INTERNATIONAL PAPER

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AUDITED FINANCIAL RESULTS FOR THE PERIOD 1 APRIL 2011 TO 31 DECEMBER, 2011

All amounts in Indian Rupees lakhs, except share data

Sl. No.	PARTICULARS	Quarter ended			Nine months ended		Previous accounting year ended
		31.12.11 (Refer Note 12)	30.09.11 (Unaudited)	31.12.10 (Unaudited)	31.12.11 (Audited)	31.12.10 (Unaudited)	31.03.11 (Audited)
1	**Gross Sales**	**20,477.86**	**21,466.11**	**17,654.57**	**62,340.58**	**53,503.62**	**79,593.83**
	Less : Excise Duty	1,299.84	1,172.15	701.63	3,484.57	1,933.59	2,943.37
	Net Sales / Income from operations	**19,178.02**	**20,293.96**	**16,952.94**	**58,856.01**	**51,570.03**	**76,650.46**
2	Sale of surplus power	0.00	98.37	351.78	535.00	1,131.60	1,530.81
3	Other operating income	222.51	39.68	285.99	374.69	827.48	1,082.55
4	**Total income**	**19,400.53**	**20,432.01**	**17,590.71**	**59,765.70**	**53,529.11**	**79,263.82**
5	**Total expenditure**	**19,941.17**	**20,039.32**	**15,563.60**	**56,999.27**	**46,349.51**	**70,165.05**
	a] (Increase)/ decrease in stock	(3,017.72)	(3,492.27)	(2,139.27)	(7,991.61)	(2,865.45)	1,385.99
	b] Consumption of raw materials	7,053.95	6,981.05	5,260.07	19,292.14	14,220.89	20,104.30
	c] Stores	6,452.82	5,425.03	4,448.68	16,797.69	12,738.43	17,092.10
	d] Power and fuel	2,424.41	2,573.68	2,440.43	7,783.64	6,712.66	9,402.62
	e] Personnel costs	2,299.53	2,109.48	2,065.38	6,566.08	5,593.59	7,976.24
	f] Other expenditure	2,612.54	2,057.04	1,743.61	6,377.18	4,938.53	7,507.08
	g] Depreciation and amortisation	1,654.24	1,734.69	1,744.70	5,062.13	5,010.86	6,696.72
	h] Loss on discarded assets (Refer note 7)	461.40	2,650.62	0.00	3,112.02	0.00	0.00
6	**Profit from operations before other income and interest**	**(540.64)**	**392.69**	**2,027.11**	**2,766.43**	**7,179.60**	**9,098.77**
7	Other income	170.75	68.22	123.54	317.81	336.51	598.26
8	**Profit before interest**	**(369.89)**	**460.91**	**2,150.65**	**3,084.24**	**7,516.11**	**9,697.03**
9	Interest (includes forex)	1,953.10	1,500.13	1,114.13	4,400.49	2,940.71	3,988.43
10	**Profit from Ordinary activities before tax**	**(2,322.99)**	**(1,039.22)**	**1,036.52**	**(1,316.25)**	**4,575.40**	**5,708.60**
11	Tax expense	(179.87)	8,229.79	217.00	8,464.97	923.00	1,214.38
12	**Net profit for the period / year**	**(2,143.12)**	**(9,269.01)**	**819.52**	**(9,781.22)**	**3,652.40**	**4,494.22**
13	Paid - up equity share capital (face value Rs.10/- each)	3,977.00	3,977.00	3,977.00	3,977.00	3,977.00	3,977.00
14	Reserves (Excluding revaluation reserve)				44,074.51		53,855.73
15	Earnings per share (Basic & Diluted) for the period/year (in Rupees) per Rs.10/- share	-5.39	-23.31	2.46	-24.59	10.96	12.82
16	Public share holding						
	-Number of shares (Face value Rs.10/- each)	9,942,510	18,510,031	18,509,881	9,942,510	18,509,881	18,510,031
	-Percentage of share holding	25.00	46.54	46.54	25.00	46.54	46.54
17	Promoters and promoter group Shareholding						
a	Pledged/Encumbered						
	- Number of shares	-	1,499,330	971,115	-	971,115	1499330*
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	7.05	4.57	-	4.57	7.05*
	- Percentage of shares (as a % of the total share capital of the company)	-	3.77	2.44	-	2.44	3.77*
b	Non-encumbered						
	- Number of shares	29827529#	19,760,678	20,289,043	29827529#	20,289,043	19760678*
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00#	92.95	95.43	100.00#	95.43	92.95*
	- Percentage of shares (as a % of the total share capital of the company)	75.00#	49.69	51.02	75.00#	51.02	49.69*

* The number of shares and the percentages represent the shareholding of erstwhile promoter group
\# The number of shares and the percentages represent the shareholding of present promoter viz., IP Holding Asia Singapore Pte Ltd consequent to acquisition of shares from the erstwhile promoter group and public shareholders.

THE ANDHRA PRADESH PAPER MILLS LIMITED

(A Subsidiary of IP Holding Asia Singapore Pte.Ltd.)

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Regd. Office : Rajahmundry - 533105, East Godavari Dist., Andhra Pradesh, India

An ISO 9001 & 14001 and OHSAS 18001 Company

Notes:

1 Statement of Assets & Liabilities

All amounts in Indian Rupees lakhs

PARTICULARS	As at 31.12.11 (Audited)	As at 31.03.11 (Audited)
SHARE HOLDERS' FUNDS		
Share capital	3,977.00	3,977.00
Reserves and Surplus	47,825.19	53,855.73
Share Application Money	-	-
LOAN FUNDS	**47,682.35**	**43,596.72**
DEFERRED TAX LIABILITY	**12,166.70**	**4,271.25**
TOTAL	**111,651.24**	**105,700.70**
FIXED ASSETS	**86,920.30**	**89,505.68**
INVESTMENTS	**1,605.34**	**1,664.34**
CURRENT ASSETS, LOANS AND ADVANCES		
Inventory	21,191.77	12,106.85
Sundry debtors	3,525.95	5,629.36
Cash and bank balances	2,415.41	2,068.09
Loans and advances	9,922.36	9,181.98
Less: Current liabilities and provisions		
Current liabilities	17,503.97	13,993.38
Provisions	176.60	462.22
Net current assets	**19,374.92**	**14,530.68**
Debit balalnce in Profit & Loss account	3,750.68	-
TOTAL	**111,651.24**	**105,700.70**

2 As per the notification issued by the Ministry of Corporate Affairs vide notification dated 31 March 2009, the Company has adjusted foreign exchange differences arising on long term foreign currency loans to the cost of the fixed asset, where the long term foreign currency monetary items relates to acquisition of a depreciable capital asset (whether purchased within or outside India), and has depreciated such foreign exchange gain / losses over the asset's balance useful life. The Government vide notification dated G.S.R. 378(e) dated 11th May 2011 has extended the period up to 31 March 2012. As a result , the Company has capitalised foreign exchange loss of the current period amounting to Rs 1,683.21 lakhs. The depreciation arising out of capitalisation during the period amounts to Rs 134.78 lakhs. If the option is not exercised, the profit for the period would have been reduced by Rs. 1,548.43 lakhs.

3 The Company is in the business of manufacture and sale of pulp, paper and paper board. Management views manufacture and sale of Pulp, paper and Paper boards as a single reportable business segment.

4 The Promoters of the Company, LN Bangur Group informed the Company on 29 March 2011 that they had entered into an agreement to sell their entire shareholding of 2,12,60,008 equity shares of Rs. 10 each held by them in the Company to IP Holding Asia Singapore PTE Ltd. (Acquirer), a subsidiary of International Paper Company, USA. The Acquirer is an unlisted company incorporated under the Laws of Singapore. International Paper Company, USA is a global paper and packaging company and is listed on the New York Stock Exchange.

5 Lazard India Private Limited, Manager to the Open Offer appointed by the Acquirer had given a certificate dated 11 October 2011 to the Company confirming that IP Holding Asia Singapore PTE Ltd. (Acquirer) along with International Paper Company complied with all applicable provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations and completed their obligations in relation to the Open Offer made in accordance with the Interim Order dated 11 August 2011 to Securities Appellate Tribunal. They have also confirmed that despatch of payment consideration to the shareholders whose equity shares have been accepted in the Open Offer was completed by 8 October 2011. The Board approved transfer of 35,762 equity shares of Rs.10 each in physical form to the Acquirer and noted the acquisition of 85,31,759 equity shares in electronic form from public shareholders by the Acquirer.

Pursuant to such Open Offer and above mentioned share sale agreement, 29,827,529 shares of the Company was acquired by IP Holding Asia Singapore PTE Ltd. on 14 October 2011, being the effective date of the change in the ownership. Pursuant to such acquisition, IP Holding Asia Singapore PTE Ltd. became the holding company of the company with International Paper Company being the ultimate holding company. Further, the Company's Board of Directors have been reconstituted and MR. Paul Brown was appointed as the Chairman & CEO of the Company.

6 The Company has since the inception of Accounting Standard 22 on Accounting for Taxes on Income, recognised the deferred tax expense, which arises primarily from depreciation on tangible fixed assets on the basis of the currently applicable enacted Minimum Alternate Tax rate rather than the regular tax rates as specified by paragraph 21 of Accounting Standard 22. The Company has challenged the provisions of Accounting Standard 22, in so far as it relates to the above matter and has accordingly filed a writ petition in June 2003 before the Hon'ble High Court of Andhra Pradesh. The case has been subsequently transferred to the Hon'ble Calcutta High Court. The writ petition has been admitted and is currently pending resolution.

The Company's current management is of the view that notwithstanding the writ petition and its ultimate outcome, the differential liability needs to be provided for in accordance with the provisions of AS 22 – Accounting for Taxes on Income and has accordingly quantified and recorded the deferred tax liability relating to earlier years up to 31 March 2011 of Rs. 8,046 lakhs. The cumulative amount of Rs. 8,046 lakhs pertaining to the period up to 31 March 2011 has been debited to the profit and loss account for the period ended 31 December 2011. The statutory auditors have included an Emphasis of Matter Paragraph in their auditors report highlighting such adjustment. Their audit report is not qualified with respect to this matter.

7 The Company during the period carried out an internal technical review based on which assets with a net book value of Rs. 3,112.02 lakhs was identified as being asset held for sale and accordingly debited to the profit and loss account.
The statutory auditors have included an Emphasis of Matter Paragraph in their auditors report highlighting such adjustment. Their audit report is not qualified with respect to this matter.

8 During the period ended 31 December 2011, the Company has accrued and paid for managerial remuneration, which is in excess of the maximum limits specified in Schedule XIII to the Companies Act, 1956 to the extent of Rs. 194.64 lakhs. The Company is yet to apply to Central Government for obtaining approval for the same. The statutory auditors have drawn attention to this matter in their report.

9 During the quarter ended on 31st December 2011, the Company received 5 investor complaints which have been resolved. There were no complaints pending at the beginning of the quarter and no complaints was pending at the end of the quarter.

10 The Company in its Board meeting held on 6 December 2011, approved the change of financial year from 31 March to 31 December every year. Pursuant to such change, the Company has closed its accounts for the nine months period ended 31 December 2011.

11 The above Financial Results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on 25 January 2012.

12 The figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the second quarter of the current finnacial year.

13 The figures for the previous periods/ year have been re-grouped/re-classified, wherever necessary, to confirm to the current period presentation.

By order of the Board
For The Andhra Pradesh Paper Mills Limited

Paul Brown
Chairman & CEO

Place : Hyderabad
Date: 25th Jan, 2012

B S R & Co.
(Registered)
Chartered Accountants

Reliance Humsafar, IV Floor,
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Independent Auditor's Report
To the Members of
The Andhra Pradesh Paper Mills Limited, Rajahmundry.

Report on the Financial Statements

We have audited the accompanying financial results of The Andhra Pradesh Paper Mills Limited ("the Company") for the nine months period ended 31 December 2011, attached herewith, being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. Following the change in ownership of the Company, the financial year has been aligned to the parent Company's financial year ending 31 December each year. The current financial accounting year comprises of a nine months period from 1 April 2011 to 31 December 2011. Attention is drawn to the fact that the figures for the quarter ended 31 December 2011 as reported in these financial results is the derived figure between audited figures in respect of the current full financial period and the published period to date figures upto the end of the second quarter of the current financial period. Also the figures up to the end of the second quarter and the corresponding quarter and nine months period ended in the previous year had only been reviewed and not subjected to audit.

Management's Responsibility for the Financial Results

These financial results have been prepared on the basis of the financial statements for the nine months period ended 31 December 2011 and reviewed quarterly financial results upto the end of the second quarter. Management is responsible for the preparation of these financial results that give a true and fair view of the net loss and other financial information in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial results based on our audit of the financial results for the nine months period ended 31 December 2011. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our qualified opinion.

Basis for Qualified Opinion

As more fully explained in Note 8 to the financial results, during the financial accounting year comprising the nine months period ended 31 December 2011, the Company has paid for managerial remuneration, which is in excess of the maximum limits specified in Schedule XIII to the Companies Act, 1956 to the extent of Rs. 194.64 lakhs. The Company is yet to apply to Central Government for obtaining approval for the excess as at the date of our report. Pending necessary approval from the Central Government, we are unable to quantify the extent of the excess payment, if any, of the amount paid over the amount which the Central Government would approve, when such application is made.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial results:

(i) are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and

(ii) give a true and fair view of the net loss and other financial information for the year ended 31 December 2011

Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of clause 35 of the Listing Agreement and found the same to be correct.

Emphasis of Matter

We draw attention to Note 6 to the financial results, which states that the Company has since the inception of Accounting Standard 22 on Accounting for Taxes on Income, recognised the deferred tax expense, which arises primarily from depreciation on tangible fixed assets on the basis of the currently applicable enacted Minimum Alternate Tax rate rather than the regular tax rates as specified by paragraph 21 of Accounting Standard 22. The Company has challenged the provisions of Accounting Standard 22, in so far as it relates to the above matter and has accordingly filed a writ petition in June 2003 before the Hon'ble High Court of Andhra Pradesh. The case has been subsequently transferred to the Hon'ble Calcutta High Court. The writ petition has been admitted and is currently pending resolution.

The Company's current management is of the view that notwithstanding the writ petition and its ultimate outcome, the differential liability needs to be provided for in accordance with the provisions of AS 22 – Accounting for Taxes on Income and has accordingly quantified and recorded the deferred tax liability relating to earlier years up to 31 March 2011 of Rs. 8,046 lakhs. The cumulative amount of Rs. 8,046 lakhs pertaining to the period up to 31 March 2011 has been debited to the profit and loss account for the period ended 31 December 2011. Our opinion is not qualified in respect of this matter.

Further, we also draw attention to Note 7 to the financial results, which states that the Company's current management has during the period carried out an internal technical assessment based on its global standards and methodologies, basis which assets with a net book value of Rs. 3,112.02 lakhs (net of expected net sale proceeds) have been identified as unsuitable for use considering the Company's future plans and have been held for disposal and accordingly is debited to the statement of profit and loss. Our opinion is not qualified in respect of this matter.

for **B S R & Co.**
Chartered Accountants
Firm's registration number: 101248W

Zubin Shekary
Partner
Membership Number: 048814

Place: Hyderabad
Date: 25 January 2012