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To our shareholders,

India and IP APPM have given me a warm welcome since moving here in April of 2017. Working on my 20th year with International Paper, I came to India with some previous experience with IP APPM since 2012. Former Chairman & Managing Director, Ram Swaminathan, and I had a good transition during April and on behalf of International Paper, I thank Ram for all that he has done for IP APPM and wish him well for his future. Moving forward, I believe that IP APPM is well positioned to continue improving performance and creating long term value for all our stakeholders.

I want to share with you some key strategic principles and philosophies that we jointly share in IP.

The IP Way: doing the right things, in the right ways, for the right reasons, all of the time. For years, this statement held true for how we at International Paper got results by meeting our customer needs, improving our operational excellence and developing our people. **The IP Way Forward** is how we go beyond just doing the right things and defines how we will meet our commitments to our shareholders, customers, employees and communities. The IP Way Forward is our strategic framework for achieving our vision to be among the most successful, sustainable and responsible companies in the world. It includes sustaining forests, investing in people, improving the planet, creating innovative products and delivering inspired performance.



Donald P. Devlin
Chairman & Managing Director

I'd like to introduce the IP Way Forward framework to our shareholders and describe how these principles are the basis for how we deliver value.

You will find more details and great examples of our strategic drivers in action in pages 6 to 15.



THE IP WAY FORWARD



53.7

million saplings
distributed in
2016-17

1.76

billion saplings
planted (todate)

252,500

hectares of green cover
created (todate)

123

million man-days
employment created
(todate)

Our business depends on the **sustainability of forests**. Our products require fiber and the sustainable use and re-growth of forests are vital to our Company's long term existence. IP APPM's farm forestry initiatives are contributing to the sustainable use and re-growth of forests by partnering with farmers to plant and cultivate healthy plantation forests. Over the past 25 years, we have planted more than 1.76 billion saplings and have added 252,500 hectares of land to productive plantation forest land. This strategy supports jobs, improves the environment and supports our long term need for sustainable fiber.

Investing in people is the foundation of our success. First and foremost, we must ensure the safety of employees, contractors and visitors. In 2016, we implemented the use of Safety Leading Indicators to focus on hazards and unsafe behaviors to reduce risks before they lead to an accident.

Excellent leadership is needed to engage and inspire employees to achieve their best. Highly engaged employees deliver the best results. We work to develop the capabilities of both our leaders and our employees. Highly engaged employees, with excellent leadership will result in a safer workplace, higher productivity and better financial results.

There is great need for support in the communities where we live and work. IP APPM employees have given their time, money and leadership to support education of poor children who are not in a position to pay the school fees and also to the students to pursue their higher education. We are committed to those who need help in the communities where we live and work and the areas where we can offer the most: education, water, nutrition and environment.

We are doing our part to **improve our planet**. Expectations for improving the environment are increasing by government, by customers, by ourselves and by our employees and communities where we operate. International Paper and IP APPM hold the environment as one of our key principles and values. Our farm forestry initiatives have increased the generation of sustainable forest plantations. Working forests are good for the environment. We produce much of our own energy from renewable carbon-neutral biomass. We will work to reduce our consumption of process materials and ensure the responsible use of water by our mills. We will comply with standards for stack emissions and clean air and we will optimize the environmentally friendly uses for our process solid waste from our mills.

Our customers need **innovative products** and excellent service to make their businesses successful. We make products that are relatively simple in today's high tech world of virtual reality and hand-held computers. But, our products are important for helping customers to meet their needs. We help people and businesses to communicate more effectively. Whether it's a commercial printer looking for exceptional image quality, an office client looking for a sharp lasting document or a publisher looking for high quality text books for students, all of them need our best and depend on our ability to meet or exceed their expectations. They need our innovative products to be successful.

Equally important is our ability to **deliver inspired performance**. Each element of the IP Way Forward provides a principled framework for IP APPM to deliver financial results that create long term value for the shareholder. We operate in a competitive domestic market and growing challenges from global producers, so making good decisions is important. We must allocate capital in an effective way including investment to maintain our operations, investment in profitable growth opportunities, maintaining an appropriate level of debt and rewarding shareholders by way of dividend, when appropriate.

We have many stakeholders including shareholders, banks, customers, employees, governments and communities. We are committed to operating with the IP Way Forward principles as our strategic framework and believe that we will be successful in creating long term value for our stakeholders.

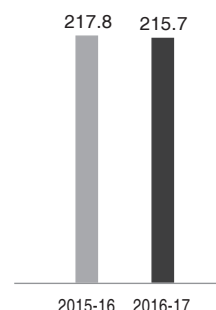
Sincerely,



Donald P. Devlin
Chairman & Managing Director

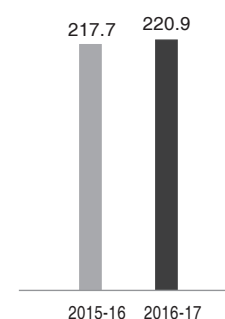
Paper production

'000 MT



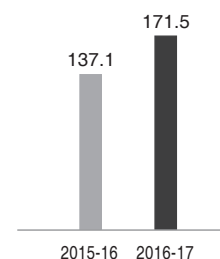
Sales volume

'000 MT



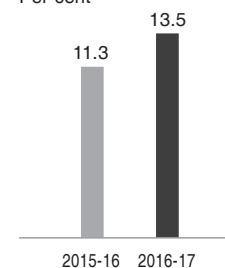
EBITDA

₹ Crore



EBITDA Margin

Per cent



Corporate Overview

International Paper APPM Limited is a group company of International Paper Company, USA, a world leader in the paper and pulp industry.

The fifty three year old Company is an integrated paper and pulp manufacturer with a total production capacity of 241,000 TPA. The Company produces a range of premium grade writing, printing, copier and industrial papers for domestic and export markets. Each of these products offer a differentiated proposition and is targeted to meet unique needs of discerning customers.

The Company employs 2,070 people. The manufacturing facilities comprise of two mills at Rajahmundry and Kadiyam, both located in the East Godavari District, and a conversion center at SN Palem in Krishna District, all located in the State of Andhra Pradesh.

It is our vision to become one of the most respected and successful companies in India - as measured by our employees, our customers, our communities and our share owners. To achieve this goal, the Company is focused on excellence on its five drivers - sustaining forests, investing in people, improving the planet, creating innovative products and delivering inspired performance, while maintaining high standards of integrity and safety in everything we do.

VISION

To be one of the most respected and successful companies in India.

MISSION

To improve the world, today and for generations to come, by using renewable resources to make products, people depend on every day.

VALUES

Leadership

We hold the highest ethical standards. We keep our commitments and we are accountable for all we do. We believe in diversity and inclusion, treating all people with dignity and respect and helping one another succeed.

Results

We are passionate about results. We set stretch objectives, we embrace change and we always consider what is best for the entire Company. We are engaged and aligned in our commitment to excellence for our customers and performance for our shareowners.

Responsibility

We are committed to sustaining our world. We place the highest priority on employee health and safety, and we ensure that every phase of our supply chain, from procurement to manufacturing, distribution, sales and recycling, is carried out in a safe and responsible manner.

Recognition



Aqua Excellence Award 2016

Honored by World Aqua Congress for Outstanding Contribution towards the cause of Sustainability - Private Sector.



Best Energy From Waste

Appreciation for usage of bark, sludge and biomass gasification, substituting coal consumption.



Special Export Award

Recognition for export performance from CAPEXIL.



International Paper APPM is improving in ways never seen before. The organizational goal is to improve profitability by managing the performance, building a stronger business and creating a distinct competitive advantage.

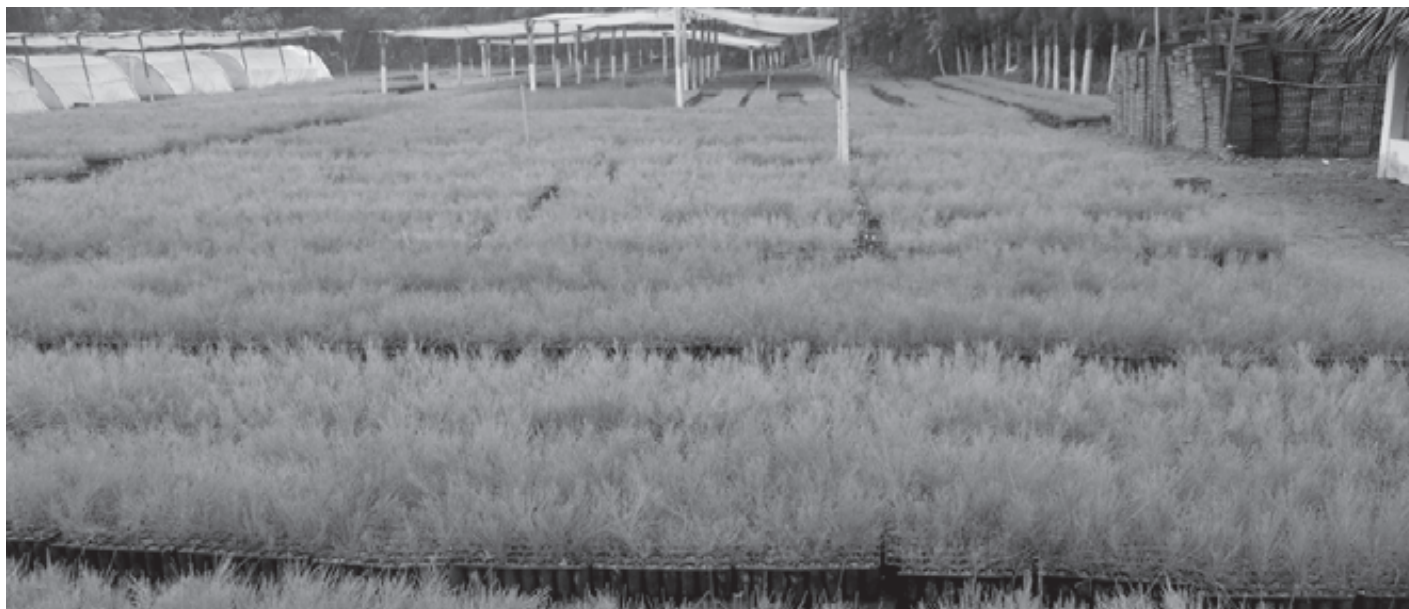
We are advancing our efforts by adopting the IP Way Forward as our strategic framework for achieving our vision to be among the most successful, sustainable and responsible company.

Sustaining Forests

For the past several years, our farm forestry program generates more wood on the earth than we consume; in fact, at more than double the rate of consumption. Our investment in restoration and responsible farm forest stewardship ensures a healthy and productive forest ecosystem.

We supported the farmers, during the year, by distributing 53.7 million quality saplings, covering approximately 7,500 hectares of land under plantation. Of these, around 50% have been planted within a 100 km radius of the Mill.





Todate, IP APPM has facilitated planting of over 1.76 billion saplings of subabul, casuarinas & eucalyptus, benefiting over 57,000 farmers and resulted in a green cover of 252,500 ha.

Presently, the focus species under the farm forestry programme is casuarina, one of the most economically beneficial crops, which helps bind atmospheric nitrogen, improves soil fertility of the farmer's field and grows on degraded lands. Casuarina plantation supports intercropping of vegetables, pulses etc and has made a significant difference to the lives of farmers.

We have started digitization of plantation data which is picking up pace. Presently, we have digitized around 800 hectares of plantation. This process creates an environment of intense interaction with the farming community and builds a robust relationship of trust and confidence between the Company and the farmers.

The Company has started a unique initiative through the digital system by launching www.rythukosam.com. The farmers now have a direct access to avail best practices and communicate with the Company. With **Krishak Honoured Smart Card** program, farmers also get direct market for sale of their ready pulpwood plantation to us and get better linkages and tracking.

During the year, FSC certified buying volume increased from 2% to 23% of total pulpwood purchases.

Increasing availability of pulp wood, strengthening relationship with farmers, better tracking of fields and proximity to the source of supply has added to our raw material security.

Investing in people

The financial year witnessed a great deal of ownership and involvement from our managers and the leadership team, focusing on talent development, succession planning and providing opportunities to the employees to learn and grow. All employees were encouraged to strive on their wellbeing and in raising their awareness level to lead a healthy life. We created 'wellbeing' as the theme for the year and used every opportunity to reinforce it, directly and indirectly.

We have set our people function and India People Priorities aligned with IP's HR Global Vision 2020. In the process, we have continued to create the right level of leadership, where every leader demonstrates the 3 C's - Character, Capability, and Catalyst - as a natural part of our leadership language, well integrated into our people development tools and systems.

