C

ROLLAND INC.

ANNUAL REPORT 1984

EXCELLENCE
THROUGH
HUMAN
RESOURCES

Rolland inc. is a public company incorporated in 1928 to carry on the business of a predecessor company founded in 1882 by Senator Jean-Baptiste Rolland.

Our Corporation has become an important Canadian manufacturer and a distributor of fine papers.

Rolland makes well over 100 grades of high-quality coated and uncoated fine papers from all-cotton to sulphite grades. These are used for commercial printing, reprography, business forms, envelopes and special applications. Rolland sells its fine papers through its own sales offices in Montréal, Toronto, Ottawa and Québec to most of Canadian fine paper merchants and paper converters who manufacture envelopes, business forms, etc. Industrial papers are sold to laminators throughout North America.

Since 1969, the Corporation has diversified its operations into the distribution field through the acquisition of important Canadian and American merchants of fine papers. These distributors are stocking and selling papers from leading manufacturers, including Rolland, and their business has become a major part of the Corporation's operations.

The Distribution Division operates under the trade names of The Wilson-Munroe Company, Graphic Papers and Les papiers graphiques in Canada, and W.H. Smith Paper Corporation and C.H. Robinson Paper Co. in the United States.

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Cover photo:
Henri-Paul Ayotte,
assistant machine tender
on No. 4 paper machine
at the Mont-Rolland mill.

	1984	1983
Net sales	**$284,448,000**	$229,662,000
Net earnings	**7,183,000**	8,333,000
Net earnings per share		
Per class "A" share	**3.88**	4.51
Per class "B" share	**3.83**	4.46
Dividends on class "A" and "B" shares	**1,651,000**	791,000
Per class "A" share	**0.91**	0.4425
Per class "B" share	**0.86**	0.3925
Funds provided by operations	**11,425,000**	12,750,000
Per class "A" share	**6.19**	6.91
Per class "B" share	**6.14**	6.86
Book value per class "A" and "B" shares	**22.97**	20.00
Working capital	**35,121,000**	30,236,000
Long-term debt	**15,863,000**	12,747,000
Capital expenditures	**8,196,000**	6,035,000

Rolland inc.

MANUFACTURER AND
DISTRIBUTOR OF FINE PAPERS

1984 started amidst a buoyant market environment followed by overcapacity and softer market conditions. Earnings for the year declined from the record level of 1983 but were still the second highest in the Corporation's history. The acquisition of a second fine paper distributor in the United States, C.H. Robinson Paper Co., marked another step in our development.

Operating Results
Net earnings amounted to $7,183,000, or $3.88 per class "A" share and $3.83 per class "B" share, compared with net earnings of $8,333,000, or $4.51 per class "A" share and $4.46 per class "B" share, in 1983. Net sales at $284.4 million, represent an increase of 24% from $229.7 million during the previous year and include the results of C.H. Robinson Paper Co. since September 12, 1984, the date of its acquisition.

Economic and Market Conditions
The increase in shipments by Canadian fine paper manufacturers over the previous year was 7% both in the domestic and in the export markets. The U.S. fine paper industry grew by 6%. Total capacity in Canada increased by 9% and the average operating rate dropped to 92% from 94% in 1983. Imports reached 26% of Canadian apparent consumption and imports of coated papers increased rather sharply.

In the first half of the year, the industry enjoyed a strong demand, high operating rates and improved selling prices. Business conditions deteriorated during the second half with new capacity coming on stream as markets were turning softer. Demand weakened, inventories increased and the market place became intensely competitive. Discounts on selling prices, particularly for commodity grades, first appeared in the U.S. market and quickly spilled over into Canada exerting downward pressure on profit margins. Most fine paper mills took some downtime in the fourth quarter and the industry operating rate fell to 86%. This gradual deterioration affected the Fine Papers Division more than the Distribution Division which reported strong gains in both sales and earnings.

Planning and Development
As stated in the 1983 Annual Report, our primary objective is to achieve higher stability in earnings. The upgrading of our manufacturing facilities, the optimization of the product mix and the expansion of distribution operations are key strategies in this regard and they have indeed been actively pursued.

In its Fine Papers Division operations, Rolland aims at enhancing its product mix and seeks to develop higher value-added products. Some segments of the North American market offer good opportunities for growth in specialty products, and development efforts are directed in this area. The process development group puts renewed emphasis and imagination in its task of reducing raw material costs without affecting product quality. Productivity improvement programs are given top priority in the capital investment plans.

In order to improve our market position in the Northeastern United States, C.H. Robinson Paper Co. was acquired and complements the acquisition of W.H. Smith Paper Corporation of Albany, N.Y., made in December 1982.

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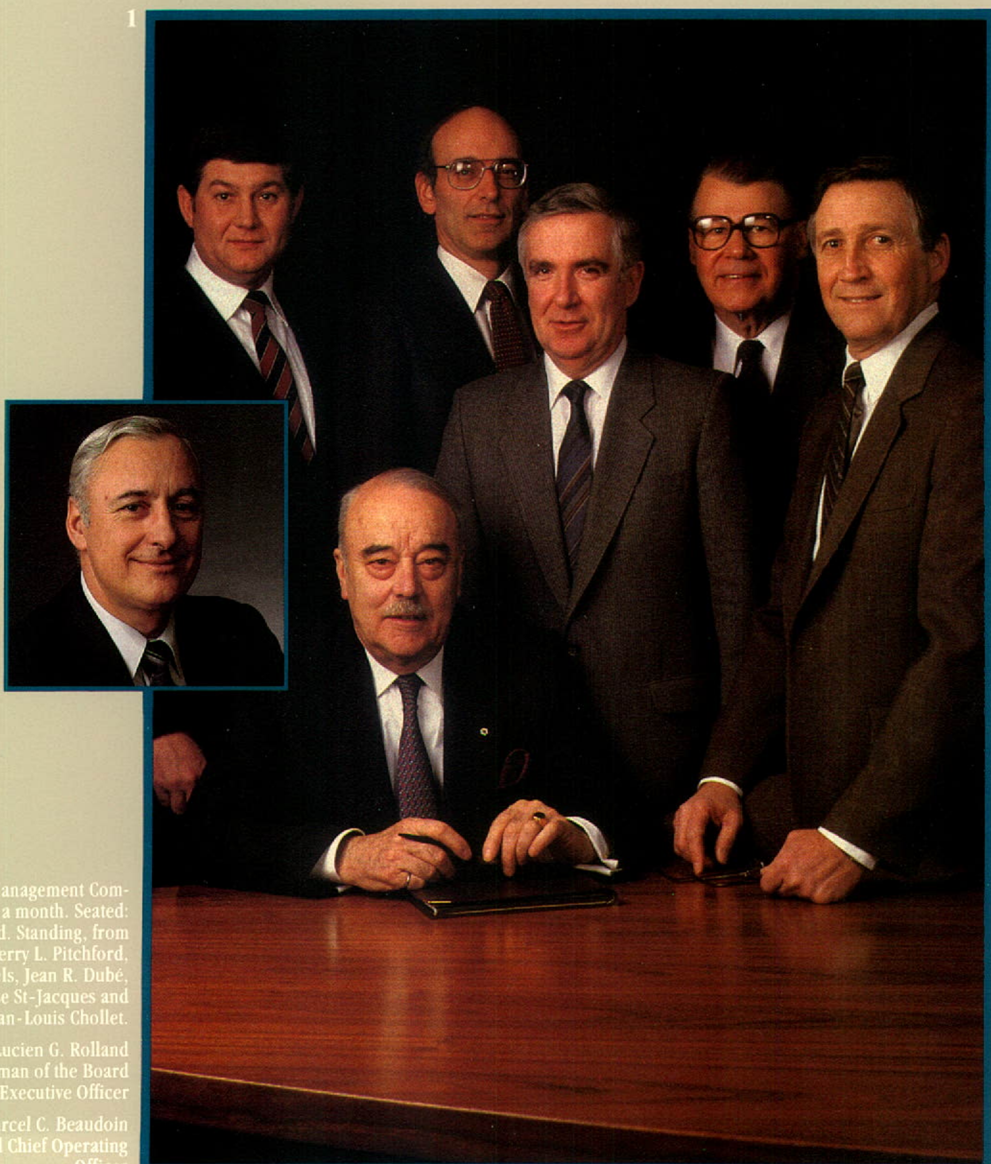

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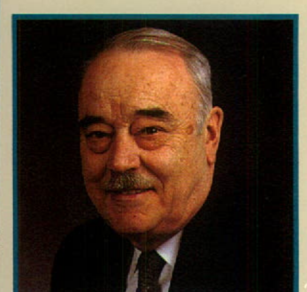

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1. The General Management Committee meets once a month. Seated: Lucien G. Rolland. Standing, from left to right: Terry L. Pitchford, Adrien Desautels, Jean R. Dubé, Alphonse St-Jacques and Jean-Louis Chollet.

2. Lucien G. Rolland
Chairman of the Board
and Chief Executive Officer

3. Marcel C. Beaudoin
President and Chief Operating
Officer

In past annual reports, we have discussed the merits of vertical integration into pulp manufacturing for Rolland. Our position in this regard has been the subject of further reassessment during 1984. We have taken into particular consideration two main objectives: financial stability and security of pulp supply. On one hand, a viable pulp mill would have to produce a volume exceeding our present requirements and the excess production would have to be sold on the open market. Over the years, the cash flow and earnings of a market pulp mill have tended to be more volatile than those of a fine paper mill. Thus, an investment in a market pulp operation would not necessarily reduce the effect of fine paper cycles and could at times even accentuate the volatility of earnings.
On the other hand, security of supply does not appear to represent a problem for the short and medium terms. A preponderant proportion of hardwood pulp is now used in the manufacture of fine papers, and an assessment of hardwood timber reserves indicates that favourable supply conditions and wood cost competitiveness should prevail for many years in contrast with the reserves of softwood which will soon come much closer to maximum annual allowable cuts. Availability of hardwood pulp made with eucalyptus from Brazil, Spain and Portugal has a positive effect on the supply situation. Rolland uses in its furnish bleached hardwood and softwood kraft and some sulphite pulps which are readily available from a variety of different sources.

These considerations have brought us to reappraise the value of integration and to conclude that involvement in a pulp operation is not a high priority for the time being. It is recognized that the volatility of pulp prices may cause short-term fluctuations in manufacturing operation results, but they tend to even out over a long period. As a major user of pulp, we will of course continue to monitor developments in the industry and assess opportunities as they arise. Participation in a pulp operation will be entertained in connection with the physical integration of an eventual new fine paper machine when an expansion of our core business is warranted.

So as to permit a better understanding of our business, this year we are reporting separately the financial results of our two divisions in other sections of this report. The relative balance between manufacturing and distribution shows that we have now achieved a solid base of earnings on which to build for the future.

Human Resources and Industrial Relations

The quality of the personnel throughout our organization and its continuing improvement is one of management's top priorities. A special section of this report spells out our philosophy in more detail and gives some of the measures we have taken in this regard.

All labour contracts have come up for renewal during 1984. New agreements have been signed with warehouse and delivery employees at Les papiers graphiques, Montréal, and with mill and office employees at Saint-Jérôme, Mont-Rolland and Scarborough. The agreements extend to April 30, 1987 and are in line with those negotiated in the pulp and paper industry during 1984.

Dividends, Financial Position

Two increases were announced during 1984 in the rate of quarterly dividends on class "A" shares which went from 18¢ to 22¢ in the first quarter and to 25¢ in the fourth quarter. Dividends on the class "B" shares followed a similar pattern.

A special meeting of holders of preferred shares was held on February 22, 1985 in order to approve a resolution to decrease the redemption price of the $4.25 cumulative redeemable preferred shares from $104 to $55. Redemption of the preferred shares aimed at providing shareholders with an opportunity to dispose of an investment with very low marketability at a substantial premium over the current market price while, at the same time, giving the Corporation more flexibility for the future. Slightly in excess of 70% of the shares, held by 83% of the shareholders represented at the meeting, were voted in favour of the resolution. However, the special resolution required approval by at least 75% of the votes cast at the meeting. There is no intention of making any changes to our capital structure at the present time.

The level of investment for plant modernization and acquisition purposes has been substantially higher during 1984, but our financial position remains strong and would enable us to take advantage of further investment opportunities.

Board of Directors, Officers

In January 1985, Mr. Marcel C. Beaudoin was appointed President and Chief Operating Officer and was elected to the Board of Directors. Mr. Beaudoin assumed his new responsibilities on February 7, 1985. He has been active in the pulp and paper industry for several years, most recently as Vice-President, Pulp and Paper of Donohue Inc. His experience in the industry will certainly prove to be a great asset to the Corporation.

Mr. Lucien G. Rolland, who had been President since 1952, continues to be actively involved in the management of the Corporation as Chairman and Chief Executive Officer.

Outlook

We expect 1985 to be a year of steady but slower growth for the fine paper industry. Shipments of fine papers are forecast to increase by 2% to 4% with operating rates at about 93% of capacity. The new capacity added in the fine paper industry in 1984 and the expected moderate growth in demand should spell a continuation of the competitive market conditions currently prevailing. Rolland is facing the future with caution and optimism: its organization and resources have been and will continue to be strengthened in order to face the challenges that lie ahead.

Acknowledgements

Human resources represent our most valuable asset and your Directors are pleased to express their appreciation to all employees for their dedication and their efforts during 1984. They also wish to thank our customers and our suppliers for their continued support.

On behalf of the Board,

Lucien G. Rolland
Chairman of the Board and
Chief Executive Officer

Montréal, February 22, 1985

The Fine Papers Division experienced an uneven pattern of results during 1984. In January, an unexpected two-week shutdown of No. 8 paper machine resulted in a loss of over 2,500 tons of production at a time of firm demand for its products. The softer market conditions in the second half led to lower profit margins and operating rates and a decline in earnings.

For the year as a whole, operating profit, before corporate charges, interest and income taxes, amounted to $8.1 million compared with $12.6 million in 1983. The repair costs and business interruption losses arising from the above-mentioned shutdown of No. 8 paper machine exceeded $1.5 million. This amount is being claimed from our insurers and, although recovery is expected, it is not included in the operating profit. Shipments, adversely affected by this shutdown, increased by only 1.9%. Net sales of $153.4 million were 12.4% above the 1983 level reflecting higher selling prices and an improved grade mix.

The strong demand for uncoated fine papers enabled the Saint-Jérôme and Mont-Rolland mills to operate at near-capacity level during the first half of the year. However, some downtime had to be taken during the latter part of the year as demand levelled off and supply became abundant.

The market for coated papers was firm throughout the year and sales volume for this product group showed a significant gain. European imports gained a competitive advantage as a result of favourable exchange rates and continued to put downward pressure on selling prices and profit margins. Higher productivity at the Scarborough mill contributed to improved financial results for coated papers.

Profitability of our base papers for decorative laminates produced at Mont-Rolland was unsatisfactory. Sales volume remained at the same

Divisional Results	**1984**	1983
	(thousands of dollars)	
Total sales (including inter-divisional sales)	**$153,421**	$136,479
Profit before corporate charges, interest and income taxes	**8,056**	12,622
Identifiable assets at year end	**55,730**	49,355

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1. Richard Gratton, Chemical Engineer, Technical Support, Mont-Rolland mill, using a computerized system for paper colour matching.

2. André Gagnon, Jagenberg precision-sheeter operator, examining a skid of cut paper.

3. Denys Hamelin, Energy Conservation Coordinator, and Paul Boulanger, boiler mechanic, checking on the computer the operation of the two electric boilers at the Saint-Jérôme mill.

4. Jean Richer, Maintenance Planning Superintendent, (centre) discussing preventive maintenance schedules with Réjean Lesage, Foreman, while Danielle Truchon, Secretary, is compiling data on the computer.

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level as in 1983 and operating costs were excessively high. This is a highly specialized market and additional resources have been committed to improve performance. A new pigment recovery system was installed and resulted in substantial raw material savings; new laboratory facilities were built and the technical staff increased, computerized colour-matching and process control equipment was acquired improving both product quality and customer service. In total, investments of approximately $2 million have been made over the past two years to bring our facilities to the level required.

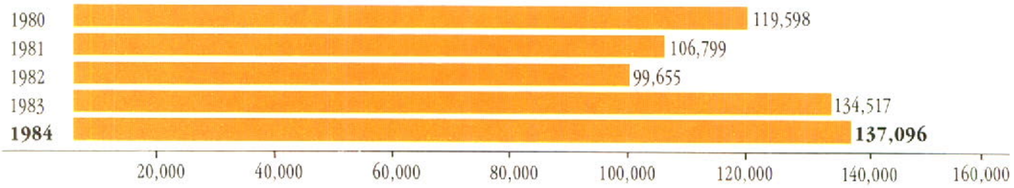
The capital investment program for the Saint-Jérôme mill was also accelerated during 1984. Installation of a new rewinder for No. 5 paper machine and of computerized process control equipment on Nos. 5 and 6 paper machines was completed. Work was pursued on the energy conservation program. A major project aimed at meeting governmental standards for the reduction of water pollution was undertaken in the last quarter. This involves a $2.6 million capital expenditure with substantial raw material and energy cost reductions. Total capital expenditures for the Division amounted to $5.9 million in 1984 and should increase in 1985.

Upgrading and optimization of paper machines and finishing operations as well as energy conservation, improved productivity and higher quality products are the key elements of the program. In addition, the renewal of the labour contracts and the constant effort being made at improving communications and employee relations enable us to enter into 1985 on a positive note. The Division is expected to attain a satisfactory level of earnings despite the competitive business environment.

Jean-Louis Chollet
Executive Vice-President,
Fine Papers Division

Shipments – Fine Papers Division

(Short tons)



DISTRIBUTION DIVISION

In 1984, the Distribution Division maintained its upward trend and increased its contribution to the Corporation's overall results. Sales and earnings of the Division's Canadian operations reached record levels while results of its U.S. subsidiary, W.H. Smith Paper Corporation, acquired in 1982, also improved. The year was highlighted by further expansion with the acquisition of C.H. Robinson Paper Co. in September which will provide additional impetus to the Division's growth rate.

Fine paper distributors in Canada and the U.S. enjoyed a banner year. Total industry sales in Canada increased by 18.5% over 1983. A tight supply situation in the first half of the year led to a gradually higher level of prices; however, this situation was reversed in the last six months as supply became abundant and a downward trend in prices led to more competitive market conditions. The Distribution Division's Canadian operations thrived in this environment, improving their market position and recording a significant gain in earnings. W.H. Smith Paper Corporation achieved a modest increase in sales and earnings in a very competitive market.

In total, the Distribution Division recorded an increase of 33% in sales to $160.7 million. The operating profit, before corporate charges, interest and income taxes, reached $7.9 million, an increase of 43% over 1983. The results of C.H. Robinson Paper Co. are included from September 12, 1984 on.

The addition of C.H. Robinson Paper Co. provides a good geographical fit to the existing distribution operations in the United States and our overall network. The Company was founded in 1884 and, over the years, has become a leading fine paper distributor in New England. It services customers in Maine, New Hampshire, Vermont, Connecticut and Massachusetts from its head office in Portland, Maine and a branch in Woburn, Mass., a suburb of Boston. The Company is headed by Mr. John M. Robinson and it continues to operate under its present name and with the same management. Robinson Paper has had a record of steady, profitable growth over the past years and it is expected to pursue this trend.

The increase in the volume of business of the Canadian operations and the expansion into the United States have created a need for strengthening the organization and its facilities. In order to ensure continued growth and to improve customer service, the Division has made additions to its sales management and support staff. In May, Mr. Jeff Tapping joined Graphic Papers, Toronto, as General Manager, bringing with him 15 years of experience in the graphic arts industry. Our two distribution units in the Toronto area, The Wilson-Munroe Company and Graphic Papers, moved into new premises at opposite ends of the city during the last quarter. Both companies had outgrown their old facilities and the moves will result in increased productivity and improved customer service while providing a base for future expansion. The new premises were custom-built and leased on a long-term basis.

The Distribution Division's commitment remains to provide the graphic arts industry with high-quality service and products. To this end, it will continue to expand its product line and customer service as well as its territory. It will also seek to diversify into new areas in order to build upon its market position and optimize the productivity of its current operations and resources. Although the industry rate of growth is expected to be slower in 1985, the Division enters the year with the confidence that it will continue to improve its performance.

Terry L. Pitchford
Executive Vice-President,
Distribution Division

Divisional Results	**1984**	1983
	(thousands of dollars)	
Total sales	**$160,667**	$121,004
Profit before corporate charges, interest and income taxes	**7,897**	5,514
Identifiable assets at year end	**41,247**	31,296

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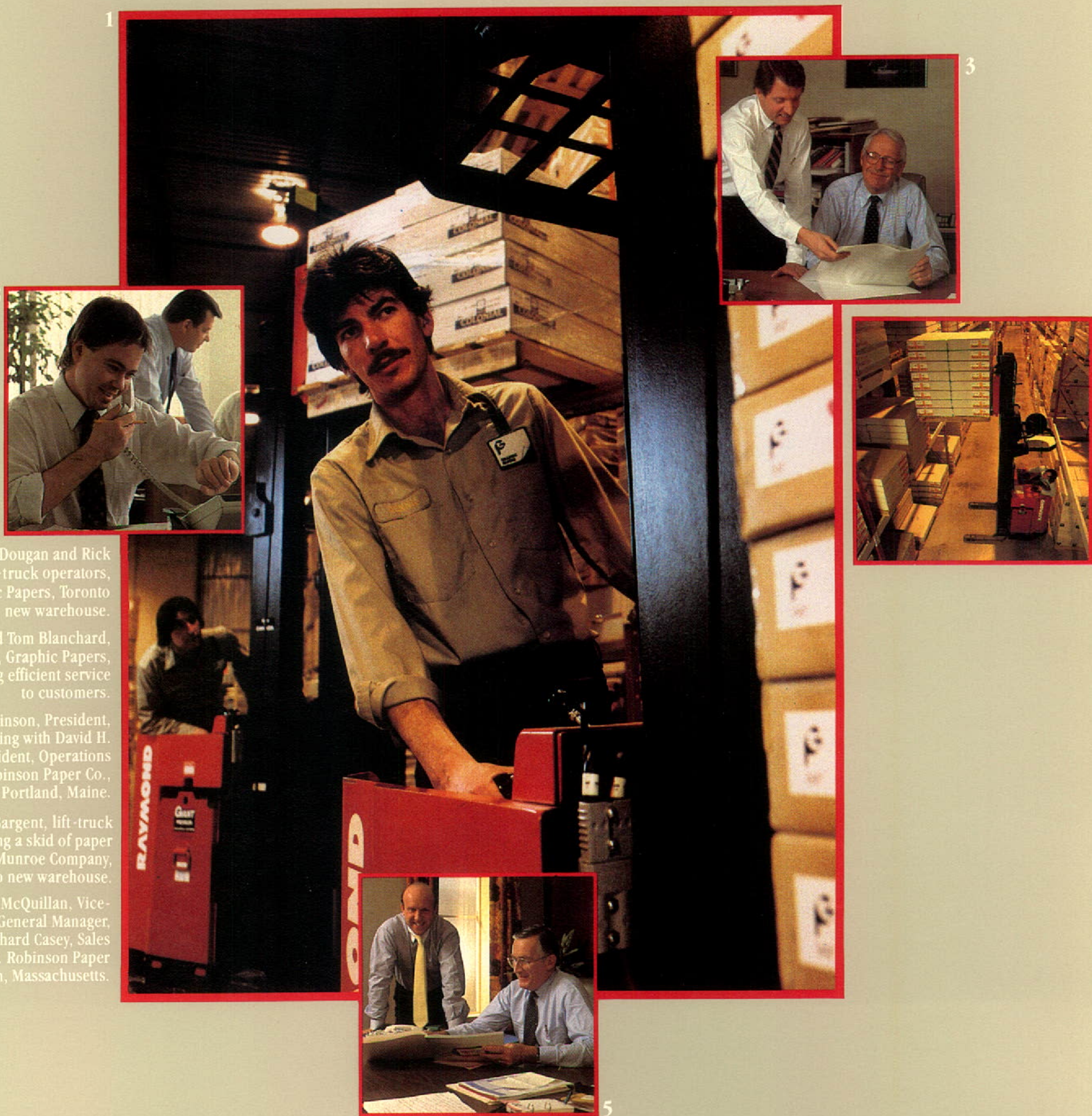

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1. Dennis Dougan and Rick Robinson, lift-truck operators, in our Graphic Papers, Toronto new warehouse.

2. Barry Crouch and Tom Blanchard, Inside Sales, Graphic Papers, Toronto, providing efficient service to customers.

3. John M. Robinson, President, (seated) discussing with David H. Drake, Vice-President, Operations of C.H. Robinson Paper Co., Portland, Maine.

4. Paul Sargent, lift-truck operator, moving a skid of paper in The Wilson-Munroe Company, Toronto new warehouse.

5. Thomas J. McQuillan, Vice-President and General Manager, (seated) and Richard Casey, Sales Manager of C.H. Robinson Paper Co., Woburn, Massachusetts.

EXCELLENCE THROUGH HUMAN RESOURCES

The search for quality and excellence has been a tradition for 103 years at Rolland. While adapting available means to modern techniques, we seek to develop and co-ordinate the multiple talents within our ranks as efficiently as possible.

Our search for excellence comprises three facets:

- First, to fill vacant positions, we strive to recruit the most qualified persons within the Corporation, or outside if necessary.
- Second, in order to prepare adequate and continuous replacements, we have established training and development programs in accordance with individual and collective needs.
- Third, we promote a management style calling for everyone's participation. Relations between all parties must thus rest on mutual trust and common interest.

Today, the firm's success depends largely on everyone's participation. No person alone, not even a small group of persons, can guarantee its continual success. Therefore, when preparing our annual objectives aimed at excellence, we consult with personnel from Head Office and from both divisions so as to properly assess the needs of each group with the Corporation's interests in mind.

Although such needs are related to different aspects of human resources, they must be oriented towards our prime objective: high performance by all in order to ensure maximum productivity which, in turn, will maximize profitability. If we want to attain excellence, this objective is essential. Anyone in search of excellence must first possess high ideals. But it is not enough. Concrete actions and continuous efforts are required as well.

To this end, many programs have been put forth during the last few years, such as:

Performance Evaluation —The Corporation's policy is to develop and maintain the management abilities and technical knowledge of its personnel at a high level. Management and salaried employee performance evaluations allow us to define their training and development needs. We recommend career development plans to improve the qualifications of salaried employees so they may fulfill their present duties more effectively and be ready to assume transfers or promotions as the occasions arise.

Training and Development — Many training and development courses are provided during regular working hours to allow a good number of employees to respond to the changing needs of the Corporation in the technical, operational and administrative fields as well as in sales and management.

On the other hand, we encourage employees to register for courses on their own time. If these courses are accepted as part of their training for the position they occupy or one they may be called upon to occupy in the future, and if they complete the course successfully, we help them financially.

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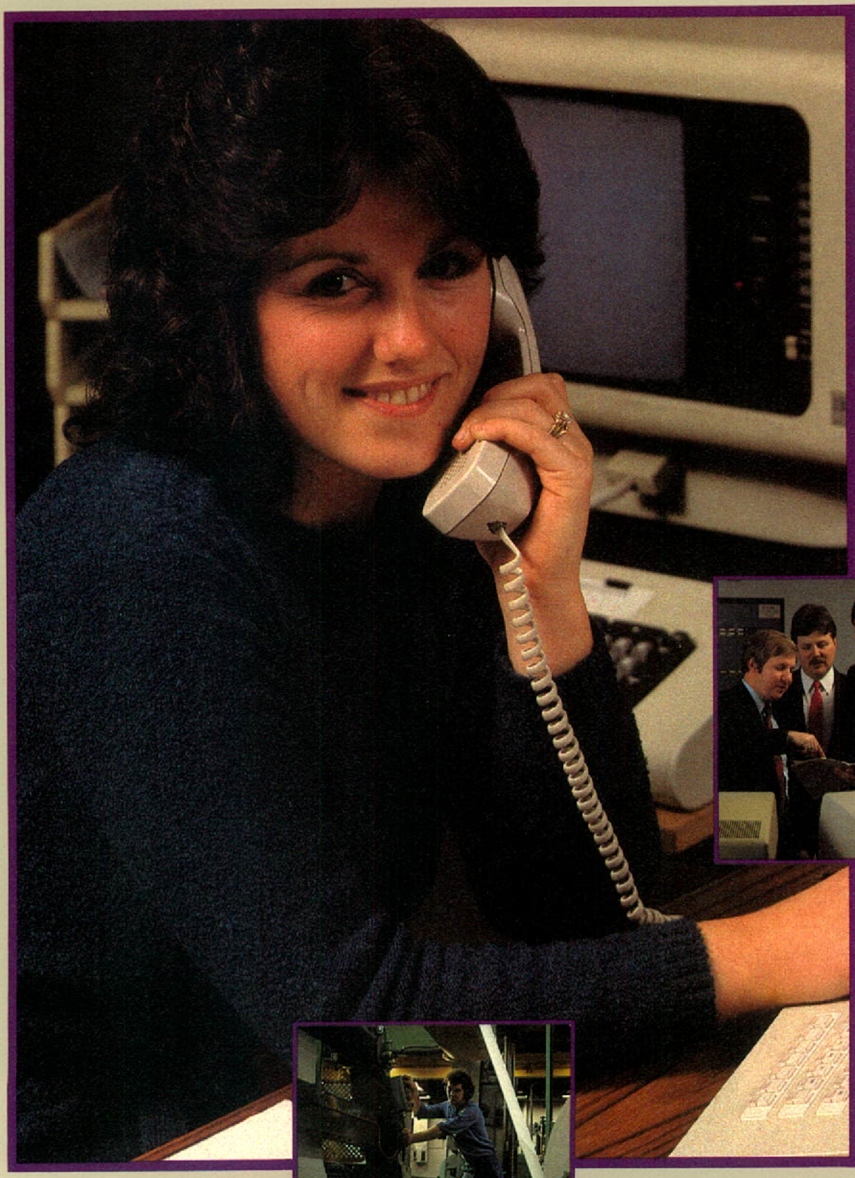

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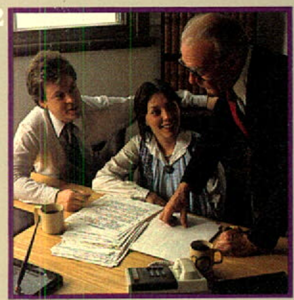

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1. Pamela Duffy, Customer Service, C.H. Robinson Paper Co., Woburn, Massachusetts.

2. André Chartrand, Assistant to the Director of Human Resources, Saint-Jérôme mill, and Mireille Poirier, pre-retirement counsellor, chatting with André Asselin, Technical Development Consultant.

3. Jean-Louis Chollet, Executive Vice-President, Fine Papers Division, reviewing the financial results at a quarterly meeting with union representatives.

4. Computerized Payroll and Human Resources Information Programme Committee meeting. From left to right: Michel Robert, Analyst-Programmer, Robert Girouard, Programme Coordinator, Hubert Lamarche, Director of Human Resources and Mario Ste-Marie, Analyst, Systems and Methods.

5. André Perreault, 4th hand on No. 5 paper machine, at the control of the rewinder.

Communications — Three years ago, we established formal communication programs with management, union representatives and all employees in some locations. These different groups are thus informed of the Corporation's quarterly financial reports, of its short- and medium-term projects, of situations requiring immediate action and of corrective measures to be implemented.

During these information meetings, participants are invited to submit their comments and suggestions, and we expect them to relay our message throughout the organization.

In-house Publication — Since April 1983, the Rolland Bulletin is published four times a year.

Its purpose is to familiarize employees, pensioners and members of the Board of Directors with all facets of our enterprise. In recent years, acquisitions and changes within the Distribution Division have caused many questions to be asked by employees who are becoming more and more interested in the future of their Corporation. The Bulletin supplies them with factual information, and important events are related and commented upon. We hope that it will create a deeper involvement into the Corporation's affairs.

Pre-retirement Counselling — Retirement must not be perceived as a penalty, but rather as another stage of life which can be productive and enjoyable. However, many of our employees apprehend it. This is the reason why, in cooperation with the colleges of Saint-Jérôme and Scarborough, we offer pre-retirement counselling to our employees of sixty years of age or more as well as to their spouses.

Suggestion Program — In order to stimulate and sustain our employees' participation, we are counting more and more on their initiative and creativity. Who knows better than the machine operator or the lift truck driver what difficulties they may encounter in the course of a day's work and offer suggestions to reduce them and perhaps eliminate them altogether. Suggestions resulting in accident prevention or productivity improvement which are accepted are rewarded. This program is already into effect in our mills and will be extended throughout the Corporation.

We have an ideal, and are striving to achieve it, but such a task, far from being the exclusive responsibility of a department alone, involves each and every one of us.

Excellence will only be achieved when it becomes the goal of all.

Jean R. Dubé
Vice-President,
Human Resources and
Industrial Relations

The consolidated financial statements include the accounts of C.H. Robinson Paper Co. from the date of its acquisition on September 12, 1984.

Operating Results

Net sales for the year reached $284.4 million, an increase of 24% over last year. The Distribution Division experienced a 33% increase and the Fine Papers Division recorded a 12% increase.

Net earnings amounted to $7,183,000 against $8,333,000 in 1983. Gross profit increased slightly to $40.4 million from $38.1 million in 1983 but represented 14.2% of net sales compared to 16.6% in the previous year. The decrease in profit margin reflects higher production costs and a decline in selling prices in the last six months of the year in the Fine Papers Division. Selling and administrative expenses increased but, as a percentage of net sales, showed a favourable downward trend from 9.3% in 1983 to 9.1% this year. Depreciation and amortization expense increased by $276,000 to $3,869,000 in view of the higher capital expenditures. Interest expense decreased slightly. Total operating expenses of $30.1 million represent 10.6% of net sales compared to 11.3% in 1983. However, as a result of the lower gross profit margin, operating profit declined to $10,306,000, or 3.6% of net sales from $12,072,000, or 5.3% of net sales, in the previous year.

Taxes on income amounted to $3,894,000 of which $3,521,000 were booked as current taxes with the balance of $373,000 deferred. The effective tax rate was 35.2% as the Corporation benefitted from investment tax credits related mostly to the current year's capital investments.

A return of 18% on average common shareholders' equity was achieved which, although down from the 25% level of 1983, represents a satisfactory performance. Return on average capital employed followed a similar pattern dropping to 13.2% from 17% in the previous year.

Financial Position

Working capital reached $35,121,000 at December 31, 1984, an increase of $4,885,000 for the year, and the ratio of current assets to current liabilities improved slightly to 2.1:1. The acquisition of C.H. Robinson Paper Co. accounted for an increase of $1,561,000 in working capital while current operations had a positive impact of $3,324,000.

Although working capital improved, the Corporation's net cash position turned from a surplus of $6,212,000 to a deficit of $7,485,000 during the year. This is explained by an increase in volume and prices, the acquisition of Robinson Paper, higher than normal inventories at year end, payment at maturity of 5¾%

debentures in the amount of $3,089,000 and a decrease in income taxes payable. The acquisition of Robinson Paper accounted for $2,958,000 of the total decrease of $13,697,000 in the net cash position.

Funds generated by operations declined to $11,425,000, or $6.19 per class "A" share, from $12,750,000, or $6.91 per class "A" share in 1983.

Capital expenditures, net of grants, amounted to $7,436,000 and were concentrated primarily in the Fine Papers Division. Grants of $760,000 were received and recorded as a reduction of the book value of these assets.

Dividends amounted to $1,710,000 compared to $850,000 the previous year.

Long-term debt reached $15,863,000 at December 31, 1984, a net increase of $3,116,000 over the previous year-end level. A term debt of $2,602,000 representing the balance of the purchase price of the C.H. Robinson Paper Co. shares, of which $2,084,000 is included in long-term debt, was incurred by a U.S. subsidiary company, Rolland Paper Corporation.

New obligations of $1,513,000 under capital leases were also added to the long-term debt while various repayments of $627,000 were made during the year.

The ratio of long-term debt to shareholders' equity was 27/73 at the end of the year compared to 25/75 at December 31, 1983. Shareholders' equity increased by $5,473,000 and amounted to $43,728,000 at the end of 1984. Book value per class "A" and class "B" shares moved to $22.97 from $20.00 at December 31, 1983.

The market price for the Corporation's shares on Canadian stock exchanges was relatively stable during 1984. Class "A" shares traded in a range of $13.25 to $16.25 while class "B" shares fluctuated between $12.75 and $16.00. Closing prices at December 31, 1984 were $14.75 for class "A" shares and $14.25 for class "B" shares.

Adrien Desautels
Vice-President, Finance

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1984

(2)

	1984	1983
	(thousands of dollars)	
Net sales	**$284,448**	$229,662
Cost of goods sold	**244,062**	191,542
Gross profit	**40,386**	38,120
Expenses (income)		
Selling and administrative	**25,755**	21,247
Depreciation and amortization	**3,869**	3,593
Interest on long-term debt	**1,615**	1,726
Other interest	**388**	469
Other income	**(1,547)**	(987)
	30,080	26,048
Operating profit	**10,306**	12,072
Investment income	**771**	588
Earnings before income taxes	**11,077**	12,660
Income taxes (Note 3)	**3,894**	4,327
Net earnings for the year	**$ 7,183**	$ 8,333
Net earnings per share		
Class "A" shares	**$ 3.88**	$ 4.51
Class "B" shares	**3.83**	4.46

(3)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1984

	1984	1983
	(thousands of dollars)	
Retained earnings at beginning of year	**$29,693**	$22,210
Net earnings for the year	**7,183**	8,333
	36,876	30,543
Dividends		
Preferred shares	**59**	59
Class "A" shares	**1,238**	602
Class "B" shares	**413**	189
	1,710	850
Retained earnings at end of year	**$35,166**	$29,693

CONSOLIDATED BALANCE SHEET

As at December 31, 1984

(4)

Assets	1984	1983
	(thousands of dollars)	
Current assets		
Cash and short-term investments	**$ 21**	$ 7,456
Accounts receivable	**29,661**	24,635
Grants receivable	**36**	1,774
Inventories (Note 4)	**35,923**	25,792
Prepaid expenses	**468**	707
	66,109	60,364
Grants receivable	**36**	72
Fixed assets (Note 5)	**30,703**	26,422
Goodwill and other asset	**279**	447
	$97,127	$87,305

On behalf of the Board:

Lucien G. Rolland

Lucien G. Rolland, Director

Roger H. Charbonneau, Director

(5)

Liabilities	1984	1983
	(thousands of dollars)	
Current liabilities		
Bank indebtedness	**$ 7,506**	$ 1,244
Accounts payable and accrued liabilities	**21,510**	22,102
Income taxes payable	**641**	3,163
Current portion of long-term debt	**1,331**	3,619
	30,988	30,128
Long-term debt (Note 6)	**15,863**	12,747
Deferred income taxes	**6,548**	6,175
Shareholders' equity		
Capital stock (Note 7)	**8,562**	8,562
Retained earnings	**35,166**	29,693
	43,728	38,255
	$97,127	$87,305

AUDITORS' REPORT

The Shareholders,
Rolland inc.

We have examined the consolidated balance sheet of Rolland inc. as at December 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross
Chartered Accountants

Montréal, Québec
February 22, 1985

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1984

(6)

	1984	1983
	(thousands of dollars)	
Source of working capital		
Operations		
Net earnings for the year	**$ 7,183**	$ 8,333
Items not affecting working capital		
Depreciation and amortization	**3,869**	3,593
Deferred income taxes	**373**	824
	11,425	12,750
Increase of long-term debt	**3,722**	102
Grants related to capital expenditures	**760**	3,264
Proceeds from disposal of fixed assets less gain included in earnings	**19**	2
Working capital of acquired subsidiary	**3,419**	—
	19,345	16,118
Application of working capital		
Additions to fixed assets	**8,196**	6,035
Reduction of long-term debt	**627**	4,505
Dividends	**1,710**	850
Investment in a subsidiary	**3,927**	—
	14,460	11,390
Increase in working capital	**4,885**	4,728
Increase (decrease) in cash resulting from changes in working capital components	**(18,582)**	260
Increase (decrease) in net cash position	**(13,697)**	4,988
Net cash position at beginning of year	**6,212**	1,224
Net cash position (deficit) at end of year	**$(7,485)**	$ 6,212

CHANGES IN WORKING CAPITAL COMPONENTS

Year ended December 31, 1984

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	1984	1983
	(thousands of dollars)	
Changes in working capital components		
Decreases (increases)		
Accounts receivable	**$ (5,026)**	$ (5,586)
Grants receivable	**1,738**	(1,650)
Inventories	**(10,131)**	(4,073)
Prepaid expenses	**239**	(33)
	(13,180)	(11,342)
Increases (decreases)		
Accounts payable and accrued liabilities	**(592)**	5,289
Income taxes payable	**(2,522)**	3,100
Current portion of long-term debt	**(2,288)**	3,213
	(5,402)	11,602
Increase (decrease) in cash resulting from changes in working capital components	**$(18,582)**	$ 260

1. Summary of significant accounting policies

Principles of consolidation

The accompanying financial statements include the accounts of the Corporation and its subsidiary companies. Earnings of subsidiaries are included in the consolidated financial statements from the date of acquisition.

Foreign exchange

a. Translation of foreign subsidiaries' operations:
Assets and liabilities of foreign subsidiaries are translated at exchange rates prevailing at balance sheet dates and earnings items are translated at the average exchange rate for the year. Exchange gains or losses on translation of foreign subsidiaries' operations are deferred.

b. Foreign currency transactions:
Assets and liabilities of foreign currency monetary items are translated at exchange rates prevailing at balance sheet dates and transactions made in foreign currency are translated at the average exchange rate for the year. Gains or losses arising on settlement of foreign currency monetary items are included in current year earnings.

Inventories

Inventories of raw materials, operating supplies, repair parts and maintenance materials are carried at the lower of cost, first-in, first-out method, and replacement value. Inventories of finished paper and paper in process are carried at the lower of cost, first-in, first-out method, and net realizable value. Adequate provision is made for slow-moving and obsolete inventories.

Fixed assets and depreciation

Fixed assets are recorded at cost which, in cases of major projects, includes interest during construction. Government grants related to capital expenditures are deducted from the cost of the respective fixed assets. Assets acquired under capital lease agreements are included in fixed assets. At the time of sale or retirement, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss is included in earnings.

Depreciation is calculated on the estimated economic lives of the assets, on the straight-line method at the following rates:

Buildings	2½% — 4%
Machinery and equipment	5% — 10%
Automotive and computer equipment	20%
Leasehold improvements	Term of lease

Goodwill and other assets

Goodwill represents the excess of the purchase price of the subsidiaries over their adjusted book value at the date of acquisition. Goodwill is amortized over a two-year period since the date of acquisition.

Income taxes

Deferred income taxes result from differences between deductions claimed for tax purposes and amounts charged in the accounts. The investment tax credits relating to capital expenditures are accounted for in the year they are realized as a reduction of current income taxes. Since the investment tax credits claimed reduce the value of depreciable assets for tax purposes, a portion of these credits is set aside as deferred income taxes.

Net earnings per share

The net earnings per share are calculated after taking into account the dividends paid on preferred shares and the differential in the dividends paid during the year on class "A" and class "B" shares.

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2. Acquisition

On September 12, 1984, Rolland Paper Corporation, a wholly-owned subsidiary, acquired all the outstanding shares of C.H. Robinson Paper Co. of Portland, Maine. This acquisition has been accounted for by the purchase method as follows:

	(thousands of dollars)
Net assets acquired	
Working capital	**$3,419**
Fixed assets	**212**
Goodwill	**317**
	3,948
Long-term debt	**21**
	$3,927
Consideration	
Cash	**$1,325**
Notes, bearing interest at prime rate, capital repayable by quarterly instalments until October 1, 1989	**2,602**
	$3,927

The operating results of C.H. Robinson Paper Co. are included in the 1984 consolidated statement of earnings from the date of acquisition.

3. Income taxes

	1984	1983
	(thousands of dollars)	
Current	**$3,521**	$3,503
Deferred	**373**	824
	$3,894	$4,327

The Corporation's effective income tax rate is made up as follows:

	1984	1983
Combined basic income tax rate	**45.4%**	45.2%
Increase (decrease) in rate resulting from		
Manufacturing and processing profit deduction	**(5.9)**	(5.7)
Inventory allowance	**(2.4)**	(1.6)
Investment tax credits	**(4.0)**	(4.4)
Other	**2.1**	0.6
Effective income tax rate	**35.2%**	34.1%

4. Inventories

	1984	1983
	(thousands of dollars)	
Raw materials and operating supplies	**$ 7,661**	$ 4,653
Repair parts and maintenance materials	**1,814**	1,735
Finished paper and paper in process	**26,448**	19,404
	$35,923	$25,792

5. Fixed assets

	1984			1983
	Cost	**Accumulated depreciation**	**Net**	Net
		(thousands of dollars)		
Land	**$ 973**	**$ —**	**$ 973**	$ 964
Buildings	**14,433**	**6,207**	**8,226**	8,071
Leasehold improvements	**582**	**477**	**105**	88
Machinery and equipment	**55,857**	**35,566**	**20,291**	17,055
Assets under capital leases	**2,212**	**1,104**	**1,108**	244
	$74,057	**$43,354**	**$30,703**	$26,422

6. Long-term debt

		1984	1983
		(thousands of dollars)	
Rolland inc.			
Sinking fund debentures, series A, 5¾%, due July 2, 1984		**$ —**	$ 3,089
Sinking fund debentures, series B, 11¾%, due July 2, 1995	**$12,000**		
Deduct debentures redeemed and cancelled including $642,000 in anticipation of future sinking fund requirements	**3,392**		
		8,608	8,622
Obligations under capital leases		**1,799**	432
		10,407	12,143
Rolland Paper Corporation			
Note, 9%, repayable by quarterly instalments of $115,100 ($87,100 U.S.) including principal and interest, until January 1, 1988 ($972,300 U.S.)		**1,285**	1,516
Notes, bearing interest at prime rate, capital repayable by quarterly instalments of $133,200 ($100,800 U.S.) until October 1, 1989 ($1,980,000 U.S.)		**2,617**	—
W.H. Smith Paper Corporation			
Industrial Development Revenue Bonds, 9%, repayable by quarterly instalments of $73,400 ($55,500 U.S.) including principal and interest, until January 1, 2008 ($2,148,000 U.S.)		**2,839**	2,707
C.H. Robinson Paper Co.			
Obligations under capital leases ($35,000 U.S.)		**46**	—
		17,194	16,366
Less current portion		**1,331**	3,619
		$15,863	$12,747

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6. Long-term debt (continued)

Principal repayments for the next five years

	1985	1986	1987	1988	1989
			(thousands of dollars)		
11¾% sinking fund debentures	$ 8	$ 650	$ 650	$ 650	$ 650
Obligations under capital leases	394	315	335	352	363
Note, 9%	356	390	426	113	—
Notes, prime rate	533	533	533	533	485
Industrial Development Revenue Bonds, 9%	40	42	46	50	55
	$1,331	$1,930	$1,990	$1,698	$1,553

7. Capital stock

		1984	1983
		(thousands of dollars)	
Authorized			
21,995	preferred shares without nominal or par value issuable in series		
2,400,000	class "A" shares without nominal or par value		
800,000	class "B" shares without nominal or par value		
Issued			
13,995	$4.25 cumulative redeemable preferred shares	**$1,399**	$1,399
1,360,016	class "A" and		
480,008	class "B" shares	**7,163**	7,163
		$8,562	$8,562

The preferred shares issued are redeemable at $104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the Corporation shall fail, for a period of two consecutive years, to pay any dividend on such shares.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum before payment of any dividend on class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share, upon all outstanding class "A" and class "B" shares.

8. Pension plans

The Corporation has contributory trusteed pension plans. A subsidiary has a non-contributory trusteed pension plan. The cost of the current service portion is charged to earnings as incurred. The latest actuarial valuation, dated September 16, 1984, for a pension plan covering unionized hourly employees of Rolland inc. shows a deficit of $405,000. This deficit will be amortized over a period of 15 years. According to the latest actuarial valuations as of December 31, 1983 for the other pension plans, there are no unfunded liabilities.

9. Commitments

The Corporation's commitments under lease agreements of various terms for premises and equipment (excluding capital leases) aggregate $15,361,000 at December 31, 1984. The annual rentals in 1985 under these leases will be $2,076,000.

10. Insurance claim

The Corporation has filed a claim in the amount of $1,564,000 with two insurance companies covering repair costs and business interruption losses related to a two-week shutdown of a paper machine in January 1984. The insurance companies have denied coverage and the Corporation has instructed its attorneys to institute legal proceedings to recover the said amount less any applicable deductibles. In the opinion of management and legal counsel, the Corporation has a valid claim and is entitled to its payment. Because legal proceedings are involved, settlement of the claim could be delayed for a prolonged period and it has therefore not been reflected in the financial statements. Any recovery will be treated as a prior period adjustment when received.

11. Industry segment and sales outside Canada

The Corporation is engaged entirely in the manufacturing and distribution of fine papers. Sales outside Canada are mainly in the United States and totalled $54,122,000 in 1984 and $39,691,000 in 1983.

QUARTERLY FINANCIAL INFORMATION

1984	1st	2nd	3rd	4th	Year
	(thousands of dollars, except per share amounts)				
Net sales	$68,055	$70,528	$70,728	$75,137	$284,448
Gross profit	10,109	10,506	9,748	10,023	40,386
Net earnings	2,102	2,326	1,408	1,347	7,183
Per class "A" share					
Net earnings	$ 1.14	$ 1.26	$ 0.76	$ 0.72	$ 3.88
Dividend	$ 0.22	$ 0.22	$ 0.22	$ 0.25	$ 0.91

1983					
Net sales	$52,309	$56,226	$58,172	$62,955	$229,662
Gross profit	8,728	8,589	9,316	11,487	38,120
Net earnings	1,683	1,537	2,160	2,953	8,333
Per class "A" share					
Net earnings	$ 0.91	$ 0.83	$ 1.17	$ 1.60	$ 4.51
Dividend	$ 0.0125	$ 0.10	$ 0.15	$ 0.18	$ 0.4425

ACCOUNTING FOR THE EFFECTS OF INFLATION

(Unaudited)

The information on inflation accounting has been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA). The data is presented as supplementary information to the historical cost financial statements.

The purpose of inflation accounting is to give recognition to the effects of changing prices on the financial position and operating results of business enterprises. The primary emphasis of the data is on current cost accounting which, through identification of specific changes in prices of assets and in costs associated with the use of these assets, focuses on maintenance of the operating capability of the enterprise. A second objective of inflation accounting relates to the maintenance of the general purchasing power of the shareholders' capital as measured against general inflation.

Publication of current cost information should not be interpreted as an indication that the costs presented necessarily represent the costs that would be incurred if the assets were replaced or their net realizable value should they be sold. It must also be recognized that the CICA standards for inflation accounting are of an experimental nature and leave individual corporations a wide range of possibilities in their application. Thus, the information submitted is intended to provide an order of magnitude of the impact of inflation rather than a precise measurement of it. In addition, comparison of information submitted by different business enterprises may not always be meaningful. Despite the abovementioned restrictions and the lower inflation rate experienced in recent years, the Corporation supports the disclosure of inflation accounting information since the cumulative effect of price increases can still cause significant distortions in the historical cost financial statements.

Current Cost Accounting

A consolidated statement of earnings prepared on a current cost basis is shown on the next pages together with the related historical figures. Two specific asset elements and the related costs and expenses have been considered in arriving at the earnings of the Corporation on a current cost basis.

Inventories and cost of goods sold:

Given the rapid rate of turnover of inventories, the difference between historical cost and current cost of inventories at year end is not considered significant and historical cost figures have been used to report inventories on a current cost basis. Cost of goods sold on the current cost basis has been calculated using an averaging cost method and is $2,915,000 higher than cost of goods sold on the historical cost method. This reflects the fact that the historical cost of the goods sold is generally lower than replacement cost at the time of sale. Other factors such as fluctuations in the rate of price increases or turnover also have an effect on the above amount. The 1983 cost of goods sold on a current cost basis has been adjusted to conform to the method of calculation adopted in 1984.

Fixed assets and depreciation:

Fixed assets on a current cost basis have been valued at the lower of current reproduction cost and recoverable amount. Current reproduction cost is based on appraisals updated with the appropriate indices. Recoverable amount represents the present value of future net cash flows expected to result from their use and has been used for most of the manufacturing facilities. Depreciation on a current cost basis has been calculated using the same rates and useful life as depreciation on the historical cost basis.

Under the above guidelines, value of fixed assets on a current cost basis has been estimated at $106.6 million at December 31, 1984 compared to $74.1 million on the historical cost basis. Depreciation expense on a current cost basis reflects the higher value of the assets and amounts to $5,088,000 compared to $3,869,000 on the historical cost basis.

Net earnings of the Corporation, after taking into account the higher cost of goods sold and depreciation expense, amount to $3,049,000 on a current cost basis compared to the net earnings of $7,183,000 reported in the historical cost statements. The current cost earnings may be considered as earnings distributable after providing for the replenishment of capital consumed in the operations thus ensuring that the enterprise maintains its operating capability.

Financing adjustment:
Part of the cost of assets is financed by debt, and a financing adjustment must be taken into consideration to determine the earnings attributable to common shareholders. The financing adjustment represents the portion of the changes in the current cost of assets which is financed by debt. Recognition of this adjustment increases by $808,000 the 1984 current cost income attributable to common shareholders. Thus, net earnings on a current cost basis attributable to class "A" and "B" shareholders, after deducting dividends on preferred shares of $59,000, have been calculated at $3,798,000.

General Inflation Information

In addition to information on specific changes in the current cost of assets which enables us to present the statement of earnings on a current cost basis, supplementary information on the effects of general inflation is provided. This data can be used to assess whether the enterprise has maintained the general purchasing power of its capital.

General inflation compared to specific price changes:
A first element shown is a comparison of the effects of general inflation on the current cost of inventories and fixed assets against the increase in the current cost of these assets as measured by specific indices. In 1984, the specific increase experienced by the Corporation for its inventories and fixed assets exceeded the increase attributable to the effects of general inflation by $1,200,000; this excess is primarily attributable to inventories.

Monetary items:
In addition, monetary liabilities exceeded monetary assets during 1984. As a result of holding net monetary liabilities during a period of rising prices, the Corporation experienced a general purchasing power gain of $508,000.

Consolidated Statement of Earnings

	Current cost (average 1984 $)		Historical cost (as reported)	
	1984	1983	**1984**	1983
	(thousands of dollars)			
Net sales	**$284,448**	$239,182	**$284,448**	$229,662
Cost of goods sold	**246,977**	200,602	**244,062**	191,542
Depreciation and amortization	**5,088**	4,673	**3,869**	3,593
Selling and administrative expenses	**25,755**	22,128	**25,755**	21,247
Interest expense	**2,003**	2,286	**2,003**	2,195
Other income	**(2,318)**	(1,640)	**(2,318)**	(1,575)
	277,505	228,049	**273,371**	217,002
Earnings before income taxes	**6,943**	11,133	**11,077**	12,660
Income taxes				
— current	**3,521**	3,648	**3,521**	3,503
— deferred	**373**	859	**373**	824
Net earnings	**3,049**	6,626	**$ 7,183**	$ 8,333
Dividends on preferred shares	**(59)**	(61)		
Financing adjustment	**808**	507		
Net earnings attributable to class "A" and "B" shareholders	**$ 3,798**	$ 7,072		

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Consolidated Assets

	Current cost (year-end 1984 $)		Historical cost (as reported)	
	1984	1983	**1984**	1983
	(thousands of dollars)			
Inventories	**$ 35,923**	$ 26,762	**$ 35,923**	$ 25,792
Fixed assets — net	**$ 42,996**	$ 40,120	**$ 30,703**	$ 26,422
Net assets (Class "A" and "B" shareholders' equity)	**$ 54,622**	$ 50,946	**$ 42,329**	$ 36,856

Supplementary information	**1984**	1983
	(average 1984 $) (thousands of dollars)	
Increase in the current cost of fixed assets and inventories based on:		
Specific prices	**$ 3,843**	$ 2,532
General inflation	**2,643**	2,864
Difference	**$ 1,200**	$ (332)
Gain in general purchasing power from having net monetary liabilities	**$ 508**	$ 561

TEN-YEAR COMPARATIVE STATISTICS

		1984	1983
Earnings (thousands of dollars)	Net sales	**$284,448**	$229,662
	Depreciation and amortization	**3,869**	3,593
	Interest expense	**2,003**	2,195
	Operating profit (loss)	**10,306**	12,072
	Investment income	**771**	588
	Income taxes	**3,894**	4,327
	Earnings (loss) before extraordinary items	**7,183**	8,333
	Extraordinary items	**—**	—
	Net earnings (loss)	**7,183**	8,333
	Percentage of operating profit (loss) to net sales	**3.6%**	5.3%
	*Return on average capital employed	**13.2%**	17.0%
	Return on average class "A" and "B" shareholders' equity	**18.0%**	25.0%
Distribution of earnings (thousands of dollars)	Dividends on preferred shares	**59**	59
	Dividends on class "A" and "B" shares	**1,651**	791
	Retained in the business (deficiency)	**5,473**	7,483
Financial position (thousands of dollars)	Capital employed:		
	Working capital	**35,121**	30,236
	Investment in securities	**—**	—
	Fixed assets, net	**30,703**	26,422
	Other assets	**315**	519
		66,139	57,177
	Financed by:		
	Long-term debt	**15,863**	12,747
	Deferred income taxes	**6,548**	6,175
	Minority shareholders' interest	**—**	—
	Preferred shareholders' equity	**1,399**	1,399
	Class "A" and "B" shareholders' equity	**42,329**	36,856
	Total capitalization	**66,139**	57,177
	Ratio of current assets to current liabilities	**2.1:1**	2.0:1
	Ratio of long-term debt to shareholders' equity	**27/73**	25/75
	Funds provided by operations	**11,425**	12,750
	Capital expenditures	**8,196**	6,035
Statistics	Per share:		
	** Per class "A" share		
	Earnings (loss) before extraordinary items	**3.88**	4.51
	Extraordinary items	**—**	—
	Net earnings (loss)	**3.88**	4.51
	Dividend	**0.91**	0.4425
	Funds provided by operations	**6.19**	6.91
	Book value per class "A" and "B" shares	**22.97**	20.00
	Price range for class "A" shares — high	**16.25**	14.50
	— low	**13.25**	5.00
	Other:		
	Number of shareholders at end of year	**1,441**	1,544
	Average number of employees	**1,448**	1,361

*Return on average capital employed = Earnings (loss) before extraordinary items + interest on long-term debt after tax divided by average capital employed.

**Per share figures for class "B" shares are 5 cents less than per class "A" share except in 1977 when the differential is 2 1/2 cents, and in 1976 when there is no differential.

1982	1981	1980	1979	1978	1977	1976	1975
$168,504	$177,752	$166,978	$159,998	$129,351	$108,785	$106,591	$99,763
3,011	3,013	2,454	2,238	2,351	1,926	2,005	1,844
2,000	2,318	1,430	1,650	1,869	2,184	1,751	932
(2,036)	(1,431)	3,322	9,611	7,086	400	(4,435)	(785)
79	608	590	786	459	423	516	594
(1,044)	(681)	1,292	4,232	2,786	276	(1,482)	(373)
(913)	(142)	2,620	6,165	4,759	547	(2,437)	182
—	—	3,311	413	—	(2,467)	—	—
(913)	(142)	5,931	6,578	4,759	(1,920)	(2,437)	182
(1.2)%	(0.8)%	2.0%	6.0%	5.5%	0.4%	(4.2)%	(0.8)%
(0.2)%	1.3%	6.7%	14.8%	13.2%	3.7%	(3.2)%	1.8%
(3.3)%	(0.6)%	19.8%	26.3%	23.2%	(10.3)%	(11.6)%	0.5%
59	59	59	59	59	59	59	59
114	1,301	1,301	1,301	804	34	—	1,080
(1,086)	(1,502)	4,571	5,218	3,896	(2,013)	(2,496)	(957)
25,508	24,525	28,563	25,138	20,151	12,836	11,050	17,297
—	—	—	3,396	3,396	3,396	5,863	5,863
26,763	25,972	24,907	18,635	19,240	20,697	22,070	19,993
1,002	1,351	1,755	2,424	3,104	3,448	3,808	3,863
53,273	51,848	55,225	49,593	45,891	40,377	42,791	47,016
17,150	13,595	15,048	14,959	16,141	16,597	17,308	17,490
5,351	6,395	6,817	5,845	6,179	4,105	3,795	5,185
—	—	—	—	—	—	—	157
1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399
29,373	30,459	31,961	27,390	22,172	18,276	20,289	22,785
53,273	51,848	55,225	49,593	45,891	40,377	42,791	47,016
2.4:1	2.2:1	2.9:1	2.5:1	2.4:1	1.7:1	1.7:1	2.1:1
36/64	30/70	31/69	34/66	41/59	46/54	44/56	42/58
1,036	2,273	5,815	8,941	9,710	3,183	(1,979)	3,044
1,208	4,386	10,474	2,899	1,233	783	4,099	7,720
(0.52)	(0.10)	1.40	3.33	2.57	0.27	(1.36)	0.08
—	—	1.80	0.22	—	(1.34)	—	—
(0.52)	(0.10)	3.20	3.55	2.57	(1.07)	(1.36)	0.08
0.075	0.72	0.72	0.72	0.45	0.025	—	0.60
0.54	1.22	3.14	4.84	5.26	1.70	(1.11)	1.64
15.93	16.52	17.34	14.86	12.02	9.90	11.00	12.35
6.25	10.88	9.38	11.75	9.75	5.38	7.88	8.25
3.60	5.50	7.50	8.00	4.50	3.55	3.60	5.25
1,565	1,637	1,622	1,621	1,689	1,760	1,862	1,933
1,240	1,368	1,380	1,400	1,387	1,383	1,497	1,454

Note: Results of Kruger Fine Paper Wholesale are included from April 1, 1975, results of W.H. Smith Paper Corporation from January 1, 1983 and results of C.H. Robinson Paper Co. from September 12, 1984.

DIRECTORS AND OFFICERS

Directors

Marcel C. Beaudoin
President and Chief Operating Officer
Rolland inc. — Montréal

** Douglas A. Berlis, Q.C.
A Senior Partner in the law firm Aird & Berlis,
Barristers and Solicitors — Toronto

* G. Drummond Birks
President
Henry Birks and Sons Limited — Montréal

** Roger H. Charbonneau
President
Laboratoires Anglo-French Limitée — Montréal

* E. Jacques Courtois, Q.C.
A Partner in the law firm
Stikeman, Elliott, Barristers and Solicitors — Montréal

Richard A. Irwin
A Company Director
London, Ontario

** Roger Lachapelle
President and Chief Executive Officer
Corby Distilleries Limited — Montréal

* Gérard Plourde, O.C.
Chairman of the Board
UAP Inc. — Montréal

* Albert Rolland
Vice-President and Marketing Consultant
Rolland inc. — Laval

* Lucien G. Rolland, O.C.
Chairman of the Board and Chief Executive Officer
Rolland inc. — Montréal

Marc Rolland
Retired Executive
Piedmont

Nicolas Rolland
President
Enveloppe Laurentide Inc. — Montréal

Pierre A. Salbaing
Vice-President
Air Liquide — Paris (France)

Officers

Lucien G. Rolland, O.C.
Chairman of the Board and Chief Executive Officer

Marcel C. Beaudoin
President and Chief Operating Officer

Albert Rolland
Vice-President and Marketing Consultant

Jean-Louis Chollet
Executive Vice-President, Fine Papers Division

Adrien Desautels
Vice-President, Finance

Jean R. Dubé
Vice-President, Human Resources and Industrial Relations

Terry L. Pitchford
Executive Vice-President, Distribution Division

Alphonse St-Jacques
Vice-President, Special Projects

Marc Léonard
Secretary

Guy Duplessis
Treasurer

Luc O. Désy
Assistant Secretary and Legal Counsel

* Member of the Executive Committee
** Member of the Audit Committee

OFFICES, PLANTS AND PRODUCTS

Fine Papers Division

Sales Offices:

- 395 Ste. Croix Boulevard
  Suite 202
  Saint-Laurent, Québec H4N 2V1
- 120 Eglinton Avenue East
  Toronto, Ont. M4P 1E2
- Place Jacques Cartier
  320 St. Joseph East
  Suite 207
  Québec, Québec G1K 8G5
- 1749 St. Laurent Boulevard
  Ottawa, Ont. K1G 3V4

Paper Mills:

- 455 Rolland Avenue
  Saint-Jérôme, Québec J7Z 5V6
- Mont-Rolland, Québec J0R 1G0

Coating Mill:

- 2131 Lawrence Avenue East
  Scarborough, Ont. M1R 3A2

Products:
High-quality coated and uncoated fine papers from all-cotton to sulphite grades, for commercial printing, business papers, business forms, envelopes and specialty papers.

Base papers for decorative laminates used in wall coverings, furniture and kitchen counters.

Distribution Division

Executive Office:

- 200 Ronson Drive
  Suite 314
  Rexdale, Ont. M9W 5Z9

Sales Offices and Warehouses:

- **The Wilson-Munroe Company**
  3190 Caravelle Drive
  Mississauga, Ont. L4V 1K9
- **Graphic Papers**
  345 Passmore Avenue
  Scarborough, Ont. M1V 3N8
- **Graphic Papers**
  1228 Innes Road
  Ottawa, Ont. K1B 3V3
- **Graphic Papers**
  169 Patie Street
  Sudbury, Ont. P3A 1N3
- **Les papiers graphiques**
  10000 Ray Lawson Boulevard
  Ville d'Anjou, Québec H1J 1L8
- **Les papiers graphiques**
  2800 Dalton Street
  Ste-Foy, Québec G1P 3S4
- **Les papiers graphiques**
  80 Driscoll Crescent
  Moncton, N.B. E1E 3R8
- **W.H. Smith Paper Corporation**
  15 Industrial Park Road
  Albany, N.Y. 12206
- **C.H. Robinson Paper Co.**
  160 Fox Street
  Portland, ME 04101
- **C.H. Robinson Paper Co.**
  39 Commerce Way
  Woburn, MA 01801

Products:
An extensive range of fine papers and related products for all segments of the graphic arts industry.

Head Office
800 Victoria Square, Suite 3620, Montréal,
Québec H4Z 1H3 Telephone (514) 866-2953

Transfer Agents
Montreal Trust Company
The Royal Trust Company

Registrars
The Canadian Trust Company
The Bankers' Trust Company

Stock Listings
Montreal Stock Exchange
Toronto Stock Exchange

Auditors
Touche Ross

Valuation Day Prices
Prices on December 22, 1971, for the purpose of Canadian income tax on capital gains, were as follows:

Shares:	
Class "A" shares	$3.10
Class "B" shares	$2.75
Preferred shares $4.25	$50.00
Debentures:	
5¾%, due July 2, 1984	$89.50

Annual Meeting
The Annual Meeting of Shareholders of Rolland inc. will be held at the Salon Les Courants of the Hyatt Regency Hotel in Montréal, Québec, on April 29, 1985 at 3:00 p.m. The Shareholders of Rolland inc. are invited to attend.

Si vous préférez recevoir votre rapport annuel en français, veuillez écrire au Secrétaire, Rolland inc., C.P. 306, Succursale postale Tour de la Bourse, Montréal (Québec) H4Z 1H3.

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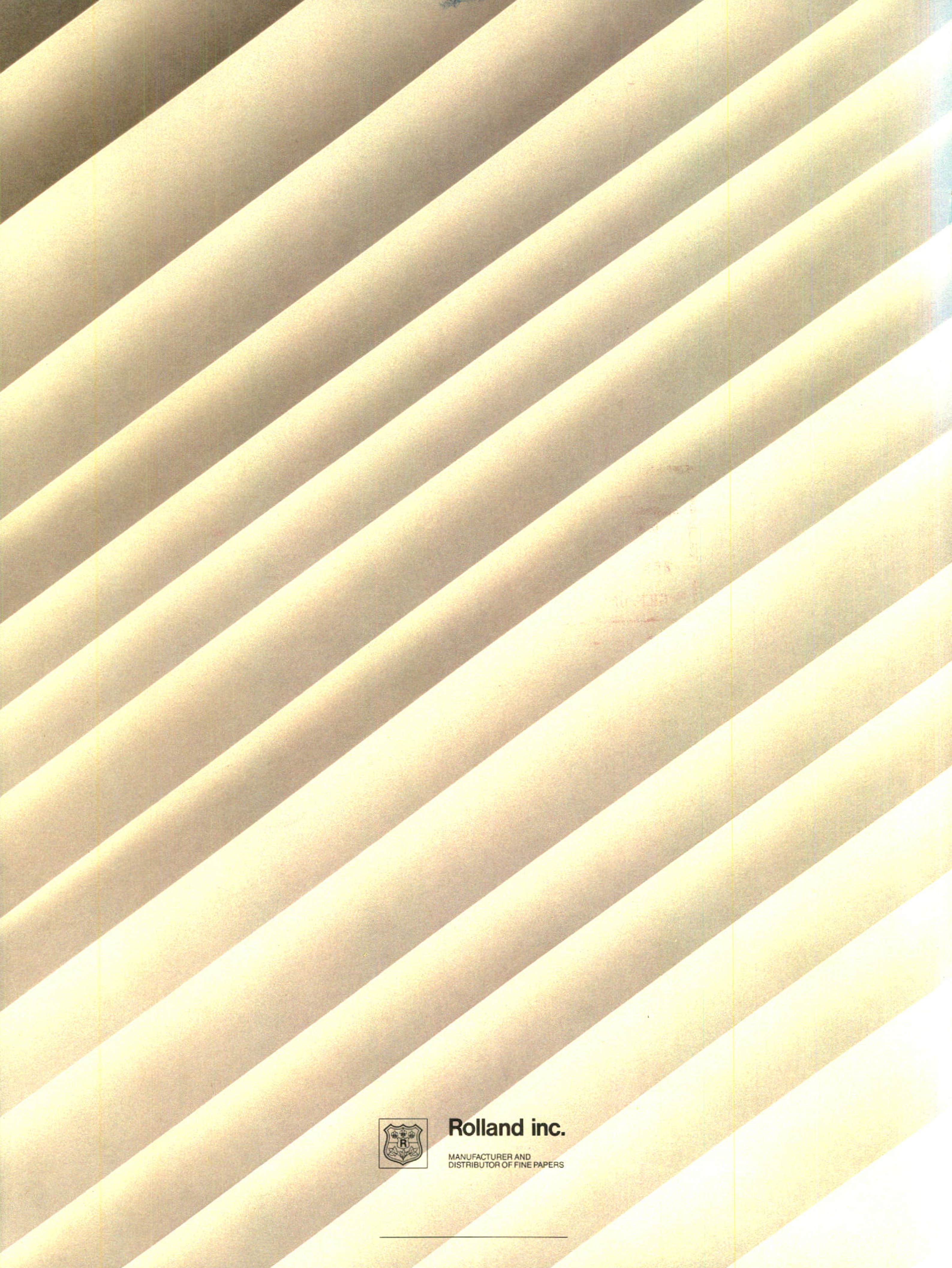

Rolland inc.

MANUFACTURER AND
DISTRIBUTOR OF FINE PAPERS