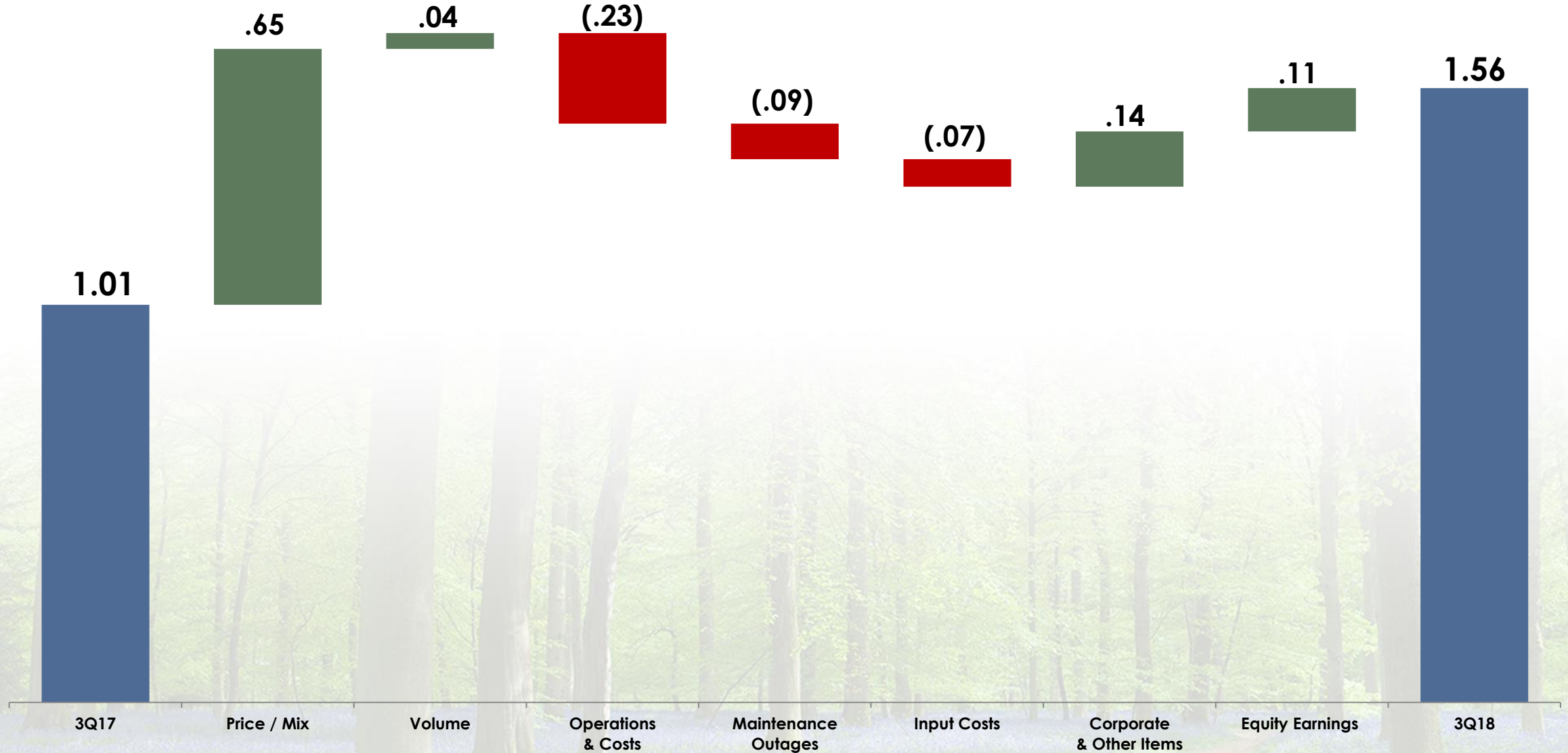
See footnotes beginning on Slide 16

2018 Operating Earnings

	Pre-Tax \$MM	Tax \$MM	Non- controlling Interest \$MM	Equity Earnings	Net Income \$MM	Average Shares MM	Diluted EPS ¹
Net Earnings from Continuing Operations							
1Q18	\$356	\$(89)	\$(1)	\$95	\$361	418	\$0.86
2Q18	\$490	\$(130)	\$(2)	\$70	\$428	418	\$1.02
3Q18	\$553	\$(83)	-	\$92	\$562	411	\$1.37
Net Special Items							
1Q18	\$40	\$(9)	-	-	\$31	418	\$0.07
2Q18	\$47	\$(4)	-	-	\$43	418	\$0.10
3Q18	\$142	\$(82)	-	-	\$60	411	\$0.14
Non-Operating Pension Expense							
1Q18	\$4	\$(1)	-	-	\$3	418	\$0.01
2Q18	\$36	\$(9)	-	-	\$27	418	\$0.07
3Q18	\$25	\$(6)	-	-	\$19	411	\$0.05
Adj. Operating Earnings							
1Q18	\$400	\$(99)	\$(1)	\$95	\$395	418	\$0.94
2Q18	\$573	\$(143)	\$(2)	\$70	\$498	418	\$1.19
3Q18	\$720	\$(171)	-	\$92	\$641	411	\$1.56

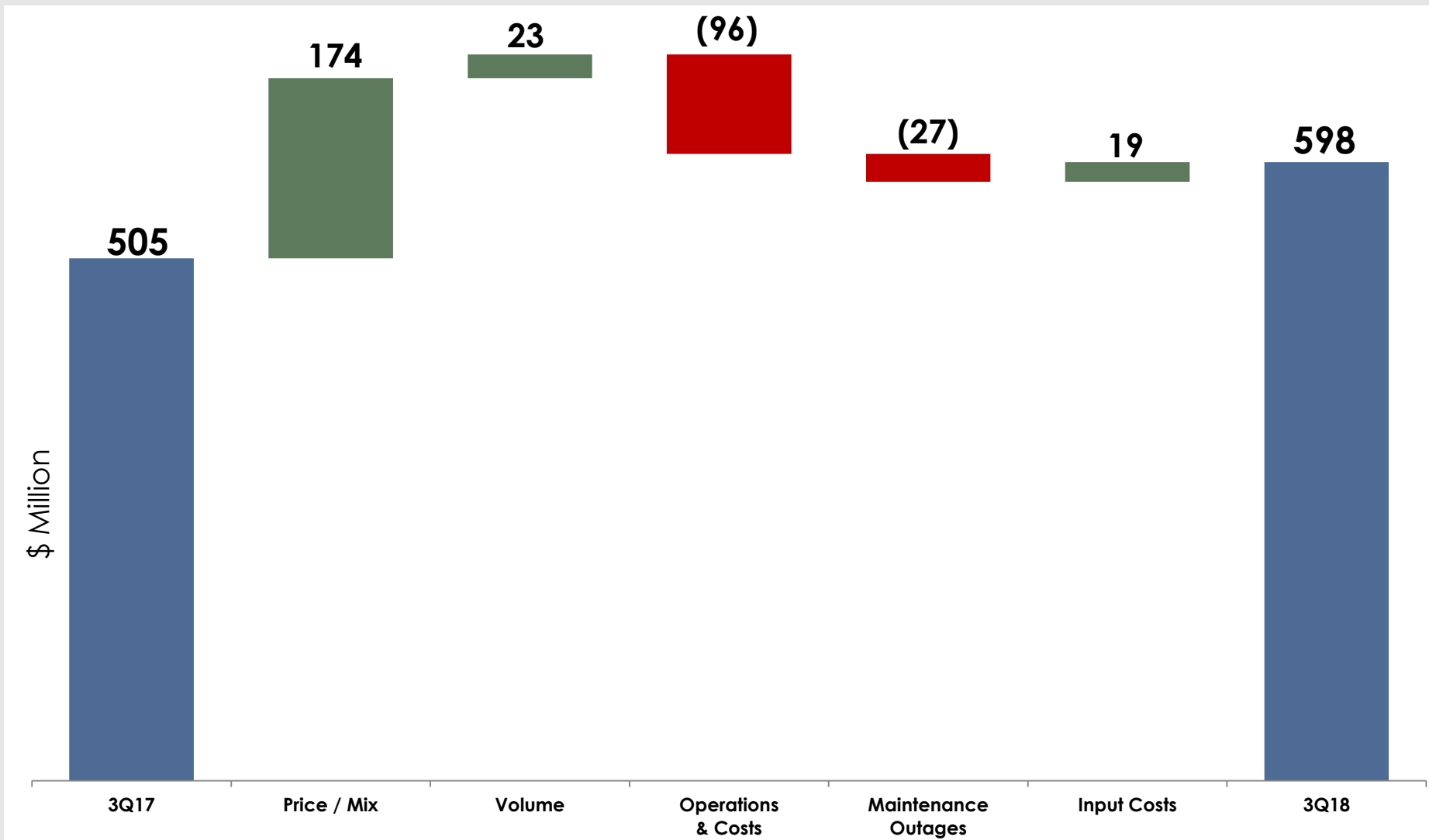
See footnotes beginning on Slide 16

3Q18 vs. 3Q17 Adj. Operating EPS¹



See footnotes beginning on Slide 16

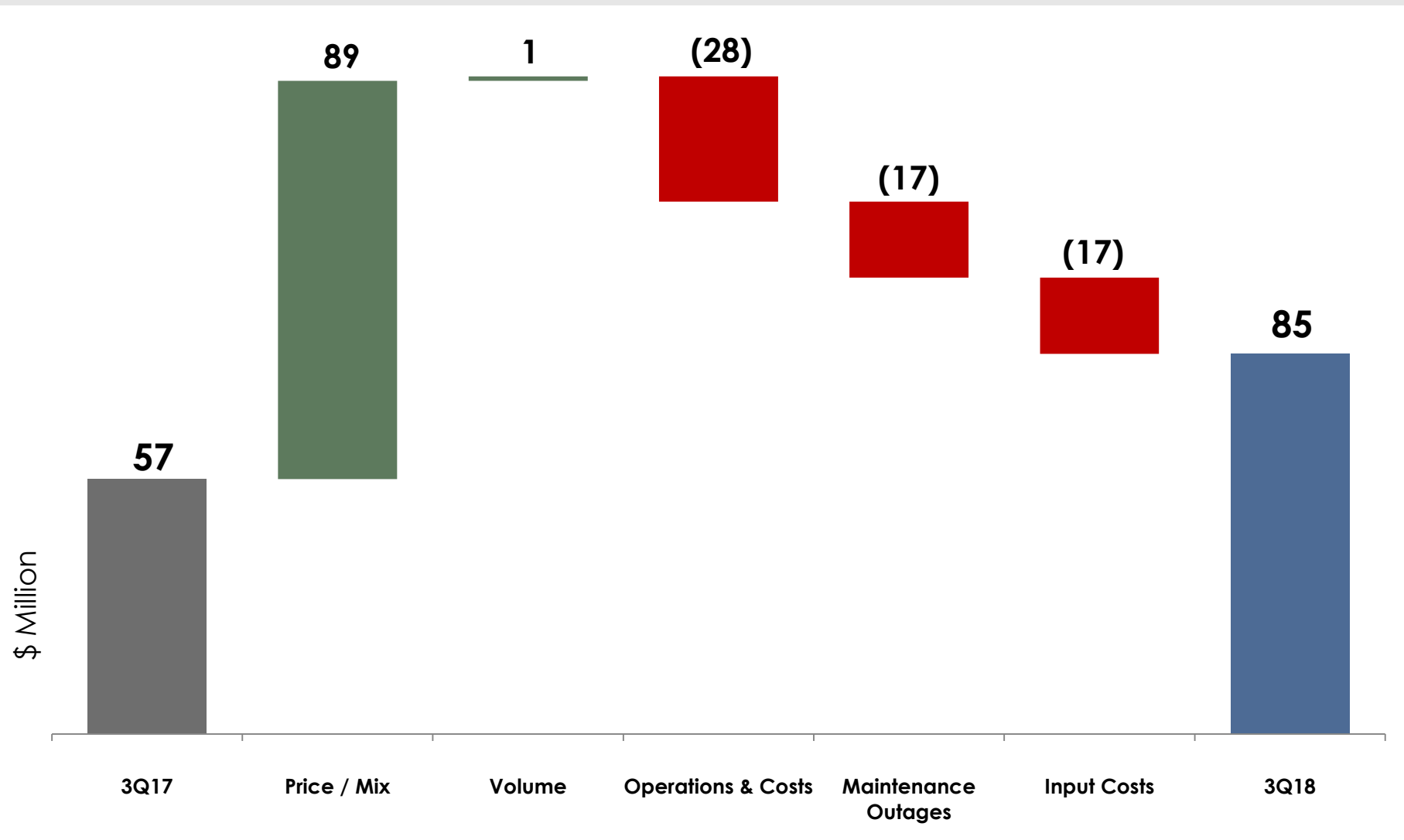
Industrial Packaging | 3Q18 vs. 3Q17 Adj. EBIT¹



See footnotes beginning on Slide 16



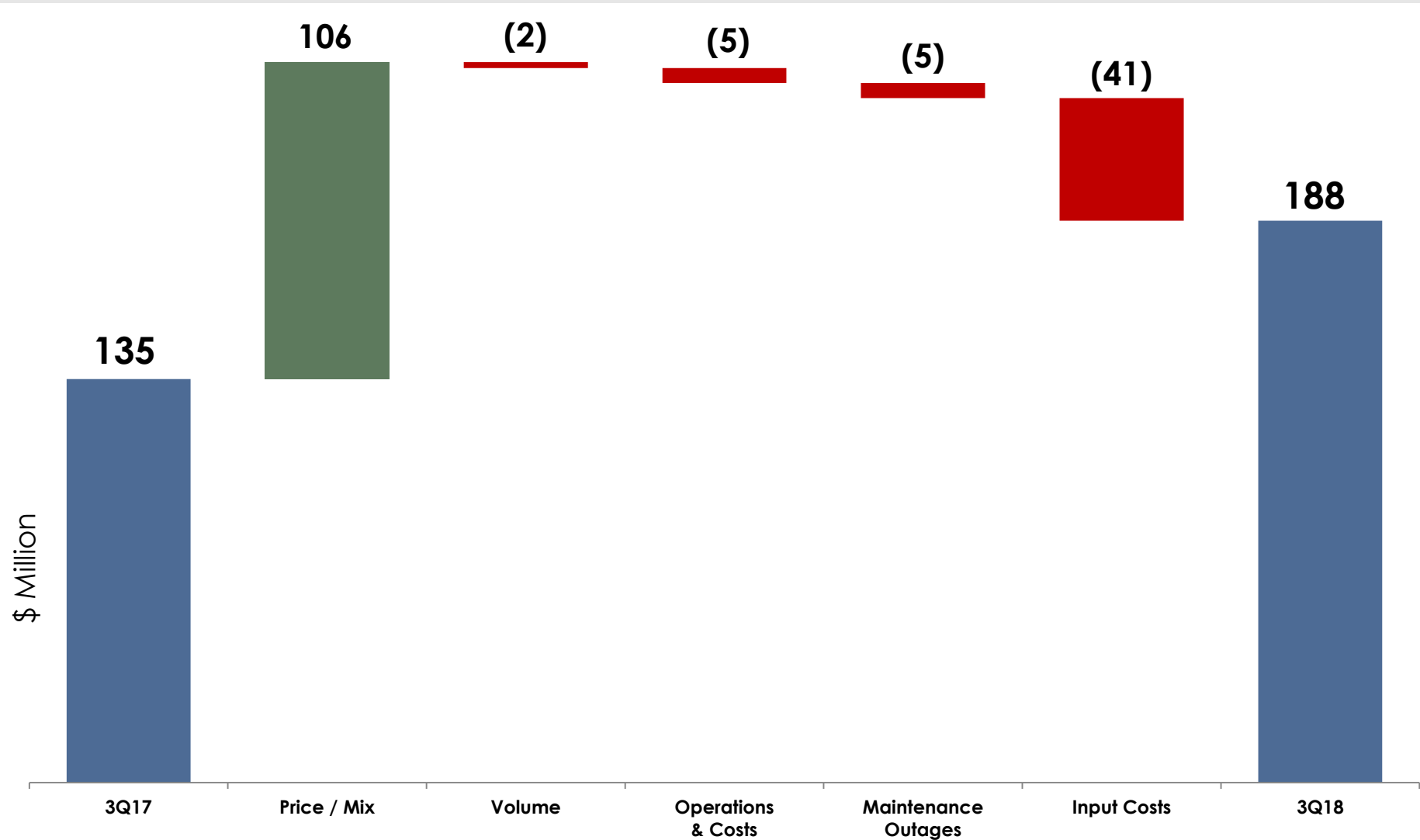
Global Cellulose Fibers | 3Q18 vs. 3Q17 Adj. EBIT¹



See footnotes beginning on Slide 16



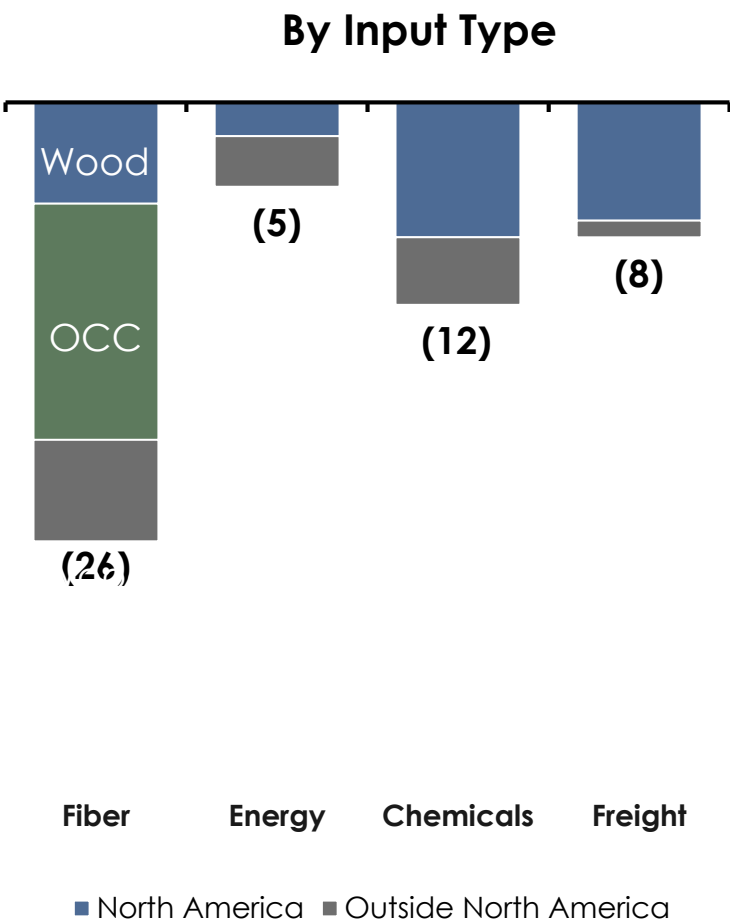
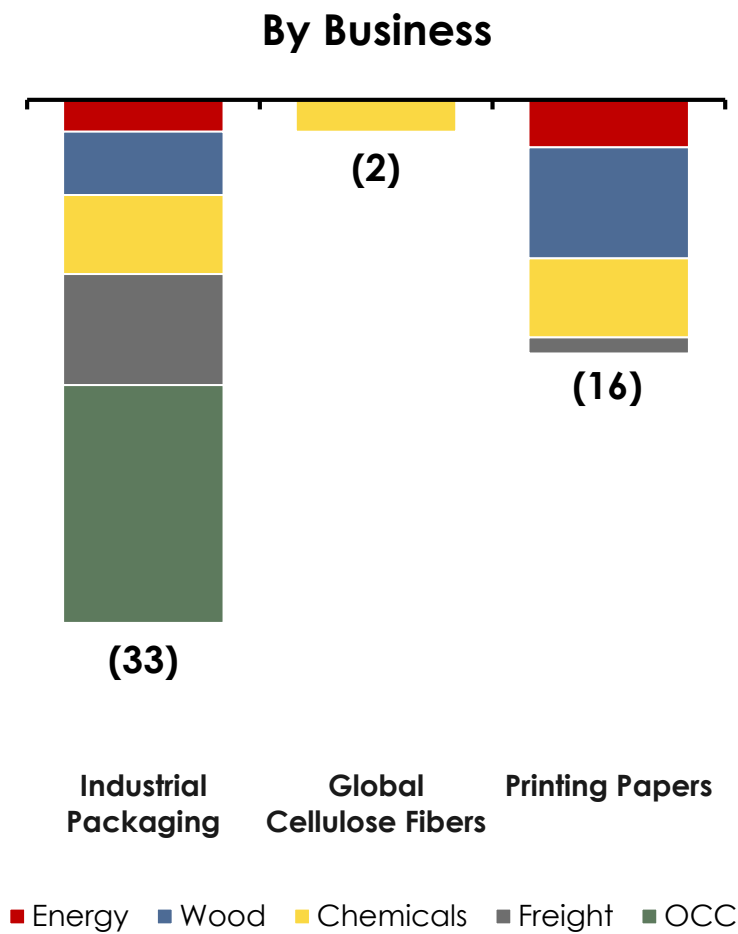
Printing Papers | 3Q18 vs. 3Q17 Adj. EBIT¹



See footnotes beginning on Slide 16



Global Input Costs vs. 2Q18 | \$51MM Unfavorable, or \$0.09 per share



U.S. Average Cost vs. 2Q18

Wood	▲	1%
OCC	▲	9%
Natural Gas	▲	2%
Fuel Oil	▲	4%
Chemical Composite	▼	2%

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