



**fraser**

**1986 Annual Report**



	1986	1985	1984
<b>Sales</b>	<b>\$ 586,738,000</b>	\$ 548,304,000	\$ 529,538,000
<b>Earnings</b>	<b>\$ 20,581,000</b>	\$ (3,185,000)*	\$ 3,487,000
<b>Return on Equity</b>	<b>8.8%</b>	(3.1)%	.6%
<b>Additions to Fixed Assets</b>	<b>\$ 28,378,000</b>	\$ 22,625,000	\$ 39,368,000
<b>Fixed Assets per Employee</b>	<b>\$ 108,000</b>	\$ 111,000	\$ 113,000

\*Before restated extraordinary loss of \$12,514,000.

MAY 13 1987  
 M-GILL UNIVERSITY



# Financial Highlights

	1986 <sup>(1)</sup>	1985 <sup>(1)</sup>	1984
<b>Operations</b>			
Net sales	\$ 586,738,000	\$ 548,304,000	\$ 529,538,000
Net earnings (loss)	20,581,000	(3,185,000) <sup>(2)</sup>	3,487,000
Net earnings (loss) per common share	2.23	(.81)	.17
Dividends per common share	.09	—	.40
Net cash flow from operations	63,355,000	21,195,000	22,136,000
Net cash flow per common share	7.73	2.97	3.10
<b>Financial Position</b>			
Working capital	74,612,000	45,637,000	52,617,000
Total assets	613,736,000	591,522,000	654,030,000
Long-term debt	216,361,000	274,120,000	322,415,000
Shareholders' equity	286,326,000	212,266,000	207,907,000
<b>Other</b>			
Return on average common shareholders' equity — %	8.8	(3.1)	.6
Additions to plants and properties — net	28,378,000	22,625,000	39,368,000
Average number of employees	3,981	3,936	3,964
Shareholders' equity per common share — year-end	27.05	25.06	26.38

(1) Per common share data for 1985 and 1986 is based on the combined results of Fraser Inc. and Fraser Paper Limited and is included for comparison purposes only.  
 (2) Before restated extraordinary loss of \$ 12,514,000.



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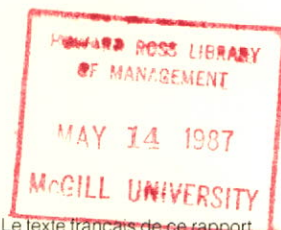
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### Front Cover

Sample of books using Fraser book paper grades

### Back Cover

Gold Medal Award for Marketing received by Island Paper Limited in 1986



Le texte français de ce rapport est disponible en s'adressant au secrétariat,  
 27 rue Rice, Edmundston,  
 Nouveau-Brunswick, E3V 1S9

## Directors and Officers

### **Knut Grotterod**

*Chairman  
Elected director 1976*

Born Sarpsborg, Norway, 1922. Served with Norwegian Underground Army 1941-45. B.Eng. (McGill). Various management positions with Consolidated Bathurst Inc. Vice-president, production, and general manager, Nova Scotia Forest Industries 1970. Vice-president, manufacturing, Fraser Companies, Limited 1973; senior vice-president, operations 1975; director 1976; executive vice-president 1980; president 1982; chairman 1985. Chairman, Island Paper Mills Limited; J.P. Levesque and Sons, Inc.; and Atlantic Waferboard Inc. Director, Pulp and Paper Research Institute of Canada; Northwood Mills Ltd.; N.B. Science & Productivity Council; and President of the New Brunswick Forest Products Association. Member of the Board of Governors, University of New Brunswick. A member of the Canadian Pulp and Paper Association, Technical Section, and a member and past president of the Canadian-Scandinavian Foundation.

### **Adam H. Zimmerman**

*Vice-Chairman of the Board  
Elected director 1974*

Born Toronto, 1927. BA (Toronto). Joined Noranda Mines Limited as assistant comptroller 1958; comptroller 1960; vice-president 1966; executive vice-president and director 1974; president and chief operating officer 1982. Chairman of MacMillan Bloedel Limited. Director of Noranda's manufacturing and forest product companies, plus a number of Canadian public companies. Past chairman of the Canadian Pulp and Paper Association. Canadian co-chairman of the Canadian-American Committee, and a trustee of the Hospital for Sick Children, Toronto.

### **James N. Bowersock**

*President  
Elected director 1985*

Born Pincher Creek, Alberta, 1935. BSc (University of Alberta). Vice-president, pulp operations, Weyerhaeuser Canada 1971. Vice-president and general manager, St. Regis (Alberta) Ltd. 1976. Senior vice-president, pulp & paper operations, St. Regis Corp. (N.Y.) 1980. Executive vice-president, Fraser Inc., 1985; president, 1985. Director, Island Paper Mills Limited. Member, Canadian Pulp & Paper Association, Technical Section.

### **H. Roy Crabtree**

*Elected director 1956*

Born Montreal, 1918. BSc (McGill). Vice-president, operations, Woods Manufacturing Company Limited 1950; vice-president and general manager 1953; chairman and president Wabasso Inc. 1956; chairman 1982. President, The Harold Crabtree Foundation. Director and member of executive committee of Bank of Montreal, plus director of a number of Canadian public companies. Also president of Treeford Limited and governor of Royal Victoria Hospital and Foundation.

\*Mr. Crabtree passed away in June of 1986 after serving for 30 years on the Fraser Board of Directors.

### **R. Timothy Kenny**

*Elected Director 1982*

Born Buckingham, Quebec, 1929. BSc in Forestry Engineering (U.N.B.). Director of Maclaren Power and Paper Company 1962. Manager of Wood Products Division, Thurso Pulp and Paper Company 1965. President of Maclaren Power and Paper Company 1979. President of Northwood Mills Limited 1983. President and director of James Maclaren Industries Inc., Maclaren Forest Products Inc. and Maclaren-Quebec Power Company. Director of Norpak Ltd., Lumonics Inc., Northwood Mills Limited, Normick Perron Inc., and Noranda Enterprises Ltd. Vice-president and director, Northwood Pulp and Timber Ltd.

### **Kenneth V. Cox**

*Elected director 1969*

Born Allison, N.B., 1922. BSc (UNB). Chairman of the Board and president of Bruncor Inc. and its principal subsidiary, The New Brunswick Telephone Company, Limited. General Manager of The New Brunswick Telephone Company Limited 1958; executive vice-president, general manager and director 1959; president and chief executive officer (CEO) 1965; chairman and CEO 1977; chairman and president 1979. Also president of Bruntel Holdings Limited and president and director of Allison Enterprises Limited. Director of Bank of Nova Scotia, Eastern Telephone and Telegraph Co. and a number of Canadian public companies. Chairman of the N.B. Research and Productivity Council.

## Officers

### **Financial Group**

**J. Douglas Sheldrick**  
*Vice-President,  
Finance & Treasurer*

**J. Maxwell Legere**  
*Assistant-Treasurer*

**George B. Henderson**  
*Controller*

### **Operations Group**

**Niall P. O'Briain**  
*Senior Vice-President  
and General Manager  
Edmundston/  
Madawaska Group*

**William H. Matthews**  
*Senior Vice-President  
and General Manager  
Thorold Papers/  
Boxboard Group*

**W. David Kerr**  
*Vice-President,  
Technology*

**Alan A. Ritchie**  
*Vice-President and  
General Manager  
Market Pulp*

**Jeff R. Leach**  
*Vice-President,  
Woodlands  
& Wood Products Group*

### **Sales & Planning Group**

**Robert A. Knapp**  
*Senior Vice-President  
Marketing &  
Corporate Development*

**A. Michael Moloney**  
*Vice-President,  
Sales  
Edmundston/Madawaska  
Paper Group*

**Ian Campbell**  
*Vice-President,  
Sales  
Thorold  
Boxboard Group*

### **Service Group**

**Joseph D. Legris**  
*Vice-President &  
General Counsel*

**Edward S. Bailey**  
*Vice-President,  
Purchasing,  
Transportation &  
Stores*

**Regal D. McLean**  
*Vice-President,  
Human Resources*

**The Fraser Inc. Annual Meeting** will be held in the Republic Room, Conference Centre, Howard Johnson's Motor Lodge, Edmundston, New Brunswick, Canada, on Tuesday, April 14, 1987 at the hour of 11:00 o'clock in the forenoon, Atlantic Standard Time.



*President – Jim Bowersock  
(seated)  
Chairman of the Board – Knut Grotterod*

The improved economic climate world-wide in 1986 had a positive influence on the Forest Products Industry in North America with average operating rates for Pulp, Paper and Paperboard increasing from 91% in 1985 to 94% in 1986.

Prices for fine papers recovered somewhat during the year whereas the coated publication grades suffered severe price erosions as a result of new machines coming on line. Decreasing world inventories led to a much healthier demand for market pulp with accompanying price recovery. An active lumber market resulted in improved pricing and steady demand, however, high wood costs kept revenue margins down in Eastern Canada.

All Fraser mills ran full except for scheduled maintenance shutdowns and equipment modification stoppages. Operating rates climbed to 94% compared to 83% in 1985. Full operations combined with lower energy and raw material pricing, higher demand for some of our products and overall improvements in productivity resulted in a dramatic turnaround in profitability. Fraser achieved a profit of \$20.6 million in 1986. This compares with a loss of \$3.2 million in 1985. These earnings translate into an 8.8% return on common shareholders equity. Although a great improvement over last year's negative return of 3.1%, this is unsatisfactory considering the guaranteed return when investing in a bank.

As a corporation, not only do we have a responsibility to our employees and customers but also to our shareholders by providing them with a fair return on their investment. Only then can a business continue to provide employment and manufacture products. With current interest rates, our return on average common equity should be at least 15%, corresponding to a profit of \$31 million.

In today's era of rapid communications, our business has broadened its scope from a regional or national level to a global orientation. As such, not only do we compete with North American companies but with producers from around the world.

The oversupply situation in some sectors of the Forest Products Industry led to a growing protectionism creating artificial trade barriers. Two major trading blocks namely the European Economic Community and Japan restrict trade from North America. Unless Canada can negotiate a satisfactory freer trade agree-

ment with the United States, we may find ourselves in a very restrictive trade environment with potentially serious consequences for our Industry.

Many positive achievements took place within our own operations this year. Shipments of all products totalled 712,892 which was 10.3% higher than the previous record of 646,180 units realized in 1985. Net sales revenue of \$586.7 million, also an all-time high, was 7% above 1985. Cost of our products relative to net sales values decreased from 81.5% in 1985 to 78.8% in 1986.

Lowering our long term debt remained a top priority during 1986. At year-end, it was gratifying to see that it had been reduced by \$57.7 to \$216.4 million. As a result, the debt-to-equity ratio improved from 1.36:1 at the end of 1985 to .87:1 as of December 31, 1986. Having a heavy debt load has a negative impact on earnings however, the situation is not as serious as it could have been a few years ago when interest rates were much higher. To protect our earnings in future years, it is imperative that we continue to reduce our debt-to-equity ratio. Although our long-term objective is .5:1, we recognize the need for trade-offs between the use of profits for debt reduction and for necessary mill improvements so we can remain competitive in terms of quality and cost.

The sawmill sector of our business joined with the woodlands department to form the Woodlands and Wood Products Group thus assuring better coordination between harvesting activities and mill utilization of wood. Wood costs remain a concern as we compete with world suppliers who benefit from lower costs due to longer growing seasons and shorter maturity peaks. The tenacious efforts of our people in this area have helped us maintain these costs at approximately the same level for the past three years.

As indicated earlier, the protectionist pressures also proved a challenge in 1986. As a result of the U.S. lumber producers' contention that Canadian lumber was being subsidized, a 15% export tax was imposed on Canadian softwood exported to the United States. Fortunately Fraser, along with a few others in New Brunswick and Canada, were granted an exemption from this tax.

The Bleachery at the Edmundston Mill benefited from a major modernization program during 1986 and is now producing its cleanest and brightest bleached pulp. The Madawaska Paper

Mill proceeded with numerous equipment changes and rebuilds, thereby enhancing its capability to produce papers that respond to the more sophisticated press needs of our customers. Our entry in book grades was impressive in its growth, more than doubling last year's shipments.

With the strengthening pulp markets, the Atholville mill operated full with the exception of a scheduled maintenance shutdown. Should market conditions persist, Atholville may well become a positive contributor to Fraser Inc.'s profitability in 1987. As the sole producer of market pulp within Fraser, it was felt that Atholville should operate as a separate entity and to that end, Atholville Pulp Inc. was incorporated.

The Thorold Mill continued to address the critical issue of quality with a modernization program focused primarily on an almost complete overhaul of No. 7 paper machine and the completion of a major capital project on No. 3 machine. For the second year in a row, the Boxboard Mill reported a profit – a welcome change from the many years of reporting losses in the past. In 1986, the Boxboard mill won the Safest Mill in Canada Award for plants with 50,000 manhours per month or less.

Fraser Inc.'s associated companies were contributors once again to our impressive gain in profitability. The people of Island Paper Mills Limited are to be congratulated in winning the prestigious Canada Awards for Excellence. In addition to this outstanding success, Island produced 107,480 tons in 1986 compared to 86,780 tons in 1985, a 21% gain.

Levesque & Sons expanded their ability to dry lumber and thereby improved their profit margin with profitability up 67% over 1985, a significant increase in an over-supplied market.

Atlantic Waferboard, although not a contributor in 1986, began start-up production last December. This organization remains a unique one with ownership shared by Fraser, the union, woodlot owners and local management. All indications point to a solid market for the oriented structural board produced there.

We recognize the contribution of all the Fraser people in achieving the improved results of 1986. Their dedication and participation made it happen. As a means of recognizing innovation and participation, something to which Fraser is deeply committed, the Company insti-

tuted the President's Award. In 1986, Bill Erspammer won this award for outstanding leadership in developing paper grades at the Madawaska Mill. Special recognition was also given to a Forestry group applauding their dedicated efforts in producing up-to-date computerized maps for forest inventory. Through these modern methods, Fraser can more accurately forecast fibre supply while focusing on more effective harvesting, improved recovery and extended use of hardwoods.

In 1986, our formal strategic planning process, initiated a few years ago, continues to grow and mature. It is proving to be a valuable and indispensable tool, helping us better understand our business and guiding us in future product development and in our capital expenditure programs.

We express our gratitude and thanks to the members of the Board of Directors, namely, Messrs. Carl E. Beigie, John W. Bird, W. Randolph Clerihue, Kenneth V. Cox, William D. Eberle, Rowland C. Frazee, David J. Hennigar, Timothy R. Price and Joseph Sewall, who ended their term in 1986 when Fraser Inc. became a wholly owned subsidiary of Noranda. The restructuring of Noranda into four major entities placed Fraser Inc. under Noranda Forest Inc., therefore no longer requiring a full corporate board.

It was with deep regret and sorrow that we remember the passing of H. Roy Crabtree, former Chairman of Fraser Inc. and a member of its Board of Directors since 1956. His enthusiasm and personal attention during his close association with Fraser will be remembered by all who were touched by his presence.

The Fraser Team succeeded in making 1986 a better year. We acknowledge with gratitude the dedication and efforts of all employees that made this happen. Together we look forward to the challenges ahead of us in 1987.



K. Grotterod  
Chairman



J.N. Bowersock  
President

March 23, 1987

## Woodlands and Wood Products Group

### Forest Development and Planning

In 1986 the forestry team responsible for implementing Fraser's Geographic Information System completed the forest development survey and updated a new series of forestry maps to 1985. Together with the N.B. Department of Natural Resources and Energy and other Crown Land Licensees, we established basic criteria to develop yield curves for various softwood species and mixes that grow within our limits. These parameters are essential to establish a management plan and calculate the allowable annual cut. The forest development and planning team was cited for its work in these areas through a Special Fraser Award.

### Silviculture and Protection

The Fraser Tree Nursery produced 5.9 million seedlings in 1986, slightly below plan, due primarily to a cold and wet growing season. Two new greenhouses were installed to increase the quantity of seedlings grown indoors. A successful trial with larger cavity volume containers was carried out for half a million seedlings to be planted on unprepared sites during 1987. A total of one million seedlings were sold to marketing boards for planting on private woodlots as part of Fraser's continuing efforts to help private owners improve their woodlot management. For the near future, an annual demand of 1.5 million seedlings is projected for this group.

The worst forest fire hazard conditions in several decades occurred in New Brunswick in May of 1986 and for almost a week, roads were closed to public travel. Northwestern New Brunswick escaped the conflagration that swept the east during that period. In June, cold damp weather favorable for tree growth proved detrimental to budworm development for the third consecutive season. A total of 148,000 ha were sprayed, down from 194,000 ha in 1985. Preliminary projections indicate significant reduction in 1987.

In 1986 our Woodlands people planted a combined total of 11.0 million seedlings on 5,200 hectares of Fraser Crown and freehold lands, our largest effort to date. They also completed site preparation for future planting on 3,200 hectares. In addition, Fraser freehold plantations were treated for weed control covering 3,100 ha, some 25% short of plan due to unsuitable spraying weather during the appropriate growing period. Also, spacing was carried out on 70 ha of young natural forest.

### Harvesting Operations

The Woodlands People harvested a total of 1,142,800 m<sup>3</sup> of spruce and fir in 1986. The quality of wood delivered to our lumber mills improved significantly, the direct result of changes in harvesting techniques. First, circular saw felling heads were installed on two of our Koehring Harvesters, replacing felling shears which often cause compression damage, splits, etc. Secondly, we instituted more rigid culling of defective trees and strict removal of poor butt sections at roadside in the woods. We continued the trend of consolidating and concentrating our harvesting operations by closing one of the four remaining logging camps.

*The Eco-logger cable skidder allows harvesting on steep slopes without damage to the forest floor.*





**Harvesting Operations (cont'd)**

We sold a total of 15,881 m<sup>3</sup> of hardwood sawlogs and veneer logs and 25,453m<sup>3</sup> of cedar to other mills in the vicinity. As well, we harvested and sold 10,156 red pine poles for eventual use as utility poles.

The Woodlands Department continued its road building program providing access to the Tracey Brook area with 25 km of road including the construction of several bridges and large culverts during 1986.

The Woodlands Department proved to be one of Fraser's safest operations boasting a 50% reduction in lost-time accidents for the year. Recognizing their safe working habits, the Edmundston Division won the President's Safety Award for the first and last quarters of 1986.

**Saw Mills**

The Wood Products Group which includes the sawmills at Kegwick and Plaster Rock joined the Woodlands operations in 1986 to form the Woodlands Wood Products Group. Changes in wood preparation methods in the forest to improve sawmill productivity dictated a closer liaison between the groups to ensure required efficiencies and subsequent cost controls on raw wood going to our sawmills.

The lumber market throughout 1986 was very active. Housing starts, in excess of 1.8 MM in the U.S. combined with a 3-month strike on the west coast helped lumber prices to climb to a record high since the 1978-79 golden era.

The Canadian lumber industry was subjected to another attack by the coalition of US lumber producers who claimed

unfair trade practices based on their perceived notion that the Canadian lumber industry was being subsidized by the Canadian government. Although this question had been resolved successfully in 1983 when the Canadian industry had fought a similar battle, this time around an export tax of 15% on all Canadian soft-wood lumber exported to the U.S. was imposed by the Canadian government. Fraser successfully demonstrated that it had no significant advantages over their U.S. competitors and were excluded from the countervail threat and subsequently exempted from the export tax.

In 1986 a Canter Twin was installed at Kedgwick replacing a four head chipper canter primarily to improve lumber recovery on the small log line. In Plaster Rock the installation of an 8-foot chip-ping line provided the Edmundston Mill with a more consistent supply of quality chips.

Fraser sawmills produced a total of 102 million board feet of lumber in 1986 and shipped 95 million board feet, a gain of 12% over 1985. Chip production from the two sawmills totalled 187,925 tons bone dry, an improvement of 11% over 1985.

Forecasts for 1987 predict slower market conditions than in 1986. Housing start projections indicate between 1.7 and 1.8 million starts in the U.S. which could compress margins in a sluggish market. The impact on Fraser may be lessened with its export tax exemption.



*A twin band chipper canter was a welcome addition to the Kedgwick Sawmill operation.*

## Thorold Division and Boxboard

### Thorold Division

The Thorold Division continued its efforts in 1986 to improve product quality in order to meet changing requirements on higher speed presses and converting facilities of our customers. The addition of a blade size press and coating supply system on No. 3 paper machine provided the division with the ability to develop new grades of paper in the specialty market. Changes in refining and process control along with the addition of a dandy roll also improved quality of our coated products from No. 4 paper machine.

The major project for 1986 was the almost total rebuild of No. 7 machine going from head box revisions to a combi pick-up press, refining, process control, basis weight, caliper and master controls along with winder and drive revisions. The fine tuning and synchronism needed to produce near capacity volumes of high quality product is being addressed.

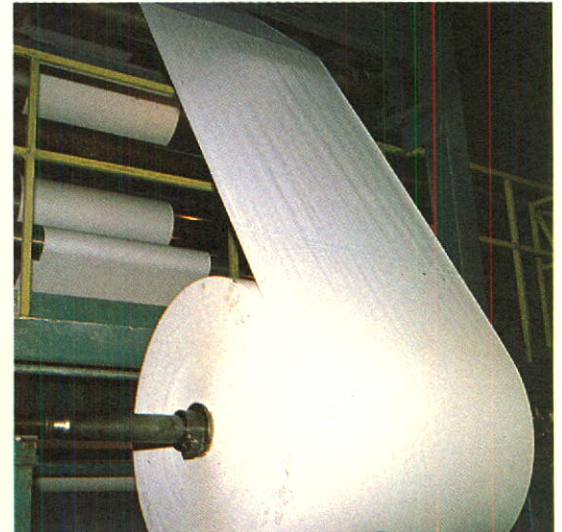
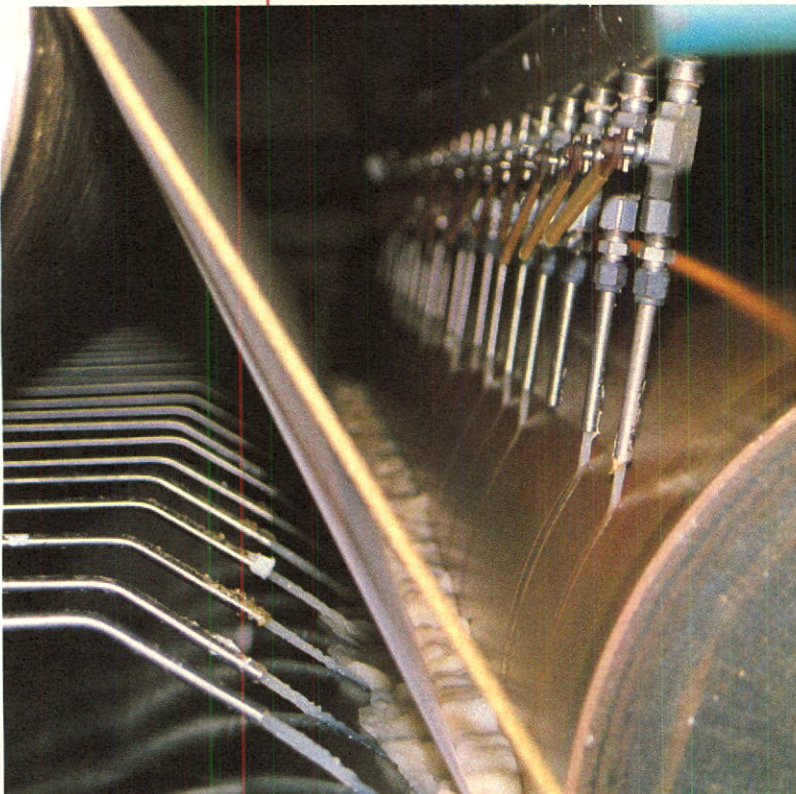
Employee involvement was an integral part of each of the rebuilds. Committees ranging from identification of required changes, equipment selection, design revisions, shutdown preparation, equipment installation and crew training worked constantly in 1986 to facilitate the massive changes that were occurring in the mill.

Producing a quality product was by far the most pressing issue addressed by

the Thorold Division in 1986. Employee efforts resulted in a 16% increase in production on No. 3 paper machine while reducing quality return by 52%. Employee involvement has proven to be a positive step toward improved communications in a concerted effort to improve both production and quality.

In 1986 units of sales at Thorold totalled 96,552 tons, a 2% increase of the 94,813 tons produced in 1985. As production and quality problems are solved Thorold will be well situated to supply a firm market in its major grades.

*With enhanced coating facilities the Thorold supercalendar operation can produce more value-added products.*



*Size Press on renovated No. 7 paper machine provides surface strength, improved printability and smoothness.*

## Thorold Division and Boxboard

(continued)

### Boxboard

Following the dramatic results of 1985 which were highlighted by the President's Special Award, the Boxboard Operation entered 1986 with high morale, increased employee dedication and commitment to their jobs and the willingness to continue this upward road to success.

The whole Boxboard Group worked together through increased participation in decision making to improve house-keeping standards, implement safety policies and programs and reduce overall machine downtime. By mid-November the employees had achieved a one-year record without a lost-time accident. The Boxboard Mill thus achieved a first as a separate entity when it won the Class C Safest Mill in Canada Award for Canadian mills with 50,000 man hours or less per month.

Some significant operational changes were also introduced in 1986 and will continue throughout 1987. These included wet end retention chemistry, continuous pulping of our filler stock and the replacement of Edmundston Mill Groundwood fiber with a substitute recyclable fiber supply. Other important factors which impacted favorably on our business in 1986 were the start of a non-returnable skid program and the broader use of computer technology for product identification.

Our 1986 capital spending program, although modest, included the replacement of the wet stack calender rolls, a new air knife coater head and a new double disc refiner with a modified stock

approach system all geared to improve our overall product quality.

As the year progressed, it became apparent that there was a serious print quality problem with some of our products on our customers' newer high speed litho presses. Assistance from Fraser technical personnel as well as outside help from specialists has to date brought this problem into manageable control. We look forward to more permanent solutions as we modify our coating formulations to match customer needs.

The Boxboard operation had overall shipments of 36,034 tons in 1986, an increase of 4.8% over 1985. This level of shipments was made possible by a strong demand for our products along with increased efficiency in operations and sales being able to maintain a three-week order backlog throughout most of the year.

The positive year end results were also increased by a decrease in energy usage and energy costs. In fact the quantity of energy needed to produce a ton of product dropped from 15 million BTU's per ton in 1985 to 11.7 million BTU's per ton in 1986, a 22.5% improvement in less than one year. A slight increase in our net sales revenue due to a price increase in November also added to the profitability of this product line.



*Part of the Boxboard crew that won the Safest Mill in Canada Award in its category.*

## Edmundston Pulp and Madawaska Papers

### Edmundston pulp

In keeping with the corporate thrust to produce quality products the Edmundston Pulp Mill faced with an aging Bleachery that was no longer able to produce the quality of bleached pulps needed to compete with today's market pulp, forged ahead with its Bleachery modernization project in 1986.

The whole project was carried out by mill employees and started on time. The first stage consisting of a new chlorination tower, a pressure washer and an oxygen caustic extraction system started up in July. The second stage which included thickener presses and frotopulpers for improved dirt and pitch removal started up in November.

Results to date show the cleanest pulp since the mill modernization in the late 70's at the lowest bleaching chemical cost. Pitch Removal or deresination work continues towards optimization of this important quality parameter.

On the environment scene six new floating aerators were installed at the aeration pond in St. Basile which will reduce maintenance shutdowns and B.O.D. resulting in a positive effect on the local community environment. Woodroom process debris previously sent to landfill or the aeration lagoon, is now being recycled for biomass burning in the bark boiler. Recirculation of the recovery evaporator condensate through the scrubber has decreased our mill outflow through the sewers by  $\frac{3}{4}$  of a million gallons a day.

Safety training in the transportation of dangerous substances, First Aid and C.P.R. were part of the continuous safety activities carried out under the Joint Health and Safety Committee to increase safety awareness.

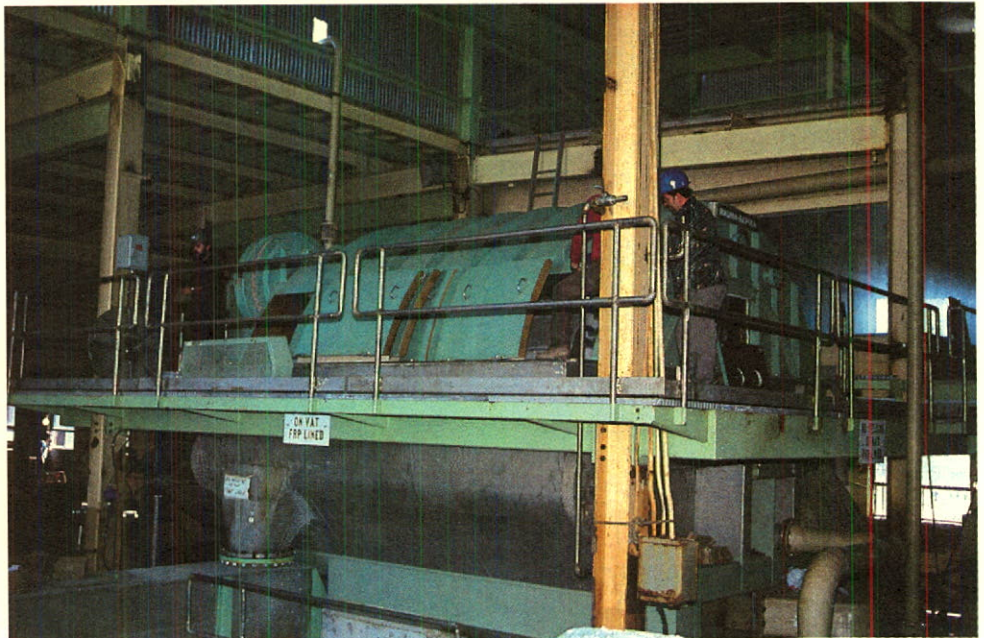
In 1986 the Edmundston Pulp mill produced 169,400 tons of bisulphite pulp an increase of 6.5% over 1985 production of 159,100 tons. Groundwood production suffered a slight downturn in production by 1% over 1985. Capital expenditures are planned for 1987 to improve productivity in this sector.

### Madawaska

Major efforts at the Madawaska Mill centered on product quality improvements throughout the past year. A number of equipment changes, additions and rebuilds improved press room runnability and printing quality. Major changes in furnish and coating formulations were submitted to trials by our customers and were extremely well received both in the coated and uncoated grades. In fact R. R. Donneley in Dwight, Illinois, a major Fraser customer held a banquet last January for key mill employees responsible for significant quality improvements in telephone directory grades.

The same high quality requirements also held true for fine papers where crew attention to new manufacturing disciplines and upgraded equipment resulted in doubling the production on the new book grade line which merited a Fraser

*A major part of the Bleachery rebuild was this large pulp washer.*



## Edmundston Pulp and Madawaska Papers

(continued)

President's Award for product development supervisor, Bill Erspamer. In addition to designing a book papers matrix that related opacity, brightness and shade for any basis weight to be manufactured, Bill was able to involve members of the beater crews, the machine crews and the control testers in this all out effort that was a model of employee participation.

The coordination between sales, technical service, manufacturing and central technical showed increasing strength in 1986 and has played a key role in the introduction, trial and customer acceptance of new grades. The introduction of a computerized quality control system has improved management awareness and the dissemination of quality related information. Not only can it provide more timely information, it allows fewer errors, giving us better management and use of quality control test results, complaint and claim information.

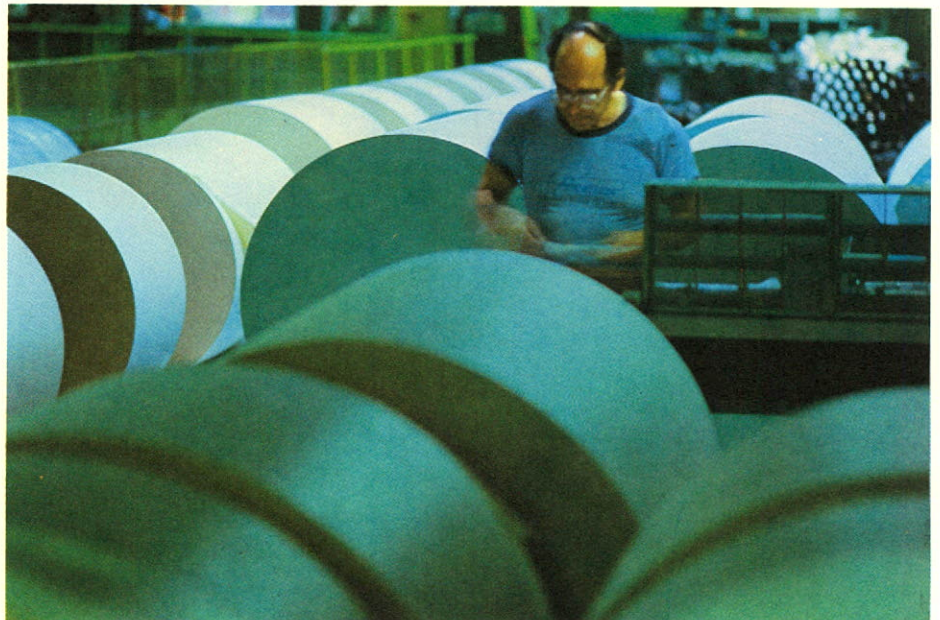
Maintenance reorganization moved ahead in 1986 with the mill being divided into three separate maintenance areas supported by a central work force. This sector also came in for its share of computerization. A basic care plan has been programmed for each paper machine which identifies basic maintenance items to be serviced during shutdown work on the machine. All mill facilities have been surveyed to identify deteriorating structures and prioritize

upkeep in 1987 and a Maintenance Productivity Committee has been established to implement and communicate changes identified by the Maintenance Implementor.

In 1986 fine paper sales reached 162,550 tons a 24.3% increase over the 1985 total of 130,800 tons. Uncoated groundwood continued to be a strong performer with sales of 125,500 tons, a 3.2% increase over the 1985 figure of 121,620 tons. Coated groundwood papers reacted as predicted based on market oversupply with large new machines coming on line in '86. Sales units of 132,430 tons were down 3.3% from 136,940 tons in 1985.

1987 may be a mirror of 1986 relative to demand for our products. Downward pressure will continue on coated groundwood papers with pricing already having suffered in 1986. Book papers and uncoated groundwood should remain firm for 1987 with firm demand in the uncoated supercalendered groundwood grades. Our attention to quality and service will undoubtedly determine our ability to maintain full operations in 1987.

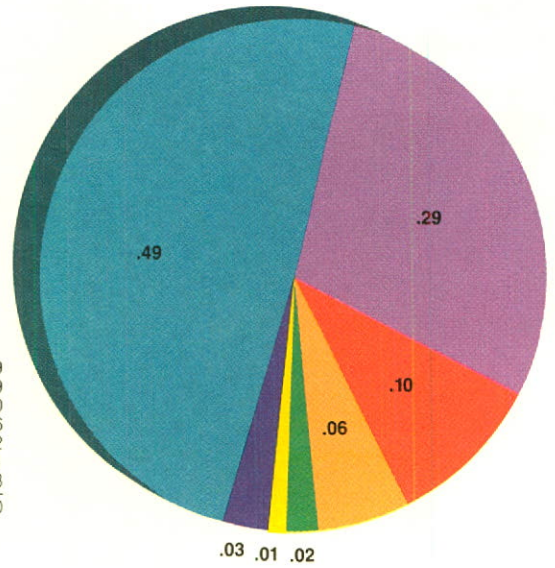
*The finishing room becomes a busy place with the mill at full production.*



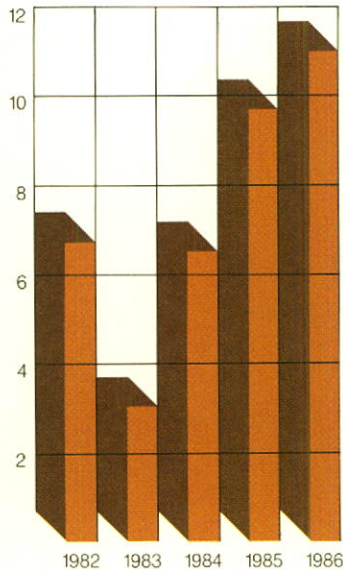
# Production – Financial – Distribution Charts 1986

Distribution of the 1986 Sales Dollars

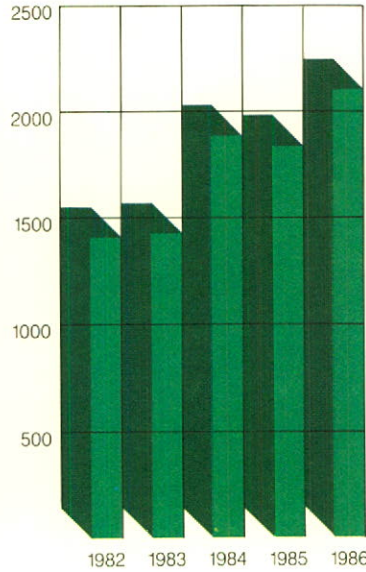
Supplies, Materials and Services	.49
Wages, Salaries and Fringe Benefits	.29
Fuel and Power	.10
Depreciation, Depletion and Amortization	.06
Taxes	.02
Dividends To Shareholders	.01
Earnings Retained in the Business	.03
Net Sales	\$1.00



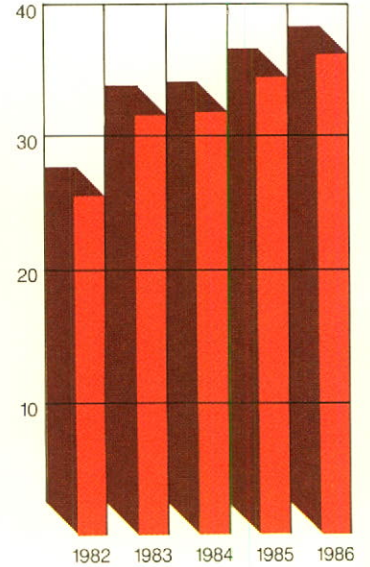
Seedlings Planted by Fraser Inc.  
(millions)



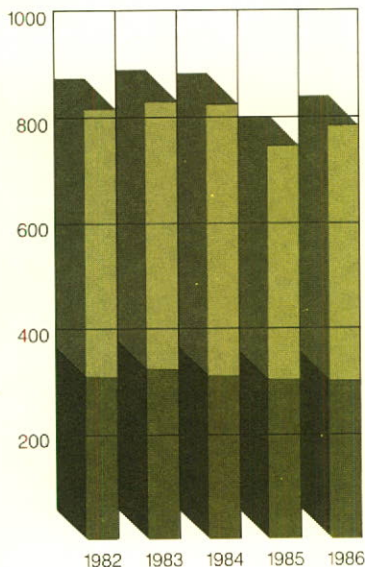
Wood Fibre Consumption  
(1000 Cubic Metres)



Boxboard Units of Sales  
(thousands of tons)

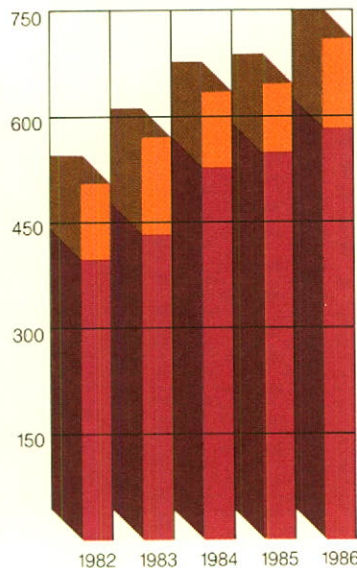


Edmundston Mill Pulp Production  
(tons/operating day)



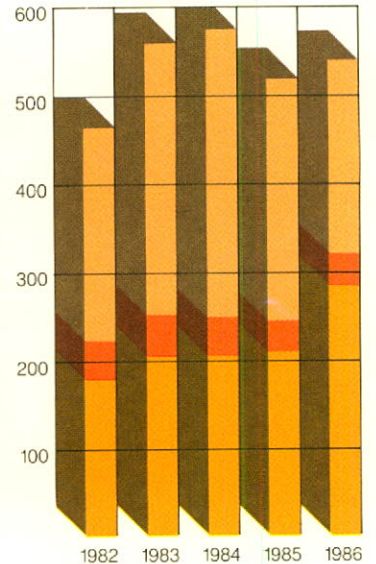
■ Bisulphite Pulp  
■ Groundwood Pulp

Sales Units and Dollars



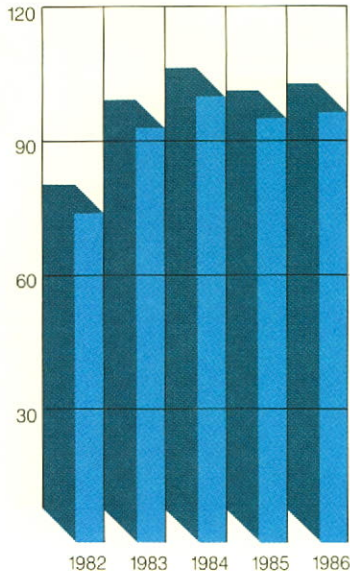
■ Sales Units (thousands)  
■ Sales Dollars (\$ millions)

Sources of Long-Term Financing  
(\$ millions)

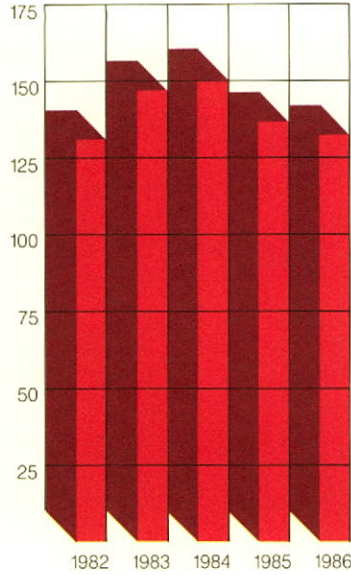


■ Borrowings from banks and other lenders  
■ Income taxes not currently payable  
■ Shareholders (includes earnings not paid out as dividends)

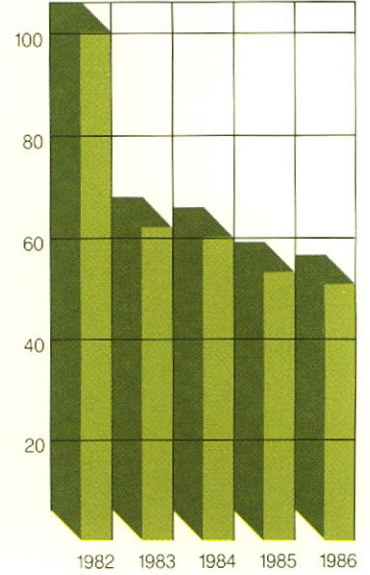
**Fine Paper (Thorold Division)**  
Units of Sales (thousands of tons)



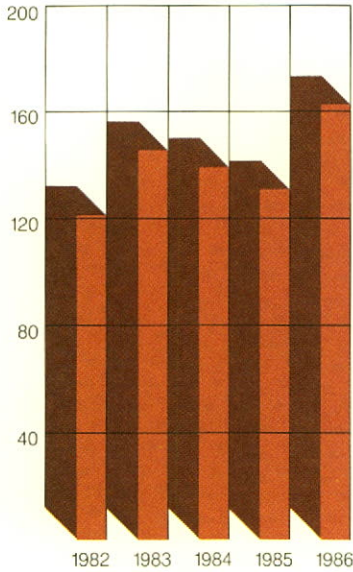
**Coated Groundwood Paper**  
Units of Sales (thousands of tons)



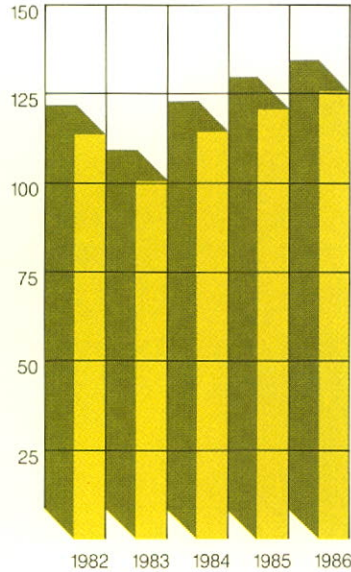
**Reduction of Purchased Energy Consumed per Unit of Production** (percent)



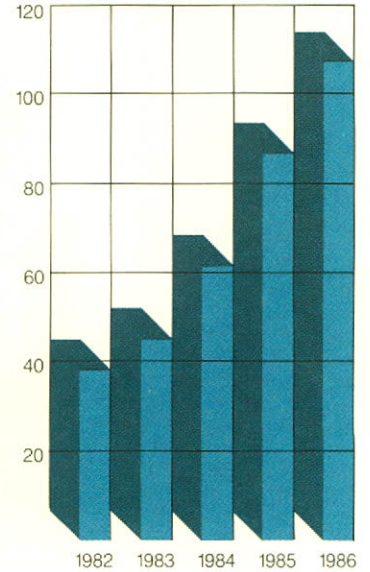
**Fine Paper (Madawaska)**  
Units of Sales (thousands of tons)



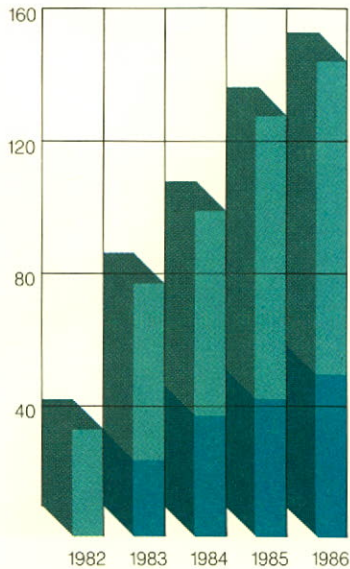
**Uncoated Groundwood Paper**  
Units of Sales (thousands of tons)



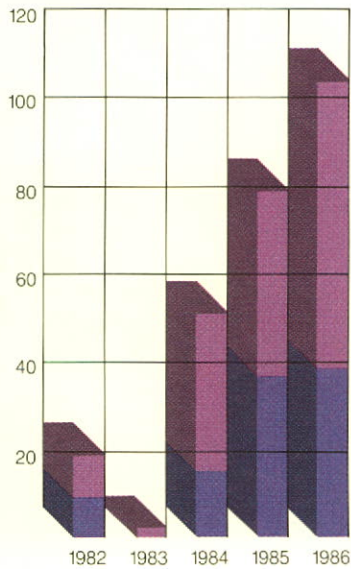
**Island Paper Mills Limited**  
Units of sales (thousands of tons)



**Wood Products Units of Sales**  
(M.f.b.m.)



**Distribution of Market Pulp**  
Units of Sales (thousands of tonnes)



Fraser Inc.  
50% of J.P. Levesque & Sons Inc. Production

External Market  
Internal Consumption

### **Atholville Pulp Inc.**

As 1986 got underway, it gave little indication that the pulp market would make any significant progress in demand or pricing. As the year progressed, it became evident that world inventories were shifting to the low side and buyers became more aggressive in order to ensure supply. This gave rise to increased demand and a number of successive price increases.

Atholville was poised and ready. Its FRASER BRITE pulp had already been tested on the market place and had received good acceptance due to its prime quality and adaptability in different furnishes. Its employees were becoming more efficient in using the new technology and were ready for a full operating year. Much to their credit the mill operated all year with the exception of a two-week planned shutdown in September for major maintenance in the steam and recovery complex. With full operations the mill attained design operating rates in the second half of the year producing over 100,000 tonnes of pulp right on plan. Shipments exceeded plan by 3,000 tonnes.

Operating efficiencies were addressed in all departments as the year progressed with energy self sufficiency averaging 81.5% just 3.5% below design and the same held true for sulphur and magnesium recovery with 73% and 80% recovery respectively.

On January 1, 1987 the Atholville Mill became a separate corporation with a new name, Atholville Pulp Inc. Fraser Inc. retains 100% ownership.

With pulp supply projected to remain at essentially the same level in '87 and '88 indications are that Atholville may very well become a positive contributor to Fraser's profitability. Additional capital will be available in '87 to improve productivity and increase recovery efficiencies as Atholville Pulp Inc. aims for a record production year.

*Atholville Pulp Inc. control room featuring equipment to monitor and control numerous processes.*





**Island Paper Mills Limited**

Employees of Island Paper Mills shared a proud moment in 1986 with the announcement that the Mill had won the prestigious Canada Awards for Excellence Gold Medal in Marketing. The award recognizes outstanding success by a company or individual in the application of innovation and creativity in all aspects of marketing.

This award, sponsored by the Department of Regional Industrial Expansion, recognized the contribution and effort of all Island Paper Mills employees. It cited them for outstanding marketing of fine paper based on superior products, improved productivity, competitive marketing strategies and a customer service orientation that resulted in Canadian market expansion and export market penetration.

Island Paper Mills also shared in the excitement and drama of Expo 86 as a sponsor within Expo's Proud Partner Program. Through this sponsorship, the Mill became a supplier of paper to Expo's daily Showguide with a total distribution of 15,000,000 pieces, truly an unparalleled advertising opportunity for Island Paper Mills.

Significant sales initiatives during 1986 resulted in increased market share in the Canadian marketplace and in increased sales volume in the U.S. market. Additionally the search for value added grades intensified and market research and product development programs led to new and improved products.

During the year, Island Paper Mills surpassed 1985 production and sales records by 21% and 24% respectively. The Company's paper machine operations achieved new records with both machines in full operation throughout the year producing 107,480 tons of product in 1986 compared to 86,780 tons in 1985. A new Measurex system was installed on No. 1 Paper Machine to improve quality, productivity and efficiency. In the Finishing Room, the addition of a second packaging line on the Will sheeter, the installation of a modern shrink wrap system for flat sheet sizes and a move to a 7-day finishing operation all contributed to record production.

In 1987 further operating efficiencies will be addressed as well as improved quality and diversification of grades in order to maximize our production and enhance our customer acceptance.



*Some of the quality paper that won Island Paper Mills its Gold Medal Award for excellence in marketing.*

### **Atlantic Waferboard**

In 1986 Fraser Inc. joined hands with labour, wood suppliers and management to inject new life into the Panel Board Plant in Chatham N.B. formerly owned by Northwood Pulp and Timber, that had been shutdown for over three years.

A corporation was set up with Fraser holding 50% of the shares, the local 181 of the Canadian Paperworkers Union 22%, the wood suppliers through the Federation of Private Woodlot Owners also 22% and the management group in place 6%. Concessions by all partners in establishing the operating costs and fixed costs enabled the corporation to borrow enough capital to modernize the plant and change its vocation from panelboard producer to that of oriented structural board producer.

Most of the rebuild was carried out by workers that were recalled after a three year lay-off and the mill actually turned over production on a trial basis in December of 1986. From all indications, the market for the product Atlanticboard is firm, and is well accepted in the market place. Once start-up bugs have been ferreted out and eliminated, Atlantic Waferboard could well be on the road to profitability in its first year of operation.

*Part of the Atlantic Waferboard Inc. plant on the banks of the Miramichi.*

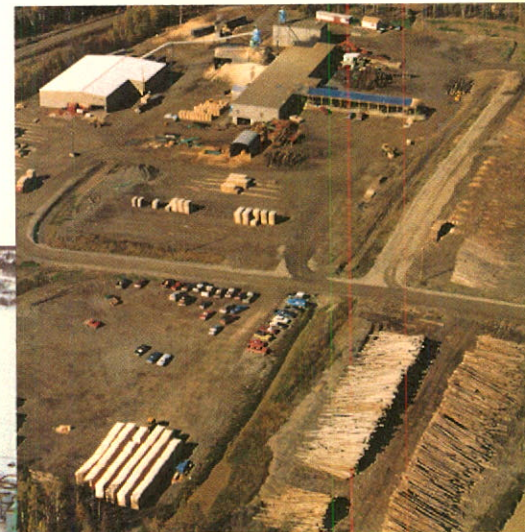


The concept of joint ownership in such a venture, with seemingly unlikely co-owners, is proving positive on the mill floor and in board meetings. The spirit of cooperation and support certainly bodes well for future attempts using this concept for industrial development.

### **J. Paul Levesque & Sons**

In 1986 J. Paul Levesque & Sons (50% Fraser) acquired an idle sawmill in Maine that provided kiln drying and planing facilities. Drying capacity was further increased with the construction of a set of drying kilns at the Levesque Mill. This allowed J. P. Levesque & Sons to kiln dry their total production which in turn enhanced the marketability of their product and increased their margin of net revenue in 1986. Fraser share of revenues rose to \$689,000 compared to \$412,000 in 1985 a solid 67% increase. Units of sales produced at J. P. Levesque & Sons totalled 98.3 million board feet in 1986 which represented a 16% increase over last year's production of 84.7 million board feet.

*The J.P. Levesque & Sons Sawmill in Ashland, Maine before the construction of drying kilns.*



## Research Development and Energy

### Product Development

The continued progress in new product development reflects the gradual shift toward higher margin specialty products. Notable among these are new offerings in uncoated book papers with Fraser participation in this area having more than doubled in the past year. The prospect for further expansion in this grade line is possible as the marketplace further recognizes good performance value.

Other areas of rapid growth include the carbonless and thermal paper markets. Both base sheets and coated papers enjoy an expanding position in these dynamic markets. Investments in technical expertise and upgrading of machine capabilities underscore our strong commitment to new product development.

### Process Development

Fraser has a large annual supply of hardwoods and the process development group has emphasized its potential use in the magnesium bisulphite and in the groundwood process. We are continuing to study the CMP process which offers promising technology in hardwood usage either for a groundwood-free sheet or groundwood-containing sheets.

To enhance our reputation, our competitive position and profitability, Fraser products must meet and even surpass our customers' specified quality standards. The Process Development group is studying statistical control techniques in various units and plans to implement these shortly.

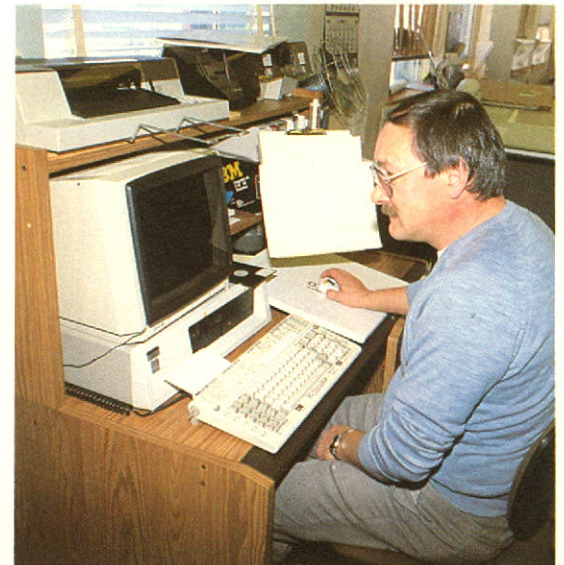
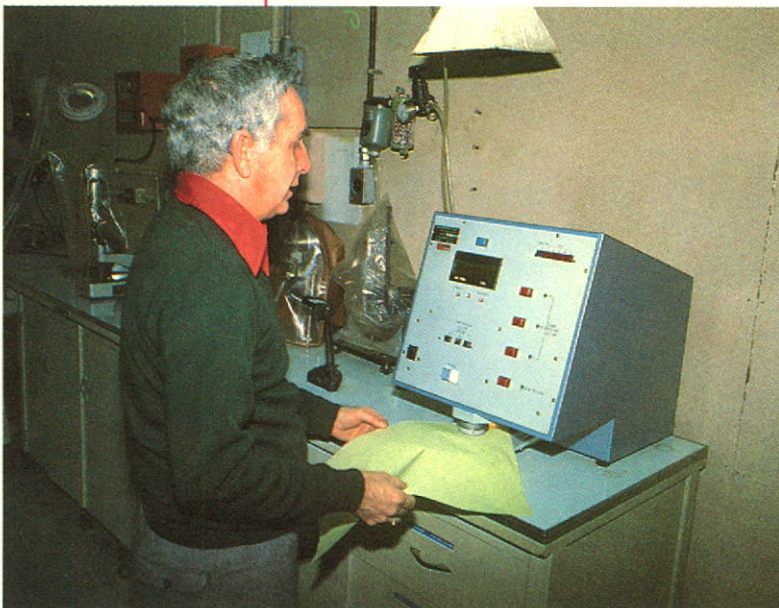
The design and installation of a micro computer-based paper machine profile

display system and the development and installation of several advanced technology control schemes for the Edmundston Sulphite Bleaching operation were amongst the process projects initiated in 1986.

### Environmental Protection

In the area of Environmental Protection, Fraser completed the first phase of a programme to rehabilitate the treatment facilities in St. Basile with the installation of six new aerators. Plans are to replace all the aeration equipment installed in 1970 over the next two years.

A new computerized system to continuously monitor ambient air quality was installed for the Edmundston/Madawaska area this year.



*Computer assisted drafting is now well established in Fraser's Central Engineering Department.*

*Fraser uses many testing procedures to analyze and ensure the quality of its products.*

Fraser also participated in Noranda's Emergency Response Audit programme to help ensure the safety of its employees and the community in case of chemical emergencies.

The Madawaska mill entered into a Consent Decree with the State of Maine to resolve problems with excursions from its discharge license. Work will continue throughout 1987 in cooperation with the State to rectify these problems.

Long-term studies continued throughout the year in cooperation with the Department of Agriculture and Federal Forest Service to find productive uses for solid wastes generated by the operations.

### **Central Engineering**

Last year was a busy time for the Central Engineering Department, the level of capital expenditures having increased appreciably over the previous year. The most significant project was the rebuild of the Edmundston Bleachery at a total cost of approximately \$5.5 million. All the engineering and drafting for this project was completed in-house under the direction of John Rancourt, Senior Project Engineer. Other major work completed or in progress included several paper machine rebuilds in Madawaska, building renovations and the installation of improved employee facilities in Atholville.

Department facilities were upgraded and featured the addition of a second Computer Aided Drafting (CAD) system and the introduction of word processing equipment for secretarial services.

Next year promises to be even more challenging with a further planned increase in the level of capital expenditures aimed primarily at improving the quality and consistency of our product line.

### **Energy Conservation**

Purchased energy usage was further reduced in 1986. Full operations of all our production facilities contributed greatly to this decrease. When compared to 1972, the target year for measuring energy consumption reductions, the improvement for all divisions combined, was 49.3% in 1986.

In 1986, the Madawaska and Thorold paper mills used 36.7% and 16.6% less purchased energy respectively per ton of paper than in 1972. These improvements were accomplished entirely by energy conservation. The Edmundston pulp mill was 61.2% self-sufficient in 1986 and the Atholville pulp mill was 81.5%.

Further progress is expected and all divisions are aggressively seeking new ways to conserve energy.



*One phase of bark preparation prior to burning for the production of energy.*

## Fraser People

At the heart of Fraser's growth and success are the 3,850 employees that propel its progress. Fraser's long standing reputation as a people-oriented Company is based on a corporate philosophy that embraces open communications, expects and recognizes results from its employees while stimulating individual development and growth.

### Employee Relations

Communication activities at Fraser intensified during 1986 in response to the increasingly complex issues of world-wide competitiveness. It is the Company's objective to increase employee knowledge of its operations and to encourage employees to participate in improvement efforts.

Three (3) labour agreements, involving 210 employees, were successfully negotiated. Major negotiations are scheduled to take place in 1987 with the pulp and paper mills.

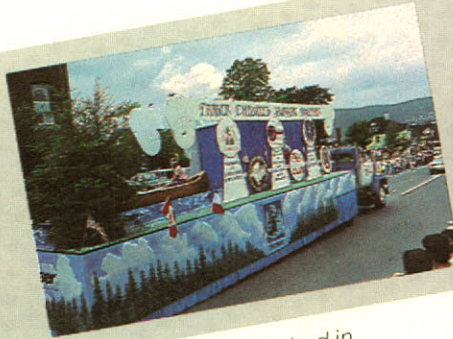
smoking policy, the result of changing employee attitudes and verified hazards on smoking.

The Thorold Mill was selected over all other Noranda forest product companies as the winner of the 1985 ECAP Safety Award for the Most Improved Performance.

The Atholville Mill played host to Fraser's Employee Assistance Summit whereby EAP committees from the various divisions met to share experiences and progress.



Safety conference participants tested their back muscles during the Back Care Program.



Fraser employees pitched in together to produce this spectacular prize-winning float for the Acadian Festival Parade.



Fraser office personnel participated in a series of evaluation tests to determine their fitness condition.

### Training and Development

The Company is continuing to develop its capabilities to provide employees with opportunities to upgrade and acquire new skills while encouraging innovation and creativity as we maximize every opportunity to prepare tomorrow's leaders.

### Occupational Health & Safety

The theme of the fourth Fraser Joint Health & Safety conference was "Good-bye Backache". The day-long meeting focused on how individuals can identify back weaknesses and take corrective action to strengthen their back muscles. Formal programs have been initiated in most Company divisions.

The Corporate Office Joint Health and Safety Committee was instrumental in developing and implementing a



Thorold representatives proudly accept the Noranda E.C.A.P. Safety Award for 1985.

## Fraser and the Public

Fraser Inc. maintained its policy of support for community organizations in 1986 in spite of losses incurred in 1985. We recognize that most communities where we maintain operations are single major industry communities that rely on us for some level of support. Beyond community support we maintain exclusive sponsorship of the New Brunswick Provincial Cross-Country Ski championship series which is growing in importance throughout the province. Cultural activities on a provincial basis come in for their share of support namely, Theatre New Brunswick and a number of cultural festivals.

Education is not neglected as we fund three Fraser scholarships in addition to Noranda scholarships that are also available to sons and daughters of Fraser employees. Higher learning institutions

are also recipients of Fraser pledges such as the University of New Brunswick, University of Maine, Orono, Université de Moncton, and St. Thomas University.

Monitoring of Government legislation became hectic in 1986 with more and more legislative action at State, Provincial and Federal levels relative to Workmen's Compensation, Technological change and liberalization of social programs being introduced. They led a swing towards more government intervention in the area of industrial management and industry rising costs associated with these programs. Free Trade and the Lumber Countervail duty threat gave rise to many interventions through the media by our Chairman as Fraser visibly supported freer trade policies by exposing the threat and failures of protectionism.



Chairman Knut Grotterod presents a Fraser donation at the V.O.N. Telethon.



Fraser Woodlands Department held an Open House during National Forestry Week.



The Minister of State for Forestry, Mr. Gerald Merrithew, and Fraser officials were guest speakers at a conference on Free Trade.

Fraser employees cheered on the Man in Motion, Rick Hanson, with a donation as he travelled through Edmundston.



## Financial Review

The financial results for 1986 turned out to be better than had been expected when the year began. The net earnings for the year were \$20.6 million, twice the level that had been forecast. This represented \$2.23 per common share after allowing for preferred share dividends. Earnings were helped by a \$3.8 million income tax reduction related to the sale of investment tax credits. By comparison, in 1985 the Company experienced a loss of \$3.2 million – before an extraordinary loss of \$12.5 million (restated from \$3.6 million) on the sale of an investment.

Shipments in 1986 totalling 712,892 units were 10% higher than in 1985. Net sales revenues of \$586.7 million were 7% above last year. The accompanying graph compares the performance over the past five years, showing that 1986 achieved new highs.

Earnings before interest and taxes were \$60.8 million, or 10.4% of net sales which compare with \$30.2 million and 5.5% respectively last year. This increase is largely due to higher shipments, improved cost performance most notably due to lower oil prices, lower interest charges and a weaker Canadian dollar. The pre-tax return on net assets (i.e. total invested capital) – a measure of performance before considering financing costs – was 11.6%. This is a meaningful improvement over the prior year; however, a pre-tax return of approximately 20% is needed to provide a reasonable return to shareholders and to provide a healthy level of re-investment in the Company.

Interest paid on borrowings declined by 24% to \$25.6 million from \$33.5 million in 1985. It was the result of both low interest rates and a lower debt level. The Company is aware of the need to further reduce its exposure to these fixed charges so as to be in as strong a position as possible in the event of any combination of higher interest rates and a business downturn. Continuing emphasis is being placed on reducing the level of debt.

Fraser's share of the earnings of the two companies of which we own 50% – Island Paper Mills Limited in Vancouver, B.C. and J.P. Levesque & Sons Inc. in Ashland, Maine – was \$2.4 million. This was an improvement over last year, but below our expectations, largely as a result of the higher than expected prices which Island Paper had to pay for pulp.

Cash flow from operations increased to \$63.4 million from \$21.2 million in 1985. The former amount includes \$12.0 million realized from the sale of investment tax credits. Due to a combination of the improved cash flow from operations, payment of only a nominal amount of income taxes, a restraint on capital expenditures, and the issuing of shares, sufficient cash was generated to allow a large reduction in the Company's debt.

During the year, long-term debt was lowered by \$57.7 million; thus, at year-end \$216.4 million was owing to the bank and other lenders. At year-end, there was 87¢ of long-term debt for each \$1.00 of equity, versus \$1.36 for each \$1.00 a year earlier. The accompanying graph illustrates the improving relationship between the amount of long-term financing provided through borrowings and that provided by shareholders.

During 1986, dividends of \$731,000 were paid to Noranda – the holder of the common shares. This represents 4% of the 1986 earnings available after payment of preferred share dividends. The last previous dividend to common shareholders was paid in September of 1984.

Shareholders' equity increased by \$74.1 million to \$286.3 million at year-end. Of the increase, \$17.5 million was from earnings net of dividends and the balance was the net result of capital stock transactions.

# Ten Year Comparison

(millions of dollars  
except per share amounts  
and statistical data)

			1986	
<b>Earnings</b>	<b>Sales</b>	Net sales revenue	\$ 586.7	
		<b>Expenses</b>	Cost of products sold	462.6
	Depreciation, depletion and amortization		36.9	
	Selling and administration		27.8	
	Interest on long-term debt		24.7	
	Other		(1.5)	
	Income taxes		18.0	
	<b>Earnings of assoc.</b>		Equity in earnings (loss) of associates	2.4
	<b>Earnings (loss) before extraordinary items</b>			20.6
	<b>Extraordinary items</b>		-	
<b>Net earnings (loss)</b>		20.6		
<b>Financial Position</b>	<b>Capital employed</b>	Working capital	74.6	
		Investments and other	38.1	
		Fixed assets – net	423.8	
			536.5	
	<b>Capital sources</b>	Long-term debt	216.4	
		Deferred income taxes	33.8	
		Shareholders' equity	286.3	
			536.5	
	<b>Changes in Financial Position</b>	<b>Operations</b>	Cash flow from operations	60.6
			Dec. (inc.) in operating working capital	2.8
		Net cash flow from operations	63.4	
<b>Financing</b>		Debt and equity financing – net	56.1	
		Repayment of debt	(53.3)	
		Other	(.8)	
<b>Investments</b>		Fixed assets – net	28.4	
		Investments	30.0	
<b>Dividends</b>		Cash dividends paid	3.1	
		Increase (decrease) in cash	3.9	
<b>Financial and Statistical Data</b>	<b>Per common share <sup>(1)</sup></b>	Net earnings (loss)	2.23	
		Dividends	.09	
		Net cash flow from operations	7.73	
		Common shareholders' equity	27.05	
	<b>Ratios</b>	Return on average common shareholders' equity – % <sup>(2)</sup>	8.8	
		Long-term debt to equity – %	86.8	
	<b>Other</b>	Common shares outstanding	8,608,551	
		Average number of employees	3,981	
		Salaries, wages and benefits (\$000)	172,532	
		Net fixed assets per employee (\$000)	108	
		Units of sales per employee	179	
		Net sales per employee (\$000)	147	
	<b>Operations</b>	<b>Units of sales</b>	Fine papers	– tons 259,119
			Uncoated groundwood papers	– tons 125,507
			Coated groundwood papers	– tons 132,432
Boxboard			– tons 36,034	
Market Pulp			– tonnes 65,286	
Lumber			– Mfbm 94,514	
Total			712,892	

(1) Per common share data beginning in 1985 is based on the combined results of Fraser Inc. and Fraser Paper, Limited and is included for comparison purposes only.

(2) Before extraordinary item



1985	1984	1983	1982	1981	1980	1979	1978	1977
\$ 548.3	\$ 529.5	\$ 435.9	\$ 397.6	\$ 422.2	\$ 362.2	\$ 321.0	\$ 265.1	\$ 212.5
446.8	431.7	362.3	342.1	344.7	284.9	247.3	202.8	172.9
33.9	31.3	24.3	21.1	20.7	18.3	12.2	10.0	7.9
24.9	22.9	19.8	19.2	19.6	16.9	14.0	11.0	9.8
32.6	31.3	13.2	17.8	18.5	12.2	3.6	.7	.5
12.5	6.4	1.4	5.2	2.6	(1.8)	(.7)	(.7)	(1.5)
2.6	1.7	4.8	(4.6)	6.5	8.3	15.2	17.3	7.8
1.8	(.7)	.7	(1.6)	7.9	8.2	1.5	-	-
(3.2)	3.5	10.8	(4.8)	17.5	31.6	30.9	24.0	15.1
(12.5)	-	-	-	-	-	-	-	-
(15.7)	3.5	10.8	(4.8)	17.5	31.6	30.9	24.0	15.1
45.6	52.6	51.7	43.4	52.6	45.0	28.3	21.5	42.6
38.6	75.5	68.7	47.9	51.4	46.0	31.8	1.1	1.2
435.1	448.8	442.1	376.8	283.8	230.9	219.0	177.2	128.5
519.3	576.9	562.5	468.1	387.8	321.9	279.1	199.8	172.3
274.1	322.4	306.5	239.8	148.9	98.3	89.4	45.5	42.5
32.9	46.6	48.9	45.6	49.3	43.5	33.2	20.4	15.2
212.3	207.9	207.1	182.7	189.6	180.1	156.5	133.9	114.6
519.3	576.9	562.5	468.1	387.8	321.9	279.1	199.8	172.3
18.6	33.2	38.4	15.7	38.5	54.3	54.9	39.2	27.6
2.6	(11.0)	(3.2)	17.3	(11.6)	(9.7)	(26.0)	6.2	(3.6)
21.2	22.2	35.2	33.0	26.9	44.6	28.9	45.4	24.0
9.9	22.9	96.2	92.6	56.7	7.1	62.0	2.1	-
(51.1)	(5.1)	(16.3)	(9.3)	(4.8)	(1.7)	(1.6)	(.8)	(.8)
9.2	1.5	5.4	12.8	6.5	.4	.3	.4	.2
22.6	39.4	94.9	126.8	79.2	30.4	54.3	56.6	45.1
(25.7)	-	20.9	(1.7)	-	8.1	31.0	-	-
-	2.8	1.4	3.5	8.9	8.3	6.9	4.6	4.1
(7.7)	(.7)	3.3	.5	(2.8)	3.6	(2.6)	(14.1)	(25.8)
(.81) <sup>(2)</sup>	.17	1.25	(.67)	2.49	4.51	4.38	3.41	2.15
-	.40	.20	.50	1.30	1.20	1.00	0.66	0.58
2.97	3.10	4.93	4.65	3.81	6.30	4.09	6.45	3.40
25.06	26.38	26.62	25.57	26.59	25.39	22.15	19.01	16.26
(3.1) <sup>(2)</sup>	.6	4.8	(2.6)	9.5	18.8	21.3	19.3	13.9
136.3	155.1	148.0	131.3	78.5	54.6	57.1	34.0	37.1
7,157,452	7,155,452	7,146,743	7,145,306	7,127,291	7,095,837	7,067,130	7,048,206	7,048,206
3,936	3,964	3,770	3,746	4,010	3,625	3,634	3,548	3,353
159,017	147,550	139,091	118,934	109,634	89,568	80,571	71,267	64,641
111	113	117	101	71	64	60	50	38
164	160	152	136	151	164	162	155	149
139	134	116	106	105	100	88	75	63
225,615	239,089	238,354	194,880	196,182	159,170	176,060	177,085	178,684
121,615	114,379	100,915	113,503	127,230	141,325	130,543	129,315	121,585
136,940	150,028	147,211	131,224	134,330	114,330	93,759	92,633	84,588
34,390	31,754	31,541	25,428	28,421	30,502	30,643	30,630	31,539
42,881	35,585	2,644	10,308	41,983	61,358	65,260	39,549	18,343
84,739	63,565	52,914	32,695	76,205	87,309	92,634	81,167	63,849
646,180	634,400	573,579	508,038	604,351	593,994	588,899	550,379	498,588

**Fraser Inc.**

Corporate Offices &  
Edmundston Pulp Mill  
27 Rice Street  
Edmundston, N.B. E3V 1S9  
Telephone: (506) 735-5551

**Fraser lumber**

Mills:  
Plaster Rock and Kedgwick,  
New Brunswick  
Product:  
Eastern Canadian Spruce  
End Use:  
Residential and commercial  
buildings  
Market:  
Eastern Canada, Eastern  
United States and overseas.  
Sales Office:  
Noranda Forest Sales Inc.  
Suite 700  
4 King St. West  
Toronto, Ont. M5H 3X1  
Telephone: (416) 365-0710

**Associated Companies**  
(100% Ownership)

Atholville Pulp Inc.  
Atholville, N.B.  
E0K 1A0  
Telephone: (506) 753-4491

(50% Ownership)

Atlantic Waferboard Inc.  
P.O. Box 419  
Chatham, N.B. E1N 3A8  
Telephone: (506) 773-5823

J. Paul Levesque & Sons Inc.  
Ashland, Maine 40732  
Telephone: (207) 435-6401

Island Paper Mills Limited  
1010 Derwent Way  
New Westminster  
British Columbia V3L 5A5  
Telephone: (604) 526-5521

**Fraser Boxboard**

Mill:  
Edmundston, New Brunswick  
Products:  
Coated and uncoated  
folding boxboard  
End Uses:  
Packaging for food, deter-  
gerents, frozen, foods,  
pharmaceuticals, pet  
foods, etc.  
Market:  
Canada  
Sales Offices:  
1155 Dorchester Blvd. West  
Montreal, Quebec H3B 3T6  
Telephone: (514) 871-9283

703 Evans Avenue, Suite 404  
Etobicoke, Ontario M9C 5E9  
Telephone: (416) 622-1533

The cover of this report is clay coated  
solid bleached FraPak Boxboard gen-  
erally used for consumer goods packag-  
ing and is produced by FRASER INC.  
in Edmundston, New Brunswick

The report is printed on Island Opaque  
Litho Surface Treated, basis weight –  
60 lbs., produced at Island Paper Mills  
Ltd. in New Westminster, B.C.

**Fraser Papers**

Mills:  
Fraser Paper, Limited  
P.O. Box 160  
Madawaska, Maine 04756  
Telephone: (207) 728-3321

Fraser Inc. – Thorold Division  
P.O. Box 1046  
Thorold, Ontario L2V 3Z7  
Telephone: (416) 227-5271

Island Paper Mills Limited  
1010 Derwent Way  
New Westminster, B.C. V3L 5A5  
(50% ownership)

Fine Papers:  
Nine Paper machines, one dual-  
purpose paper machine, and two  
on-machine coaters

Groundwood Papers:  
Three paper machines, two off-  
machine blade coaters and two  
supercalenders

End Uses:  
Papers for converting specialties,  
commercial printing, coated and  
uncoated publications, catalogues,  
directories, business forms, wall-  
coverings, coated labels, coated  
specialty packaging, business papers  
and envelopes.

Market:  
United States and Canada  
Sales Offices:

Fraser Paper, Limited  
9 Broad Street West  
P.O. Box 10055  
Stamford, Conn. 06904  
Telephone: (203) 359-2544

2300 East Devon Avenue,  
Des Plaines, Illinois 60018  
Telephone: (312) 298-4416

703 Evans Avenue, Suite 404  
Etobicoke, Ontario M9C 5E9  
Telephone: (416) 622-1533

**Fraser Market Pulp**

Mill:  
Atholville Pulp Inc.  
New Brunswick  
Products:  
Bleached and unbleached  
softwood, bisulphite  
Market:  
North America and overseas  
Sales Office:  
Noranda Forest Sales Inc.  
4 King St. West  
Suite 700  
Toronto, Ont. M5H 3X1  
Telephone: (416) 356-0710



