



INTERNATIONAL PAPER

Second Quarter 2020 Earnings | July 30, 2020



Forward-Looking Statements

Certain statements in this presentation that are not historical in nature may be considered “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are often identified by the words “will,” “may,” “should,” “continue,” “anticipate,” “believe,” “expect,” “plan,” “appear,” “project,” “estimate,” “intend” and words of a similar nature. These statements are not guarantees of future performance and reflect management’s current views with respect to future events, which 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) developments related to the COVID-19 pandemic, including the severity, magnitude and duration of the pandemic, negative global economic conditions arising from the pandemic, impacts of governments’ responses to the pandemic on our operations, impacts of the pandemic on commercial activity, our customers and business partners and consumer preferences and demand, supply chain disruptions, and disruptions in the credit or financial markets; (ii) the level of indebtedness and changes in interest rates; (iii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition International Paper faces, cyclicalities and changes in consumer preferences, demand and pricing for International Paper products (including changes resulting from the COVID-19 pandemic); (iv) domestic and global economic conditions and political changes, changes in currency exchange rates, trade protectionist policies, downgrades in International Paper’s credit ratings, and/or the credit ratings of banks issuing certain letters of credit, issued by recognized credit rating organizations; (v) the amount of International Paper’s future pension funding obligations, and pension and health care costs; (vi) unanticipated expenditures or other adverse developments related to the cost of compliance with existing and new environmental, tax, labor and employment, privacy and other U.S. and non-U.S. governmental laws and regulations (including new legal requirements arising from the COVID-19 pandemic); (vii) any material disruption at any of International Paper’s manufacturing facilities (including as the result of the COVID-19 pandemic); (viii) risks inherent in conducting business through joint ventures; (ix) International Paper’s ability to achieve the benefits expected from, and other risks associated with, acquisitions, joint ventures, divestitures and other corporate transactions, (x) information technology risks, and (xi) loss contingencies and pending, threatened or future litigation, including with respect to environmental related matters. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in International Paper’s press releases and U.S. Securities and Exchange Commission filings. In addition, other risks and uncertainties not presently known to International Paper or that it currently believes to be immaterial could affect the accuracy of any forward-looking statements. 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-U.S. GAAP Measures

While the Company reports its financial results in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), during the course of this presentation, certain non-U.S. GAAP financial measures are presented. Management believes certain non-U.S. GAAP financial measures, when used in conjunction with information presented in accordance with U.S. GAAP, can facilitate a better understanding of the impact of various factors and trends on the Company’s financial condition and results of operations. Management also uses these non-U.S. GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company’s performance. The non-GAAP financial measures in this presentation have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, our presentation of non-GAAP financial measures in this presentation may not be comparable to similarly titled measures disclosed by other companies, including companies in our industry. A reconciliation of all presented non-U.S. 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 18.9% 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” above.

Second Quarter 2020 Results

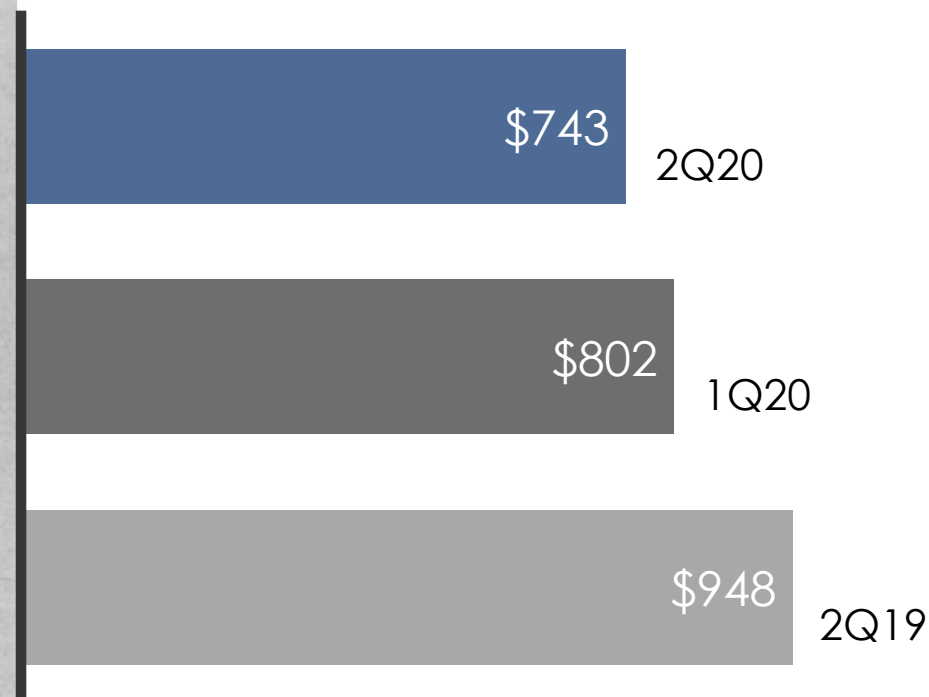
- Committed to our principles for navigating COVID-19
- Solid results in a challenging economy:
 - \$743MM Adjusted EBITDA¹
 - \$638MM Free Cash Flow² generation
- Strong commercial execution and operational performance
- Outstanding cost management across all businesses
- Strong free cash flow generation reinforces IP's financial strength

See footnotes beginning on Slide 19

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Adjusted EBITDA¹
(\$MM)



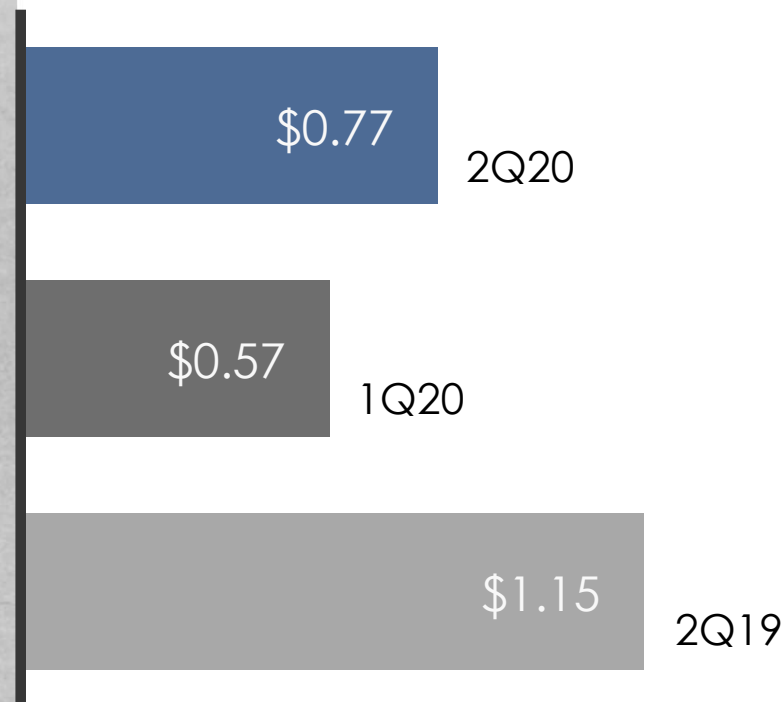
Second Quarter 2020 Financials



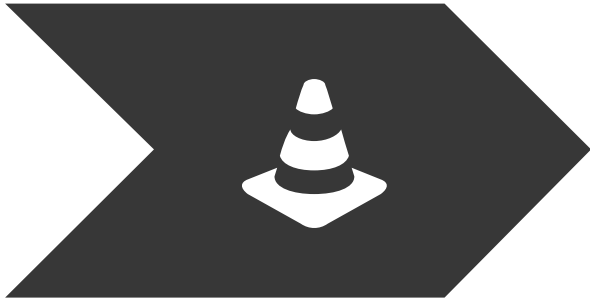
	2Q19	1Q20	2Q20
Sales (\$B)	\$5.7	\$5.4	\$4.9
Adjusted EBIT ² (\$MM)	\$628	\$480	\$431
Adjusted Operating EPS ¹	\$1.15	\$0.57	\$0.77
Ilm F/X ³ Impact to Operating EPS	\$0.02	\$(0.13)	\$0.09
Adjusted EBITDA ² (\$MM)	\$948	\$802	\$743
Adjusted EBITDA Margin ²	16.7%	15.0%	15.3%
Equity Earnings (Loss) (\$MM)	\$80	\$(31)	\$72
Free Cash Flow ⁴ (\$MM)	\$732	\$363	\$638

See footnotes beginning on Slide 19

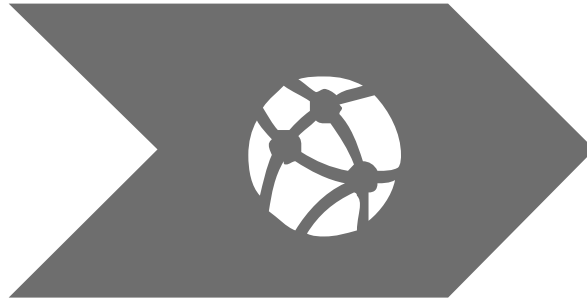
Adjusted Operating EPS¹



Keep People Safe | Take Care of Customers | Maintain Financial Strength



Containment



Recovery



Normalization

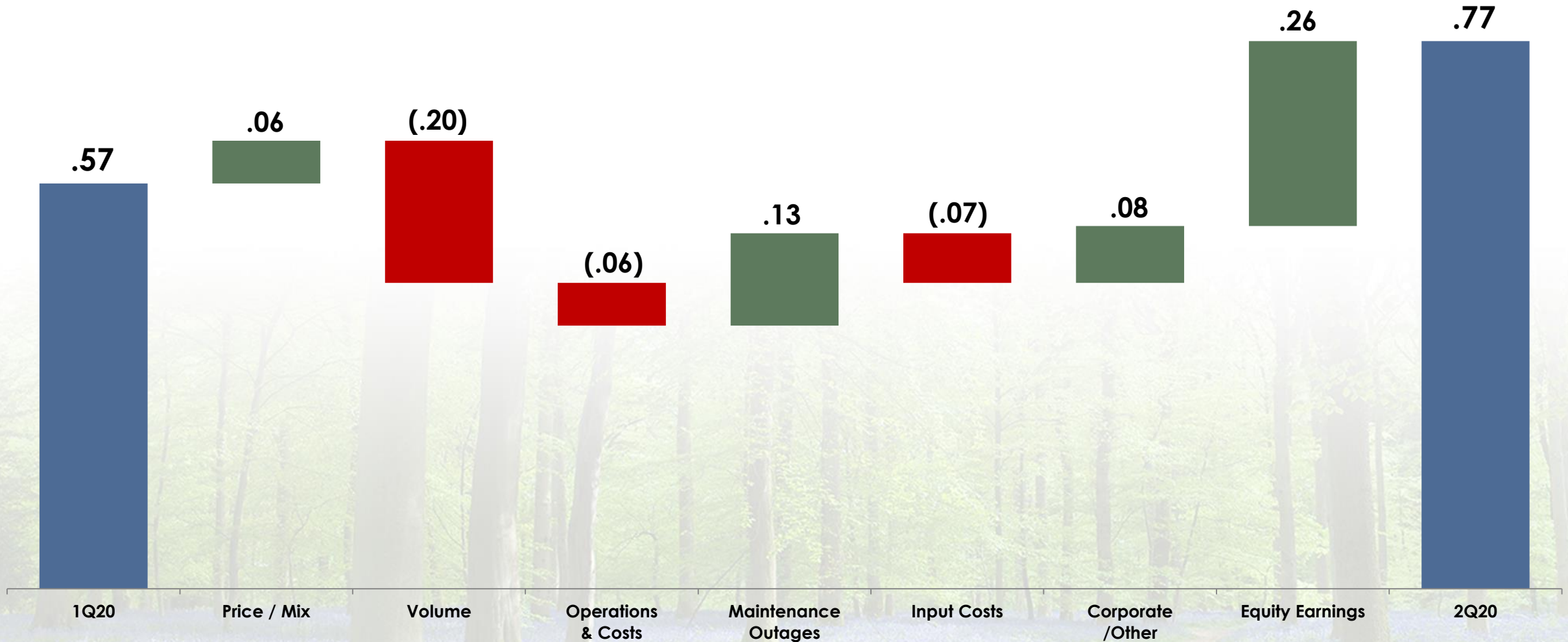


Growth

Managing each phase of crisis with a view toward the short-term and long-term success and sustainability of the company for all stakeholders

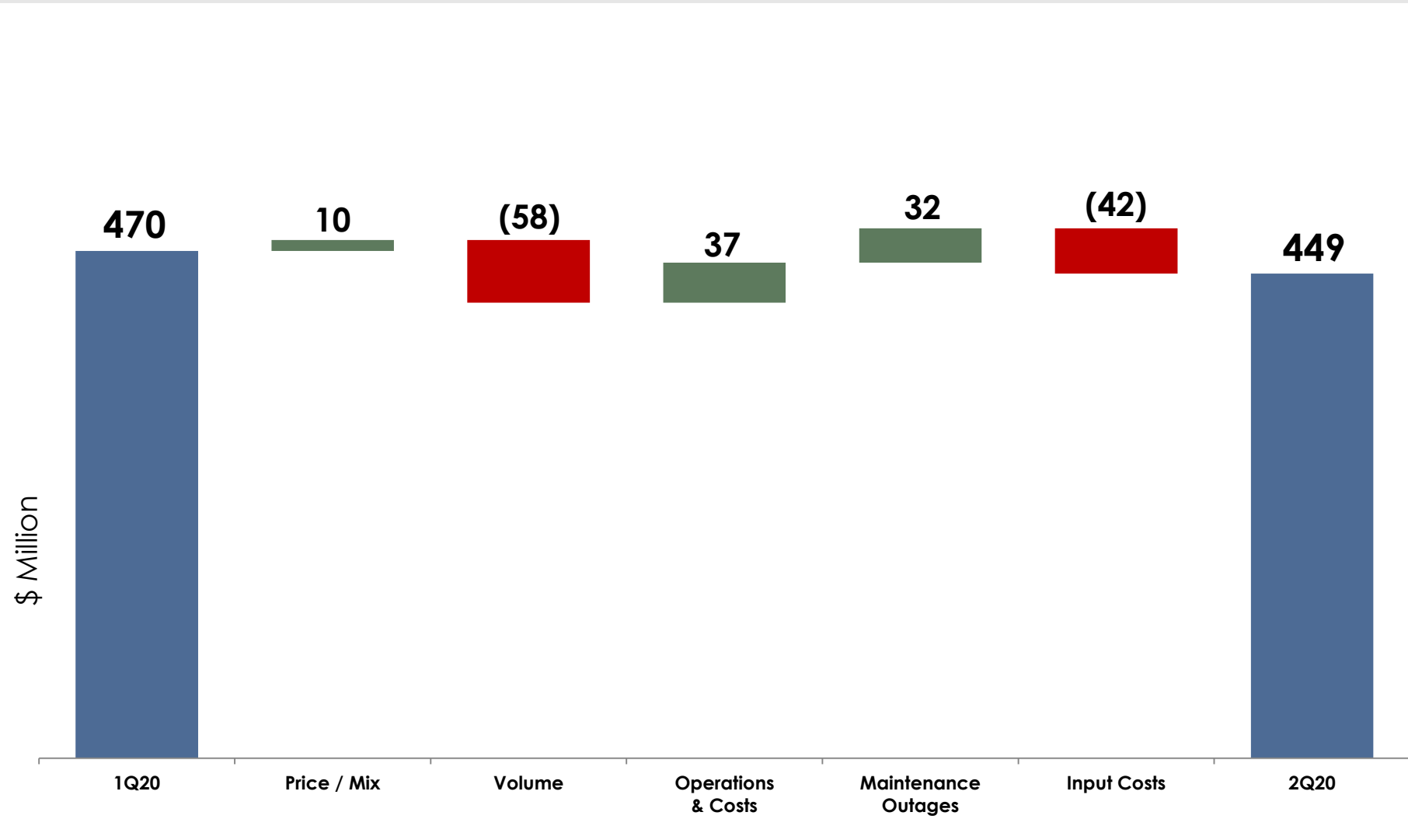
- Committed to the health and safety of our employees and contractors
- Ensuring business continuity with customers and suppliers
- Maintaining financial strength to manage economic uncertainty
- Supporting critical needs in our communities

2Q20 vs. 1Q20 Adjusted Operating EPS¹



See footnotes beginning on Slide 19

Industrial Packaging | 2Q20 vs. 1Q20 Adjusted EBIT¹



See footnotes beginning on Slide 19



IP 2Q20 U.S. box shipments 0.0% YoY (daily)

Strong export containerboard demand

Strong operations and cost management

OCC costs moderated late 2Q20

Rome and Bogalusa insurance recovery of \$30MM offsets 2Q costs

Riverdale 15 start-up planned 3Q20

N.A. Corrugated Packaging | Near-term Demand Outlook

Customer Segment	% Industry Estimates ¹	Near-Term Outlook	Comments
Food & Beverage	45%		
Processed Food		➡	Demand resilient; normalizing as pantry-filling decelerates
Beverage		➡	Robust at-home consumption; corrugated packaging intensity expected to improve as foodservice reopens
Protein		⬆	Strong consumer demand; processing plants recovering
Fresh Produce		➡	Expected to improve as foodservice reopens
Other Non-Durables	30%		
Chemicals & Pharmaceuticals		➡	Consumer focus on health and sanitation; growth moderating from initial demand surge
Paper, Towels & Tissue		➡	Continued strong demand for personal care and hygiene products; partly offset by printing papers
Other Non-Durables		➡	Pullback in discretionary spending; recovery trend late 2Q
Durable Goods & Distribution	25%		
E-commerce, Shipping & Distribution		⬆	Greater dependence on e-commerce as primary spending channel
Durable Goods		➡	Pullback in discretionary spending; recovery trend late 2Q

See footnotes beginning on Slide 19

N.A. Industrial Packaging

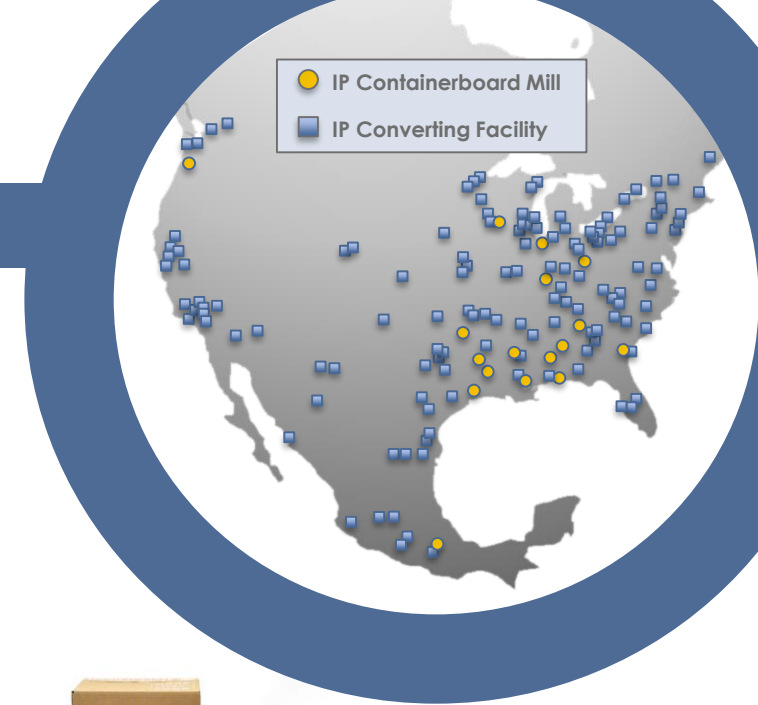
Turning advantage into profitable growth with attractive returns

Completed attractive investment in N.A. sheet feeder

- Expanded ownership interest in strategically attractive sheet feeder
- Expands IP's U.S. containerboard market access
- Provides cost saving opportunities

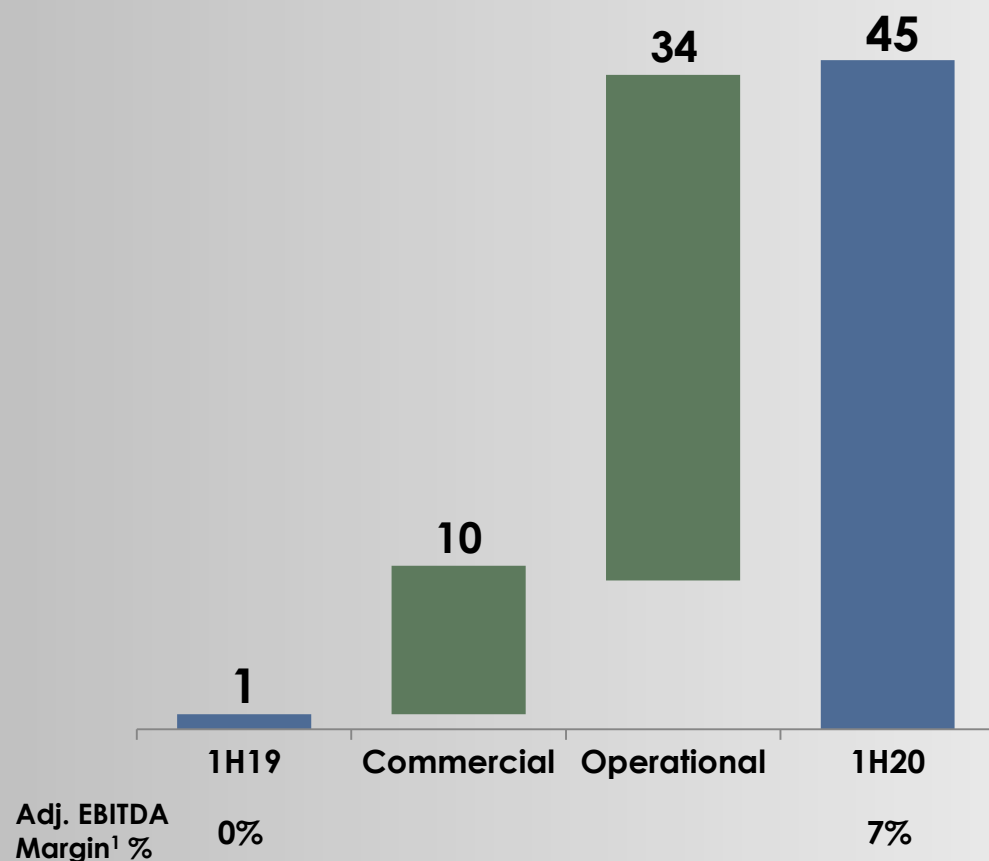
Investing to win through enhanced capabilities in N.A. box system

- Investing in high-return projects in N.A. box system (20% plus IRR)
- Build out capability and capacity to support e-commerce growth
- Build out capability and capacity to support fast-growing segments and regions



Making progress through focused initiatives and value-creating investments

Adjusted EBITDA¹ (\$ Million)



Commercial Initiatives

- Profitable growth and mix optimization
- Enhanced capabilities and geographical reach

Operational Initiatives

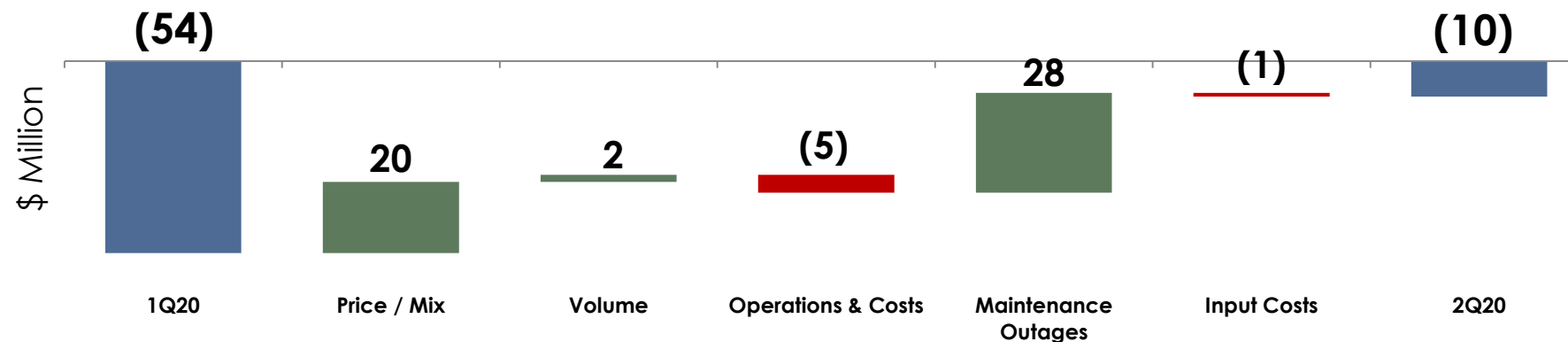
- Madrid Mill fully ramped up – more optimization opportunities available
- Box system performance

Value-Creating Investments

- Selective acquisitions to enhance system capabilities and geographic reach
- Integration benefits from Madrid Mill

See footnotes beginning on Slide 19

Global Cellulose Fibers | 2Q20 vs. 1Q20 Adjusted EBIT¹



See footnotes beginning on Slide 19

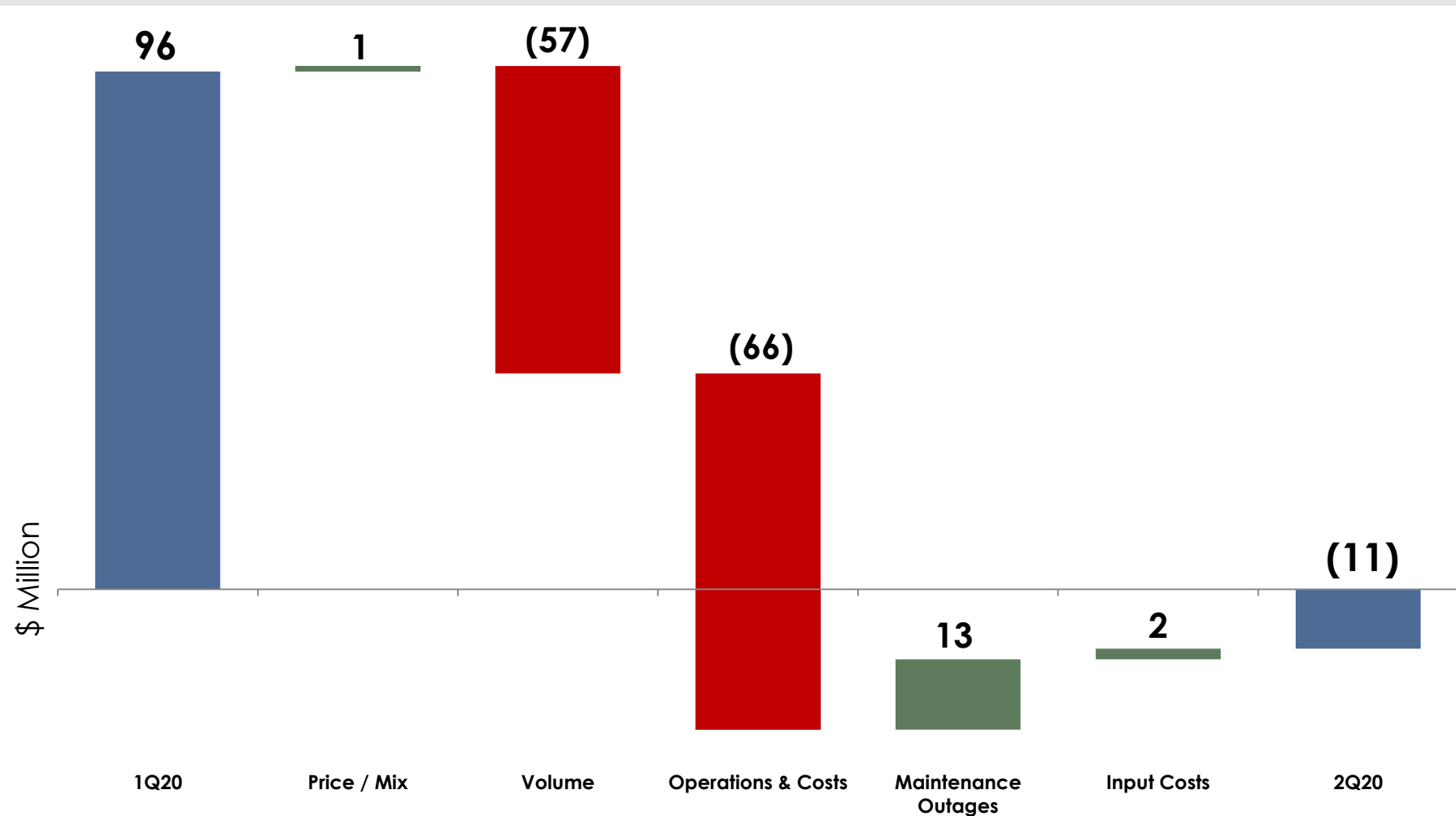
Demand for absorbent hygiene products (fluff pulp) normalizing

Tissue and towel (market pulp) destocking evident late 2Q

Unprecedented demand decline in printing papers (market pulp)

Strong operations and cost management

Printing Papers | 2Q20 vs. 1Q20 Adjusted EBIT¹



See footnotes beginning on Slide 19



Substantial decline in demand across all geographic regions

Principles:

- Match our production to our customers' demand
- Meet our customers' changing supply chain and commercial need
- Focus on cash and working capital

ILIM Joint Venture | 2Q20 vs. 1Q20



\$ Million	2Q19	1Q20	2Q20
Sales Volume (thousand metric tonnes)	806	796	854
Sales	\$594	\$482	\$494
EBITDA ¹	\$238	\$(15)	\$223
F/X (Impact of USD Net Debt) ²	\$16	\$(128)	\$85
Adj. Operating EBITDA ³	\$222	\$113	\$138
IP Equity Earnings (Loss) ⁴	\$67	\$(35)	\$63

See footnotes beginning on Slide 19

Volume improved sequentially and YoY

Price/mix improved sequentially

Solid operations and non-price improvement initiatives

F/X gain (non-cash) of \$0.09 EPS primarily on USD-denominated net debt in 2Q20

Third Quarter Earnings Outlook | Changes from 2Q20

	Industrial Packaging 	Cellulose Fibers 	Printing Papers 
Price & Mix	Price flow through & EMEA Pkg. (-)	Price flow through (+)	Export channels (-)
Volume	Stable	Seasonal decrease and destocking (-)	Initial recovery (+)
Ops & Costs	Higher seasonal costs and Riverdale startup (-)	Higher unabsorbed fixed costs	Lower unabsorbed fixed costs
Maintenance Outages	\$44MM Higher	\$46MM Higher	\$14MM Higher
Inputs & Freight	Lower recovered fiber	Higher energy and chemicals	Stable
Equity Earnings	• Ilim JV ~\$40MM¹ • GPK ownership interest ~18.9%		
	Other • 3Q20 corporate expense of ~\$15MM • 3Q20 interest expense of \$110MM • 3Q20 tax rate outlook of ~26%		

See footnotes beginning on Slide 19

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

Second Quarter Update

Maintain Strong Balance Sheet

- Strong and stable credit ratings
- Net repayment LT debt ~\$200MM
- No near-term maturities
- Pension gap steady

Return Cash to Shareholders

- 3Q20 dividend authorized ~\$200MM
- Share repurchases suspended

Invest to Create Value

- 2020 Capex \$800MM
- Selective investments in N.A. Industrial Packaging

See footnotes beginning on Slide 19

Financial Strength

Sufficient liquidity to manage current economic uncertainty

- Strong liquidity in place – cash balance and standby liquidity of ~\$3.6B
- Liquidity actions implemented early and on-track
- Credit ratings provide attractive access to bond market – no covenant concerns

Standby Liquidity	\$ Million	Status	Maturity
A/R facility – committed	\$550	Unused	Apr. 2022
Bank revolver (364-Day) – committed	\$750	Unused	Mar. 2021
Bank revolver (5-Year) – committed	\$1,500	Unused	Dec. 2021
Bond market		Accessible	

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CEO Perspective

First-half performance reinforces strength of IP

Talented and committed employees

Unique capabilities to serve diverse customer base

Ability to optimize full value chain

Strong cash generation reinforces financial strength



Appendix | Contact Information

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Footnotes

Slide 3

¹ Before special items and non-operating pension expense (income) (non-GAAP)

² See slide #23 for a reconciliation of cash provided by operations to Free Cash Flow, a non-GAAP financial measure

Slide 4

¹ Adjusted operating EPS , a non-GAAP financial measure based on Adjusted Operating Earnings (defined as Net Earnings Attributable to International Paper (GAAP) before special items and non-operating pension expense (income))

² Before special items and non-operating pension expense (income) (non-GAAP)

³ Represents IP's share of F/X impact to adjusted operating EPS, a non-GAAP financial measure (defined as Net Earnings Attributable to International Paper (GAAP) before special items and non-operating pension expense(income))

⁴ See slide #23 for a reconciliation of cash provided by operations to Free Cash Flow, a non-GAAP financial measure

Slide 6

¹ Adjusted operating EPS, a non-GAAP financial measure based on Adjusted Operating Earnings (defined as Net Earnings Attributable to International Paper (GAAP) before special items and non-operating pension expense (income))

Slide 7

¹ Adjusted EBIT is Business Segment Operating Profit defined as earnings (loss) before income taxes and equity earnings, but including the impact of non-controlling interests, and excluding interest expense, net, corporate expenses, net, corporate net special items, business net special items and non-operating pension expense. Business segment operating profit is a measure reported to our management for purposes of making decisions about allocating resources to our business segments and assessing the performance of our business segments and is presented in our financial statement footnotes in accordance with ASC 280.

Slide 8

¹ Source: 2018 Fibre Box Association North American Industry Classification System (NAICS) Report

Slide 10

¹ Before special items (non-GAAP)

Slide 11

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Footnotes

Slide 12

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Slide 13

Ilim JV results are on U.S. GAAP basis

¹ A non-GAAP financial measure

² Represents F/X impact including amounts related to Ilim Group USD-denominated net debt (balance of ~\$0.8B as of June 30, 2020); Ilim Group's functional currency is the Ruble (RUB); Non-functional-denominated currency balances are measured monthly using the month-end exchange rate

³ Before F/X impact including USD-denominated net debt

⁴ IP Equity Earnings (Loss) for 2Q19, 1Q20 and 2Q20 include after-tax F/X gains (losses) (primarily on USD-denominated net debt) of \$7MM, \$(51MM), and \$34MM respectively

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¹ Assumes stable F/X as of June 30, 2020

Slide 15

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 (non-GAAP)

Slide 22

¹ Before special items

Slide 28

¹ Excludes special items (non-GAAP)

² Includes Ilim Joint Venture, Investment in Graphic Packaging and other investments

³ Includes special items interest expense (income) of \$1MM and \$(1)MM for 2Q19 and 1Q20, respectively

⁴ Excludes special item of \$7MM related to the allocation of India Papers impairment loss to non-controlling interest for 2Q19

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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)



Footnotes

Slide 30

¹ A non-GAAP reconciliation to GAAP EPS is available at www.internationalpaper.com under Performance/Investors/Presentations and Events/Webcasts and Presentations

² Reflects anti-dilutive effect of securities on shares

Slide 31

¹ Adjusted operating EPS, a non-GAAP financial measure based on Adjusted Operating Earnings (defined as Net Earnings Attributable to International Paper (GAAP) before special items and non operating pension expense (income))

Slide 32

¹ Adjusted EBIT is Business Segment Operating Profit defined as earnings (loss) before income taxes and equity earnings, but including the impact of non-controlling interests, and excluding interest expense, net, corporate expenses, net, corporate net special items, business net special items and non-operating pension expense. Business segment operating profit is a measure reported to our management for purposes of making decisions about allocating resources to our business segments and assessing the performance of our business segments and is presented in our financial statement footnotes in accordance with ASC 280.

Slide 33

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Slide 34

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Select Financial Metrics¹

\$ Million		2018	2019	2020F
Maintenance Outage Expense		\$548	\$518	\$470
Capex	Maintenance & Regulatory	\$900	\$750	\$480
	Cost Reduction	\$150	\$150	\$20
	Strategic	\$550	\$400	\$300
Depreciation & Amortization		\$1,322	\$1,301	\$1,275
Net Interest Expense		\$536	\$491	\$455
Corporate Expense		\$67	\$54	\$60
Effective Tax Rate		25%	26%	Withdrawn

See footnotes beginning on Slide 19



Free Cash Flow

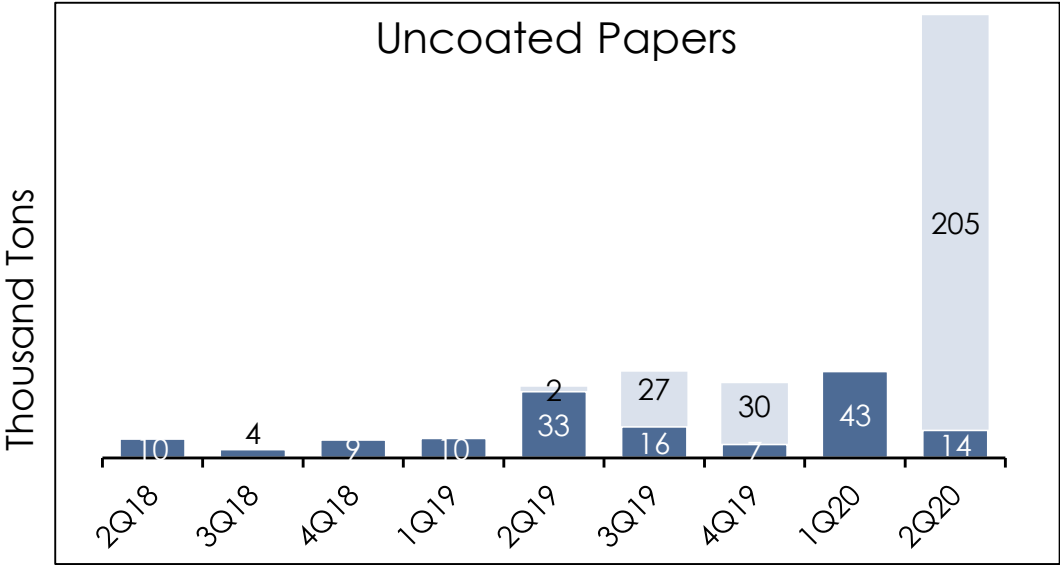
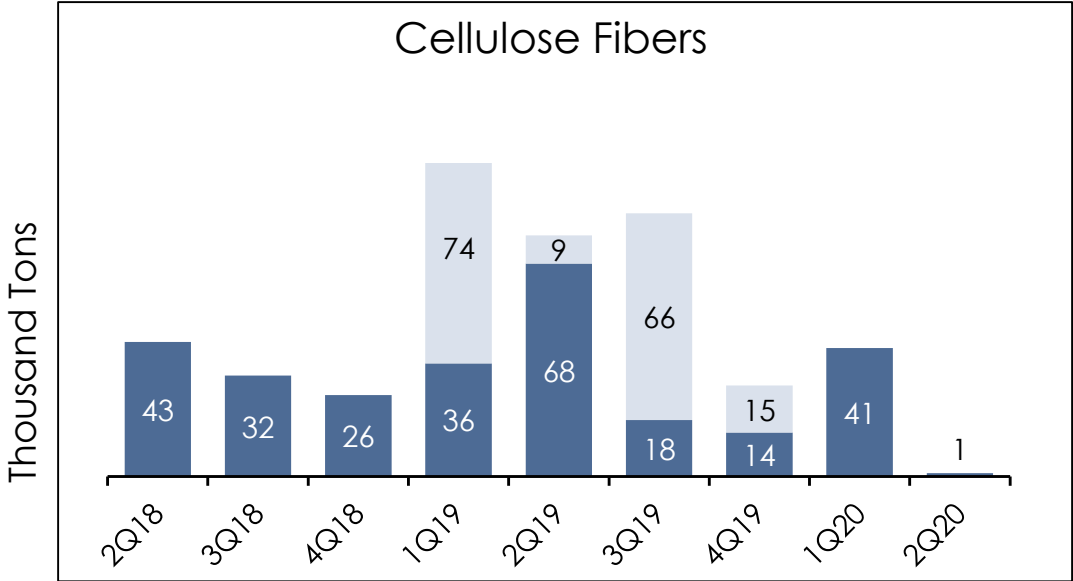
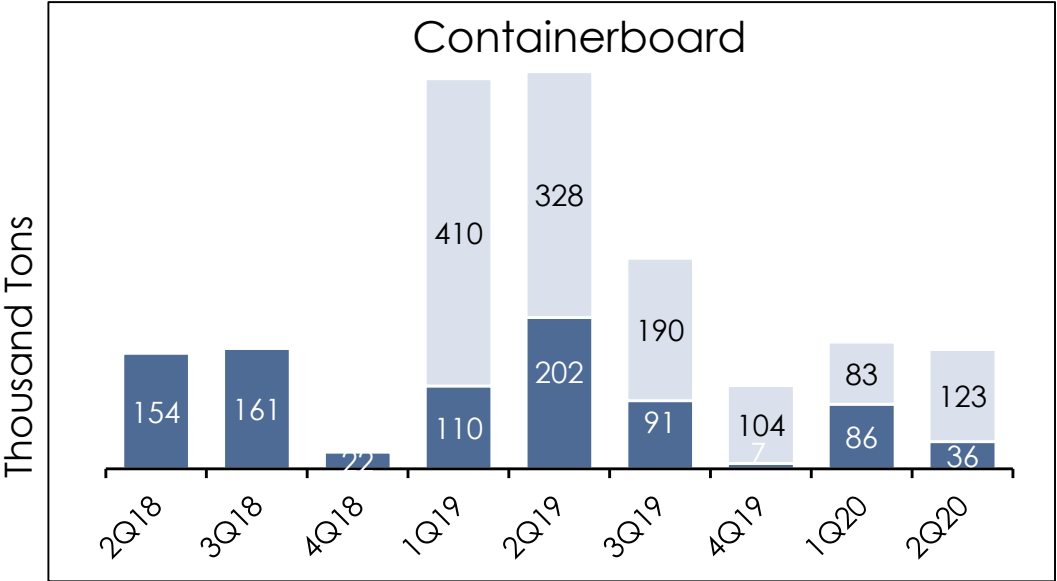
\$ Million	2017	2018	2Q19	1Q20	2019	2Q20
Cash Provided by Operations	\$1,757	\$3,226	\$1,067	\$649	\$3,610	\$890
Cash Invested in Capital Projects, Net of Insurance Recoveries	\$(1,391)	\$(1,572)	\$(335)	\$(286)	\$(1,276)	\$252
Cash Contribution to Pension Plan	\$1,250					
Cash Payment for Kleen Settlement	\$354					
Free Cash Flow	\$1,970	\$1,654	\$732	\$363	\$2,334	\$638

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Maintenance Outages Expenses | 2020 Forecast

\$ Million	1Q20A	2Q20A	3Q20F	4Q20F	2020F
 Industrial Packaging	\$75	\$44	\$88	\$19	\$226
North America	\$74	\$40	\$76	\$19	\$209
Europe	\$1	-	\$3	-	\$4
Europe Coated Paperboard	-	\$4	\$7	-	\$11
Brazil	-	-	\$2	-	\$2
 Global Cellulose Fibers	\$30	\$3	\$49	\$50	\$132
North America	\$30	\$1	\$47	\$49	\$127
Europe	-	\$2	\$2	\$1	\$5
 Printing Papers	\$36	\$23	\$37	\$16	\$112
North America	\$36	\$12	\$19	\$14	\$81
Europe	-	\$8	\$16	\$2	\$26
Brazil	-	\$3	\$2	-	\$5
Total Impact	\$141	\$70	\$174	\$85	\$470

North American Downtime



Special Items Before Tax

Special Items Pre-Tax \$(Million)		2Q19	1Q20	2Q20
Industrial Packaging	Brazil Packaging Impairment		\$(344)	\$(9)
	Other	\$(8)	\$(4)	\$(3)
Global Cellulose Fibers	Other	\$(2)	\$(3)	\$(2)
Printing Papers	Riverdale Mill Conversion	\$(1)	\$(1)	
	India Impairment	\$(145)		
	Other	\$(1)		
Corporate	Asbestos Litigation Reserve Adjustment			\$(43)
	Debt Extinguishment		\$(8)	\$(18)
	India Transaction		\$(17)	\$6
	Environmental Remediation Reserve Adjustment		\$(41)	
	Gain on Sale of Portion of Equity Investment in Graphic Packaging		\$33	
	Other	\$(1)	\$1	\$1
Total Special Items Before Tax		\$(158)	\$(384)	\$(68)

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Special Items Net of Tax

	2Q20	
	\$ Million	EPS
Earnings Before Special Items	\$305	\$0.77
Special Items Net of Taxes:		
Asbestos Litigation Reserve Adjustment	\$(33)	
Debt Extinguishment	\$(13)	
Brazil Packaging Impairment	\$(6)	
India Transaction	\$6	
Other	\$(4)	
Total Special Items Net of Taxes	\$(50)	\$(0.13)
Non-Operating Pension (Expense) Income	\$11	\$0.03
Net Earnings (Loss) Attributable to International Paper	\$266	\$0.67

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Operating Profits by Industry Segment

\$ Million	2Q19	1Q20	2Q20
Earnings (Loss) Before Income Taxes and Equity Earnings	\$334	\$(16)	\$261
Interest Expense, Net	\$122 ³	\$117 ³	\$116
Noncontrolling Interest Adjustment	\$(2) ⁴	\$0	\$0
Corporate Items, Net	\$3	\$32	\$(3)
Net Special Items	\$164	\$385	\$68
Non-Operating Pension Expense (Income)	\$8	\$(6)	\$(14)
Business Segment Operating Profit	\$629	\$512	\$428
Industrial Packaging ¹	\$515	\$470	\$449
Global Cellulose Fibers ¹	\$0	\$(54)	\$(10)
Printing Papers ¹	\$114	\$96	\$(11)
Total Business Segment Operating Profit¹	\$629	\$512	\$428
Equity Earnings (Loss), Net of Taxes²	\$80	\$(31)	\$72

See footnotes beginning on Slide 19

Geographic Business Segment Operating Results | Quarterly

\$ Million	Sales			D & A ¹	Operating Profit ¹		
	2Q19	1Q20	2Q20		2Q19	1Q20	2Q20
 Industrial Packaging							
North America	\$3,414	\$3,355	\$3,241	\$181	\$515	\$437	\$434
Europe	\$331	\$350	\$297	\$15	\$(7)	\$10	\$5
Europe Coated Paperboard	\$92	\$92	\$84	\$6	\$8	\$24	\$12
Brazil	\$58	\$54	\$42	\$0	\$(1)	\$(1)	\$(2)
 Global Cellulose Fibers							
Global Cellulose Fibers	\$661	\$568	\$605	\$70	\$0	\$(54)	\$(10)
 Printing Papers							
North America	\$486	\$446	\$265	\$12	\$41	\$23	\$(23)
Europe	\$321	\$287	\$209	\$11	\$29	\$41	\$13
Brazil	\$240	\$176	\$108	\$16	\$37	\$32	\$(1)
India	\$53	\$0	\$0	\$0	\$7	\$0	\$0

See footnotes beginning on Slide 19

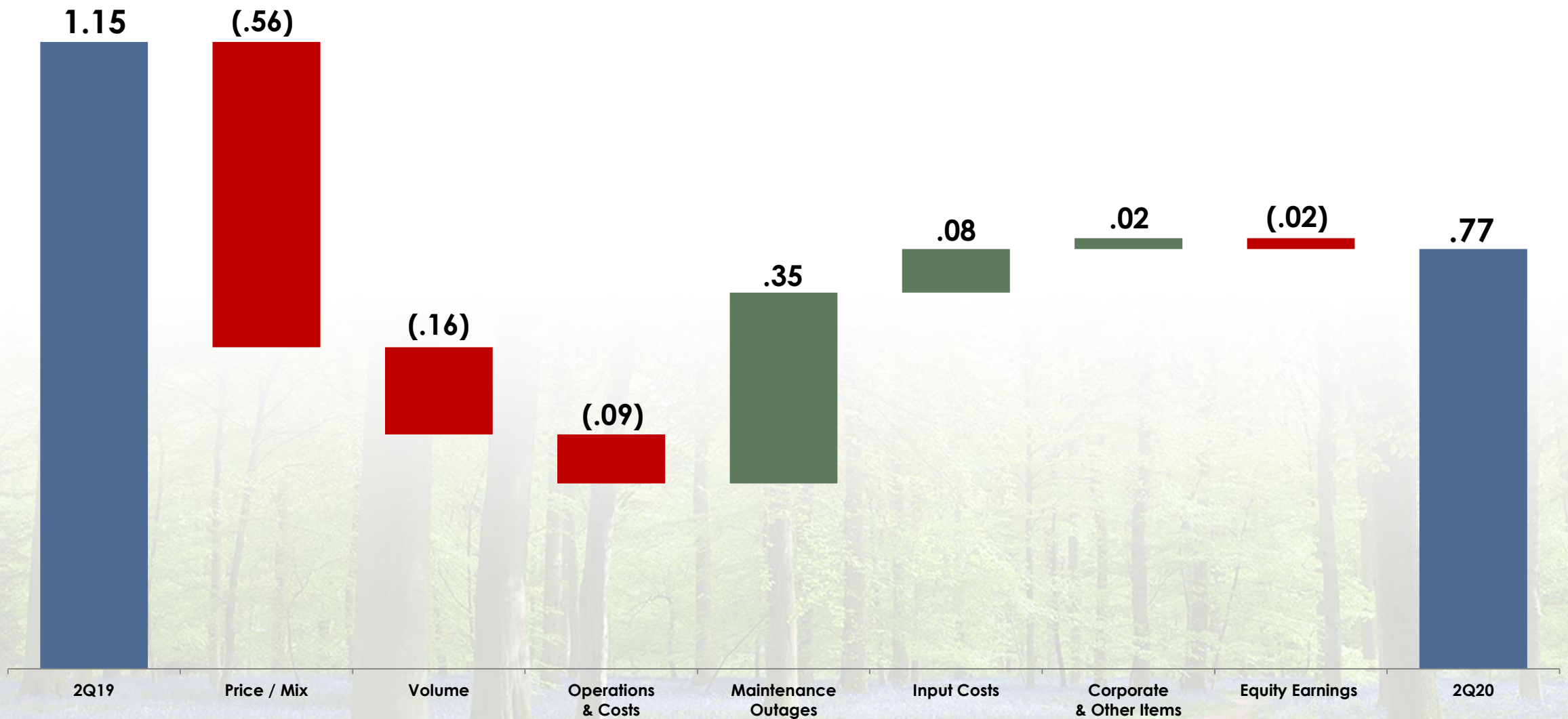
2020 Operating Earnings

	Pre-Tax \$MM	Tax \$MM	Non- controlling Interest \$MM	Equity Earnings \$MM	Net Income \$MM	Average Shares MM	Diluted EPS ¹
Net Earnings (Loss) Attributable to International Paper							
1Q20	\$(16)	\$(94)	-	\$(31)	\$(141)	393 ²	\$(0.36)
2Q20	\$261	\$(67)	-	\$72	\$266	393	\$0.67
Net Special Items							
1Q20	\$384	\$(12)	-	-	\$372	395	\$0.94
2Q20	\$68	\$(18)	-	-	\$50	393	\$0.13
Non-Operating Pension Expense (Income)							
1Q20	\$(6)	\$1	-	-	\$(5)	395	\$(0.01)
2Q20	\$(14)	\$3	-	-	\$(11)	393	\$(0.03)
Adj. Operating Earnings							
1Q20	\$362	\$(105)	-	\$(31)	\$226	395	\$0.57
2Q20	\$315	\$(82)	-	\$72	\$305	393	\$0.77

See footnotes beginning on Slide 19

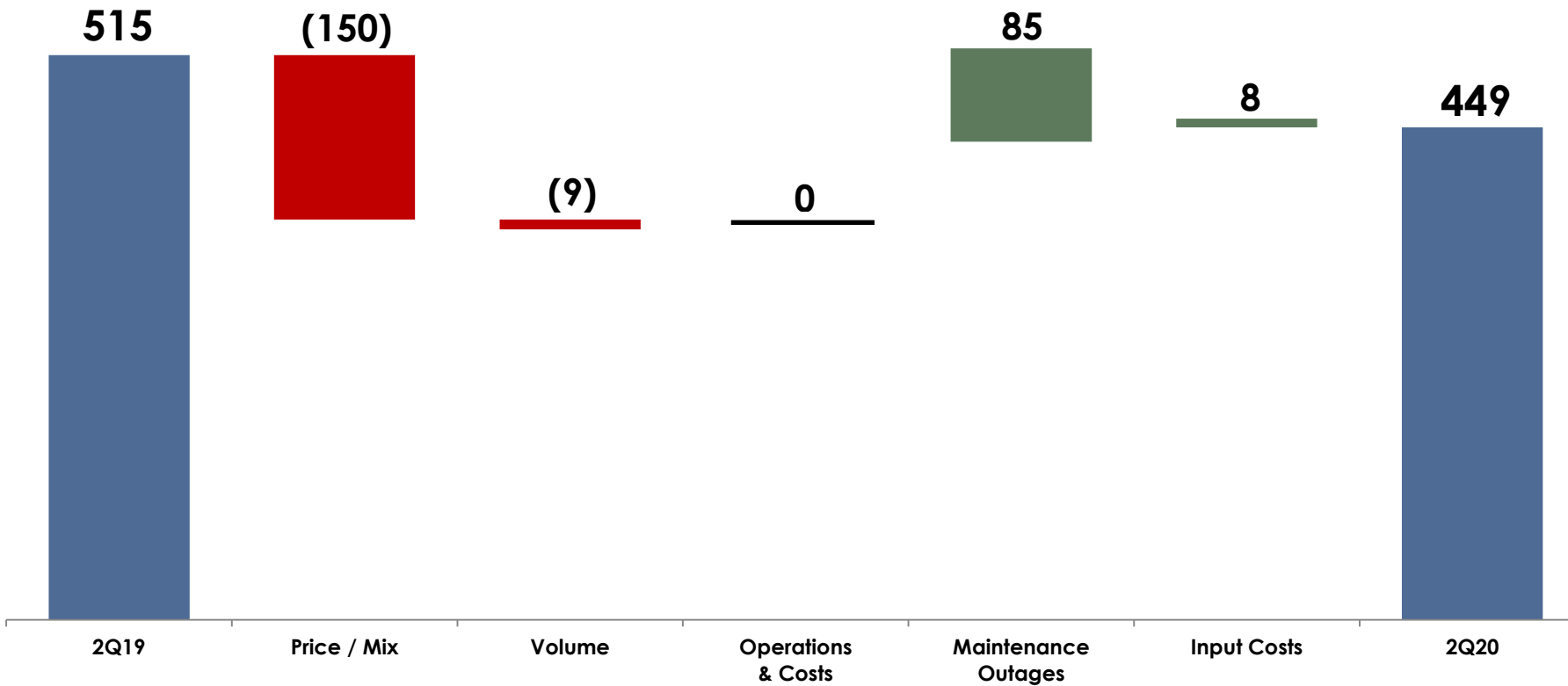
INTERNATIONAL  PAPER

2Q20 vs. 2Q19 Adj. Operating EPS¹



See footnotes beginning on Slide 19

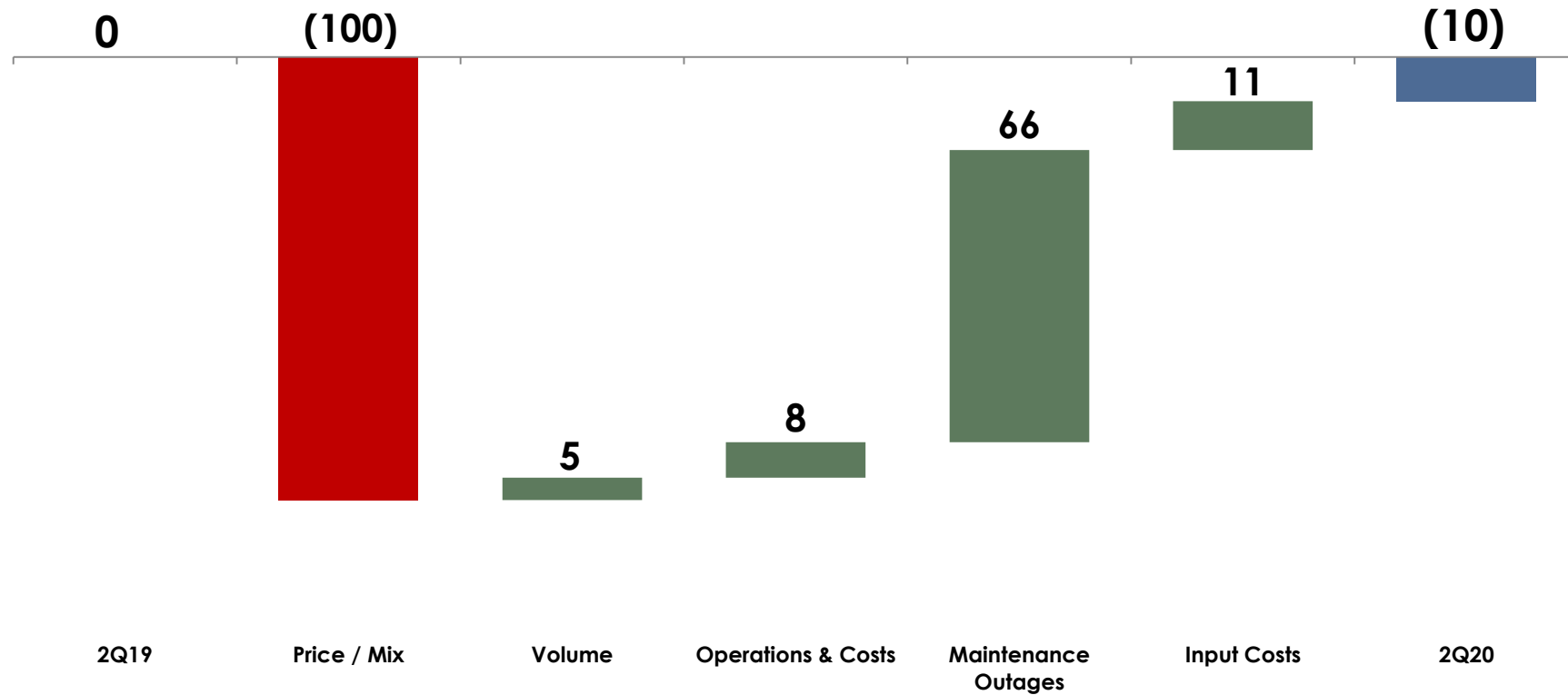
Industrial Packaging | 2Q20 vs. 2Q19 Adj. EBIT¹



See footnotes beginning on Slide 19



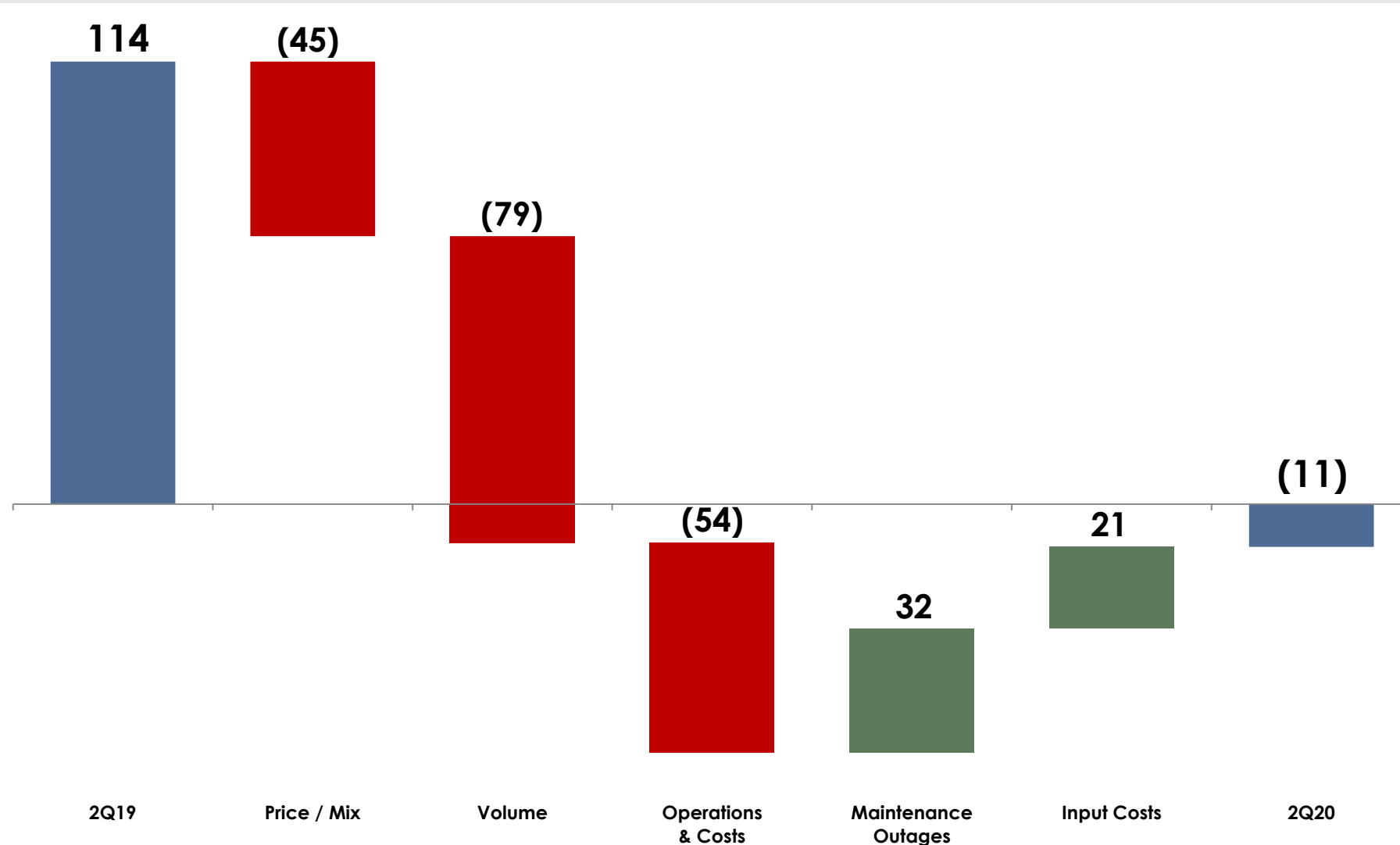
Global Cellulose Fibers | 2Q20 vs. 2Q19 Adj. EBIT¹



See footnotes beginning on Slide 19



Printing Papers | 2Q20 vs. 2Q19 Adj. EBIT¹

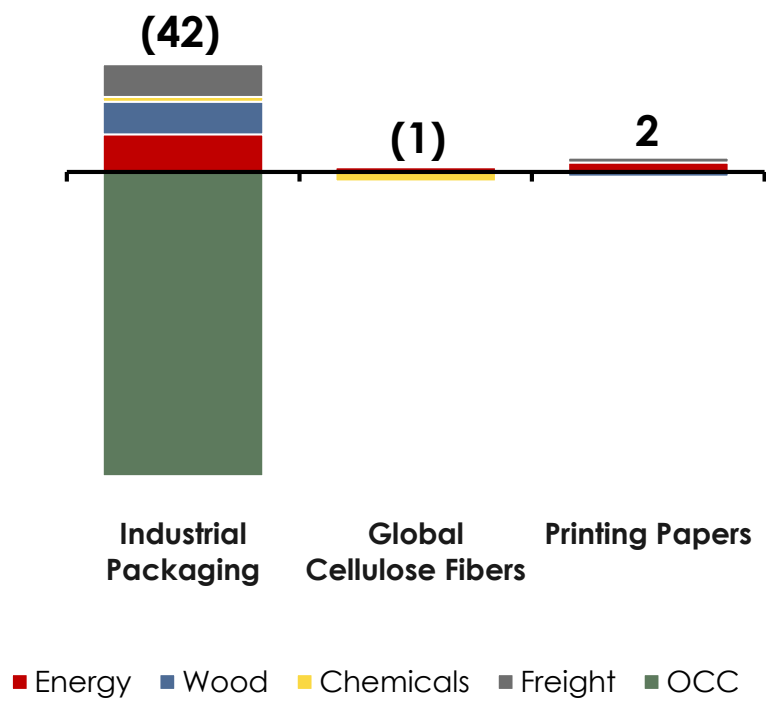


See footnotes beginning on Slide 19

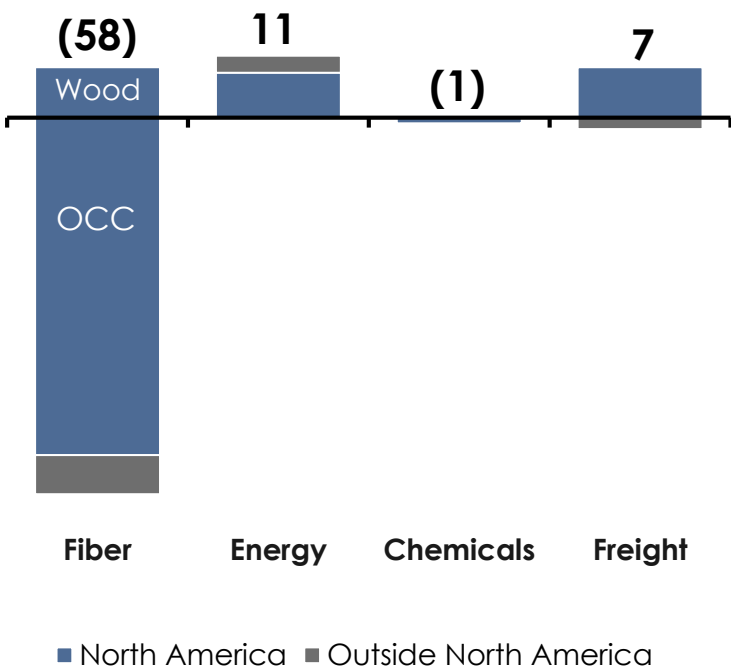


Global Input Costs 2Q20 vs. 1Q20 | \$(41)MM Unfavorable, or \$(0.07) per share

By Business



By Input Type



U.S. Average Cost vs. 1Q20

Wood	▼	2%
OCC	▲	63%
Natural Gas	▼	4%
Electricity	▼	4%
Chemical Composite	▼	1%