

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

CORN PRODUCTS INTERNATIONAL INC
Form 10-Q/A
December 21, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934

FOR THE QUARTER ENDED JUNE 30, 2001

COMMISSION FILE NUMBER 1-13397

CORN PRODUCTS INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

22-3514823
(I.R.S. Employer Identification Number)

6500 SOUTH ARCHER AVENUE,
BEDFORD PARK, ILLINOIS
(Address of principal executive offices)

60501-1933
(Zip Code)

(708) 563-2400
(Registrant's telephone number, including area code)

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
filing requirements for the past 90 days:

Yes X No
--- ---

Indicate the number of shares outstanding of each of the registrant's
classes of common stock, as of the latest practicable date.

| CLASS | OUTSTANDING AT JULY 31, 2001 |
|-------------------------------|------------------------------|
| Common Stock, \$.01 par value | 35,305,359 shares |

PART I FINANCIAL INFORMATION

ITEM 1

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

FINANCIAL STATEMENTS

CORN PRODUCTS INTERNATIONAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2001 | 2000 | 2001 | 2000 |
| Net sales | \$ 482.2 | \$ 473.9 | \$ 936.7 | \$ 918.1 |
| Cost of sales | 409.7 | 389.2 | 789.2 | 755.5 |
| Gross profit | 72.5 | 84.7 | 147.5 | 162.6 |
| Operating expenses | 35.1 | 34.5 | 74.5 | 71.0 |
| Special charges | -- | -- | -- | 20.0 |
| Fees and income from non--consolidated affiliates | (4.8) | (0.7) | (8.8) | (2.1) |
| Operating income | 42.2 | 50.9 | 81.8 | 73.7 |
| Financing costs | 15.0 | 12.3 | 30.6 | 22.7 |
| Income before taxes | 27.2 | 38.6 | 51.2 | 51.0 |
| Provision for income taxes | 9.5 | 13.5 | 17.9 | 17.8 |
| Minority interest in earnings | 17.7 | 25.1 | 33.3 | 33.2 |
| Net income | 2.4 | 5.8 | 5.4 | 10.3 |
| | 15.3 | 19.3 | 27.9 | 22.9 |
| Average common shares outstanding: | | | | |
| Basic | 35.3 | 35.2 | 35.3 | 35.3 |
| Diluted | 35.4 | 35.2 | 35.4 | 35.3 |
| Net income per common share: | | | | |
| Basic | \$ 0.43 | \$ 0.55 | \$ 0.79 | \$ 0.65 |
| Diluted | \$ 0.43 | \$ 0.55 | \$ 0.79 | \$ 0.65 |

See Notes To Condensed Consolidated Financial Statements

10Q-2

PART I FINANCIAL INFORMATION

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

ITEM I
FINANCIAL STATEMENTS

CORN PRODUCTS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | ASSETS | LIABILITIES AND STOCKHOLDERS' EQUITY |
|---|--|--------------------------------------|
| | (IN MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS) | JUNE 30, 2001 |
| | ----- | ----- |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | | \$ 27 |
| Accounts receivable - net | | 301 |
| Inventories | | 211 |
| Prepaid expenses | | 15 |
| | ----- | |
| TOTAL CURRENT ASSETS | | 554 |
| | ----- | |
| Plants and properties - net | | 1,368 |
| Goodwill, net of accumulated amortization | | 314 |
| Deferred tax asset | | 2 |
| Investments | | 35 |
| Other assets | | 38 |
| | ----- | |
| TOTAL ASSETS | | 2,311 |
| ===== | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | | 230 |
| Accounts payable and accrued liabilities | | 208 |
| | ----- | |
| TOTAL CURRENT LIABILITIES | | 438 |
| | ----- | |
| Non-current liabilities | | 45 |
| Long-term debt | | 586 |
| Deferred tax liability | | 170 |
| Minority interest in subsidiaries | | 152 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock - authorized 25,000,000 shares- \$0.01 par value none issued | | -- |
| Common stock - authorized 200,000,000 shares- \$0.01 par value - 37,659,887 issued on June 30, 2001 and December 31, 2000 | | 1 |
| Additional paid in capital | | 1,073 |
| Less: Treasury stock (common stock; 2,353,528 and 2,391,913 shares at June 30, 2001 and December 31, 2000, respectively) at cost | | (59) |
| Deferred compensation - restricted stock | | (3) |
| Accumulated comprehensive loss | | (244) |
| Retained earnings | | 152 |
| | ----- | |
| TOTAL STOCKHOLDERS' EQUITY | | 920 |
| | ----- | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | \$ 2,311 |
| | ===== | |

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

See Notes To Condensed Consolidated Financial Statements

10Q-3

PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CORN PRODUCTS INTERNATIONAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (IN MILLIONS) | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|--------------------------------|-------|------------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| Net Income | \$ 15 | \$ 19 | \$ 28 | \$ 23 |
| Comprehensive income/loss: | | | | |
| Gain (loss) on cash flow hedges: | | | | |
| Cumulative effect of adoption of SFAS 133, net of tax | -- | -- | 14 | -- |
| Current period gain (loss) on cash flow hedges, net of tax | (15) | -- | (40) | -- |
| Currency translation adjustment | (4) | (16) | (35) | (13) |
| | \$ (4) | \$ 3 | \$ (33) | \$ 10 |
| | ===== | ===== | ===== | ===== |

CORN PRODUCTS INTERNATIONAL, INC. CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| (IN MILLIONS) | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | TREASURY STOCK | DEFERRED COMPENSATION | ACCUMU COMPREH INCOME |
|--|-----------------|----------------------------------|-------------------|--------------------------|-----------------------------|
| | | | | | |
| Balance, December 31, 2000 | \$1 | \$1,073 | \$(60) | \$(3) | |
| Net income for the period | | | | | |
| Dividends declared | | | | | |
| Cumulative effect of adoption of SFAS 133, net of tax | | | | | |
| Current period gain (loss) on cash flow hedges, net of tax | | | | | |
| Translation adjustment | | | | | |
| Other | | | | | |

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

| | | | | |
|------------------------|-----|---------|--------|-------|
| Balance, June 30, 2001 | \$1 | \$1,073 | \$(59) | \$(3) |
|------------------------|-----|---------|--------|-------|

See Notes To Condensed Consolidated Financial Statements

10Q-4

PART I FINANCIAL INFORMATION

ITEM 1
FINANCIAL STATEMENTS

CORN PRODUCTS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

FOR THE

2001

| CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
|--|--|------|
| Net income | | \$ 2 |
| Non-cash charges (credits) to net income: | | |
| Depreciation and amortization | | 6 |
| Minority interest in earnings | | (|
| Income from non-consolidated affiliates | | (|
| Loss on disposal of fixed assets | | |
| Changes in trade working capital, net of effect of acquisitions: | | |
| Accounts receivable and prepaid items | | (4 |
| Inventories | | 1 |
| Accounts payable and accrued liabilities | | (4 |
| Other | | (|
| Net cash provided by operating activities | | 1 |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES: | | |
| Capital expenditures, net of proceeds on disposal | | (3 |
| Payments for acquisitions, net of cash acquired | | (7 |
| Net cash used for investing activities | | (11 |
| CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | | 12 |
| Payments on debt | | (2 |
| Dividends paid | | (1 |
| Common stock repurchased | | -- |
| Net cash provided by financing activities | | 8 |
| Decrease in cash and cash equivalents | | (1 |

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

| | |
|---|------|
| Effect of foreign exchange rate changes on cash | (|
| Cash and cash equivalents, beginning of period | 4 |
| ----- | |
| Cash and cash equivalents, end of period | \$ 2 |
| ===== | |

See Notes to Condensed Consolidated Financial Statements

10Q-5

CORN PRODUCTS INTERNATIONAL, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM FINANCIAL STATEMENTS

References to the "Company" are to Corn Products International, Inc. and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company's Annual Report to Stockholders that were incorporated by reference in Form 10-K for the year ended December 31, 2000.

The unaudited condensed consolidated interim financial statements included herein were prepared by management and reflect all adjustments (consisting solely of normal recurring items) which are, in the opinion of management, necessary to present a fair statement of results of operations for the interim periods ended June 30, 2001 and 2000 and the financial position of the Company as of June 30, 2001 and December 31, 2000. The results for the three months and the six months ended June 30, 2001 are not necessarily indicative of the results expected for the year.

Certain prior year amounts have been reclassified in the Condensed Consolidated Statements of Cash Flow to conform with the current year presentation.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes standards for recognition and measurement of derivatives and hedging activities. As a result of the adoption, the Company recorded a \$14 million credit (net of income taxes of \$8 million) to other comprehensive income (loss) as a cumulative effect of a change in accounting for derivatives that hedge variable cash flows of certain forecasted transactions.

The Company uses derivative financial instruments to minimize the exposure of price risk related to corn and natural gas purchases used in the manufacturing process. The derivative financial instruments consist of open futures contracts and options traded through regulated commodity exchanges and are valued at fair value in the June 30, 2001 Condensed Consolidated Balance Sheet. The contracts used to mitigate the price risk related to corn and natural gas purchases are designated as effective cash flow hedges for a portion of the corn and natural gas usage over the next twelve months. Unrealized gains and losses associated with marking the contracts to market are recorded as a

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

component of other comprehensive income (loss) and included in the stockholders' equity section of the balance sheet as part of accumulated comprehensive income (loss). These gains and losses are recognized in earnings in the month in which the related corn and natural gas is used, or in the month a hedge is determined to be ineffective. At June 30, 2001, the Company's accumulated comprehensive income (loss) account included \$26 million of unrealized losses, net of a \$14 million tax benefit, related to future transactions, which are expected to be recognized in earnings within the next twelve months. There were no ineffective hedges for the first half of 2001.

10Q-6

3. JOINT MARKETING COMPANY

On December 1, 2000, the Company and Minnesota Corn Processors, LLC ("MCP") consummated an operating agreement to form CornProductsMCP Sweeteners LLC ("CPMCP"), a joint marketing company that, effective January 1, 2001, began distributing throughout the United States sweeteners supplied from the Company and MCP. CPMCP is owned equally by the Company and MCP through membership interests providing each company with a 50 percent voting interest in CPMCP. Additionally, CPMCP's Board of Directors is composed of an equal number of representatives from both members. The Company accounts for its interest in CPMCP as a non-consolidated affiliate under the equity method of accounting.

Both the Company and MCP continue to own and operate their respective production facilities and sell all U.S. production of certain designated sweeteners to CPMCP for exclusive distribution in the United States. Additionally, any designated sweetener production from the Company's Canada and Mexico operations sold into the U.S. is distributed through CPMCP. Sales to CPMCP are made at pre-determined market related prices.

Sales to CPMCP are recognized at the time title to the goods and all risks of ownership transfer to CPMCP. The Company eliminates 100 percent of the profit associated with sales to CPMCP until the risk of ownership and title to the product pass from CPMCP to its customers.

The Company records its share of CPMCP's net earnings as earnings from a non-consolidated affiliate. The amount recorded represents our allocated share of the net earnings of CPMCP based upon the percentage of designated product volumes supplied to CPMCP by the Company as compared to the total designated product volumes supplied to CPMCP by the Company and our venture partner, MCP.

4. ACQUISITIONS

On January 5, 2001, the Company increased its ownership in Doosan Corn Products Korea, Inc., its consolidated Korean affiliate from 50 to 75 percent for \$65 million in cash. The Company recorded \$10 million of goodwill related to the purchase. On March 2, 2001, through a multi-step transaction the Company acquired a controlling 60 percent interest in a tapioca starch and sweetener company in Thailand. Cash paid for the aforementioned acquisitions and other related obligations totaled \$75 million during the year. Had the acquisitions occurred at the beginning of the year, the effect on the Company's financial statements would not have been significant.

5. INVENTORIES ARE SUMMARIZED AS FOLLOWS:

At

At

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

| | June 30, 2001 ----- | December 31, 2000 ----- |
|---------------------------------------|------------------------|----------------------------|
| Finished and in process..... | \$ 95 | \$100 |
| Raw materials..... | 76 | 95 |
| Manufacturing supplies and other..... | 40 | 37 |
| ----- | | |
| Total Inventories..... | \$211 | \$232 |
| ===== | | |

10Q-7

6. SEGMENT INFORMATION

The Company operates in one business segment - Corn Refining - and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico and its non-consolidated equity interest in CPMCP. Also included in this group is its North American enzyme business. Its Rest of World operations have been separated into South America and Asia/Africa. Previously, such operations were combined and reported as Rest of World. Prior year information is presented for comparability purposes. Its South America operations include corn-refining businesses in Brazil, Argentina, Colombia, Chile, Ecuador and Uruguay. Its Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Thailand and Kenya.

| (In millions) | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|------------------|--------------------------------|---------|------------------------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| NET SALES | | | | |
| North America | \$316.6 | \$297.4 | \$596.7 | \$580.6 |
| Rest of World: | | | | |
| South America | 103.6 | 112.4 | 220.9 | 210.6 |
| Asia/Africa | 62.0 | 64.1 | 119.1 | 126.9 |
| | ----- | | ----- | |
| Total | \$482.2 | \$473.9 | \$936.7 | \$918.1 |
| | ===== | | ===== | |
| OPERATING INCOME | | | | |
| North America | \$ 17.5 | \$ 23.9 | \$ 31.7 | \$ 44.1 |
| Rest of World: | | | | |
| South America | 15.4 | 14.7 | 34.3 | 27.2 |
| Asia/Africa | 13.1 | 15.9 | 23.6 | 29.1 |
| Corporate | (3.8) | (3.6) | (7.8) | (6.7) |
| Special Charges | -- | -- | -- | (20.0) |
| | ----- | | ----- | |
| Total | \$ 42.2 | \$ 50.9 | \$ 81.8 | \$ 73.7 |
| | ===== | | ===== | |

| (In millions) | AT JUNE 30, 2001 ----- | AT DECEMBER 31, 2000 ----- |
|---------------|------------------------------|----------------------------------|
|---------------|------------------------------|----------------------------------|

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

| | | |
|----------------|---------|---------|
| TOTAL ASSETS | | |
| North America | \$1,406 | \$1,396 |
| Rest of World: | | |
| South America | 601 | 647 |
| Asia/Africa | 304 | 296 |
| | ----- | ----- |
| Total | \$2,311 | \$2,339 |
| | ===== | ===== |

10Q-8

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2001
WITH COMPARATIVES FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2000

RESULTS OF OPERATIONS

NET SALES. Second quarter net sales totaled \$482 million, up 2 percent over 2000 sales of \$474 million, reflecting a 5 percent volume increase and a 2 percent price/mix improvement, which more than offset a 5 percent reduction attributable to foreign currency translation. For the six months, net sales grew 2 percent to \$937 million, on 7 percent higher volumes partially offset by unfavorable effects of foreign currency translation.

North American net sales were up 6 percent for the three months ended June 30, 2001 from the same period last year. The increase in sales was mainly attributable to higher volumes. Modest price/mix gains were largely offset by unfavorable currency translation effects. North American sales for the first half of 2001 increased 3 percent over last year driven primarily by a 4 percent volume increase. Effective with the start-up of CPMCP (see Note 3 to the Condensed Consolidated Financial Statements), in 2001 the Company began selling certain designated sweetener production destined for sale in the U.S. to CPMCP at pre-determined market related prices. CPMCP, a non-consolidated affiliate, sells such sweeteners as well as those provided by MCP, our venture partner, to third parties. Since we account for our interest in CPMCP as a non-consolidated affiliate under the equity method of accounting, our share of the net earnings from CPMCP's operations is reflected in our Condensed Consolidated Statement of Income as income from non-consolidated affiliates.

South American net sales for second quarter 2001 decreased 8 percent from the prior year period as the unfavorable effect of weaker currency exchange rates throughout the region more than offset a 3 percent volume increase and a modest price/mix improvement. First half 2001 net sales for South America increased 5 percent over the prior year period as an 18 percent volume increase, driven principally by the merged Argentine operations, more than offset unfavorable currency translation effects associated with weaker currencies throughout the region. A 2 percent price/mix improvement in the region also contributed to the year over year sales increase.

Asia/Africa net sales for second quarter 2001 declined 3 percent from the prior year period as the translation effects of weaker foreign currencies throughout the region more than offset an 8 percent volume increase and a 2

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

percent price/mix improvement. First half 2001 net sales for Asia/Africa fell 6 percent from last year as weaker local currencies more than offset a 4 percent volume increase and a 3 percent price/mix improvement.

COST OF SALES AND OPERATING EXPENSES. Cost of sales for the second quarter and first half of 2001 increased 5 percent and 4 percent, respectively, from the prior year periods, reflecting higher energy costs and costs associated with increased volume. For the current quarter, gross profit margins fell to 15.0 percent of net sales from 17.9 percent last year. For first half 2001, gross profit margins were 15.7 percent compared with 17.7 percent last year. The reductions in the gross profit margins reflect higher energy costs, lower by-product selling prices and the impact of the previously mentioned equity method of accounting treatment pertaining to our CPMCP joint venture.

Operating expenses for the quarter totaled \$35.1 million, a 2 percent increase over 2000, remaining at a constant 7 percent of net sales. Corporate expenses remained consistent

10Q-9

with 2000 levels. For the six months, operating expenses totaled \$74.5 million, a 5 percent increase over 2000. This increase primarily reflects the inclusion of a full six months of costs, in the current year, from the Argentine operations that were acquired in March 2000 and higher general and administrative expenses.

OPERATING INCOME. Second quarter 2001 operating income decreased 17 percent to \$42.2 million from \$50.9 million last year. North America operating income of \$17.5 million decreased 27 percent from \$23.9 million in the second quarter of 2000, reflecting higher energy costs and lower by-product selling prices throughout the region. South America operating income of \$15.4 million for the second quarter of 2001 increased 5 percent from \$14.7 million in the second quarter of 2000 reflecting improved pricing, higher volume and lower operating costs (despite higher energy costs), which more than offset currency weakness. Asia/Africa operating income declined 18 percent to \$13.1 million in the current quarter from \$15.9 million last year principally due to currency weakness, particularly in Korea. For the six months, operating income increased 11 percent to \$81.8 million from \$73.7 million in 2000. Excluding special charges taken in 2000 for workforce reduction, operating income declined 13 percent to \$81.8 million from \$93.7 million in 2000. North America operating income decreased 28 percent to \$31.7 million from \$44.1 million in 2000, reflecting the higher energy costs and lower by-product selling prices across North American markets. South America operating income increased 26 percent to \$34.3 million from \$27.2 million last year, driven principally by the inclusion of a full six months of the merged Argentine businesses' results in 2001 versus four months in 2000. Asia/Africa operating income declined 19 percent to \$23.6 million from \$29.1 million last year, mainly due to currency erosion.

FINANCING COSTS. Financing costs for the second quarter of 2001 were \$15.0 million, up from \$12.3 million in the comparable period last year. Year-to-date financing costs rose to \$30.6 million from \$22.7 million in 2000. The increased financing costs primarily reflect lower capitalized interest, an increase in foreign currency transaction losses and the effect of acquisition related borrowings, partially offset by lower interest rates.

PROVISION FOR INCOME TAXES. The effective tax rate remained at 35 percent for the second quarter and first half of 2001, unchanged from the corresponding prior year periods. The tax rate is estimated based on the

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

expected mix of domestic and foreign earnings for the year.

MINORITY INTEREST IN EARNINGS. The decrease in minority interest for the second quarter and first half of 2001 mainly reflects the Company's increased ownership in Doosan Corn Products Korea, Inc., our Korean affiliate, from 50 percent to 75 percent effective January 2001.

NET INCOME. Net income for the quarter ended June 30, 2001, declined 21 percent to \$15.3 million, or \$0.43 per diluted share, from \$19.3 million, or \$0.55 per diluted share, in the second quarter of 2000. The decrease is attributable to lower operating margins mainly due to higher energy costs, lower by-product selling prices and foreign currency weakness, as well as to higher financing costs. For the six months ended June 30, 2001, net income increased 22 percent to \$27.9 million, or \$0.79 per diluted share, from \$22.9 million, or \$0.65 per diluted share, in the first six months of 2000. Excluding the effects of the special charges taken in 2000, net income for the first half of 2001 declined 22 percent from \$35.9 million, or \$1.02 per diluted share in 2000.

COMPREHENSIVE INCOME (LOSS). The Company recorded a comprehensive loss of \$4 million for the second quarter of 2001 as compared with comprehensive income of \$3 million last year. The decrease resulted from lower net income and losses recorded on cash flow hedges, partially offset by a \$12 million favorable variance in the currency translation adjustment. For the first half of 2001, the Company recorded a comprehensive loss of \$33

10Q-10

million compared to comprehensive income of \$10 million in the prior year period. The decrease reflects net losses on cash flow hedges and unfavorable currency translation adjustments. The negative \$35 million currency translation adjustment for the six months ended June 30, 2001, compares to a negative \$13 million adjustment in the year ago period. The unfavorable \$35 million currency translation adjustment related primarily to the negative impact of weakened local currencies, particularly in Brazil and Korea, versus a strengthening U.S. dollar.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company's total assets decreased to \$2,311 million from \$2,339 million at December 31, 2000. The decrease in total assets principally reflects the impact of unfavorable currency translation adjustments on fixed assets in foreign markets, particularly Brazil and Korea.

For the six months ending June 30, 2001, net cash provided by operating activities was \$18 million, compared to \$53 million in the first half of 2000, reflecting an increase in working capital, due in part, to margin calls on corn futures of approximately \$11 million, \$8 million of energy credit receivables relating to a co-generation facility in Stockton, California and approximately \$12 million of receivables due from CPMCP. The Company will continue to hedge its corn purchases through the use of corn futures contracts, and accordingly, will be required to make or be entitled to receive cash deposits for margin calls depending on the movement in the market price for corn. Cash used for investing activities totaled \$116 million for the first six months of 2001, reflecting capital expenditures and payments for acquisitions. First half 2001 capital expenditures of \$39 million are in line with our capital spending plans for 2001. The Company's acquisitions and capital expenditures were funded principally through borrowings.

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

The Company has a \$340 million 5-year revolving credit facility in the United States due December 2002. In addition, the Company has a number of short-term credit facilities consisting of operating lines of credit. At June 30, 2001, the Company had total debt outstanding of \$816 million compared to \$720 million at December 31, 2000. The increase in debt is mainly attributable to the funding of acquisitions and capital expenditures. The debt outstanding includes: \$261 million outstanding under the U.S. revolving credit facility at a weighted average interest rate of 5.7 percent for the six months ended June 30, 2001; \$200 million of 8.45 percent senior notes due 2009; and various affiliate indebtedness totaling \$355 million which includes borrowings outstanding under local country operating credit lines. The weighted average interest rate on affiliate debt was approximately 8.5 percent for the first half of 2001.

The Company expects that its operating cash flows and borrowing availability under its credit facilities will be more than sufficient to fund its anticipated capital expenditures, dividends and other investing and/or financing strategies for the foreseeable future.

MINORITY INTEREST IN SUBSIDIARIES. Minority interest in subsidiaries decreased \$56 million to \$152 million at June 30, 2001 from \$208 million at December 31, 2000. The decrease is mainly attributable to our purchase of the additional 25 percent interest in our Korean business.

10Q-11

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" ("SFAS 141") which supersedes APB Opinion No. 16, "Business Combinations", and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises". SFAS 141 addresses financial accounting and reporting for business combinations and requires that all business combinations within the scope of SFAS 141 be accounted for using only the purchase method. SFAS 141 is required to be adopted for all business combinations initiated after June 30, 2001. Management has assessed the impact of the adoption of SFAS 141 on the consolidated financial statements and believes the impact will not be material.

Also in June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") which supersedes APB Opinion No. 17, "Intangible Assets". SFAS 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. SFAS 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of SFAS 142 are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS 142 is required to be applied at the beginning of an entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements at that date. Management is currently evaluating the impact that adoption of SFAS 142 will have on the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This Form 10-Q report contains certain forward-looking statements concerning the Company's financial position, business and future earnings and prospects, in addition to other statements using words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions. These

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

statements contain certain inherent risks and uncertainties. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations conveyed in these statements, based on factors such as the following: fluctuations in worldwide commodities markets and the associated risks of hedging against such fluctuations; fluctuations in aggregate industry supply and market demand; general economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and sell our products, including fluctuations in the value of local currencies, energy costs and availability and changes in regulatory controls regarding quotas, tariffs and biotechnology issues; and increased competitive and/or customer pressure in the corn refining industry. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of risk factors, see the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q or 8-K.

10Q-12

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and is incorporated herein by reference. There have been no material changes to the Company's market risk during the three and six months ended June 30, 2001.

10Q-13

PART II OTHER INFORMATION

ITEM 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of stockholders held on May 16, 2001, the following matters were submitted to a vote of security holders. The number of votes cast for, against, or withheld, and the number of abstentions as to each such matter were as follows:

1. ELECTION OF DIRECTORS

The following nominees for election as Directors of the Company were elected for terms expiring in the year indicated:

| Name | Term Expires | Votes For | Votes Withheld |
|------|--------------|-----------|----------------|
| ---- | ----- | ----- | ----- |

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

| | | | |
|---------------------|------|------------|---------|
| Karen L. Hendricks | 2004 | 29,747,545 | 152,869 |
| Bernard H. Kastory | 2004 | 29,784,766 | 115,648 |
| Samuel C. Scott III | 2004 | 29,804,504 | 95,910 |

The other following Directors of the Company are continuing in office for terms expiring in the year indicated:

| Name | Term Expires |
|-----------------------------|--------------|
| ---- | ----- |
| Alfred C. DeCrane, Jr. | 2002 |
| Guenther E. Greiner | 2002 |
| Richard G. Holder | 2002 |
| Konrad Schlatter | 2002 |
| Ignacio Aranguren-Castiello | 2003 |
| Ronald M. Gross | 2003 |
| William S. Norman | 2003 |
| Clifford B. Storms | 2003 |

2. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The stockholders ratified the appointment of KPMG LLP as independent auditors for the Company for 2001 with 29,767,502 votes cast in favor, 102,539 votes cast against and 30,374 votes abstained.

10Q-14

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto.

b) Reports on Form 8-K

No Reports on Form 8-K were filed by the Company during the quarter ended June 30, 2001.

All other items hereunder are omitted because either such item is inapplicable or the response is negative.

10Q-15

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,

Edgar Filing: CORN PRODUCTS INTERNATIONAL INC - Form 10-Q/A

the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORN PRODUCTS INTERNATIONAL, INC.

DATE: December 21, 2001

By /s/ James Ripley

James Ripley
Vice President - Finance,
Chief Financial Officer and
Principal Accounting Officer

10Q-16

EXHIBIT INDEX

| NUMBER | DESCRIPTION OF EXHIBIT |
|--------|---|
| ----- | ----- |
| 11 | Statement re: computation of earnings per share |

10Q-17