



INTERNATIONAL PAPER

First Quarter 2019 Earnings | April 25, 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, cyclical 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 (“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 does not assume and specifically disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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.”

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First Quarter 2019 Results

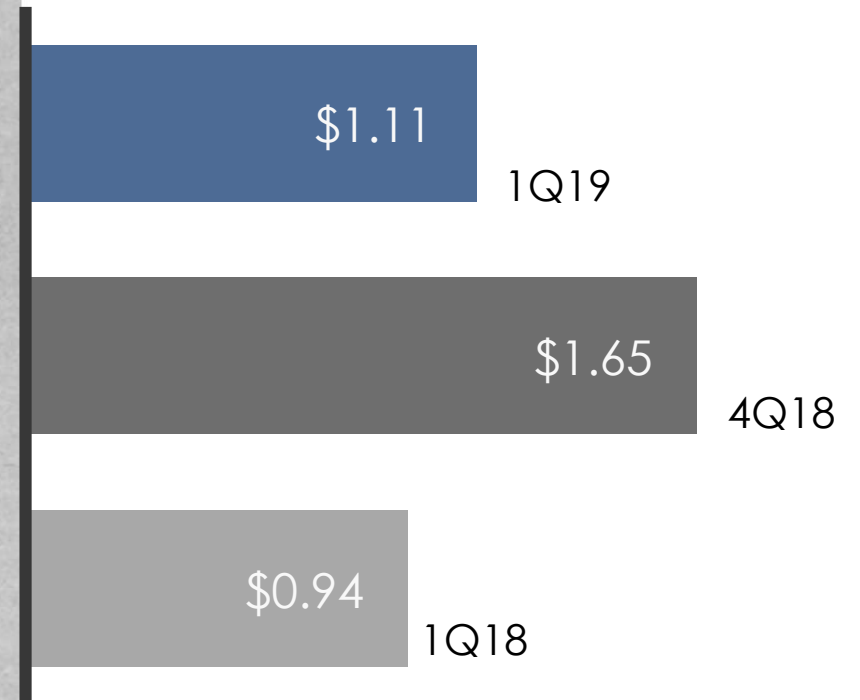
- Solid earnings and strong free cash flow generation
- Strong operational performance across all businesses
- North America Packaging optimized system in a high downtime quarter
- Higher wood costs offset by lower recovered fiber (OCC)
- Strong Ilim performance
- Share repurchases of \$180MM

See footnotes beginning on Slide 15

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Adjusted Operating EPS¹



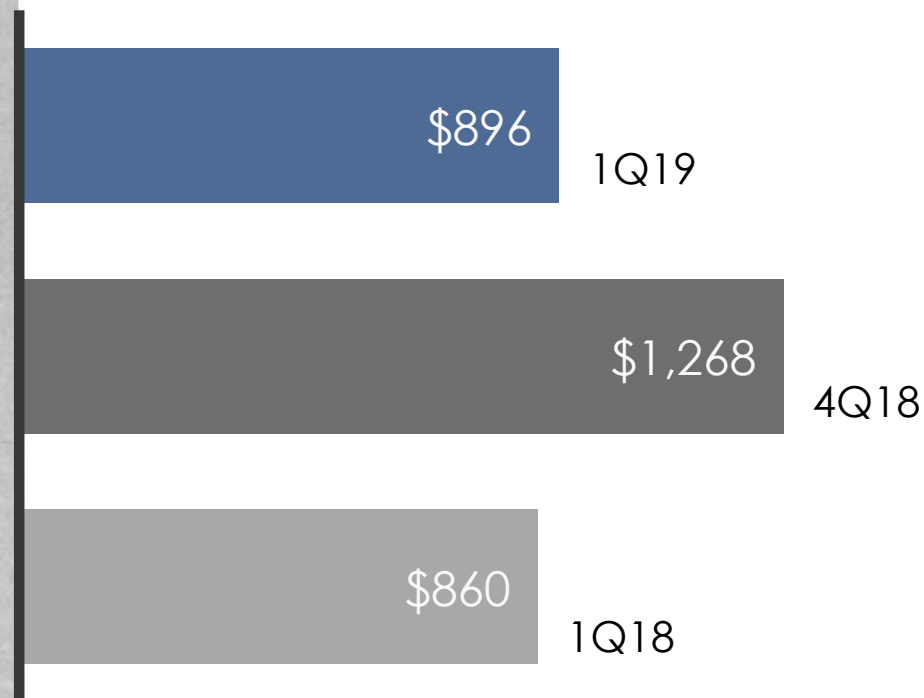
First Quarter 2019 Financials



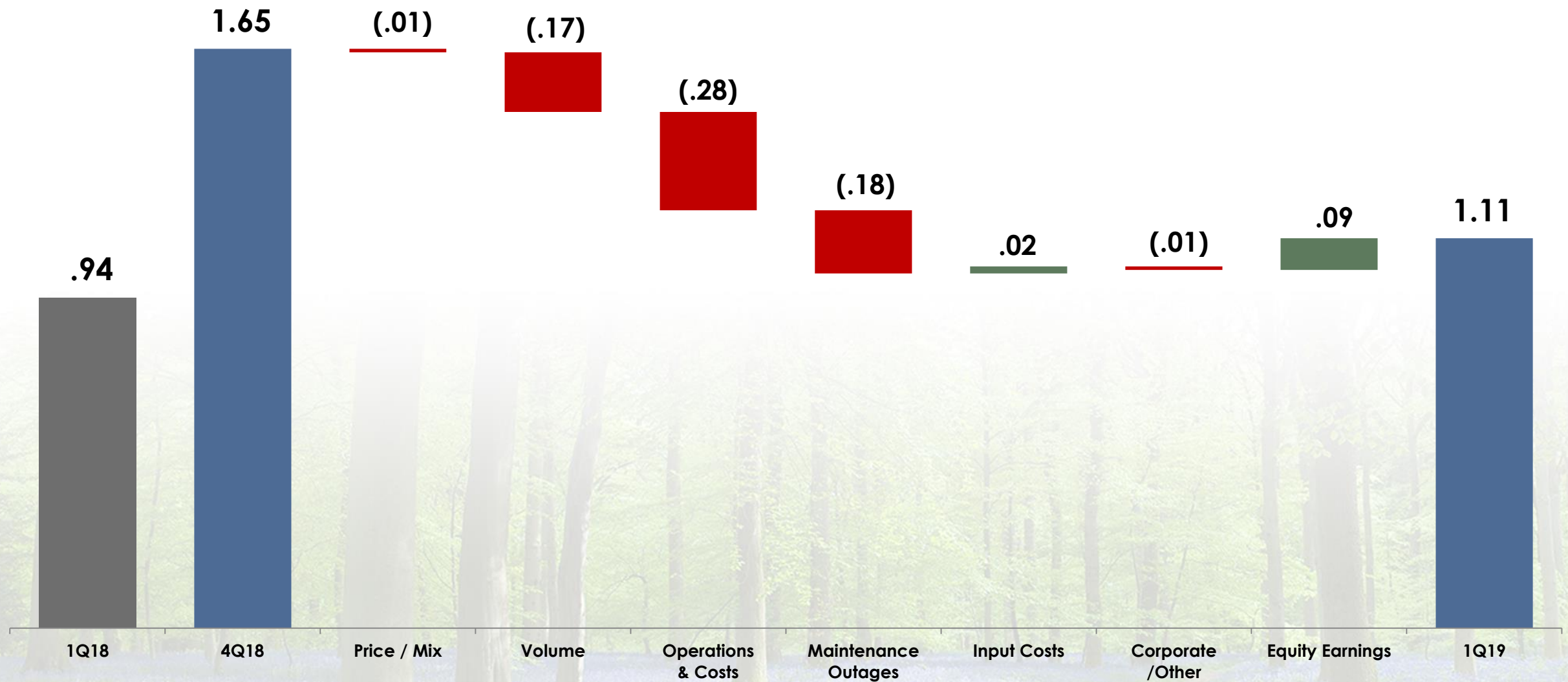
	1Q18	4Q18	1Q19
Sales (\$B)	\$5.6	\$6.0	\$5.6
Adjusted EBIT ¹ (\$MM)	\$535	\$931	\$582
Adjusted Operating EPS ²	\$0.94	\$1.65	\$1.11
Adjusted EBITDA Margin ¹	15.3%	21.3%	15.9%
Equity Earnings (\$MM)	\$95	\$79	\$114
Free Cash Flow ³ (\$MM)	\$174	\$535	\$440

See footnotes beginning on Slide 15

Adjusted EBITDA¹
(\$MM)

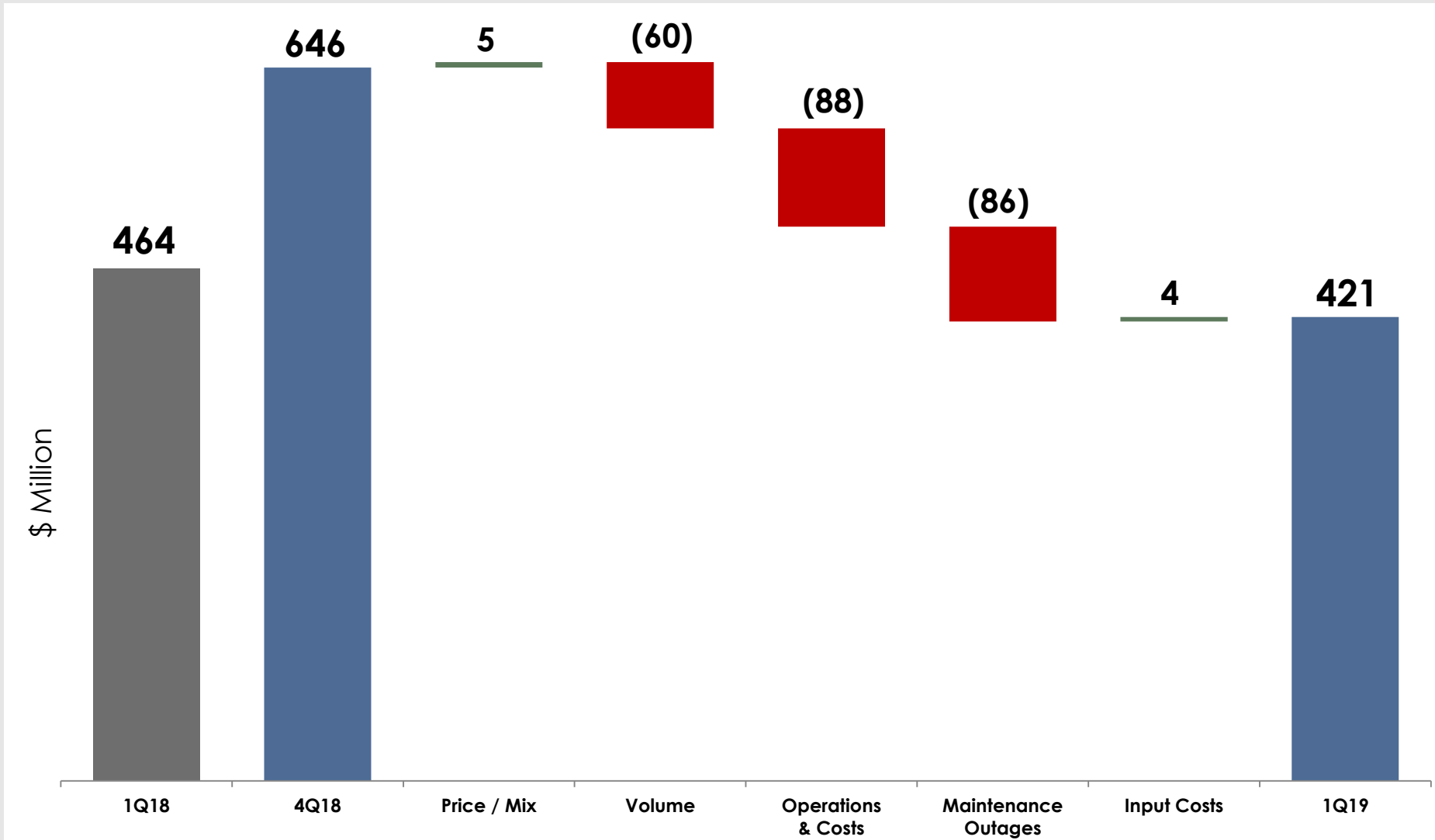


1Q19 vs. 4Q18 Adjusted Operating EPS¹



See footnotes beginning on Slide 15

Industrial Packaging | 1Q19 vs. 4Q18 Adjusted EBIT¹



See footnotes beginning on Slide 15



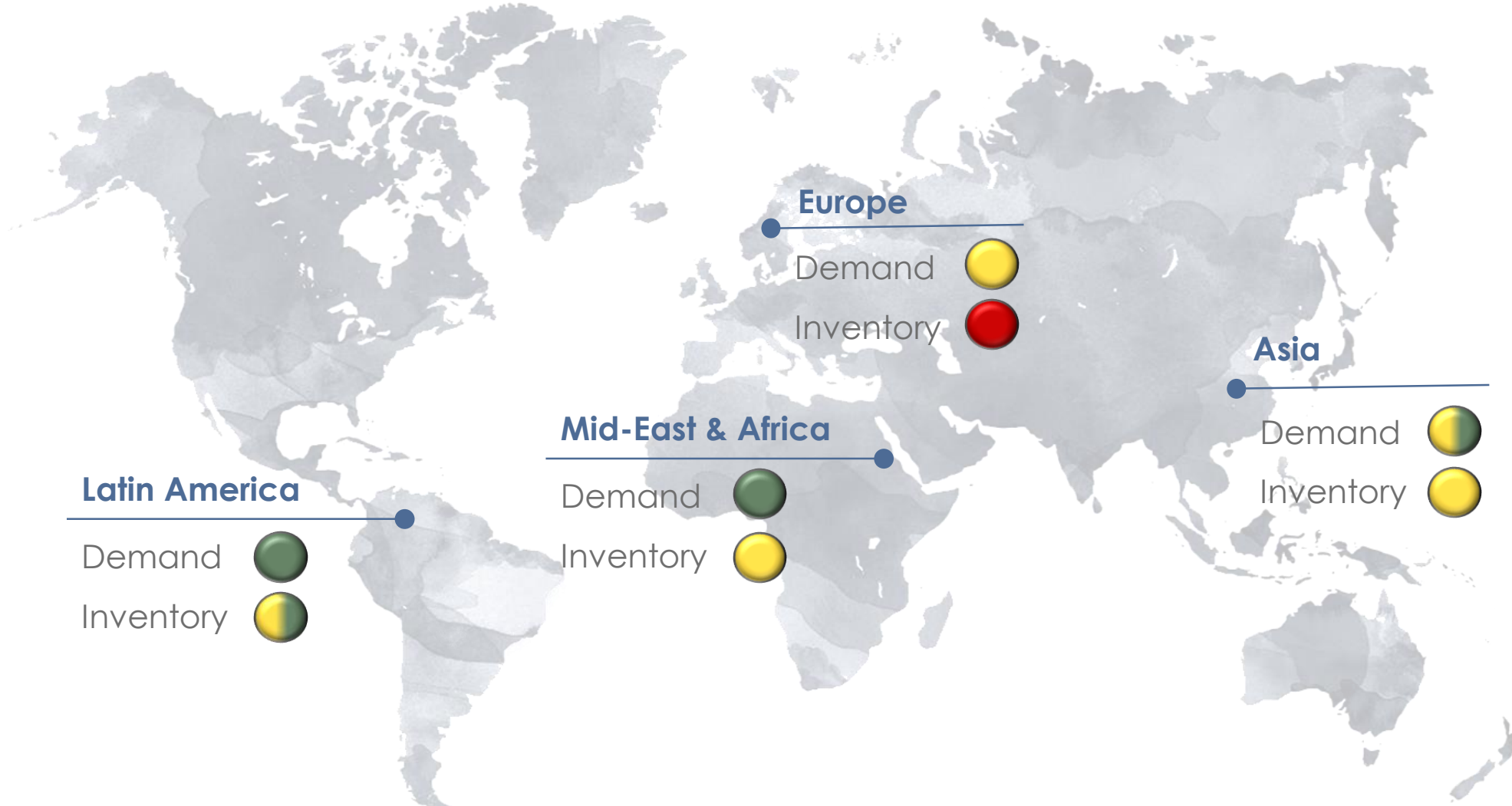
IP U.S. Box Shipments -1.4% YoY

Optimized system in high downtime quarter in N.A.

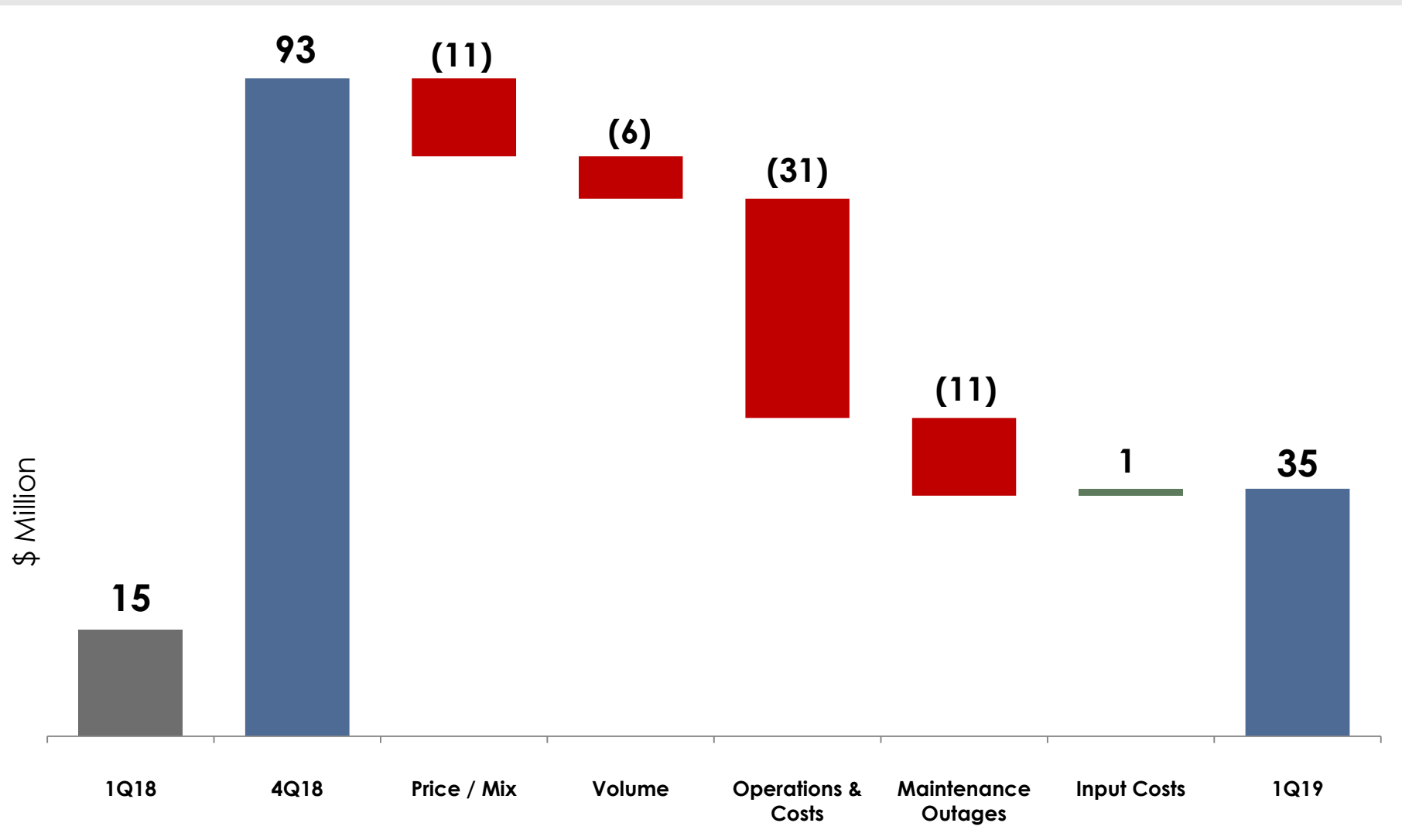
Export destocking as anticipated

Higher wood costs offset by lower recovered fiber (OCC)

Containerboard Export | Customer Landscape



Global Cellulose Fibers | 1Q19 vs. 4Q18 Adjusted EBIT¹

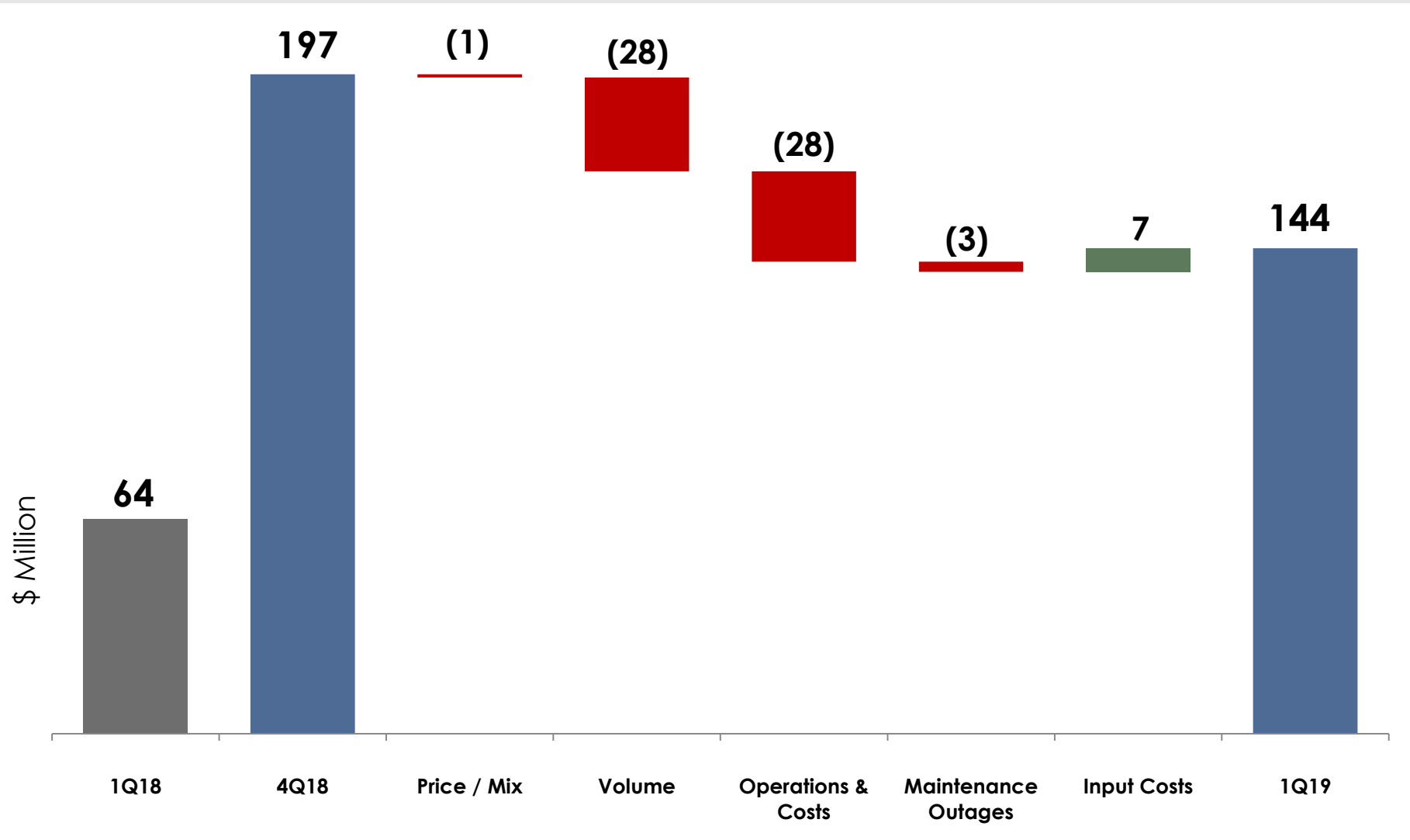


See footnotes beginning on Slide 15



- Modest demand improvement post Chinese New Year
- Export destocking as anticipated
- Strong operational performance while managing downtime in N.A.

Printing Papers | 1Q19 vs. 4Q18 Adjusted EBIT¹



See footnotes beginning on Slide 15



Strong performance in N.A. and Europe

Lower seasonal demand in LatAm

N.A. ops. impacted by seasonality and mix, as expected

ILIM Joint Venture | 1Q19 vs. 4Q18



\$ Million	1Q18	4Q18	1Q19
Sales Volume (thousand metric tonnes)	800	838	819
Sales	\$677	\$684	\$620
EBITDA	\$293	\$263	\$306
F/X (Impact of USD Net Debt) ¹	\$(1)	\$(47)	\$52
Adj. Operating EBITDA ²	\$294	\$310	\$254
IP Equity Earnings (Loss) ³	\$92	\$67	\$101




See footnotes beginning on Slide 15

Strong operating performance

F/X gain (non-cash) of \$0.05 EPS on USD-denominated net debt in 1Q19

\$237 million cash dividend received April 2019

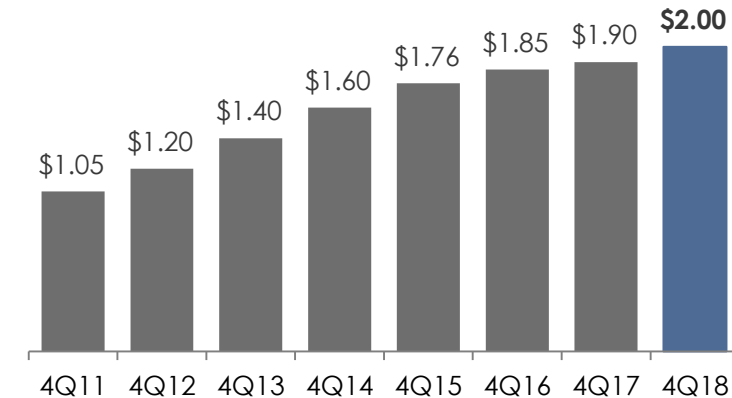
Second Quarter Outlook | Changes from 1Q19

	Industrial Packaging 	Cellulose Fibers 	Printing Papers 
Price & Mix	Effect of lower export prices	Effect of lower prices	N.A. price realization
Volume	Seasonal improvement	Seasonal improvement	Improvement
Ops & Costs	Improved fixed cost absorption	Stable	Unfavorable one-time items
Maintenance Outages	~\$37MM Higher	~\$32MM Higher	~\$44MM Higher
Inputs & Freight	Improved fiber and other input costs	Stable	Stable
Equity Earnings	<ul style="list-style-type: none"> Equity Earnings from Ilim JV 1Q19 forecast ~\$65MM¹ Equity Earnings from 20.5% ownership interest in GPI, less accounting basis adjustment 		
Other	<ul style="list-style-type: none"> 2Q19 corporate expense of ~\$20MM Interest expense in line with full-year outlook of ~\$500MM Tax rate in line with full-year outlook of 24% - 26% 		

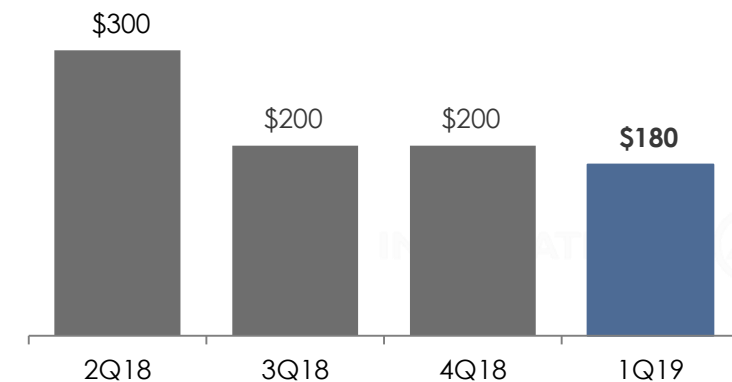
\$ Billion	2019 Outlook
Adjusted EBITDA ¹	\$4.2 - \$4.3
Capex	\$1.4
Free Cash Flow	\$2.0
Dividend	\$0.8
Share Repurchase	
Debt Reduction	\$1.2

See footnotes beginning on Slide 15

Annualized Dividend



Share Repurchases (\$MM)





Growing Free Cash Flow

Strong and Resilient Company

- Breadth of capabilities
- Strength of portfolio

Commitment to Shareholders

- Strengthening balance sheet
 - Returning cash to shareholders
-

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

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 #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 6

¹ Segment adjusted operating profit before special items

Includes European Coated Paperboard adjusted operating profit of \$20MM, \$17MM, and \$22MM for 1Q18, 4Q18, and 1Q19 respectively

Slide 8

¹ Segment adjusted operating profit before special items

Slide 9

¹ Segment adjusted operating profit before special items

Slide 10

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 ~\$0.5B as of March 31, 2019); 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 1Q18, 4Q18, and 1Q19 include after-tax F/X gains (losses) (primarily on USD-denominated net debt) of \$0MM, \$(19)MM, and \$21MM, respectively

Slide 11

¹ Assumes stable F/X as of March 31, 2019



Footnotes

Slide 12

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

Slide 17

¹ From continuing operations before special items

Slide 23

¹ Excludes special items (Non-GAAP)

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

³ Includes non-cash settlement charge before-tax of \$424MM

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 \$20MM and \$22MM for 1Q18 and 1Q19, respectively

Slide 28

¹ Segment adjusted operating profit before special items

Slide 29

¹ Segment adjusted operating profit before special items



Key Financial Metrics¹

\$ Million		2017	2018	2019F
Maintenance Outage Expense		\$426	\$548	\$529
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 15






Free Cash Flow

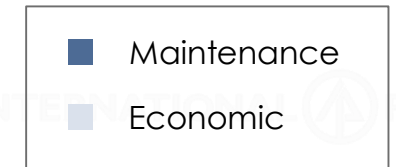
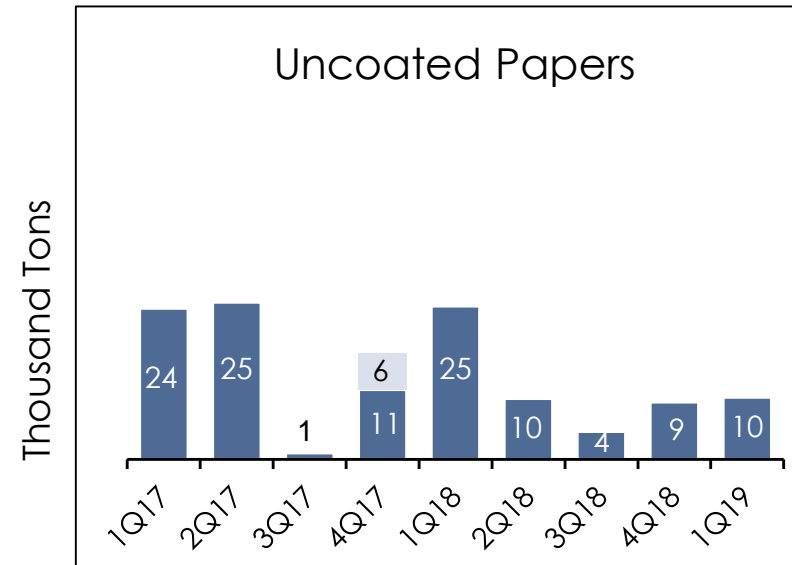
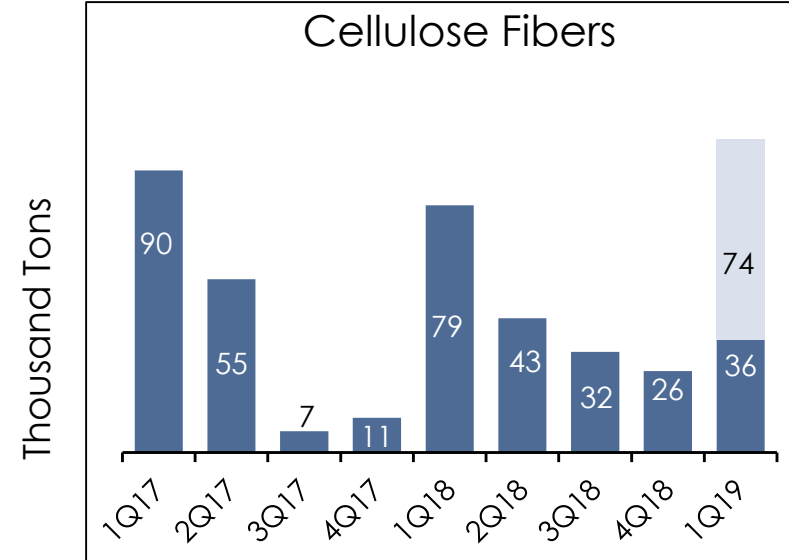
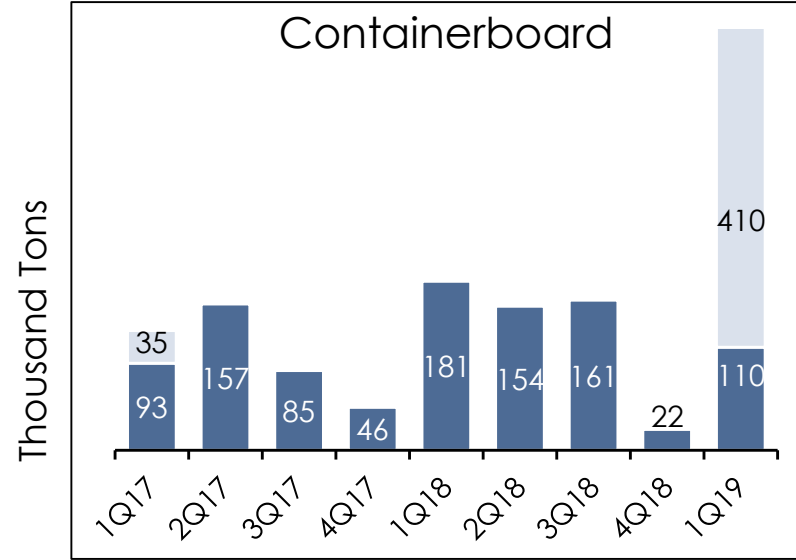
\$ Million	2016	2017	1Q18	4Q18	2018	1Q19
Cash Provided by Operations	\$2,478	\$1,757	\$663	\$821	\$3,226	\$733
Cash Invested in Capital Projects	\$(1,348)	\$(1,391)	\$(489)	\$(286)	\$(1,572)	\$(293)
Cash Contribution to Pension Plan	\$750	\$1,250	-	-	-	-
Kleen Products Settlement	-	\$354	-	-	-	-
Free Cash Flow	\$1,880	\$1,970	\$174	\$535	\$1,654	\$440



Maintenance Outages Expenses | 2019 Forecast

	\$ Million	1Q19A	2Q19F	3Q19F	4Q19F	2019F
 Industrial Packaging		\$93	\$130	\$58	\$2	\$283
North America		93	123	53	2	271
Europe		-	-	1	-	1
Europe Coated Paperboard		-	7	1	-	8
Brazil		-	-	3	-	3
 Global Cellulose Fibers		\$38	\$70	\$17	\$11	\$136
North America		38	67	17	4	126
Europe		-	3	-	7	10
 Printing Papers		\$12	\$56	\$25	\$17	\$110
North America		12	36	18	9	75
Europe		-	17	-	8	25
Brazil		-	3	4	-	7
India		-	-	3	-	3
Total Impact		\$143	\$256	\$100	\$30	\$529

North American Downtime



Special Items Before Tax | Continuing Operations

Special Items Pre-Tax \$(Million)		1Q18	4Q18	1Q19
	Multi-Employer Pension Plan Exit Liability			\$(16)
	Gain on Sale of EMEA Packaging box plant			\$7
Industrial Packaging	EMEA Packaging Restructuring	\$(22)	\$1	
	Litigation Settlement Recovery		\$5	
	Other	\$(5)	\$(5)	\$(8)
Global Cellulose Fibers	Other	\$(4)	\$(2)	\$(3)
Printing Papers	Riverdale Mill Conversion		\$(4)	\$(1)
	Other		\$(1)	
Corporate	Debt Extinguishment		\$(10)	
	Legal Settlement	\$(9)		
	Liaison Technologies Sale		\$31	
Total Special Items Before Tax		\$(40)	\$15	\$(21)

Special Items Net of Tax

	1Q19	
	\$ Million	EPS
Earnings Before Special Items	\$447	\$1.11
Special Items Net of Taxes:		
Multi-Employer Pension Plan Exit Liability	\$(12)	
Riverdale Conversion	\$(1)	
Gain on Sale of EMEA Packaging Box Plant	\$6	
Other	\$(8)	
Total Special Items Net of Taxes	\$(15)	\$(0.04)
Non-Operating Pension Expense	\$(8)	\$(0.02)
Earnings from Continuing Operations	\$424	\$1.05




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Adj. Operating Profits by Industry Segment | Continuing Operations

\$ Million	1Q18	4Q18	1Q19
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	\$356	\$382	\$418
Interest Expense, Net	\$135	\$135	\$133
Noncontrolling Interest / Equity Earnings Adjustment	\$(1)	\$(3)	\$(3)
Corporate Expenses, Net	\$9	\$8	\$21
Special Items, Net	\$40	\$(15)	\$21
Non-Operating Pension Expense	\$4	\$429 ³	\$10
Adj. Operating Profit Before Special Items	\$543	\$936	\$600
Industrial Packaging ¹	\$464	\$646	\$421
Global Cellulose Fibers ¹	\$15	\$93	\$35
Printing Papers ¹	\$64	\$197	\$144
Total Adj. Industry Segment Operating Profit¹	\$543	\$936	\$600
Equity Earnings (Loss), net of taxes²	\$95	\$79	\$114

See footnotes beginning on Slide 15

Geographic Business Segment Operating Results | Quarterly

	\$ Million		Sales		D & A ¹	Adj. Operating Profit ¹		
	1Q18	4Q18	1Q19	1Q19	1Q18	4Q18	1Q19	
 Industrial Packaging								
North America	\$3,369	\$3,583	\$3,376	\$170	\$464	\$641	\$419	
Europe	\$362	\$338	\$339	\$11	\$(12)	\$(7)	\$(15)	
Europe Coated Paperboard	\$92	\$94	\$91	\$5	\$20	\$17	\$22	
Brazil	\$62	\$57	\$57	\$0	\$(8)	\$(5)	\$(5)	
 Global Cellulose Fibers								
Global Cellulose Fibers	\$677	\$736	\$689	\$64	\$15	\$93	\$35	
 Printing Papers								
North America	\$458	\$513	\$496	\$22	\$1	\$80	\$57	
Europe	\$319	\$320	\$309	\$11	\$21	\$47	\$47	
Brazil	\$229	\$272	\$215	\$25	\$40	\$63	\$33	
India	\$52	\$52	\$53	\$4	\$2	\$7	\$7	

See footnotes beginning on Slide 15

2019 Operating Earnings

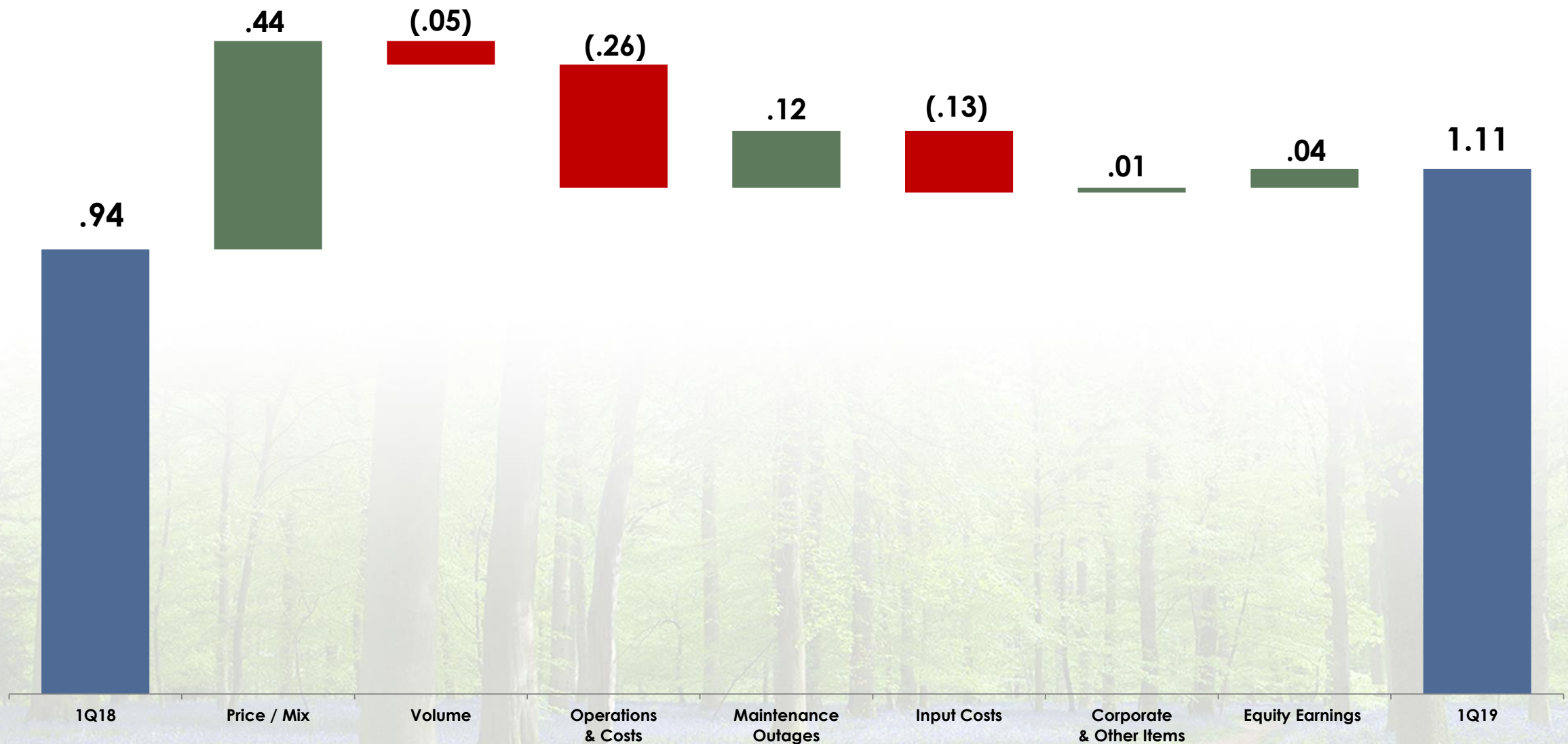
	Pre-Tax \$MM	Tax \$MM	Non- controlling Interest \$MM	Equity Earnings	Net Income \$MM	Average Shares MM	Diluted EPS ¹
Net Earnings from Continuing Operations							
1Q19	\$418	\$(106)	\$(2)	\$114	\$424	403	\$1.05
Net Special Items							
1Q19	\$21	\$(6)	-	-	\$15	403	\$0.04
Non-Operating Pension Expense							
1Q19	\$10	\$(2)	-	-	\$8	403	\$0.02
Adj. Operating Earnings							
1Q19	\$449	\$(114)	\$(2)	\$114	\$447	403	\$1.11

See footnotes beginning on Slide 15

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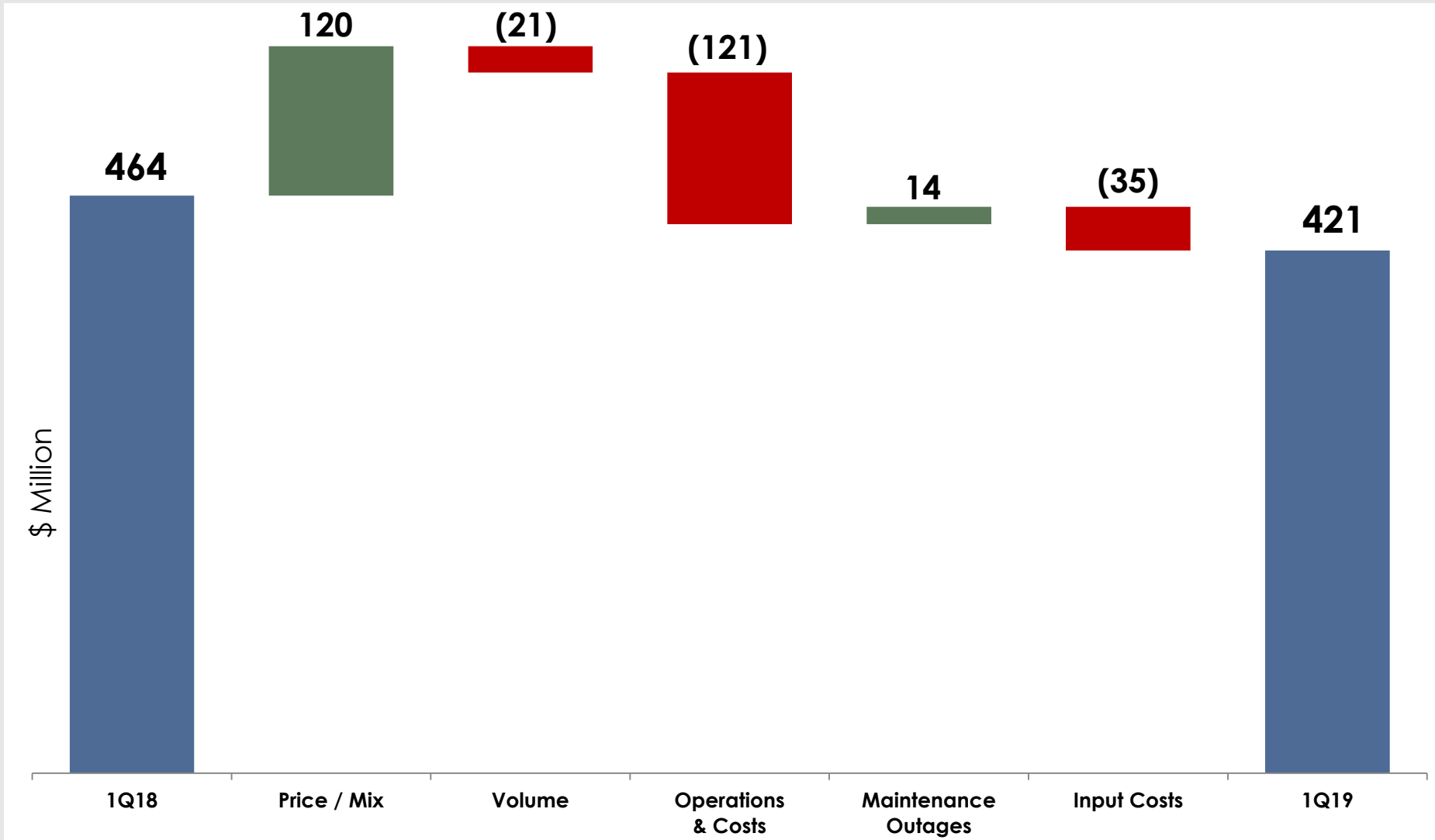
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1Q19 vs. 1Q18 Adj. Operating EPS¹



See footnotes beginning on Slide 15

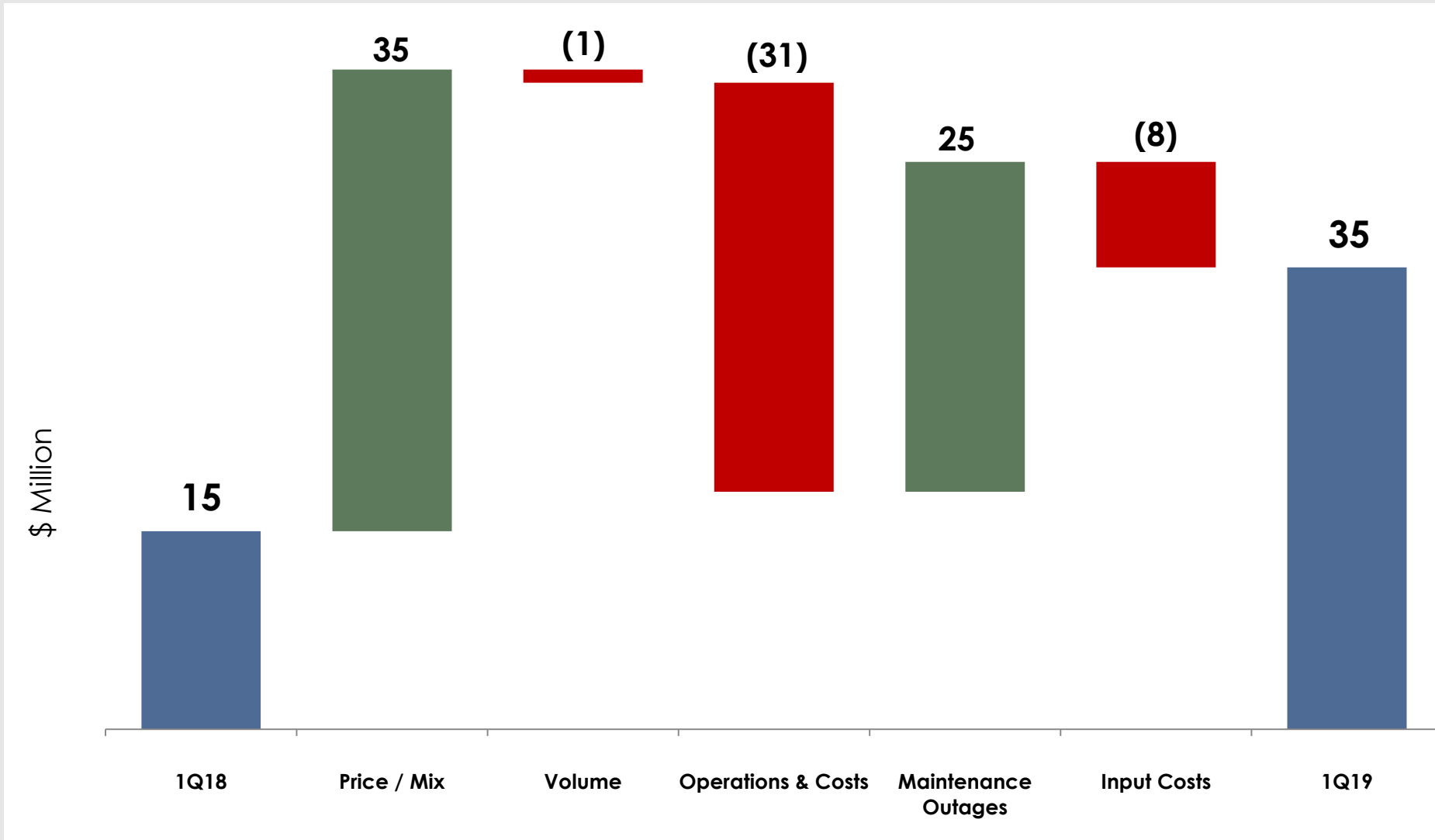
Industrial Packaging | 1Q19 vs. 1Q18 Adj. EBIT¹



See footnotes beginning on Slide 15



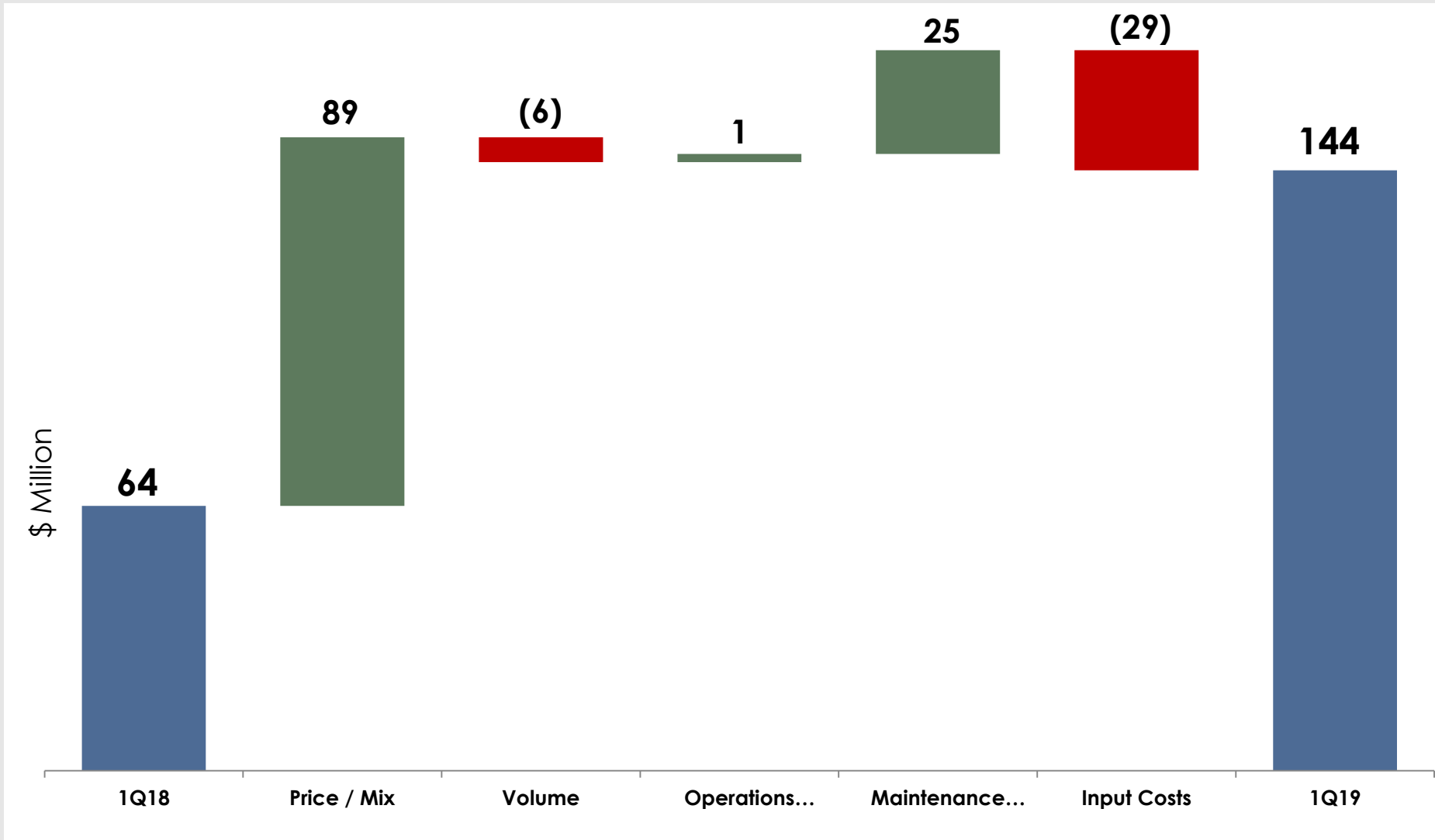
Global Cellulose Fibers | 1Q19 vs. 1Q18 Adj. EBIT¹



See footnotes beginning on Slide 15



Printing Papers | 1Q19 vs. 1Q18 Adj. EBIT¹

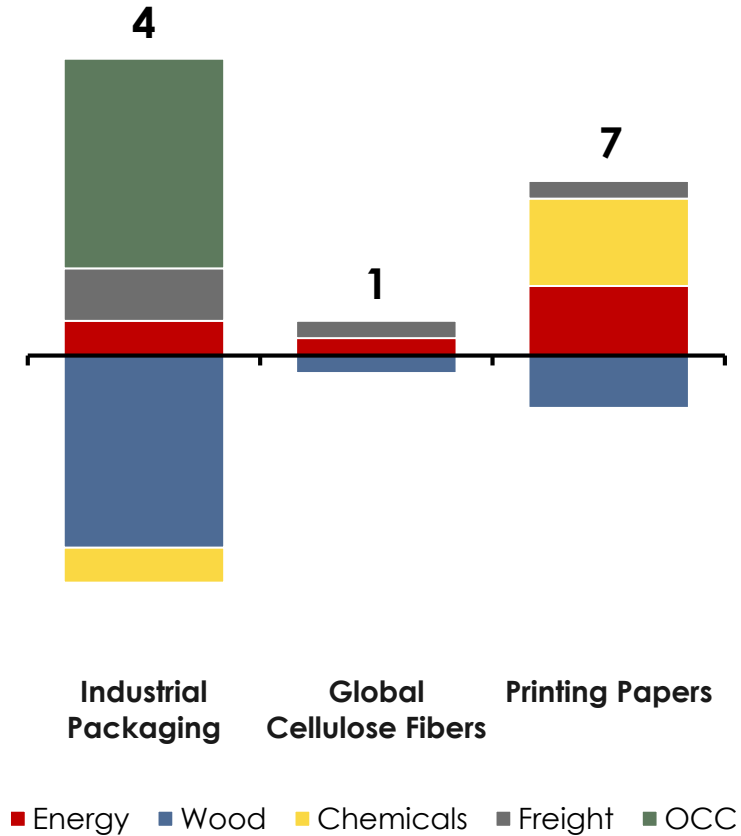


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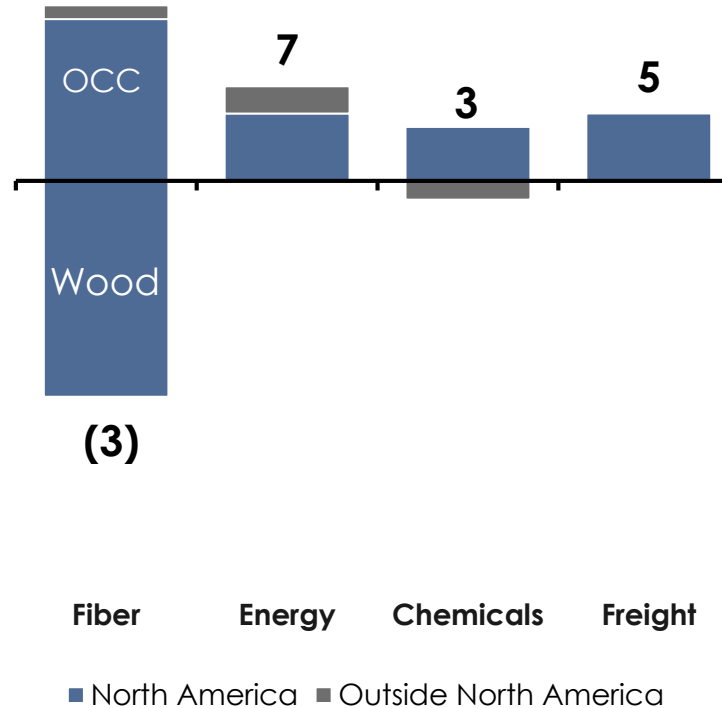


Global Input Costs vs. 4Q18 | \$12MM Favorable, or \$0.02 per share

By Business



By Input Type



U.S. Average Cost vs. 4Q18

Wood	▼	3%
OCC	▼	10%
Natural Gas	▼	9%
Fuel Oil	▲	3%
Chemical Composite	▲	3%