ABITIBI-PRICE

1990 ANNUAL REPORT

Abitibi-Price Inc., with headquarters in Toronto, is an integrated Canadian forest products company. Through its two operating Groups – Paper and Diversified – Abitibi-Price manufactures and distributes newsprint to over 30 countries, as well as groundwood papers, coated papers, building products, lumber, industrial paper products, information processing supplies, envelopes, and other home, school and office supplies. One of the largest industrial companies in Canada – Abitibi-Price Inc. is among the world's largest producers of both newsprint and uncoated groundwood papers and a major converter and distributor of papers and other forest products. The company employs over 14,000 people, operates over 30 manufacturing facilities and over 100 sales and distribution centres, serving customers around the world.

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Cover

Our front cover combines elements from illustrations within this report that depict major issues facing our company. As on the cover, these issues frequently intersect.

An evolving spiral illustrates the velocity with which recycling has captured attention and the velocity with which we are implementing solutions.

A nautilus, nature's finest example of precision and perfection, is symbolic of the goals of our strategies to produce results in the face of the issues affecting our businesses.

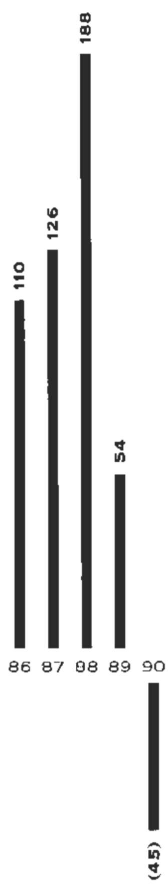
The converging sections of a circle represent our ambition to ensure every business decision is environmentally sound; whole solutions for global benefit.

On peut obtenir le présent rapport annuel en français sur demande.

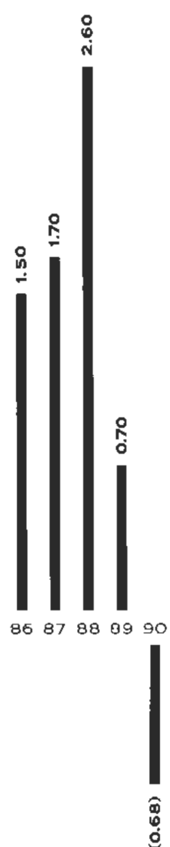
(millions of Canadian dollars)	1990	1989
Net sales	**$ 3,088**	$ 3,258
Operating profit	**37**	156
Net earnings (loss)	**(45)**	54
Capital expenditures	**107**	213
Working capital	**188**	308
Common shareholders' equity	**1,119**	1,200
Per common share		
Net earnings (loss)	**(0.68)**	0.70
Dividends declared	**0.50**	0.875
Dividends paid	**0.50**	1.00
Common shareholders' equity	**16.14**	17.32

NET SALES
(millions of dollars)

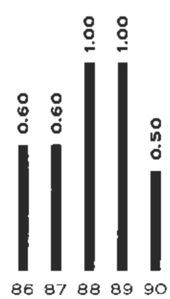
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS
(millions of dollars)



EARNINGS (LOSS) PER COMMON SHARE BEFORE EXTRAORDINARY ITEMS
(dollars)



DIVIDENDS PAID PER COMMON SHARE
(dollars)



Just two years after reporting the highest earnings in the Company's history, Abitibi-Price has incurred a loss.

Bernd K. Koken   Ronald Y. Oberlander

While sales of $3.1 billion were not far off their peak of $3.3 billion in 1988, nor the $3.26 billion reported last year, earnings fell from a high of $191 million in 1988 to $54 million in 1989 to a loss of $45 million in 1990. Restructuring charges of $54 million were taken during the year – reflecting changes which will help return the Company to profitability. Without these charges, the Company would have incurred a net loss of $11 million.

Many of the reasons for the decline were discussed last year – an oversupply of newsprint, severe pricing pressures, and an unfavourable rate of exchange between the Canadian and U.S. dollar, brought on by high interest rates. Added to those factors in 1990 was the general economic slowdown in North America. Further, seven of our Canadian paper mills were closed by a strike for a month in the fall.

Those are reasons, not excuses. We fully recognize what management must do to return the Company to long-term profitability, and the process is well underway.

For many years, we took considerable pride in the position of Abitibi-Price as one of the largest newsprint producers in the world – and one of the largest companies of any kind in Canada.

That pride was justifiable, as the Company's growth delivered healthy returns and dividends to shareholders through most of the eighties. But with the growing interdependence of markets, developments in one market have immediate impact on markets throughout the world. Flexibility and the ability to change tactics very quickly today are imperative to survival. In the new world arena, sheer size is no longer a clear-cut advantage, and it can be a hindrance if it gets in the way of agility and responsiveness.

The forest products industry is undergoing enormous change. Only the most efficient and most quality-conscious companies will survive. Several years ago, we began to make the essential changes that will ensure not only survival, but prosperity for Abitibi-Price.

The most important priority is to make sure we become the finest. By finest, we mean the finest returns to shareholders, the finest operations and the finest products and services for our customers. Our strategies have become much more focused and directed towards high-margin quality niches. Assets that do not fit our long-term strategies will be divested.

Despite the disappointing financial results, there were many positive developments in 1990. The highly efficient facilities built on time and under budget in Alabama and Georgia will make a significant contribution to the future. But equally as important were literally hundreds of initiatives by employees throughout the Company that led to cost savings, new product ideas and productivity improvements.

Last year, we challenged every employee to look at his or her job in the context of the new competitive environment and the issues facing the Company and the industry; we asked them to look at the way we do things in a new light and to do more with fewer resources. Our employees are to be commended for their positive response to these challenges. There is a new team spirit throughout Abitibi-Price, a new entrepreneurial enthusiasm and a recognition that every employee has an important contribution to make. That attitude is the primary reason for our confidence in the future.

A new Chief Executive will guide the Company through the nineties. At the annual meeting Ron Oberlander will take over from Bernd Koken, who is retiring after 22 years with the Company and six years as Chief Executive Officer. Mr. Koken will continue to serve as Chairman of the Board.

Appointed as President and Chief Operating Officer in 1990, Mr. Oberlander joined the Board of Directors last April. At the same time, S. Keith McWalter retired as a director, having rendered five years of valuable service to the board.

Our immediate task is to restore profitability and improve the Company's cash flow. But while focusing on improvements to short-term returns, we will not lose sight of long-term goals and challenges. Abitibi-Price will forge ahead with its strategies for improving shareholder value in a changing industry and a volatile world.

On behalf of the Board of Directors,

B Koken

Bernd K. Koken
Chairman and Chief Executive Officer
Toronto, February 18, 1991

Ron Oberlander

Ronald Y. Oberlander
President and Chief Operating Officer

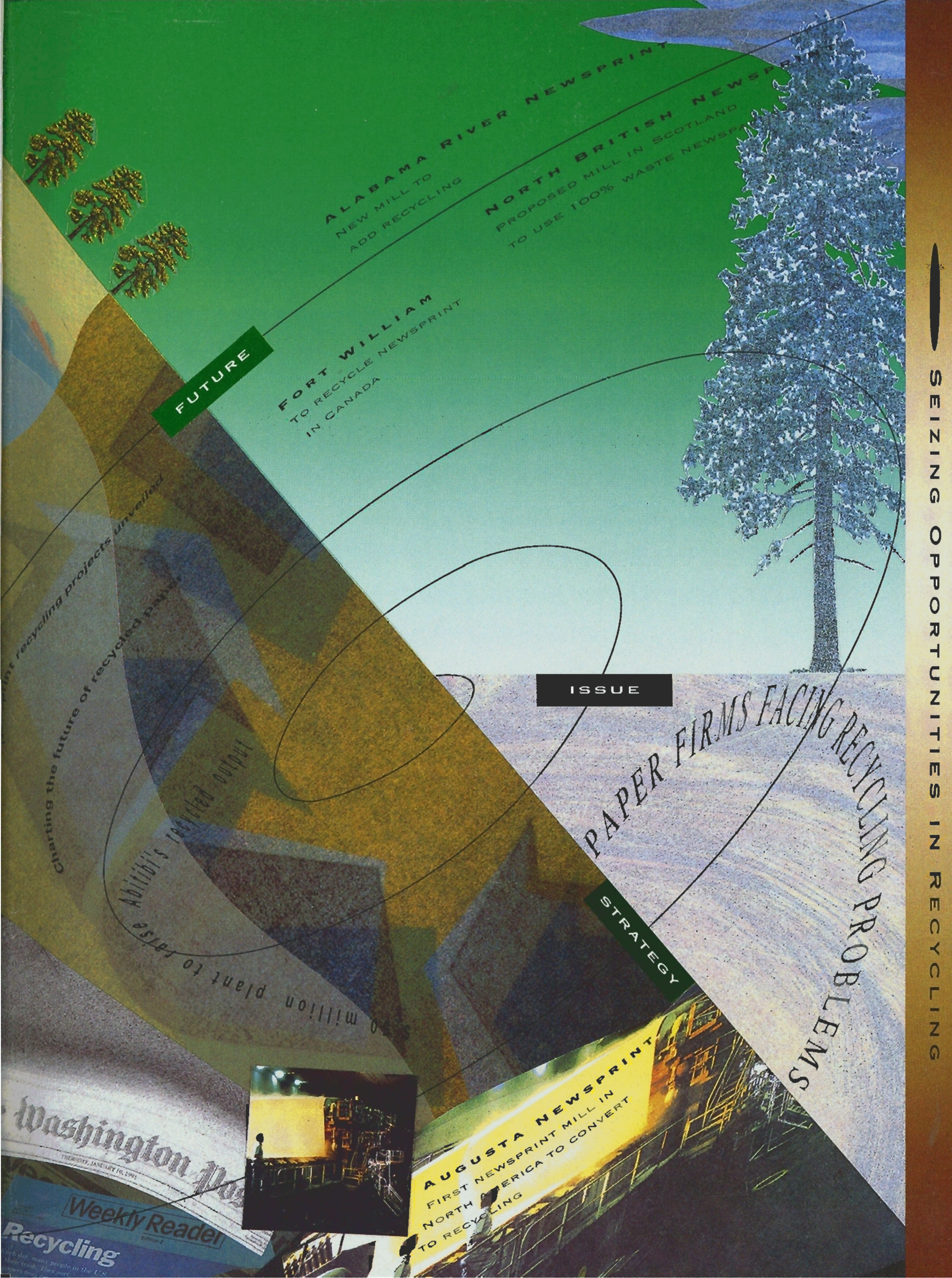
CONFIDENCE IN ABITIBI-PRICE As a shareholder, you may be concerned about the quality and value of your investment in the forest products industry. In this report, we will address those concerns head-on and discuss what we are doing to respond – and why we have confidence in the long-term value of Abitibi-Price.

After two years of unsatisfactory returns, it is only natural that you should have some questions about the Company. You have seen share prices and dividends decline since 1988. And with a look at the financial statements, you can see that while our balance sheet remains solid and our debt-to-equity ratio is stable, our cash position has been negatively affected at a time when interest rates are very high. You may also be concerned that our Company is in the export sector, and is therefore disadvantaged by the federal monetary policies which have made the Canadian dollar unrealistically strong in U.S. dollar terms.

Finally, you may be concerned about the viability of our mills. Abitibi-Price has been around for a long time and some of our paper machines date back to the 1920s. Despite the fact that our capital expenditure program has averaged over $200 million a year for the past decade – and despite the fact that our average production costs compare very favourably to our competitors' – some of our operations are not as productive as our most modern plants.

As you look beyond Abitibi-Price to the forest products industry, you may be concerned about the supply/demand imbalance and the resulting pricing pressures on newsprint and other paper products. And you may also be concerned about the long-term implications of environmental issues. Potential environmental legislation raises questions about the value of many of the existing assets in the industry. A shift in public and legislated demand to recycle raises questions about the prospects for virgin fibre. These questions are amplified by public pressure to reduce the use of paper and increased public awareness of global forest issues such as the greenhouse effect, erosion, and endangered species.

All this adds up to a lot of legitimate concerns which could lead you to one vital question: Is the forest products industry in general – and Abitibi-Price in particular – worthy of your continued support? Our answer is an emphatic yes, and our challenge is to bring you to the same conclusion.


ALABAMA RIVER NEWSPRINT
NEW MILL TO
ADD RECYCLING
NORTH BRITISH
PROPOSED MILL IN SCOTLAND
TO USE 100% WASTE
FUTURE
FORT WILLIAM
TO RECYCLE NEWSPRINT
IN CANADA
recycling projects unveiled
Charting the future of recycled paper
ISSUE
PAPER FIRMS FACING RECYCLING PROBLEMS
million plant to raise Abitibi's recycled output
STRATEGY
AUGUSTA NEWSPRINT
FIRST NEWSPRINT MILL IN
NORTH AMERICA TO CONVERT
TO RECYCLING
Washington
Weekly Reader
Recycling
SEIZING OPPORTUNITIES IN RECYCLING

Prospects for the Forest Products Industry At Abitibi-Price, we have been through downcycles before. But while the current slump bears a lot of similarities to prior downcycles, there are also significant differences. The forest products industry is going through a painful period of transition which will transform it permanently. Ultimately, this transformation will be positive – for the industry, and for this Company.

What we are seeing now is tremendous rationalization of the industry in mature markets, coupled with ongoing technological change. The only survivors will be low-cost, high-quality, globally competitive, environmentally responsible enterprises that respond rapidly to shifting demand.

The end result of this transition process will be a healthier, more efficient, more stable industry. But there is a price to pay: some companies will not survive. At Abitibi-Price, we recognized these trends and the need to change the way we do things more than two years ago. Today, we are already well ahead in the essential transition process. And we have already absorbed many of the heavy costs of change.

Demand for forest products will not disappear. While many world markets for paper products are mature, at least one major potential growth market has emerged, in eastern Europe. Moreover, Abitibi-Price's international reputation continually opens doors for joint ventures around the world; as new opportunities arise, we are well positioned to take advantage of them.

In environmentally-conscious and mature markets, there are excellent prospects for forest products to gain share from alternative products in areas such as packaging. That's because forest products represent a renewable resource and environmentally friendly end-products. Indeed, we see a particularly strong niche for groundwood paper products – a core Abitibi-Price business – because of reduced chemical consumption in the manufacturing process that also produces higher yields.

While recycling continues to build momentum, and newspaper recycled content legislation has been passed in several jurisdictions in North America, the use of virgin fibre will not be eclipsed. Our industry – including Abitibi-Price – is responding with new recycling facilities.

However, with the announcement of many recycling projects, there is a grave concern that the supply of waste paper will be insufficient to meet demand, and that the price of waste paper may become uneconomic. In Canada, increasing amounts of used newspaper must be imported at high cost from the United States, and the waste produced by the recycling process is likely to produce other environmental concerns.

As these facts become better understood – and as our industry works harder to communicate its record on reforestation and forest management – it will be more widely recognized that there will always be strong niches for quality virgin fibre and recycled products. We are working to meet that demand.

Certainly, the forest products industry faces serious challenges, and must innovate to meet shifting demand. Just as certainly, there are excellent prospects for the companies that rise to the challenges.

SETTING OUR SIGHTS ON THE FUTURE: STRATEGIES FOR SUCCESS At Abitibi-Price, we see very clearly where the industry is going. We also see very clearly what we must do to survive this transition.

This has meant a fundamental shift in our philosophy and long-term goals – a shift from being the largest in our businesses to being the finest. And that, in turn, means becoming more productive and focused.

To achieve this shift, we have embarked on five strategic thrusts:

- Continuous improvement: streamlining operations, developing better, more cost-effective techniques, and instilling a bottom-line orientation in all parts of the Company.

- Focus on strengths: identifying strengths and weaknesses – in technology, products, people and resources – at every operation, and building on our greatest strengths.

- Profitable niches: shifting from volume to higher margin quality products, developing new markets, and responding to changing customer demand.

- Raising cash and rationalizing: selling assets which prove to be non-strategic over time, thereby becoming more focused while raising cash for current and future opportunities.

- Major projects: investing – either on our own or with partners where desirable – in efficient operations in markets or businesses where long-term opportunities lie.

We have made good progress in making these strategies work, with the commitment of the entire Company, a willingness to change, and the effort of every employee to see and do things differently.

ACHIEVEMENTS OF THE COMPANY A seachange in attitudes, goals, and the way we are organized to realize them was perhaps the major achievement of Abitibi-Price in 1990.

We successfully reorganized and streamlined the Company to reduce costs and enhance efficiency. That process – combined with company-wide initiatives to find and make improvements in every area of every operation – trimmed close to $30 million on an annualized basis from overhead and operating costs.

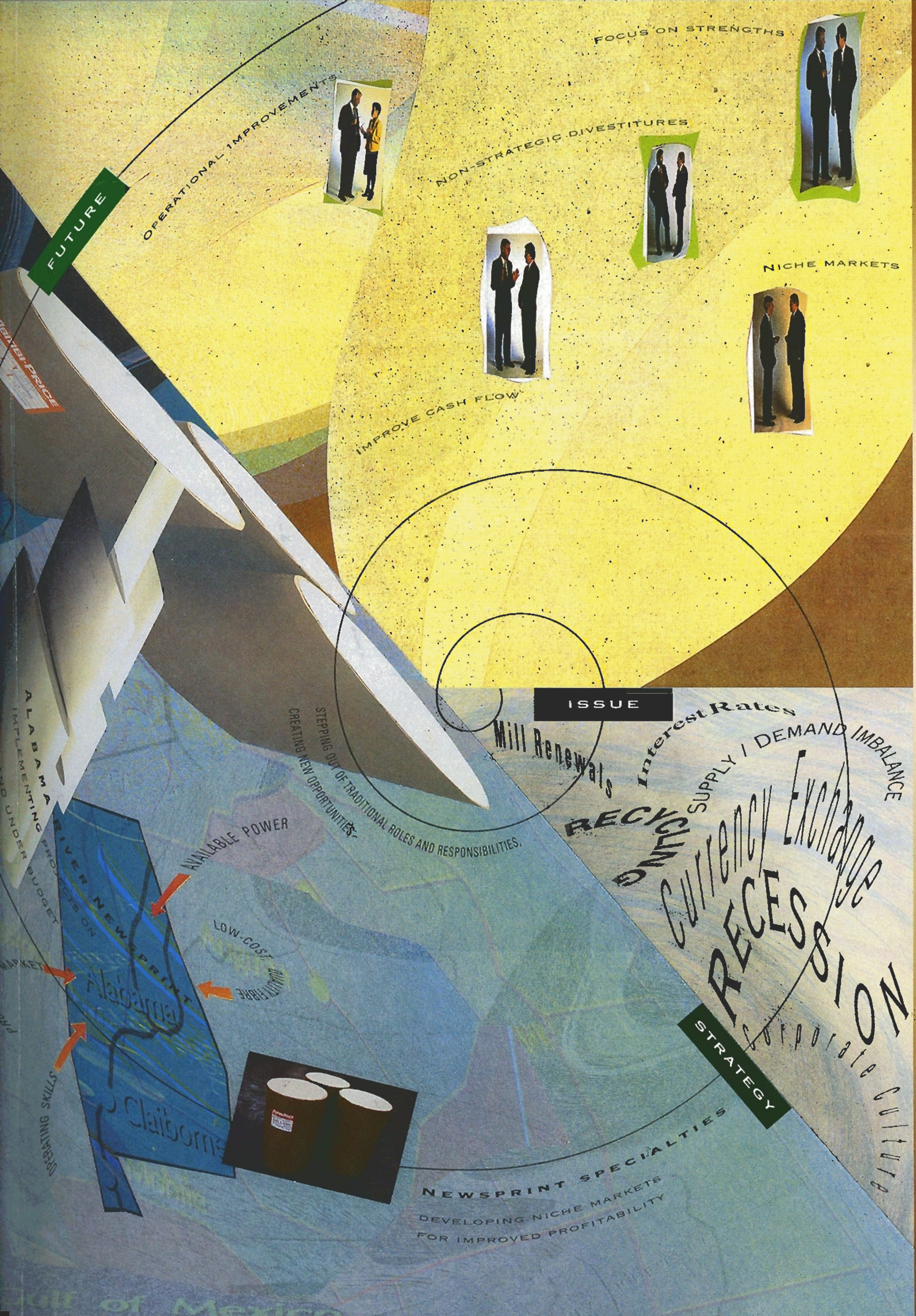
An equally important result of our reorganization program is a heightened emphasis on communication and teamwork. Traditional reporting lines and delineated job responsibilities have been superseded by multidisciplinary business teams and task forces.

We believe this approach is producing a greater sense of common goals and commitment throughout the company, while increasing efficiency. At the same time, it is making us more responsive. Stronger communication between our manufacturing operations and sales force, for instance, is helping us respond better to changing customer demands while optimizing production schedules.

Changing an organization as large and complex as Abitibi-Price is not a simple task. But the people of this Company have already made a dramatic difference in the way we operate.

The other great achievement for the Company during the year was the completion of a thorough assessment of all our operations that began in 1989. Nothing was taken for granted. Every business, every mill and every department was scrutinized for its long-term viability, its value to the Company, and its fit in terms of our strategic thrusts. We identified strengths and weaknesses at each of our paper mills, evaluating fibre supply, equipment quality and efficiency, energy sources, market proximity and productivity.

We are well-positioned to pursue our strategies with confidence and to make sound decisions on where we should concentrate our resources, where we should seek joint venture partners, and where we should divest. Within a few years, a number of our current operations will no longer be part of Abitibi-Price. But the ones that remain will be better, stronger, and of higher value. So will the Company, as we move from largest to finest.



DRIVING VALUE WITH STRATEGIC FOCUS

Achievements of the Paper Group For the Paper Group, the achievements of 1990 fall into two broad categories – major projects that will spur positive growth and improve cash flow through the nineties, and improvements, both small and large, at our existing operations.

In terms of our major projects:

- At mid-year, we started up a state-of-the-art 220,000 tonne newsprint mill in Claiborne, Alabama – on time and below budget – and announced that a recycling facility will be built at that mill.
- We announced that we will commence construction in 1991 of a 140,000 tonne recycling plant at our Fort William mill in Thunder Bay, Ontario – our first recycling facility in Canada.
- In September, we completed the de-inking facility at our newsprint mill at Augusta, Georgia – on time, below budget, and producing recycled newsprint of excellent quality.
- And finally, we announced our withdrawal from the proposed joint venture newsprint project in Venezuela, after reassessing the economics of the project in light of changing conditions.

What is particularly significant about the new recycling projects is their proximity to used newspaper supply. That, too, will be a feature of our proposed recycled mill in Gartcosh, Scotland, and in 1990 we made progress with that project by signing a letter of intent to form a partnership with two major British newspaper publishing groups.

Improvements to our profitability included the shutdown of outmoded paper machines at Jonquière, Quebec, and Grand Falls, Newfoundland, and the development of specialty newsprint products at Iroquois Falls, Ontario.

Other achievements were incremental – productivity improvements, energy savings, and innovations that have improved efficiencies at virtually every one of our operations. For example, we closed a small stand-alone regional research and development facility at Jonquière while boosting R&D efforts in every one of our mills, focusing more directly on production techniques and customer-driven product development.

One hurdle encountered by the Group during the year was a strike by paperworkers at seven of our mills in Canada, affecting 60% of our newsprint capacity and all of our coated paper capacity. While the closure of our mills had a significant negative impact on our 1990 results, the strike was settled within a month with what we believe is sound understanding on the part of both management and labour of the issues we face together.

Finally, during the year we achieved a modest price increase for newsprint. While this price increase alone was insufficient to restore our profit margins, it was a positive step and a significant achievement in a period of poor markets.

ACHIEVEMENTS OF THE DIVERSIFIED GROUP As we comment on the 1990 achievements of the Diversified Group, we should note that the Group itself is an achievement. Abitibi-Price formed this group in the eighties and it has evolved to become a major enterprise in its own right, with sales of $1.4 billion.

In its formative years, which were characterized by exponential growth, this Group absorbed a considerable amount of the Company's resources. But the investments were sound: in 1990, the profits generated by Diversified partially offset the losses suffered in our paper businesses and the write-off associated with our restructuring program.

Diversified's major achievement of 1990 was a solid and positive contribution to earnings: in spite of the impact of the recession in its major Canadian markets and the slowdown in its U.S. markets, the Group managed to sustain the operating earnings level of 1989.

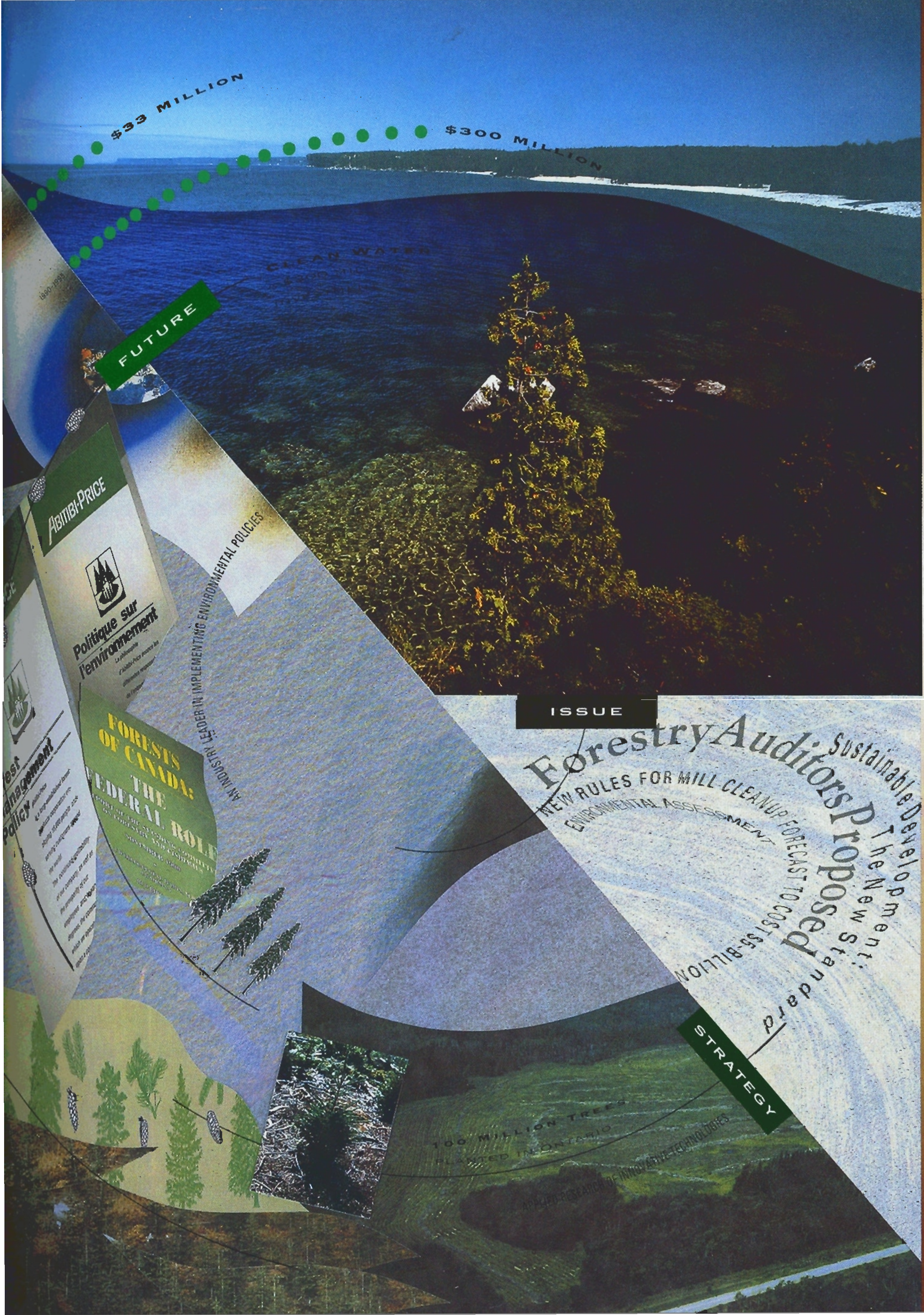
Beyond that achievement, the Group cut its losses with Jaffe Stationers by closing down the operation; strengthened its position in the distribution business in the United States; embarked on a more aggressive merchandising program geared to a higher level of customer responsiveness; introduced a large array of quality recycled paper products through its distribution businesses; and, like the Paper Group, made incremental but positive improvements to productivity and efficiency at every operation through systems development and the individual efforts of employees.

Challenges and Goals in 1991 The challenges we face are not about to disappear. Industry rationalization and transition will continue, as will tough market conditions and a recessionary climate. The exchange rate remains unfavourable. And we will undoubtedly see new environmental regulations in virtually all jurisdictions where we operate – new regulations which could render some of our older operations uneconomic.

In response, we will forge ahead with our strategic thrusts and we will work to achieve a number of specific goals for 1991. These include:

- restoring profitability and boosting our cash position;
- developing stronger, more positive relationships with government and the public through cooperation, consultation, and a sense of partnership;
- planting at least 20 million trees;
- proceeding with our recycled newsprint projects in Scotland, Alabama and Ontario;
- increasing efficiency as we work to streamline costs and further focus our spending;
- and building on the momentum of positive change and fresh approaches that the employees of Abitibi-Price have been generating for the past two years.

As we work to achieve these specific goals, we have a broader goal firmly in mind. We must prove to you, our shareholders – and to all stakeholders – that Abitibi-Price deserves your continued confidence. We must prove that this Company will come through the transition successfully, with excellent long-term prospects. Ultimately, we must prove that Abitibi-Price can and will become the finest.



INVESTING IN THE ENVIRONMENT

OPERATIONS Sales of $3.1 billion in the year 1990 decreased from $3.3 billion in each of the years 1989 and 1988. However, 1990 operations resulted in a loss of $44.6 million or 68 cents per common share, as compared with net earnings of $54.2 million or 70 cents per share in 1989 and $191.1 million or $2.64 per share in the Company's record year of 1988.

A major factor affecting 1990 results was unusual items totalling $54.1 million, or 49 cents per common share after income taxes, which provided for the cost of the Company's employee reduction program, the closure of the Jaffe office products business in Florida, the permanent shutdown of a machine at the groundwood papers mill in Jonquière, Quebec and the write-off of preliminary expenditures on capital projects which were cancelled. In 1989, unusual items amounted to $31.2 million, or 30 cents per share after taxes, and covered the permanent shutdown of an old newsprint machine at Grand Falls, Newfoundland and the write-off of a discontinued self-insulating hardboard siding operation at the building products plant in Alpena, Michigan. There were no unusual items in 1988, although earnings for that year included an extraordinary gain of $2.9 million resulting from a sale of land in South Carolina, U.S.A.

Results for the year were also negatively affected by the continuing decline in the Canadian value of the U.S. dollar and by strikes which shut down six of the Company's Canadian newsprint mills and its coated papers mill for a month in the fall.

With over 50% of the Company's sales made in U.S. dollars, any weakening in that currency can have a significant effect on earnings. In 1990, the U.S. dollar averaged Cdn. $1.167, down 1.4% from $1.184 in 1989 and down 5.2% from $1.231 in 1988. To the extent possible, the Company manages foreign exchange with a hedging program which, through the use of options and forward contracts put in place a year in advance of expected sales, limits the effects of changes in U.S. and other foreign currency exchange rates.

As mentioned in Note 1(a) of the notes to the consolidated financial statements, the method of accounting for Gaspesia Pulp and Paper Company Ltd. has been changed from the consolidation to the equity method, and all figures of prior years have been restated to put them on the same basis. This change results in Gaspesia being accounted for in the same manner as the Company's other two joint ventures – Augusta Newsprint Company and Alabama River Newsprint Company – and has no effect on net earnings or shareholders' equity.

Newsprint sales of $1.0 billion for the year 1990 compared with $1.1 billion in 1989 and $1.3 billion in 1988. In the latest year, the Company's profit from newsprint operations dropped to $1.8 million, from $76.5 million in 1989 and $207.0 million in 1988. The fall-off in operating results over the three-year period reflects the declining value of the U.S. dollar and reduced sales volumes and price discounting which have resulted from new capacity entering the market without a compensating increase in demand. In addition, 1990 results were affected by one-month strikes at six of the Company's Canadian newsprint mills. Of the unusual charges incurred in 1990, $24.7 million covered newsprint's portion of the Company's employee reduction program and the write-off of preliminary expenditures on capital projects which were cancelled. In 1989, an unusual charge of $22.1 million represented the cost of the withdrawal from production of an old newsprint machine at the Grand Falls, Newfoundland mill.

Demand for newsprint is anticipated to remain relatively flat in 1991, although it is expected that supply will continue to grow as 500,000 tonnes of new capacity come on stream in North America. While the Company has announced downtime for about 8% of its first quarter production in recognition of the supply/demand imbalance, supply could decline if 1991 mid-year labour negotiations in Western Canada result in strike action.

The new newsprint mill built by our joint venture, Alabama River Newsprint Company, at Claiborne, Alabama was completed below budget and started up on schedule in July 1990, and it is the site of one of the Company's next planned recycling projects. A recycling facility was completed on budget at the existing joint venture operation in Augusta, Georgia and started production in September. A similar project has been announced for the Company's Fort William mill in Thunder Bay, Ontario.

In 1990, the Company signed a letter of intent to form a partnership with two major British newspaper publishing groups to construct a recycled newsprint mill in Gartcosh, Scotland, pending the completion of final financing arrangements. Also, during the year, the Company announced that it had withdrawn from a proposed joint venture to build a newsprint mill in Venezuela because the anticipated returns did not meet the Company's investment criteria.

Sales of groundwood papers were $344 million in 1990, compared with $363 million in 1989 and $343 million in 1988. The latest year's operations resulted in a profit of $600,000, compared with operating profits of $23.3 million and $44.0 million in 1989 and 1988, respectively. The drop in sales and operating profit in 1990 was due to softer, price-sensitive markets and the declining value of the U.S. dollar. From 1988 to 1989, sales improved because of an increase in capacity resulting from the conversion of a newsprint machine to the production of directory paper at the Alma, Quebec mill. However, operating profit declined because of over-supply and pricing pressures, the drop in value of the U.S. dollar, and production problems at the Jonquière, Quebec mill. Unusual items in 1990 included $13.4 million for groundwood papers' share of the employee reduction program and the cost of withdrawing from production an old machine at the Jonquière, Quebec mill.

The outlook for groundwood papers is for flat or slightly lower demand in 1991, with the exception of an increased demand for supercalendered grades such as the Company's high-quality WSOP product which is produced at the Jonquière, Quebec mill.

Sales of coated papers declined to $130 million in 1990, from $145 million in 1989 and $151 million in 1988. At the same time, 1990 operations resulted in a loss of $26.3 million, compared with a loss of $7.6 million in 1989 and an operating profit of $13.4 million in 1988. The fall-off in results through the period from 1988 to 1990 was due to weakening markets and increased competition from imports from the United States and offshore. In addition, in 1990 the Company's coated papers mill at Thunder Bay, Ontario lost one month's production as the result of a strike, and in 1989 the mill lost production during the rebuild of a paper machine and an off-machine coater. An unusual charge of $2.9 million in 1990 represented the cost of the employee reduction program in the coated papers operation.

It is expected that weak coated papers markets and competition from outside Canada will continue during 1991. A major restructuring plan has been launched for 1991 to reduce costs and improve product quality.

At $1.4 billion, sales of the Company's distribution, office products, and converted products segment in 1990 were approximately the same as in 1989 and up slightly from $1.3 billion in 1988. Operating profit in the latest year was $51.6 million, compared with $49.3 million in 1989 and $51.9 million in 1988. Sales and operating profits in 1990 were hampered to an extent by soft markets in all divisions. Unusual items in 1990 included a charge of $12.9 million relating to the closure of the Jaffe retail office products business in Florida.

The outlook for the distribution division is for soft markets in 1991, but the Company is concentrating on achieving improved margins and new product initiatives. With the elimination of Jaffe, the office products division is expected to perform well with its information processing products. However, in the converted products division, reductions in market demand and prices are anticipated during the recession.

Sales of the Company's U.S. building products operation were $192 million in 1990, compared with $193 million in 1989 and $198 million in 1988. Operating profit of $6.8 million in 1990 compared with $14.4 million in 1989 and $11.4 million in 1988. The fall-off in 1990 operating profit reflected pricing pressures and the increased cost of maintaining market share in a period of declining housing starts, while the increase in operating profit from 1988 to 1989 reflected the results of a successful program to contain costs and reduce overheads, which offset the effect of reduced housing starts. Unusual items in 1989 included a charge of $9.1 million, which represented the write-off of a self-insulating hardboard siding operation at the Alpena, Michigan building products plant. Given the outlook for the economy and lower housing starts, no growth is expected in the profitability of the building products division in 1991.

Interest expense charged to earnings in 1990 was $55.8 million, compared with $44.7 million in 1989 and $50.7 million in 1988. Interest expense through the three-year period benefited from the favourable effect of the declining U.S. exchange rate on interest which was payable in U.S. funds. However, from 1989 to 1990, this was more than offset by higher interest costs associated with an increase in the average amount of interest-bearing debt that was outstanding during the year and by a reduction in the amount of interest that was capitalized. From 1988 to 1989, the favourable effect of the lower U.S. exchange rate was augmented by an increase in the amount of interest that was capitalized. Capitalized interest in 1990 was $4.8 million, compared with $6.1 million in 1989 and $4.2 million in 1988.

Other income, net of expense, was $13.8 million in 1990, down from $15.7 million in 1989 and $15.9 million in 1988. The reduction from 1989 to 1990 was largely due to the fact that 1989 benefited from $6.8 million of interest received in the settlement of an insurance claim relating to the flooding of a powerhouse and dam at the Grand Falls, Newfoundland mill a number of years earlier. There was little change in other income from 1988 to 1989 as the interest received on the insurance claim in 1989 plus the elimination of the 1988 foreign exchange loss offset the reduction in interest from short-term investments which were reduced to zero during 1989.

In 1990, the income tax credit relating to the year's before-tax loss indicated a rate of 35.4%, which compares with effective tax rates of 45.3% and 41.5% in 1989 and 1988, respectively. The low tax recovery rate in 1990 is largely attributable to the large corporations tax which represents a minimum income tax that does not relate to before-tax results. In addition, the 1990 tax recovery was reduced by applying that year's loss against the earnings of prior years when the tax rate was higher than it is currently. The increase in the effective tax rate from 1988 to 1989 was primarily due to the effect of the lower U.S. tax rate on loss operations in that country.

Financial Position and Liquidity The Company's cash position is represented by the net of cash and short-term investments and bank and commercial paper loans. Through the three-year period from 1988 to 1990, the cash position declined by $304.9 million, from a positive balance of $154.8 million at the beginning of 1988 to a deficit of $150.1 million at the end of 1990. Although operations over the three years generated cash of $802 million, this was more than offset by capital expenditures of $488 million, repayment of long-term debt and retirement of preferred shares totalling $261 million, investments in new businesses and joint ventures aggregating $182 million, plus $190 million of dividends paid to shareholders.

In 1990, the Company entered into an agreement with a major U.S. bank which permits it to sell, on an ongoing basis, certain trade accounts receivable with minimal recourse and with the Company continuing to administer the receivables. Proceeds from sales during the year amounted to $194.4 million and the total of such receivables which remained outstanding at the end of the year was $137.3 million.

The Company's capital expenditures, which are primarily directed towards productivity and quality improvements, totalled $106.7 million in 1990, compared with $212.7 million in 1989 and $168.2 million in 1988. Capital expenditures by the newsprint joint ventures during the same three years were $226.2 million, $218.6 million and $104.0 million, respectively. The major part of the joint ventures' expenditures related to the construction of the new newsprint mill at Claiborne, Alabama and the installation of a de-inking facility at the Augusta, Georgia mill. These projects were financed by the joint ventures through long-term borrowing arrangements which are without recourse to the partners.

In recognition of general economic conditions, and those of the forest products industry in particular, the Company's capital expenditures program for 1991 has been limited to $60 million. However, the program is designed with a degree of flexibility so that it can be tailored to fit the funds available.

The Company anticipates that a significant portion of future capital expenditures may have to be directed towards compliance with proposed new environmental regulations which are currently expected to be effective, at the earliest, by 1994.

Four quarterly common share dividends were paid in each of the last three years, totalling $1 per share in each of 1988 and 1989 and 50 cents per share in 1990. Dividends declared during the three years totalled $1.00 in 1988, 87.5 cents in 1989 and 50 cents in 1990. At the time of the declaration of the last dividend in 1989, which was paid in the first quarter of 1990, the quarterly dividend rate was reduced from 25 cents to 12.5 cents.

Lines of credit have been arranged with several banks for liquidity purposes, and at the end of 1990 the Company had a balance of $371 million which had not been used.

United States GAAP Reconciliation The Company's financial statements have been prepared in accordance with generally accepted accounting principles in Canada and conform in all material respects with those in the United States, except as noted in Note 19 to the financial statements.

CONSOLIDATED EARNINGS

Year ended December 31 (millions of Canadian dollars)	1990	1989	1988
Net sales	**$ 3,088.0**	$ 3,257.7	$ 3,304.5
Cost of sales	**2,674.2**	2,717.2	2,617.1
Selling and administrative expenses	**264.0**	273.3	256.0
Depreciation and depletion	**113.3**	111.5	104.4
	3,051.5	3,102.0	2,977.5
Operating profit	**36.5**	155.7	327.0
Income (loss) from newsprint joint ventures, before income taxes (note 2)	**(9.4)**	3.6	29.4
Interest expense – long-term (note 13)	**(34.2)**	(38.2)	(49.8)
– short-term	**(21.6)**	(6.5)	(0.9)
Unusual items (note 3)	**(54.1)**	(31.2)	–
Other income and expense – net (note 4)	**13.8**	15.7	15.9
	(69.0)	99.1	321.6
Income taxes (note 5)	**24.4**	(44.9)	(133.4)
Earnings (loss) before extraordinary item	**(44.6)**	54.2	188.2
Extraordinary item (note 7)	**–**	–	2.9
Net earnings (loss)	**(44.6)**	54.2	191.1
Provision for dividends on preferred shares	**(2.2)**	(5.7)	(7.8)
Net earnings (loss) attributable to common shareholders	**$ (46.8)**	$ 48.5	$ 183.3
Per Common Share:			
Earnings (loss) before extraordinary item	**$ (0.68)**	$ 0.70	$ 2.60
Net earnings (loss)	**(0.68)**	0.70	2.64
Dividends declared	**0.50**	0.875	1.00
Weighted average number of common shares outstanding (millions)	**69.3**	69.3	69.3

CONSOLIDATED RETAINED EARNINGS

Year ended December 31 (millions of Canadian dollars)	1990	1989	1988
Retained earnings at beginning of year	**$ 938.1**	$ 950.2	$ 836.2
Net earnings (loss)	**(44.6)**	54.2	191.1
	893.5	1,004.4	1,027.3
Dividends declared			
Preferred shares	**(2.2)**	(5.7)	(7.8)
Common shares	**(34.7)**	(60.6)	(69.3)
Retained earnings at end of year	**$ 856.6**	$ 938.1	$ 950.2

CONSOLIDATED BALANCE SHEET

December 31 (millions of Canadian dollars)	1990	1989
ASSETS		
Current assets		
Accounts receivable (note 9)	**$ 286.2**	$ 383.1
Income taxes receivable (payable)	**6.7**	(10.9)
Inventories (note 10)	**399.6**	410.2
Prepaid expenses	**26.4**	26.5
	718.9	808.9
Fixed assets		
Property, plant and equipment	**2,286.8**	2,211.4
Logging equipment and development	**98.5**	94.7
Timber limits and water power rights	**23.9**	25.4
	2,409.2	2,331.5
Less – accumulated depreciation and depletion	**1,035.5**	936.2
	1,373.7	1,395.3
Other assets		
Investment in newsprint joint ventures (note 2)	**196.3**	172.1
Deferred pension cost	**75.8**	60.7
Goodwill	**55.2**	58.7
Long-term receivables, investments and other assets	**55.8**	59.6
	383.1	351.1
	$ 2,475.7	$ 2,555.3

The financial statements have been approved by the Board

B. Ulorken

Director

Director

CONSOLIDATEO BALANCE SHEET

December 31 (millions of Canadian dollars)	1990	1989
LIABILITIES		
Current liabilities		
Bank indebtedness (note 11)	$ 105.6	$ 25.6
Commercial paper (note 11)	44.5	124.1
Accounts payable and accrued liabilities (note 12)	355.3	308.6
Dividends payable	8.6	9.3
Long-term debt due within one year (note 13)	17.1	33.3
	531.1	500.9
Long-term debt (note 13)	389.9	407.0
Unrealized loss on translation of long-term debt payable in U.S. funds	(1.3)	(1.0)
Deferred income taxes	410.0	417.0
SHAREHOLDERS' EQUITY		
Stated capital (note 14)		
Preferred shares		
Series F – 2,366,850 shares (1989 – 2,706,450 shares)	27.2	31.1
Common shares – 69,266,738 shares (1989 – 69,266,738 shares)	262.2	262.2
Retained earnings	856.6	938.1
	1,146.0	1,231.4
	$ 2,475.7	$ 2,555.3

CHANGES IN CONSOLIDATED CASH POSITION

Year ended December 31 (millions of Canadian dollars)	1990	1989	1988
Operating Activities			
Earnings (loss) before extraordinary item	**$ (44.6)**	$ 54.2	$ 188.2
Depreciation and depletion	**113.3**	111.5	104.4
Unusual items	**10.0**	23.2	
Deferred pension cost	**(13.2)**	(10.0)	(6.3)
Goodwill	**3.5**	3.5	2.0
Deferred income taxes	**(5.0)**	27.2	104.2
Other	**7.5**	0.4	(11.2)
	71.5	210.0	381.3
Change in operating working capital (note 8)	**136.7**	39.3	(36.8)
	208.2	249.3	344.5
Financing Activities			
Repayment of long-term debt	**(34.9)**	(36.5)	(95.6)
Retirement of preferred shares	**(3.9)**	(84.4)	(5.6)
Other	**0.6**	0.8	1.0
	(38.2)	(120.1)	(100.2)
Investment Activities			
Additions to fixed assets	**(106.7)**	(212.7)	(168.2)
Government capital grants and investment tax credits	**0.8**	1.1	2.1
Investment in newsprint joint ventures	**(31.2)**	(33.4)	(12.2)
Decrease in long-term receivables	**4.0**	13.1	2.9
Acquisitions			(69.2)
Investment in equity interest	-	–	(35.8)
Other	**0.2**	(2.1)	(10.9)
	(132.9)	(234.0)	(291.3)
Dividends Paid			
Preferred shareholders	**(2.9)**	(6.4)	(7.7)
Common shareholders	**(34.6)**	(69.3)	(69.3)
	(37.5)	(75.7)	(77.0)
Cash — Decrease	**(0.4)**	(180.5)	(124.0)
— Beginning of year	**(149.7)**	30.8	154.8
— End of year	**$ (150.1)**	$ (149.7)	$ 30.8

Cash comprises cash and short-term investments, less bank indebtedness and commercial paper.

ABITIBI-PRICE

CONSOLIDATED SEGMENTED INFORMATION

Year ended December 31 (millions of Canadian dollars)	Sales to Customers	Inter-Segment Sales	Segment Sales	Depreciation and Depletion	Operating Profit (loss)	Unusual Items	Additions to Fixed Assets	Total Assets
1990 Business Segments								
Newsprint	$ 998.1	$ 1.2	$ 999.3	$ 54.8	$ 1.8	$ 24.7	$ 58.6	$ 1,083.9
Groundwood papers	344.0	1.3	345.3	31.4	0.6	13.4	26.4	535.8
Coated papers	130.1	21.7	151.8	7.8	(26.3)	2.9	1.9	148.5
Distribution, Office products and Converted products	1,364.8	0.6	1,365.4	9.4	51.6	12.9	9.6	471.7
Building products	192.3	–	192.3	8.0	6.8	–	7.6	150.4
Other	58.7	–	58.7	1.9	2.0	0.2	0.4	17.4
Eliminations		(24.8)	(24.8)					
	$ 3,088.0	$ –	$ 3,088.0	$ 113.3	$ 36.5	$ 54.1	104.5	2,407.7
Corporate							2.2	68.0
							$ 106.7	$ 2,475.7
Geographic Segments								
Canada			$ 2,255.9		$ 25.2			$ 1,943.0
U.S.A.			832.1		11.3			464.7
			$ 3,088.0		$ 36.5			2,407.7
Corporate								68.0
								$ 2,475.7
1989 Business Segments								
Newsprint	$ 1,058.9	$ 1.1	$ 1,060.0	$ 56.2	$ 76.5	$ 22.1	$ 82.9	$ 1,106.9
Groundwood papers	362.9	0.9	363.8	28.1	23.3	–	52.8	570.8
Coated papers	144.6	26.1	170.7	6.7	(7.6)	–	35.1	165.5
Distribution, Office products and Converted products	1,404.1	0.9	1,405.0	10.1	49.3	–	31.7	488.1
Building products	192.8	–	192.8	8.2	14.4	9.1	6.3	144.6
Other	94.4	–	94.4	2.2	(0.2)	–	0.6	21.9
Eliminations		(29.0)	(29.0)					
	$ 3,257.7	$ –	$ 3,257.7	$ 111.5	$ 155.7	$ 31.2	209.4	2,497.8
Corporate							3.3	57.5
							$ 212.7	$ 2,555.3
Geographic Segments								
Canada			$ 2,456.5		$ 149.4			$ 2,063.0
U.S.A.			801.2		6.3			434.8
			$ 3,257.7		$ 155.7			2,497.8
Corporate								57.5
								$ 2,555.3
1988 Business Segments								
Newsprint	$ 1,257.6	$ 2.0	$ 1,259.6	$ 55.3	$ 207.0	$ –	$ 75.0	$ 1,063.4
Groundwood papers	343.1	0.3	343.4	24.5	44.0	–	42.9	509.1
Coated papers	150.6	35.8	186.4	5.3	13.4	–	20.2	122.1
Distribution, Office products and Converted products	1,282.8	0.7	1,283.5	8.2	51.9	–	20.4	497.5
Building products	198.3	–	198.3	9.0	11.4	–	5.4	164.6
Other	72.1	–	72.1	2.1	(0.7)	–	0.9	21.6
Eliminations		(38.8)	(38.8)					
	$ 3,304.5	$ –	$ 3,304.5	$ 104.4	$ 327.0	$ –	164.8	2,378.3
Corporate							3.4	143.5
							$ 168.2	$ 2,521.8
Geographic Segments								
Canada			$ 2,550.1		$ 319.5			$ 1,991.0
U.S.A.			754.4		7.5			387.3
			$ 3,304.5		$ 327.0			2,378.3
Corporate								143.5
								$ 2,521.8

Notes: (1) Geographic segments reflect the location of the source of the product sold.

(2) Canadian operations include sales to the U.S. market of $801.0 million (1989 – $889.9 million, 1988 – $957.8 million) and other export sales of $213.2 million (1989 – $230.1 million, 1988 – $270.6 million).

1 **Summary of significant accounting policies**

The consolidated financial statements are expressed in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada

(a) Basis of presentation

The financial statements consolidate the accounts of Abitibi-Price Inc. and all subsidiaries. Investments in joint ventures, including Gaspesia Pulp and Paper Company Ltd., are accounted for in the financial statements using the equity method. Prior years' figures have been restated to reflect a change in the method of accounting for Gaspesia from the consolidation to the equity method. This restatement has no effect on net earnings or shareholders' equity.

Goodwill, which represents the excess of the cost of acquired businesses over the values attributed to the underlying net assets, is amortized over periods not exceeding 40 years

(b) Translation of foreign currencies

The assets and liabilities of self-sustaining foreign subsidiaries and affiliates are translated into Canadian funds at year-end exchange rates and the resulting unrealized exchange gains or losses are included in shareholders' equity The earnings statements of such operations are translated at exchange rates prevailing during the year.

Monetary assets and liabilities of domestic companies and integrated foreign subsidiaries which are denominated in foreign funds are translated into Canadian funds at year-end exchange rates, non-monetary assets are translated at historical rates, and transactions included in earnings are translated at rates prevailing during the year, with the exception of depreciation which is translated at historical rates. Exchange gains or losses on translation are included in earnings, with the exception of those which arise on the translation of long-term debt payable in U.S. funds. Such gains or losses which relate to debt that hedges the net investment in self-sustaining U.S. subsidiaries are included in shareholders' equity, while the balance, which relates to debt that is hedged by a future income stream denominated in U.S. funds, is deferred and included in earnings in the same years as the income stream

The Company manages its foreign exchange exposure on future sales through the use of options and forward contracts Resulting gains and losses are included in earnings when realized.

(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, which includes capitalized interest and preproduction and start-up costs Investment tax credits and grants received under government programs relating to capital expenditures are credited to fixed assets

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.

(e) Pension costs

Earnings are charged with the cost of benefits earned by employees as services are rendered. The cost reflects management's best estimates of the pension plans' expected investment yields, wage and salary escalation, mortality of members, terminations and the ages at which members will retire Adjustments arising from pension plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

The difference between amounts included in earnings and Company contributions to the pension plans appears on the balance sheet as deferred pension cost.

(f) 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 on the balance sheet.

2 Newsprint joint ventures

A significant part of the Company's newsprint operations is represented by three joint venture partnerships which are accounted for by the equity method. The Company's equity interests in these partnerships are: Gaspesia Pulp and Paper Company Ltd. – 51%, Augusta Newsprint Company – 50% and Alabama River Newsprint Company – 50%. In all three cases, marketing agreements provide for the Company to sell the newsprint production of the joint ventures.

Condensed combined earnings statements and balance sheets of the joint ventures are as follows.

Earnings statements ($ millions)	1990	1989	1988
Net sales	**$ 313.5**	$ 319.3	$ 370.0
Costs and expenses	**(310.0)**	(293.6)	(291.1)
Interest (a)	**(22.0)**	(18.5)	(20.6)
Net earnings (loss) before income taxes (b)	**$ (18.5)**	$ 7.2	$ 58.3
Abitibi-Price Inc.'s share	**$ (9.4)**	$ 3.6	$ 29.4

Balance sheets ($ millions)	1990	1989
Current assets (c)	**$ 97.4**	$ 95.3
Current liabilities	**(75.9)**	(69.7)
Fixed assets (net)	**844.6**	649.4
Loans from partners	**(69.6)**	(57.9)
Long term debt (d)	**(509.9)**	(349.2)
Other	**33.4**	15.5
Partners' equity	**$ 320.0**	$ 283.4
Abitibi-Price Inc.'s investment in joint ventures		
Equity	**$ 160.8**	$ 147.6
Loan	**35.5**	29.5
	$ 196.3	$ 172.1

(a) Includes interest of $5.9 million in 1990 (1989 – $1.4 million) charged on loans from joint venture partners.

(b) Gaspesia is an incorporated company which is responsible for its own income taxes, while the other two joint ventures are unincorporated and their income taxes are the responsibility of the partners. Income taxes reported on the earnings statements include Abitibi-Price Inc.'s share of Gaspesia tax recoveries of $5.4 million and $0.4 million in 1990 and 1989, respectively, and income tax expense of $9.0 million in 1988.

(c) Includes accounts receivable with Abitibi-Price Inc. of $39.3 million in 1990 and $31.9 million in 1989.

(d) Long-term borrowings are without recourse to the partners.

3 Unusual items

($ millions)	1990	1989
Charges relating to permanent closure of operations:		
Groundwood papers machine at Jonquière, Quebec	**$ 1.8**	$ –
Jaffe office products business in Florida	**12.9**	–
Newsprint machine at Grand Falls, Newfoundland	–	22.1
Self-insulating hardboard siding operation at Alpena, Michigan	–	9 1
	14.7	31.2
Write-off of preliminary expenditures on capital projects which have been cancelled	**4.7**	–
Cost of employee restructuring program	**34.7**	–
	$ 54.1	$ 31 2

4 Other income and expense

($ millions)	1990	1989	1988
Interest – loan to joint venture	**$ 3.0**	$ 0.7	$ –
– insurance claim	–	6.8	–
– short-term investments	**0.4**	1.5	13.9
– other	**7.3**	4.3	2.6
Spicers Paper Limited – equity income	**3.0**	1.9	0.5
Foreign exchange gain (loss)	**0.4**	–	(2.4)
Other	**(0.3)**	0.5	1.3
	$ 13.8	$ 15.7	$ 15.9

5 **Income taxes**

The Company's effective income tax rate is as follows:

($ millions)	1990	1989	1988
Earnings (loss) before income taxes and extraordinary item	**$ (69.0)**	$ 99.1	$ 321.6
Provision for (recovery of) income taxes	**(24.4)**	44.9	133.4
Effective income tax rate	**(35.4)%**	45.3%	41.5%
Made up of:			
Combined basic Canadian federal/provincial income tax rates	**(40.1)%**	40.7%	43.9%
Effect of:			
Manufacturing and processing allowances	**2.6**	(1.7)	(3.3)
Large corporations tax	**5.5**	–	–
Tax rate differential	**(3.3)**	–	–
Foreign taxes	**1.1**	3.8	0.4
Other	**(1.2)**	2.5	0.5
Effective income tax rate	**(35.4)%**	45.3%	41.5%

6 **Consolidated earnings information**

($ millions)	1990	1989	1988
Maintenance and repairs	**$ 144.4**	$ 148.5	$ 141.7
Taxes other than payroll and income taxes	**38.6**	43.8	35.3
Pension expense – Company and government plans	**6.7**	9.1	12.4
Operating lease rentals	**44.4**	47.4	43.3

7 **Extraordinary item**

The extraordinary gain of $2.9 million reported for the year 1988 resulted from a sale of land in South Carolina, U.S.A. after income taxes of $2.0 million.

8 **Change in operating working capital**

($ millions)	1990	1989	1988
Cash used for changes in operating working capital components:			
Decrease (increase) in current assets:			
Accounts receivable	**$ 96.9**	$ 40.5	$ 0.7
Income taxes receivable (payable)	**(17.6)**	(3.6)	0.1
Inventories	**10.6**	(15.3)	(43.8)
Prepaid expenses	**0.1**	(1.4)	(10.3)
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	**46.7**	19.1	(25.2)
	136.7	39.3	(78.5)
Operating working capital acquired with the purchase of a subsidiary company and other businesses	–	–	41.7
Change in operating working capital	**$ 136.7**	$ 39.3	$ (36.8)

9 **Accounts receivable**

Under an agreement entered into with a major U.S. bank during 1990, the Company has the right, on an ongoing basis, to sell certain trade accounts receivable with minimal recourse and with the Company continuing to administer the receivables. Proceeds from sales during the year were $194.4 million and the total of such receivables which remained outstanding at December 31, 1990 was $137.3 million.

At December 31, 1990, the allowance for doubtful accounts receivable was $12.8 million (1989 – $14.4 million).

10 **Inventories**

($ millions)	1990	1989
Finished products and work in process	**$ 223.7**	$ 236.3
Pulpwood, sawlogs and expenditures on current logging operations	**99.7**	94.9
Materials and operating supplies	**76.2**	79.0
	$ 399.6	$ 410.2

11 **Bank lines of credit and commercial paper**

At December 31, 1990, the Company had $371 million in unused bank lines of credit. Any borrowings under these demand lines of credit would bear interest at the prevailing market rates.

Floating interest rates on short-term promissory notes issued under the Company's commercial paper program were 8.04% on notes outstanding of U.S. $38.4 million (Cdn. $44.5 million) at December 31, 1990 and 8.65% on notes outstanding of U.S. $107.1 million (Cdn. $124.1 million) at December 31, 1989.

12 Accounts payable and accrued liabilities

($ millions)	1990	1989
Trade accounts payable – to joint ventures	**$ 39.3**	$ 31.9
– other	**169.0**	151.3
Accrued vacation pay	**40.9**	40.4
Accrued salaries, wages and benefits	**28.8**	30.3
Accrued restructuring costs	**29.2**	7.7
Other	**48.1**	47.0
	$ 355.3	$ 308.6

13 Long-term debt

($ millions)	1990	1989
Abitibi-Price Inc.		
Sinking Fund Debentures		
11½% Series F, maturing 1995	**$ 6.5**	$ 7.4
11⅞% Series G, maturing 1992 (U.S. $8 million)	**9.3**	13.9
10.65% Series H, maturing 2000 (U.S. $84.8 million)	**98.3**	108.3
Floating Rate Term Loan, maturing 1994 (U.S. $150 million) (a)	**174.0**	173.8
Abitibi-Price Refinance Inc.		
Floating Rate Cumulative/Term Loan, maturing 1993 (U.S. $96.4 million) (b) (c)	**111.9**	111.7
Other indebtedness	**7.0**	25.2
	407.0	440.3
Less: Amount due within one year	**17.1**	33.3
	$ 389.9	$ 407.0

(a) Interest is at a rate approximating LIBOR. The loan is secured by an Abitibi-Price Inc. Series L Debenture. The Company has entered into interest rate exchange agreements, covering the period to 1994, for a principal amount of U.S. $150 million at an average fixed interest rate of 8.9%. In the event of non-performance by the other parties to the interest rate swap agreements, the Company would be exposed to floating interest rates.

(b) Interest is at rates approximating U.S. base rate or LIBOR for U.S. funds borrowings and at rates approximating EuroCanadian rate or Canadian bank prime for Canadian funds borrowings. The loan is secured by an Abitibi-Price Inc. Series K Debenture.

(c) The Company has entered into interest rate agreements, covering the period to December 31, 1993, which effectively limit exposure to floating interest rates to an average high of 10.6% and an average low of 8.1% on a principal amount of U.S. $100 million. In the event of non-performance by the other parties, the Company would be exposed to floating interest rates.

Sinking fund and other long-term debt repayment obligations for the years 1992 to 1995 are estimated to be $17.1 million, $123.8 million, $185.4 million and $13.6 million, respectively.

All outstanding sinking fund debentures are currently redeemable at the option of the Company.

During the year ended December 31, 1990, interest of $4.8 million was capitalized on major capital additions (1989 – $6.1 million; 1988 – $4.2 million).

14 Stated capital

The Company is governed by the Canada Business Corporations Act and is authorized to issue an unlimited number of preferred shares and common shares.

Common Shares

	Number of common shares	$ millions
Outstanding at January 1, 1988	69,246,611	$ 261.9
Issued under terms of the Key Executive and Management Personnel Stock Option Plan		
1988	18,939	0.3
1989	1,188	–
1990	–	–
Outstanding at December 31, 1990	**69,266,738**	**$ 262.2**

7½% Cumulative Redeemable Preferred Shares Series A – The balance of the Series A shares, which were issued at $50 per share, were retired in 1989 at a cost of $6.4 million (1988 – 3,600 shares with a book value of $0.2 million were purchased at a cost of $0.2 million).

Floating Rate Preferred Shares Series C – The Series C shares, which were issued at $50 per share, were redeemed by the Company at $50 per share in 1989. Dividends were 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.

$0.94 Cumulative Redeemable Retractable Preferred Shares Series F – The Series F shares, which were issued at $11.50 per share, are redeemable by the Company at $11.50 per share and are retractable at $11.50 per share at the option of the holder on January 1 in each year. In 1990, 339,600 shares were retracted (1989 – 257,969 shares; 1988 – 468,814 shares).

15 Foreign currency hedging commitments

Under its program for hedging future sales, at December 31, 1990, the Company was committed to options of U.S. $757 million, maturing from January to December 1991, which protect the Company against the Canadian value of the U.S. dollar falling below Cdn. $1.184 and which, in the event of a strengthening U.S. dollar, require the Company to sell U.S. dollars at rates extending up to Cdn. $1.2513.

16 **Lease commitments**

The Company and its subsidiaries have entered into operating leases to charter ships and to lease property and equipment for various periods up to the year 2028 at rentals aggregating approximately $95 million. Minimum payments under these leases are as follows:

($ millions)	
1991	$ 28.5
1992	16.8
1993	10.5
1994	8.6
1995	6.7
Remaining years	23.8
	$ 94.9

17 **Pension plans**

The Company's pension plans, covering most employees, are primarily contributory, defined benefit plans that provide pension benefits based on length of service and final average earnings. The Company has an obligation to ensure that there are sufficient funds in these plans to pay the benefits earned and, although the Company's contributions vary from year to year, they are made in accordance with the annual contribution requirements of regulatory authorities. Pension funds are managed by professional fund managers in accordance with guidelines established by the Pension Fund Committee of the Board of Directors. At December 31, 1990, approximately 53% of the assets were held in equity securities, with the remainder in fixed income securities.

The following table reconciles the funded status of the pension plans with the amounts recognized on the Company's balance sheet:

($ millions)	**1990**	1989
Market value of assets	**$ 783.9**	$ 850.5
Actuarial present value of accumulated plan benefits based on current service and compensation levels:		
Vested	**619.1**	588.6
Non-vested	**4.6**	3.0
	623.7	591.6
Adjustment for projected service and compensation levels	**100.0**	78.3
	723.7	669.9
Excess of market value of assets over projected benefit obligations	**$ 60.2**	$ 180.6
Consisting of:		
Unrecognized gain (loss)	**$ (62.9)**	$ 64.4
Prior service cost not yet recognized in periodic pension expense	**(50.0)**	(53.1)
Balance of unrecognized net assets existing at January 1, 1986	**97.3**	108.6
Deferred pension cost recognized on the balance sheet	**75.8**	60.7
	$ 60.2	$ 180.6

Net pension cost (credit) of the Company plans included the following components:

($ millions)	1990	1989	1988
Service cost – benefits earned during the year for both defined benefit and defined contribution plans	**$ 17.1**	$ 15.0	$ 16.4
Interest cost on projected benefit obligations	**63.9**	59.1	55.9
Actual loss (gain) on plan assets	**19.7**	(117.1)	(73.9)
Net total of other components	**(106.7)**	38.9	1.8
Net pension cost (credit)	**$ (6.0)**	$ (4.1)	$ 0.2

Pension benefit obligations were based on an assumed discount rate of 9.5% (1989 – 9.5%) and an assumed compensation rate increase of 6.0% (1989 – 6.0%). The assumed long-term rate of return on pension plan assets was 9.5% (1989 – 9.5%).

18 **Acquisitions**

In 1988, Abitibi-Price acquired all of the outstanding shares of Datarex Systems Inc., of Orchard Park, New York, a distributor of information processing products, for a cash consideration of $51.1 million. The acquisition has been accounted for by the purchase method and has been included in the consolidated financial statements from September 1, 1988.

Also during 1988, the Company purchased the assets of five businesses involved in the distribution of office and paper products for a total cost of $31.8 million, comprising cash of $16.9 million and loans payable of $14.9 million.

These 1988 acquisitions are summarized as follows:

($ millions)	Datarex	Other Businesses	Total
Net assets acquired at fair value:			
Bank indebtedness	$ (1.2)	$ –	$ (1.2)
Other working capital	21.8	19.9	41.7
Fixed assets	3.7	1.7	5.4
Goodwill	35.4	10.2	45.6
Long-term debt	(9.1)	–	(9.1)
Deferred income taxes	0.5	–	0.5
Total cost	$ 51.1	$ 31.8	$ 82.9

Goodwill, which represents the excess of the cost of the Company's investment over the values attributed to the underlying net assets acquired, is being amortized on a straight-line basis over 20 years.

In October 1988, Abitibi-Price acquired a 19.9% equity interest in Spicers Paper Limited, one of Australia's leading paper distributors and converters, which also has operations in New Zealand, Singapore and the U.S. West Coast. The total cost of the investment, which is being accounted for by the equity method, was $35.8 million, and the amount by which this exceeded the $26.8 million book value of the acquired shares is being amortized on a straight-line basis over 20 years. The investment in Spicers is included in "Long-term receivables, investments and other assets" on the balance sheet and the Company's share of Spicers' earnings is included in "Other income and expense".

19 **United States accounting principles**

The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which, in the case of the Company, conform in all material respects with those in the United States, with the following exceptions:

(a) Earnings differences

(i) Unrealized exchange gains or losses arising on the translation of long-term debt payable in U.S. funds that is hedged by a future income stream denominated in U.S. funds are deferred and included in earnings in the same years as the income stream. Under U.S. GAAP, such gains or losses would be included in earnings as they occur. Realized gains and losses relating to forward exchange contracts which hedge future sales are included in earnings at the time of the sales. Under U.S. GAAP, unrealized gains and losses on contracts entered into prior to obtaining firm sales commitments would be included in earnings. If treated in accordance with U.S. GAAP, the effect of these differences would be:

($ millions)	**1990**	1989	1988
Net earnings (loss), as reported under Canadian GAAP	**$ (44.6)**	$ 54.2	$ 191.1
Unrealized gain (loss) on translation of long term debt payable in U.S. funds, net of income taxes	**(0.4)**	0.6	21.2
Unrealized losses on forward exchange contracts, net of income taxes	**(7.3)**	–	–
Net earnings (loss), as adjusted to U.S. GAAP	**$ (52.3)**	$ 54.8	$ 212.3
Per Common Share:			
Net earnings (loss), as reported under Canadian GAAP	**$ (.68)**	$ .70	$ 2.64
Adjustments	**(.11)**	.01	.31
Net earnings (loss), as adjusted under U.S. GAAP	**$ (.79)**	$ .71	$ 2.95

(ii) Under Securities and Exchange Commission reporting guidelines, the unusual items referred to on the earnings statement and in Note 3 to the financial statements would be included in earnings as a component of operating profit.

(iii) Under U.S. GAAP, the extraordinary item referred to on the earnings statement and in Note 7 to the financial statements would be included in earnings before the extraordinary item.

(iv) The impact on net earnings adjusted to U.S. GAAP of Financial Accounting Standard 96 relating to income taxes, which is required to be implemented for fiscal years commencing after December 15, 1991, and of Financial Accounting Standard 106 relating to employee post-retirement benefits, which is required to be implemeted for fiscal years commencing after December 15, 1992, has not been determined.

(b) Preferred shares

Under Securities and Exchange Commission reporting requirements, preferred shares which are retractable at the option of the holders would not be reported under Shareholders' Equity, but would be reported under a separate caption entitled "Retractable Preferred Shares". The Company's Series F shares are retractable at the option of the holders and $27.2 million of these shares were outstanding at December 31, 1990 (1989 – $31.1 million).

20 **Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

Management's Report

The consolidated financial statements and all other information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include some amounts which are based on best estimates and judgements. Financial information provided elsewhere in the Annual Report is consistent with that shown in the financial statements.

The integrity of the financial statements is supported by an extensive and comprehensive system of internal accounting controls and internal audits, the latter being coordinated with reviews and examinations performed by the shareholders' auditors in the course of satisfying themselves as to the reliability and objectivity of the financial statements.

The shareholders' and internal auditors have free and independent access to the Audit Committee which is comprised of six non-management members of the Board of Directors. The Audit Committee, which meets regularly through the year with members of financial management and the shareholders' and internal auditors, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The accompanying consolidated financial statements have been examined by the shareholders' auditors, Price Waterhouse, whose report follows.

Auditors' Report

To the Shareholders of Abitibi-Price Inc.

We have audited the consolidated balance sheets of Abitibi-Price Inc. as at December 31, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in cash position for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1990 and December 31, 1989 and the results of its operations and the changes in its cash position for each of the three years in the period ended December 31, 1990 in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants
February 11, 1991
Toronto, Ontario

(unaudited)
(millions of dollars, except per share amounts)

1990	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	**$ 784.8**	**$ 803.1**	**$ 756.8**	**$ 743.3**	**$ 3,088.0**
Operating profit (loss)	**8.2**	**37.3**	**15.6**	**(24.6)**	**36.5**
Unusual items	**(13.7)**	**(28.9)**	**–**	**(11.5)**	**(54.1)**
Net loss	**(11.3)**	**(3.7)**	**(0.7)**	**(28.9)**	**(44.6)**
Per common share					
Net loss	**$ (.17)**	**$ (.06)**	**$ (.02)**	**$ (.43)**	**$ (.68)**
Dividends declared	**.125**	**.125**	**.125**	**.125**	**.50**
Dividends paid	**.125**	**.125**	**.125**	**.125**	**.50**
Price range per common share					
Toronto Stock Exchange					
High	**$ 16.25**	**$ 15.88**	**$ 16.00**	**$ 14.63**	
Low	**13.00**	**14.75**	**14.50**	**12.00**	
New York Stock Exchange (U.S. dollars)					
High	**13.88**	**13.75**	**14.00**	**12.75**	
Low	**11.38**	**12.63**	**12.63**	**10.38**	

1989	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	$ 810.1	$ 830.3	$ 816.4	$ 800.9	$ 3,257.7
Operating profit	42.5	55.1	35.1	23.0	155.7
Unusual items	–	–	–	(31.2)	(31.2)
Net earnings (loss)	26.3	28.8	13.6	(14.5)	54.2
Per common share					
Net earnings (loss)	$ .35	$ .39	$ .18	$ (.22)	$ .70
Dividends declared	.25	.25	.25	.125	.875
Dividends paid	.25	.25	.25	.25	1.00
Price range per common share					
Toronto Stock Exchange					
High	$ 21.50	$ 20.50	$ 18.63	$ 17.38	
Low	19.13	18.38	16.25	13.13	
New York Stock Exchange (U.S. dollars)					
High	18.25	17.25	15.50	14.63	
Low	15.88	15.38	13.75	11.38	

1988	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	$ 800.0	$ 835.5	$ 813.4	$ 855.6	$ 3,304.5
Operating profit	78.0	90.8	81.4	76.8	327.0
Earnings before extraordinary item	44.1	54.4	44.5	45.2	188.2
Net earnings	44.1	54.4	44.5	48.1	191.1
Per common share					
Earnings before extraordinary item	$ .61	$ .76	$ .61	$ .62	$ 2.60
Net earnings	.61	.76	.61	.66	2.64
Dividends declared	.25	.25	.25	.25	1.00
Dividends paid	.25	.25	.25	.25	1.00
Price range per common share					
Toronto Stock Exchange					
High	$ 28.00	$ 23.13	$ 22.88	$ 20.88	
Low	22.38	19.13	19.75	18.50	
New York Stock Exchange (U.S. dollars)					
High	21.75	19.00	19.00	17.13	
Low	18.25	15.38	16.13	15.38	

	1990	1989	1988	1987
Sales and earnings ($ millions)				
Net sales	**$ 3,088.0**	$ 3,257.7	$ 3,304.5	$ 2,988.0
Cost of sales	**2,674.2**	2,717.2	2,617.1	2,425.6
Selling and administrative expenses	**264.0**	273.3	255.0	232.3
Depreciation and depletion	**113.3**	111.5	104.4	92.0
Operating profit	**36.5**	155.7	327.0	238.1
Income (loss) from newsprint joint ventures, before income taxes	**(9.4)**	3.6	29.4	19.7
Interest expense – long-term	**34.2**	38.2	49.8	39.1
– short-term	**21.6**	6.5	0.9	2.8
Unusual items	**54.1**	31.2	–	–
Other income and expense	**13.8**	15.7	15.9	11.9
Income taxes	**(24.4)**	44.9	133.4	102.1
Earnings (loss) before extraordinary items	**(44.6)**	54.2	188.2	125.7
Extraordinary items	**–**	–	2.9	–
Net earnings (loss)	**(44.6)**	54.2	191.1	125.7
Dividends declared ($ millions)				
Preferred shares	**$ 2.2**	$ 5.7	$ 7.8	$ 8.1
Common shares (2)	**34.6**	60.6	69.3	48.5
Capital expenditures ($ millions)	**$ 106.7**	$ 212.7	$ 168.2	$ 220.3
Financial position ($ millions)				
Working capital	**$ 187.8**	$ 308.0	$ 521.2	$ 572.4
Fixed assets, net	**1,373.7**	1,395.3	1,322.7	1,275.4
Long-term debt	**389.9**	407.0	459.0	564.7
Deferred income taxes	**410.0**	417.0	389.3	296.1
Preferred shares	**27.2**	31.1	115.4	121.0
Common shareholders' equity	**1,118.8**	1,200.3	1,212.4	1,098.1
Per common share				
Earnings (loss) before extraordinary items	**$ (.68)**	$ .70	$ 2.60	$ 1.70
Net earnings (loss)	**(.68)**	.70	2.64	1.70
Dividends declared (3)	**.50**	.875	1.00	.70
Dividends paid (3)	**.50**	1.00	1.00	.60
Common shareholders' equity	**16.14**	17.32	17.50	15.86
Return on average common shareholders' equity	–	4.0%	15.6%	11.1%
Long-term debt/long-term debt plus shareholders' equity	**25.4%**	24.8%	25.7%	31.7%
Number of employees (year end)	**14,300**	15,600	16,200	16,000

Notes:

(1) Figures for the years prior to 1990 have been restated to reflect the change in the method of accounting for Gaspesia Pulp and Paper Company Ltd. from the consolidation to the equity method, as referred to in Note 1(a) of the notes to the financial statements.

(2) Figures for the years 1980 to 1984 have been restated to reflect the 3-for-1 split of common shares which became effective May 1, 1985.

(3) Four quarterly dividends were paid in each of the years 1980 to 1989, but because of changes in dividend declaration dates, three dividends were declared in 1983 and five in 1985.

	1986	1985	1984	1983	1982	1981	1980
	$ 2,763.5	$ 2,549.8	$ 2,137.2	$ 1,660.2	$ 1,634.3	$ 1,763.4	$ 1,364.7
	2,272.4	2,103.3	1,814.1	1,455.8	1,378.2	1,387.4	1,097.8
	201.4	187.0	131.6	113.9	121.0	116.7	97.8
	83.5	77.6	73.5	64.8	66.3	58.0	49.8
	206.2	181.9	118.0	25.7	68.8	201.3	119.3
	20.7	9.9	5.9	6.7	11.8	12.5	8.8
	34.8	42.8	40.4	18.8	24.8	27.7	25.1
	2.0	2.9	1.2	0.8	1.4	–	0.3
	–	–	–	–	–	–	–
	5.3	18.8	17.8	25.0	28.6	18.4	39.9
	85.3	64.7	27.8	(0.2)	19.1	81.1	48.3
	110.1	100.2	72.3	38.0	63.9	123.4	94.3
	(2.8)	–	(2.2)	–	(2.6)	12.3	18.0
	107.3	100.2	70.1	38.0	61.3	135.7	112.3
	$ 8.7	$ 9.3	$ 8.0	$ 7.4	$ 10.8	$ 10.0	$ 9.8
	41.5	47.0	25.0	12.4	31.1	33.1	30.1
	$ 249.3	$ 193.9	$ 103.6	$ 155.2	$ 181.6	$ 202.8	$ 228.6
	$ 424.8	$ 333.8	$ 384.5	$ 360.6	$ 414.7	$ 442.3	$ 398.8
	1,173.8	1,079.0	959.2	957.2	885.2	806.3	699.5
	428.9	440.4	409.0	386.6	381.5	382.9	352.7
	254.9	219.7	194.2	179.9	176.6	165.0	117.9
	122.8	124.1	104.2	113.8	122.7	130.8	139.9
	1,028.6	837.4	792.5	739.4	721.1	701.5	560.4
	$ 1.50	$ 1.42	$ 1.02	$ .48	$ .87	$ 1.85	$ 1.50
	1.46	1.42	.99	.48	.82	2.05	1.82
	.60	.73	.40	.20	.50	.53	.53
	.60	.58	.40	.30	.50	.53	.53
	14.86	13.04	12.40	11.89	11.60	11.29	9.93
	10.9%	11.2%	8.4%	4.2%	7.5%	18.0%	16.1%
	27.1%	31.4%	31.3%	31.2%	31.1%	31.5%	33.5%
	16,200	15,500	14,800	15,100	14,600	17,800	17,300

PRIMARY PRODUCTION

(figures in thousands)	Newsprint* (tonnes)	Groundwood Papers (tonnes)	Kraft Products (tonnes)	Lumber (mfbm)	Coated Papers (tonnes)	Hardboard (msf-equivalent)
Production						
1985	1,699	349	105	103	126	1,155
1986	1,798	350	87	83	132	1,058
1987	1,833	363	–	55	142	1,147
1988	1,900	407	–	52	144	1,032
1989	1,791	416	–	52	140	1,054
1990	**1,723**	**420**	**–**	**50**	**126**	**1,153**
Capacity – 1991	**2,063**	**453**	–	**75**	**159**	**1,267**

*Newsprint figures include the total production of the joint ventures at Chandler, Quebec, at Augusta, Georgia and at Claiborne, Alabama

MARCEL BÉLANGER, O.C.
Age 70 [2]
President
Gagnon et Bélanger Inc.
Québec, Quebec

ROBERT J. BUTLER
Age 68 [3,4]
Director
Toronto, Ontario

MARSHALL A. COHEN, Q.C.
Age 55 [1,3]
President and Chief Executive Officer
The Molson Companies Limited
Toronto, Ontario

LIONEL G. DODD
Age 51 [1,2]
Chief Operating Officer
O&Y Enterprises Inc.
Toronto, Ontario

ROBERT C. GIMLIN
Age 70 [1,4]
Director
Naples, Florida

BERND K. KOKEN
Age 64 [1,3,5]
Chairman and Chief Executive Officer
Abitibi-Price Inc.
Toronto, Ontario

C. EDWARD MEDLAND
Age 62 [2,3]
Director
Toronto, Ontario

GILBERT I. NEWMAN
Age 69 [1,2,4]
Executive Vice-President
Olympia & York
Developments Limited
Toronto, Ontario

RONALD Y. OBERLANDER
Age 49 [1]
President and Chief Operating Officer
Abitibi-Price Inc.
Toronto, Ontario

ALBERT REICHMANN
Age 62 [1,3,5]
Chairman
Olympia & York
Developments Limited
Toronto, Ontario

PAUL REICHMANN
Age 60 [1]
President
Olympia & York
Developments Limited
Toronto, Ontario

RALPH REICHMANN
Age 57
Executive Vice-President and Treasurer
Olympia & York
Developments Limited
Toronto, Ontario

PIERRE A. RINFRET
Age 67
Chairman, President and
Chief Executive Officer
Rinfret Associates, Inc.
New York, New York

FRANCIS J. RYAN, Q.C.
Age 64 [2]
Partner
Stewart McKelvey Stirling Scales
St. John's, Newfoundland

JOHN A. TORY, Q.C.
Age 60 [1,3]
Deputy Chairman
The Thomson Corporation
Toronto, Ontario

PAUL-GASTON TREMBLAY, C.M.
Age 62 [2,4]
President
Primo-Gestion Inc.
Chicoutimi, Quebec

DAVID A. WARD, Q.C.
Age 59 [4]
Partner
Davies, Ward & Beck
Toronto, Ontario

[1] EXECUTIVE COMMITTEE
The Executive Committee acts on behalf of the Board of Directors between regular Board meetings on matters requiring Company action before the Board can be assembled. These matters will usually have been addressed previously by the Board, which will have provided direction to the Executive Committee. In addition, the Committee reviews long-term strategic plans, annual objectives, major capital projects and investment strategies as well as significant acquisitions and divestitures.

[2] AUDIT COMMITTEE
None of the members of the Audit Committee are officers of the Company. This Committee reviews all audited financial statements with management and the shareholders' auditors and, after satisfying itself as to the integrity of the statements, recommends their approval by the Board. The Audit Committee also reviews changes in accounting policies and satisfies itself as to the effectiveness of audit programs and internal control systems and procedures. The Committee meets regularly with both internal and external auditors, with or without management, to consider the results of their audits and other activities they supervise. The Committee also recommends the appointment of the Company's external auditors to the Board.

[3] HUMAN RESOURCES AND COMPENSATION COMMITTEE
The Human Resources and Compensation Committee oversees compensation and career development for the Company's officers and managers.

[4] PENSION FUND COMMITTEE
The Pension Fund Committee advises the Board with respect to all funding, administrative and policy matters relating to the Company's pension plans.

[5] NOMINATING COMMITTEE
The Nominating Committee recommends to the Board the slate of director candidates to be proposed for election by the shareholders at the annual meeting. It also recommends candidates to fill vacancies on the Board as they occur.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Bernd K. Koken

PRESIDENT AND CHIEF OPERATING OFFICER

Ronald Y. Oberlander

EXECUTIVE VICE-PRESIDENT, DIVERSIFIED GROUP

J. Kenneth Stevens

SENIOR VICE-PRESIDENTS

George R. Arellano
Commercial Business

Marcel C. Beaudoin
Commercial Business

Jean-Claude Casavant
Organizational Leadership and Innovation

T. Maitland Devine
Publishers Business

Robert G. Lawrie
Law and External Relations

David L. Loretto
International Business

C. Donald Martin
Publishers Business

Eileen A. Mercier
Chief Financial Officer

DIVERSIFIED GROUP

Henry Hildebrand
President, Distribution Division II

J. Raymond Langevin
President, Converted Products Division

Bruce J. McGroarty
President, Office Products Division

Yves Montmarquette
President, Distribution Division I

VICE-PRESIDENTS

J. Fitzgerald Allison
Industrial Relations

Fernand H. Duquette
Engineering

William W. Hall

James A. Hone
Treasurer

M. Thomas Neill

John V. Olsen
President, Provincial Papers and Building Products

Sharon A. Paul
Corporate and Public Affairs

William H. Sheffield
Logistics

H. Colin Warner
Controller

	PRODUCTS	DIVISIONS	PRINCIPAL OFFICES
PAPER GROUP	Newsprint manufacture and distribution of standard and specialty grades for daily newspapers, commercial printing, and inserts; and uncoated groundwood paper manufacture – principally forms, directory and super-calendered grades.		**SALES OFFICES** Abitibi-Price Inc., Toronto, Ont. Abitibi-Price Sales Corporation, New York, NY Abitibi-Price Sales Company Limited, London, England
		Publishers Business	**MILLS** Iroquois Falls and Thunder Bay (2), Ont.; Pine Falls, Man.; Claiborne, AL; Augusta, GA
		Commercial Business	**MILLS** Alma, Beaupré, Chandler and Jonquière, Que.
		International Business	**MILLS** Grand Falls and Stephenville, Nfld.
	Premium coated paper manufacture for publication and commercial printers, paper merchants and converters.	**Coated Papers**	Provincial Papers, Thunder Bay, Ont. **MILLS** Thunder Bay and Georgetown, Ont.
DIVERSIFIED GROUP			**HEAD OFFICE** Abitibi-Price Inc., Toronto, Ont.
	Fine paper merchant distribution of domestic and imported printing papers, business papers, graphic art supplies and stationery products.	**Distribution Division I**	Inter City Papers, Montreal, Que. Lauzier Little Whyte Hooke Papers Whitaker Carpenter Marquette, Chicago, IL
		Distribution Division II	Barber-Ellis Fine Papers, Richmond, B.C. Paper Shoppes Le marché de l'imprimeur
	National merchant of packaging products distributing special order and stock design containers and wrapping materials to the food-service, retail and industrial markets.		Price Daxion, Toronto, Ont.
	Information processing products distribution.	**Office Products**	Azerty, Buffalo, NY Axidata, Montreal, Que.
	Envelope manufacture and distribution.	**Converted Products**	Innova Envelope, Markham, Ont. North River Paper, Watertown, NY
	Paper product manufacture and distribution for school, home, and office.		Hilroy, Toronto, Ont.
	Manufacture and distribution of industrial towels, plain and printed bags and folding cartons.		Price Wilson, Montreal, Que. **MILL** Lachute, Que.
OTHER	Exterior siding production.	**Building Products**	Troy, MI
	Decorative and prefinished paneling production.		**DISTRIBUTION CENTRE** East Farmingdale, NY
	Prefinished extruded mouldings production.		**MILLS** Middlebury, IN; Hiawatha, KS; Alpena, MI; Lumberton and Roaring River, NC; Toledo, OH
	Interior wood bi-fold doors, shutters, shelving, and allied millwork production.		
	Random length softwood lumber sales.		Abitibi-Price Lumber Sales, Mississauga, Ont. **MILL** L'Ascension, Que.
	Kraft pulp sales.		Abitibi-Price Inc., Montreal, Que.

Annual general meeting

The annual meeting of shareholders of Abitibi-Price Inc. will be held at Commerce Hall, Concourse Level, Commerce Court West, Toronto, Canada on Monday, April 22, 1991 at 11:00 a.m.

Common share information

Common shares of the Company are listed on the Toronto, Montreal, and Vancouver stock exchanges under the symbol A, and on the New York Stock Exchange under the symbol ABY.

Form 10-K

A copy of the Company's Form 10-K as filed with securities regulators in Canada and the United States is available from investor relations at the Company's head office:

Abitibi-Price Inc.
207 Queen's Quay West, Suite 680
Toronto, Ontario
Canada M5J 2P5

Telephone (416) 369-6700

Transfer agents and registrars

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

National Bank of Detroit
Detroit, U.S.A.

Auditors

Price Waterhouse
Toronto, Canada

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