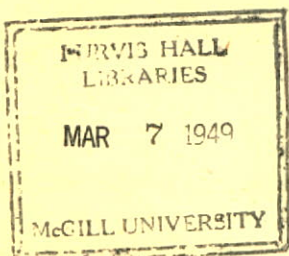




Fraser Companies, Limited
and Subsidiary Companies

ANNUAL REPORT

YEAR ENDED 31st DECEMBER, 1948



Fraser Companies, Limited

DIRECTORS

G. E. BARBOUR

HON. F. PHILIPPE BRAIS, C.B.E., K.C.

ARTHUR H. CAMPBELL

AUBREY CRABTREE

HAROLD CRABTREE, C.B.E.

S. F. DUNCAN

A. M. IRVINE

JOHN NEILL

L. M. SHERWOOD

H. P. THORNHILL

EXECUTIVE COMMITTEE

AUBREY CRABTREE

HAROLD CRABTREE, C.B.E.

S. F. DUNCAN

A. M. IRVINE

L. M. SHERWOOD

OFFICERS

Chairman of the Board

HAROLD CRABTREE, C.B.E.

President and General Manager

AUBREY CRABTREE

Vice-President and Controller

L. M. SHERWOOD

Treasurer

H. H. HENDERSON

Secretary

G. G. GILLIES

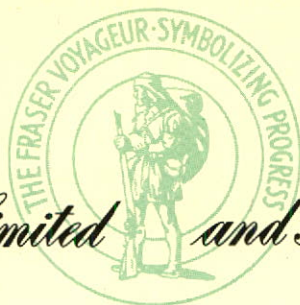
AUDITORS

MESSRS. GEORGE A. TOUCHE & Co.

The Preferred and Common Shares of the Company are listed for trading on the Montreal Stock Exchange and the Toronto Stock Exchange.

Books for the registration and transfer of the Preferred Shares are maintained at Montreal, Toronto, Winnipeg, Vancouver, Halifax and Edmundston, and for the Common Shares at Montreal, Toronto and Edmundston.

Fraser Companies, Limited and Subsidiary Companies



TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited and its wholly-owned subsidiaries, Fraser Paper, Limited and Restigouche Company, Limited, and the Consolidated Income and Expenditure and Surplus Statements of these companies for the year ended 31st December, 1948, are submitted herewith.

Earnings for the year, before interest charges and provisions for depletion, depreciation and Income Taxes amounted to \$10,970,411.

The net profit for the year, after all charges including a provision for Income Taxes of \$3,370,000, amounted to \$5,599,748.

During the year, \$350,000 principal amount of the 2½% Serial Bonds were retired. Expenditures on new plants, additions and improvements to existing plants and properties, being part of the programme of improvement and modernization of your Companies' mills, amounted to \$7,951,576. Dividends declared amounted to \$1,669,573.

At the Special General Meeting of the Shareholders of the Company held on December 9th, 1948, a majority of the issued and outstanding shares were represented either in person or by proxy. A By-law was unanimously sanctioned, providing for the subdivision of the 500,000 authorized common shares, without nominal or par value, into 1,000,000 authorized common shares, without nominal or par value, and providing for an increase of the capital stock of the Company by the creation of 50,000, 4¾% Cumulative Redeemable Sinking Fund Preferred Shares of the par value of \$100 per share. This By-law was confirmed by Supplementary Letters Patent dated December 10th, 1948. The 50,000, 4¾% Cumulative Redeemable Sinking Fund Preferred Shares were sold for \$4,725,000. Commission and other expenses in connection with the above amounted to \$286,861, which has been charged to capital surplus.

After giving effect to the foregoing, the Consolidated Net Working Capital amounted to \$8,572,318 at the end of the year.

Annual Report

In a letter dated November 26th, 1948, the Shareholders were informed of expenditures made by your Company and subsidiaries for the period from January 1st, 1938 to August 31st, 1948, inclusive. Some of the major projects, completed and in progress, were also outlined in this letter, which further pointed out that it was estimated that approximately \$5,000,000 would be expended during 1949 on the projects which were then in progress.

One regular quarterly dividend of 50c per share and three regular quarterly dividends of 75c per share were paid during the year. In addition, extra dividends of 50c per share applicable to the earnings of the last six months of 1947 and 50c per share applicable to the earnings of the first six months of 1948 were also paid. These dividends were paid on the common shares prior to their subdivision.

During the first half of the year the demand for your Companies' products continued in excess of producing capacities and, while the mills operated at normal capacity during the last half of the year, the demand for certain grades fell off somewhat, resulting in a reduced order position.

The quantity of pulp and paper products produced and sold during the year established new all time records. These production records again reflect increased capacities and improved operating efficiencies which were the result of the continued programme of modernization and improvement.

Your Directors report with sorrow the loss sustained through the deaths of the late A. W. Brebner and the late Honourable R. B. Hanson, P.C., K.C., members of the Board of Directors.

Elected to fill the two vacancies on the Board were Mr. John Neill, of Fredericton, N.B., and Mr. George E. Barbour, of Saint John, N.B.

Your Directors and Officers extend their sincere and appreciative thanks to all employees for their sustained efforts and excellent service throughout the year.

Submitted on behalf of the Board of Directors.

AUBREY CRABTREE,
President

EDMUNDSTON, NEW BRUNSWICK,
FEBRUARY 18TH, 1949

Fraser Companies, Limited

CONSOLIDATED BALANCE SHEET

ASSETS	
CURRENT:	
Cash in Banks and on Hand	\$ 4,068,418.79
Accounts Receivable—less Reserve	1,851,167.25
Excess Profits Tax Refundable in 1949	138,503.76
Inventories, valued at the lower of cost or market, less reserve, comprising Raw Materials and Supplies, Goods in Process and Finished Products, and Logging and Pulpwood Advances Season 1948-1949, as certified by responsible officials of the Companies	9,296,355.27
	\$15,354,445.07
DEFERRED CHARGES TO OPERATIONS	178,530.87
BALANCE OF EXCESS PROFITS TAX REFUNDABLE	276,357.33
INVESTMENTS	15,505.00
FIXED:	
Freehold and Leasehold Timber Limits, Buildings, Mills, Equipment, etc., as valued at 31st December, 1932 (such valuation being less than cost) with subsequent Additions at Cost less Deductions for Equipment and Property Sold	\$47,365,106.61
<i>Less:</i>	
Reserves:	
Depletion	\$ 7,062,547.16
Depreciation	18,049,242.56
	25,111,789.72
	22,253,316.89
	\$38,078,155.16
APPROVED ON BEHALF OF THE BOARD:	
AUBREY CRABTREE, <i>Director.</i>	
L. M. SHERWOOD, <i>Director.</i>	

**TO THE SHAREHOLDERS OF
FRASER COMPANIES, LIMITED:**

We have examined the books and accounts of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, for the year ended 31st December, 1948, and have obtained all the information and explanations we have required.

The Reserve for Replacement of Pulpwood and Log Inventories at 31st December, 1947 has been transferred to Reserve for Contingencies.

In our opinion, the above Consolidated Balance Sheet as supplemented by the notes (a) and (b) appended thereto is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, as at 31st December, 1948, according to the best of our information and the explanations given to us, and as shown by the books of the Companies as at that date.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

DATED AT MONTREAL,
14TH FEBRUARY, 1949.

and Subsidiary Companies

AS AT 31st DECEMBER, 1948

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable.....	\$ 2,404,428.16	
Payrolls and Other Charges Accrued.....	664,581.93	
Common Dividends—Payable 24th January, 1949.....	463,771.25	
Income and Excess Profits Taxes—Estimated.....	3,249,346.17	
	\$ 6,782,127.51	

RESERVE FOR CONTINGENCIES.....		1,554,000.00
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FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized.....		\$12,000,000.00
Issued:		\$ 2,800,000.00
2½% Serial Bonds due 1948-1957.....	\$ 3,500,000.00	
Less: Retired.....	700,000.00	
3% Series due 1st January, 1967.....		3,500,000.00
		6,300,000.00

CAPITAL AND SURPLUS:

4¾% Cumulative Redeemable Sinking Fund Preferred Shares:

Authorized:		
50,000 Shares of \$100.00 each.....		\$ 5,000,000.00
Issued and Fully Paid:		\$ 5,000,000.00
50,000 Shares.....		\$ 5,000,000.00

Common Shares without Nominal or Par Value:

Authorized—1,000,000 Shares		
Issued—742,034 Shares.....	\$ 3,984,482.91	
Capital Surplus.....	1,331,262.89	
Earned Surplus.....	13,126,281.85	
		18,442,027.65
		23,442,027.65
		\$38,078,155.16

NOTES: (a) In consolidating the Balance Sheet of Fraser Paper, Limited, which operates in the United States of America, American Dollars are expressed as an equal number of Canadian Dollars.

(b) Contingent Liability in respect of estimated expenditures necessary to complete construction of Buildings and purchases and installation of Machinery and Equipment in Progress—\$4,030,000.00

Fraser Companies, Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE

For the year ended 31st December, 1948

Earnings for twelve months ended 31st December, 1948 (including \$24,275.93 Investment Income), after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$122,129.00 and Directors' Remuneration of \$3,100.00), Taxes, etc., but before providing for the undernoted items:.....	\$10,970,411.04
<i>Deduct:</i>	
Bond Interest.....	183,750.00
	\$10,786,661.04
<i>Deduct:</i>	
Provision for Depletion.....	\$ 393,600.86
Provision for Depreciation.....	1,423,312.03
	1,816,912.89
PROFIT BEFORE PROVISION FOR INCOME TAXES.....	\$ 8,969,748.15
<i>Deduct:</i>	
Provision for Income Taxes.....	3,370,000.00
NET PROFIT FOR YEAR.....	\$ 5,599,748.15

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

At 31st December, 1948

Balance at 31st December, 1947.....	\$1,618,123.43
<i>Deduct:</i>	
Refinancing Expense—Commission, etc.....	286,860.54
	\$ 1,331,262.89

STATEMENT OF CONSOLIDATED EARNED SURPLUS

At 31st December, 1948

Balance at 31st December, 1947.....	\$8,685,903.51
<i>Add:</i>	
Refundable Portion of Excess Profits Tax 1942-1945 inclusive	\$ 510,203.44
Net Profit for Year.....	5,599,748.15
	\$6,109,951.59
<i>Deduct:</i>	
Dividends—Common.....	1,669,573.25
	4,440,378.34
	\$13,126,281.85



Fraser Companies, Limited and Subsidiary Companies

LOCATION OF MILLS AND OFFICES

FRASER COMPANIES, LIMITED

General and Executive Offices - - - - - EDMUNDSTON, NEW BRUNSWICK

MILLS

EDMUNDSTON, NEW BRUNSWICK - - - - - Sulphite Pulp, Groundwood Pulp
and Paperboard Mills

NEWCASTLE, NEW BRUNSWICK - - - - - Sulphate Pulpmill (under construction)

CABANO, QUEBEC - - - - - Sawmill and Dressing Mill

PLASTER ROCK, NEW BRUNSWICK - - - - - Sawmill and Dressing Mill

Divisional Offices for District Woods Operations at:

EDMUNDSTON, N.B.	PLASTER ROCK, N.B.
NEWCASTLE, N.B.	FREDERICTON, N.B.
CABANO, P.Q.	NOTRE DAME DU LAC, P.Q.

SALES OFFICES

MONTREAL, QUEBEC - - - - - Pulp and Paperboard Sales

TORONTO, ONTARIO - - - - - Paperboard Sales

EDMUNDSTON, NEW BRUNSWICK - - - - - Lumber Sales

SUBSIDIARY COMPANIES

FRASER PAPER, LIMITED

MILLS

MADAWASKA, MAINE - - - - - Sulphite Specialty and Groundwood
Specialty Paper Mills

SALES OFFICES

NEW YORK, N.Y. - - - - -	} Paper Sales
CHICAGO, ILL. - - - - -	
CLEVELAND, OHIO - - - - -	

RESTIGOUCHE COMPANY, LIMITED

MILL

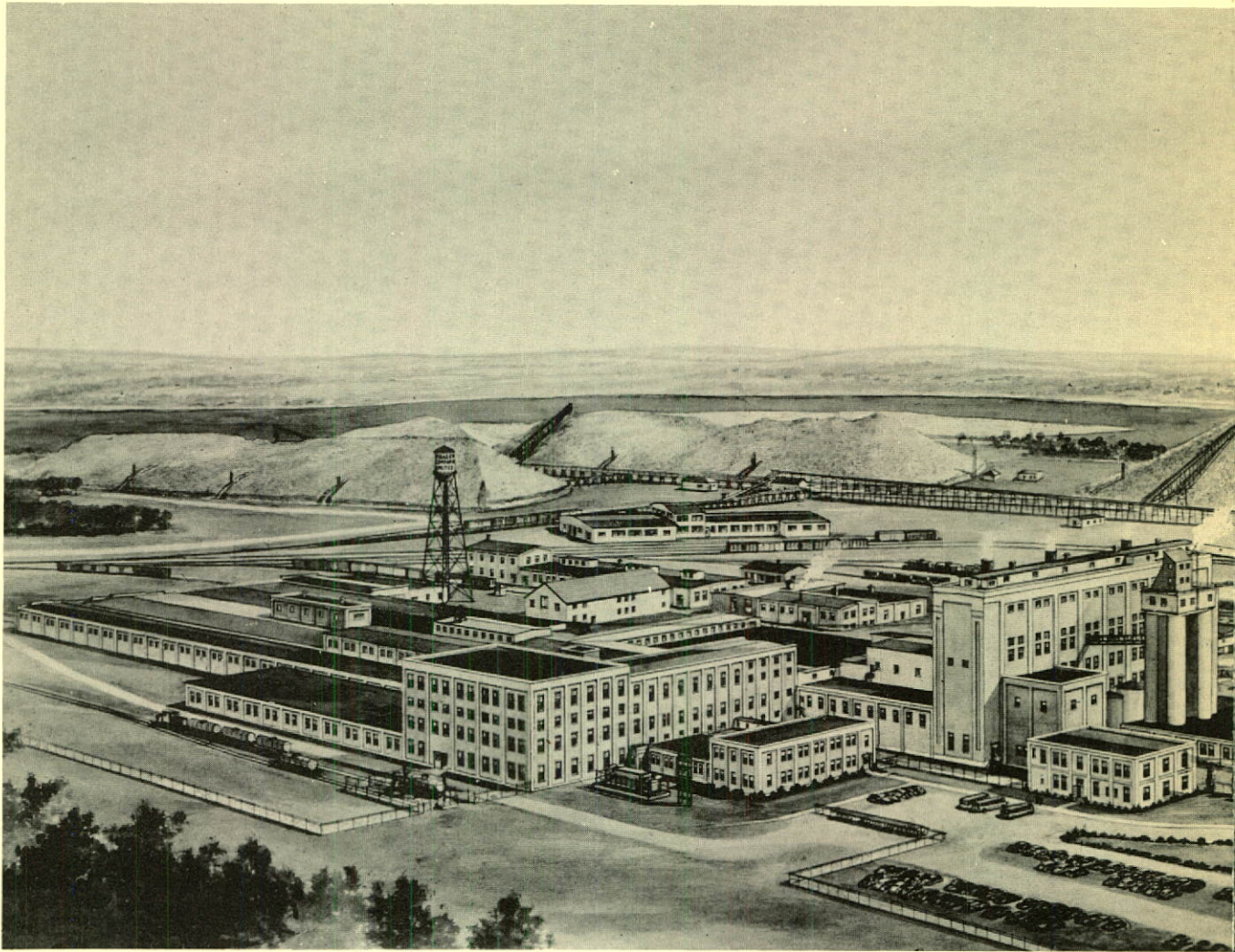
ATHOLVILLE, NEW BRUNSWICK - - - - - Sulphite Pulp Mill
(Paper Pulp and Dissolving type Pulps)

Divisional Office for District Woods Operations at:

ATHOLVILLE, N.B.

Fraser Companies, Limited supervise the sale and distribution
of the products of Restigouche Company, Limited

Fraser Companies, Limited and Subsidiaries



Here is a bird's-eye view of the Plant of Fraser Companies, Limited located at Edmundston, New Brunswick, where sulphite pulp, groundwood pulp and paperboard are produced.

ary Companies ~ Annual Report



This Plant is the principal source of supply of paper-making fibres for the mills of its subsidiary, Fraser Paper, Limited, located at Madawaska, Maine, directly across the Saint John River from Edmundston.

Annual Report



Fire Wardens, from lookout towers such as this, keep constant vigilance over the Timber Lands and Limits during the hazardous summer months. Outbreaks of forest fires are quickly reported to an alert fire fighting force, fully equipped with the most modern equipment especially designed for the suppression of fires that threaten future forest crops.



IMPROVEMENT AND EXPANSION

In August 1946, public announcement was made that your Company planned to construct a new pulpmill at Newcastle, N.B. for the manufacture of unbleached sulphate pulp. Subsequently it was announced that a new plant would be constructed at Edmundston, N.B. for bleaching the product of this mill.

For many years the Company operated a sawmill at Nelson, across the Miramichi River from Newcastle. It became evident as early as 1937 that sawlogs available on the Miramichi timber limits of the Company were becoming scarcer each year and that economical production of lumber products would soon be impractical. Hence, in 1947, operation of the sawmill was discontinued.

However, these Miramichi timber limits did give promise of a suitable annual harvest of pulpwood. In 1937, a study of the further utilization of the wood from these timber limits was begun. At first, principal consideration was given to the manufacture of sulphite pulp in either or both paper grades or dissolving grades, and its sale as such in the world markets. A falling off in demand for such products in late

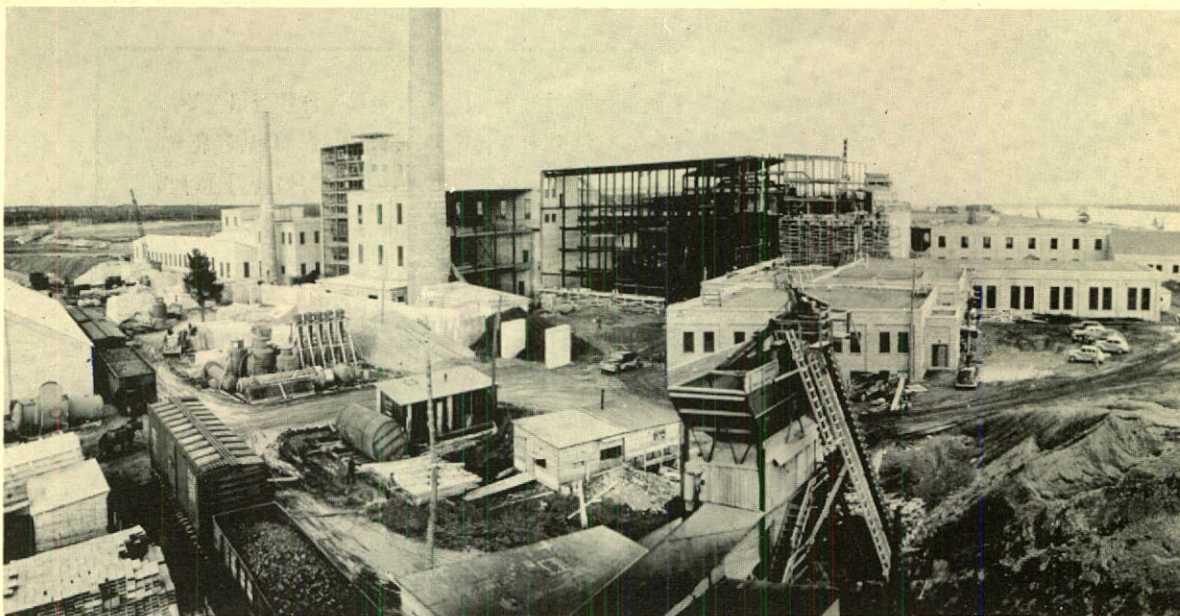
1937 which continued until after the start of World War II postponed any definite action being taken.

About this time it was becoming more evident that much progress had been made in the manufacture of high grade bleached sulphate pulp and that increasing quantities would have to be procured for use in the paper mills at Madawaska, Maine, in order to maintain their competitive position in the trade.

Bleached sulphate pulp today can be manufactured in brightness comparable to that of bleached sulphite, a pulp which has been manufactured in your Company's mills for many years, but bleached sulphate pulp, however, has the advantage of being much stronger.

The Madawaska mills in 1948 produced approximately 70,000 tons of paper from bleached sulphite made in your Companies' pulpmills and from small quantities of bleached sulphate purchased from others. A large percentage of this paper is sold to customers who convert it in various ways before distributing it to the final user. Much of it finds its way into food packaging where light weight and strength are essential. The trend toward the use of

Annual Report



A view in November, 1948, of the Sulphate Mill under construction at Newcastle, New Brunswick

higher strength papers in this field has been on the increase for some years and consequently it has been apparent that the Company, in order to protect its investment and position in the trade, would have to procure substantial quantities of a paper making fibre having the necessary strength characteristics.

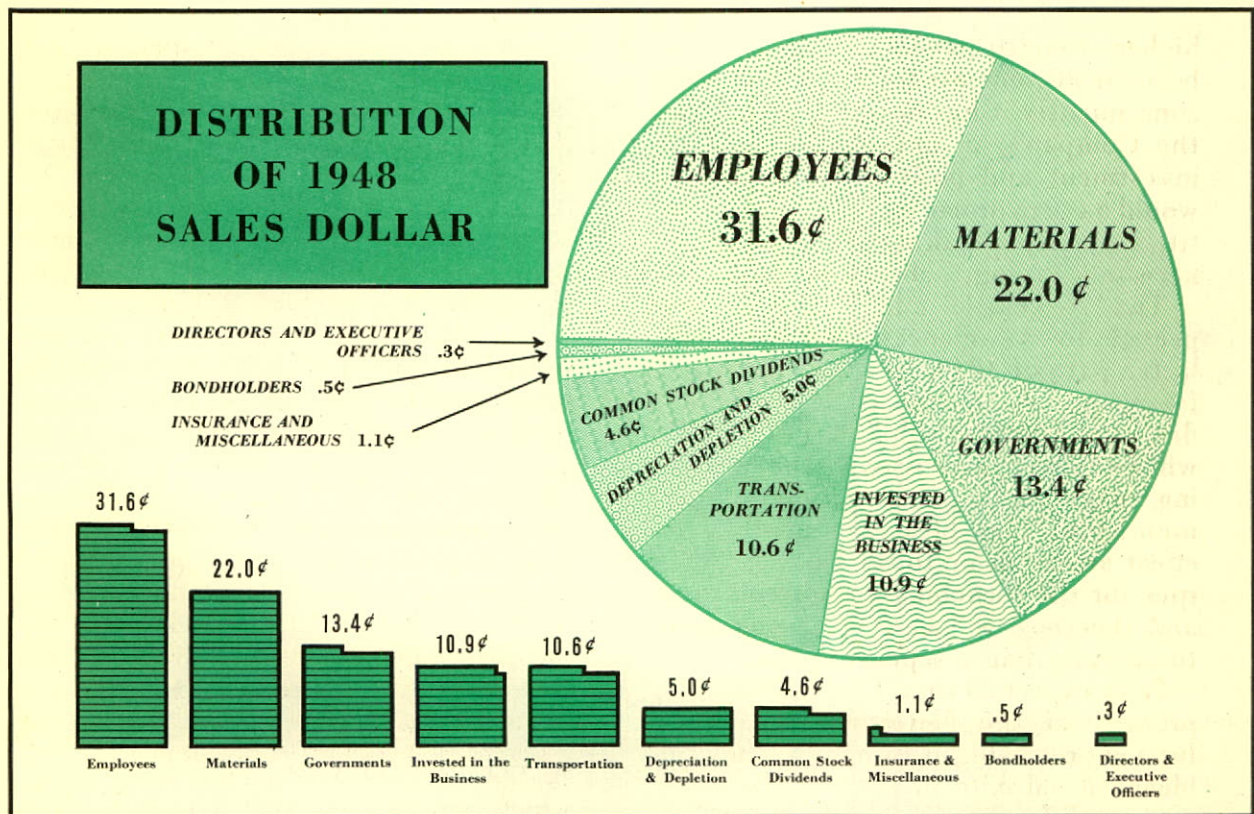
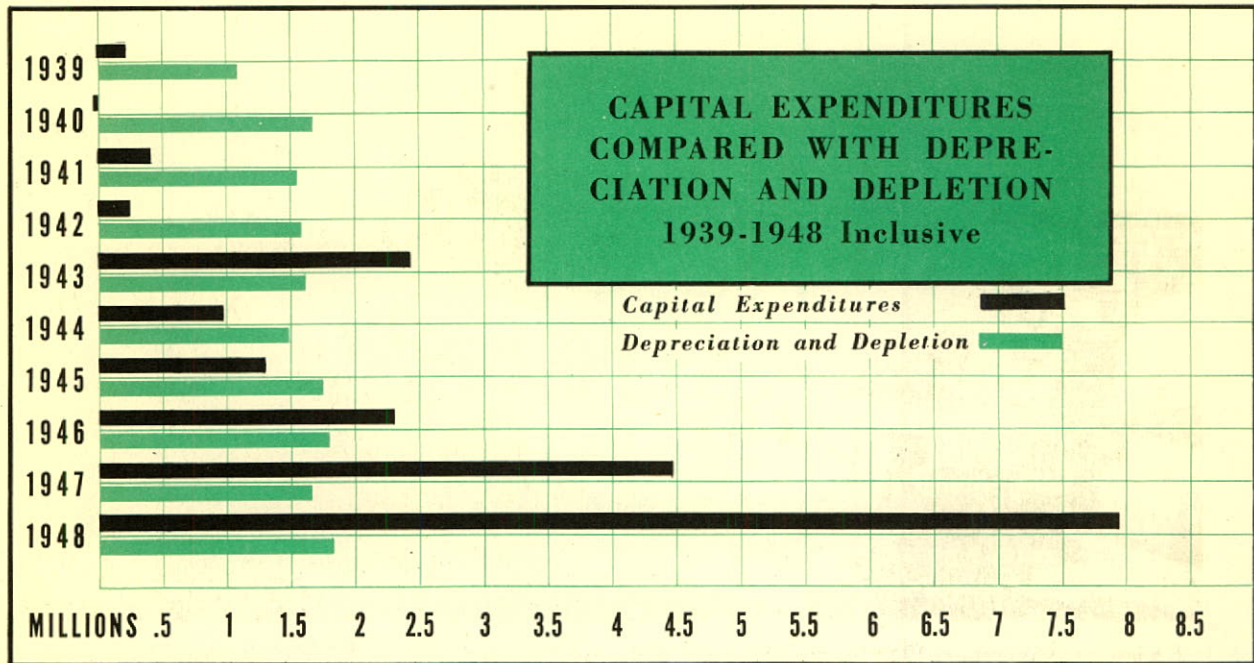
The Newcastle mill, which is expected to commence operations the latter part of 1949, has been designed for an initial capacity of 120 tons per day of unbleached sulphate pulp which will be further processed in the bleaching plant under construction at Edmundston. This bleaching plant is in effect an extension to the existing facilities for the bleaching of sulphite pulp and therefore will be more economical to operate than a separate plant.

It is expected that by blending the product of the Newcastle mill after further processing at Edmundston, with bleached sulphite in varying amounts to meet different paper end use require-

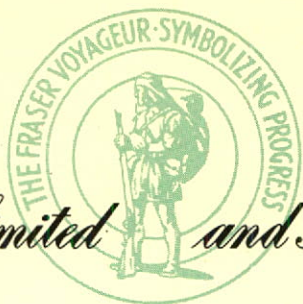
ments, the Companies' competitive position in the trade can be maintained and further improved for grades now being manufactured. In addition, it is expected that new markets may be opened up for paper products, the specifications of which cannot be met by the processing of fibres presently manufactured in the Companies' mills.

In addition to constructing the unbleached sulphate mill at Newcastle and the bleaching plant at Edmundston referred to above, it has also been essential to improve and modernize the present mills by replacement of obsolete equipment and the addition of certain improvements to the processes of the several plants. As stated in a letter dated November 26th, 1948, sent to all shareholders, this improvement and modernization programme to date has resulted in increasing the productive capacities of the pulp and paper making units and in obtaining improved operating efficiencies.

Fraser Companies, Limited and Subsidiary Companies



Fraser Companies, Limited and Subsidiary Companies



INDUSTRIAL RELATIONS

Relations with employees of the Company and its Subsidiaries and with the various representative labour organizations continued throughout 1948 on the same high level which has marked dealings with the employees over the years.

During the year, a general increase in wages and salaries was granted to employees in the pulp and paper mills, sawmills and offices.

Employee Benefit Plans continued to be favourably received by the employees during 1948. These plans include a contributory Retirement Pension Plan for regular employees which has been in effect since January 1st, 1945, a contributory Group Life Assurance Plan which has been in effect since June 16th, 1932, and Group Accident, Sickness, Hospitalization, Surgical and Medical Plans of which the administrative cost is assumed by the Company.

Accident prevention continued to receive active attention on all our opera-

tions and a reduction in accident frequency was achieved at several divisions. The Edmundston mill of Fraser Companies, Limited, the Atholville mill of Restigouche Company, Limited and the Madawaska mill of Fraser Paper, Limited, each was awarded a certificate of achievement by the National Safety Council for having reduced the accident frequency rate below the group average and for having shown a reduction in the accident frequency rate per million man hours worked as compared with the rate in the previous contest.

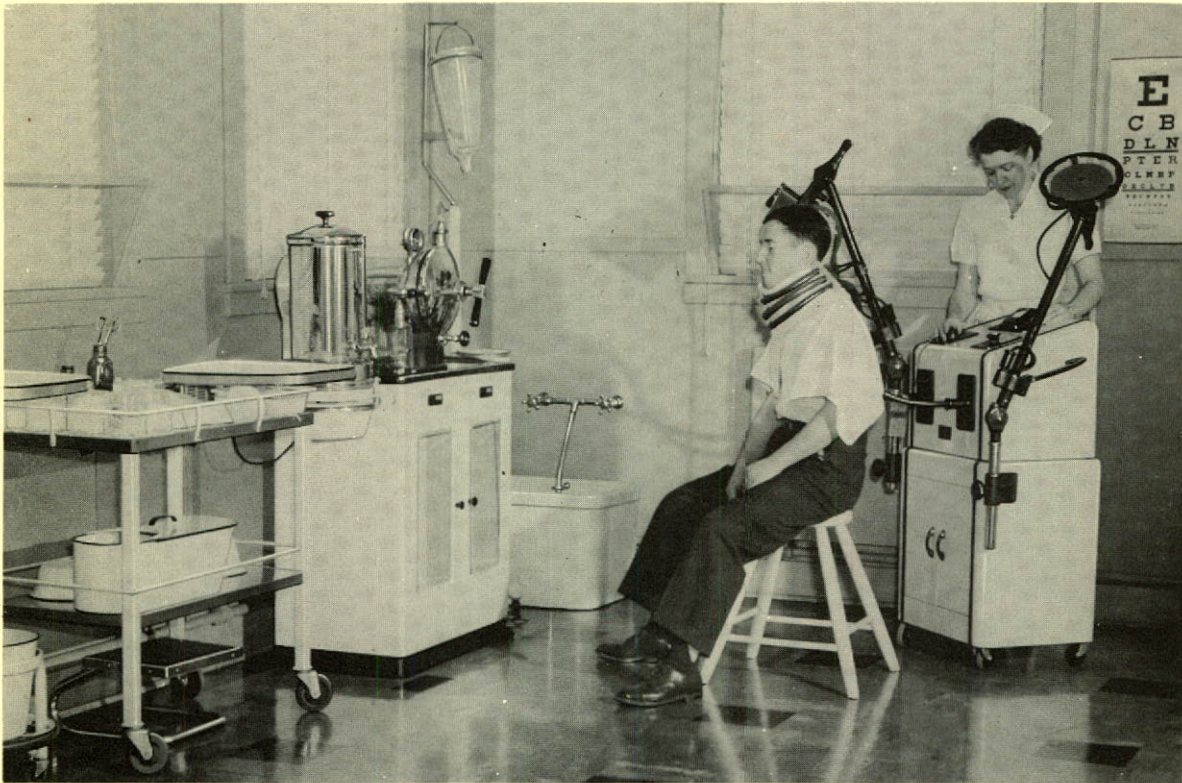
The Company and its Subsidiaries have modern first aid rooms at their mills in Edmundston, Atholville and Madawaska with a full-time registered nurse in attendance. There will also be a modern first aid room in the new mill at Newcastle.

A medical doctor is employed full time to give guidance in efforts to provide an adequate industrial medical service to employees, the objectives of which are to raise the general health

Annual Report

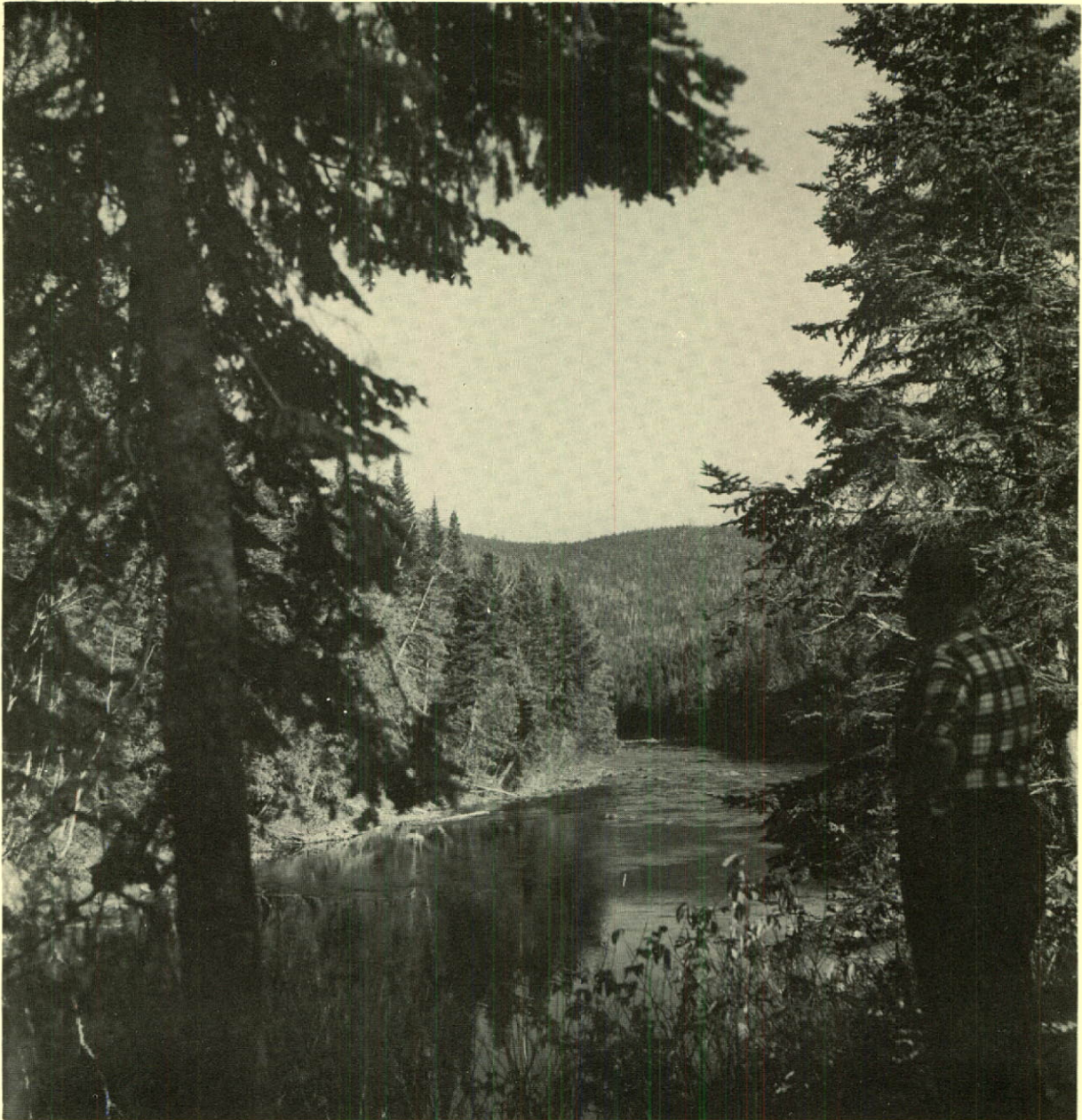
level and fitness of the employees through pre-employment and voluntary periodic examinations, to provide prompt medical service in case of accidents, to assist in the development of the safety program, maintain proper hygienic and healthful working conditions on the operations and to provide employees with an advisory medical service on personal health problems.

The Company's programme of woods labour training, which was initiated owing to the wartime shortage of experienced woods workers, was continued in 1948. As in previous years, it brought improvement in the general efficiency of woodlands personnel and a noticeable awareness of the necessity of accident prevention.



Partial view of the First Aid Room in the Edmundston mills, the mills' Nurse is shown giving diathermy treatment to an employee.

Annual Report



A view of the Kedgwick River, a tributary of the Restigouche, showing in the background a large area of young virile conifers representing future raw materials for your Companies' pulpmills. The Kedgwick is one of the many waterways which transport pulpwood and logs to the Companies' mills.

This report, excepting the cover, is printed on Fraopaque, a product of Fraser Paper, Limited, Madawaska, Maine

