ABITIBI-PRICE

ANNUAL REPORT 1982

Newsprint

Groundwood papers

Fine papers

Converting and distribution

Kraft products

Building products

Lumber

Mineral resources

HOWARD ROSS LIBRARY
OF MANAGEMENT
JUN 27 1983
McGILL UNIVERSITY

ABITIBI-PRICE

Annual report for the year ended December 31, 1982

Abitibi-Price, the world's largest manufacturer of newsprint, is an integrated forest products company, providing the products and services listed on our cover to customers in North America and around the world.

Building on our strengths enables us to fulfill our commitments to customers, shareholders, employees and the communities in which we operate. Two major projects are pictured in this report—the modernization of our mill at Iroquois Falls, Ontario, where a new newsprint machine is replacing four old ones, and the installation of a second newsprint machine at our joint venture operation in Augusta, Georgia.

On peut obtenir ce rapport annuel en français sur demande.

FINANCIAL HIGHLIGHTS

(thousands of dollars)	1982	1981*
Net sales	**$1,634,262**	$1,763,385
Interest and other income	**29,737**	31,280
Depreciation and depletion	**68,277**	60,860
Interest and expense on long-term debt	**31,586**	31,123
Income taxes	**19,516**	81,689
Earnings before extraordinary items	**60,973**	117,583
Per common share	**$ 2.46**	$ 5.27
Net earnings	**58,358**	129,852
Per common share	**$ 2.33**	$ 5.87
Dividends declared		
Preferred shares	**10,804**	9,975
Common shares	**31,078**	33,098
Per common share	**$ 1.50**	$ 1.60
Additions to fixed assets	**180,411**	195,233
Working capital	**437,279**	461,372
Fixed assets, net	**881,683**	806,562
Long-term debt	**385,838**	388,851
Book value of common shares	**701,522**	684,845
Per common share	**$ 33.85**	$ 33.06

**1981 figures have been restated as explained in Note 3 to the financial statements.*

CONTENTS

REPORT OF THE DIRECTORS

While the company's 1982 sales and earnings were down from the high levels established in 1981, they still represented a significant achievement considering the general economic conditions and the particular problems facing the forest products industry.

Sales were $1.6 billion, compared with $1.8 billion in 1981. Earnings before extraordinary items declined 48% to $61.0 million or $2.46 per common share, from $117.6 million or $5.27 per share in 1981. After taking into account extraordinary items relating to the Augusta joint venture and to the Jonquière kraft products mill, net earnings for the year were $58.4 million, or $2.33 per common share, compared with $129.9 million or $5.87 per share a year earlier.

It should be noted that comparative 1981 earnings have been restated to reflect a change introduced in 1982 in the method of accounting for tax benefits realized in connection with the 1978 acquisition of Labrador Linerboard Limited and for gains relating to the establishment of the Augusta joint venture partnership in 1981. The accounting change is explained elsewhere in this annual report.

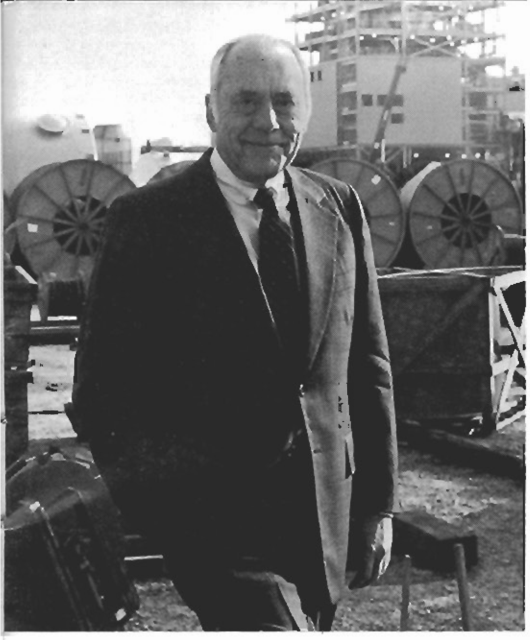
The general deterioration of the economic environment in all our world markets, but especially in the United States, was the principal factor contributing to the decline in sales and earnings.

In the second half of the year, our product groups, partieularly newsprint, were faced with low operating rates and declining selling prices, the result of continuing excess supply and high customer inventories.

The turn of events in the marketplace, while most unwelcome, was not unexpected and had been factored into our strategic planning. In these difficult times our plan has proven its worth and we believe it will be the basis for sound growth and expansion in the years ahead.

A major objective of our planning has been to divest ourselves of businesses or facilities which do not contribute to our long-term goals. We continued to move in this direction in 1982, with the major events being the sale of the Northern Wood Preservers sawmill in Northern Ontario, and the closure of both a sawmill in Price, Quebec, and a small envelope plant in Stellarton, Nova Scotia.

The disposal of ten operations since 1979 has not only eliminated some weak spots, but has allowed us to concentrate corporate resources on our primary strategic objective—building on our strengths by modernizing operations in order to ensure cost and quality competitiveness, profitability and financial strength.



Robert C. Gimlin
President and
Chief Executive Officer

A total of $180.4 million was spent on modernization and other capital projects in 1982 and a further $180.9 million was spent by the joint venture partnership at Augusta, Georgia, where a second newsprint machine is being installed. In recognition of reduced cash flows due to the recession, most of our secondary projects have been delayed; however, no major projects have been deferred. Unfortunately, strikes in the construction trades in Ontario and Newfoundland slowed work on some projects and added considerably to their cost.

In 1982, a major bargaining year for the Eastern Canadian forest products industry, we concluded successful negotiations with unions representing over half of our organized employees. There were no work stoppages in any of our mill or woods operations during the year.

In the past few years, a primary corporate objective has been to improve employee relations, particularly with regard to safety, employee involvement, communications and human resource development. While it is difficult to measure improvement in these areas, we believe we are making valuable progress and we continue to give this objective a high priority.

During the year, we faced the difficult and disagreeable necessity of making significant reductions in staff at corporate and mill levels. This, and other steps taken to reduce overhead expenses, will benefit future years' results. In addition, all non-union staff and management salaries have been frozen for an indefinite period.

Considerable organizational restructuring took place in many areas during the year to improve effectiveness and to strengthen our management team. The principal appointment was that of Bernd K. Koken, who was named Executive Vice-President and Chief Operating Officer, and who subsequently also became a director of the company.

Abitibi-Price lost a dedicated director with the sad passing of the respected Canadian leader, the Honourable John P. Robarts, former Premier of Ontario. Mr. Robarts made many valuable contributions in his ten years as a director.

Outlook

For our company, earnings depend primarily on the fortunes of our major product, newsprint, which has come under increasing market pressure since mid-1982. The squeeze on profit margins for this and other pulp and paper products is expected to continue and possibly intensify in the first half of 1983, after which a slow recovery is expected.

On the positive side, we believe declining interest rates and signs of revival in the housing market are the forerunners of improvement in our building products and lumber business units. Should this herald a broader-based recovery, as some are predicting, it would have a positive effect on market opportunities and operating rates for most of our other product groups.

The difficult economic and operating environments of the past year have placed great demands on all Abitibi-Price employees. The directors wish to acknowledge the contributions they have made and to express confidence that this strong team will meet the challenges of 1983 with optimism and determination.

On behalf of the Board of Directors,

Thomas J. Bell
Chairman of the Board

Robert C. Gimlin
President and Chief Executive Officer

Toronto
February 21, 1983

Reliable product quality at a competitive price is the goal of every Abitibi-Price mill. The proving ground is the press-rooms of our customers.

Bernd K. Koken
Executive Vice-President and Chief Operating Officer

The past year was marked by difficult and unusual business conditions, but Abitibi-Price made significant progress in positioning itself to be more competitive in its principal markets.

The world-wide recession continued to take its toll of forest product companies' earnings in 1982. Lower volumes resulted in reduced revenues and higher unit costs, while the relatively higher rate of inflation in Canada created an additional cost disadvantage for Canadian producers. Given the market environment, recovery of higher costs through price increases was not attainable for the industry's major products and, in fact, prices of some products slid back to 1981 levels or lower.

Within Abitibi-Price, sales of most product groups were down from the preceding year, but the major impact on results came from the deterioration of newsprint operations in the second half.

Newsprint, which accounts for about half of our sales volume, and an even larger percentage of our profits, largely determines the fortunes of our company. In 1982, our operations ran at approximately 80% of capacity, to produce 1,511,800 tonnes. An additional 63,200 tonnes were available under an exclusive marketing agreement, bringing total available production in 1982 to 1,575,000 tonnes, compared with 1,857,000 tonnes in 1981.

The decline in demand for newsprint resulted from the convergence of a number of circumstances. U.S. consumption, which had been virtually flat since 1979, turned down slightly in 1982, as high interest rates and the recession depressed consumer spending, which in turn reduced advertising and thus overall newspaper size. Actual shipments to the U.S. market dropped by a greater amount, since customers were using up inventory previously accumulated as a hedge against possible strikes in Eastern

Canada, which did not materialize.

At the same time, however, new capacity exacerbated the supply/demand imbalance. At the end of 1982, North American capacity had increased by two million tonnes, or 17%, from 1979 levels. Indications are that another half million tonnes will be added by the end of 1984.

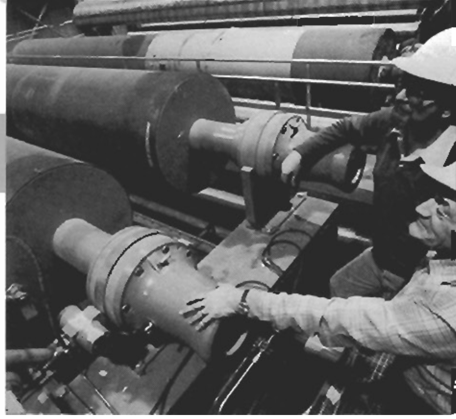
The unusually large growth in capacity since 1979 has an added implication for Canadian producers, since most of it has occurred in the U.S. which has always been the major buyer of Canadian newsprint. As the U.S. achieves a greater degree of self-sufficiency, Canada's participation in this market is gradually decreasing.

Our company's shipments to offshore markets held up well in 1982. However, during the year, currencies in Scandinavia and the European Community continued their decline against the U.S. dollar. As a result, the competitive position of paper companies located in these areas vis-à-vis their Canadian counterparts has been greatly enhanced in the markets we both serve.

The newsprint pricing environment was unstable and difficult throughout the year. As orders and operating rates fell, producers began cutting prices to increase volume. We were unable to implement a modest 5% price increase in North America and, in fact, by November the U.S. price suffered a 6% drop, the first decrease in list price since 1933.

Uncoated groundwood papers comprise Abitibi-Price's second most important product group. The Kénogami mill at Jonquière, Quebec, and the mill at Sault Ste. Marie, Ontario, operated, on average, at 93% of capacity in 1982, producing 353,000 short tons, compared with 340,000 short tons in 1981 when the Kénogami mill was affected by a strike.

This group's products are produced in a variety of weights and finishes for a wide range of end uses, including computer papers, telephone



Modernization of the Iroquois Falls, Ontario, newsprint mill will improve quality and productivity, enhancing Abitibi-Price's position as a leading newsprint supplier.

directories, newspaper supplements, and advertising inserts.

Many of the market problems experienced by newsprint were also felt by groundwood papers. Reduced demand adversely affected volume and prices. As well, competition increased from higher grade papers as their prices fell to a point where they became viable alternatives to groundwood papers. In spite of this, we maintained our share of most end use markets which we serve.

World-wide economic conditions also had an adverse effect on the kraft pulp market. Reduced demand resulted in a steady climb throughout the year in producer inventories, and the U.S. price of bleached kraft pulp dropped from U.S. $565 per tonne early in 1982 to U.S. $450 per tonne at the end of the year.

It was also a difficult year for fine papers manufacturing. As sales volume dropped, production declined to 112,000 short tons from 170,000 short tons in 1981. (Last year's total included the production of our Thorold, Ontario, mill until it was sold in June, 1981.) Nevertheless, considerable progress was made during the year in refining product mix and completing modernization projects, so that this division is now positioned to improve its contribution to corporate profits.

The three converting and distribution operations, Hilroy, Canada Envelope, and Inter City Papers, while very sensitive to the level of economic activity, continued to make a strong contribution to corporate earnings, although at lower levels than in recent years.

The company's lumber division was affected severely by the recession. The slump in home construction in North America produced a drop in the sale of lumber. Additionally, weak pulp and paper markets resulted in lower production by our pulp and paper mills, and thus reduced their requirements for wood chips used as furnish. Consequently, our sawmills experienced considerable downtime during the year, and total production was only 140 million board feet, compared with 291 million board feet in 1981.

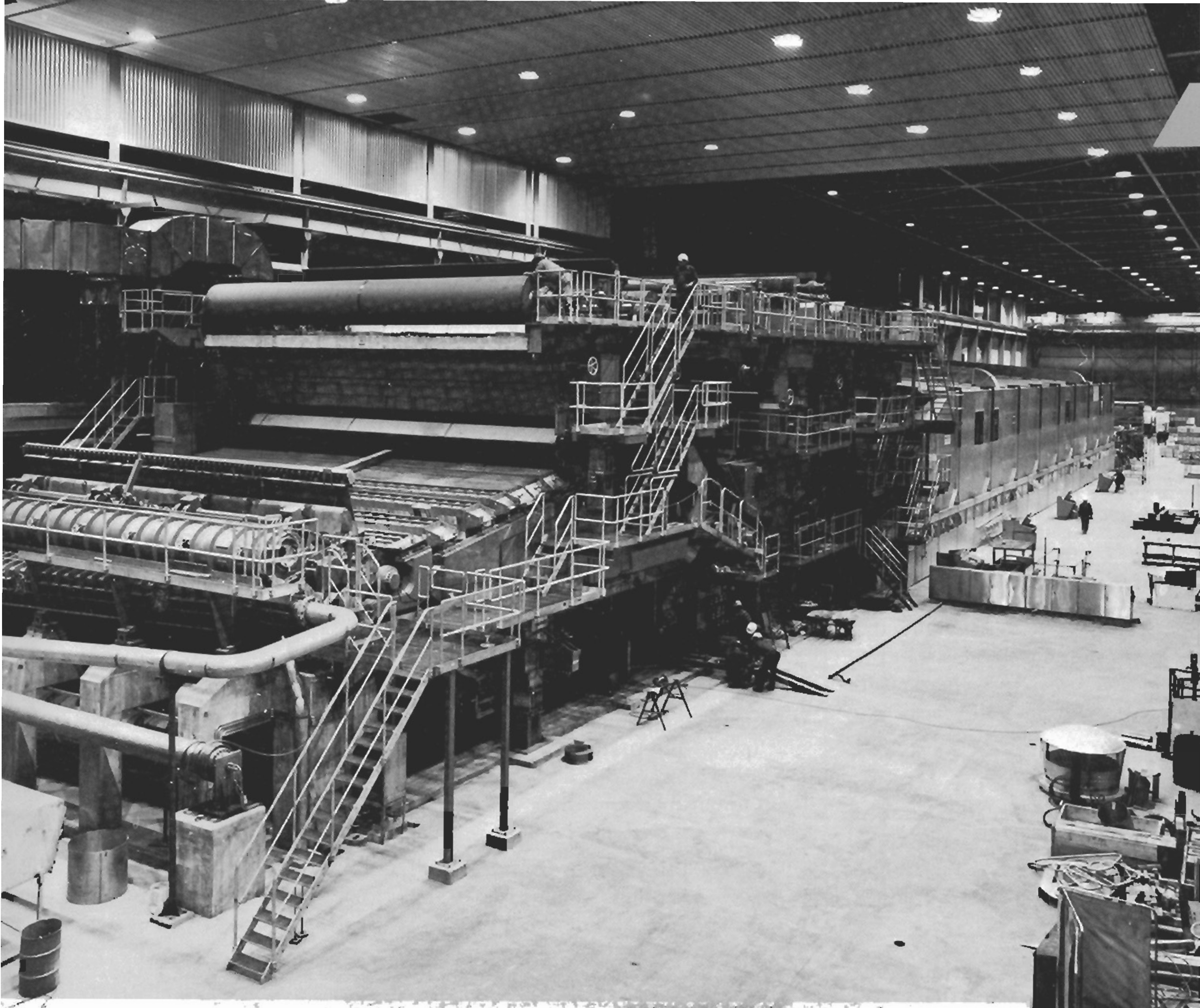
Our U.S. building products unit saw a glimmer of light in the fourth quarter as interest rates, which had hampered the housing market in North America since 1980, began to decline.

The drop came too late in the year to have much effect on the level of housing starts in 1982, which in the U.S. were only slightly over one

million units, the lowest level of starts since 1946, and well below the average of 1.8 million units per year experienced in the 1970's.

Nevertheless, this division's sales volume and profit contribution were higher than in 1981, resulting from reduced costs and greater productivity. With major expansions at Roaring River, North Carolina, and Middlebury, Indiana, now completed and on stream, our building products group has the capacity necessary to take advantage of the market recovery which now appears to be underway.

Our mineral resources operations include our interests in mines at Mattabi, Ontario, and Buchans,



Newfoundland, both of which have been noteworthy base metal producers. The low prices that prevailed for these commodities for most of 1982 prevented the planned reopening of the mill at Buchans and contributed to production curtailments for one month at Mattabi. The mineral resources division experienced a loss, including $2.7 million of exploration costs. At Buchans, we are continuing our exploration activity in an effort to extend the life of the mill as long as possible.

While the volume of wood required by our pulp, paper and lumber mills was drastically reduced in 1982, our woodlands personnel were active and highly successful in implementing silvicultural programs. The number of trees we planted increased from 3.9 million in 1981 to more than eight million in 1982. Of these, five million were planted on crown lands in Ontario and Manitoba under forest management agreements, and the balance was planted on our freehold lands in Ontario and Newfoundland. In 1983 we expect to plant over 13 million trees.

Successful reforestation requires advance planning, site preparation, tending, and most of all commitment. We take pride in Abitibi-Price's commitment to forest management.

Since, in general, costs are higher for Canadian pulp and paper manufacturers than for their competition in other countries, cost control always has a high priority, and attention to costs was particularly vigilant in 1982. Most of our operations made satisfactory headway and some achieved truly excellent improvement.

Quality is, of course, always of paramount importance and at no time more so than in the highly competitive marketplace in which we are operating at present. We consistently direct our attention to maintaining and upgrading product quality, both through facility and process improvements and

The second newsprint machine at Augusta, Georgia, scheduled to start up later this year, will improve our distribution and service for customers in the Southern U.S., the fastest growing market area in North America.

through constant monitoring in company and customers' plants.

Our Stephenville, Newfoundland, newsprint mill has set new standards of excellence in the markets it serves after just one full year of operation.

The new pulp mill at Fort William, Ontario, improved steadily after its start-up last year and, as a result, the newsprint mill which it supplies was able to achieve record production and quality.

A forward looking, financially responsible and strategically directed capital expenditure program is indispensable to any company committed to improving the productivity, quality and cost-competitiveness of existing operations. We believe we have made excellent progress in these areas in the past few years and, while we are delaying discretionary secondary projects in an effort to conserve cash, we are continuing with all of the major projects that were started before business turned down.

In 1982, our capital expenditures were $180.4 million (exclusive of expenditures by the Augusta joint venture newsprint partnership), down from $195.2 million in 1981. Planned expenditures for 1983 total $160.3 million.

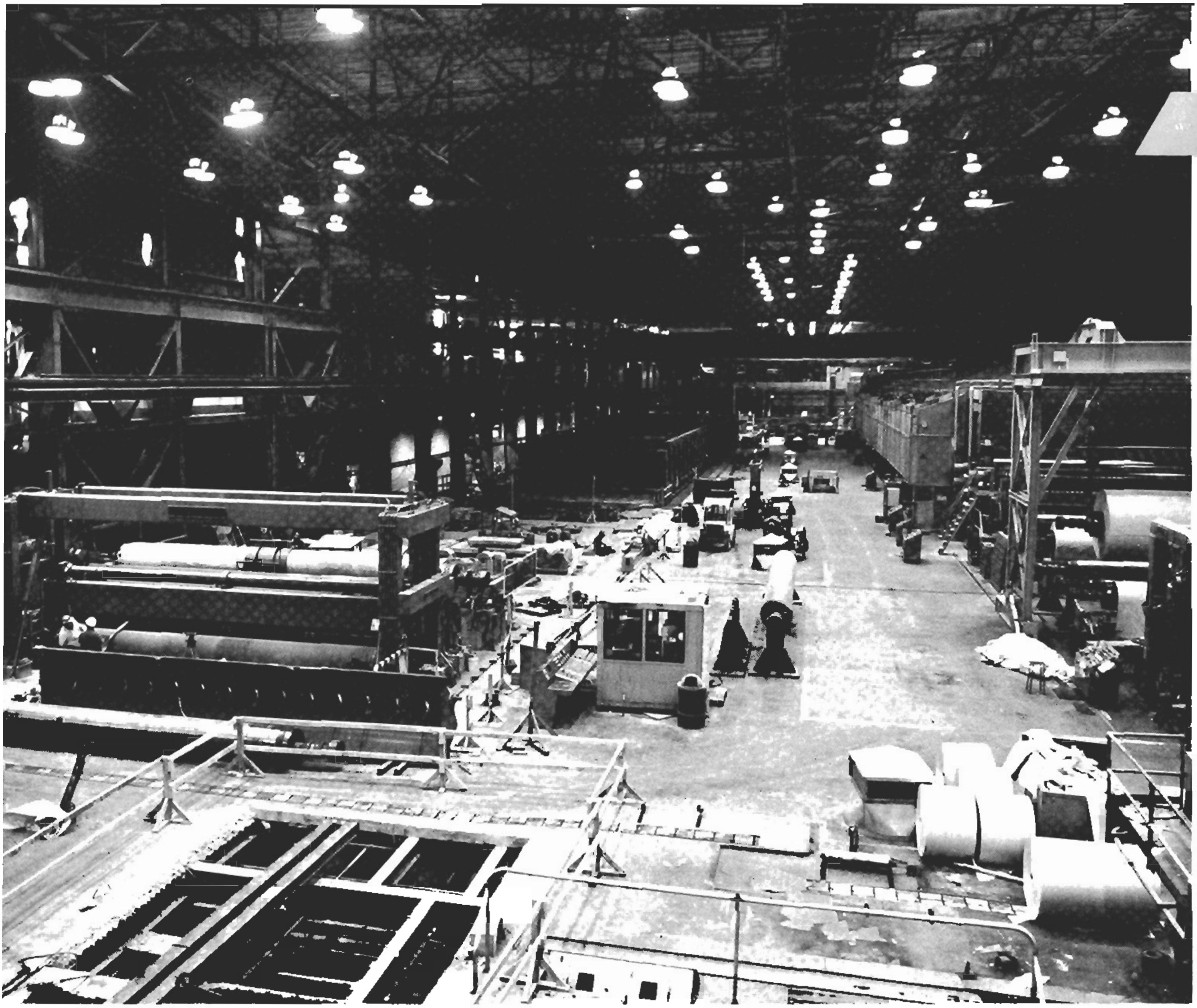
The new newsprint machine at Iroquois Falls, Ontario, will start up in the spring of 1983. Originally scheduled for completion in 1982, the project was delayed by a construction trades strike. The new machine, which replaces four old machines, will produce a very high quality product and is a key element in our modernization program.

At our newsprint mill in Grand Falls, Newfoundland, a construction trades strike also delayed the installation of a high-yield sulphite pulp system and the conversion from a refiner pulping to a thermo-mechanical pulping process. These projects, which will provide cost and quality improvements, are in the final stages.

At Augusta, Georgia, excellent progress has been made on the installation of a second newsprint machine in the mill that we own jointly with Thomson Newspapers Limited. The $240 million project is within budget and on schedule for start-up later this year. It will have the capacity to produce 200,000 tonnes of high quality newsprint, strategically placed to serve the Southern U.S. market. Installation of this machine represents only a marginal increase in the company's total newsprint capacity, since start-up will coincide with the conversion of the mill at Beaupré, Quebec, from the production of newsprint to groundwood papers.

The Beaupré conversion is also proceeding smoothly, within budget and on schedule. The conversion will give this mill a capacity of 160,000 short tons when it is fully operational and will revitalize this facility which was built in 1927.

At the end of the year we completed the installation of a groundwood mill at our fine papers plant in Thunder Bay, Ontario. The high quality of groundwood pulp now being produced is having a very favourable effect on costs at this mill, as it has enabled us to double



the groundwood content in our products, thereby displacing higher cost fibre.

Modernization of our sawmill at Falardeau, Quebec, was completed and the operation enjoyed a successful startup at the end of October.

During 1982, we continued our program of ensuring that all operations and activities are compatible with the company's long-term strategic direction.

Two sawmills, neither of which was integrated with pulp and paper mills as are most of our other sawmills, were disposed of during the year. The Northern Wood Preservers sawmill and wood treating facility in Thunder Bay, Ontario, was sold in September, but its products and services will continue to be marketed through our lumber sales division. The sawmill at Price, Quebec, was shut down in the fall and is in the process of being sold.

After year-end, and following a study of all possible alternatives, the company decided to sell the kraft pulp and paperboard mill at Jonquière, Quebec. If efforts to find a suitable buyer are not successful, the company intends to close this unprofitable mill by the end of 1983.

Also after year-end, the company decided to close one of the old machines at the Sault Ste. Marie, Ontario, groundwood papers mill in order to improve plant efficiency and product quality.

Other rationalization steps taken during the year included the indefinite shutdown of an old newsprint machine at the Grand Falls mill, the closure of a small envelope plant in Stellarton, Nova Scotia, and the suspension of operations at the White River, Ontario, sawmill pending sufficient improvement in the lumber market.

As the combination of modernization and rationalization makes Abitibi-Price a stronger and more vital company, we recognize the importance of entrusting the

People make it all work. The complexities of modern mills demand a high level of expertise on the part of dedicated employees. Millions of dollars are invested in training our people to achieve optimum results in all phases of the company's activities.

operation of our facilities to people of skill and experience.

Programs are in place, and more are being developed, to provide our people with the necessary expertise to operate modern papermaking machinery for optimum results. One of our programs, which provides personnel with practical experience on similar machines in other locations before a new operation starts up, is regarded as an industry model and has attracted interest and attention from other companies and various governments.

Training in operations is just one facet of employee development. Other programs are aimed at career development, effective communications, and leadership and supervisory skills.

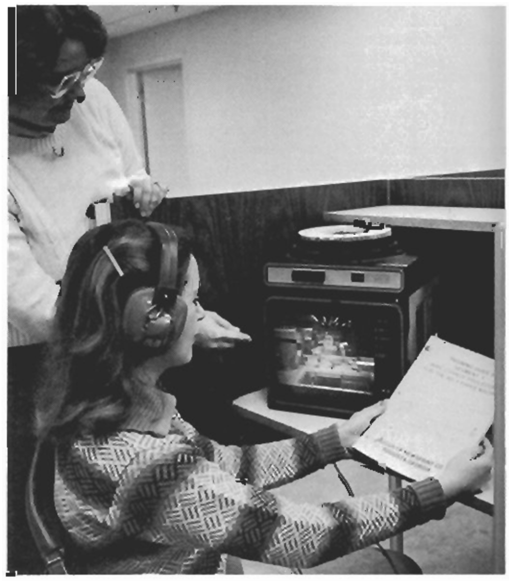
Safety is a vital concern to us, and our vigilance and dedication in constantly striving for improvements in this area is a reflection of our commitment to our employees. Many of our operations set safety records in 1982, and our goal in 1983 is to do still better. We continue to participate in meetings with labour representatives to discuss all matters relating to safety and the increasingly important area of industrial hygiene.

Although 1982 was a major bargaining year in Eastern Canada, our mill and woods operations were not affected by any work stoppages. In the spring and summer, agreements were signed with a number of unions, representing well over half of our unionized employees. Early in 1983, negotiations were successfully concluded with our organized woods employees in Ontario and Manitoba.

Most manufacturing companies, ours included, responded to the difficult economic environment by reducing overhead expenses. In doing so, we looked very thoroughly at the company's structure and functions in order to identify means by which we could permanently improve our way of doing business and thereby achieve a longer-lasting benefit from the reductions. At both the corporate and mill level, we have streamlined our operating methods. Some levels of management and supervision have been eliminated to both reduce costs and improve management effectiveness.

Outlook

Even though economic conditions may improve during 1983, the year will still be a challenge for Abitibi-Price and the forest products industry. The business environment for all our product groups will likely continue to be marked



by depressed demand, stiff competition and low operating rates.

In this environment, Abitibi-Price will continue to emphasize quality and productivity improvement, carefully monitor and control costs, and maintain and enhance market positions. The coming year will not be one marked by growth, but rather by concentrating on the basics of our businesses and doing better what we already do well.

The first half of 1983 will not be too different from the second half of 1982 for most of our product groups. Newsprint profit margins will continue to come under severe pressure, as any increase in demand will probably be offset by addi-

tional capacity coming into the marketplace.

Lower interest rates and rising housing starts provide a brighter outlook for our building products and lumber units. However, these businesses have a lesser effect on earnings than does newsprint.

Prices and orders for groundwood papers appear to have stabilized, indicating that this market has reached the bottom of its business cycle and is poised for a recovery when consumer demand improves.

Our other pulp and paper operations are not expected to show much improvement until an economic recovery is firmly established.

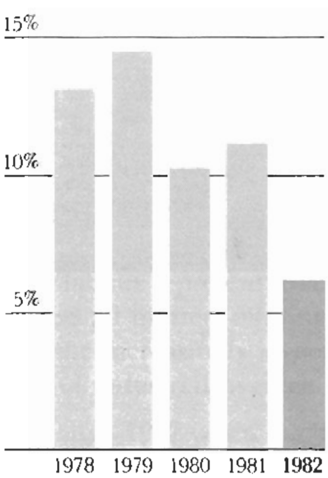
Even though 1983 will be a difficult year, it will include three milestones which augur well for the future of Abitibi-Price: our new newsprint machine at Iroquois Falls will enhance our position as a leading supplier of quality newsprint; the second newsprint machine in Augusta will strengthen our ability to serve the fastest growing market area in North America; and the Beaupré conversion to groundwood papers will maintain our position as a quality producer in a market with excellent long-term potential.

The recession and the particular problems the forest products industry had to cope with during 1982 had a marked effect on the company's results for the year. Sales of $1,634.3 million were down 7% from the preceding year's $1,763.4 million. Earnings before extraordinary items decreased 48% to $61.0 million, or $2.46 per common share, from a restated $117.6 million or $5.27 per share in 1981. After extraordinary items, net earnings were $58.4 million or $2.33 per common share, compared with restated net earnings of $129.9 million or $5.87 per share a year earlier.

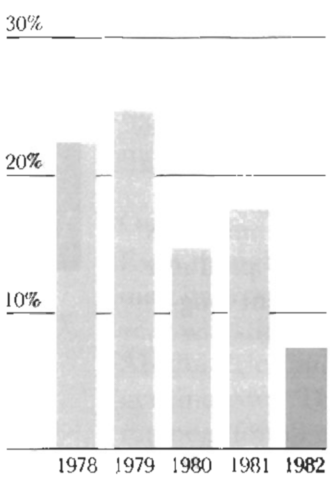
Extraordinary items included in 1982 earnings consist of a $7.9 million after-tax gain relating to the establishment of the joint venture newsprint partnership at Augusta, Georgia, and a $10.5 million after-tax writedown of the kraft products mill at Jonquière, Quebec, to reflect the decision to sell or, failing that, to close the mill in 1983. Extraordinary items in 1981 comprise the previously reported loss on the sale of the fine papers mill at Thorold, Ontario, and a restated gain relating to the joint venture partnership.

As explained in Note 3 to the accompanying financial statements, during 1982 the company retroactively changed its method of accounting for tax benefits arising from the acquisition of Labrador Linerboard Limited in 1978 and for gains relating to the establishment of the Augusta joint venture partnership in 1981/82. Previously these credits were deferred and were to be amortized to earnings over the productive lives of the related fixed assets. Under the revised accounting method, the Labrador Linerboard tax benefits have been included in the earnings of the years in which the benefits were realized and the gains relating to the joint venture partnership have been credited to earnings of the years in which the related transactions took place. As a result of these changes, 1982 and 1981 earnings before extraordinary items have been decreased by $4.4 million and $6.0 million, respectively, while 1982 and 1981 net

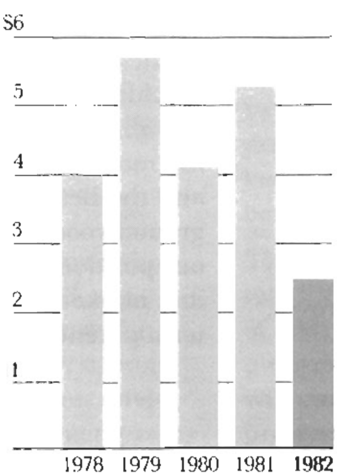
Return on average capital employed



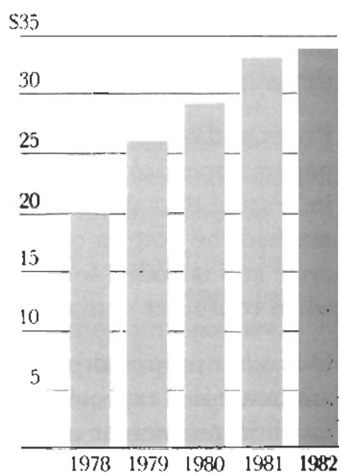
Return on average common shareholders' equity



Earnings per common share
(before extraordinary items)



Book value per common share



earnings have been increased by $3.5 million and $10.2 million, respectively.

Excluding extraordinary items, the rate of return on average capital employed fell from 11.2% in 1981 to 6.2% in 1982 and the return on average common shareholders' equity declined from 17.4% to 7.4%.

Common share dividend payments during 1982 were maintained at the quarterly rate of 40 cents per share which had been established in 1979. The last dividend declared in the year, which was paid on February 1, 1983, was reduced to 30 cents per share.

As a percentage of before-tax earnings, income taxes fell from 39.7% in 1981 to 22.7% in 1982. The decrease in the effective tax rate was principally due to the decline in earnings and the resulting increase in the relative effect of benefits derived from investment tax credits and inventory allowances.

Compared with 1981 capital expenditures of $195.2 million, 1982 expenditures aggregated $180.4 million and were concentrated on the company's modernization program.

Chiefly as a result of the deterioration in business conditions during the year and the ongoing capital expenditure program, working capital of $437.3 million at the end of 1982 was down from $461.4 million a year earlier. At the same time, net cash resources declined from $163.1 million at the end of 1981 to $60.5 million at the end of 1982. The company did not increase its borrowings during 1982, but at the end of the year it entered into a revolving/term loan arrangement with certain Canadian banks for $100 million, to be drawn down as required.

Net sales by product

(thousands of dollars)	1982	1981
Newsprint	**$ 808,591**	$ 908,376
Groundwood papers	**208,918**	194,039
Fine papers, including converting and distribution operations	**371,091**	402,350
Kraft products	**57,948**	66,512
Total pulp and paper	**1,446,548**	1,571,277
Building products	**128,008**	115,361
Lumber	**59,706**	76,747
Total building products and lumber	**187,714**	192,108
Total all products	**$1,634,262**	$1,763,385

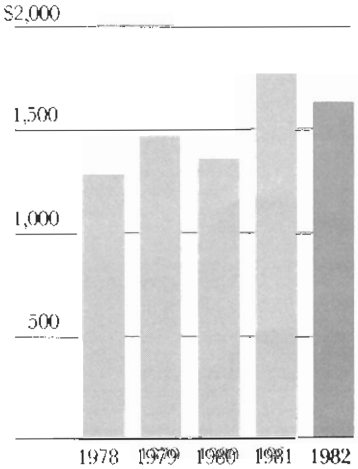
Net sales and earnings by quarter

(thousands of dollars)	Net sales		Earnings before extraordinary items*	
	1982	1981	1982	1981
1st quarter	**$ 414,618**	$ 410,927	**$20,963**	$ 26,680
2nd quarter	**416,246**	466,132	**22,237**	36,483
3rd quarter	**388,265**	453,358	**7,006**	32,143
4th quarter	**415,133**	432,968	**10,767**	22,277
	$1,634,262	$1,763,385	**$60,973**	$117,583

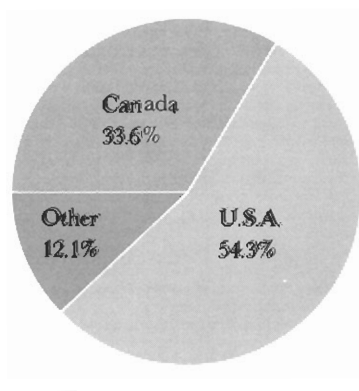
**Quarterly figures for 1982 and 1981 have been restated as explained in Note 3 to the financial statements.*

Net sales

(millions of dollars)



Net sales by market—1982



Abitibi-Price Inc.

Consolidated net earnings

(thousands of dollars)	Year ended December 31 1982	1981
		(note 3)
Net sales	$1,634,262	$1,763,385
Joint venture partnership (note 4)	2,017	–
Mining loss	(2,456)	(2,049)
Foreign exchange gain (loss)	4,117	(7,336)
Interest and other income	29,737	31,280
	1,667,677	1,785,280
Cost of sales	1,356,047	1,365,234
Selling and administrative expenses	121,786	117,833
Depreciation and depletion	68,277	60,860
Exploration costs	2,690	4,583
Interest and expense on long-term debt	31,586	31,123
Other interest	1,395	–
Income taxes	19,516	81,689
	1,601,297	1,661,322
	66,380	123,958
Interest in earnings of companies accounted for on the equity basis–		
Mattabi Mines Limited	134	1,144
Other	524	269
	67,038	125,371
Minority shareholders' interest	6,065	7,788
Earnings before extraordinary items	60,973	117,583
Extraordinary items (note 5)	(2,615)	12,269
Net earnings	$ 58,358	$ 129,852
Per Common Share:		
Earnings before extraordinary items	$ 2.46	$ 5.27
Net earnings	2.33	5.87

Consolidated retained earnings

(thousands of dollars)	Year ended December 31 1982	1981
		(note 3)
Retained earnings at beginning of year–		
As previously reported	$ 498,262	$ 422,656
Adjustment for change in accounting for deferred income (note 3)	81,724	71,513
As restated	579,986	494,169
Net earnings	58,358	129,852
Dividends declared–		
Preferred Shares	(10,804)	(9,975)
Common Shares	(31,078)	(33,098)
Preferred shares of The Price Company Limited–		
Gain on shares purchased for cancellation	–	220
Premium on shares redeemed	–	(23)
Expenses of Preferred Share issue, net of income taxes	–	(1,159)
Retained earnings at end of year	$ 596,462	$ 579,986

Changes in consolidated financial position

(thousands of dollars)	Year ended December 31 1982	1981 (note 3)
Financial resources provided by:		
Earnings before extraordinary items	$ 60,973	$117,583
Depreciation and depletion	68,277	60,860
Deferred income taxes	11,327	39,676
Earnings from joint venture partnership and other equity interests	(2,675)	(1,413)
Minority shareholders' interest	6,065	7,788
Other—net	(1,550)	(942)
Funds from operations	142,417	223,552
Extraordinary item—		
Sale of operating unit, net of working capital	—	10,317
Note receivable from joint venture partnership, currently due	63,543	—
Government grants toward long-range capital expenditures program	6,201	3,020
Disposals of fixed assets	11,049	3,187
Issue of long-term debt	1	59,435
Discount and expense on issue of long-term debt	(279)	(1,554)
Convertible Preferred Shares—		
Issued	—	50,000
Expenses of issue, net of income taxes	—	(1,159)
Converted to Common Shares	(55)	(49,262)
Issue of Common Shares	201	49,470
	223,078	347,006
Financial resources used for:		
Net investment in joint venture partnership—		
Capital contributions and advances	30,872	53,166
Sale and transfer of fixed assets	(37,105)	(38,812)
Net working capital contribution	(6,233)	14,354
Additions to fixed assets	180,411	195,233
Dividends—		
Preferred and Common shareholders	41,882	43,073
Minority shareholders of subsidiary companies	3,190	4,971
Reduction of long-term debt net of unrealized exchange loss	12,903	27,194
Increase (decrease) in receivables not currently due	6,390	(2,826)
Retirement of preferred shares—		
Abitibi-Price Inc.	7,734	9,590
The Price Company Limited	—	2,556
Acquisition of common shares of The Price Company Limited	—	889
Other items—net	894	4,906
	247,171	299,940
Increase (decrease) in working capital	(24,093)	47,066
Working capital at beginning of year	461,372	414,306
Working capital at end of year	$437,279	$461,372

Abitibi-Price Inc.

Consolidated balance sheet

(thousands of dollars)	December 31 1982	1981
Assets		
Current assets:		
Cash and short-term investments	$ 68,290	$ 171,959
Accounts receivable	234,754	227,845
Note receivable from joint venture partnership	65,864	..
Inventories (note 6)	280,956	308,729
Prepaid expenses	6,054	7,453
	655,918	715,986
Fixed assets:		
Properties, plant and equipment	1,344,315	1,218,468
Logging equipment and development	92,187	88,992
Woodlands and mineral and water power rights	32,636	39,701
	1,469,138	1,347,161
Less—accumulated depreciation and depletion	587,455	540,599
	881,683	806,562
Other assets:		
Equity interests—		
Joint venture partnership (note 4)	23,339	53,166
Mattabi Mines Limited	14,111	13,977
Other companies	1,521	1,138
Receivables not currently due	8,726	2,336
Investments, at cost	5,958	6,192
Cost of shares of acquired companies in excess of values attributed to underlying net assets, less accumulated amortization	788	19,896
Unamortized discount and expense on long-term debt	3,231	3,296
Unrealized loss on translation of long-term debt payable in U.S. funds (note 1(b))	23,900	14,011
	81,574	114,012
	$1,619,175	$1,636,560

The financial statements have been approved by the Board:

Director

Director

	December 31 1982	1981
		(note 3)
Liabilities		
Current liabilities:		
Bank loans	$ 7,795	$ 8,825
Accounts payable and accrued liabilities	182,609	195,609
Income and other taxes payable	9,130	27,749
Dividends payable	8,716	9,987
Long-term debt due within one year (note 7)	10,389	12,444
	218,639	254,614
Long-term debt (note 7)	385,838	388,851
Deferred income taxes	171,007	160,815
Minority shareholder's interest	19,511	16,636
Shareholders' equity		
Stated capital (note 8):		
Preferred Shares–		
Series A– 153,900 shares (1981–161,400 shares)	7,695	8,070
Series B– 512,687 shares (1981–527,321 shares)	25,634	26,366
Series C–1,500,000 shares	75,000	75,000
Series D– 275,000 shares (1981–412,500 shares)	13,750	20,625
Series E– 23,160 shares (1981– 29,510 shares)	579	738
Class A Shares	—	—
Common Shares–20,723,285 shares (1981–20,713,376 shares)	105,060	104,859
Retained earnings	596,462	579,986
	824,180	815,644
	$1,619,175	$1,636,560

Notes to consolidated financial statements

1. Summary of significant accounting policies

(a) Principles of consolidation

The financial statements consolidate the accounts of Abitibi-Price Inc. and all companies in which it holds more than a 50% interest. Investments in a partnership and in companies in which Abitibi-Price holds a major interest, but not more than 50%, are included in the 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 balance sheet. The excess for companies acquired prior to 1974 is not being amortized, while the excess in respect of subsequent acquisitions is amortized on a straight-line basis over an appropriate period not in excess of 40 years.

(b) Translation of foreign currencies

Balances and transactions in foreign currencies are translated into Canadian dollars as follows:

Current assets, current liabilities and long-term debt—at rates of exchange in effect at December 31;

Other assets and liabilities—at historical rates of exchange;

Transactions included in net earnings—at rates prevailing during the year, except depreciation and depletion which are translated at the same historical rates as the related fixed assets.

The unrealized gain or loss on translation of long-term debt payable in United States funds is deferred on the balance sheet. The amount of such gain or loss ultimately realized is dependent on the exchange rate in effect when the debt is retired.

Foreign exchange gains or losses, which result from changes in exchange rates between the dates when transactions affecting earnings occur and the dates when foreign currencies are converted to Canadian funds or foreign currency working capital items are translated to their Canadian funds equivalent, are disclosed separately on the earnings statement.

(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 at cost. Interest is capitalized on major capital projects during the construction period and grants under government programs relating to capital expenditures are credited to fixed assets as received.

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 units-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) Pension costs

Current service pension costs are charged to earnings and funded as they accrue. Past service costs are charged to earnings and funded over periods not longer than those permitted by the various regulatory bodies.

(g) Income taxes

Earnings are charged with income taxes relating to reported profits. Differences between such taxes and taxes currently payable, which result from timing differences between the recognition of income and expenses for accounting and for tax purposes, are reflected as deferred income taxes in the financial statements.

Investment tax credits are accounted for using the "flow-through" method which recognizes the tax benefit in the year in which the eligible capital expenditures are made.

(h) 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. Segmented information (millions of dollars)

Business Segments	Pulp and Paper		Building Products and Lumber		Mining and Exploration		Consolidated	
	1982	1981	1982	1981	1982	1981	1982	1981
Net sales	$1,446	$1,571	$ 188	$ 192			$1,634	$1,763
Operating profit (loss) before depreciation and depletion	$ 204	$ 326	$ (2)	$ (3)	$ (5)	$ (7)	$ 197	$ 316
Depreciation and depletion	(54)	(46)	(14)	(15)	—		(68)	(61)
Equity earnings	3		—	—	—	1	3	1
Operating profit (loss)	$ 153	$ 280	$ (16)	$ (18)	$ (5)	$ (6)	132	256
Foreign exchange gain (loss)							4	(7)
Interest and other income							30	31
General corporate expenses							(46)	(41)
Interest and expense on long-term debt							(32)	(31)
Other interest							(1)	—
Income taxes							(20)	(82)
Minority shareholders' interest							(6)	(8)
Earnings before extraordinary items							$ 61	$ 118
Identifiable assets	$1,203	$1,177	$ 216	$ 237	$ 20	$ 19	$1,439	$1,433
General corporate assets							180	204
Total assets							$1,619	$1,637
Additions to fixed assets	$ 165	$ 173	$ 14	$ 21	$ 1	$ 1	$ 180	$ 195

Geographic Segments	Canada		U.S.A.		Consolidated	
	1982	1981	1982	1981	1982	1981
Net sales	$1,399	$1,530	$ 235	$ 233	$1,634	$1,763
Operating profit	$ 123	$ 246	$ 9	$ 10	$ 132	$ 256
Identifiable assets	$1,249	$1,214	$ 190	$ 219	$1,439	$1,433
General corporate assets					180	204
Total assets					$1,619	$1,637

Notes: (1) Geographic segments reflect the location of the Company's production facilities.
(2) Canadian operations include sales to the U.S. market of $654 million (1981 - $712 million) and other export sales of $198 million (1981 - $193 million).

3. Change in accounting for deferred income

During the year the Company changed its method of accounting for (a) tax benefits arising from the 1978 purchase of Labrador Linerboard Limited and the subsequent conversion of the Stephenville linerboard mill to a newsprint mill and (b) gains resulting from the sale and transfer of assets to the Augusta joint venture partnership in 1981 and 1982. Previously these credits were deferred and were to be amortized to earnings over the productive lives of the related fixed assets. Upon review during 1982, however, it was decided (a) to recognize the tax benefits relating to the Stephenville mill in the earnings of the years in which the benefits were realized and (b) to credit earnings with the gains on the Augusta joint venture assets in the years in which the underlying transactions became effective.

As a result of these changes, 1982 and 1981 earnings before extraordinary items have been decreased by $4,433,000 and $5,983,000, respectively, while 1982 and 1981 net earnings have been increased by $3,452,000 and $10,211,000, respectively. Retained earnings at January 1, 1981 have been increased by $71,513,000, of which $67,147,000 represents extraordinary gains, to give effect to the adjustments which relate to prior years.

4. Joint venture partnership

During 1981 the Company entered into an agreement to form with a subsidiary of Thomson Newspapers Limited, as equal partners, a joint venture partnership to own, operate and expand the Company's newsprint operation at Augusta, Georgia. In December 1981 the Company sold the existing mill to the partnership for consideration consisting of a note for U.S. $53,600,000 due in 1983; and in January 1982 the Company contributed to the partnership as its capital investment the shares of a subsidiary company which owned the related woodlands and certain other net assets with an appraised value equivalent to the cash contribution of U.S. $50,000,000 made by Thomson.

The foregoing transactions effectively resulted in a sale to Thomson of a 50% interest in the net assets of the Augusta newsprint operation. The related gains after income taxes have been recognized as extraordinary earnings of $16,194,000 in 1981 and $7,885,000 in 1982.

The Company's proportionate share of the partnership's 1982 earnings and net assets, after adjustment to historical book values, is as follows:

Revenue	$ 36,075,000
Expenses	34,058,000
Earnings	$ 2,017,000
Assets	$118,489,000
Liabilities	95,150,000
Net assets	$ 23,339,000

Under a marketing agreement, the partnership's newsprint production is sold through a wholly-owned sales subsidiary of Abitibi-Price Inc.

The partnership is expanding the existing mill by installing a second newsprint machine and related facilities at an approximate cost of U.S. $240 million before capitalization of interest. Project financing without recourse to the partners has been arranged in this amount, of which U.S. $135 million had been utilized to December 31, 1982.

5. Extraordinary items	1982	1981
Gains on sale and transfer of assets to joint venture partnership, net of income taxes of $6,165,000 in 1982 and $8,536,000 in 1981 (notes 3 and 4)	$ 7,885,000	$ 16,194,000
Writedown of Jonquière kraft products mill to estimated realizable value to reflect the decision to sell or, failing that, to close the mill in 1983, net of income taxes of $7,300,000	(10,500,000)	—
Provision for loss on sale of the Company's fine papers mill at Thorold, Ontario, net of income taxes of $4,000,000	—	(3,925,000)
	$ (2,615,000)	$ 12,269,000

6. Inventories	1982	1981
Finished products and work in process	$ 92,999,000	$ 87,651,000
Pulpwood, sawlogs and expenditures on current logging operations	125,698,000	146,602,000
Materials and operating supplies	62,259,000	74,476,000
	$280,956,000	$308,729,000

7. Long-term debt		
Abitibi-Price Inc.:		
Sinking Fund Debentures (secured)—		
5¼% Series A, maturing 1985 (U.S. $6,800,000)	$ 8,356,000	$ 9,039,000
7¼% Series B, maturing 1987	6,421,000	6,760,000
9¾% Series D, maturing 1990	8,894,000	9,122,000
10½% Series E, maturing 1995	35,370,000	37,450,000
11% Series F, maturing 1995	11,776,000	12,268,000
11⅜% Series G, maturing 1995 (U.S. $52,000,000)	63,898,000	66,388,000
10.15% Series H, maturing 2000 (U.S. $135,000,000)	165,888,000	160,042,000
15¾% Debentures Series I, maturing 1991 (secured) (U.S. $50,000,000)	61,440,000	59,275,000
Abitibi-Price Finance Inc.:		
Floating Rate Revolving/Term Loan	1,000	—
Abitibi-Price Corporation:		
7⅜% Instalment Notes, maturing 1988 (U.S. $8,000,000)	9,830,000	10,670,000
6½% Industrial Revenue Bonds, maturing 1992 (secured) (U.S. $3,438,000)	4,225,000	4,616,000
The Price Company Limited:		
Sinking Fund Debentures—		
5¾% Series A, maturing 1982	—	2,913,000
6¾% Series B, maturing 1987	12,309,000	13,094,000
Gaspesia Pulp and Paper Company Ltd.:		
5½% Sinking Fund Notes, maturing 1985 (U.S. $3,350,000)	4,116,000	5,287,000
6% Sinking Fund Notes, maturing 1986 (U.S. $1,760,000)	2,163,000	2,656,000
Sundry indebtedness	1,540,000	1,715,000
	396,227,000	401,295,000
Less: Amount due within one year	10,389,000	12,444,000
	$385,838,000	$388,851,000

Sinking fund and instalment payment obligations for 1983 amount to $14,960,000, of which $4,571,000 has been discharged by prior purchase and retirement. Principal repayment obligations for the years 1984 to 1987 are estimated to be $13,393,000, $53,853,000, $21,645,000 and $31,418,000, respectively. The holders of the Series E Debentures have the right to elect prepayment on March 1, 1985.

Abitibi-Price Inc. has effectively guaranteed payment of outstanding long-term debt of Abitibi-Price Corporation amounting to U.S. $11,438,000 at December 31, 1982. As security for its guarantee of the 7⅜% Instalment Notes, Abitibi-Price Inc. has issued and pledged 7⅜% Series C Debentures (secured) in the authorized principal amount of U.S. $17,000,000.

Abitibi-Price Finance Inc. has entered into a loan arrangement with certain Canadian banks which enables it to borrow on a revolving basis up to Cdn. $100,000,000 to December 31, 1983, with the balance outstanding at that date to be repaid over a term expiring not later than June 30, 1992. The arrangement permits borrowings in Canadian dollars with interest either at bank prime or bankers' acceptance rates to June 30, 1986, plus ¼% to June 30, 1989 and plus ½% thereafter. Borrowings are also permitted in U.S. dollars with interest either at U.S. base rate to June 30, 1986, plus ¼% to June 30, 1989 and plus ½% thereafter or at London interbank offer rate plus ½% to June 30, 1986, plus ¾% to June 30, 1989 and plus 1% thereafter. At December 31, 1982, $1,000 had been drawn down under this loan arrangement. To secure repayment of the loan, a Series J Debenture (secured) of Abitibi-Price Inc. has been issued and pledged in the authorized principal amount of Cdn. $100,000,000.

During the year ended December 31, 1982, interest of $12,929,000 has been capitalized on major capital projects during the construction period (1981—$5,110,000).

8. Stated capital

The Company is governed by the Canada Business Corporations Act and is authorized to issue an unlimited number of Preferred Shares, Common Shares and Class A Shares.

7½% Cumulative Redeemable Preferred Shares Series A—

The Series A shares, which were issued at $50 per share, are redeemable at $52 per share on or before May 31, 1983 and at $51 per share thereafter. During 1982, 7,500 shares with a book value of $375,000 were purchased at a cost of $212,000 and cancelled (1981—4,700 shares with a book value of $235,000 at a cost of $158,000).

10% Cumulative Redeemable Preferred Shares Series B—

The Series B shares, which were issued at $50 per share, are required to be retired at the rate of 40,000 shares annually through the operation of a cumulative sinking fund by redemption at $50 per share and/or open market purchases. The shares are otherwise redeemable at $51.50 per share to and including June 15, 1983, at prices declining annually from that date to and including June 15, 1985 and at $50 per share thereafter. During 1982, 40,000 shares were retired in accordance with the sinking fund provisions, of which 32,679 shares had been purchased in 1981 at a cost of $1,467,000 and 7,321 shares were purchased in 1982 at a cost of $262,000 (1981—the sinking fund provisions were met by the purchase of 17,700 shares in 1980 at a cost of $886,000 and the purchase of 22,300 shares in 1981 at a cost of $1,090,000). During 1982, an additional 7,313 shares were purchased at a cost of $311,000.

Floating Rate Preferred Shares Series C—

The Series C shares, which were issued at $50 per share, are redeemable by the Company at $50 per share and they are retractable at the option of the holders at

$50 per share on January 1, 1990. The shares provide for a dividend payable at a floating rate of one-half the average prime rate of the five largest Canadian chartered banks plus 1%, with a maximum dividend rate of 9% per annum.

Preferred Shares Series D—

The Series D shares were issued at $50 per share. Under the terms of issue, 137,500 shares were redeemed at $50 per share on December 31, 1981 and 1982 and 137,500 shares are required to be redeemed at $50 per share on December 31 in each of the years 1983 and 1984. No dividend is payable in respect of these shares.

$2.17 Convertible Preferred Shares Series E—

The Series E shares, which were issued at $25 per share, are convertible into Common Shares at a conversion price of $27.50 per Common Share at any time on or before the earlier of March 1, 1986 and the business day preceding the date fixed for redemption and at a conversion price of $30 per Common Share at any time on or before the earlier of March 1, 1991 and the business day preceding the date fixed for redemption. The shares are not redeemable prior to March 1, 1984, but are redeemable thereafter, subject to certain conditions, at prices declining from $26.25 to $25 in 1991.

During 1982 shareholders exercised the conversion privilege with respect to 2,200 shares with a book value of $55,000 and received 1,997 Common Shares with a conversion value of $55,000 (1981—1,970,490 shares with a book value of $49,262,000 and received 1,790,592 Common Shares with a conversion value of $49,240,000).

The Company obtained approval in April 1982 to purchase during any period of thirty consecutive days up to five per cent of the shares issued and outstanding at prices not exceeding $25 per share. During the year, 4,150 shares with a book value of $104,000 were purchased at a cost of $74,000 and cancelled.

Common Shares and Class A Shares—

	Number of Common Shares	Thousands of dollars
Outstanding at December 31, 1981	20,713,376	$104,859
Issued—		
Under stock dividend elections by Common shareholders	7,912	146
On conversion of Preferred Shares Series E	1,997	55
Outstanding at December 31, 1982	20,723,285	$105,060

The directors are permitted to give Common shareholders the right to elect to receive all or part of any dividends in the form of stock dividends of either Common Shares or Class A Shares in lieu of cash dividends. Stock dividends payable in the form of Common Shares shall comprise the number of Common Shares which has a value, as determined by the board of directors, that is substantially equal to the cash dividend otherwise payable, with cash to be paid for any fractional share interest unless the board of directors shall otherwise determine. Stock dividends payable in the form of Class A Shares shall have a value per share equal to the cash dividend declared at the time and shall be redeemed by the Company within 15 days of issue.

Under elections made by Common shareholders relating to dividends paid during 1982, the Company issued 7,912 Common Shares with a value of $146,000 and Class A Shares with a value of $21,000. The Class A Shares were redeemed on issue.

Under elections made by Common shareholders relating to the December 20, 1982 dividend declaration of 30¢ per share, the Company is committed on February 1, 1983 to issue 1,797 Common Shares with a value of $31,000 and Class A Shares with a value of $4,000. The Class A Shares are to be redeemed on issue at 30¢ per share.

9. Pension plans

The Company and its subsidiaries maintain a number of pension plans, with most employees participating in contributory plans that provide pensions based on length of service and final average earnings. During 1982 the Company introduced improved benefits to certain pension plans, the most significant being the conversion of a major plan from a career earnings to a final average earnings basis.

Accumulated plan benefits and plan net assets were as follows at December 31, 1982:

Actuarial present value of accumulated plan benefits, based on current service and compensation levels–	
Vested	\$329,200,000
Non-vested	42,500,000
	\$371,700,000
Net assets available for benefits, at market value	\$420,900,000

Based on projections of employees' service and compensation levels to future years when pensions are expected to begin, actuarial estimates indicate that at December 31, 1982 the present value of the unfunded obligation for pension benefits relating to past service was \$99 million. This is being funded and charged to earnings over a period not exceeding 15 years.

10. Other statutory information

(a) The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company during 1982, determined in accordance with the Québec Securities Act, was \$219,000 and \$3,718,000, respectively.

(b) Loans outstanding with officers (or their associates) relating to the purchase of residences amounted to \$608,000 at December 31, 1982.

Auditors' report

To the Shareholders of
Abitibi-Price Inc.:

We have examined the consolidated balance sheet of Abitibi-Price Inc. as at December 31, 1982 and the consolidated statements of net earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Abitibi-Price Inc. as at December 31, 1982 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for deferred income referred to in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Price Waterhouse
Chartered Accountants
Toronto, February 21, 1983

Five-year financial review

(thousands of dollars)	1982	1981	1980	1979	1978
Sales and earnings					
Net sales	$1,634,262	$1,763,385	$1,364,695	$1,470,910	$1,292,762
Mining income (loss)	(2,456)	(2,049)	1,598	4,774	636
Exploration costs	2,690	4,583	3,947	2,406	2,086
Equity interest in earnings of Mattabi Mines Limited	134	1,144	6,649	8,723	3,280
Interest and other income	29,737	31,280	29,186	11,450	4,458
Depreciation and depletion	68,277	60,860	53,104	49,441	48,307
Interest and expense on long-term debt	31,586	31,123	34,807	22,678	23,173
Income taxes	19,516	81,689	35,002	65,356	63,738
Minority shareholders' interest	6,065	7,788	4,753	5,706	18,304
Earnings before extraordinary items	60,973	117,583	86,490	115,733	78,650
Per common share	$ 2.46	$ 5.27	$ 4.08	$ 5.70	$ 3.98
Extraordinary items	(2,615)	12,269	18,018	33,642	23,050
Net earnings	58,358	129,852	104,508	149,375	101,700
Per common share	$ 2.33	$ 5.87	$ 5.04	$ 7.50	$ 5.22
Dividends declared					
Preferred shares	$ 10,804	$ 9,975	$ 9,840	$ 9,147	$ 4,703
Common shares	31,078	33,098	30,065	28,039	17,680
Per common share	$ 1.50	$ 1.60	$ 1.60	$ 1.50	$ .95
Additions to fixed assets	$ 180,411	$ 195,233	$ 216,517	$ 148,100	$ 59,163
Financial position					
Working capital	$ 437,279	$ 461,372	$ 414,306	$ 339,121	$ 300,673
Net fixed assets	881,683	806,562	710,379	588,702	519,411
Long-term debt	385,838	388,851	360,660	237,726	241,165
Deferred income taxes	171,007	160,815	119,103	103,117	106,628
Minority shareholders' interest	19,511	16,636	18,076	24,465	23,276
Preferred shares	122,658	130,799	139,920	142,999	117,715
Book value of common shares	701,522	684,845	549,558	483,932	371,743
Per common share	$ 33.85	$ 33.06	$ 29.21	$ 25.88	$ 19.91

Note: Figures for the years 1978 to 1981 have been restated as explained in Note 3 to the financial statements.

Primary production

(figures in thousands)

		Newsprint* (tonnes)	Groundwood Papers (short tons)	Fine Papers (short tons)	Kraft Products (tonnes)	Hardboard (msf-equivalent)	Lumber (mfbm)
Effective capacity	**1982**	**1,961**	**380**	**140**	**207**	**1,127**	**276**
Production	**1982**	**1,575**	**353**	**112**	**173**	**942**	**140**
	1981	1,857	340	170	188	878	291
	1980	1,546	222	196	136	824	244
	1979	1,779	370	202	224	983	360
	1978	1,780	292	181	269	1,099	356

**Newsprint figures include the total production of the 50%-owned joint venture partnership at Augusta, Georgia, and tonnage made available under an agreement which covered the sale of the company's 50% interest in a newsprint machine at DeRidder, Louisiana, at the end of 1980.*

Directors

Marcel Bélanger, O.C. *
President
Gagnon et Bélanger Inc.
Quebec, Quebec

Thomas J. Bell, M.C. ††*
Chairman of the Board
Abitibi-Price Inc.
Toronto, Ontario

Howard W. Blauvelt †
Director
Stamford, Connecticut

Edmund C. Bovey, C.M. ††*
Director
Toronto, Ontario

Marsh A. Cooper †
Consulting Geologist
Toronto, Ontario

Robert C. Gimlin †*
President and
Chief Executive Officer
Abitibi-Price Inc.
Toronto, Ontario

Bernd K. Koken
Executive Vice-President
and Chief Operating Officer
Abitibi-Price Inc.
Toronto, Ontario

C. Edward Medland *
Chairman and
Chief Executive Officer
Wood Gundy Limited
Toronto, Ontario

Gilbert I. Newman *
Senior Vice-President
Olympia & York
Developments Limited
Toronto, Ontario

Albert Reichmann *
President
Olympia & York
Developments Limited
Toronto, Ontario

Paul Reichmann †*
Senior Executive Vice-President and Secretary
Olympia & York
Developments Limited
Toronto, Ontario

Ralph Reichmann
Senior Vice-President
and Treasurer
Olympia & York
Developments Limited
Toronto, Ontario

C. Harry Rosier
Director
Toronto, Ontario

Francis J. Ryan, Q.C. *
Partner
Stirling, Ryan, Reid,
Harrington, Andrews & Lilly
St. John's, Newfoundland

Kenneth R. Thomson
Chairman, President and
Chief Executive Officer
Thomson Newspapers
Limited
Toronto, Ontario

John A. Tory, Q.C. †*
President
The Thomson Corporation
Limited
Toronto, Ontario

Paul-Gaston Tremblay, O.C. *
Senior Partner
Gauthier, Tremblay,
Legault, Boivin, Dallaire,
Turcotte et Associés
Chicoutimi, Quebec

David A. Ward, Q.C.
Partner
Davies, Ward & Beck
Toronto, Ontario

Honorary Director
General Lauris Norstad
D.S.M., Silver Star, C.B.E.

*Executive Committee
**Audit Committee
†Human Resources and Compensation Committee
††Pension Fund Committee

The Board of Directors meets regularly in discharging its responsibilities to shareholders. In addition, there are four committees of the Board which meet separately to address specific activities in more detail.

The Executive Committee's principal responsibility is to act on behalf of the Board of Directors between regular Board meetings on matters that cannot be postponed until the Board can be assembled. These matters will usually have been addressed in advance by the Board, which will have provided direction to the Executive Committee.

The Audit Committee, composed of outside directors, meets with senior financial management and the auditors to review the financial statements and recommend their approval by the Board, and to monitor the effectiveness of internal audit and control procedures.

The Human Resources and Compensation Committee oversees compensation arrangements for officers and managers of the company and reviews the company's plans and activities in the development of key management personnel.

The Pension Fund Committee advises the Board with respect to all funding, administrative and policy matters relating to the company's pension plans.

Officers

Thomas J. Bell
Chairman of the Board

Robert C. Gimlin
President and
Chief Executive Officer

Bernd K. Koken
Executive Vice-President and
Chief Operating Officer

Charles F. Buckland
Group Vice-President

John G. Davis
Group Vice-President

K. Linn Macdonald
Group Vice-President

J. Ian McGibbon
Group Vice-President

T. Newman McLenaghen
Senior Vice-President

J. Fitzgerald Allison
Vice-President,
Industrial Relations

William W. Hall
Vice-President,
Groundwood Papers

P. Denis Hamel
Vice-President, Newsprint
Manufacturing, Region 2

William J. Johnston
Vice-President,
Woodlands Operations

James A. McGregor
Vice-President,
Mineral Resources

Ronald Y. Oberlander
Vice-President, Fine Papers
Manufacturing, Converting
and Distribution

James B. Papoe
Vice-President, Newsprint
Manufacturing, Region 1

Donald C. Parker
Vice-President, Lumber

J. Kenneth Stevens
Vice-President, Finance

William J. Urquhart
Vice-President, Engineering

H. Colin Warner
Vice-President, Controller

J. A. Warner Woodley
Vice-President, Personnel

Michael D. Thompson
Secretary and
General Counsel

J. Gordon Maw
Treasurer

Douglas J. Butler
Assistant Secretary

Jean E. Gebbie
Assistant Secretary

Bernard Conway
Assistant Treasurer

Robert A. Cook
Assistant Treasurer

Donald J. McMullan
Assistant Treasurer

Operating subsidiaries and principal divisions

Abitibi-Price Corporation
Charles F. Buckland, President

Abitibi-Price Groundwood Papers
William W. Hall, President

Abitibi-Price Lumber Sales
J. A. William Hatch, General Manager

Abitibi-Price Sales Corporation
George R. Arellano, President

Canada Envelope
Robert M. Sleeth, President

Hilroy
Reginald A. Donaldson, President

Inter City Papers Limited
Jeffrey Chipman, President

Price Paperboard and Pulp Limited
Durward B. Geffken, President

Abitibi-Price Fine Papers
J. Raymond Langevin, General Manager

La Compagnie Price Limitée
Robert C. Gimlin, President

Products, plants and sales offices

Products	Manufactured at	Sales companies and offices
Newsprint	Pine Falls, Man.; Thunder Bay (2 mills) and Iroquois Falls, Ont.; Beaupré†, Alma and Chandler, Que.; Grand Falls and Stephenville, Nfld.; Augusta, GA *†During 1983 the Beaupré mill will be converted to the production of groundwood papers.*	*Abitibi-Price Inc. Toronto, Ont.; Montreal, Que. *Abitibi-Price Sales Corporation New York, NY; Des Plaines, IL; Atlanta, GA; Detroit, MI *Abitibi-Price Sales Company Limited London, England
Groundwood Papers	Sault Ste. Marie, Ont. Jonquière, Que.	**Each of these companies sells both newsprint and groundwood papers.*
Coated Printing Papers, Wallpaper Basestock and Specialty Papers	Thunder Bay and Georgetown, Ont.	Abitibi-Price Fine Papers Toronto and Thunder Bay, Ont.; Montreal, Que.
School, Home and Office Supplies; Stationery, Commercial and Preschool Products	Toronto, Ont.; Vancouver, B.C.; Joliette, Que.	Hilroy Toronto, Ont.; Montreal, Que.; Vancouver, B.C.
Envelopes	Montreal, Que.; Toronto, Ont.; Winnipeg, Man.; Calgary, Alta.; Vancouver, B.C.	Canada Envelope Halifax, N.S.; Montreal, Que.; Toronto, Ottawa and London, Ont.; Winnipeg, Man.; Calgary and Edmonton, Alta.; Vancouver, B.C.
Wholesale Merchants: **Printing Papers and Word Processing Supplies**		Inter City Papers Limited Ottawa, Toronto and London, Ont.; Halifax, N.S.; Winnipeg, Man. Lauzier, Little Inc. Montreal and Quebec, Que.
Industrial Papers and Plastic Packaging; Allied Products and Services		Inter City Papers Limited Price Wilson Division Moncton, N.B.; Quebec and Montreal, Que.; Ottawa, Toronto and London, Ont.; Winnipeg, Man.; Calgary and Edmonton, Alta.; Vancouver and Victoria, B.C.
Grocery Bags, Sacks, Paper Towels and Folding Cartons	Lachute, Que.	Lawrence Newfoundland Division St. John's, Nfld.
Paperboard	Jonquière, Que.	Price Paperboard and Pulp Limited Montreal, Que.; Toronto, Ont.
Kraft Pulp	Smooth Rock Falls, Ont.; Jonquière, Que.	Abitibi-Price Inc. Toronto, Ont.; Montreal, Que.
Hardboard	Alpena, MI	Abitibi-Price Corporation Troy, MI
Woodgrain and Decorative Hardboard	Toledo, OH	
Hardboard Siding	Roaring River, NC	
Prefinished Wood and Plastic Mouldings	Middlebury, IN	
Lumber	Smooth Rock Falls and White River, Ont.; Falardeau and L'Ascension, Que.	Abitibi-Price Inc. Toronto, Ont.
Waferboard, Treated Wood Products and Treating Services		

Head office

Abitibi-Price Inc.
Toronto-Dominion Centre
Toronto, Canada M5K 1B3

Annual general meeting

The annual meeting of shareholders of Abitibi-Price Inc. will be held in Commerce Hall, Concourse Level, Commerce Court West, Toronto, Canada, on Monday, May 16, 1983, at 10:00 a.m.

Common share information

Common shares of the company are listed on the Montreal, Toronto, and Vancouver stock exchanges.

Valuation Day (December 22, 1971) share prices:

Common	$ 7.25
7½% Cumulative redeemable preferred, Series A	$49.50

The company has a dividend option plan under which shareholders may choose to receive their dividends in cash, common shares of the company or Class A shares of the company.

Transfer agents and registrars

Montreal Trust Company
Toronto, Montreal, Vancouver, Calgary, Regina, Winnipeg and Halifax, Canada

Citibank N.A.
New York, U.S.A.

Auditors

Price Waterhouse
Toronto, Canada

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ABITIBI-PRICE