
**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 June 30, 2001

- 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.)

400 Atlantic Street, Stamford, CT
(Address of principal executive offices)

06921
(Zip Code)

Registrant's telephone number, including area code: (203) 541-8000

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 X No

The number of shares outstanding of the registrant's common stock as of July 31, 2001 was
483,150,673.

INTERNATIONAL PAPER COMPANY

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL PAPER COMPANY
Consolidated Statement of Earnings
(Unaudited)
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Net Sales	<u>\$ 6,686</u>	<u>\$ 6,780</u>	<u>\$ 13,580</u>	<u>\$ 13,151</u>
Costs and Expenses				
Cost of products sold	4,914	4,735	10,052	9,256
Selling and administrative expenses	582	563	1,166	1,084
Depreciation and amortization	457	439	933	865
Distribution expenses	277	271	553	537
Taxes other than payroll and income taxes	71	61	146	124
Merger integration costs	32	4	42	12
Restructuring and other charges	465	71	465	71
Impairment losses on businesses held for sale	85	-	85	-
Total Costs and Expenses	<u>6,883</u>	<u>6,144</u>	<u>13,442</u>	<u>11,949</u>
Earnings (Loss) Before Interest, Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of Accounting Change	(197)	636	138	1,202
Interest expense, net	<u>235</u>	<u>156</u>	<u>483</u>	<u>287</u>
Earnings (Loss) Before Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of Accounting Change	(432)	480	(345)	915
Income tax provision (benefit)	(156)	142	(129)	278
Minority interest expense, net of taxes	<u>37</u>	<u>68</u>	<u>79</u>	<u>123</u>
Earnings (Loss) Before Extraordinary Items and Cumulative Effect of Accounting Change	(313)	270	(295)	514
Gains (losses) on sales of investments and businesses, net of taxes and minority interest	-	-	(46)	134
Cumulative effect of change in accounting for derivatives and hedging activities, net of taxes and minority interest	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>-</u>
Net Earnings (Loss)	<u>\$ (313)</u>	<u>\$ 270</u>	<u>\$ (357)</u>	<u>\$ 648</u>
Basic and Diluted Earnings Per Common Share				
Income (loss) before extraordinary items and accounting change	\$ (0.65)	\$ 0.64	\$ (0.61)	\$ 1.23
Extraordinary items	-	-	(0.10)	0.32
Cumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>(0.03)</u>	<u>-</u>
Net earnings (loss)	<u>\$ (0.65)</u>	<u>\$ 0.64</u>	<u>\$ (0.74)</u>	<u>\$ 1.55</u>
Average Shares of Common Stock Outstanding	<u>483.1</u>	<u>421.0</u>	<u>482.9</u>	<u>417.3</u>
Cash Dividends Per Common Share	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>

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

INTERNATIONAL PAPER COMPANY
Consolidated Balance Sheet
(Unaudited)
(In millions)

	<u>June 30,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
Assets		
Current Assets		
Cash and temporary investments	\$ 743	\$ 1,198
Accounts and notes receivable, net	3,185	3,433
Inventories	2,925	3,182
Assets of businesses held for sale	1,618	1,890
Other current assets	<u>995</u>	<u>752</u>
Total Current Assets	<u>9,466</u>	<u>10,455</u>
Plants, Properties and Equipment, net	15,118	16,011
Forestlands	4,463	5,966
Investments	276	269
Goodwill	6,607	6,310
Deferred Charges and Other Assets	<u>3,395</u>	<u>3,098</u>
Total Assets	<u><u>\$ 39,325</u></u>	<u><u>\$ 42,109</u></u>
 Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 1,271	\$ 2,115
Accounts payable	1,830	2,113
Accrued payroll and benefits	422	511
Liabilities of businesses held for sale	363	541
Other accrued liabilities	<u>1,928</u>	<u>2,133</u>
Total Current Liabilities	<u>5,814</u>	<u>7,413</u>
Long-Term Debt	12,787	12,648
Deferred Income Taxes	4,221	4,699
Other Liabilities	2,128	2,155
Minority Interest	1,341	1,355
International Paper - Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries Holding International Paper Debentures	1,805	1,805
Common Shareholders' Equity		
Common stock, \$1 par value, 484.2 shares in 2001 and 2000	484	484
Paid-in capital	6,443	6,501
Retained earnings	5,711	6,308
Accumulated other comprehensive income (loss)	<u>(1,358)</u>	<u>(1,142)</u>
	11,280	12,151
Less: Common stock held in treasury, at cost, 2001 - 1.2 shares, 2000 - 2.7 shares	<u>51</u>	<u>117</u>
Total Common Shareholders' Equity	<u>11,229</u>	<u>12,034</u>
Total Liabilities and Common Shareholders' Equity	<u><u>\$ 39,325</u></u>	<u><u>\$ 42,109</u></u>

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

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

	Six Months Ended	
	June 30,	
	2001	2000
Operating Activities		
Net earnings (loss)	\$ (357)	\$ 648
Cumulative effect of accounting change	16	-
Depreciation and amortization	933	865
Deferred income tax (benefit) provision	(202)	107
Payments related to restructuring reserves, legal reserves and merger integration costs	(212)	(121)
Merger integration costs	42	12
Restructuring and other charges	465	71
Impairment losses on businesses held for sale	85	-
Losses (gains) on sales of investments and businesses	72	(385)
Other, net	(15)	64
Changes in current assets and liabilities		
Accounts and notes receivable	(85)	(282)
Inventories	81	(69)
Accounts payable	(147)	(71)
Accrued liabilities	(257)	120
Other	(124)	9
Cash Provided by Operations	295	968
Investment Activities		
Invested in capital projects	(458)	(488)
Mergers and acquisitions, net of cash acquired	(150)	(5,355)
Proceeds from divestitures	881	1,359
Other	11	(106)
Cash Provided by (Used for) Investment Activities	284	(4,590)
Financing Activities		
Issuance of common stock	15	39
Issuance of debt	1,047	6,173
Reduction of debt	(1,731)	(1,487)
Change in bank overdrafts	(79)	(199)
Dividends paid	(240)	(207)
Other	4	39
Cash (Used for) Provided by Financing Activities	(984)	4,358
Effect of Exchange Rate Changes on Cash	(50)	(44)
Change in Cash and Temporary Investments	(455)	692
Cash and Temporary Investments		
Beginning of the period	1,198	453
End of the period	\$ 743	\$ 1,145

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

Consolidated Statement of Common Shareholders' Equity
(Unaudited)
(In millions, except share amounts in thousands)

Six Months Ended June 30, 2001

	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Common Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2000	484,160	\$ 484	\$ 6,501	\$ 6,308	\$ (1,142)	2,690	\$ 117	\$ 12,034
Issuance of stock for various plans	25	-	(58)	-	-	(1,485)	(66)	8
Cash dividends - Common stock (\$0.50 per share)	-	-	-	(240)	-	-	-	(240)
Comprehensive income (loss):								
Net loss	-	-	-	(357)	-	-	-	(357)
Change in cumulative foreign currency translation adjustment	-	-	-	-	(159)	-	-	(159)
Unrealized gain (loss) on cash flow hedging derivatives	-	-	-	-	(57)	-	-	(57)
Total comprehensive income (loss)	-	-	-	-	-	-	-	(573)
Balance, June 30, 2001	<u>484,185</u>	<u>\$ 484</u>	<u>\$ 6,443</u>	<u>\$ 5,711</u>	<u>\$ (1,358)</u>	<u>1,205</u>	<u>\$ 51</u>	<u>\$ 11,229</u>

Six Months Ended June 30, 2000

	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Common Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 1999	414,584	\$ 415	\$ 4,078	\$ 6,613	\$ (739)	1,216	\$ 63	\$ 10,304
Issuance of stock for merger	68,706	69	2,360	-	-	-	-	2,429
Issuance of stock for various plans	160	-	(1)	-	-	(884)	(42)	41
Repurchase of stock	-	-	-	-	-	1,250	51	(51)
Cash dividends - Common stock (\$0.50 per share)	-	-	-	(207)	-	-	-	(207)
Comprehensive income (loss):								
Net earnings	-	-	-	648	-	-	-	648
Change in cumulative foreign currency translation adjustment	-	-	-	-	(123)	-	-	(123)
Total comprehensive income (loss)	-	-	-	-	-	-	-	525
Balance, June 30, 2000	<u>483,450</u>	<u>\$ 484</u>	<u>\$ 6,437</u>	<u>\$ 7,054</u>	<u>\$ (862)</u>	<u>1,582</u>	<u>\$ 72</u>	<u>\$ 13,041</u>

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

INTERNATIONAL PAPER COMPANY
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of Management, include all adjustments (consisting only of normal recurring accruals) which are necessary for the fair presentation of results for the interim periods. It is suggested that these consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto incorporated by reference in International Paper's Annual Report on Form 10-K for the year ended December 31, 2000, which has previously been filed with the Securities and Exchange Commission.

On June 20, 2000, International Paper acquired Champion International Corporation (Champion) in a transaction accounted for as a purchase. Champion's results of operations are included in the consolidated statement of earnings beginning on the date of acquisition.

NOTE 2 – EARNINGS PER COMMON SHARE

Earnings per common share before extraordinary items and cumulative effect of accounting change were computed by dividing earnings before extraordinary items and cumulative effect of accounting change by the weighted average number of common shares outstanding. Earnings per common share before extraordinary items and cumulative effect of accounting change, assuming dilution, were computed assuming that all potentially dilutive securities were converted into common shares at the beginning of each period. A reconciliation of the amounts included in the computation of earnings per common share before extraordinary items and cumulative effect of accounting change, and earnings per common share before extraordinary items and cumulative effect of accounting change, assuming dilution, is as follows:

In millions, except per share amounts	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Net earnings (loss) before extraordinary items and cumulative effect of accounting change	\$ (313)	\$ 270	\$ (295)	\$ 514
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	5	-	9
Net earnings (loss) before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (313)	\$ 275	\$ (295)	\$ 523
Average common shares outstanding	483.1	421.0	482.9	417.3
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	8.3	-	8.3
Stock Options	-	0.3	-	0.5
Average common shares outstanding - assuming dilution	483.1	429.6	482.9	426.1
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change	\$ (0.65)	\$ 0.64	\$ (0.61)	\$ 1.23
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (0.65)	\$ 0.64	\$ (0.61)	\$ 1.23

NOTE 3 – MERGERS, ACQUISITIONS AND DIVESTITURES

Mergers and Acquisitions:

In April 2001, Carter Holt Harvey acquired Norske Skog's Tasman Kraft pulp manufacturing business for \$130 million in cash.

In June 2000, International Paper completed the acquisition of Champion, a leading manufacturer of paper for business communications, commercial printing and publications with significant market pulp, plywood and lumber manufacturing operations. Champion shareholders received \$50 in cash and \$25 worth of International Paper common stock for each Champion share. The acquisition was completed for approximately \$5 billion in cash and 68.7 million shares of International Paper common stock having a market value of \$2.4 billion. Approximately \$2.8 billion of Champion debt was assumed.

In April 2000, Carter Holt Harvey purchased CSR Limited's medium density fiberboard and particleboard businesses and its Oberon sawmill for approximately \$200 million in cash.

In March 2000, International Paper acquired Shorewood Packaging Corporation, a leader in the manufacture of premium retail packaging, for approximately \$640 million in cash and the assumption of \$280 million of debt.

All of these acquisitions were accounted for using the purchase method with the related operating results included in the consolidated statement of earnings from the dates of acquisition.

Divestitures:

In March 2001, International Paper received \$500 million in proceeds from the sale of approximately 265,000 acres of forestlands in the state of Washington to Ranier Timber Company, LLC.

In January 2001, International Paper conveyed its oil and gas properties and fee mineral and royalty interests to Pure Resources, Inc. and its affiliates in a transaction valued at approximately \$260 million, resulting in an extraordinary loss of \$8 million after taxes. International Paper also completed the sale of its interest in Zanders Feinpapier AG, a European coated paper business, to Metsa Serla for approximately \$120 million and the assumption of \$80 million of debt. This transaction resulted in an extraordinary loss of \$245 million after taxes and minority interest, which was recorded in the fourth quarter of 2000 when the decision was made to sell this business below book value.

In November 2000, International Paper sold its interest in Bush Boake Allen for \$640 million, resulting in an extraordinary gain of \$183 million after taxes and minority interest.

In January 2000, International Paper sold its equity interest in Scitex for \$79 million, and Carter Holt Harvey sold its equity interest in Compania de Petroleos de Chile for just over \$1.2 billion. These sales resulted in a combined extraordinary gain of \$134 million after taxes and minority interest.

In 2000, International Paper announced a divestment program following the Champion acquisition and the completion of a strategic analysis to focus on International Paper's core businesses. Through June 30, 2001, approximately \$1.7 billion of proceeds, including debt assumed by the buyers, have been realized under the program.

NOTE 4 – SPECIAL AND EXTRAORDINARY ITEMS INCLUDING RESTRUCTURING AND BUSINESS IMPROVEMENT ACTIONS

During the second quarter of 2001, special items amounting to a net pre-tax charge of \$582 million (\$377 million after taxes and minority interest) were recorded. These items included a \$465 million charge before taxes and minority interest (\$300 million after taxes and minority interest) for asset shutdowns of excess capacity and cost reduction actions, an \$85 million pre-tax loss (\$55 million after taxes) for impairment losses on businesses held for sale, and a \$32 million pre-tax charge (\$22 million after taxes) for additional Champion merger-related costs. The \$465 million charge for asset shutdowns of excess internal capacity and cost reduction actions included \$240 million of asset write-downs and \$225 million of severance and other charges. The following table presents additional detail related to the \$465 million charge:

<u>In millions</u>		Asset Write- Downs	Severance and Other	Total
Printing Papers	(a)	\$ 9	\$ 23	\$ 32
Consumer Packaging	(b)	151	69	220
Industrial Packaging	(c)	62	20	82
Industrial Papers	(d)	3	5	8
Forest Products	(e)	1	12	13
Distribution	(f)	4	21	25
Carter Holt Harvey	(g)	10	-	10
Administrative Support Groups	(h)	-	75	75
		<u>\$ 240</u>	<u>\$ 225</u>	<u>\$ 465</u>

- (a) The Printing Papers business indefinitely shut down the Hudson River mill No. 3 paper machine located in Corinth, New York due to excess internal capacity. The machine was written down by \$9 million to its estimated fair value of zero. A severance charge of \$10 million was recorded to cover the termination of 208 employees. Also, the Printing Papers business implemented a plan to streamline and realign administrative functions at several of its locations. Charges associated with this plan included \$6 million of severance costs covering the termination of 82 employees, and other cash costs of \$7 million.
- (b) In June 2001, the Consumer Packaging business shut down the Moss Point, Mississippi mill and announced the shut down of its Clinton, Iowa facility due to excess internal capacity. Charges associated with the Moss Point shutdown included \$138 million to write the assets down to their estimated salvage value, \$21 million of severance costs covering the termination of 363 employees, and other exit costs of \$20 million. Charges associated with the Clinton shutdown included \$7 million to write the assets down to their estimated salvage value, \$7 million of severance costs covering the termination of 327 employees, and other exit costs of \$3 million. Additionally, the Consumer Packaging business implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included \$6 million of asset write-downs, \$15 million of severance costs covering the termination of 402 employees, and other cash costs of \$3 million.
- (c) The Industrial Packaging business indefinitely shut down the Savannah, Georgia mill No. 2, No. 4 and No. 6 paper machines due to excess internal capacity. The machines were written down by \$62 million to their estimated fair value of zero, with severance charges of \$11 million also recorded to cover the termination of 290 employees. Also, Industrial Packaging implemented a plan to streamline and realign administrative functions at several of its locations, resulting in a severance charge of \$9 million covering the termination of 146 employees.

- (d) Industrial Papers implemented a plan to reduce excess capacity and streamline administrative functions at several of its locations. Charges associated with this plan included asset write-downs of \$3 million and severance costs of \$5 million covering the termination of 123 employees.
- (e) The Forest Products business charge of \$13 million reflects the reorganization of its regional operating structure and streamlining of administrative functions. The charge included \$1 million of asset write-downs, \$9 million of severance costs covering the termination of 100 employees, and other cash costs of \$3 million.
- (f) xpedx implemented a plan to consolidate duplicate facilities and eliminate excess internal capacity. Charges associated with this plan included \$4 million of asset write-downs, \$14 million of severance costs covering the termination of 394 employees, and other cash costs of \$7 million.
- (g) The Carter Holt Harvey charge of \$10 million was recorded to write down the assets of its Mataura mill to their estimated fair value of zero as a result of the decision to permanently shutdown this facility which had previously been idled temporarily.
- (h) During the second quarter of 2001, International Paper implemented a cost reduction program to realign its administrative functions across all business and staff support groups. As a result, a \$75 million severance charge was recorded covering the termination of 985 employees.

The \$85 million charge for impairment losses on businesses held for sale reflects the reduction of the carrying value of these assets to their expected realizable value based on offers received. These businesses are currently being offered for sale as part of International Paper's divestment program.

The merger-related expenses of \$32 million consisted primarily of systems integration, product line rationalization, employee retention, travel and other cash costs related to the Champion merger.

During the first quarter of 2001, special and extraordinary items amounting to a net pre-tax charge of \$108 million (\$68 million after taxes and minority interest) were recorded. These items included a \$25 million charge before taxes and minority interest (\$16 million after taxes and minority interest) for the cumulative impact of adopting the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS Nos. 137 and 138, an extraordinary charge of \$73 million before taxes (\$46 million after taxes) for impairment losses on businesses held for sale, and a special charge of \$10 million before taxes (\$6 million after taxes) for additional Champion merger-related costs.

During the second quarter of 2000, International Paper recorded special items amounting to a net charge before taxes and minority interest of \$75 million (\$45 million after taxes and minority interest). The special items included a \$71 million pre-tax charge (\$42 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions and a \$4 million pre-tax charge (\$3 million after taxes) for merger-integration costs.

During the first quarter of 2000, a pre-tax charge of \$8 million (\$5 million after taxes) was recorded for merger-related expenses, primarily consisting of systems integration, employee retention, travel and other cash costs related to the Union Camp merger.

During the last two quarters of 2000, additional charges totaling \$749 million before taxes and minority interest (\$464 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions were recorded. The following table presents a roll forward of the cumulative severance and other costs included in these charges:

<u>Dollars in millions</u>	<u>Severance and Other</u>
Opening balance - second quarter 2000 (1,056 employees)	\$ 31
Additions - fourth quarter 2000 (3,187 employees)	217
Cash charges - 2000 (991 employees)	<u>(19)</u>
Balance, December 31, 2000 (3,252 employees)	229
Cash charges - first quarter 2001 (1,744 employees)	(86)
Cash charges - second quarter 2001 (655 employees)	<u>(37)</u>
Balance, June 30, 2001 (853 employees)	<u><u>\$ 106</u></u>

In addition, \$13 million of 1999 reserves, primarily relating to severance, which remained at the end of 2000 was paid during the first quarter of 2001.

International Paper continually evaluates its operations for improvement. When any such plans are finalized, costs or charges may be incurred in future periods related to the implementation of these plans.

NOTE 5 – INVENTORIES

Inventories by major category were:

<u>In millions</u>	<u>June 30, 2001</u>	<u>December 31, 2000</u>
Raw materials	\$ 360	\$ 431
Finished pulp, paper and packaging products	1,752	1,912
Finished lumber and panel products	225	261
Operating supplies	472	473
Other	<u>116</u>	<u>105</u>
Total	<u><u>\$ 2,925</u></u>	<u><u>\$ 3,182</u></u>

NOTE 6 – BUSINESSES HELD FOR SALE

During 2000, International Paper announced a divestment program to sell certain assets that are not strategic to its core businesses. The decision to sell these businesses and certain other assets resulted from International Paper's acquisition of Champion and the completion of its strategic analysis to focus on its core businesses of Paper, Packaging and Forest Products.

Businesses being marketed at June 30, 2001, including those with sales pending under sales agreements, were Arizona Chemical, Chemical Cellulose, Masonite, Decorative Products, Flexible Packaging, and other smaller businesses. Sales and operating earnings for each of the six-month periods ended June 30, 2001 and 2000 for these businesses were:

<u>In millions</u>	For the Six Months Ended	
	June 30,	
	2001	2000
Sales	\$ 1,125	\$ 1,276
Operating earnings	17	80

The sales and operating earnings shown above for these businesses, plus the results of businesses sold during the first half of 2001, are shown in “Other Businesses” in Management’s Discussion and Analysis. The assets of these businesses, totaling \$1.6 billion at June 30, 2001 and \$1.9 billion at December 31, 2000, are included in “assets of businesses held for sale” in current assets in the accompanying consolidated balance sheet. The liabilities of these businesses, totaling \$363 million at June 30, 2001 and \$541 million at December 31, 2000, are included in “liabilities of businesses held for sale” in current liabilities in the accompanying consolidated balance sheet.

During the second quarter of 2001, a decision was made to continue to operate the Fine Papers business that was previously held for sale. Accordingly, industry segment information for prior periods has been restated to include this business in the printing papers segment.

An agreement to sell Masonite to Premdor Inc. of Toronto, Canada was entered into in September 2000 and subsequently amended in July 2001. In August 2001, the Flexible Packaging business was sold to Exo-Tech Packaging LLC, a company sponsored by the Sterling Group L.P.

NOTE 7 – TEMPORARY INVESTMENTS

Temporary investments with a maturity of three months or less are treated as cash equivalents and are stated at cost. Temporary investments totaled \$162 million and \$581 million at June 30, 2001 and December 31, 2000, respectively.

NOTE 8 – SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Interest payments made during the six-month periods ended June 30, 2001 and 2000 were \$549 million and \$309 million, respectively. Capitalized net interest costs were \$7 million for the six months ended June 30, 2001 and \$13 million for the six months ended June 30, 2000. Total interest expense was \$547 million for the six months ended June 30, 2001 and \$326 million for the six months ended June 30, 2000. The increase reflects debt incurred in the acquisition of Champion. Income tax payments of \$322 million were made during the first half of 2001 and \$161 million during the first half of 2000. Distributions paid under all of International Paper’s preferred securities of subsidiaries were \$74 million and \$76 million for the six months ended June 30, 2001 and 2000, respectively and are included in minority interest expense.

Accumulated depreciation was \$16.6 billion at June 30, 2001 and \$16.1 billion at December 31, 2000. The allowance for doubtful accounts was \$124 million at June 30, 2001 and \$128 million at December 31, 2000.

NOTE 9 – CONVERTIBLE DEBENTURES

In June 2001, International Paper completed a private placement offering of \$2.1 billion principal amount at maturity zero-coupon convertible senior debentures due June 20, 2021, which yielded net proceeds of approximately \$1.0 billion. The debt accretes to face value at maturity at a rate of 3.75% per annum, subject to upward adjustment if International Paper's stock price falls below a certain level for a specified period. Also, the securities are convertible into shares of International Paper common stock at the option of debenture holders upon an upward change in International Paper's stock price in relation to the accreted value of the debentures, or if the bond rating agencies downgrade International Paper's debt below investment grade, or upon the debentures being called for redemption by International Paper, or upon the occurrence of certain other corporate events as defined in the debt agreement. International Paper may be required to repurchase the securities on June 20th in each of the years 2004, 2006, 2011, and 2016 at a repurchase price equal to the accreted principal amount to the repurchase date. International Paper also has the option to redeem the securities on or after June 20, 2006 under certain circumstances. The net proceeds of this issuance were used to retire higher interest rate commercial paper borrowings.

NOTE 10 – RECENT ACCOUNTING DEVELOPMENTS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method, thus eliminating the use of pooling-of-interests accounting for business combinations. SFAS No. 142 changes the accounting for goodwill, eliminating the periodic charge to earnings for goodwill amortization for fiscal years beginning after December 15, 2001. Instead, the statement will require an annual assessment of goodwill for impairment, or more frequent assessments if circumstances indicate a possible impairment. Additionally, SFAS No. 142 prescribes the accounting for identifiable intangible assets acquired in a business combination. Whereas, SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, SFAS No. 142 requires companies to continue to amortize goodwill existing at June 30, 2001 through the end of the current fiscal year, with periodic amortization ceasing effective January 1, 2002.

Goodwill amortization charges for the six-month period ended June 30, 2001 were \$91 million with a similar charge expected for the last half of 2001. This amortization charge will be discontinued on January 1, 2002. International Paper is currently evaluating other possible impacts of adopting the provisions of SFAS No. 142, including potential impairment of existing goodwill balances, but has not yet quantified the impact on its consolidated financial position.

In July 2001, the Financial Accounting Standards Board announced that it will issue SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets". SFAS No. 143 will require the accrual, at fair value, of the estimated retirement obligation for tangible long-lived assets if the company is legally obligated to perform retirement activities at the end of the related asset's life and is effective for fiscal years beginning after June 15, 2002. International Paper has not yet evaluated the impact of adopting SFAS No. 143 on its consolidated financial position.

On January 1, 2001, International Paper adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS Nos. 137 and 138. These statements require that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured by its fair value. These statements also establish new accounting rules for hedge transactions, which depend on the nature of the hedge relationship.

The cumulative effect of adopting SFAS No. 133 was a \$25 million charge to net earnings before taxes and minority interest (\$16 million after taxes and minority interest), and a net decrease of \$9 million after taxes to Other Comprehensive Income (OCI). The charge to net earnings primarily resulted from recording the fair value of certain interest rate swaps which do not qualify under the new rules for hedge accounting treatment. The decrease to OCI primarily resulted from adjusting the foreign currency contracts used as hedges of net investments in foreign operations to fair value.

International Paper periodically uses derivatives and other financial instruments to hedge exposures to interest rate, commodity and currency risks. For hedges which meet the SFAS No. 133 criteria, International Paper, at inception, formally designates and documents the instrument as a hedge of a specific underlying exposure, as well as the risk management objective and strategy for undertaking each hedge transaction. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the value or cash flows of the underlying exposures being hedged. Derivatives are recorded in the consolidated balance sheet at fair value in other current or noncurrent assets or liabilities. The earnings impact resulting from the change in fair value of the derivative instruments is recorded in the same line item in the consolidated statement of earnings as the underlying exposure being hedged. The financial instruments that are used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in either the fair value or cash flows of the related underlying exposures. The ineffective portion of a financial instrument's change in fair value, if any, would be recognized currently in earnings together with the changes in fair value of derivatives not designated as hedges.

The counterparties to International Paper's contracts consist of a number of major international financial institutions. International Paper monitors its positions with, and the credit quality of, these financial institutions and does not expect nonperformance by the counterparties.

Interest Rate Risk

Cross-currency and interest rate swaps may be used to manage the composition of portions of International Paper's fixed and floating rate debt portfolio. Carter Holt Harvey uses these instruments to hedge the interest rate exposure of its U.S. dollar fixed rate debt and has designated the instruments as fair value hedges with net gains and losses reported currently in interest expense.

In the U.S., International Paper has entered into interest rate swap agreements with a total notional amount of approximately \$1 billion with maturities ranging from 1 to 23 years. These swaps do not qualify as hedges under SFAS No. 133 and, consequently, were recorded at fair value on the transition date by a charge to net earnings. For the quarter ended June 30, 2001, the change in fair value of the swaps was immaterial. Future changes in fair value of these swaps are not expected to have a material impact on earnings, although some volatility in a quarter is possible due to unforeseen market conditions.

At June 30, 2001, International Paper had \$2.9 billion of floating rate debt with interest rates that fluctuate based on market conditions and credit returns.

Commodity Risk

To manage risks associated with future variability in cash flows attributable to certain commodity purchases, International Paper currently uses swap contracts with maturities of 12 months or less. Such cash flow hedges are accounted for by deferring the quarterly change in fair value of the outstanding contracts in accumulated OCI. On the date a contract matures, the deferred gain or loss is reclassified into cost of goods sold concurrently with the recognition of the commodity purchased. During the quarter ended June 30, 2001, International Paper entered into a number of contracts to hedge a portion of its U.S. forecasted purchases of natural gas through March 31, 2002, effectively fixing the price of these purchases at a weighted average price of \$5.30 per MMBTU.

Contracts for a notional amount of 33.8 MMBTU's were outstanding at June 30, 2001. Approximately \$48 million after taxes, representing the quarterly change in the fair market value of these contracts, was charged to accumulated OCI, and \$5 million after taxes, reflecting the realized loss on maturing contracts during the period, was charged to expense.

Foreign Currency Risk

International Paper's policy has been to hedge certain investments in foreign operations with borrowings denominated in the same currency as the operation's functional currency or by entering into foreign exchange contracts. These financial instruments are effective as a hedge against fluctuations in currency exchange rates. Gains or losses from changes in the fair value of these instruments, which are offset in whole or in part by translation gains and losses on the net assets hedged, are recorded as translation adjustments in accumulated OCI. Upon liquidation or sale of the net assets hedged, the accumulated gains or losses from the revaluation of the hedging instruments would be included in earnings.

Currency swaps are used to mitigate the risk associated with changes in foreign exchange rates, which will affect the fair value of debt denominated in a foreign currency. Some of these hedges have been designated as fair value hedges and others have not.

Foreign exchange contracts (including forward, swap and purchase option contracts) are also used to hedge certain transactions, primarily trade receipts and payments denominated in foreign currencies, to manage volatility associated with these transactions and to protect International Paper from currency fluctuations between the contract date and ultimate settlement. These contracts, most of which have been designated as cash flow hedges, had maturities of five years or less as of June 30, 2001. For the three months ended June 30, 2001, a net charge of \$9 million after taxes, was recorded in accumulated OCI, net of reclassifications to earnings of \$1 million after taxes, related to net losses on these contracts. An estimated \$5 million after taxes is expected to be reclassified to earnings by the end of 2001. Additionally, the change in the time value associated with currency options recognized immediately in earnings for the quarter was immaterial. Other contracts are used to offset the earnings impact relating to the variability in exchange rates on certain monetary assets and liabilities denominated in non-functional currencies and are not designated as hedges. Changes in the fair value of these instruments are recognized currently in earnings to offset the remeasurement of the related assets and liabilities.

NOTE 11 – SUBSEQUENT EVENTS

In July 2001, International Paper completed the sale of its Curtis/Palmer hydroelectric generating project in Corinth, New York to TransCanada Pipelines Limited.

In August 2001, International Paper completed the sale of its Flexible Packaging business to Exo-Tech Packaging, LLC, a company sponsored by the Sterling Group, L.P.

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

Results of Operations

International Paper's consolidated results of operations include Champion International Corporation (Champion) from the date of acquisition, June 20, 2000.

Second quarter 2001 earnings were \$64 million, or \$.13 per share, before special items. Earnings for the same period a year earlier were \$315 million, or \$.75 per share, before special items. First quarter 2001 earnings were \$24 million, or \$.05 per share, before special and extraordinary items and the cumulative effect of an accounting change. The earnings increase in the second quarter of 2001 compared with the first quarter was due mainly to declining costs, including lower energy costs, and improved operating efficiencies. However, weak pulp, paper, and packaging markets and a soft U.S. economy continue to negatively impact results. Export revenues continue to come under pressure due to the strengthening U.S. dollar. We took approximately 430,000 tons of market-related downtime throughout our mill system as we continue to balance production with demand. During the second quarter of 2001, we announced the elimination of approximately 4,000 positions related to capacity shutdowns, internal reorganizations, and streamlining of salaried staff functions. These announcements included plans to shut down production of 610,000 tons of U.S. containerboard capacity and 60,000 tons of U.S. coated freesheet capacity.

In the second quarter of 2001, International Paper reported a net loss of \$313 million, or \$.65 per share, after special items. This compared with net earnings of \$270 million, or \$.64 per share, in the second quarter of 2000 after special items. International Paper reported a net loss of \$44 million, or \$.09 per share, in the first quarter of 2001, after special and extraordinary items and the cumulative effect of an accounting change.

Special items in the second quarter of 2001 included charges of \$300 million after taxes and minority interest, or \$.62 per share, for facility closures, administrative realignment and related severance and \$55 million after taxes, or \$.11 per share, for impairment losses on businesses held for sale. Also, a special charge of \$22 million after taxes, or \$.05 per share, represented additional Champion merger integration costs. Special charges in the second quarter of 2000 included charges of \$42 million after taxes and minority interest, or \$.10 per share, for asset shutdowns of excess internal capacity and cost reduction actions, and \$3 million after taxes, or \$.01 per share, for merger-integration costs.

International Paper posted net sales in the second quarter of 2001 of \$6.7 billion, compared with \$6.8 billion in the second quarter of 2000 and \$6.9 billion in the first quarter of 2001. The decline was due mainly to lower volumes and price erosion in our pulp and paper and packaging businesses.

The following segment discussions for the second quarter of 2001 are based on results before special items.

Printing Papers net sales of \$1.9 billion for the second quarter of 2001 were down slightly from the \$2.1 billion recorded in the first quarter of 2001. Net sales for the second quarter of 2000 were \$1.4 billion. The segment reported operating profit of \$119 million for the second quarter of 2001 compared with \$154 million for the first quarter of 2001 and \$204 million for the second quarter of 2000. The lower operating profits and sales continue to reflect the slow general economy. The 2001 first quarter slowdown in advertising spending accelerated in the second quarter impacting demand from publishers and commercial printers. Paper pricing declined slightly during the second quarter of 2001. European and North American pulp markets continued to weaken in the second quarter with very low demand and sharply lower pulp prices. During the quarter, International Paper took market-related downtime of 45,000 tons for bristols and pulp and 70,000 tons for coated and supercalendered papers which reduced inventory levels and helped balance supply to demand. In July 2001, we indefinitely shut down a coated freesheet machine, further reducing capacity by 60,000 tons. We intend to continue to take

market-related downtime as necessary in the third quarter of 2001 to keep internal supply aligned with customer demand. The segment is aggressively pursuing improvement initiatives and expects significant cost savings as a result of reorganization efforts in the business.

Printing Papers

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 2,085	\$ 1,945	\$ 4,030	\$ 1,470	\$ 1,440	\$ 2,910
Operating Profit	154	119	273	172	204	376

Industrial and Consumer Packaging net sales of \$1.7 billion for the second quarter of 2001 were flat compared with net sales in the first quarter of 2001. Net sales for the second quarter of 2000 were \$1.9 billion. The segment reported operating profit of \$143 million for the 2001 second quarter compared with \$116 million in the first quarter of 2001 and \$236 million for the second quarter of 2000. While energy costs continued to moderate during the second quarter, the strong U.S. dollar and soft domestic market conditions caused operating results to decline versus the same period a year ago. Industrial Packaging continued to take extensive market-related downtime, which totaled 265,000 tons in the second quarter of 2001. In July 2001, we announced the indefinite shutdown of 610,000 tons of capacity to match production with customer orders. Internal initiatives centered on cost and efficiency improvements and external customer-focused programs favorably impacted both Consumer Packaging and Industrial Packaging earnings during the quarter, partly offsetting the impact of soft market conditions. The strong U.S. dollar continued to adversely affect both bleached board sales and containerboard exports.

Industrial and Consumer Packaging

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 1,710	\$ 1,695	\$ 3,405	\$ 1,665	\$ 1,865	\$ 3,530
Operating Profit	116	143	259	192	236	428

Distribution net sales of \$1.7 billion for the 2001 second quarter were slightly lower than the \$1.8 billion of net sales for the 2001 first quarter and even with net sales in the second quarter of 2000. Operating profit of \$12 million for the second quarter of 2001 was slightly down from \$14 million in the first quarter of 2001. Operating profit for the second quarter of 2000 was \$35 million. The year-over-year sales increase attributable to the addition of Champion's Nationwide facilities was essentially offset by lower overall market demand across the United States. The segment continues to make progress on its internal profit improvement program but was affected by weak printing markets as well as slowing sales in packaging and industrial supplies in the second quarter of 2001.

Distribution

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 1,800	\$ 1,710	\$ 3,510	\$ 1,750	\$ 1,700	\$ 3,450
Operating Profit	14	12	26	30	35	65

Forest Products 2001 second quarter net sales of \$720 million were up from the \$685 million reported in the first quarter of 2001 and the \$460 million reported in the second quarter of 2000. Current quarter operating profit of \$182 million was up from the \$136 million reported in the first quarter of 2001 and the \$151 million reported in the second quarter of 2000. Earnings for Forest Products increased in the second quarter compared with the first quarter of 2001 as sales of lumber and panels benefited from strong housing starts. Prices for oriented strand board, plywood, and lumber improved during the quarter. Stumpage prices for the second quarter of 2001, for both pulpwood and sawtimber, continued their decline from 2000 levels. International Paper monetizes its forest

assets in various ways including sales of short and long-term harvest rights on a pay-as-cut or lump-sum bulk sales basis, and sales of timberland. Accordingly, earnings from quarter to quarter may vary depending upon prices and volumes of such sales. Overall, timber sales volumes and prices dropped in the second quarter resulting in lower earnings compared with the first quarter. Earnings for the Wood Products businesses improved in the second quarter compared with the first quarter. In July 2001, Forest Resources announced an internal reorganization designed to increase flexibility and reduce its administrative costs. This reorganization will result in lower operating costs in future quarters.

Forest Products

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 685	\$ 720	\$ 1,405	\$ 500	\$ 460	\$ 960
Operating Profit	136	182	318	132	151	283

Carter Holt Harvey reported 2001 second quarter net sales of \$400 million compared with \$395 million in the first quarter of 2001 and \$460 million in the second quarter of 2000. Operating profit in the 2001 second quarter of \$5 million was up from the \$1 million recorded in the first quarter of 2001, but down from the \$23 million recorded in the second quarter of 2000. The decline in U.S. dollar sales compared with 2000 reflects the translation effect of a 16% stronger U.S. dollar in 2001. Although second quarter 2001 results improved over the first quarter, pricing in Asian export log markets was at cyclical lows, while weak regional construction markets in Australia and New Zealand in combination with weak housing starts continued to adversely impact Carter Holt Harvey's earnings. Earnings for Carter Holt Harvey's Wood Products business in the second quarter showed improvement over first quarter of 2001 due to stronger volumes. The operating results of the Tissue business continue to be adversely affected by a weak Australian dollar.

Carter Holt Harvey

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 395	\$ 400	\$ 795	\$ 410	\$ 460	\$ 870
Operating Profit	1	5	6	17	23	40

International Paper's results for this segment differ from those reported by Carter Holt Harvey in New Zealand due to (1) Carter Holt Harvey's fiscal year ends at March 31 versus our calendar year-end, (2) our segment earnings include only our share of Carter Holt Harvey's operating earnings while 100% of sales are included in segment results, (3) our results are in U.S. dollars while Carter Holt Harvey reports in New Zealand dollars, and (4) Carter Holt Harvey reports under New Zealand accounting standards while our segment results comply with U.S. generally accepted accounting principles. The major accounting differences relate to cost of timber harvested and start-up costs.

Other Businesses include the operating results for those businesses identified in International Paper's divestiture program. Businesses either under agreement for sale or being marketed at the end of the second quarter of 2001 include Arizona Chemical, Masonite, the Chemical Cellulose pulp business, Decorative Products, Flexible Packaging, and certain other small businesses. In addition, operating results for Bush Boake Allen, Zanders and International Paper's Petroleum and Minerals business are included in this segment for periods prior to their sale. Net sales for other businesses for the second quarter of 2001 were \$565 million compared with \$595 million in the 2001 first quarter and \$955 million in the 2000 second quarter. Operating profit was \$21 million compared with \$5 million for the first quarter of 2001 and \$65 million in the second quarter of 2000. The declines in 2001 second quarter net sales and earnings from the second quarter of 2000 reflect a weaker U.S. economy as well as the sale of certain businesses in late 2000 and the first quarter of 2001.

Other Businesses

In millions	2001			2000		
	1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	Six Months
Sales	\$ 595	\$ 565	\$ 1,160	\$ 945	\$ 955	\$ 1,900
Operating Profit	5	21	26	60	65	125

Liquidity and Capital Resources

Cash provided by operations totaled \$295 million for the first half of 2001 compared with \$968 million for the comparable 2000 six-month period, due principally to the decline in net earnings. Working capital requirements reduced operating cash flow by \$532 million and \$293 million for the 2001 and 2000 six-month periods, respectively, due to an increase in seasonal estimated tax payments.

Investments in capital projects totaled \$458 million and \$488 million for the 2001 and 2000 six-month periods, respectively.

Financing activities for the 2001 six-month period included a \$684 million net reduction in debt compared to a \$4.7 billion net increase in debt in the comparable 2000 six-month period when borrowings were made in connection with the acquisition of Champion. During the second quarter, certain cash balances in Europe and South American were repatriated to the U.S. to reduce debt balances. Additionally, zero-coupon convertible senior debentures were issued yielding net proceeds of approximately \$1.0 billion which was used to retire commercial paper borrowings. Common stock dividend payments totaled \$240 million, or \$.50 per share, for the 2001 first half compared to \$207 million, or \$.50 per share, for the 2000 first half.

At June 30, 2001, cash and temporary investments totaled \$743 million compared with \$1.2 billion at December 31, 2000.

Mergers, Acquisitions and Divestitures

Mergers and Acquisitions:

In April 2001, Carter Holt Harvey acquired Norske Skog's Tasman Kraft pulp manufacturing business for \$130 million in cash.

In June 2000, International Paper completed the acquisition of Champion, a leading manufacturer of paper for business communications, commercial printing and publications with significant market pulp, plywood and lumber manufacturing operations. Champion shareholders received \$50 in cash and \$25 worth of International Paper common stock for each Champion share. The acquisition was completed for approximately \$5 billion in cash and 68.7 million shares of International Paper common stock having a market value of \$2.4 billion. Approximately \$2.8 billion of Champion debt was assumed.

In April 2000, Carter Holt Harvey purchased CSR Limited's medium density fiberboard and particleboard businesses and its Oberon sawmill for approximately \$200 million in cash.

In March 2000, International Paper acquired Shorewood Packaging Corporation, a leader in the manufacture of premium retail packaging, for approximately \$640 million in cash and the assumption of \$280 million of debt.

All of these acquisitions were accounted for using the purchase method with the related operating results included in the consolidated statement of earnings from the dates of acquisition.

Divestitures:

In March 2001, International Paper received \$500 million in proceeds from the sale of approximately 265,000 acres of forestlands in the state of Washington to Ranier Timber Company, LLC.

In January 2001, International Paper conveyed its oil and gas properties and fee mineral and royalty interests to Pure Resources, Inc. and its affiliates in a transaction valued at approximately \$260 million, resulting in an extraordinary loss of \$8 million after taxes. International Paper also completed the sale of its interest in Zanders Feinpapiere AG, a European coated paper business, to Metsa Serla for approximately \$120 million and the assumption of \$80 million of debt. This transaction resulted in an extraordinary loss of \$245 million after taxes and minority interest, which was recorded in the fourth quarter of 2000 when the decision was made to sell this business below book value.

In November 2000, International Paper sold its interest in Bush Boake Allen for \$640 million, resulting in an extraordinary gain of \$183 million after taxes and minority interest.

In January 2000, International Paper sold its equity interest in Scitex for \$79 million, and Carter Holt Harvey sold its equity interest in Compania de Petroleos de Chile for just over \$1.2 billion. These sales resulted in a combined extraordinary gain of \$134 million after taxes and minority interest.

In 2000, International Paper announced a divestment program following the Champion acquisition and the completion of a strategic analysis to focus on International Paper's core businesses. Through June 30, 2001, approximately \$1.7 billion of proceeds, including debt assumed by the buyers, have been realized under the program.

Restructuring, Special and Extraordinary Items

During the second quarter of 2001, special items amounting to a net pre-tax charge of \$582 million (\$377 million after taxes and minority interest) were recorded. These items included a \$465 million charge before taxes and minority interest (\$300 million after taxes and minority interest) for asset shutdowns of excess capacity and cost reduction actions, an \$85 million pre-tax loss (\$55 million after taxes) for impairment losses on businesses held for sale, and a \$32 million pre-tax charge (\$22 million after taxes) for additional Champion merger-related costs. The \$465 million charge for asset shutdowns of excess internal capacity and cost reduction actions included \$240 million of asset write-downs and \$225 million of severance and other charges. The following table presents additional detail related to the \$465 million charge:

<u>In millions</u>		<u>Asset Write- Downs</u>	<u>Severance and Other</u>	<u>Total</u>
Printing Papers	(a)	\$ 9	\$ 23	\$ 32
Consumer Packaging	(b)	151	69	220
Industrial Packaging	(c)	62	20	82
Industrial Papers	(d)	3	5	8
Forest Products	(e)	1	12	13
Distribution	(f)	4	21	25
Carter Holt Harvey	(g)	10	-	10
Administrative Support Groups	(h)	-	75	75
		<u>\$ 240</u>	<u>\$ 225</u>	<u>\$ 465</u>

- (a) The Printing Papers business indefinitely shut down the Hudson River mill No. 3 paper machine located in Corinth, New York due to excess internal capacity. The machine was written down by \$9 million to

its estimated fair value of zero. A severance charge of \$10 million was recorded to cover the termination of 208 employees. Also, the Printing Papers business implemented a plan to streamline and realign administrative functions at several of its locations. Charges associated with this plan included \$6 million of severance costs covering the termination of 82 employees, and other cash costs of \$7 million.

- (b) In June 2001, the Consumer Packaging business shut down the Moss Point, Mississippi mill and announced the shut down of its Clinton, Iowa facility due to excess internal capacity. Charges associated with the Moss Point shutdown included \$138 million to write the assets down to their estimated salvage value, \$21 million of severance costs covering the termination of 363 employees, and other exit costs of \$20 million. Charges associated with the Clinton shutdown included \$7 million to write the assets down to their estimated salvage value, \$7 million of severance costs covering the termination of 327 employees, and other exit costs of \$3 million. Additionally, the Consumer Packaging business implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included \$6 million of asset write-downs, \$15 million of severance costs covering the termination of 402 employees, and other cash costs of \$3 million.
- (c) The Industrial Packaging business indefinitely shut down the Savannah, Georgia mill No. 2, No. 4 and No. 6 paper machines due to excess internal capacity. The machines were written down by \$62 million to their estimated fair value of zero, with severance charges of \$11 million also recorded to cover the termination of 290 employees. Also, Industrial Packaging implemented a plan to streamline and realign administrative functions at several of its locations, resulting in a severance charge of \$9 million covering the termination of 146 employees.
- (d) Industrial Papers implemented a plan to reduce excess capacity and streamline administrative functions at several of its locations. Charges associated with this plan included asset write-downs of \$3 million and severance costs of \$5 million covering the termination of 123 employees.
- (e) The Forest Products business charge of \$13 million reflects the reorganization of its regional operating structure and streamlining of administrative functions. The charge included \$1 million of asset write-downs, \$9 million of severance costs covering the termination of 100 employees, and other cash costs of \$3 million.
- (f) xpedx implemented a plan to consolidate duplicate facilities and eliminate excess internal capacity. Charges associated with this plan included \$4 million of asset write-downs, \$14 million of severance costs covering the termination of 394 employees, and other cash costs of \$7 million.
- (g) The Carter Holt Harvey charge of \$10 million was recorded to write down the assets of its Mataura mill to their estimated fair value of zero as a result of the decision to permanently shutdown this facility which had previously been idled temporarily.
- (h) During the second quarter of 2001, International Paper implemented a cost reduction program to realign its administrative functions across all business and staff support groups. As a result, a \$75 million severance charge was recorded covering the termination of 985 employees.

The \$85 million charge for impairment losses on businesses held for sale reflects the reduction of the carrying value of these assets to their expected realizable value based on offers received. These businesses are currently being offered for sale as part of International Paper's divestment program.

The merger-related expenses of \$32 million consisted primarily of systems integration, product line rationalization, employee retention, travel and other cash costs related to the Champion merger.

During the first quarter of 2001, special and extraordinary items amounting to a net pre-tax charge of \$108 million (\$68 million after taxes and minority interest) were recorded. These items included a \$25 million charge before taxes and minority interest (\$16 million after taxes and minority interest) for the cumulative impact of adopting the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS Nos. 137 and 138, an extraordinary charge of \$73 million before taxes (\$46 million after taxes) for impairment losses on businesses held for sale, and a special charge of \$10 million before taxes (\$6 million after taxes) for additional Champion merger-related costs.

During the second quarter of 2000, International Paper recorded special items amounting to a net charge before taxes and minority interest of \$75 million (\$45 million after taxes and minority interest). The special items included a \$71 million pre-tax charge (\$42 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions and a \$4 million pre-tax charge (\$3 million after taxes) for merger-integration costs.

During the first quarter of 2000, a pre-tax charge of \$8 million (\$5 million after taxes) was recorded for merger-related expenses, primarily consisting of systems integration, employee retention, travel and other cash costs related to the Union Camp merger.

During the last two quarters of 2000, additional charges totaling \$749 million before taxes and minority interest (\$464 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions were recorded. The following table presents a roll forward of the cumulative severance and other costs included in these charges:

<u>Dollars in millions</u>	<u>Severance and Other</u>
Opening balance - second quarter 2000 (1,056 employees)	\$ 31
Additions - fourth quarter 2000 (3,187 employees)	217
Cash charges - 2000 (991 employees)	<u>(19)</u>
Balance, December 31, 2000 (3,252 employees)	229
Cash charges - first quarter 2001 (1,744 employees)	(86)
Cash charges - second quarter 2001 (655 employees)	<u>(37)</u>
Balance, June 30, 2001 (853 employees)	<u><u>\$ 106</u></u>

In addition, \$13 million of 1999 reserves, primarily relating to severance, which remained at the end of 2000 was paid during the first quarter of 2001.

International Paper continually evaluates its operations for improvement. When any such plans are finalized, costs or charges may be incurred in future periods related to the implementation of these plans.

Other

The effective income tax rate for both the 2001 and 2000 second quarters was 31%. The effective income tax rate after special items, but before extraordinary items and the cumulative effect of an accounting change, was 37% and 30% for the 2001 and 2000 six-month periods, respectively. The following table presents the components of pre-tax earnings and losses and the related income tax expense or benefit for each of the six-month periods ended June 30, 2001 and 2000.

<u>In millions</u>	<u>2001</u>			<u>2000</u>		
	Earnings			Earnings		
	(Loss) Before			(Loss) Before		
	Income Taxes	Income Tax	Effective	Income Taxes	Income Tax	Effective
and Minority	Provision	Tax Rate	and Minority	Provision	Tax Rate	
	Interest	(Benefit)		Interest	(Benefit)	
Before special and extraordinary items and cumulative effect of accounting change	\$ 247	\$ 76	31%	\$ 998	\$ 309	31%
Merger integration costs	(42)	(14)	33%	(12)	(4)	33%
Restructuring and other charges	(550)	(191)	35%	(71)	(27)	38%
After special items	<u>\$ (345)</u>	<u>\$ (129)</u>	37%	<u>\$ 915</u>	<u>\$ 278</u>	30%

During the quarter ended June 30, 2001, International Paper entered into a number of contracts to hedge a portion of its U.S. forecasted purchases of natural gas through March 31, 2002, effectively fixing the price of these purchases at a weighted average price of \$5.30 per MMBTU. Contracts for a notional amount of 33.8 MMBTU's were outstanding at June 30, 2001.

Forward-Looking Statements

The statements under "Management's Discussion and Analysis" and other statements contained herein that are not historical facts are forward-looking statements (as such term is defined under the Private Securities Litigation Reform Act of 1995). Forward-looking statements reflect our expectations or forecasts of future events. These include statements relating to future actions, future performance or the outcome of contingencies, such as legal proceedings and financial results. Any or all of the forward-looking statements that we make in this report may turn out to be wrong. They can be influenced by inaccurate assumptions we might make or by known or unknown risks and uncertainties. No forward-looking statements can be guaranteed and actual results may vary materially. Factors which could cause actual results to differ include, among other things, whether our efforts relating to capacity rationalization, internal reorganizations, and realignment initiatives will have the results anticipated, whether expected merger savings will be realized, whether our divestiture program will achieve anticipated proceeds, the relative strength of the U.S. dollar compared with other foreign currencies, especially the Euro, and changes in overall demand, changes in domestic competition, changes in the cost or availability of raw materials, and the cost of compliance with environmental laws and regulations. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Information by Industry Segment
(Unaudited)
(In millions)

Net Sales by Industry Segment (1)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Printing Papers	\$ 1,945	\$ 1,440	\$ 4,030	\$ 2,910
Industrial and Consumer Packaging	1,695	1,865	3,405	3,530
Distribution	1,710	1,700	3,510	3,450
Forest Products	720	460	1,405	960
Carter Holt Harvey	400	460	795	870
Other Businesses (2)	565	955	1,160	1,900
Corporate and Intersegment Sales	(349)	(100) (3)	(725)	(469) (3)
Net Sales	<u>\$ 6,686</u>	<u>\$ 6,780</u>	<u>\$ 13,580</u>	<u>\$ 13,151</u>

Operating Profit by Industry Segment (1)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Printing Papers	\$ 119	\$ 204	\$ 273	\$ 376
Industrial and Consumer Packaging	143	236	259	428
Distribution	12	35	26	65
Forest Products	182	151	318	283
Carter Holt Harvey (4)	5	23	6	40
Other Businesses (2)	21	65	26	125
Corporate	-	26 (3)	-	26 (3)
Operating Profit	482	740	908	1,343
Interest expense, net	(235)	(156)	(483)	(287)
Minority interest adjustment (4)	10	38	13	62
Corporate items, net	(107)	(67)	(191)	(120)
Merger integration costs	(32)	(4)	(42)	(12)
Restructuring and other charges	(465)	(71)	(465)	(71)
Impairment losses on businesses held for sale	(85)	-	(85)	-
Earnings (loss) before income taxes, minority interest, extraordinary items and cumulative effect of accounting change	<u>\$ (432)</u>	<u>\$ 480</u>	<u>\$ (345)</u>	<u>\$ 915</u>

(1) Certain reclassifications and adjustments have been made to current year and prior year amounts.

(2) Includes businesses identified in International Paper's divestiture program.

(3) Includes results of operations from Champion, which was acquired on June 20, 2000, for the ten days ended June 30, 2000.

(4) Includes equity earnings (in millions) of \$1 and \$5 for the three months ended June 30, 2001 and 2000, respectively, and \$2 and \$9 for the six months ended June 30, 2001 and 2000, respectively (half in the Carter Holt Harvey segment and half in the minority interest adjustment).

Production by Product

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Printing Papers (In thousands of tons)				
White Papers and Bristols (1)	1,578	1,355	3,219	2,735
Coated Papers	658	317	1,356	642
Market Pulp (2)	655	516	1,331	1,037
Newsprint	27	28	55	55
Packaging (In thousands of tons)				
Containerboard	1,061	1,190	2,108	2,394
Bleached Packaging Board	556	542	1,048	1,074
Industrial Papers	193	230	415	471
Industrial and Consumer Packaging (1) (3)	936	1,375	1,888	2,726
Specialty Products (In thousands of tons)				
Tissue	40	42	81	83
Forest Products (In millions)				
Panels (sq. ft. 3/8" - basis) (4)	771	510	1,420	1,003
Lumber (board feet)	1,001	713	1,949	1,428
MDF (sq. ft. 3/4" - basis)	90	84	184	143
Particleboard (sq. ft. 3/4" - basis)	111	95	212	143

(1) Certain reclassifications and adjustments have been made to current and prior-year amounts.

(2) Excludes market pulp purchases.

(3) A significant portion of this tonnage was fabricated from paperboard and paper produced at International Paper's own mills and included in the containerboard, bleached packaging board and industrial papers amounts in this table.

(4) Panels include plywood and oriented strand board.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk are shown in Footnotes 9 and 10 of this Form 10-Q, and on pages 27 – 29 of International Paper’s Annual Report to Shareholders for the year ended December 31, 2000 as previously filed on Form 10-K, which information is incorporated herein by reference.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following matters discussed in previous filings under the Securities Exchange Act are updated as follows:

Masonite Litigation

Three nationwide class action lawsuits filed against the Company have been settled in recent years.

The first suit alleged that hardboard siding manufactured by Masonite fails prematurely, allowing moisture intrusion that in turn causes damage to the structure underneath the siding (Naef Lawsuit). The class consisted of all U.S. property owners having Masonite hardboard siding installed on and incorporated into buildings between 1980 and January 15, 1998. The Court granted final approval of the settlement on January 15, 1998. The settlement provides for monetary compensation to class members meeting the settlement requirements on a claims-made basis. It also provides for the payment of attorneys' fees equaling 15% of the settlement amounts paid to class members, with a non-refundable advance of \$47.5 million plus \$2.5 million in costs.

The second suit made similar allegations with regard to Omniwood siding manufactured by Masonite (Omniwood Lawsuit). The class consisted of all U.S. property owners having Omniwood siding installed on and incorporated into buildings from January 1, 1992 to January 6, 1999.

The third suit alleged that Woodruf roofing manufactured by Masonite is defective and causes damage to the structure underneath the roofing (Woodruf Lawsuit). The class consisted of all U.S. property owners who had incorporated and installed Masonite Woodruf roofing from January 1, 1980 to January 6, 1999.

The Court granted final approval of the settlements of the Omniwood and Woodruf lawsuits on January 6, 1999. The settlements provide for monetary compensation to class members meeting the settlement requirements on a claims-made basis, and provide for payment of attorneys' fees equaling 13% of the settlement amounts paid to class members with a non-refundable advance of \$1.7 million plus \$75,000 in costs for each of the two cases.

International Paper believes that the large majority of the settlement relating to the Naef Lawsuit is covered by insurance and that it will prevail in the insurance coverage litigation that it was forced to file against certain of its insurers because of their refusal to cover that settlement. Nevertheless, due to the inherent uncertainties involved in litigation, International Paper has estimated total insurance recoveries of approximately \$70 million, for purposes of establishing the reserve for Masonite claims.

Reserves for these matters total \$61 million at June 30, 2001, net of expected future insurance recoveries. This amount includes \$25 million added to the reserve for hardboard siding claims in the fourth quarter of 1999 (some of which has now been paid to claimants) and an additional \$125 million added to the reserve in the fourth quarter of 2000, resulting primarily from a higher number of hardboard siding claims than anticipated. It is reasonably possible that the higher number of hardboard siding claims might be indicative of the need for one or more future additions to this reserve. However, whether or not any future additions to this reserve become necessary, we believe that these settlements will not have a material adverse effect on our consolidated financial position or results of operations.

Through June 30, 2001, net settlement payments of \$324 million, including approximately \$51 million of non-refundable advances of attorneys' fees discussed above, have been made. Payments of \$5 million, including the \$3.4 million of non-refundable advances referred to above, have been made to the attorneys for the plaintiffs in the Omniwood and Woodruf Lawsuits through June 30, 2001. Also, we have received \$27 million from our insurance carriers through June 30, 2001. International Paper and Masonite have the right to terminate each of

the settlements after seven years from the dates of final approval. The liability for these matters will be retained after the planned sale of Masonite is completed.

Other Litigation

Purchasers of high-pressure laminates have filed a number of purported class actions under the federal antitrust laws in various federal district courts in different states, alleging that International Paper's Nevamar division participated in a price-fixing conspiracy with competitors. These cases have been consolidated in federal district court in New York. Indirect and direct purchasers of high-pressure laminates have also filed similar purported class action cases under various state antitrust and consumer protection statutes in California, Florida, Maine, Michigan, Minnesota, New Mexico, New York, North Dakota, South Dakota, Tennessee and the District of Columbia. We filed a motion to dismiss one of the cases in federal court, which was denied by the court without prejudice. The federal plaintiffs filed a consolidated amended complaint on February 22, 2001. On February 26, 2001, International Paper filed a motion to dismiss the case pending in New York State court and has filed answers in California, New Mexico, South Dakota and one of two complaints filed in Michigan. On May 2, 2001, our motion to dismiss in the case pending in New York State court was granted.

Environmental

On December 30, 1999, Champion entered into a Consent Order with the Florida Department of Environmental Protection relating to alleged violations of the wastewater discharge permit at the Pensacola, Florida mill. The Consent Order required Champion to take additional steps to control the discharge of suspended solids, nutrients and oxygen-consuming material in the mill's wastewater and to pay a civil penalty of \$137,730. The Consent Order became effective in April 2001, when an administrative challenge of the Consent Order was resolved.

In April 1999, the Franklin, Virginia mill received a Notice of Violation (NOV) from the EPA, Region 3 in Philadelphia, and an NOV from the Commonwealth of Virginia alleging that the mill violated the Prevention of Significant Deterioration (PSD) regulations. The Franklin mill was owned by Union Camp at the time of the alleged violations and was one of seven paper mills in Region 3 owned by different companies that received similar NOVs. On May 11, 2001, the Commonwealth of Virginia informed International Paper that it does not intend to pursue the allegations identified in the NOV, and we do not anticipate further enforcement action from the EPA.

International Paper is involved in other contractual disputes, administrative and legal proceedings and investigations of various types. While any litigation, proceeding or investigation has an element of uncertainty, we believe that the outcome of any proceeding, lawsuit or claim that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

- (c) In June 2001, International Paper completed a private placement offering of \$2.1 billion principal amount at maturity zero-coupon convertible senior debentures due June 20, 2021, for aggregate net proceeds of approximately \$1.0 billion. Each \$1,000 principal amount at maturity debenture was issued at a price of \$475.66 and accretes at a rate of 3.75% per annum, subject to upward adjustment under certain circumstances. The securities are convertible into shares of International Paper common stock if certain conditions are met. The debenture holders option to convert can be triggered by an upward change in International Paper's stock price in relation to the accreted value of the debentures, or if the bond rating agencies downgrade International Paper's debt below investment grade, or upon the debentures being called for redemption by International Paper, or upon the occurrence of certain other corporate events as defined in the debt agreement. International Paper may be required to repurchase the securities on June 20th in each of the years 2004, 2006, 2011, and 2016 at a repurchase price equal to the accreted principal amount plus any accrued and unpaid cash interest to the repurchase date. International Paper also has the option to redeem the securities on or after June 20, 2006 under certain circumstances. The net proceeds of this issuance were used to retire higher interest rate commercial paper borrowings. The transaction was completed without registration in reliance upon Section 4(2) of the Securities Act. The securities were initially sold to Credit Suisse First Boston and Goldman Sachs & Co. for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

- (a) The Annual Meeting of Shareholders of the Company was held on May 8, 2001.
- (b) Shareholders elected four directors to Class I for three-year terms expiring at the annual meeting in 2004. The vote tabulation for individual directors were:

	<u>For</u>	<u>Withheld</u>
John T. Dillon	414,443,891	4,876,569
James A. Henderson	414,791,640	4,528,820
Robert A. Kennedy	414,745,389	4,575,071
W. Craig McClelland	414,509,347	4,811,113

Other directors whose terms of office continued after the meeting were Samir G. Gibara, Robert J. Eaton, John R. Kennedy, Donald F. McHenry, Patrick F. Noonan, Jane C. Pfeiffer, Jeremiah J. Sheehan, Charles R. Shoemate and C. Wesley Smith.

- (c) The shareholders approved the appointment of Arthur Andersen LLP as International Paper's independent auditor for 2001. There were 407,221,998 votes cast in favor of the ratification, 9,167,883 votes cast against the ratification, and 2,931,579 votes in abstention.
- (d) N/A

ITEM 5. OTHER INFORMATION

On June 12, 2001, Standard & Poor's lowered International Paper's long-term credit and senior long-term debt ratings from BBB+ negative to BBB stable and affirmed our short-term and corporate credit and commercial paper ratings of A-2.

On August 3, 2001, Moody's announced that it had placed International Paper's senior unsecured debt and preferred stock under review for a possible downgrade.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
- 3.1 Certificate of Amendment of the Certificate of Incorporation of International Paper
 - 4.1 In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments respecting long-term debt of the Company have been omitted but will be furnished to the Commission upon request.
 - 11 Statement of Computation of Per Share Earnings
 - 12 Computation of Ratio of Earnings to Fixed Charges
- (b) Reports on Form 8-K
- Reports on Form 8-K were filed on April 18, 2001 and July 17, 2001 under Item 5 reporting earnings for the quarters ended March 31, 2001, and June 30, 2001, respectively, and on June 13, 2001 under Item 5 containing the press release of International Paper announcing the private offering of zero-coupon convertible debentures.

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)

Date: August 13, 2001

By /s/JOHN V. FARACI
John V. Faraci
Executive Vice President and Chief
Financial Officer

Date: August 13, 2001

By /s/ ANDREW R. LESSIN
Andrew R. Lessin
Vice President-Finance and
Chief Accounting Officer

(Exhibit 11)

INTERNATIONAL PAPER COMPANY
STATEMENT OF COMPUTATION OF PER SHARE EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Net earnings (loss) before extraordinary items and cumulative effect of accounting change	\$ (313)	\$ 270	\$ (295)	\$ 514
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	5	-	9
Net earnings (loss) before extraordinary items and cumulative effect of accounting change - assuming dilution	<u>\$ (313)</u>	<u>\$ 275</u>	<u>\$ (295)</u>	<u>\$ 523</u>
Average common shares outstanding	483.1	421.0	482.9	417.3
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	8.3	-	8.3
Stock options	-	0.3	-	0.5
Average common shares outstanding - assuming dilution	<u>483.1</u>	<u>429.6</u>	<u>482.9</u>	<u>426.1</u>
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change	<u>\$ (0.65)</u>	<u>\$ 0.64</u>	<u>\$ (0.61)</u>	<u>\$ 1.23</u>
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change - assuming dilution	<u>\$ (0.65)</u>	<u>\$ 0.64</u>	<u>\$ (0.61)</u>	<u>\$ 1.23</u>

Note: If an amount does not appear in the above table, the security was antidilutive for the period presented.

(Exhibit 12)

INTERNATIONAL PAPER COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in millions)
(Unaudited)

TITLE	For the Years Ended December 31,					Six Months Ended	
	1996	1997	1998	1999	2000	June 30, 2000	2001
A) Earnings (loss) before income taxes, minority interest, extraordinary items and accounting change	\$ 939.0	\$ 143.0	\$ 429.0	\$ 448.0	\$ 723.0	\$ 915.0	\$ (345.0)
B) Minority interest expense, net of taxes	(180.0)	(140.0)	(87.0)	(163.0)	(238.0)	(123.0)	(79.0)
C) Fixed charges excluding capitalized interest	802.1	826.6	866.7	820.9	1,151.5	430.1	652.9
D) Amortization of previously capitalized interest	34.2	37.0	38.8	17.0	23.5	10.1	14.4
E) Equity in undistributed earnings of affiliates	<u>6.2</u>	<u>(40.4)</u>	<u>23.7</u>	<u>(41.6)</u>	<u>5.6</u>	<u>(5.1)</u>	<u>8.7</u>
F) Earnings before income taxes, extraordinary items, accounting change and fixed charges	<u>\$ 1,601.5</u>	<u>\$ 826.2</u>	<u>\$ 1,271.2</u>	<u>\$ 1,081.3</u>	<u>\$ 1,665.6</u>	<u>\$ 1,227.1</u>	<u>\$ 252.0</u>
Fixed Charges							
G) Interest and amortization of debt expense	\$ 699.5	\$ 720.0	\$ 716.9	\$ 611.5	\$ 938.1	\$ 326.4	\$ 546.6
H) Interest factor attributable to rentals	79.0	83.0	80.7	76.3	72.8	34.0	38.5
I) Preferred dividends of subsidiaries	23.6	23.6	69.1	133.1	140.6	69.7	67.8
J) Capitalized interest	<u>71.2</u>	<u>71.6</u>	<u>53.4</u>	<u>29.3</u>	<u>25.2</u>	<u>12.6</u>	<u>6.6</u>
K) Total fixed charges	<u>\$ 873.3</u>	<u>\$ 898.2</u>	<u>\$ 920.1</u>	<u>\$ 850.2</u>	<u>\$ 1,176.7</u>	<u>\$ 442.7</u>	<u>\$ 659.5</u>
L) Ratio of earnings to fixed charges	<u>1.83</u>		<u>1.38</u>	<u>1.27</u>	<u>1.42</u>	<u>2.77</u>	
M) Deficiency in earnings necessary to cover fixed charges		<u>\$ (72.0)</u>					<u>\$ (407.5)</u>

(LETTERHEAD OF INTERNATIONAL PAPER COMPANY)

**400 ATLANTIC STREET
STAMFORD, CT 06921
Phone: 203-541-8000
Fax: 203-541-8200**

August 13, 2001

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, DC 20549

**Re: International Paper Company
Form 10-Q for the Second Quarter of 2001**

Gentlemen:

On behalf of International Paper Company, there is transmitted for filing under the Securities and Exchange Act of 1934, as amended, a Form 10-Q, including exhibits. Pursuant to Regulation S-T of the Securities and Exchange Commission, this Form 10-Q is being submitted electronically to the Commission.

Very truly yours,

/s/ Carol M. Samalin
Assistant Secretary

Enclosures
cc: Ms. Judith McLeavy
New York Stock Exchange