

## CONSOLIDATED STATEMENT OF OPERATIONS

<i>In millions, except per share amounts, for the years ended December 31</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>NET SALES</b>	<b>\$ 23,306</b>	<b>\$ 21,743</b>	<b>\$ 19,495</b>
<b>COSTS AND EXPENSES</b>			
Cost of products sold	<b>15,555</b>	14,802	13,419
Selling and administrative expenses	<b>1,723</b>	1,621	1,458
Depreciation, amortization and cost of timber harvested	<b>1,328</b>	1,343	1,124
Distribution expenses	<b>1,567</b>	1,434	1,237
Taxes other than payroll and income taxes	<b>171</b>	169	154
Restructuring and other charges, net	<b>29</b>	67	54
Net (gains) losses on sales and impairments of businesses	<b>122</b>	9	70
Litigation settlement	<b>—</b>	354	—
Net bargain purchase gain on acquisition of business	<b>—</b>	(6)	—
Interest expense, net	<b>536</b>	572	520
Non-operating pension expense	<b>494</b>	530	664
<b>EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY EARNINGS (LOSSES)</b>	<b>1,781</b>	848	795
Income tax provision (benefit)	<b>445</b>	(1,085)	193
Equity earnings (loss), net of taxes	<b>336</b>	177	198
<b>EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>	<b>1,672</b>	2,110	800
Discontinued operations, net of taxes	<b>345</b>	34	102
<b>NET EARNINGS (LOSS)</b>	<b>2,017</b>	2,144	902
Less: Net earnings (loss) attributable to noncontrolling interests	<b>5</b>	—	(2)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY</b>	<b>\$ 2,012</b>	<b>\$ 2,144</b>	<b>\$ 904</b>
<b>BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS</b>			
Earnings (loss) from continuing operations	<b>\$ 4.07</b>	\$ 5.11	\$ 1.95
Discontinued operations, net of taxes	<b>0.84</b>	0.08	0.25
Net earnings (loss)	<b>\$ 4.91</b>	\$ 5.19	\$ 2.20
<b>DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS</b>			
Earnings (loss) from continuing operations	<b>\$ 4.02</b>	\$ 5.05	\$ 1.93
Discontinued operations, net of taxes	<b>0.83</b>	0.08	0.25
Net earnings (loss)	<b>\$ 4.85</b>	\$ 5.13	\$ 2.18
<b>AMOUNTS ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS</b>			
Earnings (loss) from continuing operations	<b>\$ 1,667</b>	\$ 2,110	\$ 802
Discontinued operations, net of taxes	<b>345</b>	34	102
Net earnings (loss)	<b>\$ 2,012</b>	\$ 2,144	\$ 904

*The accompanying notes are an integral part of these financial statements.*

## CONSOLIDATED BALANCE SHEET

<i>In millions, except per share amounts, at December 31</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current Assets		
Cash and temporary investments	\$ 589	\$ 1,018
Accounts and notes receivable (less allowances of \$81 in 2018 and \$73 in 2017)	3,521	3,287
Contract assets	395	—
Inventories	2,241	2,313
Assets held for sale	—	1,377
Other current assets	250	282
<b>Total Current Assets</b>	<b>6,996</b>	<b>8,277</b>
Plants, Properties and Equipment, net	13,067	13,265
Forestlands	402	448
Investments	1,648	390
Financial Assets of Special Purpose Entities (Note 14)	7,070	7,051
Goodwill	3,374	3,411
Deferred Charges and Other Assets	1,019	1,061
<b>TOTAL ASSETS</b>	<b>\$ 33,576</b>	<b>\$ 33,903</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 639	\$ 311
Accounts payable	2,413	2,458
Accrued payroll and benefits	535	485
Liabilities held for sale	—	805
Other accrued liabilities	1,107	1,043
<b>Total Current Liabilities</b>	<b>4,694</b>	<b>5,102</b>
Long-Term Debt	10,015	10,846
Nonrecourse Financial Liabilities of Special Purpose Entities (Note 14)	6,298	6,291
Deferred Income Taxes	2,600	2,291
Pension Benefit Obligation	1,762	1,939
Postretirement and Postemployment Benefit Obligation	264	326
Other Liabilities	560	567
Commitments and Contingent Liabilities (Note 13)		
Equity		
Common stock \$1 par value, 2018 - 448.9 shares & 2017 - 448.9 shares	449	449
Paid-in capital	6,280	6,206
Retained earnings	7,465	6,180
Accumulated other comprehensive loss	(4,500)	(4,633)
	<b>9,694</b>	<b>8,202</b>
Less: Common stock held in treasury, at cost, 2018 – 48.310 shares and 2017 – 35.975 shares	2,332	1,680
<b>Total International Paper Shareholders' Equity</b>	<b>7,362</b>	<b>6,522</b>
Noncontrolling interests	21	19
<b>Total Equity</b>	<b>7,383</b>	<b>6,541</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 33,576</b>	<b>\$ 33,903</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions for the years ended December 31</i>	2018	2017	2016
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss)	\$ 2,017	\$ 2,144	\$ 902
Depreciation, amortization, and cost of timber harvested	1,328	1,423	1,227
Deferred income tax provision (benefit), net	133	(1,113)	136
Restructuring and other charges, net	29	67	54
Pension plan contributions	—	(1,250)	(750)
Periodic pension expense, net	632	717	809
Net gain on transfer of North American Consumer Packaging business	(488)	—	—
Net bargain purchase gain on acquisition of business	—	(6)	—
Net (gains) losses on sales and impairments of businesses	122	9	70
Equity method dividends received	153	133	58
Equity (earnings) losses, net	(336)	(177)	(198)
Other, net	75	212	99
Changes in current assets and liabilities			
Accounts and notes receivable	(342)	(370)	(94)
Contract assets	(32)	—	—
Inventories	(236)	(87)	11
Accounts payable and accrued liabilities	151	114	98
Interest payable	(8)	1	41
Other	28	(60)	15
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>3,226</b>	<b>1,757</b>	<b>2,478</b>
<b>INVESTMENT ACTIVITIES</b>			
Invested in capital projects	(1,572)	(1,391)	(1,348)
Acquisitions, net of cash acquired	(8)	(45)	(2,228)
Net settlement on transfer of North American Consumer Packaging business	(40)	—	—
Proceeds from divestitures, net of cash divested	—	4	108
Proceeds from sale of fixed assets	23	26	19
Other	28	15	(49)
<b>CASH PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES</b>	<b>(1,569)</b>	<b>(1,391)</b>	<b>(3,498)</b>
<b>FINANCING ACTIVITIES</b>			
Repurchases of common stock and payments of restricted stock tax withholding	(732)	(47)	(132)
Issuance of debt	490	1,907	3,830
Reduction of debt	(1,008)	(1,424)	(1,938)
Change in book overdrafts	(1)	26	—
Dividends paid	(789)	(769)	(733)
Net debt tender premiums paid	(6)	(84)	(31)
Other	—	(8)	(14)
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>(2,046)</b>	<b>(399)</b>	<b>982</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(40)</b>	<b>18</b>	<b>21</b>
<b>Change in Cash and Temporary Investments</b>	<b>(429)</b>	<b>(15)</b>	<b>(17)</b>
<b>Cash and Temporary Investments</b>			
Beginning of the period	1,018	1,033	1,050
End of the period	\$ 589	\$ 1,018	\$ 1,033

The accompanying notes are an integral part of these financial statements.