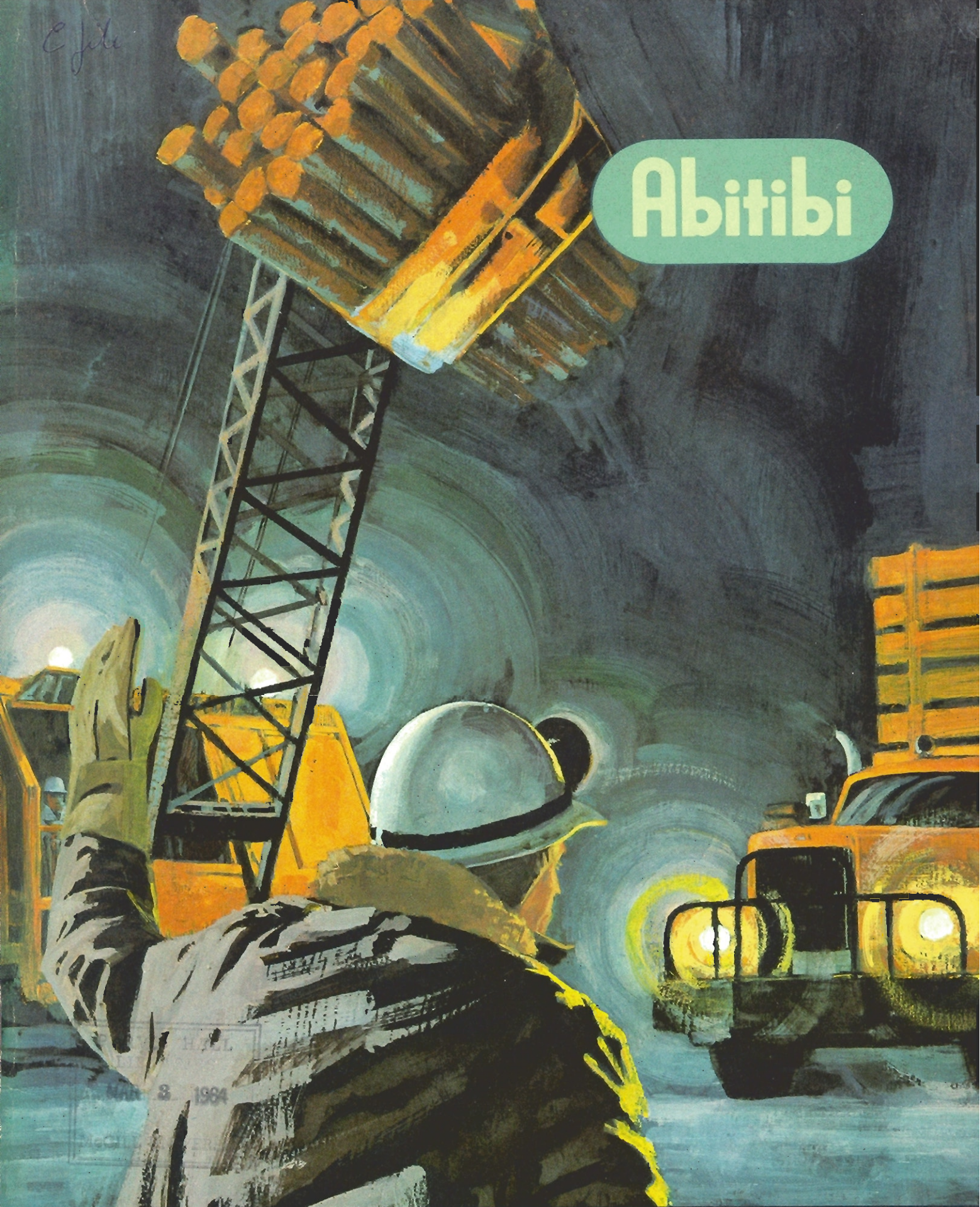


*C file*

**Abitibi**



**ANNUAL REPORT 1963**









#### **HAULING BY NIGHT**

Pulpwood hauling operations continue night and day in season as thousands of cords of wood are moved over frozen bush roads to mill, river or lake landings before the spring thaw sets in. Our cover shows eight-foot pulpwood being loaded for hauling on truck-trailer units.



# ABITIBI POWER & PAPER COMPANY, LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1963

HIGHLIGHTS	1963	1962
Paper, board and pulp produced . . . . .	1,089,904 tons	1,080,427 tons
Net sales . . . . .	\$164,575,637	\$156,005,549
Taxes on income . . . . .	\$ 15,040,000	\$ 15,780,000
Net earnings . . . . .	\$ 16,207,502	\$ 15,495,251
Per common share . . . . .	\$ .93*	\$ .90*
Dividends declared on preferred shares . .	\$ 412,046	\$ 433,026
Dividends declared on common shares . .	\$ 8,682,138	\$ 8,330,868
Per common share . . . . .	\$ .51½*	\$ .50*
Capital expenditures . . . . .	\$ 15,958,213	\$ 14,113,100
Working capital at end of year . . . . .	\$ 37,961,616	\$ 40,099,382
Number of shareholders—common shares	19,488	18,578
Number of shareholders—preferred shares	2,607	2,778

\*Adjusted to reflect 4 for 1 stock split in 1963

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*The Annual General Meeting of Shareholders will be held at the Royal York Hotel in the City of Toronto on Thursday, the ninth day of April, 1964 at the hour of eleven-thirty in the forenoon*

Copies of this annual report in French available upon request





## **ABITIBI POWER & PAPER COMPANY, LIMITED**

Incorporated under the Companies Act (Canada)

EXECUTIVE OFFICES: 408 UNIVERSITY AVENUE, TORONTO, CANADA

### **DIRECTORS—1963**

DOUGLAS W. AMBRIDGE  
Chairman of the Board  
Abitibi Power & Paper Company, Limited  
Toronto, Canada

HARRY J. CARMICHAEL  
Industrialist  
St. Catharines, Canada

C. ANTOINE GEOFFRION, O.C.  
Geoffrion & Prud'homme  
Montreal, Canada

ALLAN GRAYDON, O.C.  
Blake, Cassels & Graydon  
Toronto, Canada

CHARLES L. GUNDY  
President  
Wood, Gundy & Company Limited  
Toronto, Canada

T. RODGIE McLAGAN  
President  
Canada Steamship Lines, Limited  
Montreal, Canada

ROBERT H. REID  
President and Managing Director  
London Life Insurance Company  
London, Canada

JOSEPH P. RIPLEY  
Chairman  
Harriman Ripley & Co. Incorporated  
New York, U.S.A.

PAUL E. ROBERTS  
President and Chief Executive Officer  
Abitibi Power & Paper Company, Limited  
Toronto, Canada

ROY H. THOMSON  
Publisher  
London, England

JOHN S. D. TORY, O.C.  
Tory, Arnold, DesLauriers & Binnington  
Toronto, Canada

WILLIAM H. SMITH  
Honorary Director

### **OFFICERS—1963**

PAUL E. ROBERTS, President and Chief Executive Officer

DOUGLAS W. AMBRIDGE, Chairman of the Board

GEORGE M. BRAIN, Vice-President (Sales)

ROBERT E. E. COSTELLO, Vice-President (Operations)

J. ELLIOT COTTRELLE, Vice-President

E. EDWARD GRAINGER, Vice-President (Woodlands)

ERNEST W. McBRIDE, Vice-President (Manufacturing)

C. HARRY ROSIER, Vice-President (Research,  
Development & Board Products)

W. STANLEY ROTHWELL, F.C.A., Vice-President and Treasurer

CRAIG DICK, Secretary

### **TRANSFER AGENTS**

Montreal Trust Company  
Toronto, Montreal and Vancouver, Canada

First National City Bank  
New York, U.S.A.

### **REGISTRARS**

Canada Permanent Trust Company  
Toronto and Vancouver, Canada

Eastern & Chartered Trust Company  
Montreal, Canada

Bankers Trust Company  
New York, U.S.A.

### **AUDITORS**

Price Waterhouse & Co., Toronto, Canada





PAUL E. ROBERTS

## REPORT TO THE SHAREHOLDERS

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### Summary

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Record sales and record earnings were achieved in 1963.

Consolidated net sales were \$164,575,637, an increase of 5.5% over 1962. This figure includes the exchange premium on sales made in other currencies.

Net earnings for 1963 were \$16,207,502, an increase of 4.6% over 1962.

The year was one of great activity. Two new and related businesses were acquired, resulting in further diversification with added opportunities for growth. Two major expansion programs were completed as well as many projects that will further improve the quality of our products and the efficiency of our manufacturing processes. Throughout the year we paid close attention to the control of costs and, while some increases could not be avoided, our efforts were generally successful. Capital expenditures were the highest since 1957. As a result of all this activity there was a decline, as expected, in our working capital and liquid resources.

In November our common shares were subdivided and, at date of writing, this has contributed to an improved recognition of the value of our shares by investors. Following the stock split the dividend on our common shares was increased by 12% applicable to the quarterly dividend payable January 1, 1964.

Early in 1964 an announcement was made through the press of our intention to construct a

100,000 ton per annum bleached kraft (sulphate) pulp mill at Smooth Rock Falls, Ontario, incorporating the facilities presently at that site. This project will involve an outlay of more than \$13,000,000. Construction will commence in 1964 and the new mill is expected to be in production in the latter part of 1965. Bleached kraft pulp is in increasing demand year by year and, with forest resources in the area being predominantly black spruce, we will produce kraft pulp of the highest grade. Our own requirements of this pulp for use in fine paper production are constantly increasing.

---

### Conditions in the pulp and paper industry

---

Current estimates for 1963 indicate an increase in production of all pulp and paper products by the Canadian industry of about 3%. As in past years, about two thirds of the industry's production was exported.

Production of newsprint declined slightly, due to lower consumption in several large United States cities as a result of strikes in the publishing industry. Newsprint manufacturing capacity in Canada increased by about 265,000 tons and this, coupled with reduced shipments, resulted in lower operating ratios for most producers. World consumption of newsprint increased by about 2% but capacity throughout the world increased by about 4%. The trend toward national self-sufficiency in newsprint capacity continued in many countries that might otherwise have consumed more newsprint of Canadian origin.



Volume in most other pulp and paper products of the Canadian industry increased in comparison with 1962. Toward the close of the year there was a definite improvement throughout the world in demand for all grades of woodpulp and selling prices for pulps were showing an improvement from the depressed levels that previously prevailed.

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#### Earnings up 4.6%

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Net earnings of \$16,207,502 were the highest in our history. On a per share basis we earned 93¢ compared with 90¢ in 1962. This calculation is based on shares outstanding at the close of each year and gives effect to the 1963 stock split. There was little fluctuation in the value of the Canadian dollar and proceeds of sales in United States dollars yielded a premium of more than 7% in terms of Canadian currency.

In other years reference has been made to the Ontario logging tax, an income tax imposed only on the forest industry and which, until recently, has subjected this industry in Ontario to an income tax burden higher than that imposed generally in the Province. Late in 1962 the Federal Government passed legislation authorizing the deduction of two thirds of this tax from Federal taxes otherwise

payable. In April 1963 the Province of Ontario passed similar legislation applicable to the remaining one third. The income tax discrimination against this industry has, therefore, been removed.

Early in the year we decided that an independent review should be made of the depreciation rates and practices followed in respect of our Canadian properties and this was done. Recommendations received and adopted resulted in a reduction of approximately \$850,000 in our book provision for depreciation. Also, amendments to regulations governing depreciation for tax purposes in Canada permit increased allowances in 1963 and, to conserve our cash resources, we follow the common practice of claiming maximum amounts. The outcome is an excess of depreciation for income tax purposes over the amount provided in the accounts. The resulting reduction in income taxes of \$1,485,000 has been included in the provision for income taxes and shows on the balance sheet as Deferred Taxes on Income.

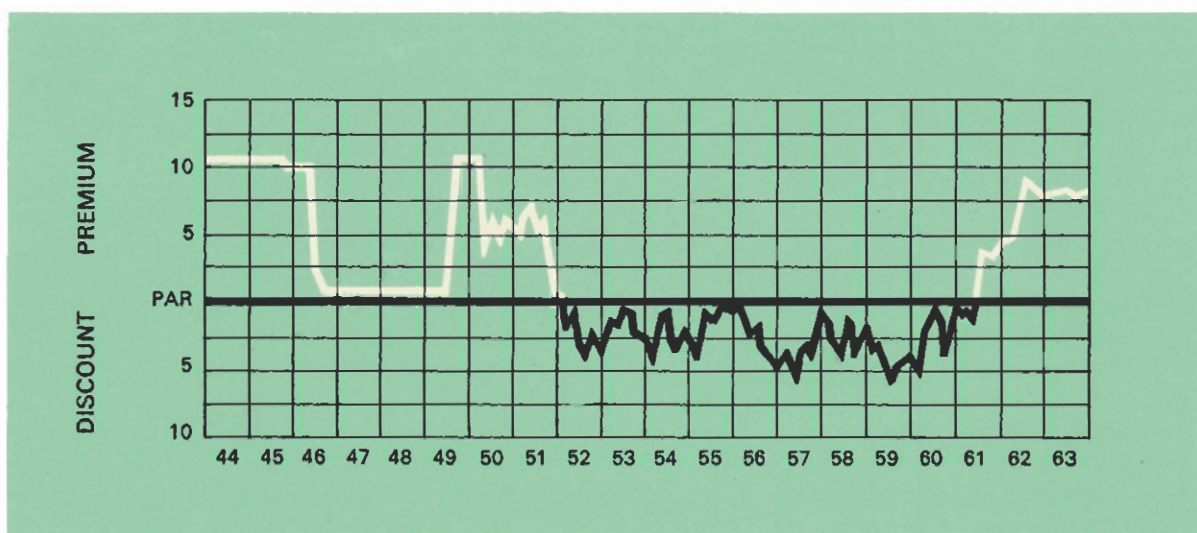
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#### Newsprint

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In common with the industry, our newsprint production suffered as a result of strikes in publishing plants and totalled 740,556 tons, a decrease of

### EXCHANGE RATE ON CONVERSION OF U.S. DOLLARS 1944-1963



2% in comparison with 1962. At the start of the year we anticipated an improvement in newsprint production and it would have been realized were it not for the disturbances which affected the entire industry.

Newsprint is, and will continue to be, a basic and important Abitibi product. Since the late 1940's we have spent more than one hundred million dollars to modernize and mechanize our newsprint mills. The most important objective of this program has been to make the highest quality newsprint in the industry, for quality—the highest quality—is a dependable safeguard of a company's volume and profit, even under conditions of over-capacity. The newsprint we produce today is a different product from the newsprint produced ten years ago. It has to be different and much improved to meet the requirements of colour printing and the high speed newspaper presses used today. Our patented Arbiso pulping process is a notable example of newsprint quality improvement and there have been many other process and equipment improvements that have contributed to our high standard of newsprint quality. We wish to emphasize, that although our production and marketing have expanded impressively into other forest products, newsprint has been and will continue to be a basic and important Abitibi product. Newsprint will con-

tinue to receive its due share of investment in research and development and our most vigorous efforts in the marketplace even though our expansion is currently into other product lines.

### Increased production of all other products

Increased production and sales were achieved in fine and printing papers, board products and bleached sulphite pulp. Production of fine and printing papers was 132,094 tons, an increase of 6.6% over 1962 and the sixth consecutive year of improvement. In all its fine paper operations our subsidiary company, Provincial Paper, Limited stresses quality control and is recognized as a quality leader. As in all recent years, new products were introduced that should contribute to increased volume and earnings in the future. Our trailing blade papers were particularly well received and are steadily growing in acceptance. Price changes in a number of fine paper grades were made necessary by increased costs of production.

There was a substantial increase in the production of panelboard products compared with 1962.

The largest increase in our panelboard business took place at the Alpena plant of Abitibi Corporation, made possible by completion early in the

### PRODUCTION FOR SALE (TONS)

	Newsprint Paper	Fine and Printing Papers	Board Products	Bleached Sulphite Pulp	Total
1954	772,247	74,593	43,484	63,617	953,941
1955	793,560	85,972	56,679	65,504	1,001,715
1956	815,830	98,038	65,185	67,377	1,046,430
1957	765,533	101,952	69,103	63,516	1,000,104
1958	692,781	96,905	114,202	51,446	955,334
1959	735,215	107,884	138,754	44,008	1,025,861
1960	780,043	112,137	144,834	40,672	1,077,686
1961	741,978	117,332	145,833	44,352	1,049,495
1962	756,021	123,939	164,166	36,301	1,080,427
1963	740,556	132,094	177,288	39,966	1,089,904





Pictured is the Sault Ste. Marie mill and headquarters of Abitibi's Central Research Division. In the background the new International Bridge, high above St. Mary's River, improves communications between Canada and the United States.

year of a major expansion program. In the first half of the year operations at Alpena were affected by a shutdown period incurred for expansion reasons and by the usual complications that result from the start-up of new and expanded facilities. Abitibi Corporation had the best year in its history and is well equipped to make further gains.

Volume improved for all products of our Sturgeon Falls mill where we manufacture corrugating medium, hardboard and Platewood (a superior flakeboard product). At this division we now have a 100% enlarged hardboard mill that is well equipped to supply the growing demand for hardboard products in the Canadian market. At the close of the year we were ready to introduce to the Canadian market a tested and approved fire retardant Platewood. This product considerably reduces the fire hazard usually associated with a product derived from wood and it qualifies our Platewood for applications not previously available.

In our subsidiary company, Pembroke Shook Mills, Limited, where we manufacture corrugated containers, there was an increase in both production and shipments over 1962.

In the late months of the year, demand for bleached sulphite pulp improved markedly and as the year closed our Smooth Rock Falls mill was operating at an improved rate. Prices for this pulp have been depressed for several years and operations have been far from satisfactory. However, with a modest price increase in mid-1963 and greater volume in the second half of the year, the outcome is better than anticipated. An additional price adjustment of \$5 per ton for bleached sulphite pulp became effective January 1, 1964.

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#### **Common shares split 4 for 1**

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At a Special General Meeting held November 14, 1963 shareholders voted in favour of By-law No. 13 which provided for the subdivision of the company's common shares on the basis of 4 for 1. Supplementary Letters Patent were obtained as of November 30, 1963 and the subdivision became effective on that date.

Additional share certificates for three times the number of common shares held by each shareholder as shown by the company's records at the

close of business on November 29th were forwarded by mail to all shareholders on or about December 16th. Share holdings shown by these additional certificates in conjunction with certificates previously held represent the total holdings of each shareholder after the split. Shareholders are again reminded that certificates in existence prior to the subdivision will continue to be valid and, along with the new certificates, should be held and safeguarded as evidence of share ownership.

Previous to the split, shareholders were advised that the Directors proposed to commence payment of dividends on the subdivided shares at the rate of 14¢ per quarter and accordingly the dividend declared payable January 1, 1964 was at this rate. This new quarterly rate results in a dividend of 56¢ per annum on the subdivided shares and reflects an increase of 12% over the rate previously in effect.

Expressed in terms of subdivided shares, a total of 304,372 new common shares were issued in 1963 consisting of 255,612 shares for the business and assets of Miratile Manufacturing Company, 40,600 shares under the terms of the Key Employees' Stock Option Plan and 8,160 shares on conversion of debentures. There is a total of 16,971,108 common shares outstanding at December 31, 1963.

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#### **Two businesses acquired**

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On May 31, 1963 we acquired the business and assets of Miratile Manufacturing Company of Chicago. This business was merged with Abitibi Corporation and is now a division of that company. The Miratile Products division, producing decorative hardboard and plywood products, consists of manufacturing plants at Chicago and City of Industry, California, along with warehouse distribution centres in Indiana, Texas, New Jersey and Georgia. Payment consisted of 63,903 shares of Abitibi Power & Paper common stock (255,612 shares after giving effect to the split) valued at the market price at the time on which this transaction was agreed to.

The new Miratile division is a substantial consumer of hardboard of the type manufactured at Alpena. By this acquisition, Abitibi Corporation expanded its product lines, acquired experienced



personnel and gained prompt entry into a growing and related business. The Miratile division will benefit from the research and other resources that are now available to support and expand its activities.

On July 12, 1963 we purchased the business and assets of Maple Leaf Veneer Co. Limited of Durham, Ontario. This company operated one of the largest and most modern veneer plants in North America as a manufacturer of a wide range of veneered panels for use in residential, commercial and industrial applications. This business is now operated by Maple Leaf Veneer Limited, a wholly-owned Abitibi subsidiary.

The Maple Leaf business represents an expansion into a new line of products that use our Platewood as a basic raw material.

The valuations placed on these businesses at acquisition dates recognize that both were established going concerns. The excess of cost over net tangible values amounted to \$1,198,555 and this balance has been charged against Retained Earnings in our consolidated accounts.

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#### Properties, plant and equipment

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Capital expenditures on properties, plant and equipment (other than logging equipment and development and new acquisitions) amounted to

\$15,007,893, the largest of any of the past six years. All divisions of the company shared in a program carefully planned to improve product quality, keep our processes up to date, our plants operating efficiently, our costs under control, and to provide expanded facilities where warranted by business opportunities. The more important construction projects in 1963 were as follows:

(a) During the first half we completed a major program at the Alpena mill of Abitibi Corporation to increase hardboard manufacturing capacity by more than 20%.

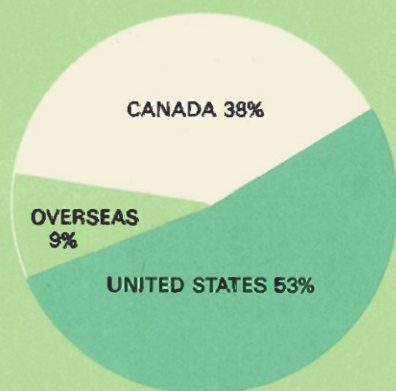
(b) Early in the year we completed the installation at Thunder Bay division of a high yield Arbiso pulp system to improve newsprint quality and increase the yield from pulpwood. This new installation accomplished its objectives.

(c) Late in the year we completed an expansion program at Sturgeon Falls that doubled the hardboard capacity and added a new finishing line, a new boiler, and warehouse facilities.

(d) At Iroquois Falls division we commenced the installation of a high yield Arbiso pulp system. When this major program is finished early in 1964 we will have installed high yield Arbiso pulp systems at all of our major newsprint mills.

(e) At Sault Ste. Marie division we made extensive improvements to the paper machines and

### DISTRIBUTION OF 1963 SALES BY PRINCIPAL MARKETS



Canadian sales consist of newsprint, fine papers, machine coated and groundwood printing papers, bleached sulphite pulp, hardboards, particle boards, corrugating medium, corrugated cartons, veneers and hardwood plywood.

United States sales include hardboards, insulation boards, decorative hardboards and plywoods, in addition to newsprint and bleached sulphite pulp from Canada.

In overseas markets, the company sells newsprint, fine papers, corrugating medium and other products.

installed a bleaching plant for the pulp used in groundwood specialty papers.

(f) At Fort William division we embarked on a project to replace wood handling and barking facilities that are no longer efficient. On completion in 1964 we will realize economies in operations and will improve the general efficiency of this mill.

### Redemption of preferred shares

We redeemed and cancelled 13,954 preferred shares of a par value of \$348,850. Dividends on preferred shares were \$412,046 compared with \$433,026 in 1962 and there will be a further reduction in 1964.

The par value of preferred shares outstanding at the close of 1963 is \$8,990,450. This is the balance remaining from an issue in 1954 of \$13,750,000 par value which replaced, in part, previously outstanding shares of close to double this amount.

### Reduction in long term debt

Outstanding long term debt is \$33,759,375 at the close of 1963, which compares with \$34,928,500 at December 31, 1962, a net decrease of \$1,169,125 during the year.

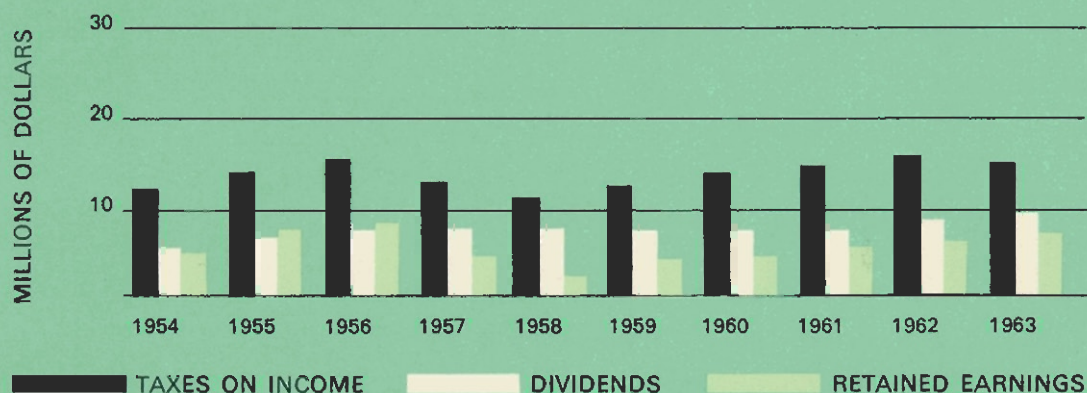
Series "A" bonds now stand at \$1,827,500 and we expect this issue will be retired in full during 1964. This balance is all that now remains from a debt of \$45,000,000 incurred in 1947. Debt reduction in Series "B" bonds (issued in 1954) and Series "C" bonds (issued in 1957) amounted to \$597,000. Late in the year, following subdivision of common shares, a total par value of \$102,000 of the outstanding debentures (issued in 1956) was converted into common shares at the adjusted conversion price of \$12.50 per share.

In acquiring the Miratile business we assumed responsibility for the long term debt of that company and this obligation now stands at \$646,875 Canadian funds. This debt is repayable at the rate of \$25,000 half yearly in May and November.

### Working capital

Working capital at the close of 1963 amounts to \$37,961,616 as compared with \$40,099,382 at the close of 1962. While our net earnings were higher than in 1962, our total outlay for business acquisitions, capital expenditures, debt retirement and dividends to shareholders was in excess of funds derived from operations and our working capital declined by \$2,137,766. Also, with increased sales

## TAXES ON INCOME, DIVIDENDS AND RETAINED EARNINGS





and the addition of new businesses, more of our working capital is in the form of raw material, finished product inventory and amounts owing to us by customers.

Having regard to our working capital requirements for operating purposes and capital expenditure plans in the near future, it has been decided that our liquid resources should be increased. Our intention is to incur additional long term debt.

### Woodlands operations

Capital expenditures on logging equipment, camp construction, access roads, etc. were \$950,320. On all woodlands under our control we adhered to sound forest management policies to encourage prompt re-establishment on cut-over areas of succeeding crops of desirable species. Increased mechanization of operations continued and was an important factor in controlling wood production costs. A larger quantity of sawmill chips was consumed which contributes to a more complete utilization of forest resources.

We were fortunate that the fire hazard was moderate during the past year and we had few fires on our limits with negligible losses of timber.

### Research and development

The Central Research Division continues to make significant contributions to process improvements and to the development of new products. The new fire retardant Platewood now being introduced in Canada is one of the recent developments of our research laboratories.

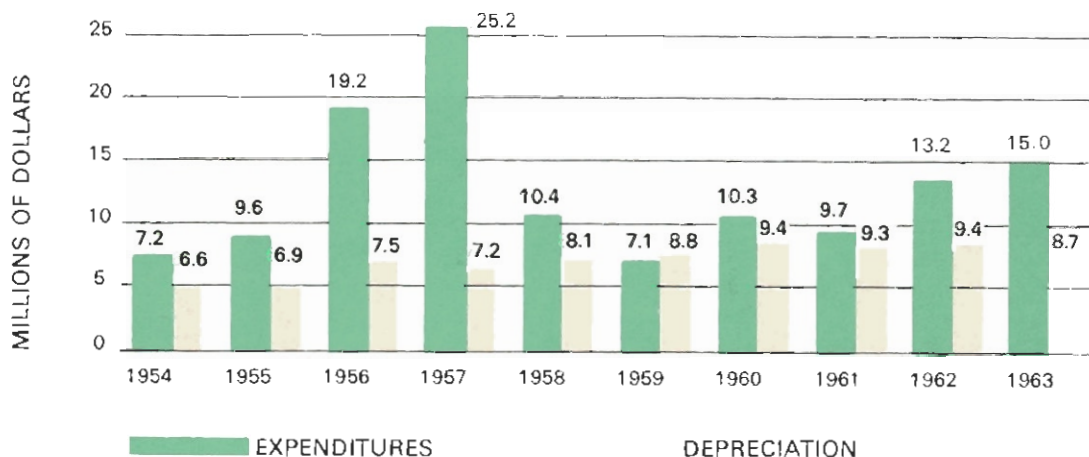
During 1963 we again reviewed our research policies and objectives. This resulted in a greater concentration on projects that tie in more closely with basic corporate goals.

The trend to "web offset" printing and other printing process developments has caused us to increase our work on paper research and printability studies. With the passing of each year it becomes more evident that our Research Division is a major factor in our company's progress. As tangible evidence of this we now have well over 100 patents, either granted or pending, and our processes have benefited appreciably as a result of the use of these patents.

### Employee relations

The Directors wish to express appreciation to the

## CAPITAL EXPENDITURES AND DEPRECIATION PROPERTIES, PLANT AND EQUIPMENT

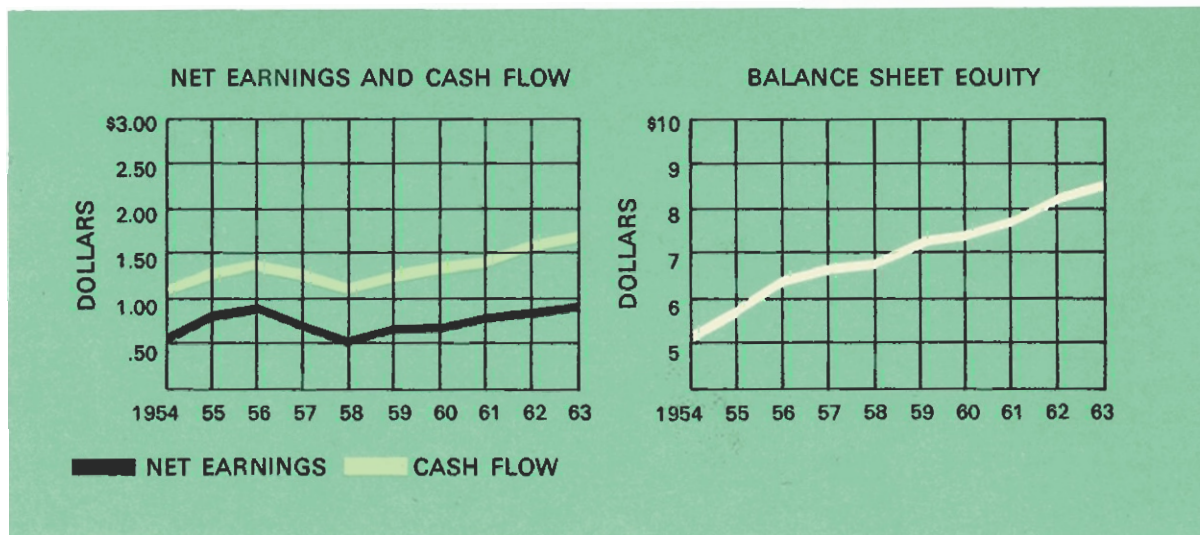




Large volumes of Provincial's paper grades are manufactured for the electronic business machine industry. The photograph shows just two of these grades in use, Provincial's Register Paper grade for continuous business forms and Provincial's Tab Card stock for punch cards.



## PER COMMON SHARE



men and women of Abitibi for their contribution to the accomplishments of 1963.

Over the years this company has established a good relationship with all of its employees. Union negotiations in 1963 were successfully completed with all maturing agreements being renewed, many of them for a two-year period. Settlements reached were generally similar to those made elsewhere in the industry and took various forms. In many cases, unions requested increased pension benefits rather than wage increases.

The company has stepped up its training activities, not only in connection with the start-up of new equipment, but also in the training of supervisors and other key personnel. When hiring new employees every effort is made to attract and select applicants with the best qualifications available.

Shareholders will be interested to know that our employees, including those in the woods, now exceed 10,000 in number. This figure includes approximately 1,000 added in 1963 through the acquisition of new businesses. An analysis of service records of full time employees, other than

those who joined us in 1963, shows that one out of every seven has been with the company for 25 years or longer.

### The outlook

Most forecasts of business conditions for 1964 show a continuation of the general growth trend that has been evident for the past several years. Consumption of pulp and paper products throughout the world is expected to show an increase over 1963.

World demand for newsprint should increase in 1964 and, of particular interest to the Canadian industry, the anticipated growth in consumption in North America is the largest for several years past. The increase in world capacity to produce newsprint in 1964 is now established and, while it will add somewhat to idle capacity, it will be the smallest addition in recent years.

In Abitibi we look for increased volume in all major product lines and we expect that 1964 will be another successful year.

On behalf of the Board,

*P. E. Roberts*

Toronto, January 31, 1964

President

## CONSOLIDATED EARNINGS

	Year ended December 31	
	1963	1962
Net sales.....	\$164,575,637	\$156,005,549
Cost of products sold and all expenses except items shown below	121,735,038	113,102,597
	\$ 42,840,599	\$ 42,902,952
Interest and other income.....	780,574	932,595
	\$ 43,621,173	\$ 43,835,547
Provision for depreciation (Note 3).....	\$ 8,675,696	\$ 9,429,878
Provision for depletion.....	105,000	60,000
Employees' retirement income plan.....	1,903,391	1,289,650
Interest on long term debt.....	1,652,146	1,738,212
Discount and expense on long term debt.....	37,438	42,556
	\$ 12,373,671	\$ 12,560,296
Earnings before taxes on income.....	\$ 31,247,502	\$ 31,275,251
Taxes on income (Notes 4 & 6).....	15,040,000	15,780,000
Net earnings.....	\$ 16,207,502	\$ 15,495,251

## CONSOLIDATED RETAINED EARNINGS

	Year ended December 31	
	1963	1962
Retained Earnings at beginning of year.....	\$ 98,611,653	\$ 91,880,296
Net earnings for the year.....	16,207,502	15,495,251
	\$114,819,155	\$107,375,547
Dividends declared on preferred shares.....	\$ 412,046	\$ 433,026
Dividends declared on common shares.....	8,682,138	8,330,868
(being the dividends paid on April 1st, July 1st, October 1st and payable January 1st)		
Excess of cost of investment over net tangible values acquired on the purchase of the business and assets of Miratile Manu- facturing Company and Maple Leaf Veneer Co. Limited.....	1,198,555	--
	\$ 10,292,739	\$ 8,763,894
Retained Earnings at end of year.....	\$104,526,416	\$ 98,611,653



## CONSOLIDATED BALANCE SHEET

### ASSETS

	December 31	
	1963	1962
CURRENT ASSETS:		
Cash.....	\$ 3,498,981	\$ 4,717,076
Short term investments, at cost, which is approximate market value.....	565,000	7,300,091
Accounts receivable, less allowance for doubtful accounts.....	26,092,477	23,602,373
Inventories, at cost:		
Supplies and products.....	13,062,441	9,238,508
Pulpwood and expenditures on current logging operations.....	19,749,946	20,211,017
Prepaid insurance and other expenses.....	1,060,486	817,135
	\$ 64,029,331	\$ 65,886,200
CAPITAL ASSETS:		
Properties, plant and equipment (Note 2).....	\$277,202,900	\$257,475,286
Less—Accumulated depreciation.....	152,211,514	143,313,258
	\$124,991,386	\$114,162,028
Logging equipment and development, at amortized cost.....	2,635,330	2,053,382
Woodlands, both freehold and leasehold, and water power rights, less accumulated depletion of \$5,039,846 (\$4,934,846 in 1962).....	16,285,399	16,391,337
	\$143,912,115	\$132,606,747
OTHER ASSETS:		
Unamortized bond discount and expense.....	\$ 122,970	\$ 160,408
Miscellaneous investments at cost.....	4,451,287	5,368,319
	\$ 4,574,257	\$ 5,528,727
APPROVED ON BEHALF OF THE BOARD:		
P. E. ROBERTS, <i>Director</i>		
D. W. AMBRIDGE, <i>Director</i>		
	\$212,515,703	\$204,021,674

## LIABILITIES

	December 31	
	1963	1962
<b>CURRENT LIABILITIES:</b>		
Accounts payable.....	\$ 14,270,565	\$ 12,978,906
Dividends payable January 1st.....	2,474,091	2,188,503
Interest accrued on long term debt.....	421,754	435,117
Income and other taxes.....	6,819,899	8,933,292
Payments on long term debt due within one year.....	2,081,406	1,251,000
	<u>\$ 26,067,715</u>	<u>\$ 25,786,818</u>
<b>LONG TERM DEBT:</b>		
3½% First Mortgage Twenty-Year (Sinking Fund) Bonds, Series "A," maturing April 1, 1967.....	\$ 1,827,500	\$ 2,944,500
4 % First Mortgage Sinking Fund Bonds, Series "B," maturing July 15, 1974.....	7,187,000	7,584,000
6¼% First Mortgage Sinking Fund Bonds, Series "C," maturing November 15, 1977.....	9,200,000	9,400,000
4½% Convertible Debentures, Series "A," maturing September 15, 1966 (Note 8).....	14,898,000	15,000,000
6.1% Instalment Note of subsidiary company maturing November 1, 1975..	646,875	—
	<u>\$ 33,759,375</u>	<u>\$ 34,928,500</u>
Less: Amount included with current liabilities.....	2,081,406	1,251,000
	<u>\$ 31,677,969</u>	<u>\$ 33,677,500</u>
DEFERRED TAXES ON INCOME (Note 4).....	\$ 1,485,000	\$ —
Total Liabilities.....	<u>\$ 59,230,684</u>	<u>\$ 59,464,318</u>

## SHAREHOLDERS' EQUITY

<b>PREFERRED SHARES:</b>		
Authorized: 1,000,000 shares par value \$25 each issuable in series (550,000 shares issued; 190,382 shares redeemed and cancelled)		
Outstanding: 359,618 4½% Cumulative Redeemable Preferred Shares (373,572 shares in 1962).....	\$ 8,990,450	\$ 9,339,300
<b>COMMON SHARES (Note 7):</b>		
Authorized: 24,000,000 shares without nominal or par value		
Issued: 16,971,108 shares (16,666,736 shares in 1962*).....	39,768,153	36,606,403
RETAINED EARNINGS.....	104,526,416	98,611,653
	<u>\$153,285,019</u>	<u>\$144,557,356</u>
	<u>\$212,515,703</u>	<u>\$204,021,674</u>

\*Adjusted to reflect 4 for 1 stock split in 1963.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. Balances and transactions in other currencies have been restated in Canadian dollars as follows:

Current assets and current liabilities at the exchange rate in effect at December 31st; capital assets at the exchange rates in effect at dates of acquisition; net sales and expenses of United States subsidiary companies at average exchange rates for the year except that depreciation provisions are restated on the same basis as the related capital assets.

2. Properties, plant and equipment are stated at cost except for assets of a net depreciated book value of \$11,221,301 at December 31, 1963, included at appraised values as at April 30, 1946 as reported by Coverdale & Colpitts, Consulting Engineers.

3. Depreciation of properties, plant and equipment is provided on a straight-line basis. Depreciation rates for properties, plant and equipment in Canada were revised in 1963 on the recommendation of Coverdale & Colpitts following a review of the company's Canadian properties and depreciation practices. Adoption of these rates resulted in a reduction of approximately \$850,000 in the 1963 provision for depreciation.

4. It is the company's practice for income tax purposes to claim maximum depreciation allowances. For 1963 the depreciation allowances deductible for tax purposes exceed the amount provided in the accounts. The resulting reduction of \$1,485,000 in income taxes otherwise payable has been included in the provision for taxes on income and set aside on the balance sheet as deferred taxes on income.

5. Amortization of logging equipment and development in 1963 amounted to \$1,073,127.

6. Taxes on income for 1963 of a subsidiary company are reduced approximately \$545,000 by deduction of prior year losses from income subject to tax.

7. Common shares authorized and outstanding at December 31, 1963 reflect the 4 for 1 subdivision effective November 30, 1963.

A total of 304,372 common shares, as presently constituted, were issued during the year; 255,612 shares at market value of \$2,667,950 for the business and assets of Miratile Manufacturing Company; 40,600 shares for an aggregate cash payment of \$391,800 under terms of the Key Employees' Stock Option Plan; and 8,160 shares on conversion of \$102,000 principal amount of Debentures.

Of the authorized and unissued common shares, 1,191,840 shares are reserved for possible conversion of Debentures and 345,536 shares are reserved under the Key Employees' Stock Option Plan of which 267,136 shares are under option at December 31, 1963 at the market value at date of grant.

8. Convertible Debentures may be converted into common shares at the option of the holders up to September 15, 1966 at the rate of 80 shares per \$1,000 debenture.

9. For the year 1963 fees of directors not holding salaried positions amounted to \$27,500; counsel and solicitors' fees, salaries and fees of executive officers and directors holding salaried positions amounted to \$577,322.

## AUDITORS' REPORT

To the Shareholders of ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the consolidated balance sheet of Abitibi Power & Paper Company, Limited and subsidiary companies as at December 31, 1963 and the statements of consolidated earnings and consolidated retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1963 and the result of operations 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, January 29, 1964

## SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:	1963	1962
Net earnings.....	\$16,207,502	\$15,495,251
Non-cash charges deducted in arriving at net earnings:		
Depreciation and depletion.....	8,780,696	9,489,878
Amortization of logging equipment and development.....	1,073,127	880,021
Discount and expense on long term debt.....	37,438	42,556
Deferred taxes on income.....	1,485,000	—
Funds derived from operations.....	\$27,583,763	\$25,907,706
Disposal of capital assets.....	94,149	122,046
Common shares issued under option agreements.....	391,800	131,708
Working capital of businesses acquired during the year.....	1,346,480	—
Other items—net.....	178,804	73,112
	\$29,594,996	\$26,234,572
APPLICATION OF FUNDS:		
Invested in properties, plant and equipment.....	\$15,007,893	\$13,222,400
Expenditures on logging equipment and development.....	950,320	890,700
Long term debt retired or included with current liabilities.....	2,517,453	3,732,500
Par value of preferred shares retired.....	348,850	569,125
Acquisition of business and assets of Maple Leaf Veneer Co. Limited.....	3,814,062	—
Dividends declared on preferred shares.....	412,046	433,026
Dividends declared on common shares.....	8,682,138	8,330,868
	\$31,732,762	\$27,178,619
Resulting in a decrease in working capital of.....	\$ 2,137,766	\$ 944,047
Working capital at beginning of year.....	40,099,382	41,043,429
WORKING CAPITAL AT END OF YEAR.....	\$37,961,616	\$40,099,382

*Abitibi Power & Paper Company, Limited and subsidiary companies*



## TEN YEAR REVIEW

	1963	1962	1961
<b>SALES AND EARNINGS</b>			
Net sales.....	\$164,575,637	\$156,005,549	\$147,587,462
Depreciation and depletion.....	8,780,696	9,489,878	9,350,166
Interest on long term debt.....	1,652,146	1,738,212	1,828,793
Earnings before taxes on income.....	31,247,502	31,275,251	28,267,636
Taxes on income.....	15,040,000	15,780,000	14,557,000
Net earnings.....	16,207,502	15,495,251	13,710,636
Net earnings per common share*.....	\$ .93	\$ .90¼	\$ .79½
<b>DIVIDEND RECORD</b>			
On preferred shares.....	\$ 412,046	\$ 433,026	\$ 453,504
On common shares.....	8,682,138	8,330,868	7,077,577
Declared per common share*.....	\$ .51½	\$ .50	\$ .42½
<b>CAPITAL EXPENDITURES</b>			
On properties, plant and equipment.....	\$ 15,007,893	\$ 13,222,400	\$ 9,729,078
On logging equipment and development (from 1957)....	950,320	890,700	594,279
On timber limits.....	—	—	—
<b>FINANCIAL POSITION</b>			
Current assets.....	\$ 64,029,331	\$ 65,886,200	\$ 63,107,968
Current liabilities.....	26,067,715	25,786,818	22,064,539
Working capital.....	37,961,616	40,099,382	41,043,429
Capital assets, at net book values.....	143,912,115	132,606,747	128,985,592
Investments and other assets.....	4,574,257	5,528,727	5,644,395
Long term debt.....	31,677,969	33,677,500	37,410,000
Deferred taxes on income.....	1,485,000	—	—
Appropriation reserves.....	—	—	—
Equity of shareholders.....	153,285,019	144,557,356	138,263,416
<b>EQUITY OF SHAREHOLDERS</b>			
Equity of preferred shareholders.....	\$ 8,990,450	\$ 9,339,300	\$ 9,908,425
Equity of common shareholders.....	144,294,569	135,218,056	128,354,991
Outstanding common shares*.....	16,971,108	16,666,736	16,652,872
Equity per common share*.....	\$8.50	\$8.11	\$7.71

\*The number of common shares and per share calculations shown hereon have been adjusted to reflect the 4 for 1 stock split effective November 30, 1963

*Abitibi Power & Paper Company, Limited and subsidiary companies*

1960	1959	1958	1957	1956	1955	1954
\$146,339,604	\$133,813,074	\$123,385,542	\$128,198,755	\$132,497,683	\$123,173,281	\$113,997,836
9,476,819	8,928,695	8,292,119	7,467,568	7,752,873	7,132,899	6,793,698
1,869,249	2,008,936	2,083,546	1,652,016	1,214,552	1,137,654	1,417,564
26,066,288	24,525,544	20,127,382	25,552,283	31,012,827	28,506,026	23,028,901
13,800,000	12,700,000	10,470,000	13,050,000	15,589,000	14,570,000	12,403,000
12,266,288	11,825,544	9,657,382	12,502,283	15,423,827	13,936,026	10,625,901
\$ .70%	\$ .68	\$ .54%	\$ .71½	\$ .89	\$ .80	\$ .62½
<hr/>						
\$ 471,199	\$ 507,803	\$ 547,796	\$ 578,441	\$ 605,360	\$ 618,825	\$ 1,176,955
7,077,579	7,077,579	7,077,582	7,077,580	6,661,252	5,618,967	4,487,561
\$ .42½	\$ .42½	\$ .42½	\$ .42½	\$ .40	\$ .33%	\$ .30
<hr/>						
\$ 10,340,956	\$ 7,105,455	\$ 10,423,905	\$ 25,194,262	\$ 19,165,594	\$ 9,634,629	\$ 7,246,492
1,666,438	955,345	592,602	894,624	—	—	—
—	—	14,344	53,508	466,299	510,021	—
<hr/>						
\$ 61,091,507	\$ 60,070,996	\$ 57,714,700	\$ 62,169,246	\$ 74,057,870	\$ 64,339,974	\$ 60,337,294
22,513,567	20,312,046	17,317,852	20,557,436	25,801,233	23,532,028	21,238,097
38,577,940	39,758,950	40,396,848	41,611,810	48,256,637	40,807,946	39,099,197
129,030,527	126,113,480	127,995,218	126,082,118	106,504,498	94,909,259	92,321,519
4,713,044	3,498,462	2,547,639	3,964,105	4,096,523	4,089,988	4,175,621
39,897,500	40,632,000	45,555,500	47,984,000	40,598,000	29,060,000	41,331,700
—	—	—	—	—	—	—
—	—	—	—	—	—	4,500,000
132,424,011	128,738,892	125,384,205	123,674,033	118,259,658	110,747,193	89,764,637
<hr/>						
\$ 10,248,575	\$ 10,836,425	\$ 11,721,900	\$ 12,552,000	\$ 13,105,250	\$ 13,750,000	\$ 13,750,000
122,175,436	117,902,467	113,662,305	111,122,033	105,154,408	96,997,193	76,014,637
16,652,872	16,652,872	16,652,872	16,652,872	16,652,872	16,652,872	15,177,600
\$7.34	\$7.08	\$6.82	\$6.67	\$6.31	\$5.82	\$5.01



## MANAGEMENT COMMITTEE



P. E. ROBERTS



G. M. BRAIN



R. E. E. COSTELLO



J. E. COTTRELL



E. E. GRAINGER



E. W. MCBRIDE



C. H. ROSIER



W. S. ROTHWELL



H. P. ARMSTRONG



L. CLEMINSON



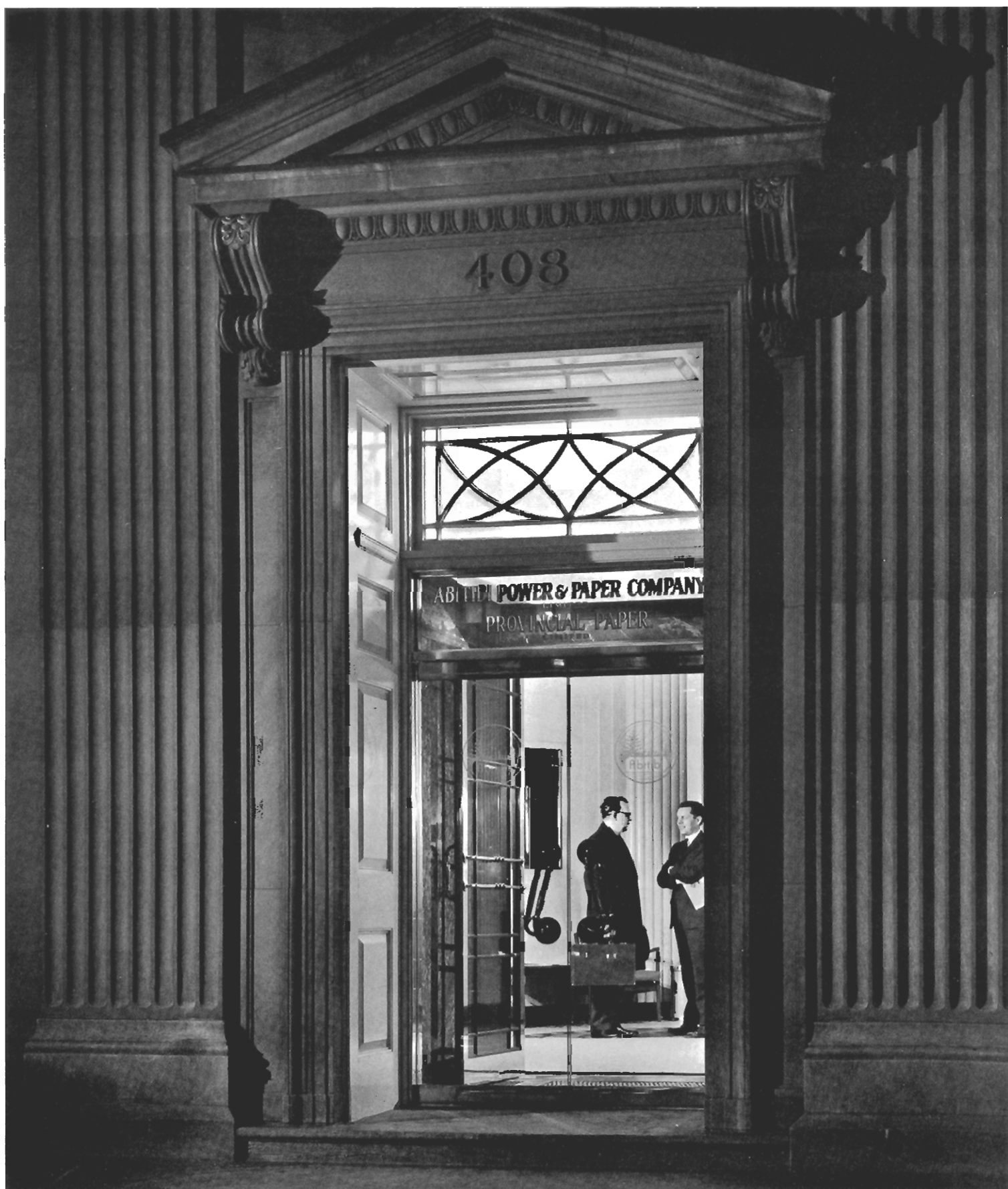
J. E. HAIRE



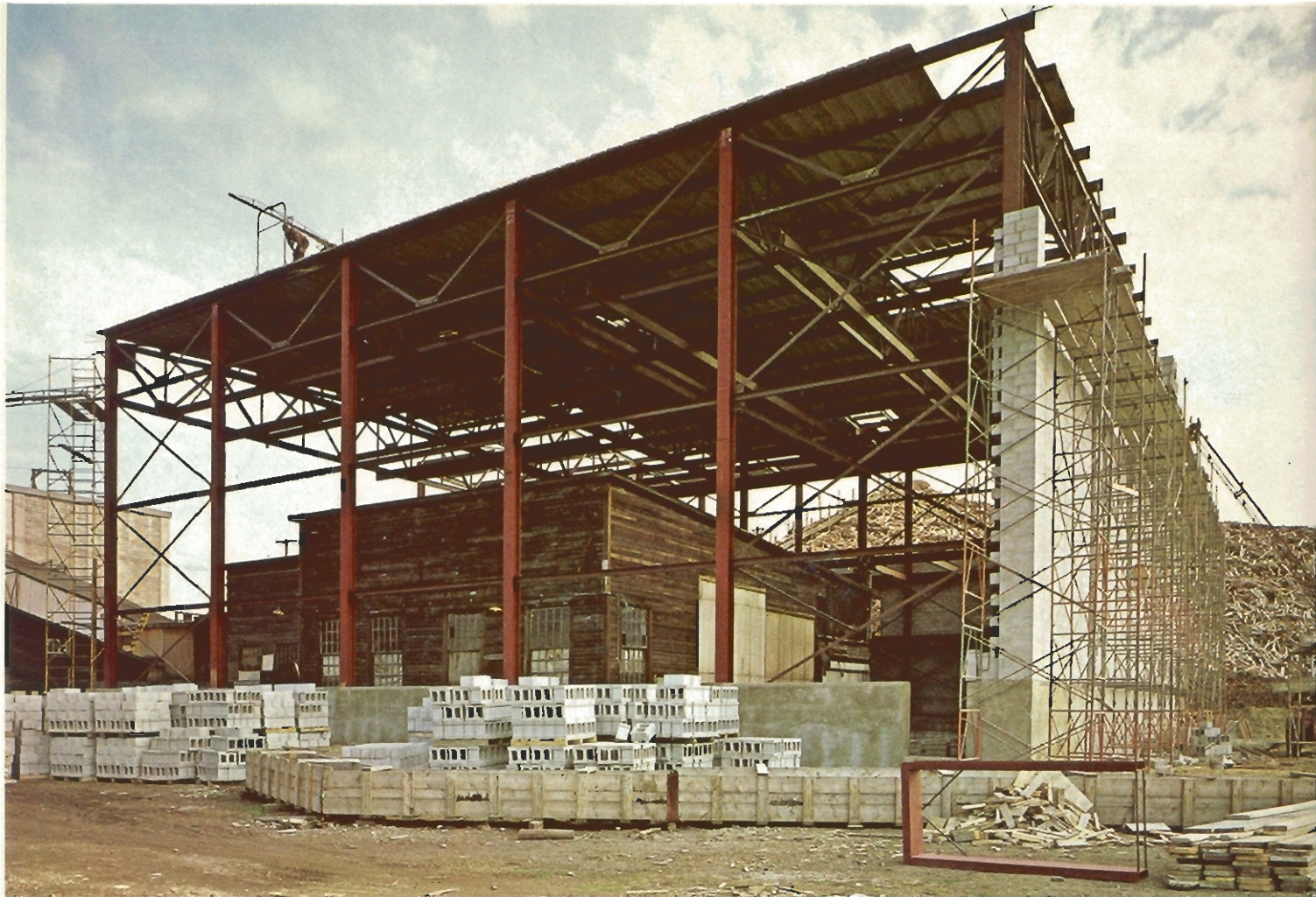
H. G. O'LEARY

The widespread and diversified operations of Abitibi and associated companies are co-ordinated and controlled by a committee of executives holding senior management responsibilities. Members of the Management Committee during 1963 are shown above.

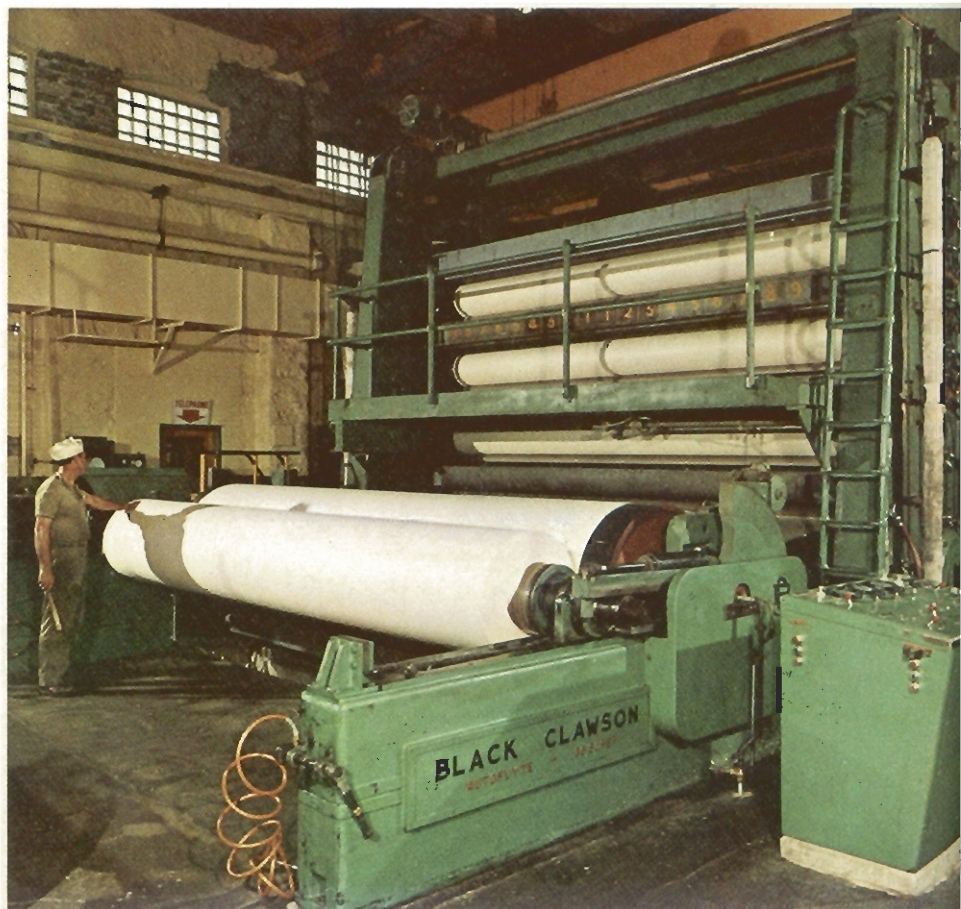
## INSIDE ABITIBI



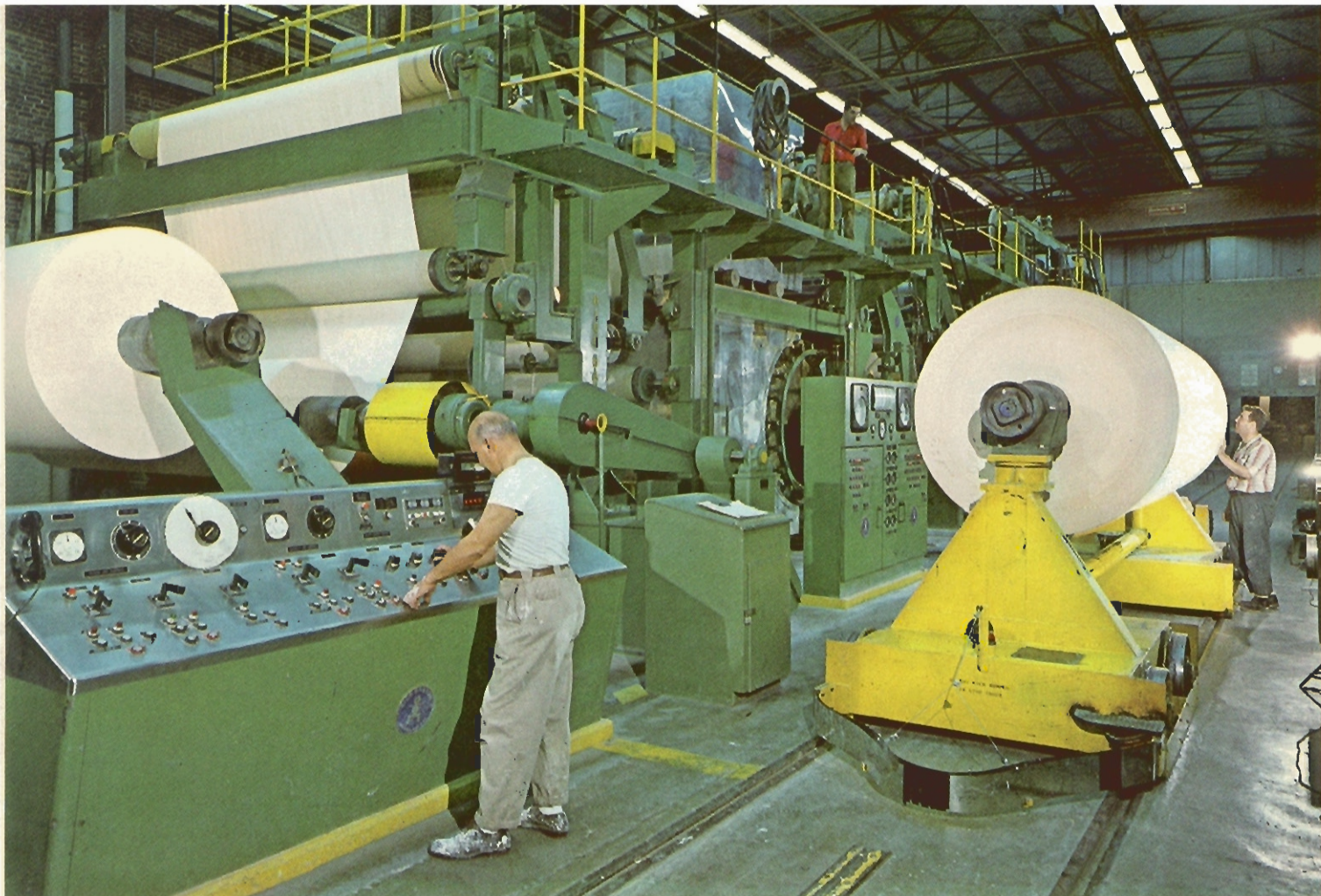




Newsprint, manufactured at six mill locations in Manitoba, Ontario and Quebec, continues to be a basic and important Abitibi product. Today's improved newsprint is made possible by research and substantial expenditures year after year on machinery and equipment used in the manufacturing processes. The above photograph shows the new woodroom under construction at Fort William completely surrounding the former facilities which are no longer efficient. At the right is a newly installed calender stack on a paper machine at Sault Ste. Marie.

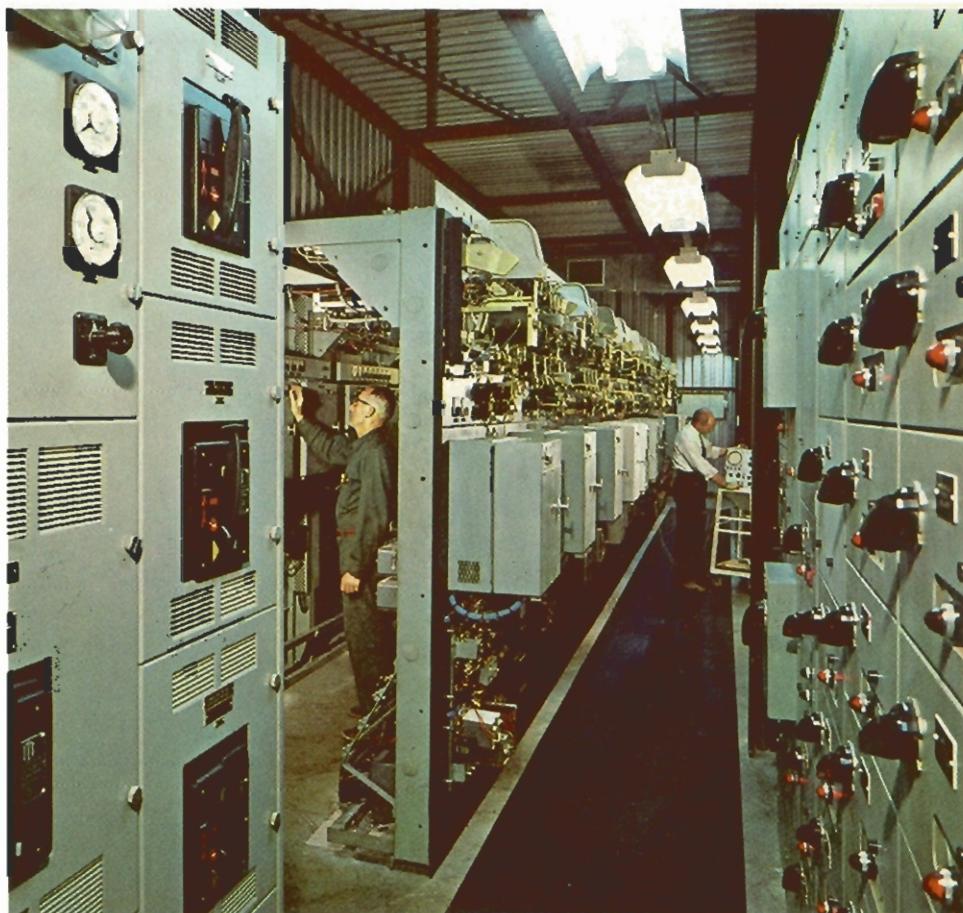






Many fine paper grades now being produced by Provincial Paper, Limited are a direct result of research and product development coupled with major investment in plant and equipment.

In paper handling at Port Arthur, a 10-ton reel is moved to the trailing blade coater on an electric railway (above). Magnetic stops are located between the rails to position the carriage automatically for unloading by an overhead crane. A modern instrumentation console (right) controls operation of the trailing blade coater.





The impressive growth of Abitibi's panelboard lines in the United States and Canada demonstrates the success of our product development program. At the Alpena mill of Abitibi Corporation, capacity was increased by more than 20% in the past year.

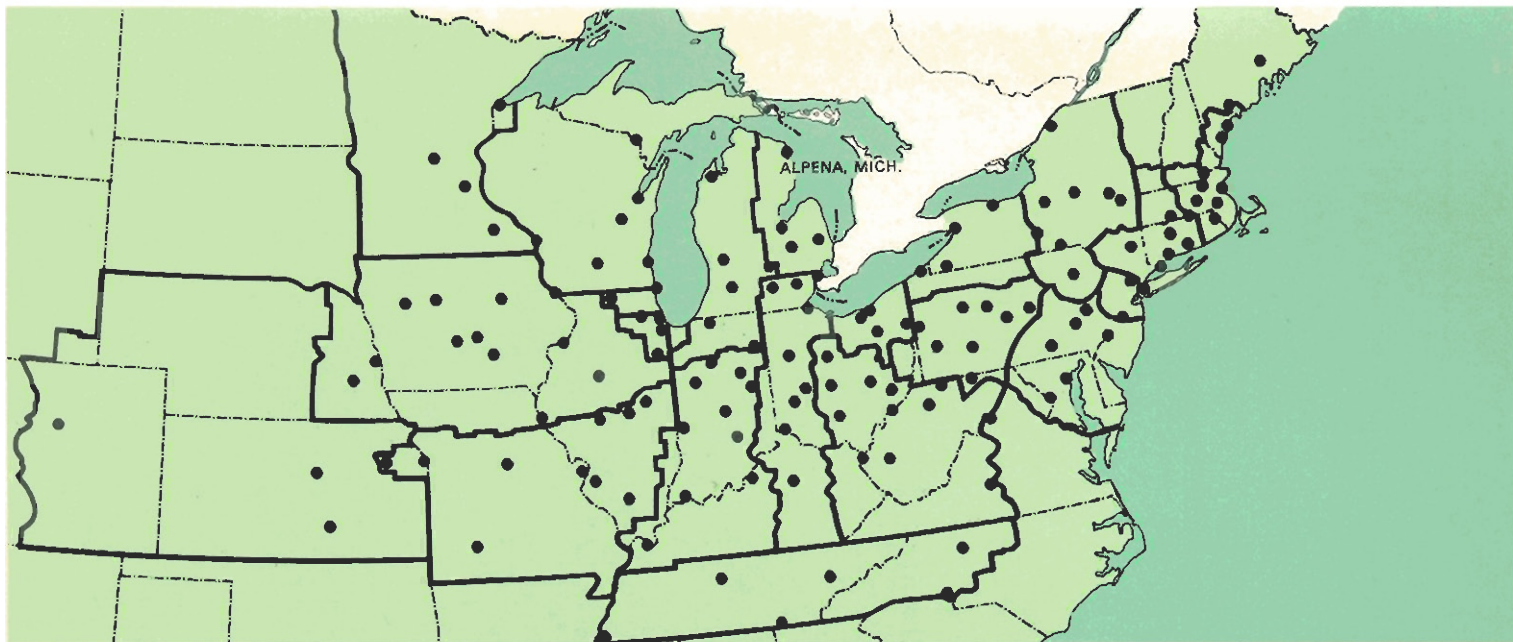
The wood for these products is harvested under a forest management program carefully planned to meet both industrial and recreational objectives. The top photo shows the success of natural regeneration in an Abitibi demonstration woodlot. Healthy aspen and oak grow vigorously in an area cut over in February, 1963—picture was taken eight months later.

The machine shown in the centre photo—a scale model of a production unit—is used to test and evaluate coatings and finishes for the manufacture of decorative panelboard products.

The bottom photo shows the Alpena mill of Abitibi Corporation after completion of the recent expansion program.

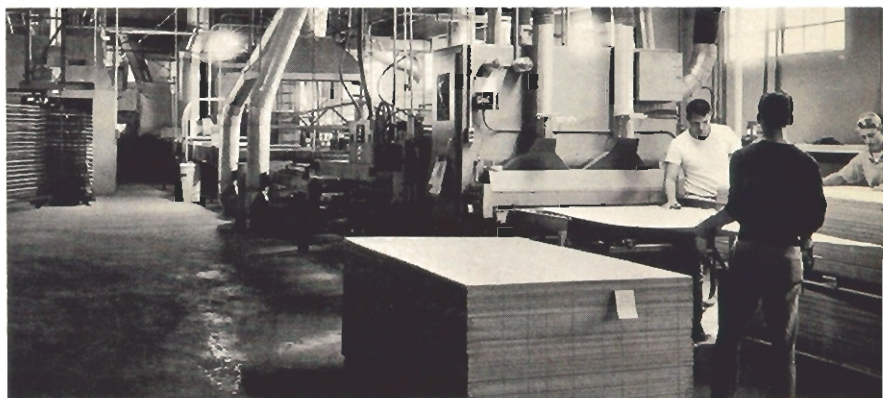






While distribution of Abitibi hardboard products in the United States is organized on a national basis, the above map shows that the Alpena mill is well located with respect to its distributors in the major markets.

Product diversification was achieved through the acquisition of companies whose operations integrate well with those of Abitibi. The new Miratile Products Division of Abitibi Corporation manufactures a wide range of panelling in hardboard and plywood, including "Miraplank," the melamine-finished premium panel; "Miraply," the prefinished plywood; "Miraboard," the woodgrain-hardboard panel; and "Miratile," the plastic finished panelling, whose waterproof and soilproof surfaces make it ideal for bathroom, kitchen and utility areas. The centre photo shows production in the City of Industry, California, plant, while the bottom photo shows an attractive application of Miratile products in kitchen and dining area.

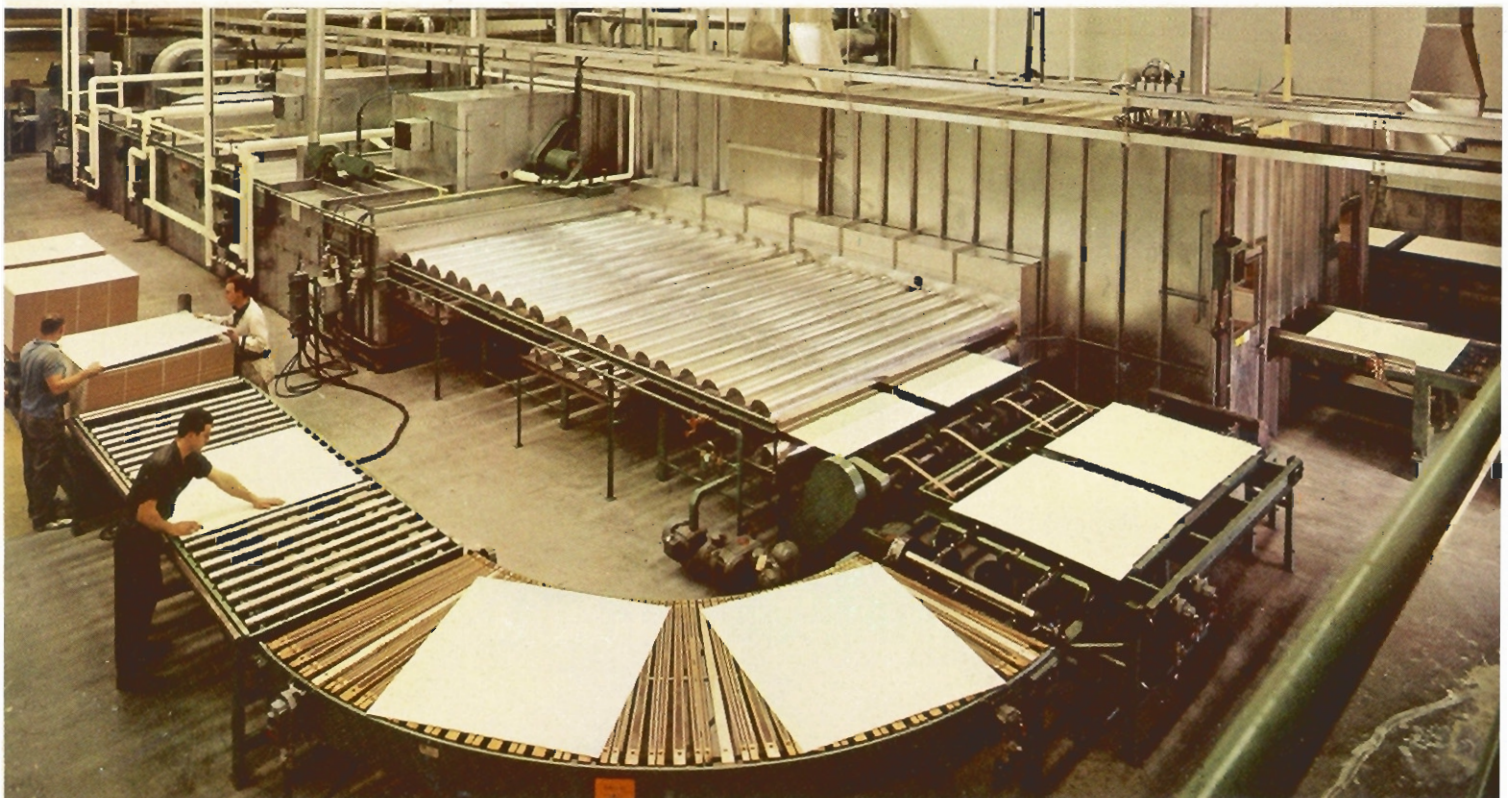
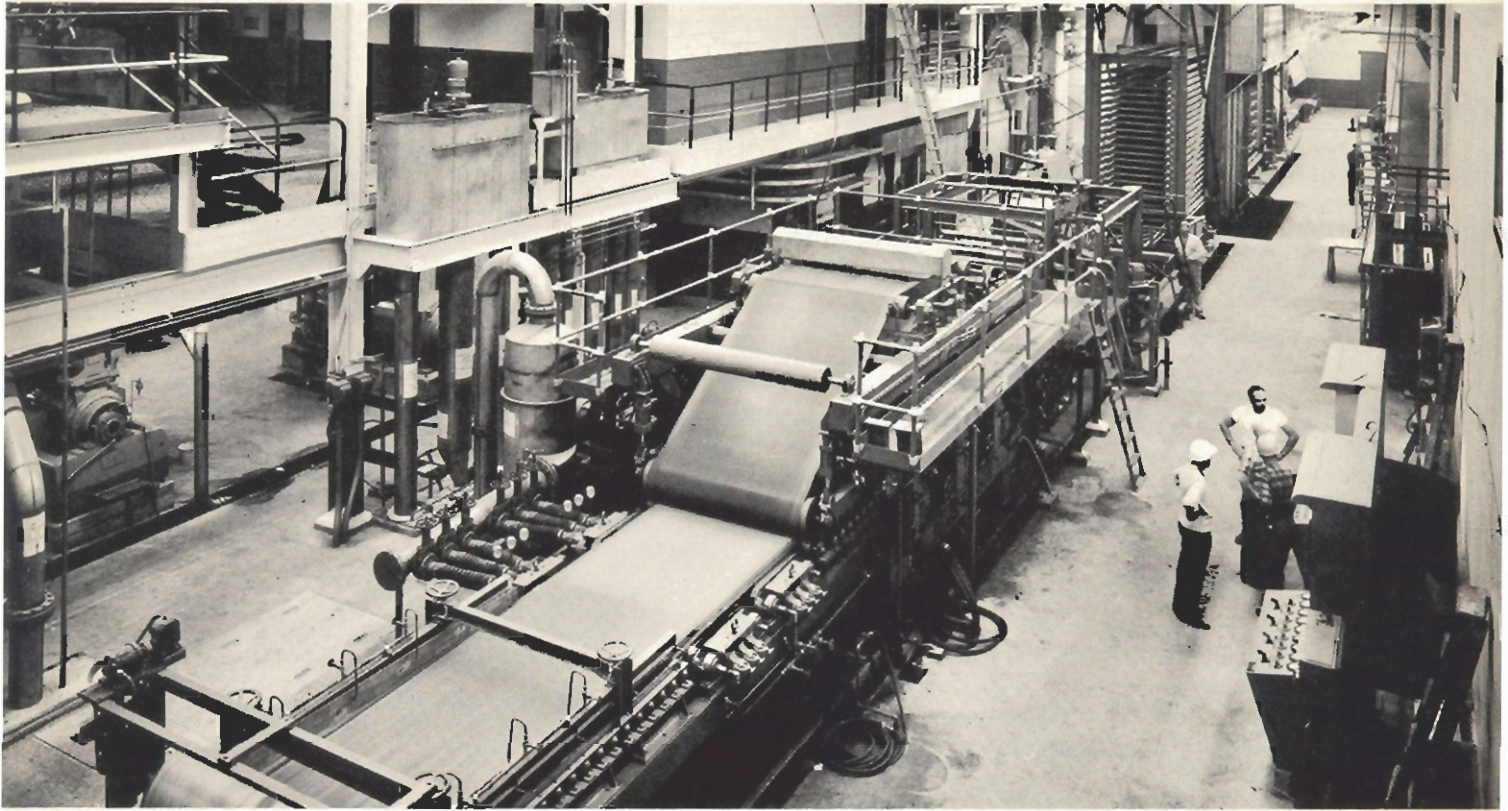




In Canada, the demand for Abitibi hardboard products has resulted in a 100% increase in productive capacity at the Sturgeon Falls mill in Northern Ontario.

Key parts of these new production facilities include the hardboard forming line (top photo) and the prefinishing line (bottom) used to produce ceiling tile and other decorative panelboard products.

Sturgeon Falls panelboard products are made from pulpwood purchased from farmers, settlers and contractors.



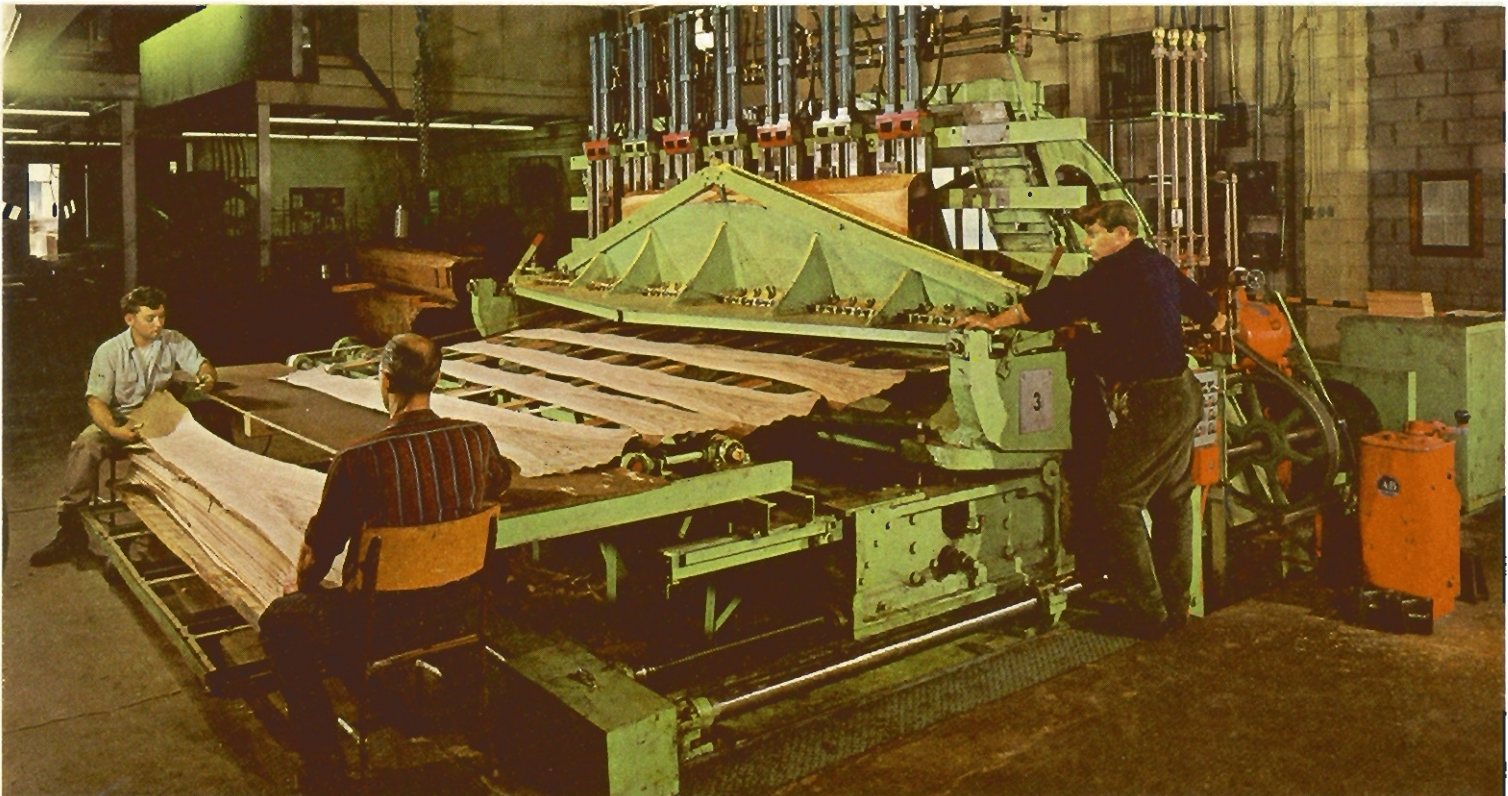
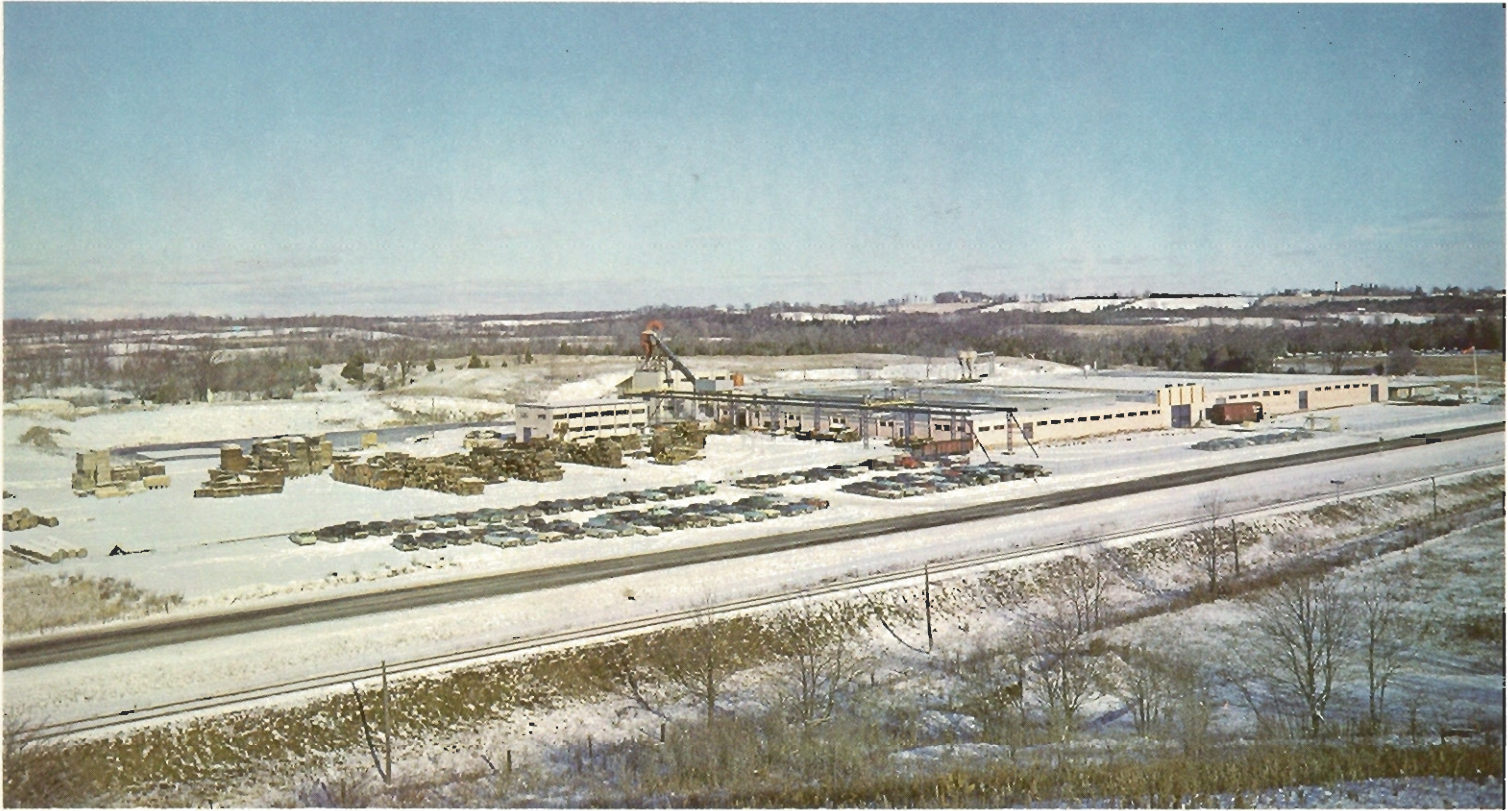


Another Abitibi product, PLATEWOOD, is used as the core stock for high grade furniture and office panelling. The most recent development is F.R. PLATEWOOD\*, a chemically treated panel resistant to fire.

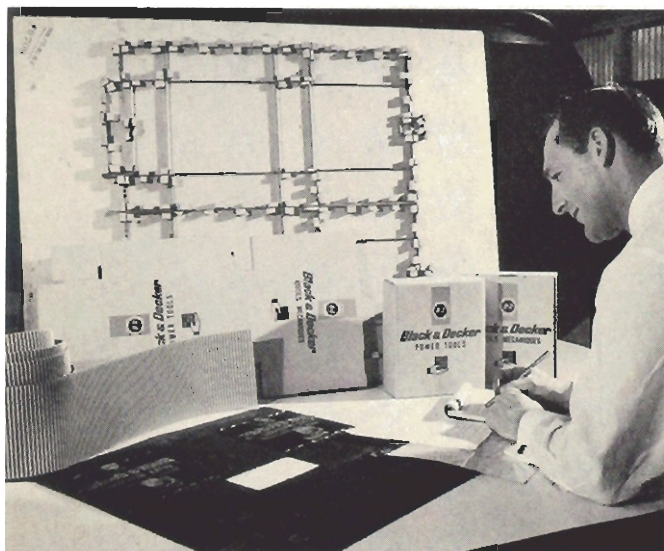
Maple Leaf Veneer Limited, a new subsidiary company of Abitibi uses PLATEWOOD extensively in its products. The modern plant at Durham, Ontario (top photo) manufactures a wide range of hardwood veneers, decorative panelboards and bi-fold doors.

The machine shown in the bottom photo slices veneers from a variety of selected hardwood logs, such as walnut, teak, mahogany, oak, cherry and elm, grown in Canada, the United States and Overseas countries.

*\*T.M. Reg.*







Corrugated containers are manufactured by Pembroke Shook Mills, Limited, in a modern plant where the services of qualified package designers are available to customers (centre photo).

Hardwood chips purchased in the Sturgeon Falls area are used to make corrugating medium, an important raw material in the manufacture of corrugated containers.

Shown below is a huge pile of softwood chips also obtained in the area and used extensively in the hardboard manufacturing process. The increased use of wood chips from sawmills contributes to a better utilization of forest resources.







## COMPANIES AND PRODUCTS

### **ABITIBI POWER & PAPER COMPANY, LIMITED**

*Parent company with manufacturing operations in Ontario*

Executive offices: Toronto, Ont.

Newsprint: Iroquois Falls, Fort William and Port Arthur, Ont.

Newsprint and groundwood papers: Sault Ste. Marie, Ont.

Bleached sulphite pulp: Smooth Rock Falls, Ont.

Corrugating medium, hardboards and particle boards: Sturgeon Falls, Ont.

### **ABITIBI SALES COMPANY, LIMITED**

*Sales agent for newsprint, groundwood papers, bleached sulphite pulp, corrugating medium, hardboards and particle boards*

Sales offices: Toronto, Ont.; Montreal, Que.

Subsidiary company:

ABITIBI SERVICE, INC.

*Serving customers in the United States*

Offices: Dayton, Ohio; New York, N.Y.; Chicago, Ill.

### **ABITIBI CORPORATION**

*Manufacture and sale of hardboards and insulation boards in the United States*

Plant and executive office: Alpena, Mich.

Sales offices: Detroit; Chicago; Dayton; New York

### **MIRATILE PANEL PRODUCTS DIVISION**

*Decorative hardboards and plywoods*

Chicago, Illinois and City of Industry, California

### **PROVINCIAL PAPER, LIMITED**

*Manufacture and sale of fine and printing papers*

Trailing blade, machine coated and groundwood papers: Port Arthur, Ont.

Book, writing and specialty papers: Thorold, Ont.

Coated printing and litho papers: Georgetown, Ont.

Sales offices: Toronto, Ont.; Montreal, Que.; Winnipeg, Man.

### **MANITOBA PAPER COMPANY, LIMITED**

Manufacture of newsprint: Pine Falls, Man.

### **STE. ANNE PAPER COMPANY, LIMITED**

Manufacture of newsprint: Beupré, Que.

Subsidiary companies:

ST. ANNE POWER COMPANY

BAIE ST. PAUL LUMBER COMPANY LIMITED

conducting woodlands operations from: Beupré, Que.

### **PEMBROKE SHOOK MILLS, LIMITED**

Manufacture and sale of corrugated cartons: Pembroke, Ont.

### **MAPLE LEAF VENEER LIMITED**

Veneers and hardwood plywood: Durham, Ont.

### **OTHER SUBSIDIARY COMPANIES**

Abitibi Navigation Company Limited: Toronto, Ont.

Mattagami Railroad Company: Smooth Rock Falls, Ont.

Geomont Explorations Limited: Toronto, Ont.

### **AFFILIATED COMPANY**

Abitibi Bathurst (U.K.) Limited, London, S.W.7, England

*Paper grades used in this Annual Report: Cover, Paragon Brilliant Cover basis 25 x 38—280M; Inside pages, Georgian Offset Smooth basis 25 x 38—160M; products of PROVINCIAL PAPER, LIMITED, an Abitibi company  
Lithographed in Canada*



