



INTERNATIONAL PAPER

Fourth Quarter and Full-Year 2018 Earnings | January 31, 2019



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. 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, cyclicalities 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) International Paper’s 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.”



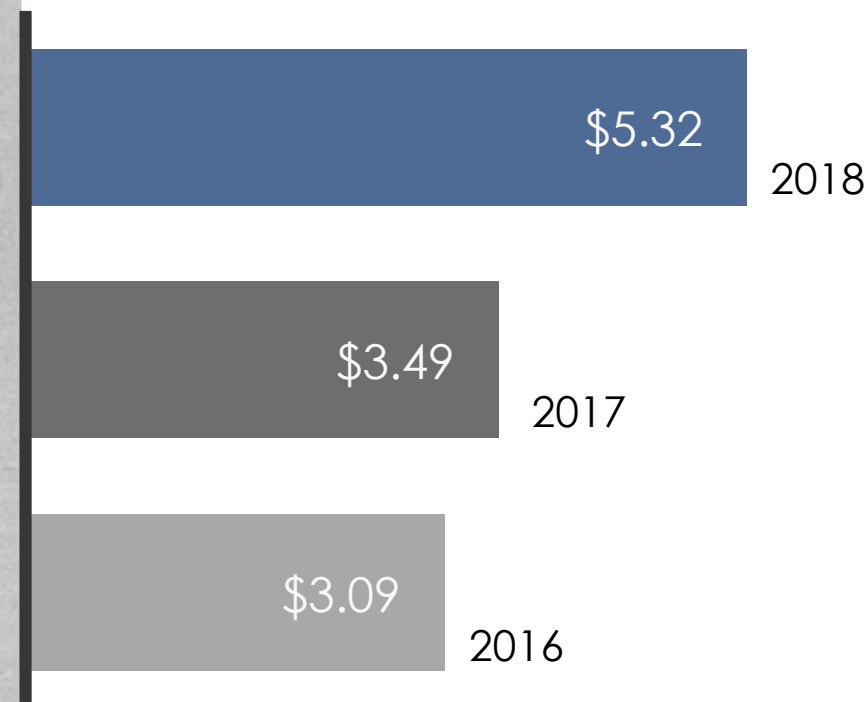
Full-Year 2018 Results

- 16% increase in Adjusted EBITDA²
- 13% Adjusted ROIC³ – 9th consecutive year above cost of capital
- Strong performance across all three businesses
- Another year of strong performance from Ilim
- Targeted strategic investments
- Strengthened balance sheet
- Returned \$1.5B to shareholders
 - 7th consecutive dividend increase
 - \$0.7B share repurchases

See footnotes beginning on Slide 18



Adjusted Operating EPS¹



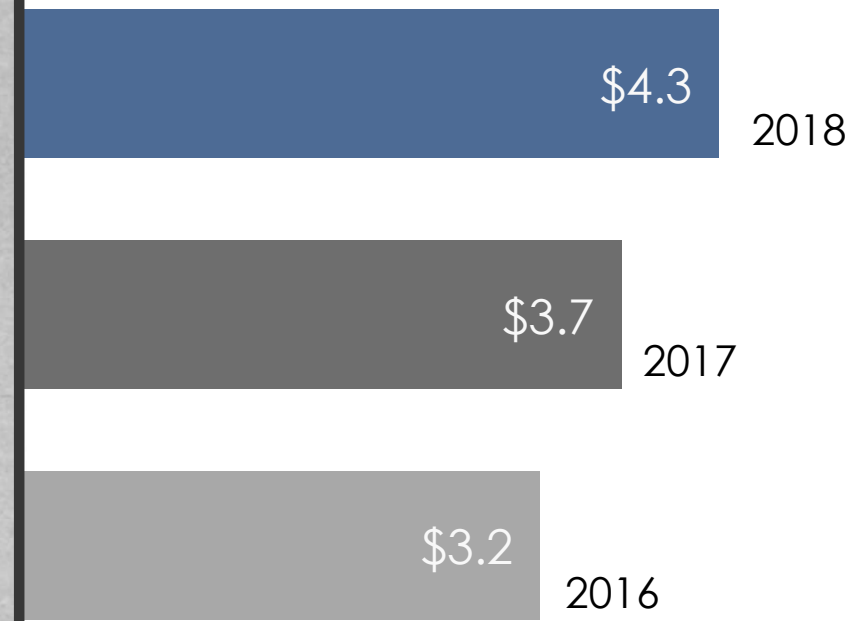
Full-Year 2018 Financials



\$ Billion (except as noted)	2016	2017	2018
Sales	\$19.5	\$21.7	\$23.3
Adjusted EBIT ¹	\$2.1	\$2.4	\$3.0
Adjusted Operating EPS ²	\$3.09	\$3.49	\$5.32
Adjusted EBITDA Margin ¹	16.6%	17.2%	18.7%
Equity Earnings (\$MM)	\$198	\$177	\$336
Free Cash Flow ³	\$1.9	\$2.0	\$1.7

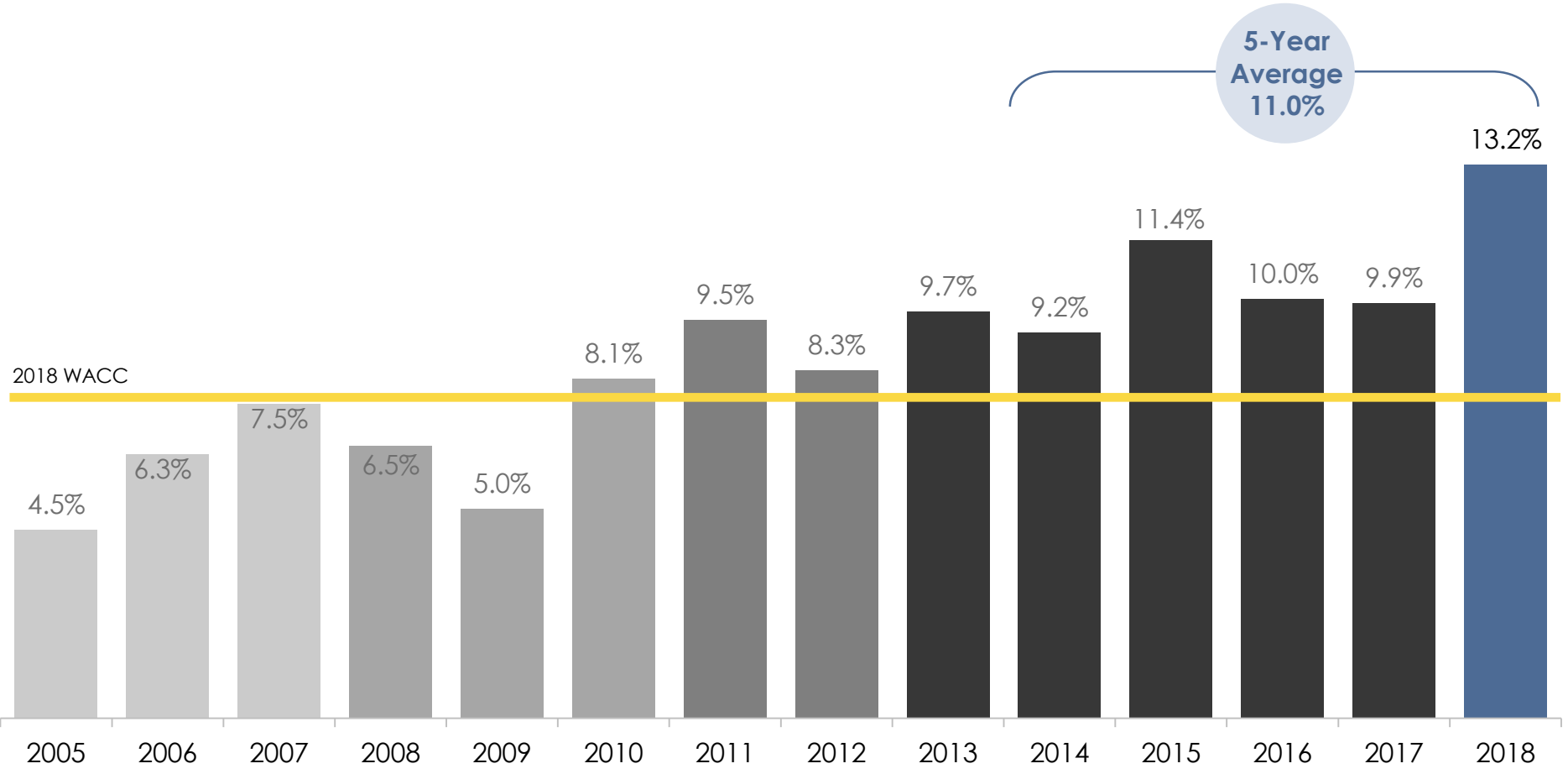
See footnotes beginning on Slide 18

Adjusted EBITDA¹
(\$B)



Expanded Spread of Adj. ROIC¹ | Increasing Shareholder Value

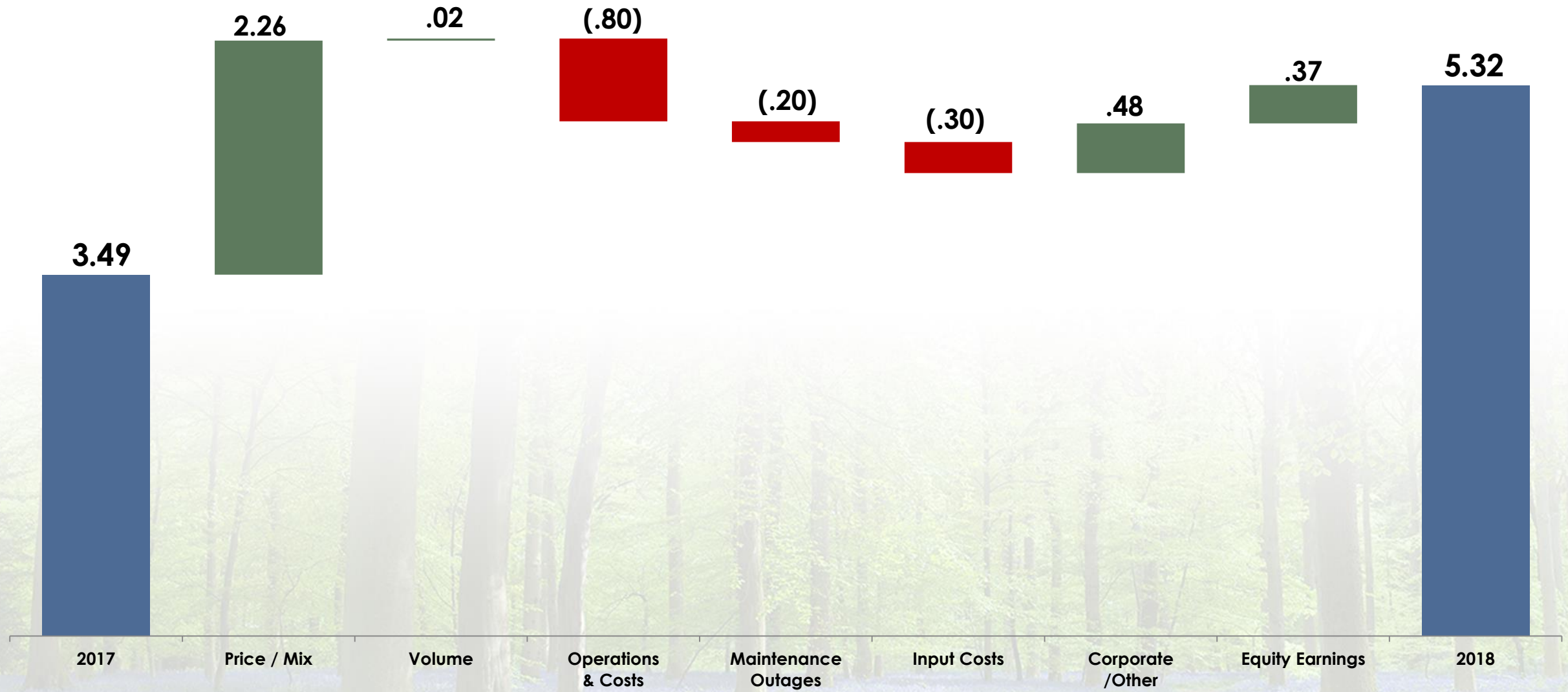
Above Cost of Capital



See footnotes beginning on Slide 18



2018 vs. 2017 Adjusted Operating EPS¹



See footnotes beginning on Slide 18

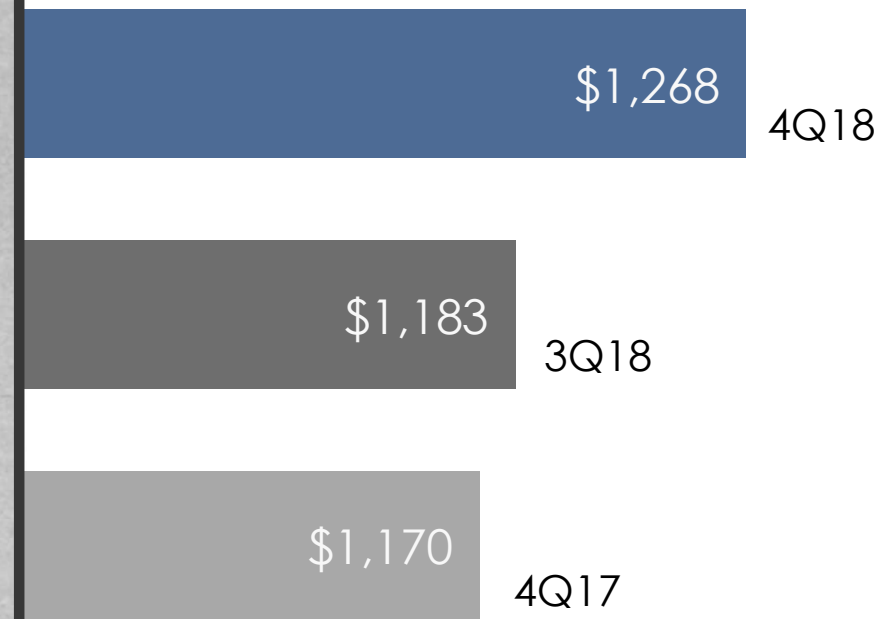
Fourth Quarter 2018 Financials



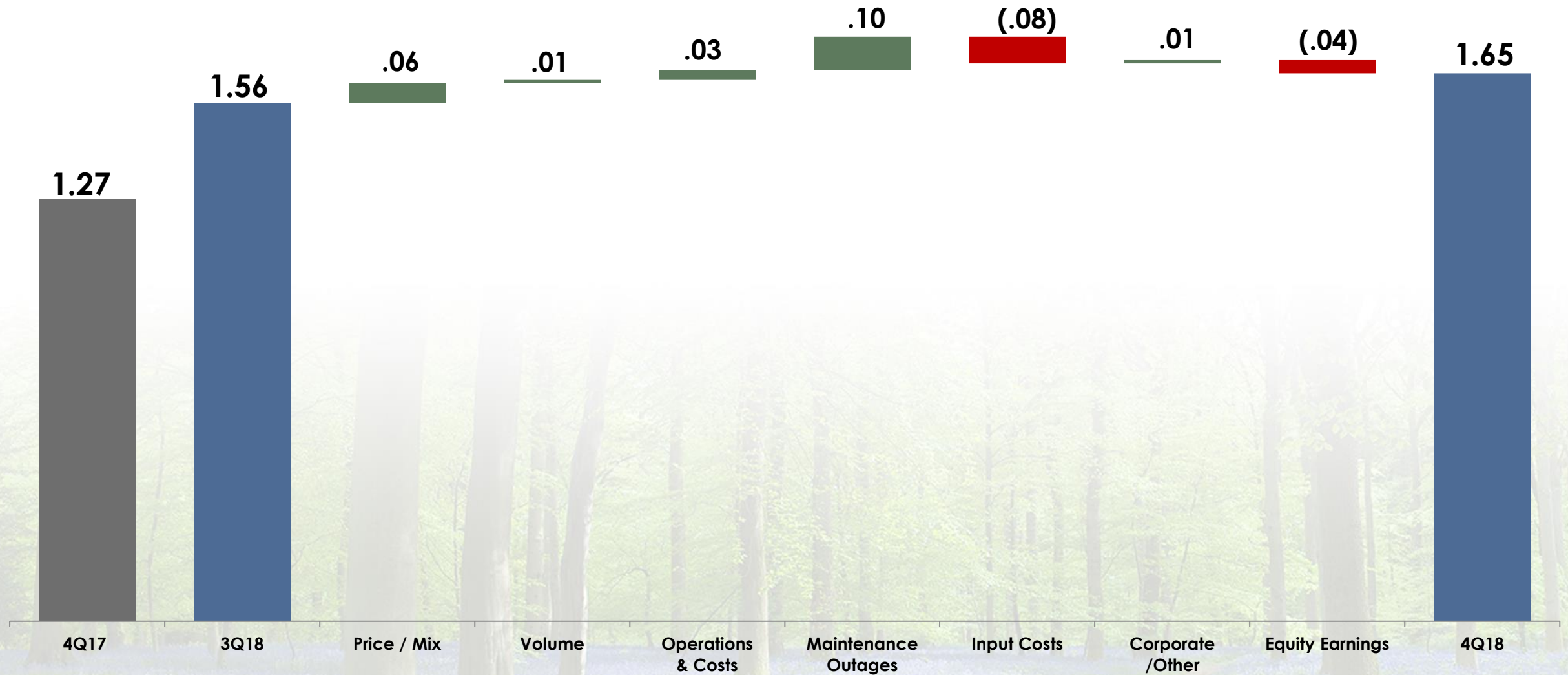
	4Q17	3Q18	4Q18
Sales (\$B)	\$5.7	\$5.9	\$6.0
Adjusted EBIT ¹ (\$MM)	\$831	\$853	\$931
Adjusted Operating EPS ²	\$1.27	\$1.56	\$1.65
Adjusted EBITDA Margin ¹	20.5%	20.0%	21.3%
Equity Earnings (\$MM)	\$64	\$92	\$79
Free Cash Flow ³ (\$MM)	\$732	\$584	\$535

See footnotes beginning on Slide 18

Adjusted EBITDA¹
(\$MM)

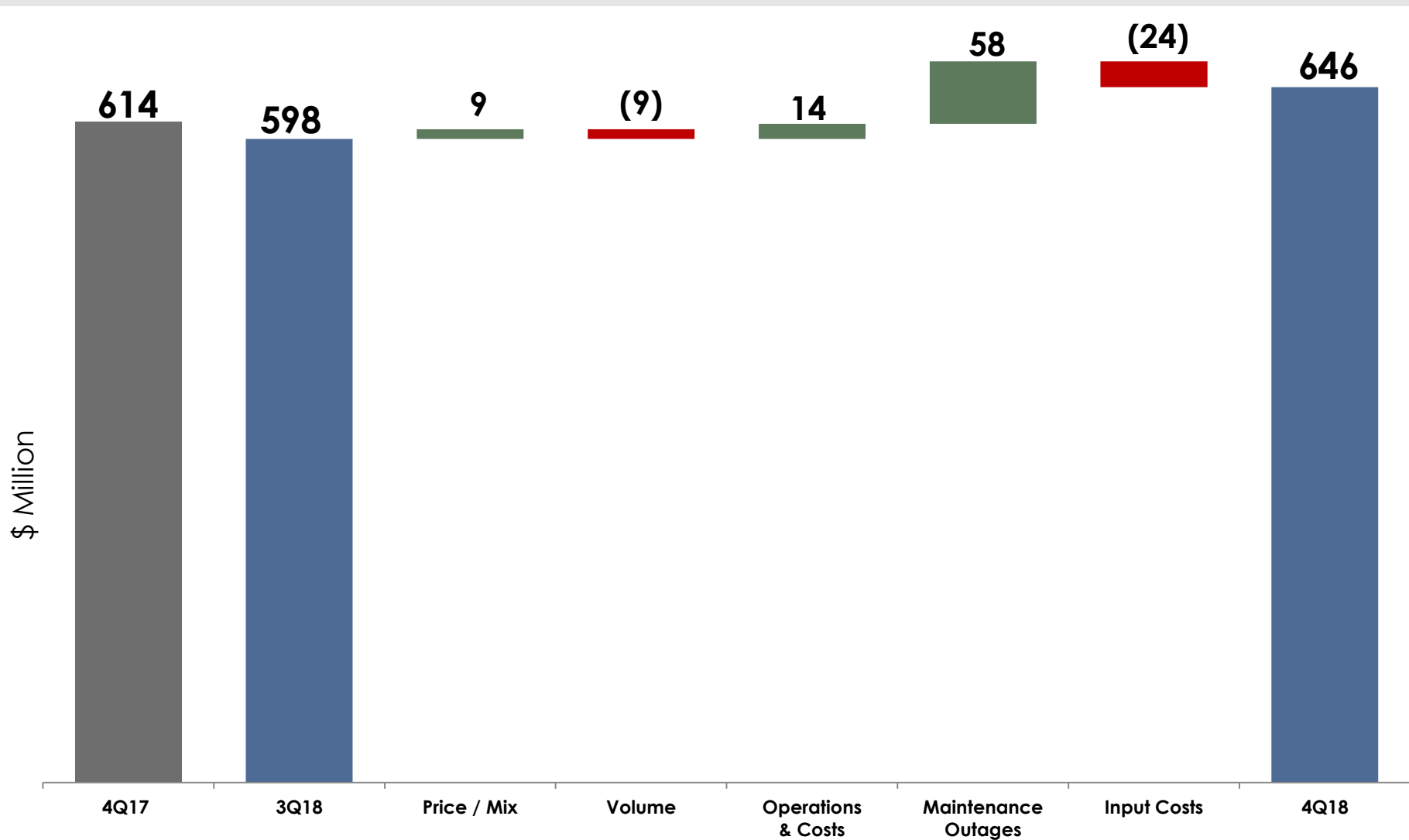


4Q18 vs. 3Q18 Adjusted Operating EPS¹



See footnotes beginning on Slide 18

Industrial Packaging | 4Q18 vs. 3Q18 Adjusted EBIT¹



See footnotes beginning on Slide 18

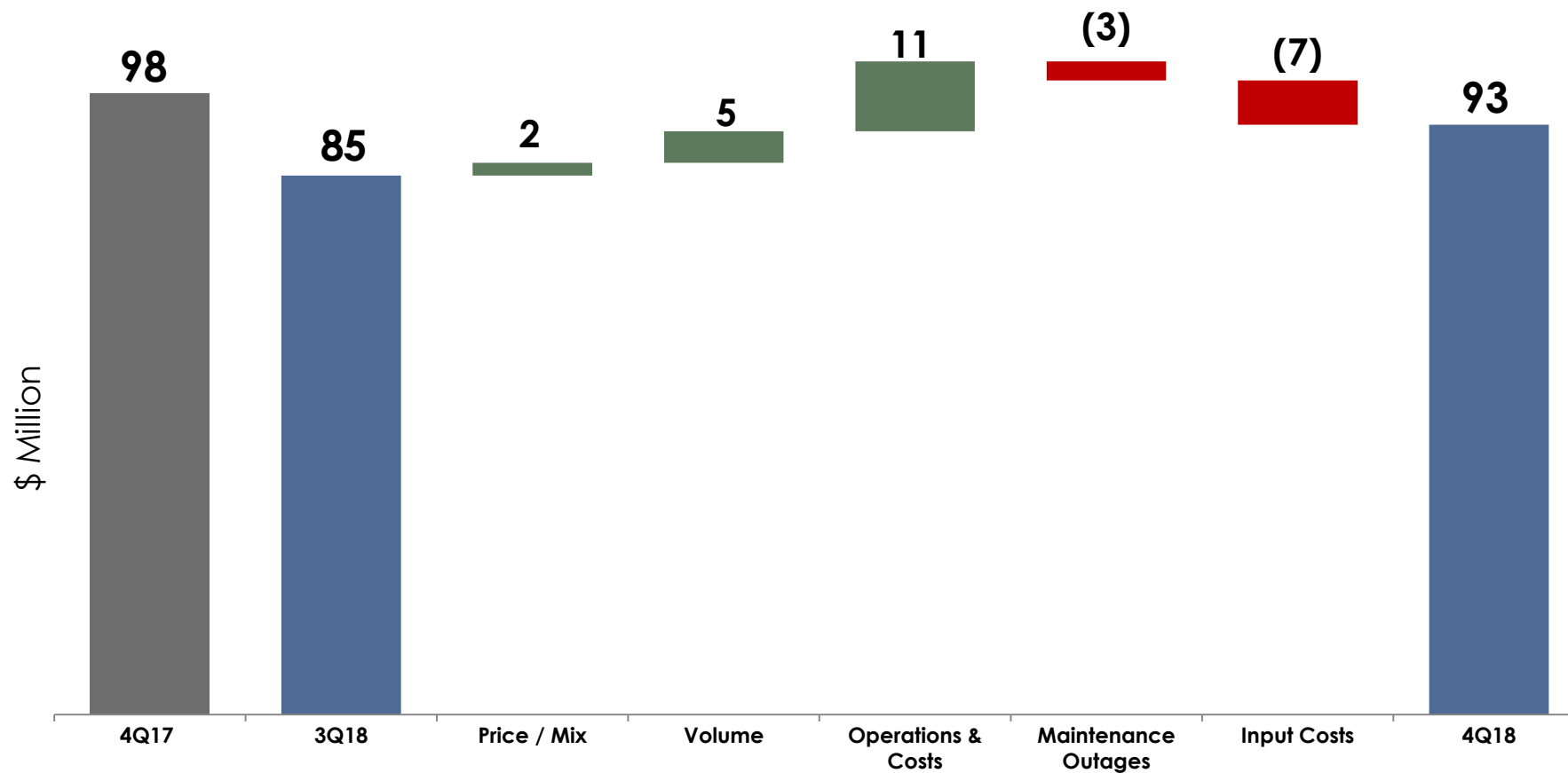


IP U.S. Box Shipments +0.9% YoY
(blended basis)

Wood and energy cost pressure

EMEA margin recovery and Madrid
Mill ramp up

Global Cellulose Fibers | 4Q18 vs. 3Q18 Adjusted EBIT¹



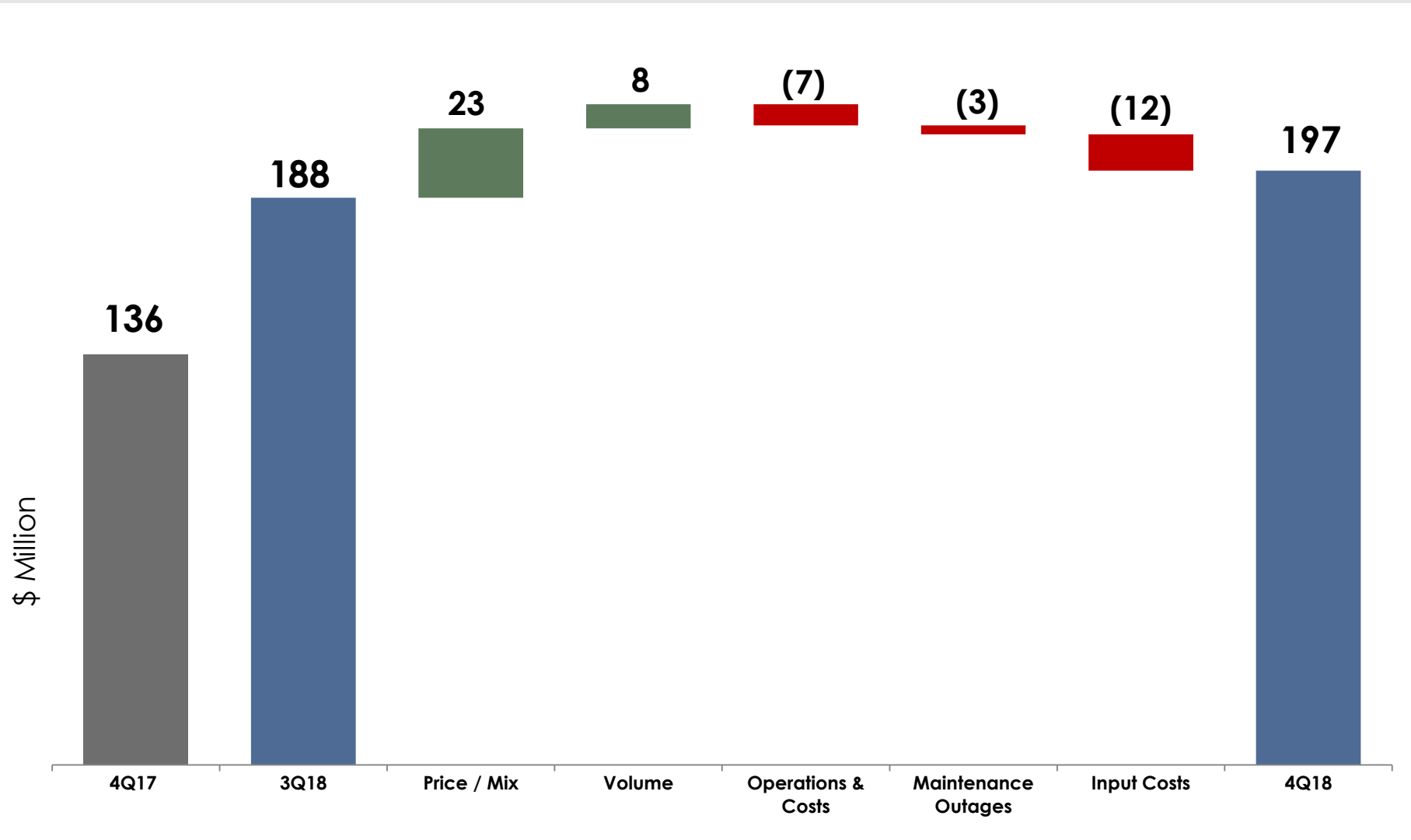
See footnotes beginning on Slide 18

Weaker softwood demand in China

Inventory destocking



Printing Papers | 4Q18 vs. 3Q18 Adjusted EBIT¹



See footnotes beginning on Slide 18



Strong performance with momentum in 2019

Strong commercial execution

High seasonal demand in Brazil

N.A. hardwood cost pressure

ILIM Joint Venture | 4Q18 vs. 3Q18



\$ Million	4Q17	3Q18	4Q18	2017	2018
Sales Volume (thousand metric tonnes)	843	788	838	3,110	3,256
Sales	\$632	\$655	\$684	\$2,150	\$2,713
EBITDA	\$236	\$238	\$263	\$732	\$1,003
F/X (Impact of USD Net Debt) ¹	\$7	\$(58)	\$(47)	\$37	\$(204)
Adj. Operating EBITDA ²	\$229	\$296	\$310	\$695	\$1,207
IP Equity Earnings (Loss) ³	\$64	\$74	\$67	\$183	\$290

See footnotes beginning on Slide 18

Strong operating performance

IP dividends of \$128 million in 2018

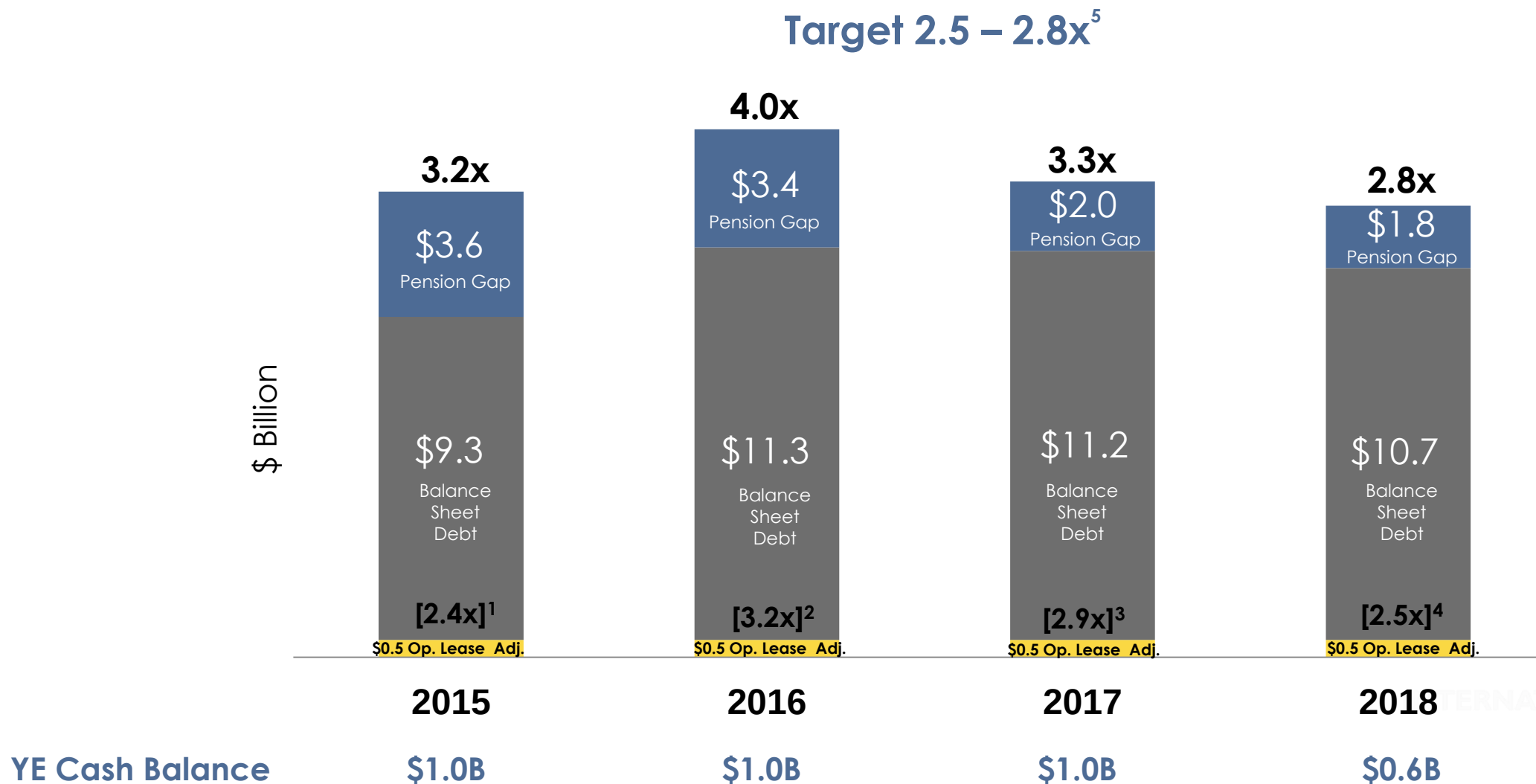
F/X loss (non-cash) of \$(0.05) EPS on
USD-denominated net debt in 4Q18

First Quarter Outlook | Changes from 4Q18

	Industrial Packaging 	Cellulose Fibers 	Printing Papers 
Price & Mix	Export pressure	Fluff stable SBSK pressure	Brazil seasonal mix
Volume	Seasonal decrease & export destocking	Weaker SBSK demand Fluff volume loss	Brazil seasonal decrease
Ops & Costs	Seasonality; Inflation; Unabsorbed fixed costs	Seasonality; Inflation; Unabsorbed fixed costs	Seasonality Inflation
Maintenance Outages	~\$102MM Higher	~\$20MM Higher	~\$3MM Higher
Inputs & Freight	Stable	Stable	Higher wood
Equity Earnings	- Equity Earnings from Ilim JV 1Q19 forecast ~\$65MM - Equity Earnings from 20.5% ownership interest in GPI, less accounting basis adjustment		
Other	1Q19 corporate expense of ~\$25MM - Interest expense in line with full-year outlook of ~\$500MM - Tax rate in line with full-year outlook of 24% - 26%		

\$ Billion	2018	2019 Outlook
Adjusted EBITDA ¹	\$4.3	\$4.3 - \$4.4
Capex	\$1.6	\$1.4
Free Cash Flow	\$1.7	\$2.0
Dividend	\$0.8	\$0.8
Share Repurchase	\$0.7	\$1.2
Debt Reduction	\$0.5	

See footnotes beginning on Slide 18



See footnotes beginning on Slide 18



Maximizing value for our shareholders

Performance

- Strengthening our businesses
- Growing free cash flow in 2019

Value Creation

- Strengthening balance sheet
 - Returning cash to shareholders
-

Appendix | Contact Information



Guillermo Gutierrez

Vice President, Investor Relations

+1-901-419-1731

guillermo.gutierrez@ipaper.com

Michele Vargas

Director, Investor Relations

+1-901-419-7287

michele.vargas@ipaper.com

Betty Groom

Administrative Assistant

+1-901-419-4250

betty.groom@ipaper.com

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)

² From continuing operations before special items and non-operating pension expense

³ Adjusted ROIC = Adjusted Operating Earnings before Interest / Average Invested Capital [Equity (adjusted to remove pension related amounts in OCI, net of tax) + Interest-bearing Debt]

Slide 4

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 See slide #22 for a reconciliation of cash provided by operations to Free Cash Flow

Slide 5

Years 2013-2017 restated to reflect N.A. Consumer Packaging and xpedx as discontinued operations. Years 2005-2012 are as reported in the 10-K for each year at time of filing

¹ Adjusted ROIC = Adjusted Operating Earnings before Interest / Average Invested Capital [Equity (adjusted to remove pension related amounts in OCI, net of tax) + Interest-bearing Debt]

Slide 6

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 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 See slide #22 for a reconciliation of cash provided by operations to Free Cash Flow

Slide 8

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)



Footnotes

Slide 9

¹ Segment adjusted operating profit before special items

Includes European Coated Paperboard adjusted operating profit of \$18MM and \$17MM for 3Q18 and 4Q18, respectively

Slide 10

¹ Segment adjusted operating profit before special items

Slide 11

¹ Segment adjusted operating profit before special items

Slide 12

Ilim JV results are on U.S. GAAP basis

¹ Represents F/X impact including amounts related to Ilim Group USD-denominated net debt (balance of ~\$0.8B as of December 31, 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 4Q17, 3Q18 and 4Q18 include after-tax F/X gains (losses) (primarily on USD-denominated net debt) of \$3MM, \$(23)MM and \$(19)MM, respectively

Slide 14

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

Slide 15

¹ Simple Debt Coverage: Balance Sheet Debt / 2015 IP's Adjusted EBITDA of \$3.9B

² Simple Debt Coverage: Balance Sheet Debt / 2016 IP's Adjusted EBITDA of \$3.5B

³ Simple Debt Coverage: Balance Sheet Debt / 2017 IP's Adjusted EBITDA of \$3.9B (includes EBITDA from CPG)

⁴ Simple Debt Coverage: Balance Sheet Debt / 2018 IP's Adjusted EBITDA of \$4.3B

⁵ Adjusted Debt to Adjusted EBITDA on a Moody's Basis

Slide 21

¹ From continuing operations before special items



Footnotes

Slide 28

¹ Excludes special items (Non-GAAP)

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

³ Excludes special item of \$1MM and \$5MM related to interest income for 4Q17 and FY2017, respectively

⁴ Includes non-cash settlement charge before-tax of \$376MM

⁵ Includes non-cash settlement charge before-tax of \$424MM

Slides 29-30

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 31

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

Slide 32

2006 as originally reported

2007-2011 adjusted for elimination of the Ilim JV reporting lag

2006-2010 Net Earnings from continuing operations and before special items; 2010 onward reflects Operating Earnings

xpedx is reflected as a Discontinued Operation from 2010 onward

N.A. Consumer Packaging is reflected as a Discontinued Operation from 2013 onward

Slide 33

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 34

¹ Segment adjusted operating profit before special items

Includes European Coated Paperboard adjusted operating profit of \$18MM and \$17MM for 4Q17 and 4Q18, respectively

Slide 35

¹ Segment adjusted operating profit before special items

Slide 36

¹ Segment adjusted operating profit before special items



Key Financial Metrics¹

\$ Million		2017	2018	2019F
Maintenance Outage Expense		\$426	\$548	\$525
Capex	Maintenance & Regulatory	\$900	\$900	\$800
	Cost Reduction	\$100	\$150	\$200
	Strategic	\$400	\$550	\$400
Depreciation & Amortization		\$1,333	\$1,322	\$1,350
Net Interest Expense		\$577	\$536	\$500
Corporate Expense		\$91	\$67	\$70
Effective Tax Rate		30%	25%	24% - 26%

See footnotes beginning on Slide 18



Free Cash Flow

\$ Million	2016	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
Cash Provided by Operations	\$2,478	\$1,188	\$1,757	\$663	\$801	\$941	\$821	\$3,226
Cash Invested in Capital Projects	\$(1,348)	(\$456)	\$(1,391)	\$(489)	\$(440)	\$(357)	\$(286)	\$(1,572)
Cash Contribution to Pension Plan	\$750	-	\$1,250	-	-	-	-	-
Kleen Products Settlement	-	-	\$354	-	-	-	-	-
Free Cash Flow	\$1,880	\$732	\$1,970	\$174	\$361	\$584	\$535	\$1,654

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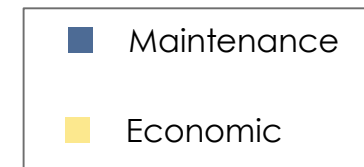
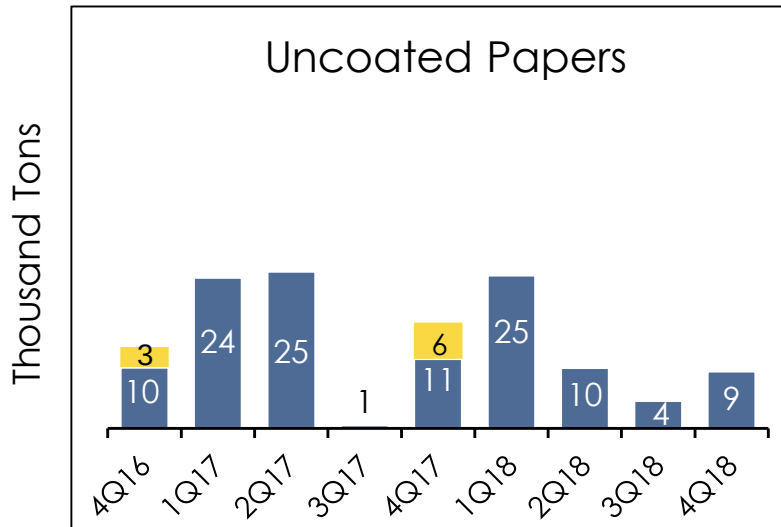
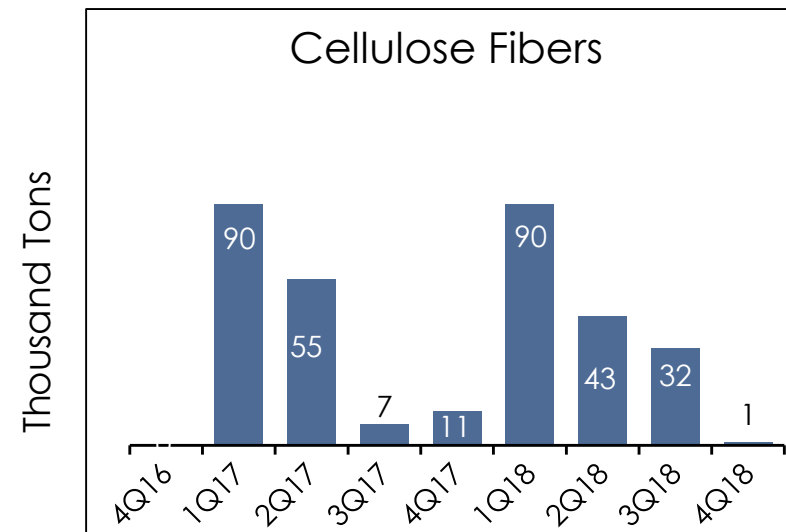
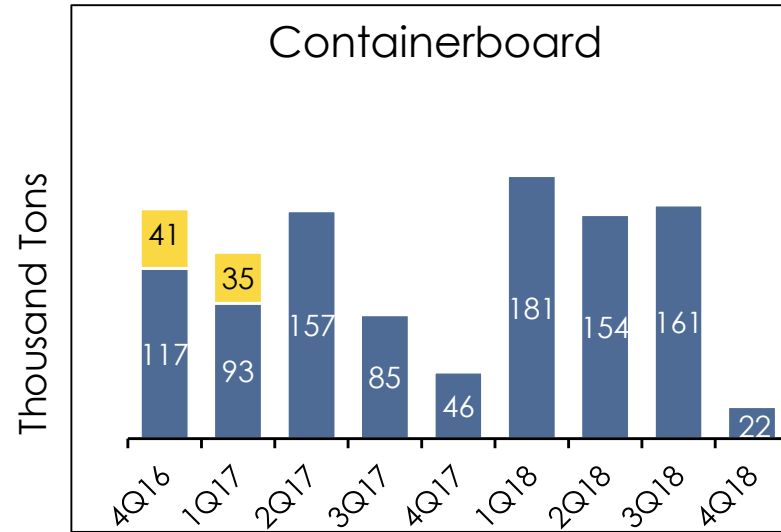
Maintenance Outages Expenses | 2018

\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	2018A
 Industrial Packaging	\$107	\$116	\$65	\$7	\$295
North America	102	111	65	7	285
Europe	1	-	-	-	1
Europe Coated Paperboard	4	4	-	-	8
Brazil	-	1	-	-	1
 Global Cellulose Fibers	\$63	\$37	\$24	\$27	\$151
North America	60	29	24	27	140
Europe	3	8	-	-	11
 Printing Papers	\$37	\$50	\$6	\$9	\$102
North America	26	28	5	9	68
Europe	8	18	-	-	26
Brazil	3	4	-	-	7
India	-	-	1	-	1
Total Impact	\$207	\$203	\$95	\$43	\$548

Maintenance Outages Expenses | 2019 Forecast

	\$ Million	1Q19F	2Q19F	3Q19F	4Q19F	2019F
 Industrial Packaging		\$109	\$112	\$61	\$3	\$285
North America		109	106	56	3	274
Europe		-	-	1	-	1
Europe Coated Paperboard		-	6	1	-	7
Brazil		-	-	3	-	3
 Global Cellulose Fibers		\$47	\$65	\$14	\$10	\$136
North America		47	62	14	3	126
Europe		-	3	-	7	10
 Printing Papers		\$12	\$65	\$7	\$20	\$104
North America		12	47	1	10	70
Europe		-	15	-	10	25
Brazil		-	3	3	-	6
India		-	-	3	-	3
Total Impact		\$168	\$242	\$82	\$33	\$525

North American Downtime



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Special Items Before Tax | Continuing Operations

Special Items Pre-Tax \$(Million)		4Q17	3Q18	4Q18
Industrial Packaging	Brazil Packaging Impairment		\$(122)	
	EMEA Packaging Restructuring			\$1
	Litigation Settlement Recovery			\$5
	Other	\$(5)	\$(4)	\$(5)
Global Cellulose Fibers	Pulp Business Acquisition	\$(18)		
	Other	\$(1)	\$(2)	\$(2)
Printing Papers	Riverdale Mill Conversion		\$(5)	\$(4)
	Other			\$(1)
Corporate	Debt Extinguishment	\$(83)		\$(10)
	Environmental Remediation Reserve Adjustment		\$(9)	
	Interest Income on Income Tax Refund	\$1		
	Liaison Technologies Sale			\$31
Total Special Items Before Tax		\$(106)	\$(142)	\$15

Special Items Net of Tax

	4Q18		2018	
	\$ Million	EPS	\$ Million	EPS
Earnings Before Special Items	\$670	\$1.65	\$2,204	\$5.32
Special Items Net of Taxes:				
Brazil Packaging Impairment			\$(81)	
EMEA Packaging Restructuring	\$1		\$(34)	
Foreign Tax Audits	\$(25)		\$(25)	
Investment Restructuring	\$(19)		\$(19)	
Smurfit Kappa Acquisition Bid Costs			\$(9)	
State Income Tax Legislative Changes			\$(9)	
Legal Settlement			\$(7)	
Environmental Remediation Reserve Adj.			\$(7)	
Riverdale Mill Machine Conversion	\$(3)		\$(7)	
Debt Extinguishment	\$(7)		\$(7)	
U.S. Tax Reform			\$36	
Liaison Technologies Sale	\$23		\$23	
Litigation Settlement Recovery	\$4		\$4	
Other	\$(6)		\$(24)	
Total Special Items Net of Taxes	\$(32)	\$(0.08)	\$(166)	\$(0.40)
Non-Operating Pension Expense	\$(322)	\$(0.79)	\$(371)	\$(0.90)
Earnings from Continuing Operations	\$316	\$0.78	\$1,667	\$4.02

Adj. Operating Profits by Industry Segment | Continuing Operations

\$ Million	4Q17	3Q18	4Q18	2017	2018
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$197	\$553	\$382	\$848	\$1,781
Interest Expense, Net	\$142 ³	\$133	\$135	\$577 ³	\$536
Noncontrolling Interest / Equity Earnings Adjustment	\$(1)	\$(2)	\$(3)	\$(2)	\$(10)
Corporate Items, Net	\$18	\$20	\$8	\$91	\$67
Special Items, Net	\$106	\$142	\$(15)	\$496	\$214
Non-Operating Pension Expense	\$386 ⁴	\$25	\$429 ⁵	\$484 ⁴	\$494 ⁵
Adj. Operating Profit Before Special Items	\$848	\$871	\$936	\$2,494	\$3,082
Industrial Packaging ¹	\$614	\$598	\$646	\$1,919	\$2,277
Global Cellulose Fibers ¹	\$98	\$85	\$93	\$116	\$262
Printing Papers ¹	\$136	\$188	\$197	\$459	\$543
Total Adj. Industry Segment Operating Profit¹	\$848	\$871	\$936	\$2,494	\$3,082
Equity Earnings (Loss), net of taxes²	\$64	\$92	\$79	\$177	\$336

See footnotes beginning on Slide 18

Geographic Business Segment Operating Results | Quarterly

\$ Million	Sales			D & A ¹	Adj. Operating Profit ¹		
	4Q17	3Q18	4Q18	4Q18	4Q17	3Q18	4Q18
 Industrial Packaging							
North America	\$3,455	\$3,653	\$3,583	\$187	\$610	\$622	\$641
Europe	\$343	\$311	\$338	\$10	\$(8)	\$(37)	\$(7)
Europe Coated Paperboard	\$90	\$87	\$94	\$6	\$18	\$18	\$17
Brazil	\$64	\$57	\$57	\$1	\$(6)	\$(5)	\$(5)
 Global Cellulose Fibers							
Global Cellulose Fibers	\$721	\$714	\$736	\$69	\$98	\$85	\$93
 Printing Papers							
North America	\$449	\$492	\$513	\$22	\$26	\$64	\$80
Europe	\$322	\$311	\$320	\$13	\$43	\$46	\$47
Brazil	\$287	\$255	\$272	\$25	\$66	\$75	\$63
India	\$50	\$47	\$52	\$3	\$1	\$3	\$7

See footnotes beginning on Slide 18

Geographic Business Segment Operating Results | Annually

	\$ Million	Sales		Adj. Operating Profit ¹	
		2017	2018	2017	2018
 Industrial Packaging					
North America		\$13,329	\$14,187	\$1,872	\$2,307
Europe		\$1,334	\$1,355	\$0	\$(73)
Europe Coated Paperboard		\$335	\$359	\$72	\$72
Brazil		\$251	\$232	\$(25)	\$(29)
 Global Cellulose Fibers					
Global Cellulose Fibers		\$2,551	\$2,819	\$116	\$262
 Printing Papers					
North America		\$1,833	\$1,956	\$134	\$170
Europe		\$1,187	\$1,252	\$136	\$129
Brazil		\$972	\$978	\$194	\$227
India		\$189	\$202	\$(5)	\$17

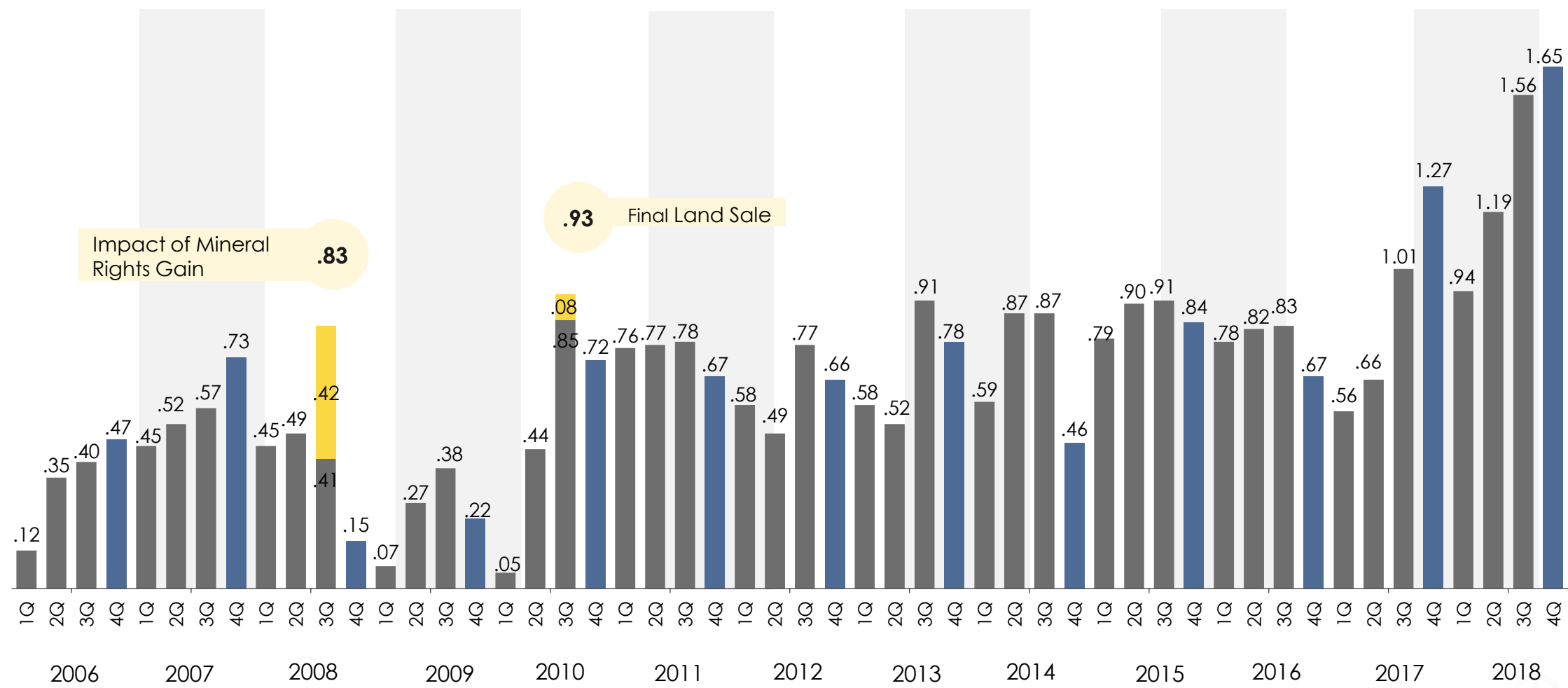
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2018 Operating Earnings

	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
4Q18	\$382	\$(143)	\$(2)	\$79	\$316	407	\$0.78
Net Special Items							
1Q18	\$40	\$(9)	-	-	\$31	418	\$0.07
2Q18	\$47	\$(4)	-	-	\$43	418	\$0.10
3Q18	\$142	\$(82)	-	-	\$60	411	\$0.14
4Q18	\$(15)	\$47	-	-	\$32	407	\$0.08
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
4Q18	\$429	\$(107)	-	-	\$322	407	\$0.79
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
4Q18	\$796	\$(203)	\$(2)	\$79	\$670	407	\$1.65

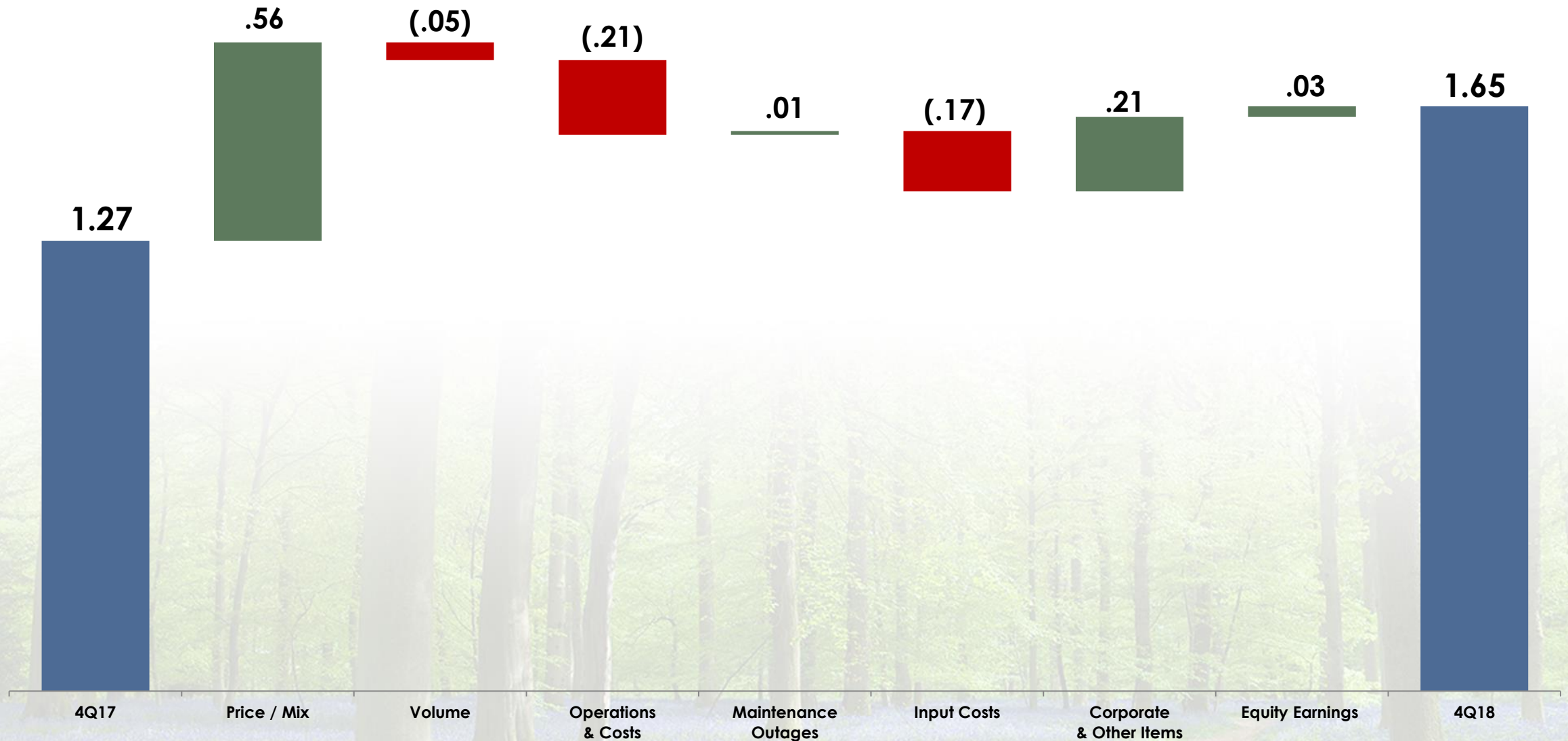
See footnotes beginning on Slide 18

Adj. Operating EPS¹



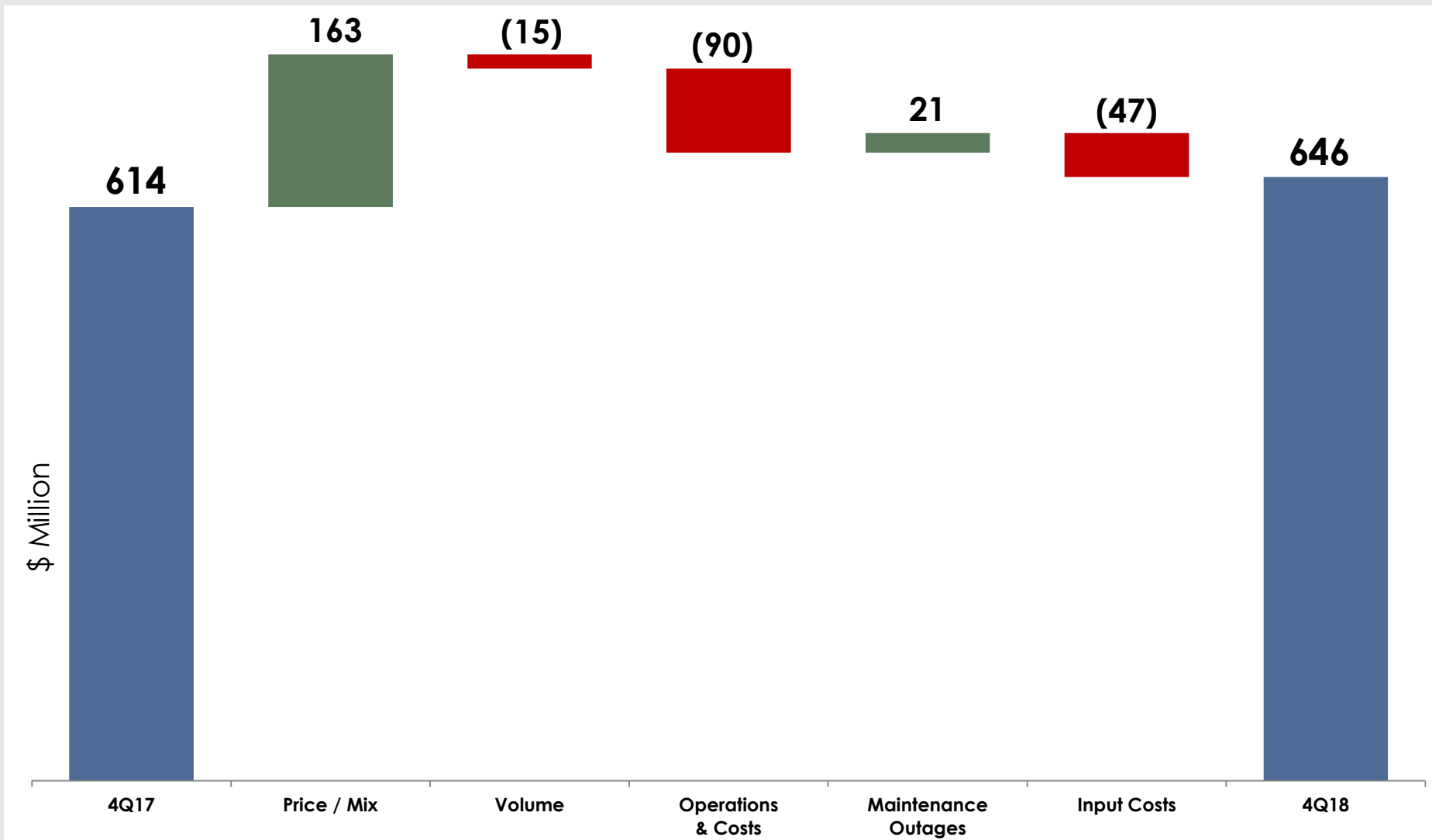
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4Q18 vs. 4Q17 Adj. Operating EPS¹



See footnotes beginning on Slide 18

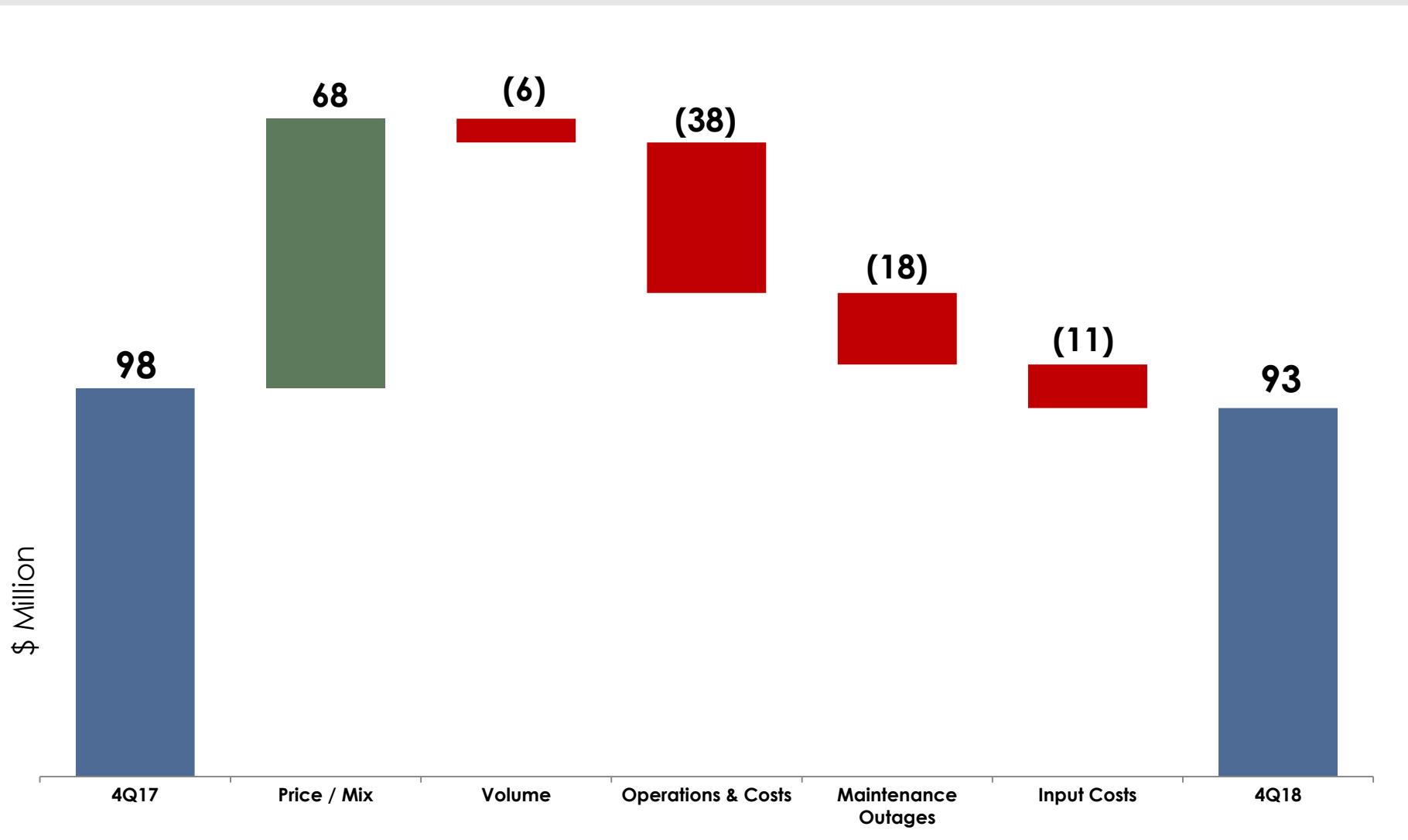
Industrial Packaging | 4Q18 vs. 4Q17 Adj. EBIT¹



See footnotes beginning on Slide 18



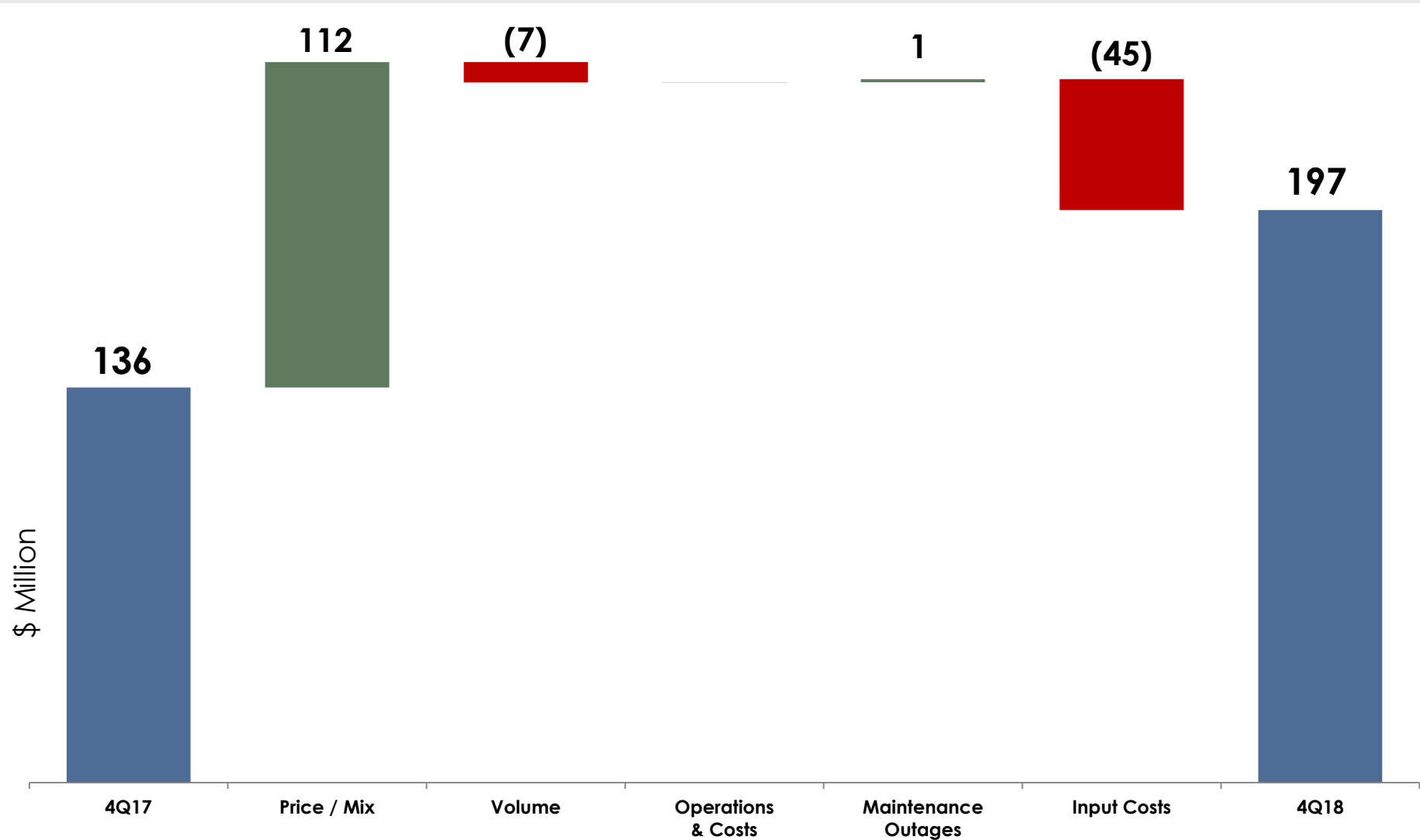
Global Cellulose Fibers | 4Q18 vs. 4Q17 Adj. EBIT¹



See footnotes beginning on Slide 18



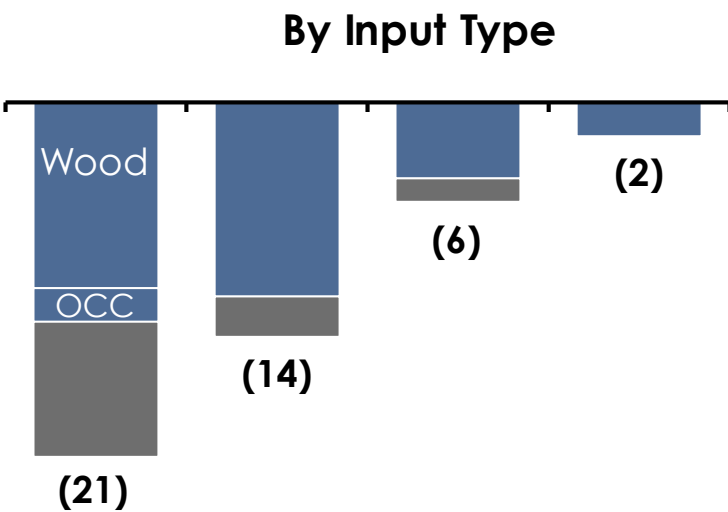
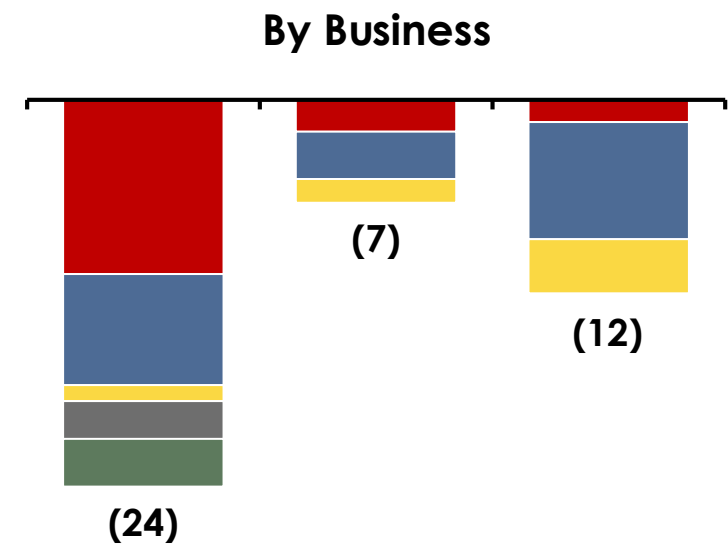
Printing Papers | 4Q18 vs. 4Q17 Adj. EBIT¹



See footnotes beginning on Slide 18



Global Input Costs vs. 3Q18 | \$43MM Unfavorable, or \$0.08 per share



U.S. Average Cost vs. 3Q18		
Wood	▲	3%
OCC	▲	1%
Natural Gas	▲	29%
Fuel Oil	▼	7%
Chemical Composite	▼	2%

Industrial Packaging Global Cellulose Fibers Printing Papers

■ Energy ■ Wood ■ Chemicals ■ Freight ■ OCC

Fiber Energy Chemicals Freight

■ North America ■ Outside North America

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