

INTERNATIONAL PAPER CO /NEW/  
Form 10-K  
February 26, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 for the fiscal year ended December 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-3157

INTERNATIONAL PAPER COMPANY

(Exact name of registrant as specified in its charter)

New York

13-0872805

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

6400 Poplar Avenue

Memphis, Tennessee

(Address of principal executive offices)

38197

(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

Common Stock, \$1 per share par value

New York Stock Exchange

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Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting 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 Act). Yes  No   
The aggregate market value of the Company’s outstanding common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of the registrant’s most recently completed second fiscal quarter (June 30, 2012) was approximately \$12,533,753,892. The number of shares outstanding of the Company’s common stock as of February 21, 2013 was 441,207,804.

Documents incorporated by reference:

Portions of the registrant’s proxy statement filed within 120 days of the close of the registrant’s fiscal year in connection with registrant’s 2013 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

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PART I.

ITEM 1. BUSINESS

GENERAL

International Paper Company (the “Company” or “International Paper,” which may also be referred to as “we” or “us”) is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. We are a New York corporation, incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898. Our home page on the Internet is [www.internationalpaper.com](http://www.internationalpaper.com). You can learn more about us by visiting that site.

In the United States at December 31, 2012, the Company operated 28 pulp, paper and packaging mills, 187 converting and packaging plants, 18 recycling plants and three bag facilities. Production facilities at December 31, 2012 in Europe, Asia, Latin America and South America included 11 pulp, paper and packaging mills, 65 converting and packaging plants, and two recycling plants. We distribute printing, packaging, graphic arts, maintenance and industrial products principally through over 88 distribution branches in the United States and 32 distribution branches located in Canada, Mexico and Asia. At December 31, 2012, we owned or managed approximately 327,000 acres of forestland in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions.

For management and financial reporting purposes, our businesses are separated into four segments: Industrial Packaging; Printing Papers; Consumer Packaging; and Distribution. Beginning January 1, 2011, the Forest Products business was no longer reported by the Company as a separate industry segment due to the immateriality of the results of the remaining business on the Company’s consolidated financial statements. A description of these business segments can be found on pages 26 and 27 of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. The Company’s 50% equity interest in Ilim Holding S.A. is also a separate reportable industry segment.

From 2008 through 2012, International Paper’s capital expenditures approximated \$4.9 billion, excluding mergers and acquisitions. These expenditures reflect our continuing efforts to improve product quality and environmental performance, as well as lower costs,

maintain reliability of operations and improve forestlands. Capital spending for continuing operations in 2012 was approximately \$1.4 billion and is expected to be approximately \$1.4 billion in 2013. You can find more information about capital expenditures on page 34 of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Discussions of acquisitions can be found on pages 34 and 35 of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You can find discussions of restructuring charges and other special items on pages 24 through 26 of Item 7.

Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Throughout this Annual Report on Form 10-K, we “incorporate by reference” certain information in parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC permits us to disclose important information by referring to it in that manner. Please refer to such information. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and any amendments thereto filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our Internet Web site at [www.internationalpaper.com](http://www.internationalpaper.com) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on or connected to our Web site is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we filed with or furnished to the SEC.

FINANCIAL INFORMATION CONCERNING INDUSTRY SEGMENTS

The financial information concerning segments is set forth in Note 18 Financial Information by Industry Segment and Geographic Area on pages 86 and 87 of Item 8. Financial Statements and Supplementary Data.

FINANCIAL INFORMATION ABOUT INTERNATIONAL AND U.S. OPERATIONS

The financial information concerning international and U.S. operations and export sales is set forth in Note 18 Financial Information by Industry Segment and Geographic Area on page 87 of Item 8. Financial Statements and Supplementary Data.

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**COMPETITION AND COSTS**

Despite the size of the Company's manufacturing capacity for paper, packaging and pulp products, the markets in all of the cited product lines are large and fragmented. The major markets, both U.S. and non-U.S., in which the Company sells its principal products are very competitive. Our products compete with similar products produced by other forest products companies. We also compete, in some instances, with companies in other industries and against substitutes for wood and wood-fiber products.

Many factors influence the Company's competitive position, including price, cost, product quality and services. You can find more information about the impact of price and cost on operating profits on pages 19 through 32 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. You can find information about the Company's manufacturing capacities on page A-4 of Appendix II.

**MARKETING AND DISTRIBUTION**

The Company sells paper, packaging products and other products directly to end users and converters, as well as through agents, resellers and paper distributors. We own a large merchant distribution business that sells products made both by International Paper and by other companies making paper, paperboard, packaging, graphic arts supplies and maintenance and industrial products. Sales offices are located throughout the United States as well as internationally.

**DESCRIPTION OF PRINCIPAL PRODUCTS**

The Company's principal products are described on pages 26 and 27 of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.



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## SALES VOLUMES BY PRODUCT

Sales volumes of major products for 2012, 2011 and 2010 were as follows:

## Sales Volumes by Product (1)

In thousands of short tons	2012	2011	2010	
Industrial Packaging				
Corrugated Packaging (2)	10,523	7,424	7,525	
Containerboard (2)	3,228	2,371	2,458	
Recycling	2,349	2,435	2,486	
Saturated Kraft	166	161	176	
Gypsum/Release Kraft (2)	135	—	—	
Bleached Kraft	114	95	85	
European Industrial Packaging	1,032	1,047	1,040	
Asian Box (3)	410	444	307	
Industrial Packaging	17,957	13,977	14,077	
Printing Papers				
U.S. Uncoated Papers	2,617	2,616	2,695	
European and Russian Uncoated Papers	1,286	1,218	1,235	
Brazilian Uncoated Papers	1,165	1,141	1,081	
Indian Uncoated Papers (4)	246	49	—	
Printing Papers	5,314	5,024		\$893,766
Interest bearing liabilities:				
Interest bearing deposits:				
Interest bearing demand	\$63,828	\$62,494	\$63,225	\$64,683
Savings	71,789	72,350	69,856	70,255
Money market	184,096	169,823	113,703	107,843
Other time	349,133	343,841	325,920	341,185
Total interest bearing deposits	668,846	648,508	572,704	583,966
Borrowings:				
Federal funds purchased, securities sold under				
agreements to repurchase, and other short-term				
borrowings	11,329	21,028	113,093	71,636
Advanced from Federal Home Loan Bank	29,892	43,934	13,101	11,725
Guaranteed junior subordinated deferrable interest				
debentures	13,085	13,085	13,085	13,085
Total interest bearing liabilities	723,152	726,555	711,983	680,412
Non-interest bearing liabilities:				
Demand deposits	114,797	114,473	111,306	110,601
Other liabilities	9,298	11,428	9,751	9,816
Shareholders' equity	110,811	113,132	96,173	92,937
Total liabilities and shareholders' equity	\$958,058	\$965,588	\$929,213	\$893,766