

INTERNATIONAL PAPER CO /NEW/

Form 10-Q

May 08, 2013

Table of Contents

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, 2013

“ 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. 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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

✓

Accelerated filer

“

Non-accelerated filer

“

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, par value \$1.00 per share, as of April 30, 2013 was 444,847,829.

Table of Contents

INDEX

	PAGE NO.
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statement of Operations - Three Months Ended March 31, 2013 and 2012</u>	<u>1</u>
<u>Consolidated Statement of Comprehensive Income - Three Months Ended March 31, 2013 and 2012</u>	<u>2</u>
<u>Consolidated Balance Sheet - March 31, 2013 and December 31, 2012</u>	<u>3</u>
<u>Consolidated Statement of Cash Flows - Three Months Ended March 31, 2013 and 2012</u>	<u>4</u>
<u>Condensed Notes to Consolidated Financial Statements</u>	<u>5</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>46</u>
Item 1A. <u>Risk Factors</u>	<u>46</u>
Item 6. <u>Exhibits</u>	<u>47</u>
<u>Signatures</u>	<u>48</u>

---

Table of Contents

## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS  
INTERNATIONAL PAPER COMPANYConsolidated Statement of Operations  
(Unaudited)

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2013	2012
Net Sales	\$7,090	\$6,655
Costs and Expenses		
Cost of products sold	5,220	4,984
Selling and administrative expenses	567	513
Depreciation, amortization and cost of timber harvested	379	362
Distribution expenses	422	347
Taxes other than payroll and income taxes	49	41
Restructuring and other charges	59	34
Net (gains) losses on sales and impairments of businesses	—	(7
Interest expense, net	164	168
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity	230	213
Earnings		
Income tax provision (benefit)	(69	) 70
Equity earnings (losses), net of taxes	(10	) 44
Earnings (Loss) From Continuing Operations	289	187
Discontinued operations, net of taxes	26	5
Net Earnings (Loss)	315	192
Less: Net earnings (loss) attributable to noncontrolling interests	(3	) 4
Net Earnings (Loss) Attributable to International Paper Company	\$318	\$188
Basic Earnings (Loss) Per Share Attributable to International Paper Company		
Common Shareholders		
Earnings (loss) from continuing operations	\$0.66	\$0.42
Discontinued operations, net of taxes	0.06	0.01
Net earnings (loss)	\$0.72	\$0.43
Diluted Earnings (Loss) Per Share Attributable to International Paper Company		
Common Shareholders		
Earnings (loss) from continuing operations	\$0.65	\$0.42
Discontinued operations, net of taxes	0.06	0.01
Net earnings (loss)	\$0.71	\$0.43
Average Shares of Common Stock Outstanding – assuming dilution	446.1	438.6
Cash Dividends Per Common Share	\$0.3000	\$0.2625
Amounts Attributable to International Paper Company Common Shareholders		
Earnings (loss) from continuing operations	\$292	\$183
Discontinued operations, net of taxes	26	5
Net earnings (loss)	\$318	\$188

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

Table of Contents

## INTERNATIONAL PAPER COMPANY

## Consolidated Statement of Comprehensive Income

(Unaudited)

(In millions)

	Three Months Ended March 31,		
	2013	2012	
Net Earnings (Loss)	\$315	\$192	
Other Comprehensive Income (Loss), Net of Tax:			
Amortization of pension and post-retirement prior service costs and net loss:			
U.S. plans	78	49	
Pension and postretirement liability adjustments:			
U.S. plans	—	24	
Change in cumulative foreign currency translation adjustment	(9	) 199	
Net gains/losses on cash flow hedging derivatives:			
Net gains (losses) arising during the period	5	27	
Reclassification adjustment for (gains) losses included in net earnings (loss)	3	4	
Total Other Comprehensive Income (Loss), Net of Tax	77	303	
Comprehensive Income (Loss)	392	495	
Net (earnings) loss attributable to noncontrolling interests	3	(4	)
Other comprehensive (income) loss attributable to noncontrolling interests	1	—	
Comprehensive Income (Loss) Attributable to International Paper Company	\$396	\$491	

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

Table of Contents

## INTERNATIONAL PAPER COMPANY

## Consolidated Balance Sheet

(In millions)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current Assets		
Cash and temporary investments	\$934	\$1,302
Accounts and notes receivable, net	3,869	3,562
Inventories	2,793	2,730
Deferred income tax assets	340	323
Assets of businesses held for sale	775	759
Other current assets	270	229
Total Current Assets	8,981	