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DELTA REPORT

10-Q

INTERNATIONAL PAPER CO /N

10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	1450
CHANGES	420
DELETIONS	574
ADDITIONS	456

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2022 March 31, 2023

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From to

Commission File Number 001-03157

INTERNATIONAL PAPER COMPANY
(Exact name of registrant as specified in its charter)

New York	**13-0872805**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
6400 Poplar Avenue, Memphis, Tennessee	**38197**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (901) 419-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	IP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer	
Non-accelerated filer		Smaller reporting company	
		Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, par value $1.00 per share, as of October 21, 2022 April 21, 2023 was 355,670,009. 347,056,943.

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PAGE NO.

PART I. FINANCIAL INFORMATION

ITEM 1. **FINANCIAL STATEMENTS**

INTERNATIONAL PAPER COMPANY

Condensed Consolidated Statement of Operations

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended March 31,

		2022	2021	2022	2021		2023	2022
Net Sales	**Net Sales**	**$ 5,402**	$ 4,914	**$ 16,028**	$ 14,277	**Net Sales**	**$ 5,020**	$ 5,237
Costs and Expenses	**Costs and Expenses**					**Costs and Expenses**		
Cost of products sold	Cost of products sold	**3,830**	3,423	**11,475**	10,173	Cost of products sold	**3,642**	3,839
Selling and administrative expenses	Selling and administrative expenses	**337**	343	**978**	1,041	Selling and administrative expenses	**381**	341
Depreciation, amortization and cost of timber harvested	Depreciation, amortization and cost of timber harvested	**261**	280	**789**	820	Depreciation, amortization and cost of timber harvested	**241**	261
Distribution expenses	Distribution expenses	**471**	365	**1,337**	1,042	Distribution expenses	**422**	424
Taxes other than payroll and income taxes	Taxes other than payroll and income taxes	**38**	35	**110**	106	Taxes other than payroll and income taxes	**36**	36
Restructuring and other charges, net		**93**	39	**93**	243			
Net (gains) losses on sales and impairments of businesses		**—**	—	**—**	(7)			
Net (gains) losses on sales of equity method investments		**—**	—	**—**	(204)			
Net (gains) losses on mark to market investments	Net (gains) losses on mark to market investments	**(16)**	—	**(65)**	—	Net (gains) losses on mark to market investments	**—**	(46)
Interest expense, net	Interest expense, net	**123**	82	**266**	261	Interest expense, net	**62**	69
Non-operating pension expense (income)	Non-operating pension expense (income)	**(48)**	(50)	**(144)**	(153)	Non-operating pension expense (income)	**15**	(49)
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	**Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings**	**313**	397	**1,189**	955	**Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings**	**221**	362
Income tax provision (benefit)	Income tax provision (benefit)	**(575)**	59	**(384)**	193	Income tax provision (benefit)	**48**	95
Equity earnings (loss), net of taxes	Equity earnings (loss), net of taxes	**63**	94	**249**	247	Equity earnings (loss), net of taxes	**(1)**	—
Earnings (Loss) From Continuing Operations	**Earnings (Loss) From Continuing Operations**	**$ 951**	$ 432	**$ 1,822**	$ 1,009	**Earnings (Loss) From Continuing Operations**	**$ 172**	$ 267
Discontinued operations, net of taxes	Discontinued operations, net of taxes	**—**	432	**—**	638	Discontinued operations, net of taxes	**—**	93
Net Earnings (Loss)	**Net Earnings (Loss)**	**$ 951**	$ 864	**$ 1,822**	$ 1,647	**Net Earnings (Loss)**	**$ 172**	$ 360
Less: Net earnings (loss) attributable to noncontrolling interests		**—**	—	**—**	2			

Net Earnings (Loss) Attributable to International Paper Company		**$ 951**	$ 864	**$ 1,822**	$ 1,645			
Basic Earnings (Loss) Per Share Attributable to International Paper Company Common Shareholders								
Basic Earnings (Loss) Per Share						**Basic Earnings (Loss) Per Share**		
Earnings (loss) from continuing operations	Earnings (loss) from continuing operations	**$ 2.66**	$ 1.11	**$ 4.97**	$ 2.58	Earnings (loss) from continuing operations	**$ 0.49**	$ 0.71
Discontinued operations, net of taxes	Discontinued operations, net of taxes	**—**	1.11	**—**	1.63	Discontinued operations, net of taxes	**—**	0.25
Net earnings (loss)	Net earnings (loss)	**$ 2.66**	$ 2.22	**$ 4.97**	$ 4.21	Net earnings (loss)	**$ 0.49**	$ 0.96
Diluted Earnings (Loss) Per Share Attributable to International Paper Company Common Shareholders								
Diluted Earnings (Loss) Per Share						**Diluted Earnings (Loss) Per Share**		
Earnings (loss) from continuing operations	Earnings (loss) from continuing operations	**$ 2.64**	$ 1.10	**$ 4.92**	$ 2.55	Earnings (loss) from continuing operations	**$ 0.49**	$ 0.70
Discontinued operations, net of taxes	Discontinued operations, net of taxes	**—**	1.10	**—**	1.61	Discontinued operations, net of taxes	**—**	0.25
Net earnings (loss)	Net earnings (loss)	**$ 2.64**	$ 2.20	**$ 4.92**	$ 4.16	Net earnings (loss)	**$ 0.49**	$ 0.95
Average Shares of Common Stock Outstanding – assuming dilution	**Average Shares of Common Stock Outstanding – assuming dilution**	**360.4**	392.6	**370.7**	395.3	**Average Shares of Common Stock Outstanding – assuming dilution**	**353.3**	379.2

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

INTERNATIONAL PAPER COMPANY

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

(In millions)

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
		2022	**2021**	**2022**	**2021**		**2023**	**2022**
Net Earnings (Loss)	**Net Earnings (Loss)**	**$ 951**	$ 864	**$ 1,822**	$ 1,647	**Net Earnings (Loss)**	**$ 172**	$ 360
Other Comprehensive Income (Loss), Net of Tax:	**Other Comprehensive Income (Loss), Net of Tax:**					**Other Comprehensive Income (Loss), Net of Tax:**		

Amortization of pension and post-retirement prior service costs and net loss:	Amortization of pension and post-retirement prior service costs and net loss:					Amortization of pension and post-retirement prior service costs and net loss:		
U.S. plans	U.S. plans	**21**	31	**64**	101	U.S. plans	**23**	20
Pension and postretirement adjustments:								
U.S. plans		**—**	826	**—**	826			
Non-U.S. plans		**—**	5	**—**	6			
Change in cumulative foreign currency translation adjustment	Change in cumulative foreign currency translation adjustment	**(120)**	(70)	**14**	99	Change in cumulative foreign currency translation adjustment	**(9)**	(48)
Net gains/losses on cash flow hedging derivatives:								
Net gains (losses) arising during the period		**—**	(4)	**—**	3			
Reclassification adjustment for (gains) losses included in net earnings (loss)		**2**	(8)	**2**	(9)			
Total Other Comprehensive Income (Loss), Net of Tax	**Total Other Comprehensive Income (Loss), Net of Tax**	**(97)**	780	**80**	1,026	**Total Other Comprehensive Income (Loss), Net of Tax**	**14**	(28)
Comprehensive Income (Loss)	**Comprehensive Income (Loss)**	**854**	1,644	**1,902**	2,673	**Comprehensive Income (Loss)**	**186**	332
Net (earnings) loss attributable to noncontrolling interests		**—**	—	**—**	(2)			
Other comprehensive (income) loss attributable to noncontrolling interests		**—**	—	**—**	2			
Comprehensive Income (Loss) Attributable to International Paper Company		**$ 854**	$ 1,644	**$ 1,902**	$ 2,673			

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

INTERNATIONAL PAPER COMPANY

Condensed Consolidated Balance Sheet

(In millions)

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
		(unaudited)			(unaudited)	
Assets	**Assets**			**Assets**		
Current Assets	Current Assets			Current Assets		

Cash and temporary investments	Cash and temporary investments	**$ 511**	$ 1,295	Cash and temporary investments	**$ 636**	$ 804
Restricted cash				Restricted cash	**72**	—
Accounts and notes receivable, net	Accounts and notes receivable, net	**3,453**	3,232	Accounts and notes receivable, net	**3,196**	3,284
Contract assets	Contract assets	**514**	378	Contract assets	**533**	481
Inventories	Inventories	**1,976**	1,814	Inventories	**1,939**	1,942
Current investments		**—**	245			
Assets held for sale				Assets held for sale	**90**	133
Other current assets	Other current assets	**168**	132	Other current assets	**149**	126
Total Current Assets	Total Current Assets	**6,622**	7,096	Total Current Assets	**6,615**	6,770
Plants, Properties and Equipment, net	Plants, Properties and Equipment, net	**10,219**	10,441	Plants, Properties and Equipment, net	**10,453**	10,431
Long-Term Investments		**926**	751			
Long-Term Financial Assets of Variable Interest Entities (Note 16)		**2,289**	2,275			
Investments				Investments	**187**	186
Long-Term Financial Assets of Variable Interest Entities (Note 14)				Long-Term Financial Assets of Variable Interest Entities (Note 14)	**2,298**	2,294
Goodwill	Goodwill	**3,116**	3,130	Goodwill	**3,042**	3,041
Overfunded Pension Plan Assets	Overfunded Pension Plan Assets	**772**	595	Overfunded Pension Plan Assets	**305**	297
Right of Use Assets	Right of Use Assets	**387**	365	Right of Use Assets	**422**	424
Deferred Charges and Other Assets	Deferred Charges and Other Assets	**534**	590	Deferred Charges and Other Assets	**449**	497
Total Assets	**Total Assets**	**$ 24,865**	$ 25,243	**Total Assets**	**$ 23,771**	$ 23,940
Liabilities and Equity	**Liabilities and Equity**			**Liabilities and Equity**		
Current Liabilities	Current Liabilities			Current Liabilities		
Notes payable and current maturities of long-term debt	Notes payable and current maturities of long-term debt	**$ 616**	$ 196	Notes payable and current maturities of long-term debt	**$ 367**	$ 763
Accounts payable	Accounts payable	**2,668**	2,606	Accounts payable	**2,541**	2,708
Accrued payroll and benefits	Accrued payroll and benefits	**378**	440	Accrued payroll and benefits	**350**	355
Other current liabilities	Other current liabilities	**1,143**	902	Other current liabilities	**1,008**	1,174
Total Current Liabilities	Total Current Liabilities	**4,805**	4,144	Total Current Liabilities	**4,266**	5,000
Long-Term Debt	Long-Term Debt	**4,766**	5,383	Long-Term Debt	**5,471**	4,816
Long-Term Nonrecourse Financial Liabilities of Variable Interest Entities (Note 16)		**2,105**	2,099			

Long-Term Nonrecourse Financial Liabilities of Variable Interest Entities (Note 14)				Long-Term Nonrecourse Financial Liabilities of Variable Interest Entities (Note 14)	**2,108**	2,106
Deferred Income Taxes	Deferred Income Taxes	**1,806**	2,618	Deferred Income Taxes	**1,738**	1,732
Underfunded Pension Benefit Obligation	Underfunded Pension Benefit Obligation	**359**	377	Underfunded Pension Benefit Obligation	**283**	281
Postretirement and Postemployment Benefit Obligation	Postretirement and Postemployment Benefit Obligation	**189**	205	Postretirement and Postemployment Benefit Obligation	**145**	150
Long-Term Lease Obligations	Long-Term Lease Obligations	**251**	236	Long-Term Lease Obligations	**286**	283
Other Liabilities	Other Liabilities	**1,096**	1,099	Other Liabilities	**1,085**	1,075
Equity	Equity			Equity		
Common stock, $1 par value, 2022 – 448.9 shares and 2021 – 448.9 shares		**449**	449			
Common stock, $1 par value, 2023 – 448.9 shares and 2022 – 448.9 shares				Common stock, $1 par value, 2023 – 448.9 shares and 2022 – 448.9 shares	**449**	449
Paid-in capital	Paid-in capital	**4,702**	4,668	Paid-in capital	**4,699**	4,725
Retained earnings	Retained earnings	**10,340**	9,029	Retained earnings	**9,866**	9,855
Accumulated other comprehensive loss	Accumulated other comprehensive loss	**(1,586)**	(1,666)	Accumulated other comprehensive loss	**(1,911)**	(1,925)
		13,905	12,480		**13,103**	13,104
Less: Common stock held in treasury, at cost, 2022 – 93.3 shares and 2021 – 70.4 shares		**4,417**	3,398			
Less: Common stock held in treasury, at cost, 2023 – 101.9 shares and 2022 – 98.6 shares				Less: Common stock held in treasury, at cost, 2023 – 101.9 shares and 2022 – 98.6 shares	**4,714**	4,607
Total Equity	Total Equity	**9,488**	9,082	Total Equity	**8,389**	8,497
Total Liabilities and Equity	**Total Liabilities and Equity**	**$ 24,865**	$ 25,243	**Total Liabilities and Equity**	**$ 23,771**	$ 23,940

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

INTERNATIONAL PAPER COMPANY

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(In millions)

		Nine Months Ended September 30,			**Three Months Ended March 31,**	
		2022	**2021**		**2023**	**2022**
Operating Activities	**Operating Activities**			**Operating Activities**		
Net earnings (loss)	Net earnings (loss)	**$ 1,822**	$ 1,647	Net earnings (loss)	**$ 172**	$ 360

Depreciation, amortization and cost of timber harvested	Depreciation, amortization and cost of timber harvested	**789**	933	Depreciation, amortization and cost of timber harvested	**241**	261
Deferred income tax provision (benefit), net	Deferred income tax provision (benefit), net	**(816)**	(151)	Deferred income tax provision (benefit), net	**(2)**	30
Restructuring and other charges, net		**93**	243			
Net (gains) losses on mark to market investments	Net (gains) losses on mark to market investments	**(65)**	—	Net (gains) losses on mark to market investments	**—**	(46)
Net (gains) losses on sales and impairments of businesses		**—**	(367)			
Net (gains) losses on sales of equity method investments		**—**	(205)			
Net (gains) losses on sales of fixed assets		**—**	(86)			
Net (gains) losses on sales and impairments of equity method investments				Net (gains) losses on sales and impairments of equity method investments	**43**	—
Equity method dividends received	Equity method dividends received	**204**	149	Equity method dividends received	**—**	204
Equity (earnings) losses, net	Equity (earnings) losses, net	**(249)**	(247)	Equity (earnings) losses, net	**(42)**	(93)
Periodic pension (income) expense, net	Periodic pension (income) expense, net	**(87)**	(84)	Periodic pension (income) expense, net	**26**	(28)
Other, net	Other, net	**126**	129	Other, net	**39**	51
Changes in current assets and liabilities	Changes in current assets and liabilities			Changes in current assets and liabilities		
Accounts and notes receivable	Accounts and notes receivable	**(294)**	(510)	Accounts and notes receivable	**103**	(146)
Contract assets	Contract assets	**(138)**	(74)	Contract assets	**(52)**	(114)
Inventories	Inventories	**(217)**	(133)	Inventories	**52**	31
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	**218**	716	Accounts payable and accrued liabilities	**(203)**	89
Interest payable	Interest payable	**50**	9	Interest payable	**(5)**	25
Other	Other	**(23)**	(46)	Other	**(27)**	(36)
Cash Provided By (Used For) Operations	**Cash Provided By (Used For) Operations**	**1,413**	1,923	**Cash Provided By (Used For) Operations**	**345**	588
Investment Activities	**Investment Activities**			**Investment Activities**		
Invested in capital projects, net of insurance recoveries	Invested in capital projects, net of insurance recoveries	**(609)**	(348)	Invested in capital projects, net of insurance recoveries	**(341)**	(185)
Acquisitions, net of cash acquired		**—**	(80)			

	Proceeds from sales of equity method investments	—	843			
	Proceeds from sales of businesses, net of cash divested	—	827			
	Proceeds from exchange of equity securities	**311**	—			
	Proceeds from settlement of Variable Interest Entity installment notes	—	4,850			
Proceeds from sale of fixed assets	Proceeds from sale of fixed assets	**11**	95	Proceeds from sale of fixed assets	**2**	5
	Other	**(6)**	(3)			
Cash Provided By (Used For) Investment Activities	**Cash Provided By (Used For) Investment Activities**	**(293)**	6,184	**Cash Provided By (Used For) Investment Activities**	**(339)**	(180)
Financing Activities	**Financing Activities**			**Financing Activities**		
Repurchases of common stock and payments of restricted stock tax withholding	Repurchases of common stock and payments of restricted stock tax withholding	**(1,093)**	(425)	Repurchases of common stock and payments of restricted stock tax withholding	**(177)**	(428)
Issuance of debt	Issuance of debt	**752**	1,511	Issuance of debt	**670**	88
Reduction of debt	Reduction of debt	**(954)**	(1,132)	Reduction of debt	**(413)**	(3)
Change in book overdrafts	Change in book overdrafts	—	29	Change in book overdrafts	**(26)**	(66)
Dividends paid	Dividends paid	**(509)**	(602)	Dividends paid	**(162)**	(174)
	Net debt tender premiums paid	**(89)**	(221)			
	Reduction of Variable Interest Entity loans	—	(4,220)			
	Other	**(2)**	(14)			
Cash Provided By (Used For) Financing Activities	**Cash Provided By (Used For) Financing Activities**	**(1,895)**	(5,074)	**Cash Provided By (Used For) Financing Activities**	**(108)**	(583)
	Effect of Exchange Rate Changes on Cash and Temporary Investments	**(9)**	(7)			
	Change in Cash and Temporary Investments	**(784)**	3,026			
	Cash and Temporary Investments					
Effect of Exchange Rate Changes on Cash and Temporary Investments and Restricted Cash				**Effect of Exchange Rate Changes on Cash and Temporary Investments and Restricted Cash**	**6**	(1)
Change in Cash and Temporary Investments and Restricted Cash				**Change in Cash and Temporary Investments and Restricted Cash**	**(96)**	(176)
Cash and Temporary Investments and Restricted Cash				**Cash and Temporary Investments and Restricted Cash**		
Beginning of period	Beginning of period	**1,295**	595	Beginning of period	**804**	1,295
End of period	End of period	**$ 511**	$ 3,621	End of period	**$ 708**	$ 1,119

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

INTERNATIONAL PAPER COMPANY

Condensed Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments that are necessary for the fair presentation of International Paper Company's ("International Paper's", "the Company's" or "our") financial position, results of operations, and cash flows for the interim periods presented. Except as disclosed herein, such adjustments are of a normal, recurring nature. Results for the first nine three months of the year may not necessarily be indicative of full year results. You should read these condensed financial statements in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 (the "Annual Report"), which have previously been filed with the Securities and Exchange Commission.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States that require the use of management's estimates. Actual results could differ from management's estimates.

Printing Papers Spinoff

On October 1, 2021, the Company completed the previously announced spin-off of its Printing Papers segment along with certain mixed-use coated paperboard and pulp businesses in North America, France and Russia into a standalone, publicly-traded company, Sylvamo Corporation ("Sylvamo"). The transaction was implemented through the distribution of shares of the standalone company to International Paper's shareholders (the "Distribution"). As a result of the Distribution, Sylvamo is an independent public company that trades on the New York Stock Exchange under the symbol "SLVM".

In addition to the spin-off of Sylvamo, the Company completed the sale of its Kwidzyn, Poland mill on August 6, 2021. All historical operating results of the Sylvamo businesses and Kwidzyn mill have been presented as Discontinued Operations, net of tax, in the condensed consolidated statement of operations. See Note 9 - Divestitures and Impairments of Businesses for further details regarding the Sylvamo spin-off and discontinued operations.

Russia-Ukraine Conflict

The Russia-Ukraine military conflict between Russia and Ukraine, including current and future ongoing sanctions, actions by the Russian government, and associated domestic and global economic and geopolitical conditions, have has adversely affected and could materially and may continue to adversely affect our Ilim joint venture and could otherwise adversely affect our business, businesses, financial condition, results of operations and cash flows. On January 24, 2023, we announced that we have reached an agreement to sell our equity interest in Ilim S.A. ("Ilim") and have also received from the same purchaser an indication of interest to purchase our equity investment in JSC Ilim Group ("Ilim Group" and together with Ilim, the "Ilim joint venture"), however, we cannot be certain if and when the completion of these sales may occur. Our ability to complete such sales is subject to various risks, including (i) purchasers' inability to obtain necessary regulatory approvals or to finance the purchase pursuant to the terms of the agreement, (ii) adverse actions by the Russian government, and (iii) new or expanded sanctions imposed by the U.S., the United Kingdom, or the European Union or its member countries. We are unable to predict the full impact of that Russia's ongoing invasion of Ukraine, current or potential future sanctions, that have been imposed to date ongoing or that may potential disruptions resulting from the conflict, the changing regulatory environment in the future be imposed, Russia, negative macroeconomic conditions arising from such conflict, supply chain disruptions, and geopolitical instability and the possibility of broadened military conflict shifts, may have on us or our Ilim joint venture, including whether our Ilim joint venture may be able ability to continue to pay dividends to us. We continue to actively explore strategic options with respect to complete the Ilim joint venture, including a sale of our 50% equity interest in Ilim. While we may sell our equity interests in the Ilim joint venture, we cannot be certain if and when this may occur, or the impact that possible disruptions in the capital markets, negative macroeconomic conditions, or conditions associated with the Russia-Ukraine conflict, could have on the value of and our ability to sell our equity interest in the Ilim joint venture and the timing of any such sale.venture.

NOTE 2 - RECENT ACCOUNTING DEVELOPMENTS

Recently Issued Accounting Pronouncements Not Yet Adopted

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This guidance is effective upon issuance and generally can be applied through December 31, 2022 December 31, 2024. The Company will apply the amendments in this update to account for contract modifications due to changes in reference rates once those occur. We do not expect these amendments to have a material impact on our consolidated financial statements and related disclosures.

Government Assistance

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance." This guidance requires a business entity to provide certain disclosures around assistance received from governments. This guidance is effective for annual reporting periods beginning after December 15, 2021. We do not expect this guidance to have a material impact on our consolidated financial statements and related disclosures.

Liabilities - Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, "Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." This guidance requires a business entity operating as a buyer in a supplier finance agreement to disclose qualitative and quantitative information about its supplier finance programs. This guidance is effective for annual reporting periods beginning after December 15, 2022, and interim periods within those years. The Company is currently evaluating adopted the provisions of this guidance in the guidance. first quarter of 2023. See Note 8 - Supplemental Financial Information.

NOTE 3 - REVENUE RECOGNITION

Generally, the Company recognizes revenue on a point-in-time basis when the customer takes title to the goods and assumes the risks and rewards for the goods. For customized goods where the Company has a legally enforceable right to payment for the goods, the Company recognizes revenue over time which, generally, is as the goods are produced.

Disaggregated Revenue

A geographic disaggregation of revenues across our company segmentation in the following tables provides information to assist in evaluating the nature, timing and uncertainty of revenue and cash flows and how they may be impacted by economic factors.

	Three Months Ended September 30, 2022					Three Months Ended March 31, 2023				
In millions	***In millions***	**Industrial Packaging**	**Global Cellulose Fibers**	**Corporate and Inter-segment Sales**	**Total**	***In millions***	**Industrial Packaging**	**Global Cellulose Fibers**	**Corporate & Intersegment**	**Total**
Primary Geographical Markets (a)	**Primary Geographical Markets (a)**					**Primary Geographical Markets (a)**				
United States	United States	**$ 3,816**	**$ 846**	**$ 129**	**$ 4,791**	United States	**$ 3,455**	**$ 730**	**$ 126**	**$ 4,311**
EMEA	EMEA	**355**	**29**	**—**	**384**	EMEA	**391**	**25**	**—**	**416**
Pacific Rim and Asia	Pacific Rim and Asia	**12**	**12**	**1**	**25**	Pacific Rim and Asia	**8**	**56**	**—**	**64**
Americas, other than U.S.	Americas, other than U.S.	**202**	**—**	**—**	**202**	Americas, other than U.S.	**229**	**—**	**—**	**229**
Total	Total	**$ 4,385**	**$ 887**	**$ 130**	**$ 5,402**	Total	**$ 4,083**	**$ 811**	**$ 126**	**$ 5,020**
Operating Segments	**Operating Segments**					**Operating Segments**				
North American Industrial Packaging	North American Industrial Packaging	**$ 4,055**	**$ —**	$ —	**$ 4,055**	North American Industrial Packaging	**$ 3,724**	**$ —**	$ —	**$ 3,724**
EMEA Industrial Packaging	EMEA Industrial Packaging	**355**	**—**	—	**355**	EMEA Industrial Packaging	**391**	**—**	—	**391**
Global Cellulose Fibers	Global Cellulose Fibers	**—**	**887**	—	**887**	Global Cellulose Fibers	**—**	**811**	—	**811**
Intra-segment Eliminations	Intra-segment Eliminations	**(25)**	**—**	**—**	**(25)**	Intra-segment Eliminations	**(32)**	**—**	**—**	**(32)**

Corporate & Inter-segment Sales		—	—	130	130					
Corporate & Intersegment Sales						Corporate & Intersegment Sales	—	—	126	126
Total	Total	$ 4,385	$ 887	$ 130	$ 5,402	Total	$ 4,083	$ 811	$ 126	$ 5,020

(a) Net sales are attributed to countries based on the location of the seller.

		Nine Months Ended September 30, 2022					Three Months Ended March 31, 2022			
In millions	*In millions*	Industrial Packaging	Global Cellulose Fibers	Corporate & Intersegment	Total	*In millions*	Industrial Packaging	Global Cellulose Fibers	Corporate & Intersegment	Total
Primary Geographical Markets (a)	**Primary Geographical Markets (a)**					**Primary Geographical Markets (a)**				
United States	United States	$ 11,419	$ 2,260	$ 358	$ 14,037	United States	$ 3,761	$ 662	$ 120	$ 4,543
EMEA	EMEA	1,178	84	—	1,262	EMEA	410	30	—	440
Pacific Rim and Asia	Pacific Rim and Asia	33	41	3	77	Pacific Rim and Asia	10	18	1	29
Americas, other than U.S.	Americas, other than U.S.	652	—	—	652	Americas, other than U.S.	225	—	—	225
Total	Total	$ 13,282	$ 2,385	$ 361	$ 16,028	Total	$ 4,406	$ 710	$ 121	$ 5,237
Operating Segments	**Operating Segments**					**Operating Segments**				
North American Industrial Packaging	North American Industrial Packaging	$ 12,206	$ —	$ —	$ 12,206	North American Industrial Packaging	$ 4,025	$ —	$ —	$ 4,025
EMEA Industrial Packaging	EMEA Industrial Packaging	1,178	—	—	1,178	EMEA Industrial Packaging	410	—	—	410
Global Cellulose Fibers	Global Cellulose Fibers	—	2,385	—	2,385	Global Cellulose Fibers	—	710	—	710
Intra-segment Eliminations	Intra-segment Eliminations	(102)	—	—	(102)	Intra-segment Eliminations	(29)	—	—	(29)
Corporate & Inter-segment Sales		—	—	361	361					
Corporate & Intersegment Sales						Corporate & Intersegment Sales	—	—	121	121
Total	Total	$ 13,282	$ 2,385	$ 361	$ 16,028	Total	$ 4,406	$ 710	$ 121	$ 5,237

(a) Net sales are attributed to countries based on the location of the seller.

	Three Months Ended September 30, 2021			
In millions	Industrial Packaging	Global Cellulose Fibers	Corporate & Intersegment	Total
Primary Geographical Markets (a)				
United States	$ 3,590	$ 675	$ 51	$ 4,316
EMEA	331	28	(1)	358
Pacific Rim and Asia	13	37	8	58

Americas, other than U.S.	177	—	5	182
Total	$ 4,111	$ 740	$ 63	$ 4,914
Operating Segments				
North American Industrial Packaging	$ 3,814	$ —	$ —	$ 3,814
EMEA Industrial Packaging	331	—	—	331
Global Cellulose Fibers	—	740	—	740
Intra-segment Eliminations	(34)	—	—	(34)
Corporate & Inter-segment Sales	—	—	63	63
Total	$ 4,111	$ 740	$ 63	$ 4,914

(a) Net sales are attributed to countries based on the location of the seller.

	Nine Months Ended September 30, 2021			
In millions	**Industrial Packaging**	**Global Cellulose Fibers**	**Corporate & Intersegment**	**Total**
Primary Geographical Markets (a)				
United States	$ 10,352	$ 1,851	$ 141	$ 12,344
EMEA	1,119	74	(3)	1,190
Pacific Rim and Asia	45	90	32	167
Americas, other than U.S.	555	—	21	576
Total	$ 12,071	$ 2,015	$ 191	$ 14,277
Operating Segments				
North American Industrial Packaging	$ 11,037	$ —	$ —	$ 11,037
EMEA Industrial Packaging	1,121	—	—	1,121
Global Cellulose Fibers	—	2,015	—	2,015
Intra-segment Eliminations	(87)	—	—	(87)
Corporate & Inter-segment Sales	—	—	191	191
Total	$ 12,071	$ 2,015	$ 191	$ 14,277

(a) Net sales are attributed to countries based on the location of the seller.

Revenue Contract Balances

A contract asset is created when the Company recognizes revenue on its customized products prior to having an unconditional right to payment from the customer, which generally does not occur until title and risk of loss passes to the customer.

A contract liability is created when customers prepay for goods prior to the Company transferring those goods to the customer. The contract liability is reduced once control of the goods is transferred to the customer. The majority of our customer prepayments are received during the fourth quarter each year for goods that will be transferred to customers over the following twelve months. Contract liabilities of $17 million $36 million and $27 million $38 million are included in Other current liabilities in the accompanying condensed consolidated balance sheet as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively. During the second quarter of 2021, the The Company also recorded a contract liability of $115 million related to the April 2021 acquisition disclosed in Note 8 - Acquisitions. a previous acquisition. The balance of this contract liability was $101 million $97 million and $107 million $99 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively, and is recorded in Other current liabilities and Other Liabilities in the accompanying condensed consolidated balance sheet.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the difference between the price and quantity at comparable points in time for goods for which we have an unconditional right to payment or receive prepayment from the customer, respectively.

NOTE 4 - EQUITY

A summary of the changes in equity for the three and nine months ended September 30, 2022 March 31, 2023 and 2021 2022 is provided below:

	Three Months Ended September 30, 2022							Three Months Ended March 31, 2023						
In millions, except per share amounts	***In millions, except per share amounts***	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total Equity**	***In millions, except per share amounts***	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total Equity**
Balance, July 1		**$ 449**	**$ 4,675**	**$ 9,557**	**$ (1,489)**	**$ 4,149**	**$ 9,043**							
Balance, January 1								Balance, January 1	**$ 449**	**$ 4,725**	**$ 9,855**	**$ (1,925)**	**$ 4,607**	**$ 8,497**
Issuance of stock for various plans, net	Issuance of stock for various plans, net	**—**	**27**	**—**	**—**	**(2)**	**29**	Issuance of stock for various plans, net	**—**	**(26)**	**—**	**—**	**(72)**	**46**
Repurchase of stock	Repurchase of stock	**—**	**—**	**—**	**—**	**270**	**(270)**	Repurchase of stock	**—**	**—**	**—**	**—**	**179**	**(179)**
Common stock dividends ($0.4625 per share)	Common stock dividends ($0.4625 per share)	**—**	**—**	**(168)**	**—**	**—**	**(168)**	Common stock dividends ($0.4625 per share)	**—**	**—**	**(161)**	**—**	**—**	**(161)**
Comprehensive income (loss)	Comprehensive income (loss)	**—**	**—**	**951**	**(97)**	**—**	**854**	Comprehensive income (loss)	**—**	**—**	**172**	**14**	**—**	**186**
Ending Balance, September 30		**$ 449**	**$ 4,702**	**$ 10,340**	**$ (1,586)**	**$ 4,417**	**$ 9,488**							
Ending Balance, March 31								Ending Balance, March 31	**$ 449**	**$ 4,699**	**$ 9,866**	**$ (1,911)**	**$ 4,714**	**$ 8,389**

	Three Months Ended March 31, 2022					
In millions, except per share amounts	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total Equity**
Balance, January 1	$ 449	$ 4,668	$ 9,029	$ (1,666)	$ 3,398	$ 9,082
Issuance of stock for various plans, net	—	2	—	—	(70)	72
Repurchase of stock	—	—	—	—	428	(428)
Common stock dividends ($0.4625 per share)	—	—	(171)	—	—	(171)
Comprehensive income (loss)	—	—	360	(28)	—	332
Ending Balance, March 31	$ 449	$ 4,670	$ 9,218	$ (1,694)	$ 3,756	$ 8,887

	Nine Months Ended September 30, 2022					
In millions, except per share amounts	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total Equity**
Balance, January 1	**$ 449**	**$ 4,668**	**$ 9,029**	**$ (1,666)**	**$ 3,398**	**$ 9,082**
Issuance of stock for various plans, net	**—**	**34**	**—**	**—**	**(74)**	**108**
Repurchase of stock	**—**	**—**	**—**	**—**	**1,093**	**(1,093)**

Common stock dividends ($1.3875 per share)	—	—	(511)	—	—	(511)
Comprehensive income (loss)	—	—	1,822	80	—	1,902
Ending Balance, September 30	$ 449	$ 4,702	$ 10,340	$ (1,586)	$ 4,417	$ 9,488

	Three Months Ended September 30, 2021							
In millions, except per share amounts	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total International Paper Shareholders' Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, July 1	$ 449	$ 6,330	$ 8,442	$ (4,094)	$ 2,775	$ 8,352	$ 2	$ 8,354
Issuance of stock for various plans, net	—	41	—	—	—	41	—	41
Repurchase of stock	—	—	—	—	212	(212)	—	(212)
Common stock dividends ($0.5125 per share)	—	—	(203)	—	—	(203)	—	(203)
Divestiture of noncontrolling interests	—	—	—	—	—	—	(1)	(1)
Comprehensive income (loss)	—	—	864	780	—	1,644	—	1,644
Ending Balance, September 30	$ 449	$ 6,371	$ 9,103	$ (3,314)	$ 2,987	$ 9,622	$ 1	$ 9,623

	Nine Months Ended September 30, 2021							
In millions, except per share amounts	**Common Stock Issued**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held In Treasury, At Cost**	**Total International Paper Shareholders' Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, January 1	$ 449	$ 6,325	$ 8,070	$ (4,342)	$ 2,648	$ 7,854	$ 14	$ 7,868
Issuance of stock for various plans, net	—	27	—	—	(86)	113	—	113
Repurchase of stock	—	—	—	—	425	(425)	—	(425)
Common stock dividends ($1.5375 per share)	—	—	(612)	—	—	(612)	—	(612)
Transactions of equity method investees	—	19	—	—	—	19	—	19
Divestiture of noncontrolling interests	—	—	—	—	—	—	(13)	(13)
Comprehensive income (loss)	—	—	1,645	1,028	—	2,673	—	2,673
Ending Balance, September 30	$ 449	$ 6,371	$ 9,103	$ (3,314)	$ 2,987	$ 9,622	$ 1	$ 9,623

NOTE 5 - OTHER COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive incomeAccumulated Other Comprehensive Income (Loss) (AOCI), net of tax, for the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021: 2022:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Defined Benefit Pension and Postretirement Adjustments	**Defined Benefit Pension and Postretirement Adjustments**					**Defined Benefit Pension and Postretirement Adjustments**		
Balance at beginning of period	Balance at beginning of period	**$ (919)**	$ (1,809)	**$ (962)**	$ (1,880)	Balance at beginning of period	**$ (1,195)**	$ (962)
Other comprehensive income (loss) before reclassifications		**—**	831	**—**	832			
Amounts reclassified from accumulated other comprehensive income	Amounts reclassified from accumulated other comprehensive income	**21**	31	**64**	101	Amounts reclassified from accumulated other comprehensive income	**23**	20
Balance at end of period	Balance at end of period	**(898)**	(947)	**(898)**	(947)	Balance at end of period	**(1,172)**	(942)
Change in Cumulative Foreign Currency Translation Adjustments	**Change in Cumulative Foreign Currency Translation Adjustments**					**Change in Cumulative Foreign Currency Translation Adjustments**		
Balance at beginning of period	Balance at beginning of period	**(560)**	(2,286)	**(694)**	(2,457)	Balance at beginning of period	**(722)**	(694)
Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications	**(120)**	(114)	**14**	(85)	Other comprehensive income (loss) before reclassifications	**(9)**	(48)
Amounts reclassified from accumulated other comprehensive income		**—**	44	**—**	184			
Other comprehensive income (loss) attributable to noncontrolling interest		**—**	—	**—**	2			
Balance at end of period	Balance at end of period	**(680)**	(2,356)	**(680)**	(2,356)	Balance at end of period	**(731)**	(742)
Net Gains and Losses on Cash Flow Hedging Derivatives	**Net Gains and Losses on Cash Flow Hedging Derivatives**					**Net Gains and Losses on Cash Flow Hedging Derivatives**		
Balance at beginning of period	Balance at beginning of period	**(10)**	1	**(10)**	(5)	Balance at beginning of period	**(8)**	(10)
Other comprehensive income (loss) before reclassifications		**—**	(4)	**—**	3			
Amounts reclassified from accumulated other comprehensive income		**2**	(8)	**2**	(9)			
Balance at end of period	Balance at end of period	**(8)**	(11)	**(8)**	(11)	Balance at end of period	**(8)**	(10)

Total Accumulated Other Comprehensive Income (Loss) at End of Period	**Total Accumulated Other Comprehensive Income (Loss) at End of Period**	**$**	**(1,586)**	$	(3,314)	**$**	**(1,586)**	$	(3,314)	**Total Accumulated Other Comprehensive Income (Loss) at End of Period**	**$ (1,911)** | $ (1,694)

The following table presents details of the reclassifications out of AOCI for the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021: 2022:

		Amount Reclassified from Accumulated Other Comprehensive Income							**Amount Reclassified from Accumulated Other Comprehensive Income**			
		Three Months Ended September 30,		**Nine Months Ended September 30,**			**Location of Amount Reclassified from AOCI**		**Three Months Ended March 31,**			**Location of Amount Reclassified from AOCI**
In millions:	***In millions:***	**2022**	**2021**	**2022**	**2021**			***In millions:***	**2023**	**2022**		
Defined benefit pension and postretirement items:	Defined benefit pension and postretirement items:							Defined benefit pension and postretirement items:				
Prior-service costs	Prior-service costs	**$ (6)**	$ (5)	**$ (17)**	$ (17)	(a)	Non-operating pension expense (income)	Prior-service costs	**$ (6)**	$ (5)	(a)	Non-operating pension expense (income)
Actuarial gains (losses)	Actuarial gains (losses)	**(22)**	(36)	**(68)**	(118)	(a)	Non-operating pension expense (income)	Actuarial gains (losses)	**(24)**	(22)	(a)	Non-operating pension expense (income)
Total pre-tax amount	Total pre-tax amount	**(28)**	(41)	**(85)**	(135)			Total pre-tax amount	**(30)**	(27)		
Tax (expense) benefit	Tax (expense) benefit	**7**	10	**21**	34			Tax (expense) benefit	**7**	7		
Net of tax	Net of tax	**(21)**	(31)	**(64)**	(101)			Net of tax	**(23)**	(20)		
Change in cumulative foreign currency translation adjustments:												
Business acquisitions/divestitures		**—**	(44)	**—**	(184)		Net (gains) losses on sales and impairments of businesses and Cost of products sold					
Tax (expense) benefit		**—**	—	**—**	—							
Net of tax		**—**	(44)	**—**	(184)							
Net gains and losses on cash flow hedging derivatives:												
Interest rate contracts		**(2)**	—	**(2)**	—	(b)	Cost of products sold					
Foreign exchange contracts		**—**	10	**—**	12	(b)	Cost of products sold					
Total pre-tax amount		**(2)**	10	**(2)**	12							
Tax (expense)/benefit		**—**	(2)	**—**	(3)							

Net of tax		(2)	8	(2)	9			
Total reclassifications for the period	Total reclassifications for the period	$ (23)	$ (67)	$ (66)	$ (276)	Total reclassifications for the period	$ (23)	$ (20)

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 19 16 for additional details).

(b) This accumulated other comprehensive income component is included in our derivatives and hedging activities (see Note 18 for additional details).

NOTE 6 - EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed assuming that all potentially dilutive securities were converted into common shares. There are no adjustments required to be made to net income for purposes of computing basic and diluted earnings per share. A reconciliation of the amounts included in the computation of basic earnings (loss) per share and diluted earnings (loss) per share is as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions, except per share amounts	***In millions, except per share amounts***	**2022**	**2021**	**2022**	**2021**	***In millions, except per share amounts***	**2023**	**2022**
Earnings (loss) from continuing operations attributable to International Paper Company common shareholders		**$ 951**	$ 432	**$ 1,822**	$ 1,007			
Earnings (loss) from continuing operations						Earnings (loss) from continuing operations	**$ 172**	$ 267
Weighted average common shares outstanding	Weighted average common shares outstanding	**357.8**	388.8	**366.8**	391.0	Weighted average common shares outstanding	**349.3**	375.2
Effect of dilutive securities	Effect of dilutive securities					Effect of dilutive securities		
Restricted performance share plan	Restricted performance share plan	**2.6**	3.8	**3.9**	4.3	Restricted performance share plan	**4.0**	4.0
Weighted average common shares outstanding – assuming dilution	Weighted average common shares outstanding – assuming dilution	**360.4**	392.6	**370.7**	395.3	Weighted average common shares outstanding – assuming dilution	**353.3**	379.2
Basic earnings (loss) per share from continuing operations	Basic earnings (loss) per share from continuing operations	**$ 2.66**	$ 1.11	**$ 4.97**	$ 2.58	Basic earnings (loss) per share from continuing operations	**$ 0.49**	$ 0.71
Diluted earnings (loss) per share from continuing operations	Diluted earnings (loss) per share from continuing operations	**$ 2.64**	$ 1.10	**$ 4.92**	$ 2.55	Diluted earnings (loss) per share from continuing operations	**$ 0.49**	$ 0.70

NOTE 7 - RESTRUCTURING AND OTHER CHARGES, NET

2022: During the three months ended September 30, 2022, the Company recorded a $93 million pre-tax charge in Corporate related to early debt extinguishment costs.

There were no restructuring and other charges recorded during the three months ended June 30, 2022 and March 31, 2022.

2021: During the three months ended September 30, 2021, the Company recorded a $35 million pre-tax charge in Corporate related to early debt extinguishment costs and a $4 million pre-tax charge in Corporate for severance.

During the three months ended June 30, 2021, the Company recorded a $170 million pre-tax charge in Corporate related to early debt extinguishment costs and a $4 million pre-tax charge in Corporate for severance.

During the three months ended March 31, 2021, the Company recorded an $18 million pre-tax charge in Corporate related to early debt extinguishment costs and a $12 million pre-tax charge in the Industrial Packaging segment for severance related to the optimization of our EMEA Packaging business.

NOTE 8 - ACQUISITIONS

2021: On April 1, 2021, the Company closed on the previously announced acquisition of two box plants located in Spain. The total purchase consideration, inclusive of working capital adjustments, was approximately €71 million (approximately $83 million based on the April 1, 2021 exchange rate).

The following table summarizes the final fair value assigned to assets and liabilities acquired as of April 1, 2021:

In millions		
Cash and temporary investments	$	5
Accounts and notes receivable		10
Inventories		3
Plants, properties and equipment		50
Goodwill		23
Intangible assets		13
Total assets acquired	$	104
Short-term debt		2
Accounts payable and accrued liabilities		4
Other current liabilities		2
Long-term debt		1
Deferred income taxes		12
Total liabilities assumed		21
Net assets acquired	$	83

Pro forma information has not been included as it is impracticable to obtain the information due to the lack of availability of historical U.S. GAAP financial data. The results of the operations of these businesses do not have a material effect on the Company's consolidated results of operations.

The Company has accounted for the above acquisition under ASC 805, "Business Combinations" and the results of operations have been included in the Company's financial statements beginning with the date of acquisition.

2021: In April 2021, the Company received a noncontrolling interest in a U.S-based corrugated packaging producer. In the second quarter of 2021, the Company recorded its investment of $115 million based on the fair value of the noncontrolling interest and a corresponding contract liability that is amortized over 15 years. The Company is party to various agreements with the entity which includes a containerboard supply agreement. The Company is accounting for its interest as an equity method investment.

NOTE 9 - DIVESTITURES AND IMPAIRMENTS

Printing Papers Spin-off

2021:On October 1, 2021, the Company completed the previously announced spin-off of its Printing Papers segment along with certain mixed-use coated paperboard and pulp businesses in North America, France and Russia into a standalone, publicly-traded company, Sylvamo Corporation. The transaction was implemented through the distribution of shares of the standalone company to International Paper's shareholders (the "Distribution"). The Company retained 19.9% of the shares of Sylvamo at the time of the separation and this investment is discussed further in Note 8 - Supplementary Financial Statement Information. As a result of the Distribution, Sylvamo Corporation is an independent public company that trades on the New York Stock Exchange under the symbol "SLVM".

The Distribution was made to the Company's stockholders of record as of the close of business on September 15, 2021 (the "Record Date"), and such stockholders received one share of Sylvamo common stock for every 11 shares of International Paper common stock held as of the close of business on the Record Date. The Company retained 19.9% of the shares of Sylvamo at the time of the separation and this retained investment is discussed further in Note 10 - Supplementary Financial Statement Information. The spin-off was tax-free for the Company and its shareholders for U.S. federal income tax purposes.

In connection with the Distribution, on September 29, 2021, the Company and Sylvamo entered into a separation and distribution agreement as well as various other agreements that govern the relationships between the parties following the Distribution, including a transition services agreement, a tax matters agreement and an employee matters agreement. These agreements provide for the allocation between the Company and Sylvamo of assets, liabilities and obligations attributable to periods prior to, at and after the Distribution and govern certain relationships between the Company and Sylvamo after the Distribution. The Company is also party to has various ongoing operational agreements with Sylvamo under which it sells fiber, paper and other products. Sales Related party sales under these agreements were $230 million and $630 million $198 million for the three months and nine months ended September 30, 2022, respectively. As March 31, 2022. Following the sale of September 30, 2022, the Company no longer had an its ownership interest in Sylvamo and as such will no longer be a related party. See Note 10 - Supplementary Financial Statement Information for further discussion.

All historical operating results of the Sylvamo businesses, as well as the results of our Kwidzyn, Poland mill that was sold on August 6, 2021, are presented as Discontinued Operations, net of tax, in the condensed consolidated statement of operations. Kwidzyn was previously part of the Printing Papers business prior to its sale in August 2021. See the Kwidzyn Mill section below for further details regarding this sale.

The following summarizes the major classes of line items comprising Earnings (Loss) Before Income Taxes and Equity Earnings reconciled to Discontinued Operations, net of tax, related to the Sylvamo businesses and Kwidzyn for the three months and nine months ended September 30, 2021 in the condensed consolidated statement of operations:

In millions	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Net Sales	$ 800	$ 2,416
Costs and Expenses		
Cost of products sold	500	1,509
Selling and administrative expenses	92	214
Depreciation, amortization and cost of timber harvested	37	113
Distribution expenses	82	229
Taxes other than payroll and income taxes	7	24
Net (gains) losses on sales of fixed assets	(86)	(86)
Net (gains) losses on sales and impairments of businesses	(360)	(360)
Interest expense, net	10	(19)
Earnings (Loss) Before Income Taxes and Equity Earnings	518	792
Income tax provision (benefit)	86	154
Discontinued Operations, Net of Taxes	$ 432	$ 638

The following summarizes the total cash provided by operations and total cash used for investing activities related to the Sylvamo businesses and Kwidzyn and included in the condensed consolidated statement of cash flows for the nine months ended September 30, 2021:

In millions		Nine Months Ended September 30, 2021
Cash Provided by (Used For) Operating Activities	$	290
Cash Provided by (Used For) Investment Activities	$	757

In anticipation of the spin-off, Sylvamo incurred $1.5 billion in debt during the third quarter of 2021 with the proceeds used for a distribution to the Company and other expenses associated with the transaction. The Company was an obligor of the debt prior to the spin-off as 2022, Sylvamo was a wholly-owned subsidiary. Subsequent to the distribution of the net assets, the Company was is no longer an obligor of the Sylvamo debt. The $1.5 billion of borrowings was comprised of $450 million of 7.00% senior unsecured notes due 2029 issued in September 2021. It was also comprised of the senior secured credit facility that Sylvamo entered into in September 2021 which consisted of $450 million of borrowings considered a related to its term loan "B" facility, $520 million of borrowings related to its term loan "F" facility, and the $100 million draw on its revolving credit facility which had a capacity of $450 million. Additionally, at the time of the spin-off in the fourth quarter of 2021, the Company distributed $130 million to Sylvamo.

Kwidzyn Mill

2021: On August 6,2021, the Company completed the sale of its Kwidzyn, Poland mill for €669 million (approximately $794 million using the July 31, 2021 exchange rate) in cash. The business included the pulp and paper mill in Kwidzyn and supporting functions. During the third quarter of 2021, the Company recorded a net gain of $360 million ($350 million after taxes) including a gain of $404 million ($394 million after taxes) related to the sale of net assets and a loss of $44 million (before and after taxes) related to the cumulative foreign currency translation loss. During the fourth quarter of 2021, the Company incurred $9 million ($6 million after taxes) of costs related to the sale of Kwidzyn. All historical operating results for Kwidzyn have been presented as Discontinued Operations, net of tax, in the condensed consolidated statement of operations.

Olmuksan International Paper

2021: On May 31, 2021, the Company completed the sale of its 90.38% ownership interest in Olmuksan International Paper, a corrugated packaging business in Turkey, to Mondi Group for €66 million (approximately $81 million using the May 31, 2021 exchange rate). During the nine months ended September 30, 2021, the Company recorded a net gain of$4 million (charge of $2 million after taxes) related to the business working capital adjustment and cumulative foreign currency translation loss.

In conjunction with the announced agreement in the fourth quarter of 2020, a determination was made that the current book value of the Olmuksan International Paper disposal group exceeded its estimated fair value of $79 million which was based on the agreed upon transaction price. As a result, a preliminary charge of $123 million (before and after taxes) was recorded during the fourth quarter of 2020. party.

NOTE 108 - SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Temporary Investments

Temporary investments with an original maturity of three months or less and money market funds with greater than three month maturities but with the right to redeem without notices are treated as cash equivalents and are stated at cost. Temporary investments totaled $408 million $534 million and $1.1 billion $690 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Restricted Cash

A reconciliation of cash and temporary investments and restricted cash in the condensed consolidated balance sheet to cash and temporary investments and restricted cash in the condensed consolidated statement of cash flows for the three months ended March 31, 2023 and 2022, respectively is below.

	Three Months Ended March 31,			
In millions		**2023**		**2022**
Cash and Temporary Investments	**$**	**636**	$	1,031
Restricted Cash		**72**		88
Total Cash and Temporary Investments and Restricted Cash	**$**	**708**	$	1,119

The Company's restricted cash at March 31, 2023 consists of the cash proceeds from the $72 million first quarter 2023 environmental development bond (EDB) issuance. Proceeds from this debt issuance were used to repay an EDB maturing on April 1, 2023. See Note 15 - Debt for further details regarding the first quarter 2023 EDB issuance and the expected debt repayment.

Accounts and Notes Receivable

In millions	*In millions*		September 30, 2022		December 31, 2021	*In millions*		March 31, 2023		December 31, 2022
Accounts and notes receivable, net:	Accounts and notes receivable, net:					Accounts and notes receivable, net:				
Trade (less allowances of $29 in 2022 and $34 in 2021)		**$**	**3,179**	$	3,027					
Trade (less allowances of $33 in 2023 and $31 in 2022)						Trade (less allowances of $33 in 2023 and $31 in 2022)	**$**	**2,935**	$	3,064
Other	Other		**274**		205	Other		**261**		220
Total	Total	**$**	**3,453**	$	3,232	Total	**$**	**3,196**	$	3,284

Inventories

In millions	*In millions*		September 30, 2022		December 31, 2021	*In millions*		March 31, 2023		December 31, 2022
Raw materials	Raw materials	**$**	**272**	$	245	Raw materials	**$**	**242**	$	267
Finished pulp, paper and packaging	Finished pulp, paper and packaging		**1,128**		1,014	Finished pulp, paper and packaging		**1,043**		1,071
Operating supplies	Operating supplies		**492**		486	Operating supplies		**583**		516
Other	Other		**84**		69	Other		**71**		88
Total	Total	**$**	**1,976**	$	1,814	Total	**$**	**1,939**	$	1,942

Current Investments

As a result of the 2021 spin-off of Sylvamo, the Company retained 19.9% of the shares of Sylvamo with the intent to monetize its investment and provide additional proceeds to the Company. In April the second quarter 2022, the Company exchanged 4,132,000 shares of Sylvamo common stock owned by the Company in exchange and as repayment for an approximately $144 million term loan obligation which resulted in the reversal of a $31 million deferred tax liability due to the tax-free exchange of the Sylvamo Corporation common stock. In September the third quarter 2022, the Company exchanged the remaining 4,614,358 shares of Sylvamo common stock owned by the Company in exchange for $167 million and as partial repayment of a $210 million $210 million term loan obligation. This also resulted in the reversal of a $35 million deferred tax liability due to the tax-free exchange of the Sylvamo Corporation common stock. See Note 17 - Debt for further discussion.

As of September 30, 2022, the end of the third quarter 2022, the Company no longer had an ownership interest in Sylvamo. The Company's investment in Sylvamo was valued at $245 million at December 31, 2021, and was recorded in Current investments in the accompanying condensed consolidated balance sheet. The Company accounted for its ownership interest in Sylvamo at fair value as an investment in equity securities.

Plants, Properties and Equipment

Accumulated depreciation was $18.1 billion $18.6 billion and $17.6 billion $18.4 billion at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively. Depreciation expense was $250 million $232 million and $270 million $250 million for the three months ended September 30, 2022 March 31, 2023 and 2021, respectively, and $756 million and $790 million for the nine months ended September 30, 2022 and 2021, 2022, respectively.

Non-cash additions to plants, properties and equipment included within accounts payable were $102 million $94 million and $106 million $185 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Amounts invested There were no insurance recoveries included within capital spending for the three months ended March 31, 2023. Insurance recoveries included in capital projects in spending were $18 million for the accompanying condensed consolidated statement of cash flows are presented net of insurance recoveries of $26 million received during the nine three months ended September 30, 2022 March 31, 2022.

Accounts Payable

Under a supplier finance program, IP agrees to pay a bank the stated amount of confirmed invoices from its designated suppliers on the original maturity dates of the invoices. IP or the bank may terminate the agreement upon at least 90 days' notice. The supplier invoices that have been confirmed as valid under the program require payment in full with the payment date not to exceed 180 days past the invoice date. The accounts payable balance included $142 million and $6 million received during the nine months ended September 30, 2021. $122 million of supplier finance program liabilities as of March 31, 2023 and December 31, 2022, respectively.

Interest

Interest payments made during the nine three months ended September 30, 2022 March 31, 2023 and 2021 2022 were $273 million $114 million and $346 million $56 million, respectively.

Amounts related to interest were as follows:

		Three Months Ended September 30,				Nine Months Ended September 30,					Three Months Ended March 31,			
In millions	*In millions*		2022		2021		2022		2021	*In millions*		2023		2022
Interest expense	Interest expense	$	150	$	104	$	310	$	345	Interest expense	$	103	$	77
Interest income	Interest income		27		22		44		84	Interest income		41		8
Capitalized interest costs	Capitalized interest costs		5		3		13		8	Capitalized interest costs		5		4

Asset Retirement Obligations

The Company had recorded liabilities of $105 million $104 million and $107 million $105 million related to asset retirement obligations at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

NOTE 11 9 - LEASES

International Paper leases various real estate, including certain operating facilities, warehouses, office space and land. The Company also leases material handling equipment, vehicles, and certain other equipment. The Company's leases have a remaining lease term of up to 31 30 years. Total lease costs were $68 $75 million and $61 million $60 million for the three months ended September 30, 2022 March 31, 2023 and 2021, respectively, and $192 million and $184 million for the nine months ended September 30, 2022 and 2021, 2022, respectively.

Supplemental Balance Sheet Information Related to Leases

In millions	*In millions*	Classification	September 30, 2022		December 31, 2021		*In millions*	Classification	March 31, 2023		December 31, 2022	
Assets	**Assets**						**Assets**					
Operating lease assets	Operating lease assets	Right-of-use assets	$	387	$	365	Operating lease assets	Right-of-use assets	$	422	$	424
Finance lease assets	Finance lease assets	Plants, properties and equipment, net (a)		51		57	Finance lease assets	Plants, properties and equipment, net (a)		48		49
Total leased assets	Total leased assets		$	438	$	422	Total leased assets		$	470	$	473
Liabilities	**Liabilities**						**Liabilities**					

Current	Current						Current						
Operating	Operating	Other current liabilities	$	141	$	132	Operating	Other current liabilities	$	143	$	147
Finance	Finance	Notes payable and current maturities of long-term debt		10		10	Finance	Notes payable and current maturities of long-term debt		10		10
Noncurrent	Noncurrent						Noncurrent					
Operating	Operating	Long-term lease obligations		251		236	Operating	Long-term lease obligations		286		283
Finance	Finance	Long-term debt		50		56	Finance	Long-term debt		47		49
Total lease liabilities	Total lease liabilities		$	452	$	434	Total lease liabilities		$	486	$	489

(a) Finance leases are recorded net of accumulated amortization of $56 million $62 million and $51 $59 million as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

NOTE 12 10 - EQUITY METHOD INVESTMENTS

The Company accounts for the following investments investment under the equity method of accounting.

Ilim S.A.

The Company has a 50% equity interest in Ilim S.A. (Ilim), which has subsidiaries, including JSC Ilim Group ("Ilim Group" and together with Ilim, the "Ilim joint venture"), whose primary operations are in Russia. The Company announced in January 2023 that it had entered into an agreement to sell its interest in Ilim to its joint venture partners for $484 million. The completion of the sale is subject to various closing conditions, including the receipt of regulatory approvals in Russia.

The Company also received an indication of interest from its Ilim joint venture partners to purchase all of the Company's shares (constituting a 2.39% stake) in Ilim Group for $24 million, on terms and conditions to be agreed. The Company intends to pursue an agreement to sell the Ilim Group shares, and to divest other non-material residual interests associated with Ilim, to its Ilim joint venture partners.

In conjunction with the entry into the announced agreement, a determination was made that the book value of the Ilim and Ilim Group investments plus associated cumulative translation losses, exceeded fair value, based upon the agreed upon transaction price for Ilim and the offer price for Ilim Group. As a result, an other than temporary impairment of $43 million and $533 million was recorded in the first quarter of 2023 and fourth quarter of 2022, respectively, to write down these investments to fair value. The impairment charges included approximately $43 million and $375 million of foreign currency cumulative translation adjustment loss in the first quarter of 2023 and fourth quarter of 2022, respectively. As of March 31, 2023, the approximately $418 million of cumulative translation adjustment loss remained within AOCI with the recognition of this loss recorded as an offset to the investment balance.

The Company also evaluated facts and circumstances as of March 31, 2023 and concluded that the held for sale balance sheet classification criteria had been met as of that date and therefore have classified the Ilim joint venture investment balance, net of impairment, as Assets held for sale.

All current and historical results of the Ilim joint venture investment are presented as Discontinued Operations, net of taxes in the consolidated statement of operations. The Company recorded equity earnings, net of taxes, of $64 million $43 million and $95 million $93 million for the three months ended September 30, 2022 March 31, 2023 and 2021, respectively and $252 million and $245 million for the nine months ended September 30, 2022 and 2021, 2022, respectively. The Company received cash dividends from the Ilim joint venture of $204 million $0 million and $144 million $204 million during the first nine three months of 2022 2023 and 2021, 2022, respectively. At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the Company's investment in the Ilim joint venture, which is recorded in Long-Term Investments Assets held for sale in the condensed consolidated balance sheets, was $736 million $90 million and $557 million $133 million, respectively, which was $129 million $442 million and $121 million $403 million, respectively, more lower than the Company's proportionate share of the Ilim joint venture's underlying net assets. The differences primarily relate to currency translation adjustments and the basis difference between the fair value of our investment at acquisition and the underlying net assets. As of September 30, 2022, there was $250 million of cumulative translation adjustment loss included within equity related to our Ilim investment. Prior to the spin-off of the Printing Papers segment on October 1, 2021, the Company was party to a joint marketing agreement with Ilim Group under which the Company purchased, marketed and sold paper produced by Ilim Group. Purchases under this agreement were $42 million and $125 million for the three months and nine months ended September 30, 2021, respectively. The joint marketing agreement was conveyed to Sylvamo as part of the spin-off transaction on October 1, 2021. See Note 1 - Basis of Presentation for additional discussion regarding our Ilim investment.

Summarized financial information for the Ilim joint venture is presented in the following tables:

Balance Sheet

In millions	*In millions*	September 30, 2022	December 31, 2021	*In millions*	March 31, 2023	December 31, 2022
Current assets	Current assets	892	$ 1,010	Current assets	$ 717	$ 766
Noncurrent assets	Noncurrent assets	4,360	3,145	Noncurrent assets	3,377	3,663
Current liabilities	Current liabilities	1,457	1,212	Current liabilities	1,365	1,275
Noncurrent liabilities	Noncurrent liabilities	2,534	2,047	Noncurrent liabilities	1,627	2,040
Noncontrolling interests	Noncontrolling interests	47	24	Noncontrolling interests	39	40

Income Statement

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Net sales	Net sales	$ 834	$ 729	$ 2,356	$ 1,993	Net sales	$ 622	$ 707
Gross profit	Gross profit	391	393	1,234	1,051	Gross profit	277	399
Income (loss) from continuing operations	Income (loss) from continuing operations	129	190	501	498	Income (loss) from continuing operations	84	182
Net income (loss)	Net income (loss)	124	182	486	481	Net income (loss)	80	177

The Company's remaining equity method investments are not material.

NOTE 13 11 - GOODWILL AND OTHER INTANGIBLES

Goodwill

The following table presents changes in goodwill balances as allocated to each business segment for the nine-months three-months ended September 30, 2022 March 31, 2023:

In millions	***In millions***	Industrial Packaging	Global Cellulose Fibers	Total	***In millions***	Industrial Packaging	Global Cellulose Fibers	Total
Balance as of January 1, 2022								
Balance as of January 1, 2023					Balance as of January 1, 2023			
Goodwill	Goodwill	$ 3,426	$ 52	$ 3,478	Goodwill	$ 3,413	$ 52	$ 3,465
Accumulated impairment losses	Accumulated impairment losses	(296)	(52)	(348)	Accumulated impairment losses	(372)	(52)	(424)
		3,130	—	3,130		3,041	—	3,041
Currency translation and other (a)	Currency translation and other (a)	**(12)**	**—**	**(12)**	Currency translation and other (a)	**1**	**—**	**1**
Goodwill additions/reductions (b)		**(2)**	**—**	**(2)**				
Accumulated impairment loss additions / reductions	Accumulated impairment loss additions / reductions	**—**	**—**	**—**	Accumulated impairment loss additions / reductions	**—**	**—**	**—**

Balance as of September 30, 2022								
Balance as of March 31, 2023					Balance as of March 31, 2023			
Goodwill	Goodwill	3,412	52	3,464	Goodwill	3,414	52	3,466
Accumulated impairment losses	Accumulated impairment losses	(296)	(52)	(348)	Accumulated impairment losses	(372)	(52)	(424)
Total	Total	$ 3,116	$ —	$ 3,116	Total	3,042	—	3,042

(a) Represents the effects of foreign currency translations.

(b) Represents a reduction from benefits generated by the deduction of goodwill amortization for tax purposes in the U.S.

Other Intangibles

Identifiable intangible assets are recorded in Deferred Charges and Other Assets in the accompanying condensed consolidated balance sheet and comprised the following:

		September 30, 2022			December 31, 2021				March 31, 2023			December 31, 2022		
In millions	*In millions*	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	*In millions*	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Customer relationships and lists	Customer relationships and lists	$ 486	$ 294	$ 192	$ 493	$ 273	$ 220	Customer relationships and lists	$ 492	$ 312	$ 180	$ 490	$ 303	$ 187
Tradenames, patents and trademarks, and developed technology	Tradenames, patents and trademarks, and developed technology	170	143	27	170	131	39	Tradenames, patents and trademarks, and developed technology	170	148	22	170	146	24
Land and water rights	Land and water rights	8	2	6	8	2	6	Land and water rights	8	2	6	8	2	6
Other	Other	22	18	4	24	21	3	Other	21	18	3	23	20	3
Total	Total	$ 686	$ 457	$ 229	$ 695	$ 427	$ 268	Total	$ 691	$ 480	$ 211	$ 691	$ 471	$ 220

The Company recognized the following amounts as amortization expense related to intangible assets:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Amortization expense related to intangible assets	Amortization expense related to intangible assets	$ 11	$ 11	$ 33	$ 33	Amortization expense related to intangible assets	$ 9	$ 11

NOTE 14 12 - INCOME TAXES

International Paper made income tax payments, net of refunds, of $287 million $169 million and $389 million $20 million for the nine three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively.

The Company currently estimates, that as a result of ongoing discussions, pending tax settlements and expirations of statutes of limitations, the amount of unrecognized tax benefits could be reduced by approximately $28 million $30 million during the next 12 months.

NOTE 15 13 - COMMITMENTS AND CONTINGENCIES

Guarantees

In connection with sales of businesses, property, equipment, forestlands and other assets, International Paper commonly makes representations and warranties relating to such businesses or assets, and may agree to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and reasonably estimable, accrued liabilities are recorded at the time of sale as a cost of the transaction.

Brazil Goodwill Tax Matter: The Brazilian Federal Revenue Service has challenged the deductibility of goodwill amortization generated in a 2007 acquisition by Sylvamo do Brasil Ltda. ("Sylvamo Brazil"), a wholly-owned subsidiary of the Company, until the October 1, 2021 spin-off of the Printing Papers business after which it became a subsidiary of Sylvamo. Sylvamo Brazil received assessments for the tax years 2007-2015 totaling approximately $109 million $111 million in tax, and $346 million $375 million in interest, penalties, and fees as of September 30, 2022 March 31, 2023 (adjusted for variation in currency exchange rates). After an initial favorable ruling challenging the basis for these assessments, Sylvamo Brazil received subsequent unfavorable decisions from the Brazilian Administrative Council of Tax Appeals. Sylvamo Brazil has appealed these decisions and intends to appeal any future unfavorable administrative judgments to the Brazilian federal courts; however, this tax litigation matter may take many years to resolve. Sylvamo Brazil and International Paper believe the transaction underlying these assessments was appropriately evaluated, and that Sylvamo Brazil's tax position would be sustained, based on Brazilian tax law.

This matter pertains to a business that was conveyed to Sylvamo as of October 1, 2021, as part of our spin-off transaction. Pursuant to the terms of the tax matters agreement entered into between the Company and Sylvamo, the Company will pay pay 60% and Sylvamo will pay 40%, on up to $300 million of any assessment related to this matter, and the Company will pay all amounts of the assessment over $300 million. Under the terms of the agreement, decisions concerning the conduct of the litigation related to this matter, including strategy, settlement, pursuit and abandonment, will be made by the Company. Sylvamo thus has no control over any decision related to this ongoing litigation. The Company intends to vigorously defend this historic tax position against the current assessments and any similar assessments that may be issued for tax years subsequent to 2015. The Brazilian government may enact a tax amnesty program that would allow Sylvamo Brazil to resolve this dispute for less than the assessed amount. As of October 1, 2021, in connection with the recording of the distribution of assets and liabilities resulting from the spin-off transaction, the Company established a liability representing the initial fair value of the contingent liability under the tax matters agreement. The contingent liability was determined in accordance with ASC 460 "Guarantees" based on the probability weighting of various possible outcomes. The initial fair value estimate and recorded liability as of December 31, 2021 December 31, 2022 was $48 million and remains this amount at September 30, 2022 March 31, 2023. This liability will not be increased in subsequent periods unless facts and circumstances change such that an amount greater than the initial recognized liability becomes probable and estimable.

Environmental

The Company has been named as a potentially responsible party (PRP) in environmental remediation actions under various federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Many of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many PRPs. There are other remediation costs typically associated with the cleanup of hazardous substances at the Company’s current, closed or and formerly-owned facilities, and recorded as liabilities in the balance sheet.

Remediation costs are recorded in the consolidated financial statements when they become probable and reasonably estimable. International Paper has estimated the probable liability associated with these environmental remediation matters, including those described herein, to be approximately $198 million $240 million ($206 248 million undiscounted) in the aggregate as of September 30, 2022 March 31, 2023. Other than as described below, completion of required environmental remedial actions is not expected to have a material effect on our consolidated financial statements.

Cass Lake: One of the matters included above arises out of a closed wood-treatment facility located in Cass Lake, Minnesota. In June 2011, the United States Environmental Protection Agency (EPA) selected and published a proposed soil remedy at the site with an estimated cost of $46 million. In April 2020, the EPA issued a final plan concerning clean-up standards at a portion of the site, the estimated cost of which is included within the soil remedy referenced above.

Kalamazoo River: The Company is a PRP with respect to the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site in Michigan. The EPA asserts that the site is contaminated by polychlorinated biphenyls (PCBs) primarily as a result of

discharges from various paper mills located along the Kalamazoo River, including a paper mill formerly owned by St. Regis Paper Company (St. Regis). The Company is a successor in interest to St. Regis.

- Operable Unit 5, Area 1: In March 2016, the Company and other PRPs received a special notice letter from the EPA (i) inviting participation in implementing a remedy for a portion of the site known as Operable Unit 5, Area 1, and (ii) demanding reimbursement of EPA past costs totaling $37 million, including $19 million in past costs previously demanded by the EPA. The Company responded to the special notice letter. In December 2016, the EPA issued a unilateral administrative order to the Company and other PRPs to perform the remedy. The Company responded to the unilateral administrative order, agreeing to comply with the order subject to its sufficient cause defenses.

- Operable Unit 1: In October 2016, the Company and another PRP received a special notice letter from the EPA inviting participation in the remedial design (RD) component of the landfill remedy for the Allied Paper Mill, which is also known as Operable Unit 1. The Record of Decision (ROD) establishing the final landfill remedy for the Allied Paper Mill was issued by the EPA in September 2016. The Company responded to the Allied Paper Mill special notice letter in December 2016. In February 2017, the EPA informed the Company that it would make other arrangements for the performance of the RD. In the summer 2021, remedial design. action (RA) activities were initiated by the EPA. In October 2022, the Company received a unilateral administrative order to perform the RA. As a result, the Company increased its reserve by $27 million in the fourth quarter of 2022. The total reserve for the Kalamazoo River superfund site was $37 million as of March 31, 2023 and December 31, 2022.

In addition, in December 2019, the United States published notice in the Federal Register of a proposed consent decree with NCR Corporation (one of the parties to the allocation/apportionment litigation described below), the State of Michigan and natural resource trustees under which NCR would make payments of more than $100 million and perform work in Operable Unit 5, Areas 2, 3, and 4 at an estimated cost of $136 million. In December 2020, the Federal District Court approved the proposed consent decree.

The Company's CERCLA liability has not been finally determined with respect to these or any other portions of the site, and except as noted above, the Company has declined to perform any work or reimburse the EPA at this time. As noted below, the Company is involved in allocation/apportionment litigation with regard to the site. Accordingly, it is premature to predict the outcome or estimate our maximum reasonably possible loss or range of loss with respect to this site. We have recorded a liability for future remediation costs at the site that are probable and reasonably estimable, and it remains reasonably possible that additional losses in excess of this recorded liability could be material.

The Company was named as a defendant by Georgia-Pacific Consumer Products LP, Fort James Corporation and Georgia Pacific LLC (collectively, GP) in a contribution and cost recovery action for alleged pollution at the site. NCR Corporation and Weyerhaeuser Company are also named as defendants in the suit. The suit seeks contribution under CERCLA for costs purportedly expended by plaintiffs ($79 million as of the filing of the complaint) and for future remediation costs. In June 2018, the Court issued its Final Judgment and Order, which fixed the past cost amount at approximately $50 million (plus interest to be determined) and allocated to the Company a 15% share of responsibility for those past costs. The Court did not address responsibility for future costs in its decision. In July 2018, the Company and each of the other parties filed notices appealing the Final Judgment and prior orders incorporated into that Judgment. On April 25, 2022, the appellate court reversed the Judgment of the Court, finding that the suit against against the Company was time-barred by the applicable statute of limitations. On May 9, 2022, GP filed a petition for remaining with the Sixth Circuit Court of Appeals. The Sixth Circuit issued an order denying GP's petition on July 14, 2022. On November 14, 2022, GP filed a petition for writ of certiorari with the U.S. Supreme Court. The Company has filed a brief in opposition to this writ.

Harris County: International Paper and McGinnis Industrial Maintenance Corporation (MIMC), a subsidiary of Waste Management, Inc. (WMI), are PRPs at the San Jacinto River Waste Pits Superfund Site in Harris County, Texas. The PRPs have been actively participating in the activities at the site and share the costs of these activities.

In October 2017, the EPA issued a ROD selecting the final remedy for the site: removal and relocation of the waste material from both the northern and southern impoundments. The EPA did not specify the methods or practices needed to perform this work. The EPA's selected remedy was accompanied by a cost estimate of approximately $115 million ($105 million for the northern impoundment, and $10 million for the southern impoundment). Subsequent to the issuance of the ROD, there have been numerous meetings between the EPA and the PRPs, and the Company continues to work with the EPA and MIMC/WMI to develop the remedial design.

To this end, in April 2018, the PRPs entered into an Administrative Order on Consent (AOC) with the EPA, agreeing to work together to develop the remedial design for the northern impoundment. That remedial design work is ongoing. The AOC does not include any agreement to perform waste removal or other construction activity at the site. Rather, it involves adaptive management techniques and a pre-design investigation, the objectives of which include filling data gaps (including but not limited to post-Hurricane Harvey technical data generated prior to the ROD and not incorporated into the selected remedy), refining areas and volumes of materials to be addressed, determining if an excavation remedy is able to be implemented in a manner protective of human health and the environment, and investigating potential impacts of remediation activities to infrastructure in the vicinity.

During the first quarter of 2020, through a series of meetings among the Company, MIMC/WMI, our consultants, the EPA and the Texas Commission on Environmental Quality (TCEQ), progress was made to resolve key technical issues previously preventing the Company from determining the manner in which the selected remedy for the northern impoundment would be feasibly implemented. As a result of these developments, the Company reserved the following amounts in relation to remediation at this site: (a) $10 million for the southern impoundment; and (b) $55 million for the northern impoundment, which represents the Company's 50% share of our estimate of the low end of the range of probable remediation costs.

We submitted the Final Design Package for the southern impoundment to the EPA, and the EPA approved this plan May 7, 2021. The EPA issued a Unilateral Administrative Order for Remedial Action of the southern impoundment on August 5, 2021. An addendum to the Final 100% Remedial Design (Amended April 2021) was submitted to the EPA for the southern impoundment on June 2, 2022. This addendum incorporated additional data collected to date which indicated that additional waste material removal will be required, lengthening the time to complete the remedial action. The Company's reserve as of September 30, 2022 was $25 million.

With respect to the northern impoundment, the respondents continue remedial design, with submitted final component of the 90% remedial design due to the EPA on November 8, 2022. Upon submittal of the final component, an updated engineering estimate was developed and the Company increased the reserved amount by approximately $21 million, which represents the Company's 50% share of our estimate of the low end of the range of probable remediation costs. While several key technical issues have been resolved, we respondents still face significant challenges remediating this area in a cost-efficient manner and without a release to the environment, and therefore our discussions with the EPA on the best approach to remediation will continue. Because of ongoing questions regarding cost effectiveness, timing and gathering other technical data, additional losses in excess of our recorded liability are possible. We are currently unable to reasonably estimate any further adjustment to our recorded liability or any loss or range The total reserve for the southern and northern impoundment was $95 million as of loss in excess of such liability; however, we believe it is unlikely any adjustment would be material. both March 31, 2023 and December 31, 2022.

Asbestos-Related Matters

We have been named as a defendant in various asbestos-related personal injury litigation, in both state and federal court, primarily in relation to the prior operations of certain companies previously acquired by the Company. As of September 30, 2022, the The Company's total recorded liability with respect to pending and future asbestos-related claims was $104 million $107 million, net of estimated insurance recoveries. recoveries and $105 million, net of estimated insurance recoveries as of March 31, 2023 and December 31, 2022, respectively. While it is reasonably possible that the Company may incur losses in excess of its recorded liability with respect to asbestos-related matters, we are unable to estimate any loss or range of loss in excess of such liability, and do not believe additional material losses are probable.

Antitrust

In March 2017, the Italian Competition Authority (ICA) commenced an investigation into the Italian packaging industry to determine whether producers of corrugated sheets and boxes violated the applicable European competition law. In April 2019, the ICA concluded its investigation and issued initial findings alleging that over 30 producers, including our Italian packaging subsidiary (IP Italy), improperly coordinated the production and sale of corrugated sheets and boxes. On August 6, 2019, In August 2019, the ICA issued its decision and assessed IP Italy a fine of €29 million (approximately $28 million $31 million at current the then-current exchange rates) which was recorded in the third quarter of 2019. We appealed the ICA decision and our appeal was denied on May 25, 2021. However, we continue to believe we have numerous and strong bases to challenge the ICA decision, and we have in May 2021. We further appealed the decision to the Italian Council of State. State, and in March 2023 the Council of State largely upheld the ICA's findings, but referred the calculation of IP Italy's fine back to the ICA, finding that it was disproportionately high based on the conduct found. We are evaluating whether to further appeal the Italian Council of State decision to uphold the ICA's findings. The Company and other producers also have been named in lawsuits, and we have received other claims, by a number of customers in Italy for damages associated with the alleged anticompetitive conduct. We do not believe material losses arising from such private lawsuits and claims are probable.

General

The Company is involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, personal injury, product liability, labor and employment, contracts, sales of property, intellectual property, tax, and other matters, some of which allege substantial monetary damages. Assessments of lawsuits and claims can involve a series of complex judgments about future events, can rely heavily on estimates and assumptions, and are otherwise subject to significant uncertainties. As a result, there can be no certainty that the Company will not ultimately incur charges in excess of presently recorded liabilities. The Company believes that loss contingencies arising from pending matters including the matters described herein, will not have a material effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in pending or threatened legal matters, some of which are beyond the Company's control, and the large or indeterminate damages sought in some of these matters, a future adverse ruling, settlement, unfavorable development, or increase in accruals with respect to these matters could result in future charges that could be material to the Company's results of operations or cash flows in any particular reporting period.

NOTE 16 14 - VARIABLE INTEREST ENTITIES

Variable Interest Entities

As of September 30, 2022 March 31, 2023, the fair value of the Timber Notes and Extension Loans for the 2007 Financing Entities was $2.3 billion and $2.1 billion, respectively. The Timber Notes and Extension Loans are classified as Level 2 within the fair value hierarchy, which is further defined in Note 17 1 in the Company's Annual Report.

The Timber Notes of $2.3 billion and the Extension Loans of $2.1 billion both mature in 2027 and are shown in Long-term nonrecourse financial assets of variable interest entities and Long-term nonrecourse financial liabilities of variable interest entities, respectively, on the accompanying condensed consolidated balance sheet.

Activity between the Company and the 2007 Financing Entities was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Revenue (a)	Revenue (a)	**$ 23**	$ 5	**$ 36**	$ 18	Revenue (a)	**$ 33**	$ 7
Expense (b)	Expense (b)	**18**	6	**34**	18	Expense (b)	**31**	6
Cash receipts (c)	Cash receipts (c)	**8**	1	**11**	4	Cash receipts (c)	**27**	1
Cash payments (d)	Cash payments (d)	**11**	4	**21**	12	Cash payments (d)	**27**	4

(a) The revenue is included in Interest expense, net in the accompanying statement of operations and includes approximately $5 million and $14 million $5 million for the three months and nine three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively, of accretion income for the amortization of the basis difference adjustment on the Financial assets of special purpose entities.

(b) The expense is included in Interest expense, net in the accompanying statement of operations and includes approximately $2 million and $5 million $2 million for the three months and nine three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively, of accretion expense for the amortization of the basis difference adjustment on the Nonrecourse financial liabilities of special purpose entities.

(c) The cash receipts are interest received on the Financial assets of special purpose entities.

(d) The cash payments are interest paid on Nonrecourse financial liabilities of special purpose entities.

In August 2021, the Timber Notes of $4.8 billion and the Extension Loans of $4.2 billion related to the 2015 Financing Entities both matured. We settled the Extension Loans at their maturity with the proceeds from the Timber Notes. This resulted in cash proceeds of approximately $630 million representing our equity in the variable interest entities. Maturity of the installment notes and termination of the monetization structure also resulted in a $72 million tax liability that was paid in the fourth quarter of 2021.

On September 2, 2022, the Company and the Internal Revenue Service agreed to settle the previously disclosed timber monetization restructuring tax matter. matter involving wholly-owned, special purpose entities (the "2015 Financing Entities"). Under this agreement, the Company will fully resolve the matter and pay $252 million in U.S. federal income taxes. As a result, interest will also be charged upon closing of the audit. The amount of interest expense recognized through September 30, 2022 is $52 million in 2022 was $58 million. As of September 30, 2022 March 31, 2023, $89 million $252 million in U.S. federal income taxes and $28 million $58 million in interest expense have been paid as a result of the settlement agreement. The remaining Company paid $163 million in U.S. federal income tax liability taxes and $24 million accrued $30 million in interest liability are recorded as current liabilities in during the balance sheet. As part first quarter of 2023 and has now fully satisfied the payment terms of the settlement with agreement regarding the Internal Revenue Service, the $72 million 2015 Financing Entities timber monetization restructuring tax payment discussed in the preceding paragraph was applied to the 2022 U.S. federal estimated tax payments. matter. The reversal of the Company's remaining deferred tax liability associated with the 2015 Financing Entities of $604 million was recognized as a one-time tax benefit in the third quarter of 2022.

Activity between the Company and the 2015 Financing Entities for the three months and nine months ended September 30, 2021 was as follows:

In millions	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Revenue (a)	$ 14	$ 61
Expense (a)	8	34
Cash receipts (b)	48	95
Cash payments (c)	24	38

(a) The revenue and expense are included in Interest expense, net in the accompanying statement of operations.

(b) The cash receipts are interest received on the Financial assets of special purpose entities.

(c) The cash payments represent interest paid on Nonrecourse financial liabilities of special purpose entities.

NOTE 17 15 - DEBT

The borrowing capacity of the Company's commercial paper program is $1.0 billion supported by its $1.5 billion credit agreement. Under the terms of the program, individual maturities on borrowings may vary, but not exceed one year from the date of issue. Interest bearing notes may be issued either as fixed or floating rate notes. As of September 30, 2022 March 31, 2023, the Company had $260 million no borrowings outstanding under the program with remaining capacity available of $740 million. As of September 30, 2022, the remaining credit agreement capacity was $1.2 billion. program.

At September 30, 2022 March 31, 2023, International Paper's credit facilities totaled $2.0 billion $2 billion. The Agreements generally provide for interest rates at a floating rate index plus a pre-determined margin dependent upon International Paper's credit rating. The Agreements include a $1.5 billion contractually committed bank facility with a maturity date of June 2026. The liquidity facilities also previously included up to $550 million $500 million of uncommitted financings based on eligible receivables balances under a receivables securitization program that had an expiration date in April 2022. The receivables securitization program was renewed on April 27, 2022 with up to $500 million of uncommitted financings based on eligible receivables balances with the expiration date expires in April 2024. At September 30, 2022 March 31, 2023, there were no borrowings outstanding under either the bank facility or receivables securitization program.

During the first quarter of 2022, 2023, the Company entered into a variable term loan agreement providing for a $600 million term loan which was fully drawn on the date of such loan agreement and matures in 2028. The $600 million debt was issued following the repayment of $410 million of commercial paper earlier in 2023 and will be used to repay debt maturing later in 2023 and general corporate purposes. Additionally during the first quarter of 2023, the Company issued an approximately $88 million of debt $72 million EDB with an interest rate of 2.65% 4.00% and a maturity date of 2037. April 1, 2026. The proceeds from this issuance were used to repay an approximately $88 million of $72 million outstanding debt EDB that matured on April 1, 2022 April 1, 2023.

During the second quarter of 2022, the Company borrowed approximately $144 million under a term loan credit agreement with a third party lender. Subsequently, the Company exchanged 4,132,000 shares of Sylvamo common stock owned by the Company in exchange and as repayment of the approximately $144 million term loan obligation.

During the third quarter of 2022, the Company borrowed approximately $210 million under a term loan credit agreement with a third party lender. Subsequently, the Company repaid $167 million of the term loan with an exchange of 4,614,358 shares of Sylvamo common stock owned by the Company. The remainder of the term loan was repaid with cash. In addition, during the third quarter of 2022, the Company issued approximately $50 million of debt with a variable rate of interest and a maturity date of 2027. Moreover, as a result of a tender offer which was completed in September 2022, the Company had early debt reductions of $498 million related to debt with interest rates ranging from 6.40% to 8.70% and maturity dates ranging from 2023 to 2039. In addition to debt activity noted above, the Company had debt reductions of $14 million during the first nine months of 2022 related primarily to open market debt repurchases, and decreases in the amount of capital leases and international debt.

The Company's financial covenants require the maintenance of a minimum net worth, as defined in our debt agreements, of $9 billion and a total debt-to-capital ratio of less than 60%. Net worth is defined as the sum of common stock, paid-in capital and retained earnings, less treasury stock plus any cumulative goodwill impairment charges. The calculation also excludes accumulated other comprehensive income/loss and both the current and long-term Nonrecourse Financial Liabilities of Variable Interest Entities. The total debt-to-capital ratio is defined as total debt divided by the sum of total debt plus net worth. As of September 30, 2022 March 31, 2023, we were in compliance with our debt covenants.

At September 30, 2022 March 31, 2023, the fair value of International Paper's $5.4 billion $5.8 billion of debt was approximately $4.9 billion $5.6 billion. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues. International Paper's long-term debt is classified as Level 2 within the fair value hierarchy, which is further defined in Note 17 1 in the Company's Annual Report.

NOTE 18 - DERIVATIVES AND HEDGING ACTIVITIES

As a multinational company, International Paper is exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices.

The notional amounts of qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

In millions	September 30, 2022	December 31, 2021

Derivatives Not Designated as Hedging Instruments:		
Electricity contract (MWh)	**0.3**	0.5

The following table shows gains or losses recognized in AOCI, net of tax, related to derivative instruments:

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2022**	**2021**	**2022**	**2021**
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange contracts	**$ —**	$ (4)	**$ —**	$ 3
Total	**$ —**	$ (4)	**$ —**	$ 3
Derivatives in Net Investment Hedging Relationships:				
Foreign exchange contracts	**$ —**	$ 6	**$ —**	$ 18
Total	**$ —**	$ 6	**$ —**	$ 18

During the next 12 months, none of the September 30, 2022 AOCI balance, after tax, is expected to be reclassified to earnings.

The amounts of gains and losses recognized in the statement of operations on qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

	Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)				Location of Gain (Loss) Reclassified from AOCI (Effective Portion)
	Three Months Ended September 30,		Nine Months Ended September 30,		
In millions	**2022**	**2021**	**2022**	**2021**	
Derivatives in Cash Flow Hedging Relationships:					
Interest rate contracts	**$ (2)**	$ —	**$ (2)**	$ —	Cost of products sold
Foreign exchange contracts	**—**	8	**—**	9	Discontinued operations, net of taxes
Total	**$ (2)**	$ 8	**$ (2)**	$ 9	

	Gain (Loss) Recognized in Income				Location of Gain (Loss) In Statement of Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
In millions	**2022**	**2021**	**2022**	**2021**	
Derivatives Not Designated as Hedging Instruments:					
Electricity contract	**$ 1**	$ 6	**$ 12**	$ 13	Cost of products sold
Foreign exchange contracts	**—**	5	**—**	(1)	Cost of products sold
Total	**$ 1**	$ 11	**$ 12**	$ 12	

Fair Value Measurements

REFINITIV

The Company has not changed its valuation techniques for measuring the fair value of any financial assets or liabilities during the year. Transfers between levels, if any, are recognized at the end of the reporting period.

The following table provides a summary of the impact of our derivative instruments in the balance sheet:

Fair Value Measurements
Level 2 – Significant Other Observable Inputs

	Assets			
In millions	September 30, 2022		December 31, 2021	
Derivatives not designated as hedging instruments				
Electricity contract	**$**	**14**	$	10
Total derivatives	**$**	**14 (a)**	$	10 (b)

(a) Includes $14 million recorded in Other current assets in the accompanying condensed consolidated balance sheet.

(b) Includes $6 million recorded in Other current assets and $4 million recorded in Deferred charges and other assets in the accompanying condensed consolidated balance sheet.

The above contracts are subject to enforceable master netting arrangements that provide rights of offset with each counterparty when amounts are payable on the same date in the same currency or in the case of certain specified defaults. Management has made an accounting policy election to not offset the fair value of recognized derivative assets and derivative liabilities in the balance sheet. The amounts owed to the counterparties and owed to the Company are considered immaterial with respect to each counterparty and in the aggregate with all counterparties.

NOTE 19 16 - RETIREMENT PLANS

International Paper sponsors and maintains the Retirement Plan of International Paper Company (the Pension Plan) "Pension Plan"), a tax-qualified defined benefit pension plan that provides retirement benefits to substantially all hourly and union employees who work at a participating business unit. The Pension Plan was frozen as of January 1, 2019 for salaried participants.

The Pension Plan provides defined pension benefits based on years of credited service and either final average earnings (salaried employees and hourly employees receiving salaried benefits), hourly job rates or specified benefit rates (hourly and union employees).

Net periodic pension expense (income) for our qualified and nonqualified U.S. defined benefit plans comprised the following:

		Three Months Ended September 30,				Nine Months Ended September 30,					Three Months Ended March 31,			
In millions	*In millions*		2022		2021		2022		2021	*In millions*		2023		2022
Service cost	Service cost	**$**	**21**	$	26	**$**	**64**	$	78	Service cost	**$**	**12**	$	23
Interest cost	Interest cost		**85**		84		**254**		251	Interest cost		**116**		84
Expected return on plan assets	Expected return on plan assets		**(162)**		(177)		**(487)**		(543)	Expected return on plan assets		**(132)**		(162)
Actuarial loss	Actuarial loss		**21**		35		**65**		114	Actuarial loss		**24**		21
Amortization of prior service cost	Amortization of prior service cost		**6**		5		**17**		16	Amortization of prior service cost		**6**		6
Net periodic pension expense (income)	Net periodic pension expense (income)	**$**	**(29)**	$	(27)	**$**	**(87)**	$	(84)	Net periodic pension expense (income)	**$**	**26**	$	(28)

The components of net periodic pension expense (income) other than the Service cost component are included in Non-operating pension expense (income) in the Condensed Consolidated Statement of Operations.

The Company's funding policy for our pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plan, tax deductibility, the cash flows generated by the Company, and other factors. The Company made no voluntary cash contributions to the qualified pension plan in the first nine three months of 2022 2023 or 2021. 2022. The nonqualified defined benefit plans are funded to the extent of benefit payments, which totaled $16 million $5 million for the nine three months ended September 30, 2022 March 31, 2023.

NOTE 20 17 - STOCK-BASED COMPENSATION

The Company has an Incentive Compensation Plan (ICP) which is administered by the Management Development and Compensation Committee of the Board of Directors (the Committee). The ICP authorizes the grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals, dividend equivalents, stock options, stock appreciation rights, other stock-based awards and cash-based awards at the discretion of the Committee. As of September 30, 2022 March 31, 2023, 7.3 million 5.5 million shares were available for grant under the ICP.

Stock-based compensation expense and related income tax benefits were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Total stock-based compensation expense (selling and administrative)	Total stock-based compensation expense (selling and administrative)	**$ 26**	$ 42	**$ 98**	$ 103	Total stock-based compensation expense (selling and administrative)	**$ 34**	$ 66
Income tax benefits related to stock-based compensation	Income tax benefits related to stock-based compensation	**—**	(2)	**13**	13	Income tax benefits related to stock-based compensation	**11**	12

At September 30, 2022 March 31, 2023, $113 million $174 million, net of estimated forfeitures, of compensation cost related to unvested restricted performance time-based and performance-based shares, executive continuity awards and restricted stock attributable to future service had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.8 1.7 years.

Performance Share Long-Term Incentive Plan

During the first nine three months of 2022, 2023, the Company granted 1.9 million 1.6 million performance units at an average grant date fair value of $50.32. $37.83 and 1.3 million time-based units at an average grant date fair value of $34.63.

NOTE 21 18 - BUSINESS SEGMENT INFORMATION

International Paper's business segments, Industrial Packaging and Global Cellulose Fibers, are consistent with the internal structure used to manage these businesses. Both segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the Forest Products industry. On October 1, 2021, the Company completed the previously announced spin-off of its Printing Papers business into a new, publicly-traded company, Sylvamo, listed on the New York Stock Exchange. Additionally, on August 6, 2021, the Company completed the sale of its Kwidzyn, Poland mill which included the pulp and paper mill in Kwidzyn and supporting functions. As a result of the Sylvamo spin-off and the sale of Kwidzyn, the Company no longer has a Printing Papers segment, and all prior year amounts have been adjusted to reflect the Sylvamo and Kwidzyn businesses as a discontinued operation.
Business segment operating profits are used by International Paper's management to measure the earnings performance of its businesses. Management believes that this measure allows a better understanding of trends in costs, operating efficiencies, prices and volumes. Business segment operating profits are defined as earnings (loss) from continuing operations before income taxes and equity earnings, but including the impact of less than wholly owned subsidiaries, and excluding interest expense, net, corporate expenses, net, corporate net special items, business net special items and non-operating pension expense.

Net sales by business segment for the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021 2022 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Industrial Packaging	Industrial Packaging	**$ 4,385**	$ 4,111	**$ 13,282**	$ 12,071	Industrial Packaging	**$ 4,083**	$ 4,406
Global Cellulose Fibers	Global Cellulose Fibers	**887**	740	**2,385**	2,015	Global Cellulose Fibers	**811**	710
Corporate and Intersegment Sales	Corporate and Intersegment Sales	**130**	63	**361**	191	Corporate and Intersegment Sales	**126**	121
Net Sales	Net Sales	**$ 5,402**	$ 4,914	**$ 16,028**	$ 14,277	Net Sales	**$ 5,020**	$ 5,237

Operating profit (loss) by business segment for the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021 2022 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In millions	*In millions*	2022	2021	2022	2021	*In millions*	2023	2022
Industrial Packaging	Industrial Packaging	**$ 369**	$ 414	**$ 1,326**	$ 1,224	Industrial Packaging	**$ 322**	$ 397
Global Cellulose Fibers	Global Cellulose Fibers	**95**	76	**71**	(4)	Global Cellulose Fibers	**(16)**	(49)
Business Segment Operating Profits	Business Segment Operating Profits	**$ 464**	490	**$ 1,397**	1,220	Business Segment Operating Profits	**$ 306**	348
Earnings (loss) from continuing operations before income taxes and equity earnings	Earnings (loss) from continuing operations before income taxes and equity earnings	**$ 313**	$ 397	**$ 1,189**	$ 955	Earnings (loss) from continuing operations before income taxes and equity earnings	**$ 221**	$ 362
Interest expense, net	Interest expense, net	**123**	82	**266**	261	Interest expense, net	**62**	69
Adjustment for less than wholly owned subsidiaries		**(1)**	(1)	**(2)**	(3)			
Corporate expenses, net	Corporate expenses, net	**15**	13	**54**	85	Corporate expenses, net	**8**	12
Corporate net special items	Corporate net special items	**62**	49	**34**	70	Corporate net special items	**—**	(46)
Business net special items		**—**	—	**—**	5			
Non-operating pension expense (income)	Non-operating pension expense (income)	**(48)**	(50)	**(144)**	(153)	Non-operating pension expense (income)	**15**	(49)

Business Segment Operating Profits	Business Segment Operating Profits	**$**	**464**	$	490	**$**	**1,397**	$	1,220	Business Segment Operating Profits	**$**	**306**	$	348	

ITEM 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included in "Financial Statements and Supplementary Data" of this Quarterly Report on Form 10-Q (this "Form 10-Q") and the Company's Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 (our "Annual Report"). In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve significant risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and in our Annual Report, particularly under "Risk Factors" and "Forward-Looking Statements" of this Form 10-Q and our Annual Report.

EXECUTIVE SUMMARY

Net earnings (loss) attributable to the Company's common shareholders were $951 million $172 million ($2.64 0.49 per diluted share) in the third first quarter of 2022, 2023, compared with $511 million $(318) million ($1.38 (0.90) per diluted share) in the second fourth quarter of 2022 and $864 million $360 million ($2.20 0.95 per diluted share) in the third first quarter of 2021. 2022. The Company generated Adjusted operating earnings attributable to its common shareholders (a non-GAAP measure defined below) of $364 million $185 million ($1.01 0.53 per diluted share) in the third first quarter of 2022, 2023, compared with $459 million $309 million ($1.24 0.87 per diluted share) in the second fourth quarter of 2022 and $431 million $195 million ($1.10 0.51 per diluted share) in the third first quarter of 2021. 2022.

During the third quarter 2022, International Paper's first quarter 2023 earnings were significantly impacted by reflect solid performance in the face of a challenging macroeconomic environment, resulting in environment. During the quarter, we delivered $65 million of year-over-year incremental earnings benefit from our Building a sharp decline in demand related Better IP initiatives. Additionally, our mill system continued to perform well as we successfully executed our Industrial Packaging segment, and significant cost headwinds from higher energy and distribution costs. highest planned maintenance outage quarter of 2023. As we entered the third quarter 2022, 2023, we recognized there were considerable macroeconomic uncertainties ahead of us however and that our businesses are not immune to these risks. These macro trends significantly shifted roughly mid-way through the third quarter, creating stronger headwinds than expected. Demand for packaging continued to weaken in the third latter half of the first quarter 2022 across all channels and all end-use segments 2023 resulting in a weaker demand environment as consumers reduced their spending for goods, focusing more on non-discretionary products and services. In addition, we saw our customers and the broader retail channel, continue to manage supply chain worked through elevated inventories which further impacted of their products. We also believe inflationary pressure, rising interest rates and the pull forward of goods during the pandemic are weighing on consumers resulting in lower demand for packaging our products as consumer priorities remain focused on non-discretionary goods and services in the third near term. Margins were also under pressure from lower prices across our portfolio, partially offset by lower input costs. Our customers and the broader supply chain continued to work through elevated inventories of their products which has constrained demand. While we believe most of the destocking through the retail chain has been resolved, it continues throughout the rest of the supply chain, especially our manufacturer customers. We believe this will run its course through the second quarter, 2022. The large decline in volume also significantly impacted operating costs as we adjusted our system to align our production with customer demand. This resulted in approximately 400,000 tons of economic downtime across the system resulting in high unabsorbed fixed costs and a sub-optimized system. Despite these macroeconomic challenges, fluff pulp an improved demand was stable, and our Global Cellulose business generated strong earnings growth to deliver cost-of-capital returns environment in the third quarter 2022. On second half of 2023. Regarding capital allocation in the first quarter 2023, we returned $434 million $319 million to shareowners, in the third quarter 2022, including $269 million $157 million of share repurchases. During the first quarter 2023, cash from operations was $345 million and free cash flow was $4 million. First quarter cash from operations and free cash flow included a $193 million final payment to the IRS for the timber monetization restructuring settlement. Finally, with respect to the sale of our interest in the Ilim joint venture, we made good progress in the quarter toward the completion of the sale, with the buyers receiving an important required approval from a Russian commission overseeing exits by foreign companies, but we are still awaiting approval from the Russian competition authority. We have returned approximately $1.6 billion of cash are optimistic this approval will be received soon and we plan to shareowners so far this year. Additionally, in October 2022, our Board of Directors authorized an additional $1.5 billion of share repurchases, in addition to amounts previously authorized and available. close shortly thereafter.

Comparing our performance in the third first quarter 2022 2023 to the second fourth quarter 2022, price and mix improved, driven was lower in our North American Industrial Packaging business due to index movements and lower export prices. Price in our Global Cellulose Fibers business was relatively flat as the earnings benefit from contract restructuring was offset by continued price realization unfavorable mix as a result of lower absorbent pulp shipments and prior index movements. Volume in our North American Industrial Packaging business was flat as weaker demand and customer inventory destocking was offset by four additional shipping days in the first quarter 2023. Volume in our Global Cellulose Fibers business was similarly impacted by customer inventory destocking in addition to the negative volume impact from prior period increases the Chinese new year. Operations and costs were higher in both our North American Industrial Packaging and Global Cellulose Fibers businesses. Volume was lower businesses, in our North American Industrial Packaging business as a result spite of softer demand across all channels, while volume improved in our Global Cellulose Fibers business on improved supply chain velocity. Operations and costs were significantly higher in our North American Industrial Packaging business the mills running well, on the non-repeat of favorable one-time items from the second fourth quarter 2022 along associated with significant economic downtime, higher distribution lower employee benefits costs, workers' compensation costs and other inflation driven cost increases. Operations and costs were relatively flat in medical claims. Additionally, our Global Cellulose Fibers business. business was impacted by higher economic downtime due to the lower demand environment. Maintenance outages were sequentially lower in both business segments coming off of higher as the heavy first quarter 2023 represents the highest planned maintenance outage activity quarter in the second quarter 2022. 2023. Input costs continued to be a significant headwind with sequentially unfavorable costs were significantly lower in both business segments, driven by higher lower energy, freight and chemicals, partially offset by lower recovered fiber costs in our North American Industrial Packaging business. costs.

Looking ahead to the fourth second quarter 2022, 2023, as compared to the third first quarter 2022, 2023, in our Industrial Packaging business, we expect price and mix to be lower primarily due to prior index movements along with lower prices in the export market. market to date. Volume is expected to be lower on four fewer shipping days, seasonally higher in North America, partially offset by seasonally higher produce volume in our EMEA Packaging business. The traditional seasonal increase in volume from holiday demand is not expected to be as strong this year. one less shipping day. Operations and costs are expected to be significantly higher due to unabsorbed fixed costs on lower volumes, higher seasonal energy costs, along with further inflation on materials and services. the timing of spending in the second quarter 2023. Maintenance outage expense is expected to be flat decrease relative to the third first quarter 2022. 2023. The second quarter 2023 will represent approximately 40% of total planned maintenance outage with approximately 80% of the annual outages completed through the first half of 2023. Input costs are expected to be lower driven by lower fiber costs for energy and energy costs. freight. In our Global Cellulose Fibers business, we expect price and mix to improve decrease earnings on price realization from prior period increases. index movements. Volume is expected to be lower on timing of shipments through the supply chain. seasonally higher demand. Operations and costs are expected to be stable while maintenance favorable due to lower supply chain costs, lower unabsorbed fixed costs due to higher volume and seasonality. Maintenance outage expenses are expense is expected to increase. Input be lower along with lower input costs, are expected primarily due to increase, primarily related to lower energy costs at our converting operation in Poland.

The Russia-Ukraine conflict, including current and future sanctions, actions by the Russian government, and associated domestic and global economic and geopolitical conditions, have affected and could materially and adversely affect our Ilim joint venture and could otherwise adversely affect our business, financial condition, results of operations and cash flows. We are unable to predict the full impact of Russia's ongoing invasion of Ukraine, sanctions that have been imposed to date or that may in the future be imposed, geopolitical instability and the possibility of broadened military conflict may have on us or our Ilim joint venture, including whether our Ilim joint venture may be able to continue to pay dividends to us. We continue to actively explore strategic options with respect to the Ilim joint venture, including a sale of our 50% equity interest in Ilim. While we may sell our equity interests in the Ilim joint venture, we cannot be certain if and when this may occur, or the impact that possible disruptions in the capital markets, negative macroeconomic conditions, or conditions associated with the Russia-Ukraine conflict, could have on the value of and our ability to sell our equity interest in the Ilim joint venture and the timing of any such sale. fiber costs.

Adjusted operating earnings Operating Earnings and Adjusted operating earnings per share Operating Earnings Per Share are non-GAAP measures and are defined as net earnings (loss) attributable to International Paper (a GAAP measure) excluding discontinued operations, net special items and non-operating pension expense (income). Net earnings (loss) and Diluted earnings (loss) per share attributable to common shareholders are the most directly comparable GAAP measures. The Company calculates Adjusted operating earnings Operating Earnings by excluding the after-tax effect of discontinued operations, non-operating pension expense (income) and items considered by management to be unusual or otherwise not reflective of on-going operations (net special items) from net earnings (loss) attributable to shareholders reported under GAAP. Adjusted operating earnings per share Operating Earnings Per Share is calculated by dividing Adjusted operating earnings Operating Earnings by diluted average shares of common stock outstanding. Management uses these measures this measure to focus on on-going operations, and believes that these measures are it is useful to investors because such measures enable investors it enables them to perform meaningful comparisons of past and present consolidated operating results. results from continuing operations. The Company believes that using this information, along with the most directly direct comparable GAAP measures, provide measure, provides for a more complete analysis of the results of operations.

The following are reconciliations of Net earnings (loss) attributable to shareholders to Adjusted operating earnings (loss) attributable to common shareholders on a total and per share basis. Additional detail is provided later in this Form 10-Q regarding the net special items expense (income) referenced in the charts below.

		Three Months Ended September 30,		Three Months Ended June 30,		Three Months Ended March 31,		Three Months Ended December 31,
In millions	*In millions*	2022	2021	2022	*In millions*	2023	2022	2022
Net earnings (loss) attributable to shareholders		$ 951	$ 864	$ 511				
Net earnings (loss)					Net earnings (loss)	$ 172	$ 360	$ (318)
Less - Discontinued operations (gain) loss	Less - Discontinued operations (gain) loss	—	(432)	—	Less - Discontinued operations (gain) loss	—	(93)	489

Earnings (loss) from continuing operations attributable to shareholders		**951**	432	511				
Earnings (loss) from continuing operations					Earnings (loss) from continuing operations	**172**	267	171
Add back - Non-operating pension expense (income)	Add back - Non-operating pension expense (income)	**(48)**	(50)	(47)	Add back - Non-operating pension expense (income)	**15**	(49)	(48)
Add back - Net special items expense (income)	Add back - Net special items expense (income)	**117**	49	18	Add back - Net special items expense (income)	**3**	(46)	144
Income tax effect - Non-operating pension and net special items expense (income)	Income tax effect - Non-operating pension and net special items expense (income)	**(656)**	—	(23)	Income tax effect - Non-operating pension and net special items expense (income)	**(5)**	23	42
Adjusted operating earnings (loss) attributable to shareholders		**$ 364**	$ 431	$ 459				
Adjusted operating earnings (loss)					Adjusted operating earnings (loss)	**$ 185**	$ 195	$ 309

		Three Months Ended September 30,		**Three Months Ended June 30,**		**Three Months Ended March 31,**		**Three Months Ended December 31,**
In millions		**2022**	**2021**	**2022**				
Diluted earnings (loss) per share attributable to shareholders		**$ 2.64**	$ 2.20	$ 1.38				
						2023	**2022**	**2022**
Diluted earnings (loss) per share					Diluted earnings (loss) per share	**$ 0.49**	$ 0.95	$ (0.90)
Less - Discontinued operations (gain) loss per share	Less - Discontinued operations (gain) loss per share	**—**	(1.10)	—	Less - Discontinued operations (gain) loss per share	**—**	(0.25)	1.38
Diluted earnings (loss) per share from continuing operations attributable to shareholders		**2.64**	1.10	1.38				
Diluted earnings (loss) per share from continuing operations					Diluted earnings (loss) per share from continuing operations	**0.49**	0.70	0.48
Add back - Non-operating pension expense (income) per share	Add back - Non-operating pension expense (income) per share	**(0.13)**	(0.12)	(0.13)	Add back - Non-operating pension expense (income) per share	**0.04**	(0.13)	(0.13)

Add back - Net special items expense (income) per share	Add back - Net special items expense (income) per share	**0.32**	0.12	0.05	Add back - Net special items expense (income) per share	**0.01**	(0.12)	0.41
Income tax effect per share - Non-operating pension and net special items expense (income)	Income tax effect per share - Non-operating pension and net special items expense (income)	**(1.82)**	—	(0.06)	Income tax effect per share - Non-operating pension and net special items expense (income)	**(0.01)**	0.06	0.11
Adjusted operating earnings (loss) per share attributable to shareholders		$ **1.01**	$ 1.10	$ 1.24				
Adjusted operating earnings (loss) per share					Adjusted operating earnings (loss) per share	$ **0.53**	$ 0.51	$ 0.87

Cash provided by operations, including discontinued operations, totaled $1.4 billion $345 million and $1.9 billion $588 million for the first nine three months of 2022 2023 and 2021, 2022, respectively. The Company generated free cash flow of approximately $804 million $4 million and $1.6 billion $403 million in the first nine three months of 2022 2023 and 2021, 2022, respectively. Free cash flow is a non-GAAP measure and the most directly comparable GAAP measure is cash provided by operations. Management utilizes this measure in connection with managing our business and believes that free cash flow is useful to investors as a liquidity measure because it measures the amount of cash generated that is available, after reinvesting in the business, to maintain a strong balance sheet, pay dividends, repurchase stock, service debt and make investments for future growth. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. By adjusting for certain items that are not indicative of the Company's ongoing performance, we believe that free cash flow also enables investors to perform meaningful comparisons between past and present periods.

The following is a reconciliation of cash provided by operations to free cash flow:

		Nine Months Ended September 30,			**Three Months Ended March 31,**	
In millions	***In millions***	**2022**	**2021**	***In millions***	**2023**	**2022**
Cash provided by operations	Cash provided by operations	**$ 1,413**	$ 1,923	Cash provided by operations	**$ 345**	$ 588
Adjustments:	Adjustments:			Adjustments:		
Cash invested in capital projects, net of insurance recoveries	Cash invested in capital projects, net of insurance recoveries	**(609)**	(348)	Cash invested in capital projects, net of insurance recoveries	**(341)**	(185)
Free Cash Flow	Free Cash Flow	**$ 804**	$ 1,575	Free Cash Flow	**$ 4**	$ 403

The non-GAAP financial measures presented in this Form 10-Q as referenced above 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 utilize identical calculations, the Company's presentation of non-GAAP measures in this Form 10-Q may not be comparable to similarly titled measures disclosed by other companies, including companies in the same industry as the Company.

RESULTS OF OPERATIONS

For the third first quarter of 2022, 2023, International Paper reported net sales of $5.4 billion $5.0 billion, compared with $5.4 billion $5.1 billion in the second fourth quarter of 2022 and $4.9 billion $5.2 billion in the third first quarter of 2021. 2022.

Net earnings (loss) attributable to International Paper totaled $951 million $172 million, or $2.64 $0.49 per diluted share, in the third first quarter of 2022. 2023. This compared with $511 million, $(318) million, or $1.38 $(0.90) per diluted share, in the second fourth quarter of 2022 and $864 million $360 million, or $2.20 $0.95 per diluted share, in the third first quarter of 2021. 2022.

Continuing Ops Waterfall QoQ Q1 23.jpg

Compared with the second fourth quarter of 2022, earnings from continuing operations benefited from higher average sales prices net of an unfavorable mix ($114 million), lower mill maintenance outage raw material and freight costs ($48 100 million), lower corporate and other items ($9 million), lower net interest expense ($5 million), lower tax expense ($12 million) and lower non-operating pension expense ($1 8 million). These benefits were offset by lower average sales prices and an unfavorable mix ($38 million), lower sales volumes ($20 4 million), higher operating costs ($176 93 million), higher mill maintenance outage costs ($74 million), higher corporate and other items ($23 million), higher net interest expense ($2 million) and higher raw material and freight costs non-operating pension expense ($57 47 million). Equity earnings, net of taxes, relating to International Paper's investments in Ilim and other investments were $30 million lower $2 million higher in the third first quarter of 2022 2023 than in the second fourth quarter of 2022. Net special items in the third first quarter of 2022 2023 were a gain charge of $551 million $2 million compared with a gain charge of $17 million $174 million in the second fourth quarter of 2022.

Continuing Ops Waterfall YoY Q1 23.jpg

Compared with the third first quarter of 2021, 2022, the third first quarter of 2022 2023 reflects higher average sales prices ($227 million), lower raw material and a favorable mix freight costs ($473 87 million), lower mill maintenance outage costs ($4 million), lower corporate and other costs ($3 million), lower net interest expense ($12 7 million) and lower tax expense ($11 million). These benefits were offset by lower sales volumes ($24 73 million), higher operating costs ($209 million), higher raw material and freight costs ($247 million), higher mill maintenance outage costs ($15 million), higher corporate and other costs ($2 million), higher tax expense ($24 275 million) and higher non-operating pension expense ($2 48 million). Equity earnings, net of taxes, relating to International Paper's investments in Ilim and other investments were $31 million $1 million lower in the third first quarter of 2022 2023 than in the third first quarter of 2021. 2022. Net special items in the third first quarter of 2022 2023 were a charge of $2 million compared with a gain of $551 million compared with a loss of $37 million $35 million in the third first quarter of 2021. 2022.

Business segment operating profits are used by International Paper's management to measure the earnings performance of its businesses. Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides a more complete analysis of the results of operations by quarter. Business segment operating profits are defined as earnings (loss) from continuing operations before income taxes and equity earnings, but including the impact of less than wholly owned subsidiaries, and excluding interest expense, net, corporate expenses, net, corporate net special items, business net special items and non-operating pension expense. Business segment operating profits 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.

The Company currently operates in two segments: Industrial Packaging and Global Cellulose Fibers. On January 24, 2023, the Company announced an agreement to sell its Ilim equity investment and, as a result, all current and historical results of the Ilim investment are presented as Discontinued Operations, net of taxes and our equity investment is no longer a separate reportable industry segment.

The following table presents a reconciliation of Net earnings (loss) attributable to International Paper Company from continuing operations to its Total total business segment operating profit:

		Three Months Ended				Three Months Ended		
		September 30,		June 30,		March 31,		December 31,
In millions	*In millions*	2022	2021	2022	*In millions*	2023	2022	2022
Net Earnings (Loss) from Continuing Operations Attributable to International Paper Company		$ 951	$ 432	$ 511				
Net Earnings (Loss) from Continuing Operations					Net Earnings (Loss) from Continuing Operations	$ 172	$ 267	$ 171

Add back (deduct):	Add back (deduct):				Add back (deduct):			
Income tax provision (benefit)	Income tax provision (benefit)	**(575)**	59	96	Income tax provision (benefit)	**48**	95	148
Equity (earnings) loss, net of taxes	Equity (earnings) loss, net of taxes	**(63)**	(94)	(93)	Equity (earnings) loss, net of taxes	**1**	—	3
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	**313**	397	514	Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	**221**	362	322
Interest expense, net	Interest expense, net	**123**	82	74	Interest expense, net	**62**	69	59
Less than wholly owned subsidiaries included in operations	Less than wholly owned subsidiaries included in operations	**(1)**	(1)	(1)	Less than wholly owned subsidiaries included in operations	**—**	—	(3)
Corporate expenses, net	Corporate expenses, net	**15**	13	27	Corporate expenses, net	**8**	12	(20)
Corporate net special items	Corporate net special items	**62**	49	18	Corporate net special items	**—**	(46)	65
Business net special items					Business net special items	**—**	—	76
Non-operating pension expense (income)	Non-operating pension expense (income)	**(48)**	(50)	(47)	Non-operating pension expense (income)	**15**	(49)	(48)
Adjusted Operating Profit	Adjusted Operating Profit	**$ 464**	$ 490	$ 585	Adjusted Operating Profit	**$ 306**	$ 348	$ 451
Business Segment Operating Profit (Loss):	Business Segment Operating Profit (Loss):				Business Segment Operating Profit (Loss):			
Industrial Packaging	Industrial Packaging	**$ 369**	$ 414	$ 560	Industrial Packaging	**$ 322**	$ 397	$ 416
Global Cellulose Fibers	Global Cellulose Fibers	**95**	76	25	Global Cellulose Fibers	**(16)**	(49)	35
Total Business Segment Operating Profit	Total Business Segment Operating Profit	**$ 464**	$ 490	$ 585	Total Business Segment Operating Profit	**$ 306**	$ 348	$ 451

Business Segment Operating Profit

Total business segment operating profits were $464 million $306 million in the third first quarter of 2022, $585 million 2023, $451 million in the second fourth quarter of 2022 and $490 million $348 million in the third first quarter of 2021. 2022.

Segment Ops Waterfall QoQ Q1 23.jpg

Compared with the second fourth quarter of 2022, operating profits benefited from higher average sales prices net of an unfavorable mix ($151 million) lower raw material and lower mill outage freight costs ($63 134 million). These benefits were offset by lower average sales prices and an unfavorable mix ($51 million), lower sales volumes ($27 5 million), higher operating costs ($233 124 million) and higher raw material and freight mill outage costs ($75 99 million).

Segment Ops Waterfall YoY Q1 23.jpg

Compared with the third first quarter of 2021, 2022, operating profits in the current quarter benefited from higher average sales prices ($311 million), lower raw material and a favorable mix freight costs ($556 119 million) and lower mill outage costs ($5 million). These benefits were offset by lower sales volumes ($28 100 million), and higher operating costs ($246 million), higher raw material and freight costs ($290 million) and higher mill outage costs ($18 377 million).

Sales Volumes by Product (a)

Sales volumes of major products for the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021 2022 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
In thousands of short tons (except as noted)	***In thousands of short tons (except as noted)***	**2022**	**2021**	**2022**	**2021**	***In thousands of short tons (except as noted)***	**2023**	**2022**
Industrial Packaging	Industrial Packaging					Industrial Packaging		
Corrugated Packaging (b)	Corrugated Packaging (b)	**2,522**	2,689	**7,759**	8,106	Corrugated Packaging (b)	**2,381**	2,618
Containerboard	Containerboard	**677**	710	**2,096**	2,118	Containerboard	**544**	712
Recycling	Recycling	**546**	521	**1,645**	1,647	Recycling	**560**	564
Saturated Kraft	Saturated Kraft	**51**	45	**146**	140	Saturated Kraft	**34**	44
Gypsum/Release Kraft	Gypsum/Release Kraft	**66**	56	**184**	179	Gypsum/Release Kraft	**60**	54
EMEA Packaging (b)	EMEA Packaging (b)	**297**	334	**1,019**	1,179	EMEA Packaging (b)	**335**	368
Industrial Packaging	Industrial Packaging	**4,159**	4,355	**12,849**	13,369	Industrial Packaging	**3,914**	4,360
Global Cellulose Fibers *(in thousands of metric tons)* (c)	Global Cellulose Fibers *(in thousands of metric tons)* (c)	**750**	748	**2,182**	2,246	Global Cellulose Fibers *(in thousands of metric tons)* (c)	**688**	712

(a) Sales volumes include third party and inter-segment intersegment sales and exclude sales of equity investees.

(b) Volumes for corrugated box sales reflect consumed tons sold (CTS). Board sales for these businesses reflect invoiced tons.

(c) Includes North American volumes and internal sales to mills.

Discontinued Operations

On October 1, 2021 January 24, 2023, the Company completed the previously announced spin-off it had reached an agreement to sell its equity investment in Ilim and had also received an indication of interest to purchase its Printing Papers business along with certain mixed-use coated paperboard equity investment in Ilim Group. All current and pulp businesses in North America, France and Russia into a standalone, publicly-traded company, Sylvamo. On August 6, 2021, the Company completed the sale of its Kwidzyn, Poland mill which included the pulp and paper mill in Kwidzyn and supporting functions. As a result historical results of the Sylvamo spin-off and sale Ilim joint venture investment are presented as Discontinued Operations, net of Kwidzyn, taxes in the Company no longer has a Printing Papers business segment, and all historical results have been adjusted to reflect the Kwidzyn and the Printing Papers business and other businesses conveyed to Sylvamo as discontinued consolidated statement of operations. See This transaction is discussed further in Note 9 10 - Divestitures and Impairments Equity Method Investments of Item 1. Financial Statements for further discussion. .

Discontinued operations include the operating equity earnings of the businesses noted above. Ilim joint venture. Discontinued operations also includes after-tax net special items income charges of $331 million $43 million and $338 million $533 million for the three months ended March 31, 2023 and nine months ended September 30, 2021 December 31, 2022, respectively.

Details of these charges were as follows:

		Three Months Ended		Nine Months	
		September 30,		September 30,	
		2021		2021	
In millions		Before Tax	After Tax	Before Tax	After Tax
Gain on sale of Kwidzyn, Poland mill		$ (360)	$ (350)	$ (360)	$ (350)
Gain on sale of La Mirada, CA distribution center		(86)	(65)	(86)	(65)
Printing Papers spin-off		52	47	101	87
Foreign value-added tax credit (including interest)		15	10	(55)	(37)
Foreign and state taxes related to Printing Papers spin-off		—	27	—	27
Total		$ (379)	$ (331)	$ (400)	$ (338)

	Three Months		Three Months	
	March 31,		December 31,	
	2023		2022	
In millions	Before Tax	After Tax	Before Tax	After Tax
Ilim equity method investment impairment	**$ 43**	**$ 43**	$ 533	$ 533
Total	**$ 43**	**$ 43**	$ 533	$ 533

Income Taxes

An income tax benefit provision of $575 million $48 million was recorded for the third first quarter of 2023 and the reported effective income tax rate was 22%. Excluding a benefit of $1 million related to the tax effects of net special items and a benefit of $4 million related to the tax effects of non-operating pension expense, the operational effective income tax rate was 22% for the quarter. The effective tax rate for the first quarter of 2023 was lower than the prior quarter primarily due to a decrease in state income taxes in the first quarter of 2023.

An income tax provision of $148 million was recorded for the fourth quarter of 2022 and the reported effective income tax rate was (184)% 46%. Excluding a benefit expense of $668 million $30 million related to the tax effects of net special items and expense of $12 million related to the tax effects of non-operating pension expense, the operational effective income tax rate was 21% 25% for the quarter. The effective tax rate for the third quarter of 2022 was lower than the prior quarter primarily due to the tax-free exchange of a portion of the Company's shares of Sylvamo Corporation, the settlement of the timber monetization restructuring tax matter with the Internal Revenue Service and a reduction in the forecasted annual effective tax rate including additional tax credits available through the Inflation Reduction Act.

An income tax provision of $96 million $95 million was recorded for the second first quarter of 2022 and the reported effective income tax rate was 19% 26%. Excluding a benefit expense of $35 million $11 million related to the tax effects of net special items and expense of $12 million related to the tax effects of non-operating pension expense, the operational effective income tax rate was 25% 27% for the quarter. The higher operational effective income tax rate for the second quarter of 2022 was lower than in the first quarter of 2022 was primarily due to the tax-free exchange of a portion of the Company's shares of Sylvamo Corporation. reduced tax benefits for equity-based compensation.

An The operational tax provision and rate are non-GAAP measures and are calculated by adjusting the income tax provision of $59 million was recorded for the third quarter of 2021 from continuing operations and the reported effective income tax rate was 15%. Excluding a benefit of $12 million related to exclude the tax effects effect of net special items and expense of $12 million related to the tax effects of non-operating pension expense (income). Management believes that the effective presentation provides useful information to investors by providing a more meaningful comparison of the income tax rate was 15% for the quarter. The tax rate in the third quarter of 2021 was lower than the prior two quarters in 2021 primarily as a result of tax benefits recognized after the finalization of the 2020 U.S. federal income tax return, between past and the impact of lower tax expense associated with the sale of our Kwidzyn, Poland mill. present periods.

Interest Expense

Net interest expense was $123 million $62 million in the third first quarter of 2022, 2023, compared with $74 million $59 million in the second fourth quarter of 2022 and $82 million $69 million in the third first quarter of 2021. 2022. The third first quarter of 2023 and fourth quarter of 2022 includes $55 million include $3 million of interest expense related to the previously announced settlement of the timber monetization restructuring tax matter.

Effects of Net Special Items Expense (Income) and Non-Operating Pension Expense

Details of net special items expense (income) excluding interest expense and non-operating pension expense (income) for the three months ended are as follows:

		Three Months Ended							Three Months Ended					
		September 30,				June 30,			March 31,				December 31,	
		2022		2021		2022			2023		2022		2022	
In millions	*In millions*	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax	*In millions*	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
Business Segments								**Business Segments**						
Net (gains) losses on sales and impairments of businesses								Net (gains) losses on sales and impairments of businesses	**$ —**	**$ —**	$ —	$ —	$ 76	$ 76
Business Segments Total								**Business Segments Total**	**—**	**—**	—	—	76	76
Corporate	**Corporate**							**Corporate**						
Debt extinguishment costs		**$ 93**	**$ 70**	$ 35	$ 26	$ —	$ —							
Timber monetization settlement interest		**55**	**41**	—	—	—	—							
Environmental remediation reserve adjustment	Environmental remediation reserve adjustment	**—**	**—**	5	4	15	11	Environmental remediation reserve adjustment	**$ —**	**$ —**	$ —	$ —	$ 48	$ 36
Sylvamo investment	Sylvamo investment	**(16)**	**(12)**	—	—	(3)	(2)	Sylvamo investment	**—**	**—**	(46)	(35)	—	—
Legal settlement		**(15)**	**(11)**	—	—	—	—							
Legal reserve adjustments								Legal reserve adjustments	**—**	**—**	—	—	11	8
Foreign currency cumulative translation loss related to sale of equity method investment								Foreign currency cumulative translation loss related to sale of equity method investment	**—**	**—**	—	—	10	10
Other	Other	**—**	**—**	9	7	6	5	Other	**—**	**—**	—	—	(4)	(3)
Corporate Total	**Corporate Total**	**117**	**88**	49	37	18	14	**Corporate Total**	**—**	**—**	(46)	(35)	65	51
Total net special items expense (income)	**Total net special items expense (income)**	**117**	**88**	49	37	18	14	**Total net special items expense (income)**	**—**	**—**	(46)	(35)	141	127
Non-operating pension expense (income)	Non-operating pension expense (income)	**(48)**	**(36)**	(50)	(38)	(47)	(35)	Non-operating pension expense (income)	**15**	**11**	(49)	(37)	(48)	(36)

Total net special items and non-operating pension expense (income)	Total net special items and non-operating pension expense (income)	$	69	$	52	$	(1)	$	(1)	$	(29)	$	(21)	Total net special items and non-operating pension expense (income)	$	15	$	11	$	(95)	$	(72)	$	93	$ 91

Net special items expense (income) include the following tax expenses (benefits):

	Three Months Ended					
	September 30,				June 30,	
In millions	2022		2021		2022	
Tax benefit related to the timber monetization settlement	$	(604)	$	—	$	—
Tax benefit related to tax-free exchange of Sylvamo shares		(35)		—		(31)
Total	$	(639)	$	—	$	(31)

Details of net special items expense (income) and non-operating pension expense (income) for the nine months ended are as follows:

	Nine Months Ended								
	September 30,								
	2022				2021				
In millions	Before Tax		After Tax		Before Tax		After Tax		
Business Segments									
EMEA Packaging business optimization	$	—	$	—	$	12	$	10	(a)
EMEA Packaging impairment - Turkey		—		—		(6)		—	(a)
Business Segments Total		—		—		6		10	
Corporate									
Debt extinguishment costs		93		70		223		168	
Timber monetization settlement interest		55		41		—		—	
Environmental remediation reserve adjustment		15		11		10		7	
Real estate - office impairment		—		—		21		16	
Sylvamo investment		(65)		(49)		—		—	
Legal settlement		(15)		(11)		—		—	
Gain on sale of equity investment in Graphic Packaging		—		—		(204)		(154)	
Other		6		5		20		15	
Corporate Total		89		67		70		52	
Total net special items expense (income)		89		67		76		62	
Non-operating pension expense (income)		(144)		(108)		(153)		(115)	
Total net special items and non-operating pension expense (income)	$	(55)	$	(41)	$	(77)	$	(53)	

(a) Recorded in the Industrial Packaging segment.

Net special items include the following tax expenses (benefits):

		Nine Months Ended			Three Months Ended		
		September 30,			March 31,		December 31,
In millions	*In millions*	2022	2021	*In millions*	2023	2022	2022

	Tax benefit related to the timber monetization settlement	**$**	**(604)**	$	—							
	Tax benefit related to tax-free exchange of Sylvamo shares		**(66)**		—							
	Foreign deferred tax valuation allowance					Foreign deferred tax valuation allowance	**$**	**—**	$	—	$	45
Total	**Total**	**$**	**(670)**	$	—	**Total**	**$**	**—**	$	—	$	45

BUSINESS SEGMENT OPERATING RESULTS

The following tables present net sales and business segment operating profit (loss) which is the Company's measure of segment profitability.

Industrial Packaging

Total Industrial Packaging	**Total Industrial Packaging**	**2022**			**2021**			**Total Industrial Packaging**	**2023**	**2022**	
In millions	***In millions***	**3rd Quarter**	**2nd Quarter**	**Nine Months**	**3rd Quarter**	**2nd Quarter**	**Nine Months**	***In millions***	**1st Quarter**	**1st Quarter**	**4th Quarter**
Sales	**Sales**	**$ 4,385**	**$ 4,491**	**$ 13,282**	$ 4,111	$ 4,030	$ 12,071	**Sales**	**$ 4,083**	$ 4,406	$ 4,169
Operating Profit (Loss)	**Operating Profit (Loss)**	**$ 369**	**$ 560**	**$ 1,326**	$ 414	$ 389	$ 1,224	**Operating Profit (Loss)**	**$ 322**	$ 397	$ 416

Industrial Packaging net sales for the third first quarter of 2022 2023 were 2% lower compared with the second fourth quarter of 2022 and 7% higher lower compared with the third first quarter of 2021. 2022. Operating profit was 34% 23% lower in the third first quarter of 2022 2023 compared with the second fourth quarter of 2022 and 11% 19% lower compared with the third first quarter of 2021. 2022.

North American Industrial Packaging	**North American Industrial Packaging**	**2022**			**2021**			**North American Industrial Packaging**	**2023**	**2022**	
In millions	***In millions***	**3rd Quarter**	**2nd Quarter**	**Nine Months**	**3rd Quarter**	**2nd Quarter**	**Nine Months**	***In millions***	**1st Quarter**	**1st Quarter**	**4th Quarter**
Sales (a)	**Sales (a)**	**$ 4,055**	**$ 4,126**	**$ 12,206**	$ 3,814	$ 3,663	$ 11,037	**Sales (a)**	**$ 3,724**	$ 4,025	$ 3,805
Operating Profit (Loss)	**Operating Profit (Loss)**	**$ 387**	**$ 550**	**$ 1,337**	$ 418	$ 377	$ 1,190	**Operating Profit (Loss)**	**$ 302**	$ 400	$ 416

(a) Includes intra-segment sales of $25 million $32 million, $29 million and $34 million $30 million for the three months ended September 30, 2022 March 31, 2023 and 2021, respectively; $48 million 2022 and $27 million for the three months ended June 30, 2022 and 2021, respectively; and $102 million and $87 million for the nine months ended September 30, 2022 and 2021, December 31, 2022, respectively.

North American Industrial Packaging sales volumes in the third first quarter of 2022 2023 were lower compared to the second fourth quarter of 2022 for corrugated boxes in all segments driven by the macroeconomic environment reflecting lower consumer spending focus on goods non-discretionary and value spending and retailer and manufacturer inventory destocking. Export and domestic containerboard reduction. Containerboard sales volumes were also lower. flat. Total maintenance and economic downtime was about 391,000 45,000 short tons higher lower in the third first quarter of 2023 compared with the fourth quarter of 2022, compared with the second quarter of 2022, due to driven by lower economic downtime partially offset by higher maintenance downtime. Average sales margins were higher lower reflecting higher lower average sales prices for boxes and containerboard. containerboard partially offset by a favorable mix. Operating costs were higher driven by economic downtime the non-repeat of favorable one-time items for employee benefit costs and inflation. Distribution costs increased. medical claims in the fourth quarter of 2022 partially offset by lower distribution costs. Planned maintenance downtime costs were $37 million lower $92 million higher in the third first quarter of 2022 2023 compared with the second fourth quarter of 2022. Input costs were higher as higher lower driven by energy, costs were partially offset by lower recovered fiber costs. Second quarter 2022 results were impacted by some favorable one-time items that did not repeat in the third quarter. and wood.

Compared with the third first quarter of 2021, 2022, sales volumes in the third first quarter of 2022 2023 were lower for corrugated boxes and domestic containerboard but increased for export containerboard. Sales volumes for corrugated boxes were lower reflecting inflation impacts on consumer spending. spending as well as inventory destocking by retailers and manufacturers. Total maintenance and economic downtime was about 450,000 409,000 short tons higher in the third first quarter of 2022, 2023, primarily due to higher economic downtime. Average sales prices for boxes and containerboard were higher reflecting previous price increases. Export containerboard prices were lower. Operating costs increased, driven by economic downtime, inflation on goods and inflation. Distribution costs increased. services and distribution costs. Planned maintenance downtime costs were $21 million higher $4 million lower in the third first quarter of 2022 2023 compared with the third first quarter of 2021. 2022. Input costs were significantly higher lower driven by energy, chemicals and freight, partially offset by lower recovered fiber costs.

Entering the fourth second quarter of 2022, 2023, sales volumes are expected to be lower seasonally higher compared to the third first quarter of 2022 including the impact of four 2023. There is one less shipping days. day in the second quarter. Average sales margins are expected to be lower. Operating costs are expected to be higher. Planned maintenance downtime costs are expected to be slightly $10 million lower in the fourth second quarter of 2022 2023 compared with the third first quarter of 2022. 2023. Input costs are expected to be lower. lower driven by energy, wood and freight.

EMEA Industrial Packaging	EMEA Industrial Packaging	2022			2021			EMEA Industrial Packaging	2023	2022	
In millions	*In millions*	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months	*In millions*	1st Quarter	1st Quarter	4th Quarter
Sales	Sales	$ 355	$ 413	$ 1,178	$ 331	$ 394	$ 1,121	Sales	$ 391	$ 410	$ 394
Operating Profit (Loss)	Operating Profit (Loss)	$ (18)	$ 10	$ (11)	$ (4)	$ 12	$ 34	Operating Profit (Loss)	$ 20	$ (3)	$ —

EMEA Industrial Packaging sales volumes for corrugated boxes in the third first quarter of 2023 were stable compared with the fourth quarter of 2022 seasonally as higher volumes in Morocco were lower compared with the second quarter of 2022 reflecting seasonally offset by lower volumes in Morocco. Europe. Average sales margins for corrugated boxes and were stable. Average sales margins for containerboard were stable. lower. Operating costs were stable. Distribution Planned maintenance outage costs were higher. There were no planned maintenance outages $4 million lower in either the third first quarter of 2022 or 2023 compared with the second fourth quarter of 2022. Input costs were significantly higher, reflecting significantly higher lower driven by energy costs.

Compared with the third first quarter of 2021, 2022, sales volumes in the third first quarter of 2022 2023 were lower reflecting softening demand in the Eurozone. Average sales margins for corrugated boxes were higher driven by higher sales prices in the Eurozone. lower containerboard costs. Operating costs were higher mostly due to inflation. driven by inflation on goods and services. Distribution costs were higher. Planned There were no planned maintenance downtime costs were $2 million lower outages in either the third first quarter of 2022 compared with 2023 or the third first quarter of 2021. 2022. Input costs were significantly higher driven by lower primarily for energy.

Looking ahead to the fourth second quarter of 2022, 2023, sales volumes for corrugated boxes are expected to be higher driven by in Europe and seasonally higher volumes lower in Morocco. Average sales margins are expected to be lower. Operating costs are expected to be flat. Planned higher. There are no planned maintenance downtime outages in the second quarter of 2023. Input costs are expected to be $4 million higher in the fourth quarter of 2022. Input costs are expected to increase. lower.

Global Cellulose Fibers

Total Global Cellulose Fibers	Total Global Cellulose Fibers	2022	2021	Total Global Cellulose Fibers	2023	2022

In millions	In millions	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months	In millions	1st Quarter	1st Quarter	4th Quarter
Sales	**Sales**	**$ 887**	**$ 788**	**$ 2,385**	$ 740	$ 680	$ 2,015	**Sales**	**$ 811**	$ 710	$ 842
Operating Profit (Loss)	**Operating Profit (Loss)**	**$ 95**	**$ 25**	**$ 71**	$ 76	$ 1	$ (4)	**Operating Profit (Loss)**	**$ (16)**	$ (49)	$ 35

Global Cellulose Fibers net sales in the third first quarter of 2022 2023 were 13% higher 4% lower compared with the second fourth quarter of 2022 and 20% 14% higher than in the third first quarter of 2021. 2022. Operating profit was 280% higher lower in the third first quarter of 2022 2023 compared with the second fourth quarter of 2022 and 25% higher improved compared with the third first quarter of 2021. 2022.

Sales volumes in the third first quarter of 2022 2023 compared with the second fourth quarter of 2022 were higher reflecting a favorable demand/supply environment for fluff pulp lower due to seasonality and some improvement in supply chain conditions. customer inventory destocking. Total maintenance and economic downtime was about 10,000 100,000 short tons lower higher in the third first quarter of 2023 compared with the fourth quarter of 2022 compared with the second quarter of 2022 due to maintenance driven by economic downtime. Average sales margins improved significantly, reflecting higher average sales were slightly lower as the benefits from contract restructuring was offset by price for both fluff pulp index movement and market pulp. an unfavorable product mix. Operating costs were higher due to inflation. Distribution driven by economic downtime and the non-repeat of favorable one-time items for employee benefit costs also increased. and medical claims in the fourth quarter of 2022. Planned maintenance downtime costs in the third first quarter of 2023 were $11 million higher compared with the fourth quarter of 2022. Input costs were lower, primarily for energy and wood.

Compared with the first quarter of 2022, sales volumes in the first quarter of 2023 were $26 million lower driven by customer inventory destocking. Total maintenance and economic downtime was about 132,000 short tons higher in the first quarter of 2023, mainly due to economic downtime. Average sales margins were higher reflecting higher average sales prices partially offset by an unfavorable product mix. Operating costs were higher driven by economic downtime and distribution costs. Planned maintenance downtime costs in the first quarter of 2023 were $1 million lower compared with the second first quarter of 2022. Input costs were higher primarily for chemicals and wood and chemicals. Second quarter 2022 results were impacted by some favorable one-time items that did not repeat in the third quarter.

Compared with the third quarter of 2021, sales volumes in the third quarter of 2022 were flat as higher sales volumes for fluff pulp were mostly partially offset by lower sales volumes for market pulp reflecting continued logistics challenges. Total maintenance and economic downtime was about 2,000 short tons higher in the third quarter of 2022, due to maintenance downtime. Average sales prices were higher for both fluff and market pulp. Operating costs were higher due to continued logistics challenges and inflation. Distribution costs were also higher. Planned maintenance downtime costs in the third quarter of 2022 were $1 million lower compared with the third quarter of 2021. Input costs were higher primarily for energy chemicals, wood and freight. costs.

Entering the fourth second quarter of 2022, 2023, sales volumes are expected to be lower. higher. Average sales margins are expected to be higher. lower. Planned maintenance downtime costs in the fourth second quarter of 2022 2023 are expected to be $34 million higher $33 million lower compared with the third first quarter of 2022. 2023. Operating costs are expected to be lower. Input costs are expected to be higher. lower.

Equity Earnings, Net of Taxes – Ilim

International Paper accounts for On January 24, 2023, the Company announced it had reached an agreement to sell its 50% equity interest investment in Ilim using and also received from the same purchasers an indication of interest to purchase its equity method investment in Ilim Group. This transaction is discussed further in Note 10 - Equity Method Investments of accounting. Item 1. Financial Statements .

In conjunction with the entry into the announced agreement, a determination was made that the book value of the Ilim is and Ilim Group investments plus associated cumulative translation losses, exceeded fair value, based upon the agreed upon transaction price for Ilim and the offer price for Ilim Group. As a separate reportable industry segment result, an other than temporary impairment of $43 million and $533 million was recorded in the first quarter of 2023 and fourth quarter of 2022, respectively, to write down these investments to fair value. The impairment charges included approximately $43 million and $375 million of foreign currency cumulative translation adjustment loss in the first quarter of 2023 and fourth quarter of 2022, respectively. As of March 31, 2023, the approximately $418 million of cumulative translation adjustment loss remained within AOCI with primary operations the recognition of this loss recorded as an offset to the investment balance.

All current and historical results of the Ilim joint venture investment are presented as Discontinued Operations, net of taxes in Russia. During the consolidated statement of operations. The Company recorded equity earnings, net of taxes, related to Ilim of $43 million in the first quarter 2023, compared with earnings of $45 million in the fourth quarter 2022 and $93 million in the first quarter of 2022. In the first quarter of 2022, the Company announced its intention to explore strategic options, including a sale foreign exchange gains (losses) of its 50% ownership ($15) million, were included in Ilim. The Company recorded equity earnings, net of taxes, of $64 million in the third quarter of 2022, compared with $95 million in the second quarter of 2022 earnings.Ilim Group had no US dollar-denominated debt outstanding at March 31, 2023 and $95 million in the third quarter of 2021. December 31 2022.

Compared with the second fourth quarter of 2022, results in the first quarter of 2023 were relatively flat, reflecting the negative impact of lower volumes and lower average sales prices, offset by lower operating costs and the positive impact of a weaker ruble. Sales volumes in the third first quarter of 2022 2023 were 3% higher led 10% lower driven primarily by hardwood lower sales of softwood pulp shipments to in China, and other export markets and shipments Russia. Sales of containerboard hardwood pulp declined sharply in other export markets and Russia, but were partially offset by lower shipments higher sales of hardwood pulp in China. Containerboard sales declined in China and other export markets, but were more than offset by significantly higher sales of containerboard to other export markets. Softwood pulp shipments to China and in Russia Russia. Average sales margins were higher but were offset by markedly lower shipments for sales of softwood pulp, to other export markets. Average hardwood pulp and containerboard reflecting lower average sales prices for containerboard decreased in all markets. Average sales prices for softwood pulp and hardwood pulp were sequentially higher in China and Russia. Costs primarily for wood increased while fuel and energy Input costs were lower. Distribution costs decreased. Planned mill relatively flat. Lower maintenance outage costs were lower. and no outages in the first quarter of 2023 contributed to a decrease in operating costs.

Compared with the third first quarter of 2021, 2022, lower sales volumes, declining average sales margins, higher input costs due to inflation, and higher operating costs contributed to lower earnings in the first quarter of 2023. Sales volumes in the third first quarter of 2022 2023 were 8% higher overall, driven by 7% lower as shipments of softwood pulp, hardwood pulp and containerboard to Europe and other export countries declined, but were partially offset by higher shipments of those products to China. In Russia, sales of containerboard were higher, but were partially offset by lower sales of softwood pulp and hardwood pulp. Average sales margins were significantly lower reflecting lower average sales prices for sales of containerboard in China, Russia and Russia. Shipments to other export markets, declined sharply for softwood pulp and containerboard. Average partially offset by higher average sales margins for sales of softwood pulp and hardwood pulp increased reflecting higher average sales prices in China and Russia. Average sales prices for containerboard decreased in Russia and in China. Costs of wood, chemicals and labor increased due to inflation. Transportation costs were also higher, partially driven by inflation and the change of shipping routes due to restrictions. Planned mill maintenance outage costs were lower.

Looking forward to the fourth quarter of 2022, sales volumes are expected to be lower due to continued logistics challenges impacting export shipments. Average sales margins are projected to decrease, primarily for containerboard. all markets. Input costs for wood are expected to be seasonally higher, but and fuel increased. The sale of timber and saw logs declined. Transportation costs decreased as transportation costs are expected to decline. Repair tariffs and maintenance costs are projected to be higher. shipping routes were changed. The Company received cash dividends from the joint venture of $0 million in the first three months of 2023 and $204 million in the first three months of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations totaled $1.4 billion $345 million for the first nine three months of 2022, 2023, compared with $1.9 billion $588 million for the comparable 2021 nine-month 2022 three-month period.

Investments in capital projects, net of insurance recoveries, totaled $609 million $341 million in the first nine three months of 2022, 2023, compared to $348 million $185 million in the first nine three months of 2021. 2022. Full-year 2022 2023 capital spending is currently expected to be approximately $900 million $1.0 billion to $1.0 billion $1.2 billion, or 86% 99% to 95% 118% of depreciation and amortization.

Financing activities for the first nine three months of 2022 2023 included a $202 million $257 million net decrease increase in debt versus a $379 million $85 million net increase in debt during the comparable 2021 nine-month 2022 three-month period.

See Note 17 15 - Debt of Item 1. Financial Statements for a discussion of various debt-related actions taken by the Company during the third first quarter of 2022, including the tender offer completed by the Company. 2023.

Amounts related to There were no early debt extinguishment during the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2022**	**2021**	**2022**	**2021**
Early debt reductions (a)	**$ 498**	$ 200	$ 503	$ 1,097
Pre-tax early debt extinguishment (gain) loss, net	**93**	35	93	223

(a) Reductions related to notes with interest rates ranging from 6.40% to 8.70% with original maturities from 2023 to 2039 and 3.55% with original maturities of 2029 reductions for the three month ended September 30, 2022 and 2021, respectively, and from 4.35% to 8.70% with original maturities from 2023 to 2048 and from 3.00% to 5.15% with original maturities from 2027 to 2048 for the nine months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively.

At September 30, 2022 March 31, 2023, contractual obligations for future payments of debt maturities (including finance lease liabilities disclosed in Note 11 9 - Leases and excluding the timber monetization structure disclosed in Note 16 14 - Variable Interest Entities) by calendar year were as follows: $356 million in 2022;

$352 million in 2023; $149 million $148 million in 2024; $192 million $191 million in 2025; $74 million $144 million in 2026; $298 million in 2027; and $4.3 billion $4.7 billion thereafter.

Maintaining an investment-grade credit rating is an important element of International Paper's financing strategy. At September 30, 2022 March 31, 2023, the Company held long-term credit ratings of BBB (stable outlook) and Baa2 (stable outlook) by S&P and Moody's, respectively. In addition, the Company held short-term credit ratings of A2 and P2 by S&P and Moody's, respectively, for borrowings under the Company's commercial paper program.

At September 30, 2022 March 31, 2023, International Paper's credit agreements totaled $2.0 billion, which is comprised of the $1.5 billion contractually committed bank credit agreement and up to $500 million under the receivables securitization program. Management believes these credit agreements are adequate to cover expected operating cash flow variability during the current economic cycle. The credit agreements generally provide for interest rates at a floating rate index plus a pre-determined margin dependent upon International Paper's credit rating. At September 30, 2022 March 31, 2023, the Company had no borrowings outstanding under the $1.5 billion credit agreement or the $500 million receivables securitization program. The Company's credit agreements are not subject to any restrictive covenants other than the financial covenants as disclosed in Note 17 15 - Debt, and the borrowings under the receivables securitization program being limited by eligible receivables. The Company was in compliance with all its debt covenants at September 30, 2022 March 31, 2023 and was well below the thresholds stipulated under the covenants as defined in the credit agreements. Further the financial covenants do not restrict any borrowings under the credit agreements.

In addition to the $2.0 billion capacity under the Company's credit agreements, International Paper has a commercial paper program with a borrowing capacity of $1.0 billion supported by its $1.5 billion credit agreement. Under the terms of the program, individual maturities on borrowings may vary, but not exceed one year from the date of issue. Interest bearing notes may be issued either as fixed or floating rate notes. As of September 30, 2022 March 31, 2023, the Company had $260 million no borrowings outstanding under the program with remaining capacity available program.

During the first quarter of $740 million. As 2023, the Company entered into a variable term loan agreement providing for a $600 million term loan which was fully drawn on the date of September 30, 2022, such loan agreement and matures in 2028. The $600 million debt was issued following the remaining credit agreement capacity was $1.2 billion. repayment of $410 million of commercial paper earlier in 2023 and will be used to repay debt maturing later in 2023 and general corporate purposes.

International Paper expects to be able to meet projected capital expenditures, service existing debt, meet working capital and dividend requirements and make common stock and/or debt repurchases for the next 12 months and for the foreseeable future thereafter with current cash balances and cash from operations, supplemented as required by its existing credit facilities. The Company will continue to rely on debt and capital markets for the majority of any necessary long-term funding not provided by operating cash flows. Funding decisions will be guided by our capital structure planning objectives. The primary goals of the Company's capital structure planning are to maximize financial flexibility and maintain appropriate levels of liquidity to meet our needs while managing balance sheet debt and interest expense, and we have repurchased, and may continue to repurchase, our common stock (under our existing share repurchase program) and debt (including in open market purchases) to the extent consistent with this capital structure planning. The majority of International Paper's debt is accessed through global public capital markets where we have a wide base of investors.

During the first nine three months of 2022, 2023, International Paper used 1.5 million shares of treasury stock for various incentive plans. International Paper also acquired 24.4 million 4.8 million shares of treasury stock, including restricted stock tax withholdings. Repurchases of common stock and payments of restricted stock withholding taxes totaled $1.09 billion $177 million, including $1.07 billion $157 million related to shares repurchased under the Company's repurchase program. On October 11, 2022, the Company's Our current share repurchase program approved by our Board of Directors authorized the Company to acquire up to an additional $1.5 billion of the Company's common stock. This new authorization is in addition to $1.85 billion remaining as of September 30, 2022 from a previous repurchase authorization. Thus, our current share repurchase program, on October 11, 2022, which does not have an expiration date, has approximately $3.35 billion $3.01 billion aggregate amount of shares of common stock remaining authorized for purchase. purchase as of March 31, 2023.

During the first nine three months of 2021, 2022, International Paper used approximately 1.8 million 1.5 million shares of treasury stock for various incentive plans. International Paper also acquired 7.7 million 9.4 million shares of treasury stock, including restricted stock tax withholding. Repurchases of common stock and payments of restricted stock withholding taxes totaled $425 million $428 million, including $398 million $406 million related to shares repurchased under the Company's repurchase program.

Cash dividend payments related to common stock totaled $509 million $162 million and $602 million $174 million for the first nine three months of 2022 2023 and 2021, 2022, respectively. Dividends were $1.3875 per share and $1.5375 $0.4625 per share for the both of the first nine three months in 2022 of 2023 and 2021, respectively. 2022.

Our pension plan is currently sufficiently funded and we do not anticipate any required contributions for the next 12 months.

Variable Interest Entities

Information concerning variable interest entities is set forth in Note 15 in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022. In connection with the 2006 International Paper installment sale of forestlands, we received $4.8 billion of installment notes. These installment notes were used by variable interest entities as collateral for borrowings from third-party lenders. These variable interest entities were restructured in 2015 when the installment notes and third-party loans were extended. The restructured variable interest entities held installment notes of $4.8 billion and third-party loans of $4.2 billion which both matured in August 2021. We settled the third-party loans at their maturity with the proceeds from the installment notes. This resulted in cash proceeds of approximately $630 million representing our equity in the variable interest entities. Maturity of the installment notes and termination of the monetization structure also resulted in a $72 million tax liability that was paid in the fourth quarter of 2021. On September 2, 2022, the Company and the Internal Revenue Service agreed to settle the previously disclosed 2015 Financing Entities timber monetization restructuring tax matter. Under this agreement, the Company will fully resolve the matter and pay $252 million in U.S. federal income taxes. As a result, interest will also be charged upon closing of the audit. The amount of interest expense recognized through September 30, 2022 is $52 million in 2022 was $58 million. As of September 30, 2022 March 31, 2023, $89 million

$252 million in U.S. federal income taxes and $28 million $58 million in interest expense have been paid as a result of the settlement agreement. The remaining $163 million U.S. federal income Company has now fully satisfied the payment terms of the settlement agreement regarding the 2015 Financing Entities timber monetization restructuring tax liability and $24 million accrued interest liability are recorded as current liabilities in the balance sheet. matter. The reversal of the Company's remaining deferred tax liability associated with the 2015 Financing Entities of $604 million was recognized as a one-time tax benefit in the third quarter of 2022.

Ilim S.A. Shareholders' Agreement

We continue to actively explore strategic options with respect to the Ilim joint venture, including a sale of our 50% equity interest in Ilim. While we may sell our equity interests in the Ilim joint venture in the future, we cannot be certain if and when this may occur, or the impact that possible disruptions in the capital markets, or conditions associated with the Russia-Ukraine conflict, could have on the value of and our ability to sell our equity interests in the Ilim joint venture and the timing of any such sales.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires International Paper to establish accounting policies and to make estimates that affect both the amounts and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Accounting policies whose application may have a significant effect on the reported results of operations and financial position of International Paper, and that can require judgments by management that affect their application, include accounting for contingencies, impairment or disposal of long-lived assets, goodwill and other intangible assets, pensions and income taxes.

As of September 30, 2022, our EMEA packaging reporting unit had a goodwill balance of $76 million. Our 2021 annual goodwill impairment test for the EMEA Packaging reporting unit indicated that the fair value exceeded the carrying amount by 28%. Certain macroeconomic conditions continue to be challenging, including assessing the impacts from inflation and the geopolitical environment. We will continue to evaluate these macroeconomic conditions and their overall longer-term impact on the business and on the reporting unit's fair value.

The Company has included in its Annual Report a discussion of these critical accounting policies, which are important to the portrayal of the Company's financial condition and results of operations and require management's judgments. The Company has not made any changes in these critical accounting policies during the first nine three months of 2022. 2023.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q that are not historical in nature may be considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "believes," "estimates" and similar expressions identify forward-looking statements. These statements are not guarantees of future performance and 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) risks with respect to climate change and global, regional, and local weather conditions, as well as risks related to our ability to meet targets and goals with respect to climate change and the emission of GHGs and other environmental, social and governance matters; (ii) the level of our indebtedness and changes in interest rates (including the impact of current elevated interest rate levels); (iii) the impact of global and domestic economic conditions and industry conditions, including with respect to current negative macroeconomic conditions, inflationary pressures and changes in the cost or availability of raw materials, energy sources and transportation sources, supply chain shortages and disruptions, competition we face, cyclicality and changes in consumer preferences, demand and pricing for our products, and conditions impacting the credit, capital and financial markets, including possible instability in such markets and/or disruptions to the banking system due to potential or actual bank failures; (iv) domestic and global geopolitical conditions, changes in currency exchange rates, trade protectionist policies, downgrades in our credit ratings, and/or the credit ratings of banks issuing certain letters of credit, issued by recognized credit rating organizations; (v) the amount of our future pension funding obligations, and pension and healthcare costs; (vi) unanticipated expenditures or other adverse developments related to compliance with existing and new environmental, tax, labor and employment, privacy, anti-bribery and anti-corruption, and other U.S. and non-U.S. governmental laws and regulations; (vii) any material disruption at any of our manufacturing facilities or other adverse impact on our operations due to severe weather, natural disasters, climate change or other causes; (viii) the impact of the conflict involving Russia and Ukraine, including in connection with related escalated sanctions imposed by the United States, the European Union, G7 and other countries and possible actions by the Russian government, and the impact of such developments on domestic and global economic and geopolitical conditions in general and on us and our Ilim joint venture, which could be materially and adversely affected by such developments, and our inability to predict the full impact of the Russian invasion of Ukraine, current or future sanctions, current or future actions by the Russian government, geopolitical instability and the possibility of broadened military conflict on our Ilim joint venture, and on our receipt of dividends from our Ilim joint venture; (iii) venture and on our ability to complete the level sale of our indebtedness and changes in interest rates; (iv) the impact of global and domestic economic conditions and industry conditions, including with respect to commercial activity, inflationary pressures and changes in the cost or availability Ilim joint venture under the terms of raw materials, energy sources the agreement with our joint venture partners to purchase our interest (and, if we are unable to complete such a sale, on the value of and transportation sources, supply chain shortages and disruptions, the availability of labor, particularly in light of current labor market conditions which are exceptionally tight, competition we face, cyclicality and changes in consumer preferences, demand and pricing for our products, and conditions impacting the credit, capital and financial markets; (v) domestic and global geopolitical conditions, changes in currency exchange rates, trade protectionist policies, downgrades in ability to sell our credit ratings, and/or the credit ratings of banks issuing certain letters of credit, issued by recognized credit rating organizations; (vi) the amount of our future pension funding obligations, and pension and healthcare costs; (vii) unanticipated expenditures or other adverse developments related interest to compliance with existing and new environmental, tax, labor and employment, privacy, anti-bribery and anti-corruption, and other U.S. and non-U.S. governmental laws and regulations; (viii) any material disruption at any of our manufacturing facilities or other adverse impact on our operations due to severe weather, natural disasters, climate change or other causes; another purchaser); (ix) risks inherent in conducting business through joint ventures; (x) our ability to achieve the benefits expected from, and other risks associated with, acquisitions, joint ventures, divestitures, spinoffs and other corporate transactions, (xi) cybersecurity and information technology risks; (xii) loss contingencies and pending, threatened or future litigation, including with respect to environmental related matters; (xiii) our exposure to claims under our agreements with Sylvamo Corporation; (xiv) our failure to realize the anticipated benefits of the spin-off of Sylvamo Corporation and the qualification of such spin-off as a tax-free transaction for U.S. federal income tax purposes; and (xv) our ability to attract and retain qualified personnel. personnel, particularly in light of current labor market conditions. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in our press releases and SEC filings. In addition, other risks and uncertainties not presently known to the Company or that we currently believe to be immaterial could affect the accuracy of any forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk is shown on pages 39-40 41-42 of International Paper's Annual Report, which information is incorporated herein by reference. There have been no material changes in the Company's exposure to market risk since December 31, 2021 December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures:

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported (and accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure) within the time periods specified in the Securities and Exchange Commission's rules and forms. As of the end of the period covered by this Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2022 March 31, 2023 (the end of the period covered by this Form 10-Q).

Changes in Internal Control over Financial Reporting:

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2022 March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A discussion of material developments regarding certain legal proceedings involving the Company occurring in the period covered by this Form 10-Q is found in Note 15 13 of the Condensed Notes to the Consolidated Financial Statements in this Form 10-Q, which is incorporated by reference herein. The Company is not subject to any administrative or judicial proceeding arising under any Federal, State or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment that is likely to result in monetary sanctions of $1 million or more.

ITEM 1A. **RISK FACTORS**

There have been no material changes from the risk factors disclosed in Part I, Item 1A of our Annual Report other than as discussed below.

Our financial results and businesses, including our Ilim joint venture, have been adversely and may continue to be affected by on Form 10-K for the current military conflict between Russia and Ukraine, including ongoing or future sanctions and export controls targeting Russia and other responses to Russia's invasion of Ukraine.

The global economy has been, and may continue to be, negatively impacted by Russia's invasion of Ukraine. As a result of Russia's invasion of Ukraine, the United States, the United Kingdom, the European Union and other G7 countries, among other countries, have imposed coordinated financial and economic sanctions and export-control measures on certain industry sectors and parties in Russia. Some of these measures include: (i) comprehensive financial sanctions against major Russian banks; (ii) additional designations of Russian individuals with significant business interests and government connections; (iii) designations of individuals and entities involved in Russian military activities; and (iv) enhanced export controls and trade sanctions targeting Russia's import of various goods. These events are currently escalating and creating increasingly volatile global economic conditions. The negative impacts arising from the conflict and these sanctions have included and may continue to include reduced consumer demand, supply chain disruptions and increased costs for transportation, energy, and raw materials. We will continue to monitor the conflict and the potential impact of financial and economic sanctions on the regional and global economy.

We have a 50% equity interest in Ilim, the parent company of Ilim Group, whose primary operations are in Russia. Specifically, Ilim Group's facilities include three paper mills located in Bratsk, Ust-Ilimsk, and Koryazhma, Russia, with combined total pulp and paper capacity of over 3.6 million metric tons. In joint ventures, such as the Ilim joint venture, we share ownership and management of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do. Ilim, and its directors and employees are not specially designated nationals or blocked persons or otherwise named in sanctions issued by the United States or other countries.

The military conflict between Russia and Ukraine, including ongoing sanctions, actions by the Russian government, and associated domestic and global economic and geopolitical conditions, has adversely affected and may continue to adversely affect our Ilim joint venture and our businesses, financial condition, results of operations and cash flows. We are unable to predict the full impact that Russia's ongoing invasion of Ukraine, current or potential future sanctions, potential embargoes, supply chain disruptions, geopolitical instability and shifts, and the possibility of broadened military conflict may have on us or our Ilim joint venture, including on whether our Ilim joint venture will be able to continue to pay dividends to us. We continue to explore strategic options, including a sale of our equity interest in the Ilim joint venture, but we cannot be certain if and when this may occur or of the terms of any such sale. Further, potential disruptions resulting from the conflict, ever changing regulatory environment in Russia or negative economic or capital market conditions more generally may adversely impact the value of and our ability to sell our interest in the Ilim joint venture and the timing of any such sale. In addition, the effects of further escalated or prolonged military conflict could heighten many of our known risks described in Part fiscal year ended December 31, 2022 (Part I, Item 1A. "Risk Factors" in our Annual Report. Such risks include, but are not limited to, adverse effects on global business and economic conditions, including volatility and increases in the price and demand of oil, natural gas and other energy products and inflation, demand for our products, increased cyber security risks, adverse changes in trade policies, taxes, government regulations, our ability to implement and execute our business strategy including with respect to joint ventures, divestitures, spin-offs, capital investments and other corporate transactions that we have pursued or may pursue, disruptions in global supply chains, risks related to employees and contracts in the affected regions, our exposure to foreign currency fluctuations and potential nationalizations and asset seizures in Russia, constraints, volatility, or disruption in the capital markets and our sources of liquidity, and our potential inability to service our remaining performance obligations and potential contractual breaches and litigations. Additionally, fluctuations in the value of the Russian ruble versus the U.S. dollar impacts our investment carrying value as well as financial results based on translation of ruble denominated results into U.S. dollars and the remeasurement impact associated with non-functional currency financial assets and liabilities.

In particular, our investments in Ilim involve certain legal, geopolitical, investment, repatriation, and transparency risks as a result of the military conflict between Russia and Ukraine including: (i) the legal framework of Russia continues to rapidly evolve and it is not possible to accurately predict the content or implications of changes in their statutes or regulations; there has been a number of legislative proposals that, if adopted, could result in nationalization, expropriation, onerous or disadvantageous exit terms or other unfavorable regulations and may be introduced at any time without prior warning or consultation; (ii) current and future statutes and regulations may be unfairly or unevenly enforced, the courts may decline to enforce legal protections covering our investments altogether and the cost and difficulties of litigation in Russia may make enforcement of our rights impractical or impossible; (iii) the risk we may inadvertently violate sanctions that may be imposed by the United States or foreign governments, including Russia, given the complexity and fluidity of the situation; (iv) financial and economic sanctions and export-control measures imposed on certain industry sectors and parties in Russia as well as counter-sanctions measures implemented by Russia could lead to further disruptions in supply chains and adversely affect operations in Russia; (v) increased risks of economic, political, or social instability, escalating military conflicts with Ukraine or new conflicts with any other countries, war, or terrorism, which could adversely affect the economies of Russia or lead to a material adverse change in the value of our investments in Russia; and (vi) disclosure, accounting, and financial standards and requirements in Russia may rapidly evolve and it is not possible to accurately predict the content or implications of changes in their disclosure requirements. 1A).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in billions)
July 1, 2022 - July 31, 2022	3,568,255	$42.08	3,566,436	$1.97
August 1, 2022 - August 31, 2022	2,240,390	42.92	2,240,272	1.87
September 1, 2022 - September 30, 2022	571,469	40.06	571,469	1.85
Total	6,380,114			

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in billions)
January 1, 2023 - January 31, 2023	213,568	$34.74	211,409	$3.15
February 1, 2023 - February 28, 2023	2,225,142	39.04	1,739,884	3.09
March 1, 2023 - March 31, 2023	2,313,792	35.88	2,314,259	3.00
Total	4,752,502			

(a) 1,937 486,951 shares were acquired from employees or board members as a result of share withholdings to pay income taxes under the Company's restricted stock program. The remainder were purchased under a share repurchase program. As of September 30, 2022 March 31, 2023 approximately $1.85 billion $3.01 billion aggregate shares of our common stock remained authorized for repurchase under a previous Board authorization. This authorization was increased by our Board on October 11, 2022, up to a total of $3.35 billion shares. This repurchase program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL, and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL PAPER COMPANY
(Registrant)

October April 28, 2022 2023	By	/s/ Tim S. Nicholls
		Tim S. Nicholls
		Senior Vice President and Chief Financial Officer
October April 28, 2022 2023	By	/s/ Holly G. Goughnour
		Holly G. Goughnour
		Vice President – Finance and Corporate Controller

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Exhibit 31.1

CERTIFICATION

I, Mark S. Sutton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Paper Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October April 28, 2022 2023

/s/ Mark S. Sutton

Mark S. Sutton

Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Tim S. Nicholls, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Paper Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October April 28, 2022 2023

/s/ Tim S. Nicholls

Tim S. Nicholls

Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Quarterly Report of International Paper Company (the "Company") on Form 10-Q for the quarterly period ended September 30, 2022 March 31, 2023 for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Mark S. Sutton, Chief Executive Officer of the Company, and Tim S. Nicholls, Chief Financial Officer of the Company, each certify that, to the best of his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark S. Sutton

Mark S. Sutton

Chairman of the Board and Chief Executive Officer

October April 28, 2022 2023

/s/ Tim S. Nicholls

Tim S. Nicholls

Senior Vice President and Chief Financial Officer

October April 28, 2022 2023

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