

INTERNATIONAL PAPER CO /NEW/

Form 10-Q

August 06, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2010

.. **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 1-3157

INTERNATIONAL PAPER COMPANY

(Exact name of registrant as specified in its charter)

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New York (State or other jurisdiction of incorporation of organization)	13-0872805 (I.R.S. Employer Identification No.)
6400 Poplar Avenue, Memphis, TN (Address of principal executive offices)	38197 (Zip Code)
Registrant's telephone number, including area code: (901) 419-7000	

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller company	<input type="checkbox"/>

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 as of August 2, 2010 was 437,024,711.

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INTERNATIONAL PAPER COMPANY

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* Omitted since no answer is called for, answer is in the negative or inapplicable.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****INTERNATIONAL PAPER COMPANY****Consolidated Statement of Operations****(Unaudited)****(In millions, except per share amounts)**

	Three Months Ended		Six Months Ended	
	June 30, 2010	2009	June 30, 2010	2009
Net Sales	\$ 6,121	\$ 5,802	\$ 11,928	\$ 11,470
Costs and Expenses				
Cost of products sold (Note 5)	4,490	3,781	8,954	7,512
Selling and administrative expenses	472	508	893	1,008
Depreciation, amortization and cost of timber harvested	363	367	734	710
Distribution expenses	330	279	647	558
Taxes other than payroll and income taxes	47	47	92	97
Restructuring and other charges	144	79	359	162
Net (gains) losses on sales and impairments of businesses	0	48	0	48
Interest expense, net	157	173	306	337
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	118	520	(57)	1,038
Income tax provision (benefit)	25	348	1	578
Equity earnings (losses), net of taxes	7	(32)	5	(59)
Net Earnings (Loss)	100	140	(53)	401
Less: Net earnings (loss) attributable to noncontrolling interests	7	4	16	8
Net Earnings (Loss) Attributable to International Paper Company	\$ 93	\$ 136	\$ (69)	\$ 393
Basic Earnings (Loss) Per Share Attributable to International Paper Company Common Shareholders	\$ 0.22	\$ 0.32	\$ (0.16)	\$ 0.93
Diluted Earnings (Loss) Per Share Attributable to International Paper Company Common Shareholders	\$ 0.21	\$ 0.32	\$ (0.16)	\$ 0.93
Average Shares of Common Stock Outstanding assuming dilution	433.4	425.4	429.2	424.2
Cash Dividends Per Common Share	\$ 0.125	\$ 0.025	\$ 0.150	\$ 0.275

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

Table of Contents**INTERNATIONAL PAPER COMPANY****Consolidated Balance Sheet****(In millions, except per share amounts)**

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Current Assets		
Cash and temporary investments	\$ 1,871	\$ 1,892
Accounts and notes receivable, net	3,033	2,695
Inventories	2,212	2,179
Deferred income tax assets	328	368
Other current assets	285	417
Total Current Assets	7,729	7,551
Plants, Properties and Equipment, net	12,008	12,688
Forestlands	729	757
Investments	1,101	1,077
Goodwill	2,249	2,290
Deferred Charges and Other Assets	1,231	1,185
Total Assets	\$ 25,047	\$ 25,548
Liabilities and Equity		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 357	\$ 304
Accounts payable	2,307	2,058
Accrued payroll and benefits	353	473
Other accrued liabilities	1,149	1,177
Total Current Liabilities	4,166	4,012
Long-Term Debt	8,574	8,729
Deferred Income Taxes	2,355	2,425
Pension Benefit Obligation	2,772	2,765
Postretirement and Postemployment Benefit Obligation	516	538
Other Liabilities	723	824
Equity		
Common stock, \$1 par value, 2010 438.0 shares and 2009 437.0 shares	438	437
Paid-in capital	5,771	5,803
Retained earnings	1,812	1,949
Accumulated other comprehensive loss	(2,301)	(2,077)
	5,720	6,112
Less: Common stock held in treasury, at cost, 2010 1.2 shares and 2009 3.9 shares	27	89
Total Shareholders' Equity	5,693	6,023
Noncontrolling interests	248	232

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Total Equity	5,941	6,255
Total Liabilities and Equity	\$ 25,047	\$ 25,548

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

Table of Contents**INTERNATIONAL PAPER COMPANY****Consolidated Statement of Cash Flows****(Unaudited)****(In millions)**

	Six Months Ended June 30,	
	2010	2009
Operating Activities		
Net earnings (loss)	\$ (53)	\$ 401
Depreciation, amortization and cost of timber harvested	734	710
Deferred income tax provision (benefit), net	62	539
Restructuring and other charges	359	162
Payments related to restructuring and legal reserves	(2)	(24)
Net (gains) losses on sales and impairments of businesses	0	48
Equity (earnings) losses, net	(5)	59
Periodic pension expense, net	116	107
Alternative fuel mixture credits receivable	0	(189)
Other, net	(75)	107
Changes in current assets and liabilities		
Accounts and notes receivable	(324)	195
Inventories	(111)	310
Accounts payable and accrued liabilities	43	(165)
Interest payable	(8)	(32)
Other	64	(39)
Cash Provided by (Used for) Operations	800	2,189
Investment Activities		
Invested in capital projects	(273)	(259)
Acquisitions, net of cash acquired	(155)	(8)
Other	(32)	(59)
Cash Provided by (Used for) Investment Activities	(460)	(326)
Financing Activities		
Repurchases of common stock and payments of restricted stock tax withholding	(26)	(10)
Issuance of debt	166	1,476
Reduction of debt	(309)	(2,617)