

INTERNATIONAL PAPER CO /NEW/
Form 10-Q
May 09, 2008
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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 March 31, 2008
- 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)

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.

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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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller company

(Do not check if a smaller reporting company)

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 May 7, 2008 was

427,625,220.

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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 March 31,	
	2008	2007
Net Sales	\$ 5,668	\$ 5,217
Costs and Expenses		
Cost of products sold	4,261	3,851
Selling and administrative expenses	472	435
Depreciation, amortization and cost of timber harvested	286	262
Distribution expenses	285	256
Taxes other than payroll and income taxes	44	42
Restructuring and other charges	42	18
Net gains on sales and impairments of businesses	(1)	(314)
Interest expense, net	81	61
Earnings From Continuing Operations Before Income Taxes, Equity Earnings and Minority Interest	198	606
Income tax provision	59	143
Equity earnings, net of taxes	16	
Minority interest expense, net of taxes	5	6
Earnings From Continuing Operations	150	457
Discontinued operations, net of taxes and minority interest	(17)	(23)
Net Earnings	\$ 133	\$ 434
Basic Earnings Per Common Share		
Earnings from continuing operations	\$ 0.36	\$ 1.03
Discontinued operations	(0.04)	(0.05)
Net earnings	\$ 0.32	\$ 0.98
Diluted Earnings Per Common Share		
Earnings from continuing operations	\$ 0.35	\$ 1.02
Discontinued operations	(0.04)	(0.05)
Net earnings	\$ 0.31	\$ 0.97
Average Shares of Common Stock Outstanding - assuming dilution	423.3	448.4

Cash Dividends Per Common Share	\$ 0.25	\$ 0.25
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The accompanying notes are an integral part of these financial statements.

Table of Contents**INTERNATIONAL PAPER COMPANY****Consolidated Balance Sheet****(In millions)**

	March 31, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets		
Cash and temporary investments	\$ 880	\$ 905
Accounts and notes receivable, net	3,206	3,152
Inventories	2,147	2,071
Assets of businesses held for sale		24
Deferred income tax assets	206	213
Other current assets	273	370
Total Current Assets	6,712	6,735
Plants, Properties and Equipment, net	10,290	10,141
Forestlands	778	770
Investments	1,317	1,276
Goodwill	3,658	3,650
Deferred Charges and Other Assets	1,600	1,587
Total Assets	\$ 24,355	\$ 24,159
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 727	\$ 267
Accounts payable	2,184	2,145
Accrued payroll and benefits	279	400
Liabilities of businesses held for sale		4
Other accrued liabilities	955	1,026
Total Current Liabilities	4,145	3,842
Long-Term Debt	6,037	6,353
Deferred Income Taxes	3,117	2,919
Other Liabilities	1,823	2,145
Minority Interest	234	228
Common Shareholders' Equity		
Common stock, \$1 par value, 493.6 shares in 2008 and 2007	494	494
Paid-in capital	6,671	6,755
Retained earnings	4,396	4,375
Accumulated other comprehensive loss	(179)	(471)
	11,382	11,153
Less: Common stock held in treasury, at cost, 65.9 shares in 2008 and 68.4 shares in 2007	2,383	2,481
Total Common Shareholders' Equity	8,999	8,672

Total Liabilities and Common Shareholders Equity	\$ 24,355	\$ 24,159
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The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31,	
	2008	2007
Operating Activities		
Net earnings	\$ 133	\$ 434
Discontinued operations, net of taxes and minority interest	17	23
Earnings from continuing operations	150	457
Depreciation, amortization and cost of timber harvested	286	262
Deferred income tax (benefit) expense, net	(130)	74
Restructuring and other charges	42	18
Payments related to restructuring and legal reserves	(22)	(22)
Net gains on sales and impairments of businesses	(1)	(314)
Equity earnings, net	(16)	
Periodic pension expense, net	28	52
Other, net	81	51
Changes in current assets and liabilities		
Accounts and notes receivable	5	(81)
Inventories	(32)	(129)
Accounts payable and accrued liabilities	(75)	(61)
Other	118	(11)
Cash provided by operations - continuing operations	434	296
Cash used for operations - discontinued operations		(44)
Cash Provided by Operations	434	252
Investment Activities		
Invested in capital projects	(215)	(178)
Proceeds from divestitures	14	1,633
Other	(140)	(118)
Cash (used for) provided by investment activities - continuing operations	(341)	1,337
Cash used for investment activities - discontinued operations		(11)
Cash (Used for) Provided by Investment Activities	(341)	1,326
Financing Activities		
Repurchases of common stock and payments of restricted stock tax withholding	(47)	(398)
Issuance of common stock	1	30
Issuance of debt	83	
Reduction of debt	(26)	(362)
Change in book overdrafts	(39)	20
Dividends paid	(112)	(114)
Other		(3)

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Cash Used for Financing Activities	(140)	(827)
Effect of Exchange Rate Changes on Cash	22	15
Change in Cash and Temporary Investments	(25)	766
Cash and Temporary Investments		
Beginning of the period	905	1,624
End of the period	\$ 880	\$ 2,390

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

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INTERNATIONAL PAPER COMPANY

Consolidated Statement of Changes in Common Shareholders' Equity

(Unaudited)

(In millions, except share amounts in thousands)

Three Months Ended March 31, 2008

	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Common Shareholders Equity
	Shares	Amount			Income	Shares	Amount	
Balance, December 31, 2007	493,556	\$ 494	\$ 6,755	\$ 4,375	\$ (471)	68,436	\$ 2,481	\$ 8,672
Issuance of stock for various plans, net								