

The logo is a large, stylized letter 'F' composed of three nested, upward-pointing chevrons. The outermost chevron is a dark blue, the middle one is a medium blue, and the innermost one is a light blue. The chevrons are set against a light blue background. In the top right corner of the page, there is a small, handwritten mark that looks like a 'c'.

FRASER
ANNUAL REPORT 1973

IN THIS REPORT

	Page
Directors and Officers	1
Directors' Report	2-4
Consolidated Financial Statements	5-8
Notes to Consolidated Financial Statements	9-10
Auditors' Report	10
Ten Year Comparison	11
The Annual General Meeting	12

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

*E. R. ALEXANDER
RALPH B. BREMAN
KENNETH V. COX
*H. ROY CRABTREE
JOHN E. L. DUQUET
*A. A. FRANCK
*DAVID J. HENNIGAR
*C. R. RECOR
FRANK H. SOBEY

HONORARY DIRECTORS

AUBREY CRABTREE
L. M. SHERWOOD

*Member of Finance Committee
E. R. Alexander—Chairman

OFFICERS

H. ROY CRABTREE
Chairman of the Board
C. R. RECOR
President
RALPH B. BREMAN
Senior Vice President
J. K. BARRY
Vice President-Marketing
P. M. BELYEA
Vice President-Woodlands
R. B. FORBES
Vice President-Purchasing and Traffic
K. GROTTOROD
Vice President-Manufacturing
B. W. HICKS
Vice President and Secretary
M. B. ROBINSON
Vice President and Treasurer
R. V. OSBORN
*Vice President-Corporate
Fraser Paper, Limited*
H. H. VALLETTE, JR.
*Vice President-Marketing and Planning
Fraser Paper, Limited*
K. L. SEELY
Controller
H. P. HIERLIHY
Assistant Treasurer
D. G. McALARY
Assistant Controller



DIRECTORS' REPORT TO THE SHAREHOLDERS:

We submit herewith the Annual Report of your Company for 1973, together with the Consolidated Financial Statements for the year with comparable figures for 1972 and the report of your auditors.

1973 was a good year for your Company. The upward trend established in 1972 continued throughout the year. Your Company benefitted from the increased capacity installed through the major capital programmes of 1969 and 1970 which, coupled with a buoyant economy, enabled us to achieve record production of paper and paperboard which brought more equitable prices.

Net sales for the year reached a record high of \$111,913,000 which resulted in net income from operations of \$7,840,000 or \$3.35 per share, the highest in the history of your Company. Also in 1973 an extraordinary gain was recorded of \$5,916,000 equal to \$2.53 per share, resulting from the 1969 expropriation of our properties located in the Province of Quebec.

While the 1973 earnings from operations are gratifying, we realize that these earnings are only now approaching a more satisfactory return on invested capital and shareholders' equity.

In 1972 the net loss was \$751,000 or 32¢ per share on sales of \$90,926,000.

Total paper and paperboard shipments were a record high of 395,000 tons as compared to 352,000 tons in 1972. Pulp shipments were 20,000 tons for the year and lumber shipments totalled 50,000 M f.b.m.

Cash flow from operations was \$19,301,000 or \$8.25 per share.

During 1973 dividends were paid as follows: 15¢ on June 28; 20¢ on September 27; and 25¢ on December 27, or a total of 60¢. On February 22, 1974 a dividend of 30¢ was declared upon the Class "A" Convertible Common Shares and the Class "B" Convertible Common Shares.

On December 5, 1973 Special By-law MM was sanctioned by the shareholders and confirmed by Supplementary Letters Patent dated January 25, 1974, providing for a change in the authorized capital stock of the Company. (See Note 7 of the Consolidated Financial Statements). The purpose of this action was to give shareholders the privilege of electing to receive in the future either normal taxable dividends or tax-deferred dividends to be paid out of 1971 capital surplus on hand if beneficial for them to do so.

The funded debt was reduced during the year by \$810,000. Interim short-term debt of \$3,925,000 was incurred in connection with the new Plaster Rock sawmill construction project.

The net additions and improvements to plants and properties amounted to \$7,318,000. Over half of this amount was spent on the new Plaster Rock sawmill, which is to be partially financed by a grant to be received from the Department of Regional Economic Expansion. The new sawmill is now on line and when fully operational is expected to increase our lumber production to approximately 90,000 M f.b.m. annually.

A brochure describing this new facility accompanies this report.

Our efforts in pollution abatement are continuing and construction of primary treatment facilities has commenced at the Madawaska mills.

In 1974 it is anticipated that approximately \$8,500,000 will be spent on projects already in progress and on the normal capital programme. Studies are continuing on a number of projects to benefit the ecology and to enable us to utilize more fully the natural resources of the 2,900 square miles of timber limits controlled by your Company, of which 1,180 square miles are freehold woodlands.

The prospects for paper and paperboard continue bright. There is a softening in some segments of the lumber business. Costs of purchased supplies and services continue to increase. Deliveries are extended. The increase in the cost of fuel has been dramatic. Barring a complete breakdown in the economy, we feel that 1974, though difficult, should be a good year for your Company.

The Directors express their grateful appreciation to our customers, employees and suppliers for their continuing support and loyalty.

Submitted on behalf of the Board of Directors.

H. Roy Crabtree
Chairman

C. R. Recor
President

February 22, 1974.

FRASER COMPANIES, LIMITED AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

	<u>Year Ended December 31, 1973</u>	<u>Year Ended December 31, 1972</u>
Net sales	\$111,913,000	\$ 90,926,000
Cost of sales	86,890,000	80,676,000
Depreciation and depletion	6,321,000	6,233,000
Selling, general and administrative expense	4,787,000	4,450,000
	<u>97,998,000</u>	<u>91,359,000</u>
	<u>13,915,000</u>	<u>(433,000)</u>
Other income (expense):		
Interest income	814,000	59,000
Interest on long-term debt	(547,000)	(583,000)
U.S. exchange gain (loss)	26,000	(443,000)
Miscellaneous—net	56,000	(36,000)
	<u>349,000</u>	<u>(1,003,000)</u>
Income (loss) before taxes	14,264,000	(1,436,000)
Taxes on income	6,424,000	(685,000)
Net income (loss) from operations	7,840,000	(751,000)
Extraordinary item—Note 2	5,916,000	—
Net results for the year	<u>\$ 13,756,000</u>	<u>\$ (751,000)</u>
Earnings per common share:		
Net income (loss) from operations	\$3.35	\$(.32)
Extraordinary item	2.53	—
Total	<u>\$5.88</u>	<u>\$(.32)</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Balance at beginning of year	\$ 61,664,000	\$ 62,648,000
Net results for the year	13,756,000	(751,000)
	<u>75,420,000</u>	<u>61,897,000</u>
Dividends	1,403,000	233,000
Balance at end of year	<u>\$ 74,017,000</u>	<u>\$ 61,664,000</u>

CONSOLIDATED BALANCE SHEETS

	<u>December 31, 1973</u>	<u>December 31, 1972</u>
ASSETS		
CURRENT:		
Cash and short-term deposits	\$ 16,195,000	\$ 323,000
Accounts receivable	10,674,000	10,636,000
Income taxes recoverable	—	623,000
Inventories—Note 4	13,460,000	9,489,000
Prepaid insurance	<u>269,000</u>	<u>156,000</u>
TOTAL CURRENT ASSETS	40,598,000	21,227,000
ACCOUNT RECEIVABLE—May 1, 1975	996,000	—
DUE UNDER THE STOCK PURCHASE PLAN—Note 5	319,000	504,000
FIXED ASSETS—Note 6	74,221,000	73,336,000
	 <u><u>\$116,134,000</u></u>	 <u><u>\$ 95,067,000</u></u>

	<u>December 31, 1973</u>	<u>December 31, 1972</u>
LIABILITIES		
CURRENT:		
Bank indebtedness	\$ 3,925,000	\$ —
Accounts payable and accruals	11,867,000	8,736,000
Income taxes payable	2,293,000	—
Bonds due within one year	750,000	750,000
TOTAL CURRENT LIABILITIES	<u>18,835,000</u>	<u>9,486,000</u>
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
5½% Series due 1975/1987 (U.S. \$9,750,000)	10,529,000	11,339,000
DEFERRED TAXES ON INCOME	6,850,000	1,710,000
PAYMENTS ON ACCOUNT FOR EXPROPRIATION OF TIMBER LIMITS	—	5,087,000
SHAREHOLDERS' EQUITY—Note 7		
Common Shares without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,340,652 shares	5,903,000	5,781,000
Retained earnings	74,017,000	61,664,000
	<u>79,920,000</u>	<u>67,445,000</u>
	<u>\$116,134,000</u>	<u>\$ 95,067,000</u>
On behalf of the Board:		
H. Roy Crabtree, Director		
C. R. Recor, Director		

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	<u>Year Ended December 31, 1973</u>	<u>Year Ended December 31, 1972</u>
SOURCE		
Operations		
Net income (loss) from operations	\$ 7,840,000	\$ (751,000)
Depreciation and depletion	6,321,000	6,233,000
Deferred taxes on income	5,140,000	(717,000)
Cash flow from operations	<u>19,301,000</u>	<u>4,765,000</u>
Expropriation of properties by Quebec—net	(55,000)	2,500,000
Received from the stock purchase plan	<u>307,000</u>	<u>402,000</u>
	<u><u>\$ 19,553,000</u></u>	<u><u>\$ 7,667,000</u></u>
 APPLICATION		
Net additions and improvements to plants and properties	\$ 7,318,000	\$ 1,848,000
Bonds redeemed	810,000	810,000
Dividends	<u>1,403,000</u>	<u>233,000</u>
	9,531,000	2,891,000
Working capital increased	<u>10,022,000</u>	<u>4,776,000</u>
	<u><u>\$ 19,553,000</u></u>	<u><u>\$ 7,667,000</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1973

1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States, U.S. dollars are expressed as an equal number of Canadian dollars.

2. EXTRAORDINARY ITEM

The extraordinary item consists of the amount realized in excess of the net book value for the timberlands, rights in timberlands and improvements located in the Province of Quebec which were expropriated in 1969, less applicable income taxes thereon of \$1,015,000.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate remuneration to persons who served as Directors and Officers of Fraser Companies, Limited at any time during the year was as follows:

	Year Ended			
	December 31, 1973		December 31, 1972	
	12 Directors	15 Officers	15 Directors	16 Officers
	(3 Officers were also Directors)		(3 Officers were also Directors)	
Remuneration paid by:				
Fraser Companies, Limited	\$ 31,000	\$226,000	\$ 43,000	\$256,000
Fraser Paper, Limited	—	168,000	—	155,000
	<u>\$ 31,000</u>	<u>\$394,000</u>	<u>\$ 43,000</u>	<u>\$411,000</u>

4. INVENTORIES

Inventories are valued at cost or net realizable value, whichever is lower and consist of:

	December 31, 1973	December 31, 1972
Pulpwood and logs, including advances	\$ 3,995,000	\$ 1,918,000
Raw materials and supplies	6,405,000	4,930,000
Goods in process and finished products	3,060,000	2,641,000
	<u>\$ 13,460,000</u>	<u>\$ 9,489,000</u>

5. STOCK PURCHASE PLAN

Pursuant to the provisions of the stock purchase plan whereby shares may be issued for the account of certain employees at the discretion of the Board of Directors 5,850 Common Shares of the Company were issued to the Trustee during the year for a total consideration of \$122,034 (1972—500 shares for \$6,488). Payment for the shares issued under the plan is to be made by the said employees in instalments so that the aggregate purchase price will be paid within ten years. At December 31, 1973 the Trustee held 20,210 Common Shares as collateral for the unpaid balances remaining at that date.

6. FIXED ASSETS

	December 31, 1973	December 31, 1972
Plants and properties	\$169,326,000	\$162,763,000
Less: Accumulated depreciation	95,454,000	89,936,000
	<u>73,872,000</u>	<u>72,827,000</u>
Freehold and leasehold timber limits	7,941,000	10,945,000
Less: Accumulated depletion	7,592,000	10,436,000
	<u>349,000</u>	<u>509,000</u>
Net fixed assets	<u>\$ 74,221,000</u>	<u>\$ 73,336,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. SHAREHOLDERS' EQUITY

- (A) Special By-Law MM sanctioned by the shareholders on December 5, 1973 and confirmed by supplementary letters patent dated January 25, 1974 provides for:
- a) Reclassification of the 3,000,000 existing authorized shares into 3,000,000 Class "A" Convertible Common Shares without nominal or par value;
 - b) Increase of the authorized capital by the creation of:
 - i) 2,000,000 additional Class "A" Convertible Common Shares without nominal or par value; and
 - ii) 5,000,000 Class "B" Convertible Common Shares without nominal or par value.

(B) At December 31, 1973 the balance of retained earnings includes approximately \$38,000,000 "1971 capital surplus on hand". It is the intention of the Board of Directors, if, as and when dividends may be declared on the Class B Common Shares, to deem that such dividends be paid out of this 1971 capital surplus.

AUDITORS' REPORT

The Shareholders, Fraser Companies, Limited.

We have examined the consolidated balance sheet of Fraser Companies, Limited and subsidiaries as at December 31, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company and subsidiaries as at December 31, 1973 and the results of their operations and the source and application of funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Montreal, Que.
February 8, 1974.

Touche Ross & Co.
Chartered Accountants.

TEN YEAR COMPARISON

FOR THE YEAR	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
QUANTITIES SOLD										
Paper	363,144	322,771	195,049	221,278	241,734	212,306	203,243	215,313	202,956	185,928
Paperboard	31,625	29,118	28,154	27,505	27,998	24,053	24,407	24,369	22,298	21,158
Pulp	20,229	49,151	50,255	88,387	211,058	180,463	128,731	120,831	102,276	143,523
Lumber—M f.b.m.	49,774	57,153	52,507	39,016	33,033	20,616	27,435	26,781	30,337	31,343
	(THOUSANDS OF DOLLARS)									
Net sales	\$111,913	\$ 90,926	\$ 62,639	\$ 73,730	\$ 91,327	\$ 76,568	\$ 70,681	\$ 72,412	\$ 66,586	\$ 64,844
U. S. exchange gain (loss)	26	(443)	311	1,410	3,733	3,133	2,889	3,083	2,931	3,071
Depreciation and depletion	6,321	6,233	5,211	3,755	5,798	5,854	5,462	6,555	4,992	4,893
Taxes on income	6,424	(685)	(5,648)	811	1,993	322	—	1,642	3,499	4,003
Net income (loss) from operations	7,840	(751)	(4,856)	2,614	4,403	1,161	127	3,680	5,811	5,238
Extraordinary items (net)	5,916	—	—	6,807	1,933	—	579	—	—	—
Net results for the year	13,756	(751)	(4,856)	9,421	6,336	1,161	706	3,680	5,811	5,238
Net additions to plants and properties	7,318	1,848	14,724	40,197	10,570	2,573	4,128	19,905	22,017	8,276
Bond debt at end of year	11,279	12,089	12,899	13,716	14,579	15,389	16,199	16,199	16,549	700
PER COMMON SHARE										
Net income (loss) from operations	3.35	(0.32)	(2.08)	1.12	1.90	0.50	0.06	1.65	2.61	2.35
Extraordinary items (net)	2.53	—	—	2.92	0.83	—	0.26	—	—	—
Net results for the year	5.88	(0.32)	(2.08)	4.04	2.73	0.50	0.32	1.65	2.61	2.35
Taxes on income	2.74	(0.29)	(2.42)	0.35	0.86	0.14	—	0.74	1.57	1.80
Dividends	0.60	0.10	0.15	0.90	0.65	0.10	0.60	1.40	1.40	1.40
Common shareholders' equity	34.14	28.89	29.31	31.56	28.45	26.41	26.44	26.73	26.47	25.26
Common shares outstanding at end of year	2,340,652	2,334,802	2,334,302	2,331,802	2,320,952	2,300,202	2,226,102	2,226,102	2,226,102	2,226,102

Note: Data applicable to Newcastle Mill, sold on January 22, 1970, is included in 1969 and prior years.

STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Montreal, P.Q., Toronto, Ontario
Vancouver, B.C., Saint John, N.B.

STOCK LISTED

Montreal Stock Exchange
Toronto Stock Exchange

THE ANNUAL GENERAL MEETING

of the shareholders of Fraser Companies, Limited
will be held at the general office of the Company at
Edmundston, N.B., on Friday, the 19th day of April,
1974, at the hour of ten o'clock in the forenoon,
Atlantic Standard Time.

These are the products Fraser produces from renewable natural resources managed with the ultimate consideration for the environment.

FRASER LUMBER

Mills:

Plaster Rock, New Brunswick
W. H. Miller Company, Limited
Kedgwick, New Brunswick
(a wholly-owned subsidiary)

Product:

Eastern Canadian Spruce

End Use:

Residential and commercial buildings

Market:

Eastern Canada and Eastern United States

Sales Office:

Edmundston, New Brunswick E3V 1S9

FRASER PULP

Mills:

Atholville and Edmundston,
New Brunswick

Products:

Bleached and unbleached softwood
sulphite, and groundwood

Market:

North America and overseas

Sales Office:

Edmundston, New Brunswick E3V 1S9

1 Place Ville Marie

Montreal, Quebec H3B 2C3

FRASER PAPERBOARD

Mills:

Edmundston, New Brunswick

Products:

Coated and uncoated folding boxboard

End Uses:

Packaging for food, detergents,
cigarettes, frozen foods, pharmaceuticals,
pet foods, etc.

Market:

Canada

Sales Offices:

1 Place Ville Marie
Montreal, Quebec H3B 2C3

600 The East Mall,
Islington, Ontario M9B 4B1

FRASER PAPER

Mills:

Fraser Paper, Limited
Madawaska, Maine
(a wholly-owned subsidiary)

Bond Papers:

Five paper machines and one
off-machine blade coater

Groundwood Printing Papers:

Three paper machines and one
off-machine blade coater

End Uses:

Papers for converting specialties,
commercial printing,
coated and uncoated publications,
directories and catalogues

Market:

United States

Sales Offices:

2 Greenwich Plaza
Greenwich, Conn. 06830

2300 East Devon Avenue
Des Plaines, Illinois 60018

