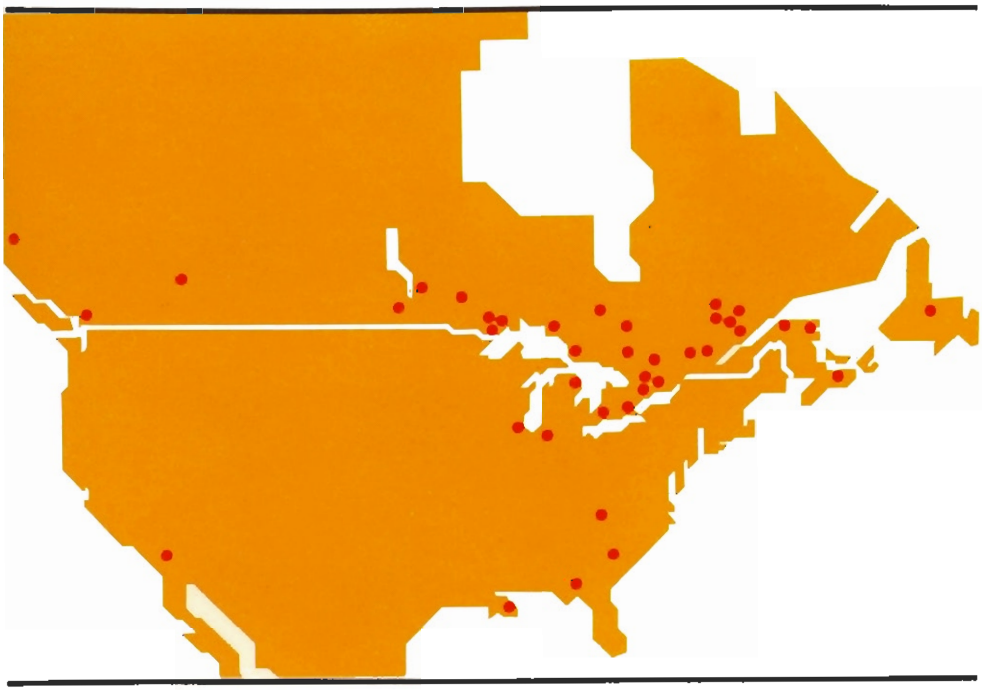
ABITIBI

1975 Annual Report

Annual Report for the year ended December 31, 1975



The manufacturing operations of Abitibi and Price span the width of the North American continent and offer a diversity of products that meet the demands of a world-wide market ☐ Our map pinpoints the sites of over 40 plants and mills that manufacture or convert 2.6 million tons of products each year ☐ The Abitibi and Price operations, found in seven Canadian provinces and eight states in the U.S.A., provide jobs for about 21,000 employees ☐ The diversified product mix of Abitibi and Price depends upon the natural resource base of government-licensed and company-owned forest limits ☐ Totalling nearly 23 million acres of forest lands, this area is about equal to the total forest lands of the state of Georgia or the combined forest lands of New Brunswick and Nova Scotia.

ABITIBI PAPER COMPANY LTD.
Head Office: Toronto-Dominion Centre,
Toronto, Canada M5K 1B3

The Annual Meeting of Shareholders will be held in the Cinema Theatre, Toronto-Dominion Centre, Toronto, Canada, on Tuesday, April 20, 1976 at 10:30 a.m. Toronto time.

On peut obtenir ce rapport annuel en français sur demande.

Contents

Comparative Summary

(thousands of dollars except per share calculations)	1975	1974
Sales, less delivery expenses	$764,384	$551,893
Depreciation and depletion	$ 42,071	$ 21,243
Income taxes	$ 15,141	$ 30,099
Mining income	$ 4,845	$ 10,118
Net earnings	$ 13,329	$ 45,880
Per common share	$ .57	$ 2.50
Dividends declared — preferred shares	$ 2,622	$ 718
Dividends declared — common shares	$ 7,239	$ 11,763
Per common share	40¢	65¢
Additions to fixed assets	$ 71,041	$ 35,460
Working capital	$229,023	$ 87,948
Long-term debt	$255,522	$139,163
Common shareholders' equity	$255,268	$252,890
Per common share	$ 14.11	$ 13.97
Number of common shareholders	26,120	25,801

Report of the Directors

Among the Directors of Abitibi are the above five executives who are also Officers of the company. They are, left to right—R. C. Gimlin, C. R. Tittemore, T. J. Bell, C. H. Rosier and G. M. Brain.

The year 1975 was a disaster for the pulp and paper industry in general throughout Canada and Abitibi was no exception.

From the early months it became apparent that economic conditions in Canada, the United States and in other parts of the world where Canada sells the output of her forest industry, were deteriorating quickly. Only twelve months previously demand was at an all-time peak and showed every evidence of continuing unabated for a long period.

Coincident with the dramatic change in the market, the Canadian Paperworkers Union made known in March its objectives for a new contract. Basically, their demands were for an increase of 41% and full cost-of-living protection for a one-year contract.

These demands were made in the face of wages in the pulp and paper industry which already were 15% or more over similar wages in the United States.

It became readily apparent that this export-oriented industry in Canada could not afford the luxury of settlements of this magnitude and that a major confrontation was inevitable.

It became evident to all customers, particularly those in the newsprint sector, that lengthy strikes would result. These customers, showing foresight, stocked heavily in the first six months of the year. This inventory program coincided with the most dramatic downturn in consumption in many decades. Most publishers' consumption was off significantly.

The economic slump and low building starts in the United States also reduced the demand for pulp and even more so for lumber. By mid-year many lumber mills were shut down for lack of orders and others were on short time.

Our local unions began to strike on July 9. All Abitibi mills in Canada, except Pine Falls and Georgetown where our contract is with United Paperworkers International Union, were down by August 12. The Price mills at Gaspesia and Kenogami were closed in September and the Grand Falls mill in November. Some 6,000 employees were directly involved in the strike at Abitibi and Price and another 6,700 were indirectly affected by layoffs. A severe strain was placed on many employees who remained in their positions.

By the end of November most C.P.U. locals in eastern Canada were on strike. The industry in British Columbia was on strike throughout the third quarter and only returned to work by force of legislation on October 10.

On October 14, the government introduced its Anti-Inflation Program and set down guidelines for wage increases over the next three years, far below union demands.

Our ambition was to restrain wage increases and, hopefully over a three-year period, to approach parity with the rates being paid in the United States. This is essential for the Canadian forest products industry to maintain its competitive position in the market place.

This serious labour problem took place in a country facing rampant inflation. Excessive government spending coupled with very high wage settlements in the public sector, Federal—Provincial—and Municipal, only served to feed the expectations of all sectors of our economy.

The results were a catastrophe for your company and for our employees. It is almost impossible to estimate the full cost and, while we are not unmindful of the effect on our shareholders, the hardship for our employees has been dreadful. Our company has had a long history of good relations with our employees but it is the whole Canadian industry, not just Abitibi, that is involved.

We, on our part, have felt a responsibility to keep the industry viable to realize its future potential. This has been reflected by our continuing capital expenditures, research programs and the acquisition of The Price Company. But to accomplish these objectives calls also for a sense of responsibility on the part of the unions.

Sales and Earnings

It is significant to refer to our sales and earnings for the first six months when operations were normal. Sales were $439.8 million and earnings $19.4 million representing $1.04 per common share.

For the full year, our sales were $764.4 million and earnings $13.3 million representing 57¢ per common share. Our losses in the last six months are a result of the prolonged strike.

During 1975 our underwriters successfully placed $157 million in long-term debt and preferred shares which allowed your company to redeem the bridge financing with its bankers covering the acquisition of The Price Company and to augment its working capital position.

Important progress was made in the integration of senior staff linking Abitibi and Price more closely. The co-operation between the two companies has been outstanding as we are both striving to introduce as early as possible the inherent economies of joint action. Your management has been guided strictly by the principle of equal rights for the shareholders of Abitibi and the minority shareholders of Price so the future benefits of this corporate integration will be shared equitably.

The forecast for the Board Products Group in the United States was a substantial loss for the year because of economic conditions in that country. Innovation in new products for this group and many cost reductions led to a substantial improvement in their results and indicate further improvements in 1976. Our major problems are escalation of fuel costs and a very slack market which is not conducive to price changes sufficient to recover cost increases.

Dividends

In 1975, your company paid three quarterly dividends of 20¢ each. In September, because of the serious uncertainty created by the strike, your directors decided to omit the dividend due November 1. Our future dividend policy will depend on the restoration of earnings.

Outlook

In my report to you one year ago, I stated that "Our major concern for the future is inflation and the rapid escalation of our costs of production". Since we are primarily an export industry, these concerns are still uppermost in our thoughts. Our government in its Anti-Inflation Program has taken a giant step forward and we all must fully support this program even though it will produce unfortunate side effects. It is essential that all levels of government take a more responsible approach to spending, as we must do in industry when we face adversity.

The economy in the United States is showing signs of a recovery and this is the most important market for our products. Most economists are predicting generally improved conditions over the next three years and this bodes well for our future.

Putting the mills back in full, efficient production after such a lengthy shutdown will be our most immediate and pressing problem. The people, plants and forest resources are still intact and we are all "raring to go".

We have a serious problem in the fine paper industry. When our labour contract expired we already suffered from a competitive disadvantage. Our base labour rate was some $1.50 per hour higher than comparable mills in the north-east and mid-west sections of the United States.

Over the past seven years the Canadian industry has seen a steady erosion of its share of the fine paper business in the Canadian market. In 1968 imports accounted for 7.2% and, in 1974, 16.3%. For the year 1975, it is estimated that imports will account for approximately 40%. During the last half of the year, when our mills were on strike, imports from the United States have risen to a 50% level.

The Canadian fine paper industry faces a herculean task in regaining the domestic market with U.S. mills still operating below capacity. It is obvious that when the work stoppage ceases we will be resuming operations at a much reduced level with resultant lower employment.

Overcoming the difficulties of last year will be our greatest challenge for 1976 but I am confident that a major hurdle has been passed and the future will hold an increasing demand for our products.

On February 19, 1976, as this report goes to the printer, the Canadian Paperworkers Union advised that their members had approved a wage settlement with the Abitibi mills. This settlement is for three years from May 1, 1975 and provides for 82¢ per hour plus adjustments in the first year, 10% in the second year and 8% in the third year. A similar settlement with Price was obtained on February 12. The mills are commencing operations as quickly as possible.

Your directors wish to recognize the efforts of all employees who rallied to mitigate the difficulties experienced during the year. Many were required to work excessive hours under adverse circumstances to respond to the problems and challenges that emerged. They deserve our commendation and appreciation.

On behalf of the Board,

T. J. Bell

Chairman and Chief Executive Officer

Toronto, February 16, 1976.

Financial Review

Consolidated net sales for 1975 amounted to $764 million, including The Price Company Limited for the entire year. This compares with sales for the previous year of $552 million, including Price from the date of acquisition on November 21, 1974. During the last six months of 1975 sales were reduced by the strike but were in part maintained through purchases of paper from other producers in Canada, the United States and Scandinavia.

Net earnings were seriously reduced to $13.3 million for the year which compares with $45.9 million in 1974.

As interim financing for the purchase of 5,000,000 common shares of Price in November 1974, Abitibi incurred a bank loan amounting to $111.5 million. In April 1975, a further bank loan in the amount of $4.6 million was incurred to acquire an additional 323,467 shares. Abitibi's controlling interest in Price at December 31, 1975 was 53.8%.

During the course of the year, Abitibi repaid bank loans through the issuance of long-term debt and preferred shares and placed itself in a strong working capital position.

In March, we completed the sale to institutional investors of $57 million 20-year sinking fund debentures which were issued in two series. The Series E debentures are for $42.5 million with interest at 10½%, with a right of prepayment on March 1, 1985 at the holder's option. The Series F are for $14.5 million with interest at 11% and no prepayment feature.

In June, we issued 800,000 preferred shares of the par value of $50 each for a total value of $40 million. These shares are designated as 10% Cumulative Redeemable Preferred Shares, Series B, and are redeemable through the operation of a cumulative sinking fund at the rate of 40,000 shares annually beginning in June 1976.

In October, we sold to institutional investors in the United States, $60 million (U.S.) Series G sinking fund debentures with interest at 11⅜%, maturing October 31, 1995.

In addition to the above, Abitibi Corporation arranged a revolving bank credit with its U.S. bankers for $10 million (U.S.). The rate of interest varies to a maximum of ⅝% over the lender's prime rate and the credit may be converted into a four-year term loan at the company's option prior to April 1, 1978. At December 31, 1975, this credit had been drawn down to the extent of $8 million.

Consolidated net cash resources at December 31, 1975 amounted to $56 million. It is anticipated that cash will be depleted after the strike is settled due to heavy start-up expenses, rebuilding of accounts receivable and a backlog of other obligations.

At the outset of 1975 planned capital expenditures were $40 million for Abitibi and $55 million for Price. This program was modified during the year and then deferred as mills were closed by the strike. Actual expenditures for the year amounted to $26.7 million for Abitibi and $44.3 million for Price for a total of $71 million. For 1976 the capital expenditure program is being completely rescheduled and it is presently anticipated that expenditures will amount to $24 million for Abitibi and $30 million for Price for a total of $54 million.

Funds utilized for the retirement of long-term debt were $11.6 million in comparison with $10.5 million during the previous year. Long-term debt increased as a result of the two debenture issues and the revolving bank credit and now stands at $255.5 million. Repayments amounting to not less than $10.5 million will be made in 1976.

The consolidated balance sheet at December 31, 1975 reflects the minority shareholders' interest in Price of $107.5 million. This consists of the following:

The Price Company Limited	
Preferred share equity	$ 3,750,000
Common share equity —46.2%	94,027,000
Price subsidiary companies, principally Gaspesia Pulp and Paper Company Ltd. in which The New York Times has a 49% interest	9,748,000
	$107,525,000

On June 23, 1975, the federal government introduced a new investment tax credit which has the effect of reducing the cost of capital expenditures made after that date and before July 1, 1977. Prescribed types of buildings, machinery and equipment acquired for specified purposes are eligible for a credit against federal income taxes otherwise payable. The applicable credit for 1975 amounted to $705,000 of which $426,000 was applied to reduce income tax expense and the balance was credited to deferred income taxes.

On October 14, 1975, the federal government of Canada instituted an anti-inflation program under the direction of a newly-formed Anti-Inflation Board. Companies in the Canadian pulp and paper industry, together with other Canadian companies, are subject to controls on prices, profits, employee compensation and dividends and will be subject to a levy on earnings from export sales. As a result of this program, Abitibi has established a task force to co-ordinate its activities relating to the Anti-Inflation Board. The primary purpose of this committee is to plan, implement and monitor a system of practices and procedures in Abitibi and its subsidiaries for operating within the regulations. An appraisal of the full impact of this program on the company is impractical at this time.

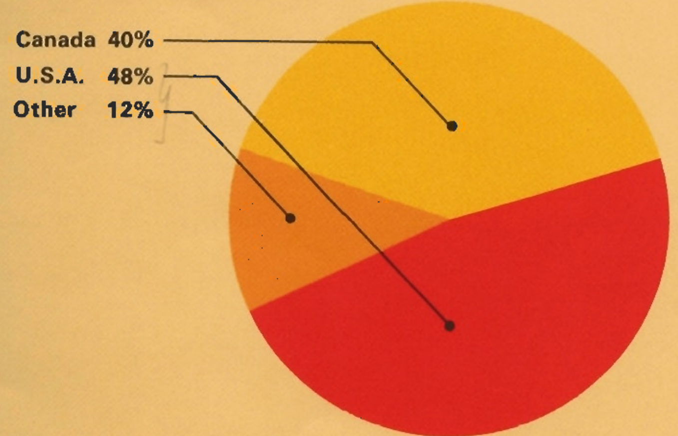
Net Sales and Net Earnings by Quarters
(thousands of dollars)

	Net Sales		Net Earnings	
	1975	1974	1975	1974
1st quarter	$206,197	$121,914	$ 9,063	$11,910
2nd quarter	233,585	133,205	10,380	11,930
3rd quarter	190,371	133,820	247	12,098
4th quarter	134,231	162,954	(6,361)	9,942
	$764,384	$551,893	$13,329	$45,880

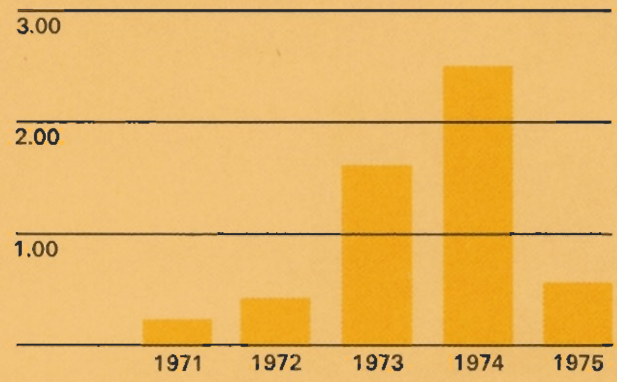
Net Sales by Products
(thousands of dollars)

	1975	1974
Newsprint and groundwood specialty papers	$426,849	$252,871
Fine papers including merchant and converting operations	126,355	157,746
Paperboard, kraft paper and packaging	54,822	32,620
Pulp	8,684	12,710
Lumber	25,600	13,378
Building products	75,526	77,319
Converted and resale products of Price Wilson	46,548	5,249
	$764,384	$551,893

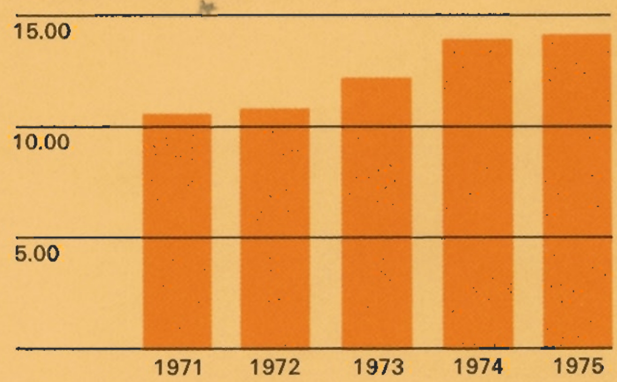
Net Sales By Markets – 1975



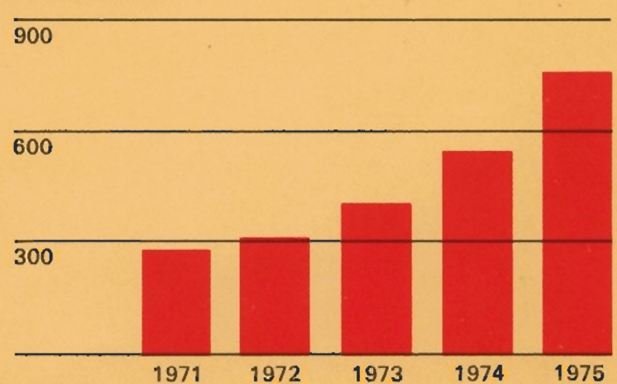
Net Earnings Per Common Share
dollars



Equity Per Common Share
dollars



Net Sales
millions of dollars



Consolidated Net Earnings

(thousands of dollars except per share calculations)

	Year Ended December 31 1975	1974
Sales, less delivery expenses	$764,384	$551,893
Other income (note 3)	6,407	5,681
	770,791	557,574
Cost of sales	616,485	423,254
Selling, general and research expenses	59,704	36,662
Depreciation and depletion	42,071	21,243
Interest and expense on long-term debt	16,240	7,611
Other interest	6,265	1,787
	30,026	67,017
Income taxes	15,141	30,099
Minority shareholders' interest in after-tax earnings	6,401	1,156
	8,484	35,762
Mining income (note 4)	4,845	10,118
Net earnings	$ 13,329	$ 45,880
Net earnings per common share – before mining income	$ .36	$ 1.94
– mining income	.21	.56
– total	$ .57	$ 2.50

Consolidated Retained Earnings

(thousands of dollars)

	Year Ended December 31 1975	1974
Retained earnings at beginning of year	$202,889	$169,490
Net earnings	13,329	45,880
	216,218	215,370
Dividends declared – preferred shares	2,622	718
– common shares	7,239	11,763
Expenses of preferred share issue, net of income taxes (note 9)	1,090	—
Retained earnings at end of year	$205,267	$202,889

Changes in Consolidated Financial Position

(thousands of dollars)

	Year Ended December 31 1975	1974
Working Capital Provided By:		
Net earnings	$ 13,329	$ 45,880
Charges (credits) to earnings not affecting working capital:		
Depreciation and depletion	42,071	21,243
Deferred income taxes	8,887	5,043
Minority shareholders' interest	6,863	1,295
Equity in earnings of Mattabi Mines Limited	(4,307)	(9,976)
Other	(966)	(510)
Funds from operations	65,877	62,975
Issue of long-term debt	126,154	948
Issue of preferred shares	38,590	—
Disposal of fixed assets	3,217	2,557
Decrease in investments	1,116	1,912
Dividends from Mattabi Mines Limited	7,200	2,000
Other items – net	531	21
	242,685	70,413
Working Capital Used For:		
Acquisition of subsidiary companies	—	136,689
Less: Working capital of companies acquired	—	120,240
	—	16,449
Additional investment in subsidiary company	4,609	—
Additions to fixed assets	71,041	35,460
Reduction of long-term debt	11,645	10,487
Retirement of preferred shares	174	227
Dividends:		
Shareholders of the Company	9,861	12,481
Minority shareholders of subsidiary companies	4,280	1,943
	101,610	77,047
Increase (Decrease) in Working Capital	141,075	(6,634)
Working Capital at Beginning of Year	87,948	94,582
Working Capital at End of Year	$229,023	$ 87,948

Consolidated Balance Sheet

(thousands of dollars)

ASSETS	December 31 1975	December 31 1974
Current Assets:		
Cash and short-term investments	$ 61,414	$ 54,714
Accounts receivable	84,339	126,400
Income taxes recoverable	11,800	—
Inventories (note 6)	175,065	149,659
Prepaid expenses	4,407	4,323
	337,025	335,096
Fixed Assets:		
Properties, plant and equipment	740,498	689,413
Logging equipment and development	39,137	32,434
Woodlands and mining and water power rights	43,819	43,890
	823,454	765,737
Less – accumulated depreciation and depletion	345,249	312,752
	478,205	452,985
Other Assets:		
Equity in Mattabi Mines Limited (note 5)	18,605	21,498
Receivables not currently due	6,857	6,047
Investments (note 7)	8,042	9,989
Cost of shares of acquired companies in excess of values attributed to underlying net assets, less accumulated amortization	20,341	20,393
Unamortized discount and expense on long-term debt	1,849	895
	55,694	58,822
	$870,924	$846,903

The financial statements have been approved by the Board:

T. J. Bell, Director

C. H. Rosier, Director

LIABILITIES	December 31 1975	1974
Current Liabilities:		
Bank indebtedness	$ 5,378	$114,838
Accounts payable and accrued liabilities	84,667	78,499
Income and other taxes payable	7,475	39,451
Dividends payable	—	3,620
Long-term debt due within one year (note 8)	10,482	10,740
	108,002	247,148
Long-Term Debt (note 8)	255,522	139,163
Deferred Income Taxes	91,299	80,940
Unrealized Gain on Translation of Foreign Currencies	4,047	6,498
Minority Shareholders' Interest	107,525	110,795

SHAREHOLDERS' EQUITY

Preferred Shares (note 9)		
Authorized: 1,000,000 shares par value $50 issuable in series (1,000,000 shares issued; 14,770 shares purchased and cancelled)		
Outstanding: 185,230 7½% Cumulative Redeemable Preferred Shares, Series A (1974 – 189,380 shares)	9,261	9,469
800,000 10% Cumulative Redeemable Preferred Shares, Series B	40,000	—
Common Shares (note 10)		
Authorized: 24,000,000 shares without nominal or par value		
Issued: 18,097,369 shares (1974 – 18,097,369 shares)	50,001	50,001
Retained Earnings	205,267	202,889
	304,529	262,359
	$870,924	$846,903

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Principles of Consolidation
The consolidated financial statements include the accounts of Abitibi Paper Company Ltd. and all companies in which it holds more than a 50% interest. Investments in companies in which Abitibi holds a major interest, but not more than 50%, are included in the consolidated financial statements in accordance with the equity method of accounting.

The cost of shares of acquired companies in excess of values attributed to underlying net assets is recorded as an asset on the consolidated balance sheet. The excess of cost of shares for companies acquired prior to 1974 is not being amortized. For lumber companies acquired during 1974 the excess of cost of shares is being amortized on a straight-line basis over 20 years.

(b) Translation of Foreign Currencies
Balances and transactions in other currencies have been translated into Canadian dollars as follows:

Fixed assets and investments at exchange rates in effect at dates of acquisition;

Other assets and liabilities at rates in effect at December 31;

Revenue and expenses at rates prevailing during the year, except depreciation and depletion which are on the same basis as the related fixed assets.

The unrealized gain on translation of long-term debt payable in United States funds is deferred on the balance sheet. Realization of this gain is dependent on the exchange rate in effect when the debt is retired.

(c) Inventories
Inventories of finished products, work in process and materials and operating supplies are valued at the lower of average cost and net realizable value. Inventories of pulpwood and sawlogs are valued at average cost.

(d) Fixed Assets and Depreciation
Fixed assets are recorded substantially at cost. Depreciation is provided at rates considered adequate to amortize the cost over the productive lives of the assets. The principal asset category is primary production equipment which is depreciated over 20 years on a straight-line basis. Timber limits are depleted on the unit-of-production basis to the extent of amounts allowable for income tax purposes.

(e) Discount and Expense on Long-Term Debt
Discount and expense on long-term debt is amortized over the terms of the related obligations.

(f) Research and Development
Research and development expenditures are written off when incurred except for expenditures on physical facilities which are capitalized and depreciated on a straight-line basis over their estimated useful lives.

(g) Pension Costs
Pension costs are charged to earnings as Company contributions are made to the pension plans.

(h) Income Taxes
Earnings are charged with income taxes relating to reported profits. Differences arise between such taxes and taxes currently payable due to including items of revenue and expense (such as depreciation) in reported profits in periods other than those in which they are taken up in the calculation of taxable income. These differences are reflected in Deferred Income Taxes on the balance sheet.

(i) Earnings Per Common Share
Earnings per common share calculations are based on the average number of shares outstanding during the year and are computed after allowing for dividends on preferred shares.

2. Interest in Subsidiary Company

During 1975 Abitibi purchased an additional 323,467 common shares of The Price Company Limited for a cash consideration of $4.6 million. At December 31, 1975 it held 53.8% of Price's outstanding common shares.

3. Other Income

	1975	1974
Interest and miscellaneous income	$ 4,375,000	$ 4,375,000
Gain on current maturities of long-term debt	934,000	707,000
Gain on disposals of fixed assets	1,098,000	599,000
	$ 6,407,000	$ 5,681,000

4. Mining Income

	1975	1974
Mining income of The Price Company Limited	$ 2,137,000	$ 438,000
Less: Income taxes	1,137,000	157,000
Minority shareholders' interest in after-tax earnings	462,000	139,000
	538,000	142,000
Equity in earnings of Mattabi Mines Limited	4,307,000	9,976,000
	$ 4,845,000	$10,118,000

5. Mattabi Mines Limited

Abitibi owns 40% of the common shares of Mattabi Mines Limited and its investment is carried at the nominal cost of $3 plus its interest in undistributed earnings in accordance with the equity method of accounting.

The following is a condensed summary of the financial position of Mattabi as shown by its audited financial statements at December 31:

Assets	1975	1974
Current assets	$22,764,000	$38,681,000
Fixed assets, at cost less accumulated depreciation	26,519,000	28,518,000
Other assets, primarily pre-production and deferred development expenditures at cost less amounts written off	5,571,000	5,961,000
	$54,854,000	$73,160,000
Liabilities and shareholders' equity		
Current liabilities	$ 5,718,000	$16,790,000
Capital stock	2,625,000	2,625,000
Retained earnings	46,511,000	53,745,000
	$54,854,000	$73,160,000
Net earnings	$10,766,000	$24,940,000
Abitibi's equity in Mattabi		
Equity at beginning of year	$21,498,000	$13,522,000
Equity in earnings	4,307,000	9,976,000
	25,805,000	23,498,000
Dividends received	7,200,000	2,000,000
Equity at end of year	$18,605,000	$21,498,000

6. Inventories

	1975	1974
Finished products and work in process	$ 42,843,000	$ 41,497,000
Pulpwood, sawlogs and expenditures on current logging operations	92,539,000	62,474,000
Materials and operating supplies	39,683,000	45,688,000
	$175,065,000	$149,659,000

7. Investments

	1975	1974
At Cost:		
Marketable shares (market value $988,000)	$ 1,202,000	$ 1,202,000
Bonds, debentures and notes	1,932,000	1,435,000
Townsite mortgages and advances	2,485,000	3,005,000
Other	2,375,000	2,683,000
Investment in companies accounted for on an equity basis other than Mattabi	48,000	1,664,000
	$ 8,042,000	$ 9,989,000

8. Long-Term Debt

	1975	1974
Abitibi Paper Company Ltd.		
First Mortgage Sinking Fund Bonds		
6¼% Series C, maturing 1977	$ 1,844,000	$ 2,843,000
Sinking Fund Debentures		
5¼% Series A, maturing 1985	12,776,000	13,279,000
7¼% Series B, maturing 1987	12,332,000	12,332,000
9¾% Series D, maturing 1990	14,948,000	14,948,000
10½% Series E, maturing 1995	42,500,000	—
11% Series F, maturing 1995	14,500,000	—
11⅜% Series G, maturing 1995	60,960,000	—
Abitibi Corporation and subsidiary companies:		
Revolving Bank Credit, maximum interest ⅝% above lender's prime rate	8,128,000	—
Instalment Note bearing interest at ⅜% above lender's prime rate maturing 1981	3,810,000	5,203,000
5⅛% Instalment Notes maturing 1984	8,230,000	8,721,000
5½% Instalment Note maturing 1986	11,176,000	11,892,000
7⅜% Instalment Notes maturing 1988	15,240,000	15,856,000
5¼% Instalment Note maturing 1991	3,269,000	3,319,000
Miscellaneous Notes	4,733,000	5,936,000
The Price Company Limited and subsidiary companies		
Sinking Fund Debentures		
5¾% Series A, maturing 1982	11,100,000	12,300,000
6¾% Series B, maturing 1987	22,200,000	23,500,000
5½% Sinking Fund Notes maturing 1985	11,298,000	12,120,000
6% Subordinated Sinking Fund Notes maturing 1986	5,202,000	5,550,000
Sundry indebtedness	1,758,000	2,104,000
	266,004,000	149,903,000
Less: Amount due within one year	10,482,000	10,740,000
	$255,522,000	$139,163,000

Sinking fund and instalment payment obligations for 1976 on long-term debt amount to $10,970,000 of which $488,000 has been discharged by prior purchase and retirement. Principal repayment obligations on long-term debt for the years 1977 to 1980 inclusive are estimated to be $12,750,000, $12,450,000, $10,900,000 and $12,350,000, respectively.

Long-term debt payable in U.S. dollars included above aggregated $142,541,000 U.S. at December 31, 1975 (1974 – $82,619,000 U.S.).

Abitibi Paper Company Ltd. has effectively guaranteed payment of outstanding long-term debt of Abitibi Corporation and subsidiary companies amounting to $35,193,000 U.S. at December 31, 1975.

9. Preferred Shares

A cash amount of $38,590,000 was received in June 1975 for the Series B shares after deducting issue expenses of $1,410,000. These expenses, net of related taxes of $320,000, have been charged directly to consolidated retained earnings.

The Series A shares are redeemable at the option of Abitibi at $52 per share from June 1, 1978 to May 31, 1983 and thereafter at $51 per share. During 1975, 4,150 Preferred Shares, Series A with a par value of $207,500 (1974 – 4,850 shares with a par value of $242,500) were purchased and cancelled pursuant to the conditions attaching to this series.

The Series B shares are redeemable through the operation of a cumulative sinking fund at the rate of 40,000 shares annually beginning in June 1976. The Series B shares are otherwise redeemable at $52.50 per share up to June 15, 1981 and at declining prices thereafter.

10. Common Shares

Of the authorized and unissued common shares, 731,033 shares are reserved under the Key Employees' Stock Option Plan and options are outstanding on 687,765 shares at prices equal to market value at date of grant, ranging from $7.3125 to $11.375 per share, of which options in respect of 461,334 shares are held by senior officers of Abitibi. Options are for terms of up to ten years and are exercisable mostly in instalments upon fulfillment of service conditions.

The Plan was amended in 1973 to provide for the use of a market growth formula at date of exercise for all subsequent options and to permit this as an alternative for options then outstanding. In accordance with this formula, the market growth amount is determined by multiplying the number of shares with respect to which the option is exercised by the excess of market value per share at date of exercise over market value at date of grant. Shares to this value are issued in consideration of the relinquishment by the optionee of his option right to the remaining shares in the calculation of the market growth amount and the payment of one cent per share issued.

There were no shares issued in 1975 (94 in 1974) under the terms of the Plan.

11. Remuneration of Directors and Officers

Remuneration in 1975 of Abitibi's 17 directors and 33 officers, including past officers, determined in accordance with the Canada Corporations Act, amounted to $72,117 and $1,533,378, respectively. Five officers of Abitibi served also as directors.

12. Capital Projects

An estimated $63,500,000 will be required in 1976 and future years to complete approved capital projects.

13. Lease Obligations

Abitibi and its subsidiaries are committed under leases, principally for office and warehouse premises, woods equipment and charter vessels, for varying terms expiring up to 1999. The aggregate rental payments required for the 12 months ending December 31, 1976 under leases having an unexpired term of more than one year at December 31, 1975 are $10,394,000, of which $6,936,000 is attributable to leases having an unexpired term of more than three years and $3,919,000 is attributable to leases having an unexpired term of more than five years.

14. Unfunded Pension Benefits

The most recent independent actuarial reports indicate that the single-sum liability for unfunded past service pension benefits not provided for in the accounts at December 31, 1975 is approximately $43,500,000, and that, at the current rate of Company contributions, the pension plans will be substantially funded by December 31, 1990.

15. Anti-Inflation Program

Abitibi and its Canadian subsidiaries are subject to controls on prices, profits, employee compensation and dividends instituted by the federal government effective October 14, 1975 and will be subject to a levy on export profits to be effective from the same date. There are a number of uncertainties concerning the implementation of this program so that the impact on future operations cannot be accurately determined. Abitibi has used its best efforts to comply with the guidelines since their announcement.

Auditors' Report

To the Shareholders of ABITIBI PAPER COMPANY LTD.:

We have examined the consolidated balance sheet of Abitibi Paper Company Ltd. and subsidiary companies as at December 31, 1975 and the consolidated statements of net earnings, retained earnings and changes in financial position for the 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. We have relied on the report of other chartered accountants as to the equity of Abitibi Paper Company Ltd. in the earnings of Mattabi Mines Limited.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, February 16, 1976

Five Year Review

(thousands of dollars except per share calculations)

	1975	1974	1973	1972	1971
Sales and Earnings					
Sales, less delivery expenses	$764,384	$551,893	$403,536	$307,751	$279,434
Depreciation and depletion	42,071	21,243	17,732	16,646	16,682
Income taxes	15,141	30,099	15,030	5,346	2,933
Mining income	4,845	10,118	11,755	1,767	—
Earnings from operations	13,329	45,880	30,552	8,516	4,123
Extraordinary gain (loss)	—	—	(670)	—	728
Net earnings	13,329	45,880	29,882	8,516	4,851
Per common share – before mining income	$ .36	$ 1.94	$ 1.00	$ .34	$ .19
– mining income	$ .21	$ .56	$ .66	$ .09	—
– net earnings	$ .57	$ 2.50	$ 1.62	$ .43	$ .23
Dividends Declared					
Preferred shares	$ 2,622	$ 718	$ 730	$ 731	$ 742
Common shares	7,239	11,763	4,954	1,257	—
Per common share	40¢	65¢	27½¢	7¢	—
Fixed Asset Expenditures					
Properties, plant and equipment	$ 58,294	$ 28,638	$ 18,712	$ 10,904	$ 9,481
Logging equipment and development	12,203	6,787	3,333	551	702
Woodlands	544	35	102	202	102
Financial Position					
Working capital	$229,023	$ 87,948	$ 94,582	$ 89,619	$ 84,660
Fixed assets, at net book values	478,205	452,985	228,811	225,577	230,357
Other assets	55,694	58,822	41,997	32,472	30,911
Long-term debt	255,522	139,163	97,592	106,060	112,769
Deferred income taxes	91,299	80,940	33,592	31,122	30,011
Unrealized gain on translation of foreign currencies	4,047	6,498	5,003	5,633	5,448
Minority shareholders' interest	107,525	110,795	—	—	—
Shareholders' equity	304,529	262,359	229,203	204,853	197,700
Shareholders' Equity					
Preferred shareholders	$ 49,261	$ 9,469	$ 9,772	$ 9,810	$ 9,816
Common shareholders	255,268	252,890	219,431	195,043	187,884
Common shares outstanding (thousands)	18,097	18,097	18,097	17,953	17,884
Equity per common share	$ 14.11	$ 13.97	$ 12.13	$ 10.86	$ 10.51

Primary Production

Abitibi

	Newsprint Paper	Groundwood Specialty Papers	Fine and Printing Papers	Building Boards	Paper-boards	Market Pulp	Lumber
	Tons	Tons	Tons	Msf	Tons	Tons	Mfbm
1975 Annual Capacity	1,240,000	60,000	188,000	775,000	94,000	119,000	165,000
Production 1975	792,200	12,300	76,600	583,100	29,600	45,900	62,600
1974	1,221,500	29,600	183,000	612,300	76,800	120,100	79,300
1973	1,190,200	25,400	172,200	601,200	81,100	110,200	38,400
1972	980,100	32,000	145,300	570,400	78,500	112,800	29,700
1971	967,000	22,200	130,000	510,200	75,800	104,900	21,500

A significant portion of market pulp production (more than 50% in 1975) is consumed in the manufacture of primary paper products at other Abitibi mills.

Price

	Newsprint Paper	Groundwood Specialty Papers	Kraft Paper	Paper-boards	Lumber
	Tons	Tons	Tons	Tons	Mfbm
1975 Annual Capacity	1,089,000	34,000	50,000	75,000	200,000
Production 1975	862,000	11,000	31,000	53,000	66,000
1974	1,008,000	28,000	52,000	63,000	158,000
1973	974,000	20,000	37,000	41,000	193,000
1972	1,085,000	27,000	49,000	61,000	171,000
1971	964,000	20,000	44,000	59,000	140,000

In addition to the above primary production Price sells a small amount of market pulp which is residual capacity not required for kraft paper and paperboard operations.

Newsprint and Groundwood Specialty Papers

One of the first major consolidation moves following Abitibi's acquisition of a majority interest in Price was the setting up of Abitibi-Price Sales Ltd.

The new company, equally owned by Abitibi and Price, consolidates the marketing operations for newsprint and groundwood specialties. It is responsible for selling the output of the seven mills of Abitibi and the five mills of Price. The combined capacity of approximately 2.4 million tons annually makes this the largest newsprint marketing organization in the world.

From the customer standpoint, the multiplicity of mills provides greater supply assurance and often less transit time in delivery. The widely located regional offices will provide improved technical and sales services.

In time, as circumstances permit, the wide-spread locations of producing facilities of Abitibi and Price will provide transportation economies through customer shipments from closer mills. These cost savings, as well as new business, will be shared equally by both companies.

Abitibi and Price entered 1975 with backlogs of newsprint and groundwood specialty orders. Actual consumption in the major U.S. market had started to decline in late 1974 but the fear of impending labour difficulties induced customers to build higher inventories.

Although order backlogs gradually decreased in the first half of the year demand continued sufficiently strong to sustain newsprint operations at close to capacity at Abitibi and Price plants. By August, however, publisher inventories had reached all-time high levels. The offshore market was also experiencing high inventories and softening demand.

Work stoppages, first at Abitibi, then at Price and throughout the industry, affected the majority of Canadian newsprint mills during the last half of the year. The few mills that continued to operate enjoyed capacity production levels despite the fact that customers had started to work off their very high stocks.

Abitibi's mills at Pine Falls, Manitoba, and Augusta, Georgia, and Price's mills at Alma, Quebec, and DeRidder, Louisiana, operated throughout the year. Abitibi-Price Sales was able to meet its customer requirements from the production of these four mills and purchases from other Canadian, United States and Scandinavian companies.

By year end, customers' inventories were reduced to normal levels but no customer suffered serious curtailment of operations as a result of shortages. As the work stoppages continued into 1976, customer inventories became dangerously low and some had to effect economies in newsprint usage in order to protect their operations.

The existing low inventory will generate a higher operating level as work is resumed. Improvement is anticipated in the actual rate of consumption in the United States but little or no improvement in offshore markets.

The confused state of the market and interruption of normal operations make it difficult to forecast demand. Good business should exist from the resumption of operations until mid-year and hopefully be sustained throughout the balance of 1976 as a result of gradually improving economic conditions in the United States, our prime market.

Groundwood specialty papers did not sustain the same strong demand in early 1975 as did newsprint and reflected more quickly the timing and intensity of the U.S. recession. This resulted in cutbacks in operating levels at the groundwood specialty mills of both Abitibi and Price. Operations will continue depressed until customers, who have turned to various substitutes,

resume ordering these paper grades.

In newsprint production the 12 mills operated by Abitibi and Price have been reorganized into three regions, each with four mills and a vice-president in charge of manufacturing. By making the best use of people and processes, substantial long-term benefits will accrue to newsprint manufacturing operations of both companies.

Further advances and continued research are taking place in the development of high-quality refiner pulp. This is the most important new development in newsprint manufacturing in many years and Abitibi-Price is well in the forefront of this most promising process improvement. It appears that refiner pulp can replace chemical pulp used in newsprint which will offer a number of important advantages including sharply reduced pollution, improved fibre yields from wood and a better quality product.

Due to the prolonged strike, some capital projects have been deferred, the most significant being the planned $25 million conversion of Price's Alma, Quebec, mill to refiner groundwood production. Also the continuing program of modification and improvements planned for most mills has been stopped by the strike and will have to be rescheduled following the resumption of mill operations.

Fine Papers

It was a trouble-filled year for the fine paper industry. Reflecting the slowing economy, the North American market started to ease in the latter part of 1974 and became progressively softer through most of 1975. During a good part of this period customers were intent on working down stocks. The long Canadian postal strike had a further unsettling effect on the market in the latter part of the year.

Industry shipments were off 35% during the first half compared to the same period during the record 1974 year. Then strike action closed most industry mills during a large part of the second half.

During the first six months of 1975 Abitibi retained its share of the market. In mid-July our two major producing mills at Thorold and Thunder Bay were shut down by work stoppages

but the conversion coating mill at Georgetown continued to operate throughout the year.

Despite the prolonged industry shutdown, the graphic arts trade was able to operate with little disruption because of effective co-operation with customers and outside supply sources.

Our greatest concern is the time that will be required for the Canadian fine paper industry to recover its competitive position in the domestic market. U.S. producers have been filling the gap while Canadian mills were closed. The purchasing habits of many customers have changed during this period. Also, longer U.S. production runs and lower labour costs, tempered by only moderate tariffs, provide U.S. producers with a strong competitive position. It will take time for Canadian producers to regain their market.

Hilroy Limited

Sales and earnings for the year were highly satisfactory in the school, home and office stationery business. In the latter part of the year volume eased, reflecting economic conditions and a reduction in customer inventories.

We are anticipating improved volume in 1976. The introduction of new products in all facets of the business will also contribute to higher sales.

Canada Envelope Company

Company and industry production of envelopes were significantly lower than in the record 1974 operating year. Bookings started to fall off in the early part of the year and by April layoffs took place in most of the company's plants. By September incoming orders had started to improve but the upturn was short-lived as many direct mail campaigns were cancelled due to the postal strike. We are looking forward to a more normal operating year in 1976.

Our plants are among the most efficient in the industry. The company continued its program of modernization by recently installing a new roll-fed envelope machine in the Montreal plant.

Inter City Papers Ltd. and Hillier Paper Limited

In these paper merchant operations, sales and earnings declined by approximately 10% from the record highs of 1974.

In July 1975 the two old established Ontario paper merchants, United Paper Mills and Whyte-Hooke Papers, were merged into one company operating under the name of Inter City Papers. Their new home in Mississauga, Ontario is a model for a warehouse function.

Sales are expected to increase at much the same rate as the economy recovers from recession. We expect earnings to improve from higher sales, more effective operation of the new facilities and with relocation expenses behind us.

Paperboard, Kraft Paper and Packaging

The market for these products became soft late in 1974 and this situation continued through 1975. Reduced volume and rising costs resulted in a disappointing operation.

The corrugating medium operation at Sturgeon Falls was closed in July by the strike. Similarly, the Price kraft paper machine at Kenogami was shut down in later September. However, the paperboard machine, located in a separate mill at Kenogami, continued to operate.

On February 9, 1976, a serious fire occurred in the paperboard mill at Kenogami. Fortunately there were no personal injuries. The damage is considerable and paperboard production will not resume for an estimated two months. Property damage and loss of profits are adequately covered by insurance.

Demand for corrugated containers in Canada was soft during the first half of 1975. An upsurge developed in the last half and our fourth quarter shipments were at record levels. Selling prices were held down due to intense competition while costs continued to escalate. Therefore, overall 1975 profit margins were lower.

Building Products

Canada

Early in 1975 we discontinued the production of industrial and wood-grained hardboard panelling at Sturgeon Falls and began concentrating entirely on our line of exterior siding products. At the same time, an arrangement was made with Canfor, Ltd. to become our exclusive sales agent in Canada and siding is now being distributed through its network of 29 strategically-located warehouses.

Although the demand for siding was soft during the first quarter, it picked up significantly by mid-year and we were shipping at record levels until the plant was closed by the strike. In view of an improved housing forecast for 1976 and a need to fill our supply lines, we believe that the siding plant will operate at capacity once production is resumed.

United States

As predicted, the steep economic recession of 1974 continued into 1975 but an upturn began last May which is expected to continue through 1976. Net sales for 1975 were up 12% from the previous year. Unfortunately, increased costs, particularly for energy, continued to put severe pressure on earnings.

U.S. housing starts for 1975 amounted to approximately 1.2 million units, down substantially from the 1974 level of 1.4 million and represented the lowest level of starts since 1946. Housing analysts generally expect starts

for 1976 will be about 1.5 million, representing a healthy improvement over 1975 even though well below the 2.0 million level achieved in 1971, 1972 and 1973.

There was upward cost pressure throughout 1975 and, although we were able to raise prices slightly, these increases were not sufficient to offset higher costs incurred over the past two years. Much effort went into decreasing controllable costs and operating efficiencies improved at all plants. A new energy conservation plan is generating significant cost savings.

We successfully developed thirty new products during 1975. Among the most notable were simulated brick and stone panels and a new exterior shingle design called Great Random Shakes. Eleven of these new products were introduced late in 1975 and should stimulate sales in 1976. In December, we established a large distribution warehouse in Toledo, Ohio, which will allow us to improve customer service resulting in increased operating efficiencies at the Alpena, Michigan, plant.

Intense competition prevented us from raising prices sufficiently during the year to offset higher costs. We were successful in increasing our share of market in hardboard products and expect this trend to continue in 1976. With a brighter economic environment and an array of new product introductions, we are more optimistic about 1976 results.

Pulp

Due to market conditions and reduced fine paper operations, the bleached kraft pulp mill at Smooth Rock Falls operated at only 65% capacity during the first half of the year. Strike action closed the mill from July on.

Though some improvement in North American pulp consumption has taken place early in 1976, sizeable inventories still overhang the market. Much of these stocks will have to be worked off before normal supply-demand conditions are restored.

Lumber

Abitibi and Price will together provide one of the largest and best-balanced lumber production and marketing operations in Canada. The combined capacity of the eight sawmills that will be operative by mid 1977 will be in excess of 500 million board feet annually.

Separate lumber marketing operations are being consolidated into one group. This will enhance the market image and the competitive strength of the combined operation.

One of the largest sawmills east of the Rockies, Price's new Peribonca mill at L'Ascension, Quebec, came into operation in December. It has a designed capacity of 120 million board feet annually.

Completion of Abitibi's new sawmill at White River, Ontario, has been deferred to the spring of 1977 because of economic conditions.

The level of housing construction, particularly in the U.S., is the predominant factor in the fortunes of the Canadian lumber industry and, as mentioned above, 1975 housing starts in the U.S. slumped to their lowest level since 1946. As a result of this reduced housebuilding activity, lumber demand and prices declined to levels which forced the closing of many sawmills. Furthermore, the market for sawmill residue was eliminated by the strike which shut down most of Eastern Canada's pulp and paper mills. The combination of these adverse factors closed most of Abitibi's and Price's sawmills during the last half of the year.

If the housebuilding market in the U.S. and Canada improves as anticipated, the demand for lumber will strengthen during 1976. The lower-cost sawmills will be the first to be reactivated.

Price Wilson Limited

This wholly-owned subsidiary of Price manufactures paper products such as folding cartons, bags and towels at Lachute, Quebec. It distributes these products, together with a wide range of other products such as laundry supplies, sanitary maintenance products, medical disposables and "fast food" items, and operates warehouses and distribution facilities in major cities across Canada. In April 1975, it acquired National Distribution Services, Inc. which operates five public warehouses in the United States. All warehouses are leased.

Due to the downturn in the economy, Price Wilson's sales in 1975 remained at the same level as the prior year. Rising costs and start-up expenses for new warehouses adversely affected operating results.

Woodlands

Management of Abitibi and Price woodlands in Eastern Canada is being consolidated and benefits are expected to result in all areas of administration.

The combined woodlands organization will be responsible for 36,000 square miles of forest lands in Newfoundland, Quebec, Ontario and Manitoba. The total wood requirement for Abitibi-Price mill operations in these provinces when operating at full capacity is approximately three million cunits annually. This is the largest woodlands operation east of the Rockies.

The best knowledge and expertise within the two companies is being pooled with a view to developing the most efficient operating systems and forest management techniques.

The basic objective in the forward planning of Abitibi-Price wood-harvesting operations is to increase the yield of usable fibre per acre. Where possible, this involves obtaining the maximum yield from each tree through integration of sawmilling and paper manufacturing processes.

Abitibi's Manitoba timber licence expired in 1975 and was replaced by a 5-year agreement covering an area

designated by the provincial government. Under the new set of conditions provided in the agreement, the area is under the direction of a Forest Management Committee comprised of government and company officials.

The passing of Bill 27 by Quebec in 1975 will result in the retrocession of all timber licences to the Crown. It is expected that negotiations for the retrocession of Abitibi's Beaupré timber licence will commence in 1976. Negotiations with respect to Price's timber licences will start after 1976. The companies will then operate under a supply contract with the government which will assure individual mills of the availability of wood required for full operation.

Abitibi-Price supports the principle of multiple-use of the forests. There is increasing concern, however, over the erosion of the forest land base due to the setting aside of vast areas for single-purpose wilderness use as opposed to multiple-use. Such withdrawals should be viewed with serious concern because of the detrimental effect on the future well-being of the forest products industry.

During 1975 the spruce budworm outbreaks reached serious proportions over large areas of the forest holdings in Quebec. Extensive areas of the most seriously affected forests were sprayed during the year in a stepped-up program to control the infestation.

An intensive silvicultural program designed to triple the softwood fibre yields per acre was introduced during the year for Abitibi's 800 square miles of freehold land in northwestern Ontario. It is planned to examine similar programs for other company freehold lands.

The company co-operated with the Ontario Ministry of Natural Resources in carrying out numerous projects designed to improve regeneration on Crown lands.

Mineral Interests

Mattabi Mines Limited, owned 60% by Mattagami Lake Mines and 40% by Abitibi, operates a base metal mine located near the town of Ignace in northwestern Ontario.

In 1975 Mattabi's earnings were $10.8 million, a significant decline from the $24.9 million earned in 1974. Abitibi's share of these earnings in 1975 was $4.3 million compared with approximately $10 million in 1974. Lower metal prices were the principal factor in these reduced earnings. The company also suffered from rising operating costs and the milling of lower grade ores which, during part of the year, included low grade ore from a stockpile which had oxidized.

Mattabi completed the retirement of its debt during 1974 and in December of that year paid an initial dividend of $5 million to its shareholders. During 1975 the company continued to pay dividends equal to its available cash flow for a total amount of $18 million, of which Abitibi's 40% share was $7.2 million.

Ore reserves at the end of 1975 were estimated at 9.9 million tons, grading 6.70% zinc, 0.74% copper, 0.76% lead and 2.62 ounces silver per ton. During the year development of the underground portion of the orebody commenced with the driving of a 3,500-foot access decline.

Price has a base metal mining operation at Buchans, Newfoundland, which is operated by American Smelting and Refining Company under an agreement by which profits are shared equally between the two companies. This mining operation has been in production for over forty years with the original discovery being augmented from time to time by subsequent finds. Ore reserves are adequate to support operations for four to five years and exploration activities in the area are continuing. In 1975 Price realized after-tax earnings of $1.0 million from this operation compared with $2.7 million in the previous year.

Mineral exploration programs were carried out during the year on Abitibi's freehold lands, on mineral rights held on the Price grant in Newfoundland and in other locations. No commercial orebodies were discovered. Price has entered into a joint venture with Newmont Mining Company of Canada Limited to conduct mineral exploration work in the Bathurst region of New Brunswick and diamond drilling of anomalies has been scheduled for early 1976.

Environmental Control

Conservation and protection of the environment have been company policies for many years throughout the operations of both Abitibi and Price.

We continue to co-operate fully with all levels of federal and provincial regulatory authorities and substantial capital expenditures are being made annually to achieve greater control over environmental problems.

The main thrust of the capital expenditures on environmental control has been on primary treatment systems with priority given to the environmentally-sensitive areas. During this year of curtailed mill operations, about $5.6 million was spent on environmental control including some $200,000 for studies of future control programs carried out by our research personnel, by consultants and by contract work at a university.

The highly successful achievement of zero effluent discharge attained at the Blountstown, Fla. insulating sheathing plant is providing the incentive for similar effluent control programs at the company's Alpena, Mich. and Roaring River, N.C. mills.

Research

Development work continues on a modified refiner groundwood process. This innovation gives promise of a higher quality pulp from which newsprint can be made without the need for the addition of chemical pulp. Success in this development would increase significantly the amount of newsprint produced from a given volume of wood and provide a solution to the environmental control problem of the disposal of chemical pulp waste liquor—a problem common to nine of the Abitibi-Price newsprint mills.

An alternative process, the thermomechanical process, is being investigated on a pilot plant scale at Price's Kenogami mill by the Pulp and Paper Research Institute of Canada. Newsprint has been made from 100% thermomechanical pulp and successfully printed on commercial presses.

The application of refiner mechanical pulping marks a major shift in process technology. A first-hand knowledge of the alternative processes will permit selection of the one most likely to achieve our major aims of eliminating pollution, increasing product yield per cunit of wood and reducing costs.

A major thrust in the research program at the Sheridan Park Research Centre is the monitoring of product quality and performance and the developing of improved processes. A new Cottrell printing press of full commercial speed has improved our research capabilities of determining the quality of newsprint and similar paper grades required to meet the needs of rapidly developing printing processes.

Close co-operation among production, sales and research staff is producing tangible results in product testing and improved quality of products. An extensive series of test houses, clad with new exterior panelboards, is determining the durability of these products. Testing of wallpaper base stock in co-operation with wallpaper manufacturers is improving paper quality. With these and similar product tests, the company is achieving a quality image in the market place.

Personnel

A number of important management moves were made during the year to attain the best use of people, processes and work habits. It was decided that the best way to consolidate operations of Abitibi and Price was to put one person in charge of both operations in each product area. In certain cases Abitibi officials have been given these widened responsibilities and, in others, Price officials. Because of the increasing need for industry to work more closely with governments and the public, we have created a Public Affairs Department. Both companies continue to encourage their employees with tuition aid for educational courses to increase their qualifications and opportunities for advancement.

Our safety program markedly reduced both frequency and severity ratings of employee injuries up to the time of strike action. The improvements were greater in the mills than in the wood-harvesting operations. Special attention is now being directed toward the latter.

In June 1975, James Flintoft, M.C., Q.C., Vice-President and Secretary, died suddenly. Mr. Flintoft had wide public interests and associations while maintaining his devoted interest to Abitibi.

Robert E. E. Costello has become a member of the Royal Commission on Electric Power Planning appointed by the Province of Ontario. A long-time executive of Abitibi and in recent years Senior Vice-President, Corporate Services, his talents will make a valuable contribution to the deliberations of this important Royal Commission.

J. Elliot Cottrelle recently retired as Senior Vice-President after 41 years of service. His efforts in newsprint sales will provide a lasting benefit to the company.

Directors and Officers

Directors

Marcel Bélanger, O.C.
Partner
Bélanger, Dallaire, Gagnon & Associés
Quebec City, Canada

Thomas J. Bell
Chairman of the Board
and Chief Executive Officer
Abitibi Paper Company Ltd.
Toronto, Canada

Edmund C. Bovey
Chairman
Norcen Energy Resources Limited
Toronto, Canada

George M. Brain
Group Vice-President—Fine Papers
Abitibi Paper Company Ltd.
Toronto, Canada

Marsh A. Cooper
President and Managing Director
Falconbridge Nickel Mines Limited
Toronto, Canada

Robert C. Gimlin
President
Abitibi-Price Sales Ltd.
Toronto, Canada

Charles L. Gundy
Chairman
Wood Gundy Limited
Toronto, Canada

Leonard G. Lumbers
Chairman of the Board
Noranda Manufacturing Ltd.
Toronto, Canada

Norman J. MacMillan, Q.C.
Director
Montreal, Canada

General Lauris Norstad
Chairman of Executive Committee
Owens-Corning Fiberglas Corporation
Toledo, Ohio, U.S.A.

The Honorable John P. Robarts
P.C., C.C., Q.C.
Partner
Stikeman, Elliott, Robarts and Bowman
Toronto, Canada

Paul E. Roberts
Boca Raton, Fla., U.S.A.

C. Harry Rosier
President and Chief Operating Officer
Abitibi Paper Company Ltd.
Toronto, Canada

Kenneth R. Thomson
Chairman of the Board and President
Thomson Newspapers Limited
Toronto, Canada

Charles R. Tittemore
President and Chief Executive Officer
The Price Company Limited
Quebec City, Canada

John A. Tory, Q.C.
Partner
Tory, Tory, DesLauriers & Binnington
Toronto, Canada

William O. Twaits, C.C.
President
Sarcalto Limited
Toronto, Canada

Honorary Directors
Douglas W. Ambridge, Honorary Chairman
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New York, U.S.A. (Transfer Agent)

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Auditors

Price Waterhouse & Co.
Toronto, Canada

Abitibi and Price Products, Sales Offices and Plants

Products	Sales and Service	Manufactured at
Newsprint and Groundwood Specialty Papers	**Abitibi-Price Sales Ltd.** Toronto, Ont.; Montreal, Que. **Abitibi-Price Sales Corporation** New York, N.Y.; Des Plaines, Ill.; Atlanta, Ga.; Troy, Mich.; London, Eng.; Buenos Aires, Arg.	Pine Falls, Man.; Thunder Bay, Ont. (2 mills); Sault Ste. Marie Ont.; Iroquois Falls, Ont.; Beaupré, Que.; Alma, Que.; Kenogami, Que.; Chandler, Que.; Grand Falls, Nfld.; Augusta, Ga.; DeRidder, La.
Kraft Pulp	**Abitibi Paper Company Ltd.** Toronto, Ont.	Smooth Rock Falls, Ont.
Paperboard Kraft Paper	**Price Kraft and Paperboard Corporation** Montreal, Que.; Don Mills, Ont.	Kenogami, Que.
Corrugating Medium	**Abitibi Packaging Division** Rexdale, Ont.	Sturgeon Falls, Ont.
Hardboard Woodgrain Hardboard Hardboard Siding Prefinished Plywood Panels Prefinished Mouldings Insulating Sheathing	**Abitibi Corporation Building Products Division** Atlanta, Ga.; Arlington, Tex.; Troy, Mich.; Des Plaines, Ill.; Camphill, Pa.; Hudson, Ohio; Lenexa, Kans.; Memphis, Tenn.; Middlebury, Ind.; Simsbury, Conn.; Waco, Tex.	Alpena, Mich.; Blountstown, Fla.; Chicago, Ill.; Cucamonga, Calif.; Middlebury, Ind.; Roaring River, N.C.
Hardboard Siding	**Abitibi Building Products Division** Rexdale, Ont.	Sturgeon Falls, Ont.
Lumber	**Abitibi Paper Company Ltd.** Toronto, Ont. **Northern Wood Preservers, Limited** Thunder Bay, Ont. **Price Lumber Company Limited** Quebec City, Que. **Price-Skeena Forest Products Ltd.** Vancouver, B.C.	Smooth Rock Falls, Ont.; Hudson, Ont. Thunder Bay, Ont. Falardeau, Que.; L'Ascension, Que.; Price, Que. Terrace, B.C.
Corrugated Containers	**Abitibi Containers** Rexdale and Pembroke, Ont.; Montreal, Que.	Rexdale, Ont.; Pembroke, Ont.
Fine and Printing Papers	**Abitibi Provincial Paper** Toronto, Ont.; Montreal, Que.	Thorold, Ont.; Thunder Bay, Ont.; Georgetown, Ont.
School, Home and Office Supplies	**Hilroy Limited** Toronto, Ont.; Montreal, Que.; Vancouver, B.C. **The Canadian Stationery Company Limited** Montreal, Que.	Toronto, Ont.; Vancouver, B.C. Joliette, Que.
Envelopes	**Canada Envelope Company** Stellarton, N.S.; Halifax, N.S.; Montreal, Que.; Toronto, Ont.; Ottawa, Ont.; London, Ont.; Winnipeg, Man.; Calgary, Alta.; Edmonton,Alta.; Vancouver, B.C.	Stellarton, N.S.; Montreal, Que.; Toronto, Ont.; Winnipeg, Man.; Calgary, Alta.; Vancouver, B.C.
Paper Merchants	**Inter City Papers Ltd.** Inter City Papers Ottawa, Mississauga and London, Ont. Lauzier, Little Inc. Montreal and Quebec City, Que.; Halifax, N.S. **Hillier Paper Limited** Winnipeg, Man.	
Converted Paper Products—bags, towels, folding cartons and wrapping paper	**Price Wilson Limited** —major centres across Canada	Lachute, Que.
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