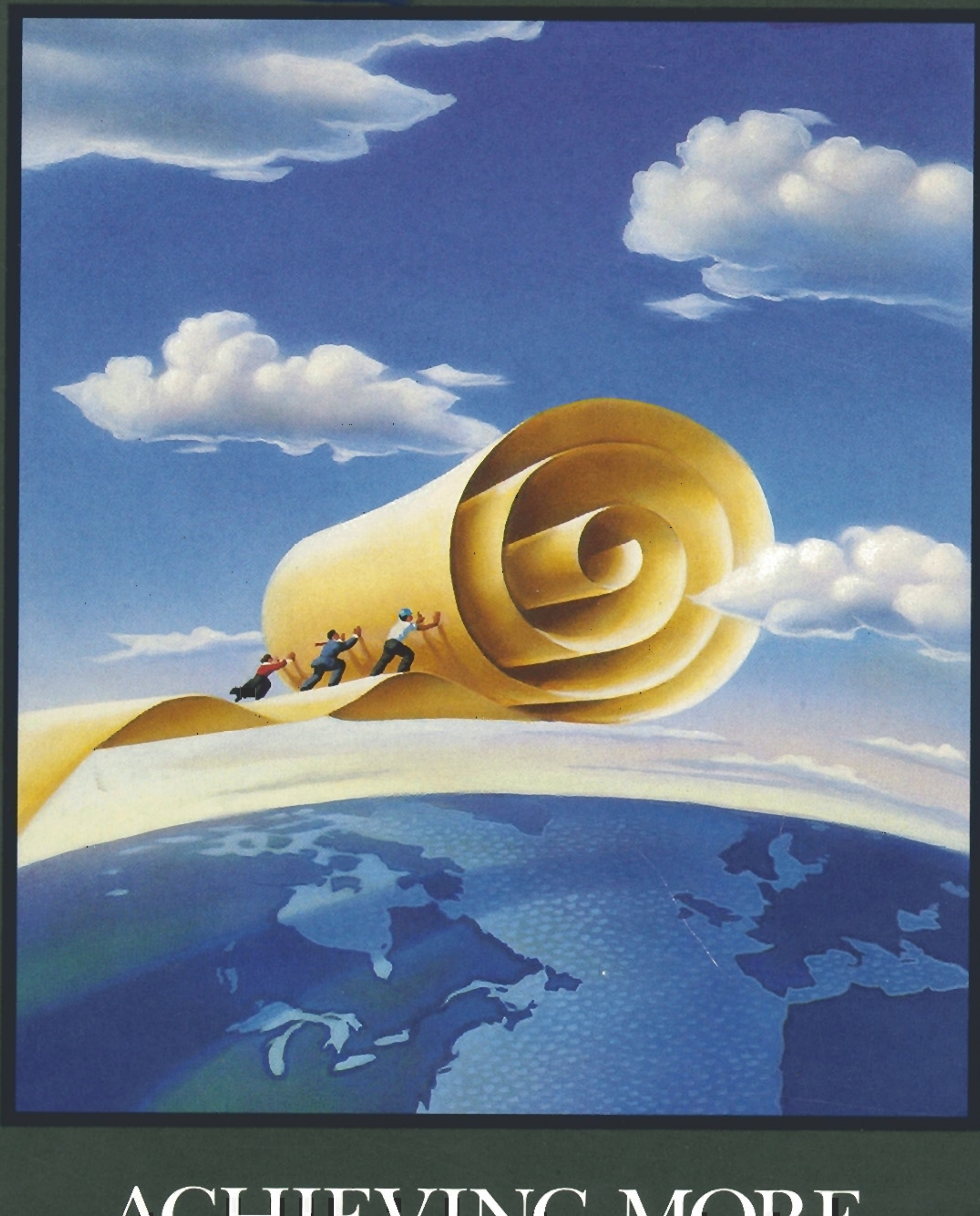
ABITIBI-PRICE



ACHIEVING MORE WITH LESS

1991 ANNUAL REPORT

Abitibi-Price Inc., a world-class competitor in the forest products industry, is a producer of newsprint, uncoated groundwood papers, coated papers and building products. The company is a major converter and distributor of paper and other information-related products.

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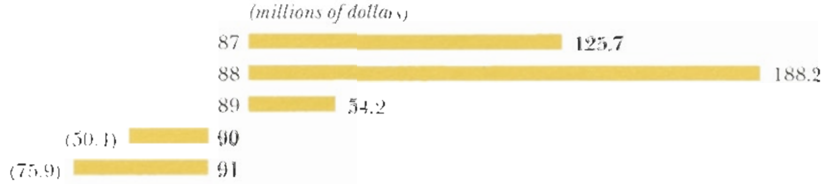
FINANCIAL HIGHLIGHTS

(millions of Canadian dollars)	**1991**	1990*
Net sales	**$2,801**	$3,088
Operating (loss) profit	**(40)**	26
Loss for the year	**(76)**	(50)
Capital expenditures	**39**	106
Working capital	**121**	179
Common shareholders' equity	**1,001**	1,113
Per common share		
Net loss	**(1.12)**	(0.76)
Dividends declared	**0.50**	0.50
Dividends paid	**0.50**	0.50
Common shareholders' equity	**14.44**	16.06

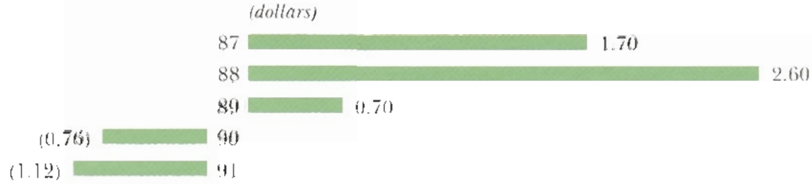
*Figures for 1990 have been restated to reflect the correction of a misstatement as referred to in Note 6 of the notes to the consolidated financial statements.

Net Sales
(millions of dollars)

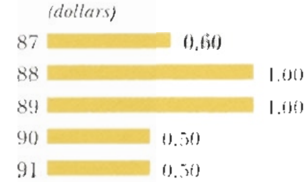
Earnings (Loss) Before Extraordinary Items
(millions of dollars)



Earnings (Loss) Per Common Share Before Extraordinary Items
(dollars)



Dividends Paid Per Common Share
(dollars)



ACHIEVING MORE WITH LESS

In virtually all our operations, Abitibi-Price became a finer company in 1991 – but that was not enough to offset dismal market conditions. We suffered a heavy loss, and we know we have to improve even faster.

Although we have not yet proved it with our financial results, we achieved a great deal at Abitibi-Price in 1991, as we:

- set the pace for much-needed industry rationalization in an era where supply vastly exceeds demand;
- took the painful decisions to close a coating and converting facility at Georgetown and to idle a newsprint mill at Thunder Bay;
- became leaner – operating with fewer people and fewer resources – and completed the sale of three significant non-strategic assets;
- developed a more effective organization structure – aimed at decentralizing and getting closer to customers;
- made better use of our working capital, improved our cash position with proceeds of asset sales, and maintained one of the strongest balance sheets in our industry;
- improved productivity, with many mills achieving their highest efficiency levels ever – even in the face of low operating rates;
- reduced operating costs by $43 million by lowering the cost of supplies, improving the quality of our raw materials, optimizing our use of power, labour and materials – and realizing lower costs per tonne with our improved efficiency;
- became more competitive in our successful distribution businesses;
- achieved a one-time saving of $25 million with our foreign exchange hedging program, helping to offset the damage to profitability caused by the high Canadian dollar;
- developed better levels of understanding with our unions – understanding that we are all in it together;
- introduced important environmental initiatives;
- improved quality and customer service.

It was a year when we accomplished more than ever with fewer resources, and we saved more than ever – but we lost more money than ever. Quite simply, we didn't improve fast enough to offset disastrous newsprint markets and the impact of the broader business recession. We were not alone. The entire Canadian forest products industry was challenged by many issues, such as the recession, oversupplied markets, environmental compliance and changing customer requirements. Some of these issues will be resolved when the economy improves, while others require a fundamental restructuring of the industry.

So in 1992, we will move faster still. We are determined to build on our 1991 achievements –

achievements that in good markets would have led to record earnings rather than a record loss.

There has been a turnaround in attitude, as people throughout the company have embraced the values that are fundamental to our future success – businesslike thinking, continuous learning, urgency and velocity, flexibility, and spending money wisely. They have translated those values into actions which have made us a finer and more competitive company.

And we are going to need more of those actions in the year ahead. Nobody's going to make it any easier for us – we have to do it ourselves. And we have a very clear set of priorities:

- selling more non-strategic assets – such as our hydro facilities, converting businesses and building products operations;
- resolving recycling issues – by clarifying our strategies and pursuing lower-cost technologies;
- improving customer satisfaction – with further improvements to product and service quality;
- meeting our budget, while continuing to make improvements to all operations;
- and improving leadership and effectiveness as we pursue our goal of becoming the finest groundwood paper company in the world.

Our major markets remain depressed, but we believe the free fall in prices may be near the bottom. At the same time, we believe we can – and will – make further improvements to our cost structures and our productivity, thereby beginning to restore our margins. And that means that when markets and prices finally begin to improve, we will be able to prove that we are becoming a finer company where it counts – at the bottom line.

On a personal note, I am very grateful to all employees for their extraordinary efforts of the past year. And I would like to thank our active, involved Board of Directors for their support, wisdom and counsel – including Robert C. Gimlin, Marcel Bélanger and Pierre A. Rinfret who retired from the Board in 1991 after many years of service. On behalf of all the Directors – and on behalf of all employees – I thank you, our shareholders, for your continued faith in Abitibi-Price.

Ronald Y. Oberlander, President and Chief Executive Officer
February 17, 1992

ENVIRONMENT

MANAGING ENVIRONMENTAL CHALLENGES

"It has become very clear that in our society, no company will be able to survive if it doesn't demonstrate respect for a healthful environment. Evidence of this commitment is increasingly important to governments and customers, lenders and investors, employees and our host communities. To become the finest groundwood paper company in the world, Abitibi-Price must be, and be seen to be, in the forefront of the environmental movement."

BERND KOKEN

ROB LAWRIE

MANAGING ENVIRONMENTAL CHALLENGES

Abitibi-Price sees new environmental challenges emerging constantly, with changing regulations and changing demands of our customers and employees. What appeared to be responsible practice a decade ago – or even a year ago – is not good enough today.

Managing these challenges effectively begins with taking stock of our activities – and we did a lot of stock-taking in 1991.

At Abitibi-Price, we now assess everything we do in terms of its potential impact on our environment. That is not just to comply with changing laws; it is to live up to our own sense of responsibility.

We launched a new leading-edge environmental management and compliance program throughout the company, and began the process of auditing all our operations – looking for where we need to make improvements, and establishing a database against which we can measure progress. Throughout this process, one of our major goals has been to heighten environmental awareness and training among all our employees and in our communities.

The audits give us a good idea of where we stand. We face myriad laws and regulations – governing air, water, waste management, and resource use – and these regulations vary from province to province, state to state, country to country. How are we doing with these challenges? We're doing well, but must do better.

- Our effluent discharges and air emissions comply with current regulatory requirements;
- our groundwood pulp processes do not use chlorine, chlorine dioxide, or sodium hypochlorite;
- our high yield pulping processes don't waste wood fibre;
- we generate energy from other waste and through recovery of heat produced in thermomechanical pulping operations;
- and we have a very successful forest regeneration program, a model for our industry for the past decade.

But our record is by no means perfect. And through improving scientific knowledge, we have been developing a better understanding of the impact our operations have on the environment. We are determined to do a better job.

During the next several years our primary environmental challenge will be meeting changes to federal and provincial effluent discharge regulations in Canada. Last year, we reviewed conventional and capital intensive compliance technologies based on biological treatment of large volumes of effluent. We estimated costs for these traditional answers to be more than $250 million over the next few years – a daunting

Rob Lawrie, Senior Vice-President Counsel, Compliance and Communication

Bernd Koken, Chairman of the Board

In our efforts to spend money wisely as we meet our environmental responsibilities, we are choosing new lower-cost, effective technologies.

amount given our financial resources. Regulatory requirements have been accelerating at a time when we can least afford major capital projects.

We are determined to find ways of doing more with less. To find more cost effective alternatives, we established a twenty-person Environmental Technology Research and Development team in 1991, based in our research centre in Mississauga, Ontario.

This team – with other teams at our mills – has been exploring innovative technologies focused on novel methods of reducing water usage, which in turn will reduce effluent volumes at a substantially lower cost than conventional controls. Initial indications are encouraging. In fact, they are so positive, the Canadian government has awarded us a multi-million dollar research grant to support our efforts.

We are also working on ways of doing more for less in the area of recycling – an important marketing goal, as well as an environmental goal. A new proprietary recycling technique is enabling us to increase recycled content less expensively than with conventional deinking technology. With this method, we are already producing newsprint using recycled fibre at Fort William and Chandler, and we have plans for Iroquois Falls. These initiatives will prove to be a cost effective complement to our full scale newsprint deinking facility in Georgia (now producing 375,000 tonnes of recycled newsprint a year), and our planned project in Alabama.

For our technological advances to mature and become environmental breakthroughs in the nineties we need a collaborative effort from our governments – cooperation not confrontation, especially in these daunting economic times. Harmonization of federal and provincial regulations would be a helpful step forward – a move that would result in substantial savings with no sacrifice of environmental benefits – less red tape, more value.

The need to show environmental stewardship extends far beyond our manufacturing operations; it extends to our very roots – the forests. Our successful forest regeneration program is based soundly on the belief of our foresters that the best forest management results are achieved through silvicultural operations that mimic natural forest cycles. Following the patterns of nature enhances success and conserves biodiversity.

Our forest management procedures stand up to close scrutiny. We seek public involvement during the planning phase; we are carefully regulated by governments; and we audit ourselves and are audited by governments and action groups. The audits show that our record and practices are sound.

Our responsibility does not end with sound practices for harvesting and renewing the timber supply. We recognize all of society – including aboriginal peoples, local entrepreneurs, recreationalists and environmentalists – owns a stake in the forests. We are developing ways of working with all stakeholders to accommodate broader uses of our woodlands. These may range from fishing and camping to the development of non-timber forest crops – such as blueberries or wild rice. We welcome the federal government's "Model Forests" program, which was established to encourage diverse use of our forests. We have made applications to participate in Manitoba, Ontario, Quebec and Newfoundland.

The health of our forests is vital to our future as a company, an industry and a steward for society. We are more committed than ever to superior sustainable forest management.

One aspect of forest management which is increasingly important to Canadians is preservation of wildlife, and this has become one of our research priorities. We are participating in a number of important studies with provinces and environmental groups, including a forestry/wildlife study in Manitoba; a study of a salmon spawning river in Chicoutimi, Quebec; a study of the impact of forestry operations on upland caribou at our Newfoundland operations; and – in an interesting twist – a study of the damage that a thriving moose population is causing in parts of our newly regenerated forest in Grand Falls, Newfoundland. Our foresters are helping to redefine sustainable forest management.

We continue to face many environmental challenges. That goes with the territory of resource and manufacturing companies. But with the breakthroughs in technology that we are beginning to see, and with heightened awareness of the importance of responsible stewardship throughout the company, we are confident of achieving an environmental record that is second to none.

TAKING ACTION AGAINST ADVERSITY

"We are not waiting complacently for a recovery to bail us out. There's not a lot we can do about the depressed markets or the vicious price wars that have devastated our margins. But there is something we can do about things directly in our control – productivity, manufacturing costs, quality, product development, service, reorganizing to get closer to customers – and achieving total customer satisfaction. Making headway in all those areas requires a winning attitude on the part of our employees – dedication and a strong commitment to personal development and achieving higher levels of competence. We have been making progress, but we have a long way to go. And we are going to keep on fighting . . ."

JCasavant

JEAN-CLAUDE CASAVANT

John V. Olsen

JOHN OLSEN

BECOMING MORE COMPETITIVE

We are shifting from being world-class in size to being world-class in competitiveness. Through operating improvements, our goal is to better our efficiency ranking among the world's newsprint machines.

Newsprint margins were slashed in 1991 as too much supply chased shrinking demand and led to brutal price wars: consumption in North America fell by 6%, and prices fell by as much as 13%. In that kind of environment, no operation can survive for long if it is unable to be competitive. That made our goal for the year very clear – channelling our resources to the operations which stood the best chance of meeting the competitive challenge. So we made some tough choices – starting with the idling of Thunder Bay, where we took two machines out of operation.

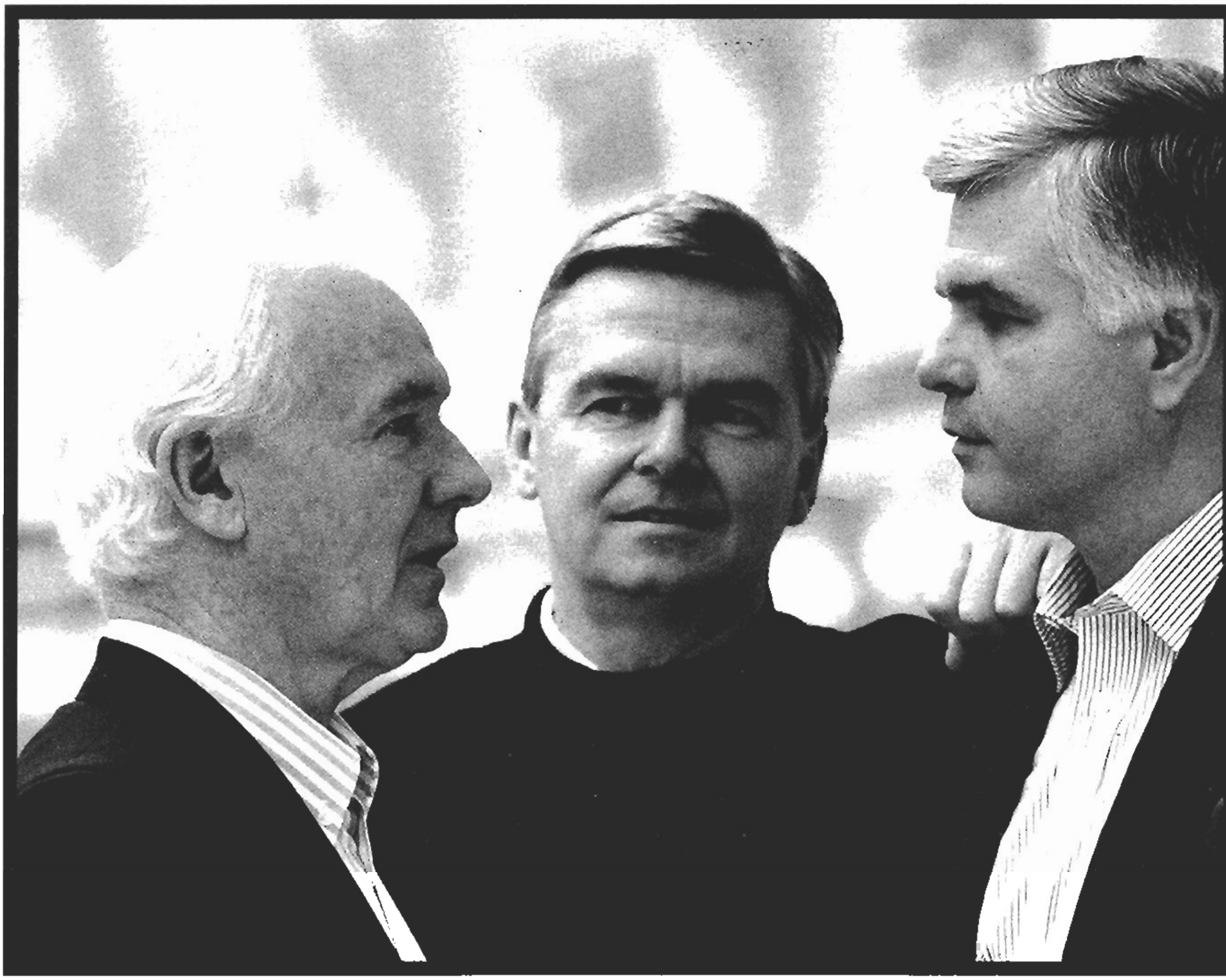
To reduce costs, boost productivity, and improve customer responsiveness, we decentralized, redesigned and streamlined the management structure at our mills – and integrated mill operations with logging operations to improve efficiency of fibre supply – all with the cooperation of our unions. Measurable improvements were evident by year-end: at Augusta, we improved daily production by 4% over the course of the year while reducing manufacturing costs by 9%; at Fort William, productivity improved by 3% and we maintained costs per tonne at budgeted levels, despite taking over 100 days of downtime.

Prices fell faster than costs in 1991, and there is no guarantee that prices have bottomed out. But mill management and employees have made a commitment to improve the cost structure even further.

To hold markets, we have been fighting with more than costs and pricing – we have been fighting with quality and product choice. We no longer see newsprint as a commodity item. Every customer pressroom has unique requirements, and we have been providing better products to achieve customer satisfaction. To this end, our specialties machines are proving to be an advantage, as is the understanding by employees who know that being rated as a preferred supplier by customers is critical to the future of each mill.

Demand for recycled newsprint is growing and we believe we can compete profitably in a number of markets. To complement our state-of-the-art facility in Augusta, we are planning to move ahead with full deinking facilities at Alabama River. And we have introduced modified, lower-cost recycling facilities at Pine Falls and Fort William, with Iroquois Falls to follow.

Our markets are unlikely to improve much this year – so we must.



Mickey Devine, Senior Vice-President and General Manager, Publishers Business

Jean-Claude Casavant, Senior Vice-President, Organizational Leadership and Innovation

Don Martin, Senior Vice-President and General Manager, Publishers Business

PUBLISHERS

Paper Mill	Location	Products
Iroquois Falls	Iroquois Falls, Ontario	Newsprint manufacture and distribution of standard and specialty grades for daily newspapers, commercial printing, and inserts.
Fort William	Thunder Bay, Ontario	
Thunder Bay (idled)	Thunder Bay, Ontario	
Pine Falls	Pine Falls, Manitoba	
Augusta Newsprint Company	Augusta, Georgia	
Alabama River Newsprint Company	Claiborne, Alabama	

MAKING BETTER PRODUCTS

While commercial printers have been hurt by the recession and demand is down overall, we continue to seek out and build new niches with quality products.

In 1991, margin erosion was not quite as steep for our commercial groundwood papers as it was for newsprint, but it was very severe. And sales fell as the commercial printing industry and its customers reeled from the recession.

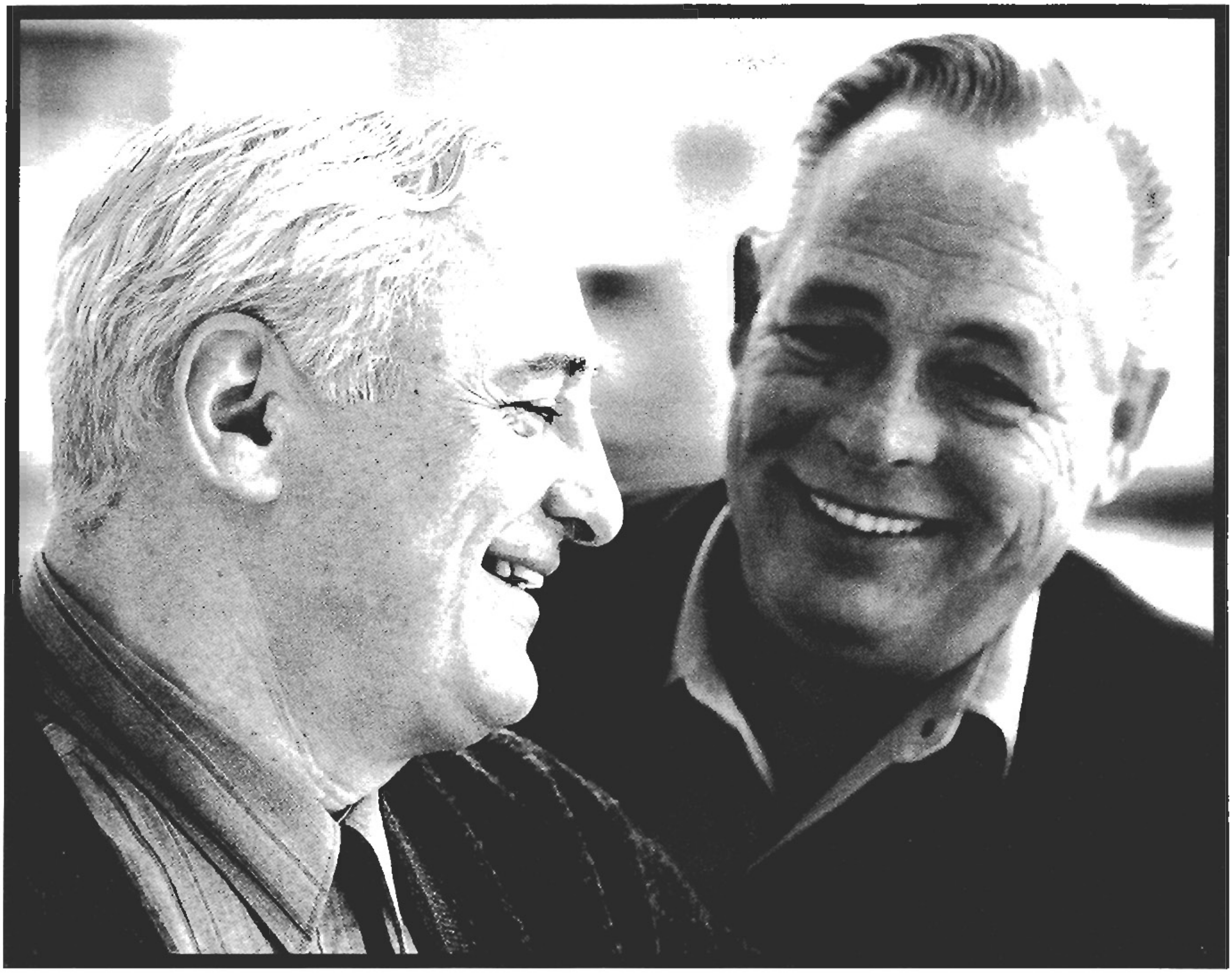
We therefore faced a three-fold challenge – we had to improve costs at our commercial paper mills, build new markets, and compete better with other paper grades for existing markets – by improving quality and developing new products.

We have made some progress in all three areas. With employee and union cooperation, we have been able to restructure and downsize at all our paper mills and woodlands operations – reducing staff at all levels by close to 12% in 1991. At the same time, each mill has taken ownership of its customer relationships, from the marketing and service perspective. This is helping us become more flexible – which is vital, as we serve a market characterized by many more customers with smaller individual orders than is the case for daily newspapers.

Furthermore, we have been actively developing new products, and recent introductions are meeting strong acceptance in the marketplace: Abigloss (a supercalendered grade for rotogravure) has become a preferred product for major customers such as Reader's Digest and Sears-Roebuck; our supercalendered papers – both clay-filled and unfilled – have been gaining in popularity, as indicated by a 5% growth in shipments over 1990, despite the downturn; REDIRECT – our new directory product that contains recycled fibre in line with the guidelines approved by the Yellow Pages Publishers Association – is off to an excellent start; Abiform – which has qualified as a laser printer paper – is well positioned in a growth market; and Premium 80 (offered for both coldset and heatset offset printing) is rapidly making inroads in the quality printing and book markets – competing effectively with bond papers.

To enhance new product capabilities, we are making plans to expand our mill at Kénogami – on a joint venture basis – as soon as economic conditions permit.

We have gained ground in very adverse conditions and we are committed to pursuing strategies that will lead to further gains.



Marcel Beaudoin, Senior Vice-President and General Manager, Commercial Business

George Arellano, Senior Vice-President and General Manager, Commercial Business

COMMERCIAL

Paper Mill	Location	Products
Alma	Alma, Quebec	Uncoated groundwood paper (principally forms, directory and supercalendered grades) and newsprint: manufacture and distribution of grades for commercial printing and for use in magazines, catalogues, directories and newspapers.
Beaupré	Beaupré, Quebec	
Gaspesia Pulp and Paper Company Ltd.	Chandler, Quebec	
Kénogami	Jonquière, Quebec	

DOING MORE FOR GLOBAL CUSTOMERS

We are going flat out to maintain Abitibi's position and profile in what are destined to be the newsprint growth markets of the future – Eastern Europe, Latin America, the Middle East . . .

As the biggest consumer of newsprint in the world, North America sets the stage for global pricing. Even though demand has not shrunk in international markets, North American oversupply has outpaced global consumption. We are now facing the same price wars and ferocious competition offshore that we have seen in domestic markets. And we face the same challenges. We must improve margins by reducing mill costs.

In 1991, we made good progress with cost reductions and productivity improvements at both Stephenville and Grand Falls: Grand Falls improved efficiency levels by over 10% in 1991 and should soon be outperforming the Canadian industry average; Stephenville – which has long been ahead of the average – improved all aspects of mill operations, increasing efficiency levels by 3%, machine speed by 2% and daily output by 5%, while reducing fibre losses by 25%. And we believe we can achieve more.

Transportation costs are another key factor in international markets, and here too, we have been making improvements; we have already cut costs by $2 million and we have targeted further savings. In these ways, we are fighting margin erosion. But we are also aiming to fight price erosion – and build customer loyalty – with ongoing quality and service improvements.

To this end, we invited several of our major international customers to visit our mills in 1991 – and they told all employees first-hand about their quality needs. In turn, many of our employees visited customer pressrooms around the world, to improve our focus on differing requirements. This is particularly important in international markets, as conditions and requirements at many of the pressrooms we serve vary widely from North American standards. Our objective is to achieve zero defects and total customer satisfaction. We are making gains.

Pricing is unlikely to bounce back in the year ahead. But with the improvements we are making, we believe we can maintain Abitibi's reputation as a dependable, quality supplier while improving margins through cost improvements. And that will stand us in good stead as global consumption of newsprint begins to grow along with free markets.

John Olsen, Senior Vice-President, Business Support Board

David Loretto, Senior Vice-President and General Manager, International Business

INTERNATIONAL

Paper Mill	Location	Products
Grand Falls	Grand Falls, Newfoundland	Newsprint manufacture and distribution of standard and specialty grades to principally offshore markets for daily newspapers, commercial printing, and inserts.
Stephenville	Stephenville, Newfoundland	

LEADING THE WAY IN THE DISTRIBUTION BUSINESS

"On the surface, the distribution business is not very complicated. We buy and sell products – exactly what merchants have done for centuries. The complicated part is figuring out how to buy and sell better than anybody else – and becoming the supplier of choice that each of our customers thinks of first. And that means knowing our products – knowing which products will best suit our customers' needs, knowing how to source them, knowing how to price them, knowing how and when to get them to our customers . . . it means helping customers and suppliers market their products . . . it means achieving economies of scale, and recognizing the unique requirements of each market niche. There are hundreds of ways to be a better merchant – and our employees search for every one of them."

KEN STEVENS

CAPITALIZING ON MARKET LEADERSHIP

Over the years, we have built the strongest printing paper distribution business in Canada. We believe that we can get stronger still . . .

Through Inter City Papers and Barber-Ellis Fine Papers, we are the undisputed leader in printing paper distribution in Canada – not just leaders in market share but leaders in selection and service.

That winning formula is based first and foremost on superior product knowledge. To be a leader in the competitive fine papers markets, we have learned what our customers want, what to buy – where and for how much – and what new products to request from our suppliers. That is because we have very experienced, knowledgeable people – both buying and selling. These are people who know what's available everywhere in the world – people who know what products our customers can and should use even before our customers do.

As an example of this kind of anticipation and rapid response to changing customer demand, Inter City Papers became the first company in Canada to supply a customer with a recycled paper product made from the customer's own waste paper. With project "Close the Loop", laser printed waste paper from the record centre of the Canadian Imperial Bank of Commerce was collected, shipped to a paper mill and recycled for use as customer account inquiry forms for the Bank's branches around the world. This successful approach is sparking the interest of other major corporate customers.

Along with product knowledge and our dependability as a supplier, we have focused on efficiencies that have helped us keep costs down and prices competitive.

The overall market declined substantially in Canada in 1991, and our sales were off. But we built market share, and we have realistic goals for improving efficiencies and cutting costs further – by reducing warehousing duplication and by standardizing our information system to enhance inventory controls, order entry and delivery schedules.

We believe we can develop new markets and build sales further in 1992 – by capitalizing on our market leadership for the benefit of our customers.

Ken Stevens, Executive Vice-President, Diversified Group

Yves Montmarquette, President, Printing Papers Distribution

PRINTING PAPERS

Business Unit	Principal Office	Products
Barber-Ellis Fine Papers	Richmond, British Columbia	Fine paper merchant distribution of domestic and imported printing papers, business papers, graphic art supplies and stationery products.
Inter City Papers	Montreal, Quebec	
Whitaker Carpenter Marquette	Chicago, Illinois	

EXPANDING A SUCCESSFUL NICHE

Our office products division is expanding from being the biggest and best distributor of computer supplies in North America into a much broader range of office products.

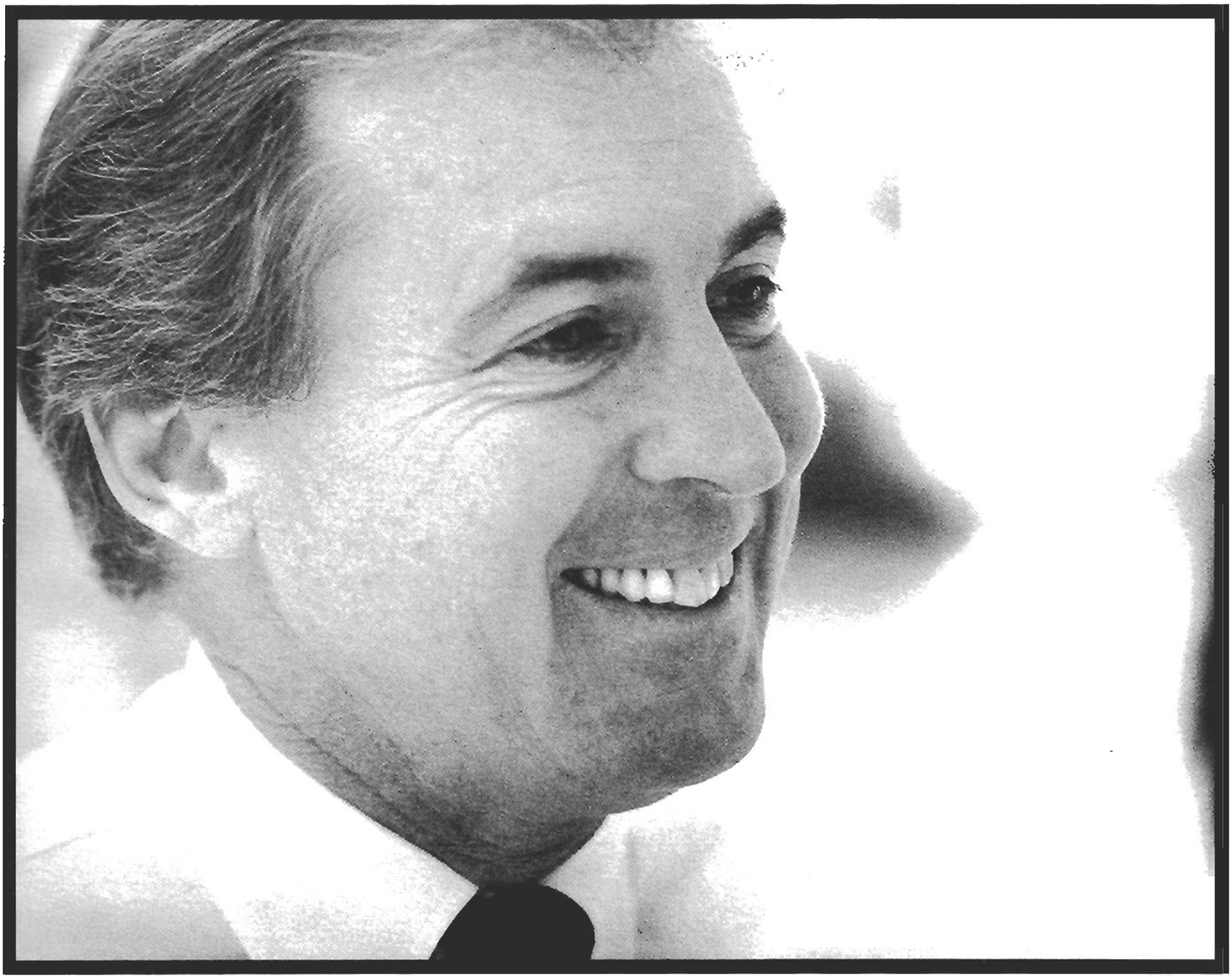
The success of our office products business – which continued to build sales and earnings in 1991 – has been based on the successful development of a once neglected niche. Computer-related supplies and accessories – products like printer ribbons, toner cartridges, and diskettes – are not as glamorous as the high profile hardware and software products of the computer market. But they are essential to computer users, and Azerty continues to capitalize on its ability to make these products available – conveniently and competitively.

We have become the leading distributor in our field by sticking to some straightforward principles:

- we represent only major manufacturers – no "knock-off" products;
- we offer a broad range of products with same-day shipping;
- we operate efficiently with a centralized approach and keep overheads down – from order receipt through delivery; for example, we serve the entire U.S. market with one sales office;
- we are aggressive direct marketers – supporting both customers and suppliers with innovative marketing campaigns.

For these reasons we have continued to experience strong growth despite the impact of the North American recession on the business supply market – and we are continuing to reduce costs through greater efficiencies and economies of scale.

Now we are setting our sights on a broader range of office products that lend themselves to our successful distribution approach – products like filing supplies, writing instruments, and desk top accessories. We began to add some of these products in 1991, and while we have been moving carefully to ensure that we can maintain Azerty's high level of service, our new endeavour is already profitable. We are also keeping an eye on international opportunities – and we are now in the process of testing our distribution formula in Europe. We are expanding more than our niche – we are expanding our horizons.



Bruce McGroarty, President, Office Products Distribution

OFFICE PRODUCTS

Business Unit	Principal Office	Products
Azerty	Buffalo, New York	Information processing products and office products distribution.
Eurozerty	Maastricht, Netherlands	

ACHIEVING FOCUS WITH A BROAD PRODUCT LINE

Our industrial products group handles 27,000 products for 30,000 customers in all parts of Canada. With such a broad product line and customer base, our primary challenge is to ensure that we look after every customer and product.

As merchants of industrial products, we have become the supplier of choice in Canada because we can handle so many customer needs with one order. Our customers constantly ask us to supply additional items, so expanding the product line in a responsive way is always a priority. With the huge number of products we handle, we must keep on top of inventories, market trends, product life cycles, quality service, customer demands, and supplier capabilities. Thus, we need to constantly upgrade management information systems, and warehouse and distribution capabilities; efficiency is the key to reliability, which in turn is key to our industry leadership in customer satisfaction.

Our team of marketing professionals is focused very clearly on identifying and satisfying the specific needs of individual customer groups. We monitor the distribution trends constantly so that we can offer unique products and services to emerging niches. Recently, for instance, we have been placing increased emphasis on cleaning and maintenance products. Packaging is another promising field, and Futur Pak – a new operation – specializes in the growing plastic stretch wrap market.

Product innovations are requested by our customers daily – and we are quick to respond. We see increasing opportunities for recycling the products that we sell – with an immediate focus on foam recycling technology. Our ultimate goal is to break new ground in the disposal, retrieval or recycling of all products – from foam to foil, plastic to paper.

Many of our customer groups have been rocked by the recession – most notably the manufacturing sector, the hospitality business, and the retail sales industry – and consumption for the products we supply in those areas has been down. But with our constant objective of finding solutions to customer requirements in all market segments, we believe we can grow further in 1992. And with every new product we add – and every new customer we serve – we aim to add value.

Henry Hildebrand, President, Industrial Products Distribution

INDUSTRIAL PRODUCTS

Business	Principal Office	Products
Price Daxion	Toronto, Ontario	National merchant of packaging products distributing special order and stock design containers and wrapping materials to the food-service, retail and industrial markets.

REVIEWING OUR OTHER BUSINESSES

> *Beyond our two major businesses – groundwood paper making and distribution – we have a number of other interests whose viability and profitability is critical to Abitibi-Price.*

For the past two years, we have discussed our intention to sell non-strategic assets over time – to enable us to raise cash and to consolidate and focus our resources on our two core businesses. In 1991, we sold three major assets – an interest in Spicers Paper in Australia, the U.S. business of Barber-Ellis Fine Papers, and Innova Envelope.

These moves were beneficial to Abitibi-Price, because we were able to utilize the $90 million we raised to repay debt and improve the strength of our balance sheet. The operations we sold also benefitted by becoming part of organizations more focused on their businesses. For instance, Innova Envelope was purchased by another envelope maker, and the combined operation has the scale and size to compete internationally.

As we pursue our goal of divesting other non-strategic assets, enhancing the competitiveness of these businesses is vital. Ultimately, it will make them more marketable – and in the meantime, it will improve their contribution to our bottom line.

COATED PAPERS

For the past two years, Provincial Papers – which produces high grade coated papers – has been the major source of Abitibi-Price's operating losses. Early in 1991, we seriously contemplated closing Provincial Papers, to staunch the flow of red ink. However, we recognized that the company had considerable prospects as Canada's only full-line coated paper maker – if we could engineer a turnaround.

Employees quickly grasped the urgency of the situation and redoubled efforts at all levels to restore viability – through cost-cutting, quality improvements, intensified marketing efforts and targeted product launches (such as the new line of ECO recycled papers). We restructured mill management and downsized by closing the Georgetown plant and idling one of our three machines at Thunder Bay. And we worked to build new markets in the beleaguered North American coated paper marketplace.

The turnaround of Provincial Papers is by no means complete, and operating losses for the year were steep. But there were strong signs of progress by year end as cash flow improved significantly. Quality production and marketing efforts began to pay off; in four of the last five months of 1991, the mill sold all it could produce.

We expect soft markets and price pressures to continue in the year ahead – but employees are committed to accelerating the pace of improvement and renewing the viability of Provincial Papers.

CONVERTING BUSINESSES

Hilroy – a well known name in school and office products – had a tough year, as increased global competition in a weak market drove selling prices down by over 7%. However, we increased volumes and maintained market share in both the school and stationery markets.

Hilroy has been focusing capital expenditures on labour-saving equipment to reduce unit costs and we plan to consolidate operations of the Toronto and Joliette plants to reduce costs further. As a result, we will be well positioned to weather the storm until market conditions improve.

Hardest hit by the recession was the office products market, where dealers have maintained very low inventory levels in the face of lower consumption.

Price Wilson – which produces folding cartons, paper towels, and paper bags, most with high recycled content – has encountered soft markets and price erosion as demand declined during the recession. Price decreases ranged between 10% and 25% in 1991. But we have managed to build market share in bags and towels, through intensive marketing and by gearing production and recycled content to customer specifications. Paper towelling exports to the U.S. have been growing rapidly and we expect to make further inroads in the year ahead in that important marketplace.

Through training programs and a new manufacturing resource planning system, we expect to improve both costs and service to customers in the coming year.

BUILDING PRODUCTS

Our U.S.-based building products businesses – which produce hardboard siding, interior panelling, complementary plastic moulding products, and millwork products including bi-fold doors and interior shutters – have been operating competitively during a dismal period for the industry. Housing starts in the U.S. plummeted to their lowest level in four decades during 1991, and renovation markets also declined.

Despite lower demand and lower margins, the exterior siding operation ran at full capacity and generated strong cash flow and earnings. The plastic moulding business also held its own – successfully introducing new products, and targeting the do-it-yourself market.

The building products sector felt the impact of the recession first – and is expected to lead the recovery; housing starts are expected to climb significantly in the year ahead, with other construction markets following. So markets should begin to rebound in 1992 – markets for the products, and eventually for the operations themselves.

Eileen Mercier, Senior Vice-President and Chief Financial Officer

SUMMARY

Abitibi-Price recorded a loss in 1991 of $75.9 million ($1.12 per common share), as compared to a loss in 1990 of $50.4 million ($0.76 per common share) restated for a prior period adjustment of $5.8 million. Sales declined by 9% from $3.1 billion in 1990 to $2.8 billion in 1991. The loss from operations of $39.9 million in 1991 compares to a restated profit from operations in 1990 of $26.2 million. As a result of reduced demand, an oversupply in the market-place of most of the Company's products and continued pressure on prices, each of the Company's segments performed less satisfactorily in 1991 than in 1990. 1990 results were affected by strikes which shut down six of the Company's Canadian newsprint mills and its coated paper mill for a month in the fall.

Newsprint

Newsprint sales declined 9% in 1991 to $907.2 million. Sales volume declined to 1.6 million tonnes in 1991 from 1.8 million tonnes in 1990, and the average net sale price at the end of 1991 was approximately $80 per tonne lower than at the end of 1990. Approximately 68% of the Company's newsprint production is sold in the United States, 8% in Canada and the balance to other countries.

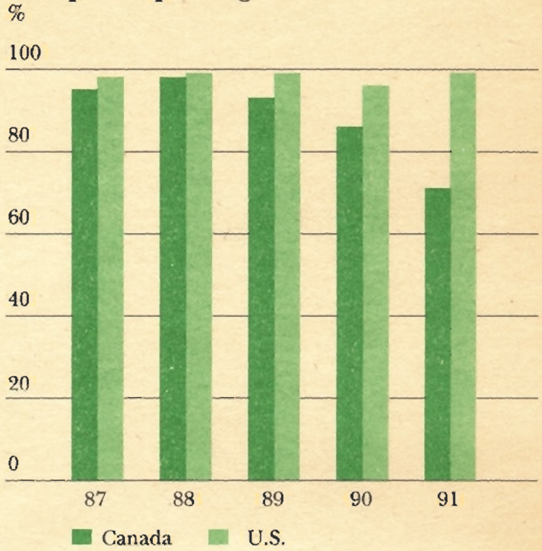
North American Newsprint Markets

In the United States, the Company's largest market, consumption of newsprint dropped 6% when compared to 1990. General economic conditions and consolidation of retailing firms in North America were the significant reasons for a drop of 7% in advertising linage sold in 1991.

North American production capacity increased in 1991 by approximately 600,000 tonnes or the equivalent of three new machines. This new production, together with the drop in demand for newsprint, led to an increase in pricing pressure, and discounting was widespread in the market-place. The average U.S. list price was $670 U.S. per tonne in 1990. The U.S. list price increase from $685 U.S. to $720 U.S. per tonne which was implemented January 1, 1991 did not hold, and by the end of the year, discounts had reached 30% on average, compared to rates of approximately 20% for 1990.

Industry operating rates in the United States averaged 96% in 1991, compared to 97% in 1990. These rates are significantly higher than the operating rates in Canada of 87% and 90% respectively. Operating rates are a measure of the ratio of operating time to the available capacity and reflect current market demand. The Company's operating rates in Canada averaged 71% in 1991, compared to 86% in 1990. The Company's profitability is directly affected by reduced operating rates, but any attempt to increase its operating rate, hampered as a result of the current oversupply of newsprint, could result in further reductions in product prices.

Abitibi-Price
Newsprint Operating Rates



The outlook for the newsprint industry in North America is not expected to improve appreciably in 1992 unless there is a marked increase in U.S. consumption or further mill or machine closures. Some improvement in the markets is expected in 1993 as no further capacity is expected to come onstream before that time. The Canadian industry faces the additional challenges of meeting proposed environmental regulations (discussed later) and customer demand for products containing recycled fibre. Both of these could require substantial capital outlays. Abitibi-Price is planning to meet recycling requirements in the communities served by its major customers in the most efficient and cost-effective manner possible.

International Newsprint Markets

Abitibi-Price has sold newsprint in the international markets for many years. Principal market areas are Europe and South America. The mills at Grand Falls and Stephenville, Newfoundland, are the principal suppliers of newsprint to these markets.

Abitibi-Price's export tonnage increased by 4% in 1991, despite surges in competing overseas exports of newsprint from Canada and U.S. The Company expects to maintain this tonnage in 1992.

In 1991, increased competition in North American domestic markets contributed to aggressive price discounting in international markets by non-traditional suppliers. For 1992, the Company expects further price weakness in overseas markets.

Newsprint Operations

As a result of reduced demand and lower sales prices, the newsprint segment recorded an operating loss of $22.4 million in 1991 compared to an operating profit of $1.8 million in 1990.

During the year, the Company embarked on a program of focused downtime to address the demand/supply imbalance. During the second quarter of 1991, the Thunder Bay, Ontario mill was idled, removing approximately 170,000 tonnes from production. The mill is being maintained in working condition while idled, so that it could return to normal production with minimum effort.

In 1991, an operating improvement program was initiated at the Company's newsprint manufacturing, sales and support locations. These cost reduction and efficiency increase programs partially offset the impact of the downtime taken during the year. Under these programs, savings are being realized as improved manufacturing and procurement procedures are utilized.

Newsprint Joint Ventures

The Company has investments in three joint ventures – Gaspesia Pulp and Paper Company Ltd., Augusta Newsprint Company and Alabama River Newsprint Company. Alabama commenced commercial production of newsprint on October 1, 1991 and consequently, operating results, including depreciation and amortization of start-up costs, impacted the fourth quarter of 1991. Augusta had a profitable year, as a result of lower costs and increased production, while the other two joint ventures recorded operating losses. The Company advanced $7.1 million toward the completion of Alabama River during the year, while Augusta paid $4.3 million to the Company as a return of its share of profits.

Groundwood Papers

Sales of uncoated groundwood papers, grades ranging from speciality newsprint and telephone directory through supercalendered grades, declined in 1991 to $326.1 million from $344.0 million in 1990. The operating loss in this segment was $.3 million in 1991, compared to an operating profit of $.6 million in 1990. The decrease in both sales and operating profit is due to the business recession in North America in general, and a substantial reduction in advertising expenditures in particular. Industry overcapacity in lightweight coated papers and newsprint, which provide price and quality brackets around these grades, resulted in increased pressure on prices. Sales volume of uncoated groundwood papers declined by 3.4% in 1991 from 422,100 tonnes in 1990 to 407,600 tonnes; however, the Company more than maintained its market share in this business segment. For supercalendered grades, which are used primarily for inserts, flyers, magazines and catalogues, sales volume increased by 4% to a level of 142,900 tonnes. Sales volumes of forms and directory grades declined by 10,500 tonnes (17%) and 10,600 tonnes (12%) to 51,100 tonnes and 85,200 tonnes respectively in 1991 compared to 1990.

The Company's mills in the Province of Quebec, which are its principal producers of groundwood paper products, have achieved significant cost reductions. 1991 production costs have been reduced by approximately $17 million or $42 per tonne. The Company continues to review all manufacturing processes and input costs to ensure increased competitiveness.

During 1991, the Company approved a capital expenditure of $1.8 million for the Alma mill. This expenditure will enable the mill to produce a recycled directory product by May 1, 1992 which will meet current Yellow Pages Publishers Association guidelines for recycled fibre content.

The demand for groundwood papers in 1992 is expected to remain constant with 1991 or decline slightly. If overcapacity persists in this segment, there may be further pressure on prices in the coming months.

Coated Papers

Sales of the Company's coated paper products declined dramatically in 1991 to $81.6 million from $130.1 million in 1990. Provincial Papers, the Company's coated paper division, operated at 57% of capacity in 1991 (72.5% in 1990) and incurred an operating loss of $40.7 million compared to an operating loss of $26.3 million in 1990.

In 1991, 27% of sales were made to the U.S., compared with 36% in 1990. Coated freesheet paper (less than 10% mechanical pulp content) accounted for approximately half of the Company's coated paper sales in 1991 and 1990, and is sold primarily to magazines and commercial printers for use in annual reports and catalogues. The average selling price for coated freesheet paper declined 15% in 1991 when compared to 1990. The Company's volume of coated freesheet paper sales in North America decreased approximately 32% in 1991 as a result of one paper machine being temporarily idled. Pricing was affected negatively by an increase of 11% in U.S. productive capacity.

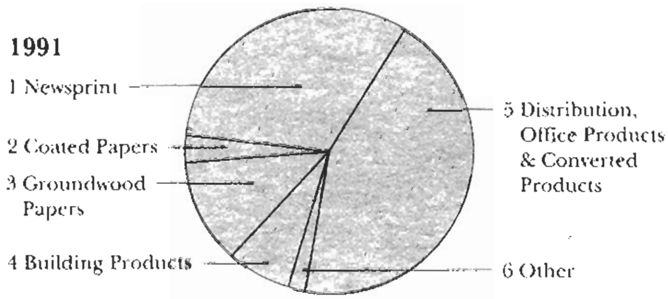
Magazine publishers and printers, the principal users of groundwood coated papers, have been affected by general business conditions in 1991, and the redirection of advertising expenditures toward electronic media. Magazine advertising pages in the U.S. declined 8.7% in 1991. In addition, the Canadian market for groundwood coated papers has been affected by an increase in aggressively priced imported paper from Europe.

The outlook for coated paper will continue to be affected by economic conditions, excess capacity and increased imports, all of which have eroded net sale prices by 20% in 1991.

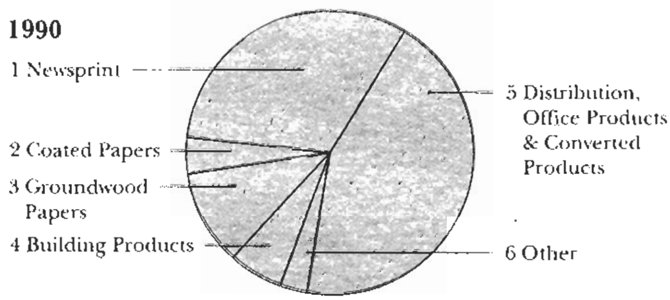
Provincial Papers' cost containment program has achieved a reduction in costs of 9% per tonne produced in 1991. The main emphasis of this program has been to reduce manpower (down 20% in 1991 compared to 1990) and to improve product quality. Profitability for this division will depend not only on a continuation of these cost and quality efforts, but on increased sales and production volumes which will more fully utilize plant assets.

Net Sales by Business Segment

1991



1990



(millions of Canadian dollars)	1991	1990
1 Newsprint	907.2	998.1
2 Coated Papers	81.6	130.1
3 Groundwood Papers	326.1	344.0
4 Building Products	185.0	192.3
5 Distribution, Office Products & Converted Products	1,237.9	1,364.8
6 Other	62.7	58.7

Distribution, Office Products and Converted Products

Sales of the Diversified Group of operations of $1,237.9 million were down $126.9 million from $1,364.8 million in 1990. Operating profit declined to $25.6 million from $41.3 million in 1990. $59.4 million of the decrease in 1991 sales of $126.9 million was the result of divestitures made in the year.

The Printing Papers Distribution division which accounted for 51% of the Group's sales in both 1990 and 1991, experienced soft markets throughout 1991. While the division maintained its share of the Canadian market and significantly reduced costs, the lower volume and pricing levels forced earnings below 1990 results.

The Industrial Products Distribution division also reported reduced sales and earnings as all three of its major markets (retail, foodservice and industrial) struggled during the year.

The Office Products Distribution division's sales and earnings exceeded those of last year. Second half sales slowed to the 1990 level, as performance was impacted by the sluggish U.S. economy.

The Converted Products Division incurred a loss in 1991 as the recession and over-capacity in many of the division's markets forced sales volumes and prices, in particular, well below last year.

In 1991, the Company was prepared to receive offers to purchase its converted products business units. In July, 1991, Innova Envelope was sold for a consideration of $39 million.

During late 1991, management of the Company became aware of a misstatement of the operating profit and working capital at December 31, 1990, of the Hilroy business unit. During 1990, management of Hilroy misstated the earnings by a total of $10.3 million. After deducting applicable income taxes, the net effect of this adjustment was $5.8 million, which has been treated as a prior period adjustment in the 1991 accounts.

The major divisions of Diversified are affected by general economic conditions, and as such the Company is not optimistic that the early part of 1992 will provide significantly improved profitability.

Building Products

Sales of this division declined 3.8% from $192.3 million in 1990 to $185.0 million in 1991. Sales of prefinished hardboard panelling and plastic mouldings were down from 1990, as a result of reduced market demand. Sales of hardboard siding and millwork remained level with 1990, but reduced housing starts and increased competition resulted in no increase in sales prices in 1991.

Operating profit declined from income of $6.8 million in 1990 to an operating loss of $2.7 million in 1991. While sales prices remained static, manufacturing and sales costs increased in 1991 – lumber prices increased 17% on average – and the business recession has contributed to increased losses resulting from bankruptcies of building products retailers.

An improvement in U.S. economic conditions as signalled by increased housing starts is necessary if sales prices are to increase in 1992. A stringent cost control program is in place to contribute to margin improvements.

Interest Expense

Interest expense declined from $55.8 million in 1990 to $47.7 million in 1991. The principal reason for the decline was the decrease in short-term interest rates experienced in 1991. In addition, as a result of asset sales, there was a reduction in the average amount of short-term debt outstanding during the year.

Unusual Items

Unusual items charges were $44.4 million in 1991 and $54.1 million in 1990. These charges relate to decisions made by management to streamline operations in order to meet the new challenges facing the Company in the 1990's. The largest single item in this category is the cost of the Company's restructuring programs, $21.5 million in 1991 and $34.7 million in 1990. The Company has streamlined newsprint and groundwood operations and improved efficiency. Each operation has been reviewed and the costs associated with employee severances, including relocation assistance, have been recognized.

Another significant item of $16.5 million in this category is the severance and restructuring cost of idling the Thunder Bay mill in June of 1991. The Company also wrote off costs of $2 million incurred to design and finance a de-inking plant which was proposed to be built at the Fort William, Ontario mill. In 1990, unusual items also included a charge of $12.9 million relating to the closure of the Jaffe retail office products business in Florida.

Other Income and Expense

Other income and expense declined to $4.0 million from $13.8 million in 1990. In 1991, the Company recorded $8.0 million of discount on sale of accounts receivable to U.S. and Canadian banks. As the first of these sales was made in late December, 1990, comparable costs were insignificant in that year.

Income Taxes

The effective tax rate for the income tax recovery in 1991 was 41.4% compared with 36.4% in 1990.

The increase in the recovery rate in 1991 over 1990 was primarily due to a proportionately larger recovery of deferred taxes, which have been accumulated at a historical rate which is higher than the current rate of taxation. In addition, the Company recorded the benefit of a capital loss carry-forward which was applied against capital gains realized in 1991. The Large Corporations Tax, which reduces the income tax recovery, is a minimum tax based on the Company's capital rather than earnings and remained relatively constant over the two years.

FINANCIAL POSITION AND LIQUIDITY

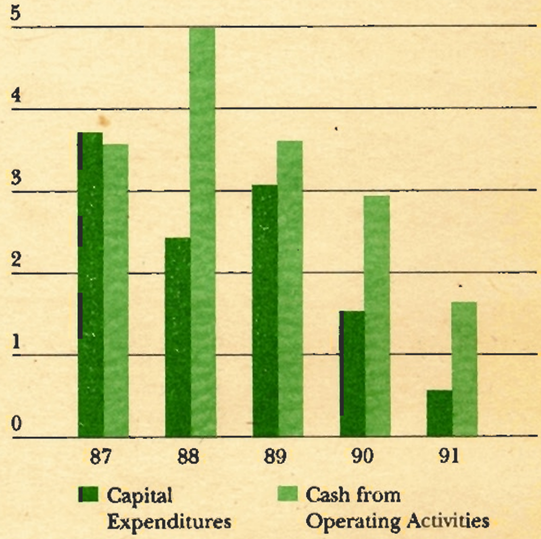
Cash

The Company's cash position, defined as cash less bank indebtedness and commercial paper, increased in 1991 by $100.2 million to a deficit of $54.9 million from a deficit of $155.1 million. In 1990, the Company's cash position decreased by $5.4 million. Cash from operating activities was $89.4 million less in 1991 than in 1990, as a result of the increased loss for the year and a reduction in the proceeds from the sale of accounts receivable.

The Company generated $90.3 million in cash and a profit of $1.6 million (before income taxes) in 1991 from the sales of its equity interest in Spicers Paper Limited and the Barber-Ellis (US) and Innova Envelope business units. There were no comparable sales in 1990. These assets were sold as they no longer formed part of the strategic direction of the Company.

In 1991 the Company entered into an agreement with a major Canadian bank which permits it to sell, on an ongoing basis, certain Canadian trade accounts receivable with minimum recourse, with the Company continuing to administer the collection of the receivables. This agreement is similar to the two agreements previously made with two major US banks. The total of the receivables outstanding under these agreements at the end of 1991 was $202.8 million. The Company has no plans to add additional programs in 1992.

Capital Expenditures and Cash from Operating Activities
$/Share



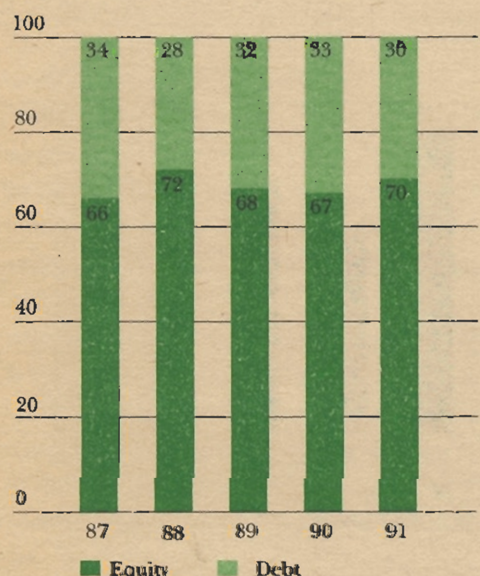
Capital Expenditures

Additions to fixed assets in 1991 were $38.5 million compared to $105.9 million in 1990. The focus of the 1991 capital expenditures program was on maintaining normal operations. In the current business climate, capital expenditures are being tightly controlled.

Compliance with pending environmental legislation of the Government of Canada and the Provinces of Ontario and Quebec may require that the Company incur capital expenditures of approximately $250 million in order to meet the guidelines. There are varying deadlines for complying with these regulations, with the earliest being January 1, 1994. Extensions to these implementation dates may be obtained under certain circumstances. The Company is engaged in exploring alternative methods of production in order to meet the environmental requirements of the proposed legislation and guidelines at substantially reduced capital cost.

The Company's planned capital expenditures for 1992 amount to $50 million. These expenditures are spread throughout the Company's business, and are required in order to maintain and improve product quality.

Debt and Equity as a Percent of Total Capital
%



During the year, the Company reduced long term debt by $21.8 million, including $17.3 million of scheduled sinking fund obligations, and a $4.5 million voluntary sinking fund payment.

Lines of credit have been arranged with several banks for liquidity purposes, and at the end of 1991 the Company had a balance of $305 million available.

Foreign Currency and Interest Rate Exposure Management

As a significant portion of the Company's sales are made in U.S. dollars, any movement of the Canadian dollar in relation to the U.S. dollar could have an impact on earnings. To manage foreign exchange, the Company has 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.

The Company's management of the risk associated with currency exposure in a global market-place has benefitted the Company in 1991 by protecting its sales revenues denominated in U.S. dollars at an average exchange rate of Cdn. $1.1840 against an average U.S. dollar spot rate of Cdn. $1.1457 for 1991.

In addition, the Company manages its exposure to floating rate debt through the use of interest rate exchange agreements. At the year end the Company had U.S. $150 million of floating rate debt swapped to fixed at an average rate of 8.9% and an additional U.S. $100 million of debt subject to option agreements with the exposure limited to, on average, a high of 10.6% and a low of 8.1%.

In 1991, the U.S. dollar averaged Cdn. $1.1457, down 1.8% from $1.1668 in 1990.

Dividends

In 1991, the Company paid four quarterly dividends of $0.125 each for a total of $0.50 per common share. Total cost of these dividends was $34.6 million. There was no change in the level of common share dividend declared or paid in 1991 from 1990.

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 five non-management members of the Board of Directors. The Audit Committee, which meets regularly throughout 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.

Ronald Y. Oberlander

Eileen A. Mercier

AUDITORS' REPORT

To the Shareholders of Abitibi-Price Inc.

We have audited the consolidated balance sheets of Abitibi-Price Inc. as at December 31, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in cash position for the years then ended. 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 audits.

We conducted our audits 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, 1991 and 1990 and the results of its operations and the changes in its cash position for the years then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants

February 17, 1992
Toronto, Ontario

CONSOLIDATED EARNINGS

Year ended December 31 *(millions of Canadian dollars)*	1991	1990 (note 6)
Net sales	$2,800.5	$3,088.0
Cost of sales	2,493.6	2,684.5
Selling and administrative expenses	233.7	264.0
Depreciation and depletion	113.1	113.3
	2,840.4	3,061.8
Operating (loss) profit	(39.9)	26.2
Loss from newsprint joint ventures, before income taxes (note 2)	(1.5)	(9.4)
Interest expense – long-term (note 12)	(35.0)	(34.2)
– short-term	(12.7)	(21.6)
Unusual items (note 3)	(44.4)	(54.1)
Other income and expense (note 4)	4.0	13.8
	(129.5)	(79.3)
Recovery of income taxes (note 5)	53.6	28.9
Loss for the year	(75.9)	(50.4)
Provision for dividends on preferred shares	(1.7)	(2.2)
Loss attributable to common shareholders	$ (77.6)	$ (52.6)
Per Common Share:		
Loss	$ (1.12)	$ (0.76)
Dividends declared	0.50	0.50
Weighted average number of common shares outstanding (millions)	69.3	69.3

CONSOLIDATED RETAINED EARNINGS

Year ended December 31 *(millions of Canadian dollars)*	1991	1990
Retained earnings at beginning of year, as previously reported	$ 856.6	$ 938.1
Prior period adjustment (note 6)	(5.8)	—
Retained earnings at beginning of year, as restated	850.8	938.1
Loss for the year	(75.9)	(50.4)
	774.9	887.7
Dividends declared		
Preferred shares	(1.7)	(2.2)
Common shares	(34.6)	(34.7)
Retained earnings at end of year	$ 738.6	$ 850.8

CHANGES IN CONSOLIDATED CASH POSITION

Year ended December 31 *(millions of Canadian dollars)*	1991	1990
Operating Activities		
Loss for the year	$ (75.9)	$ (50.4)
Depreciation and depletion	113.1	113.3
Unusual items	28.0	29.8
Deferred pension cost	4.0	(13.2)
Goodwill	3.2	3.5
Deferred income taxes	(52.4)	(26.3)
Other	(10.2)	9.0
	9.8	65.7
Change in operating working capital (note 7)	104.0	137.5
Cash from operating activities	113.8	203.2
Financing Activities		
Repayment of long-term debt	(21.8)	(34.9)
Retirement of preferred shares	(6.1)	(3.9)
Other	2.1	0.6
Cash applied to financing activities	(25.8)	(38.2)
Investment Activities		
Additions to fixed assets	(38.5)	(105.9)
Sale of equity interest and operating divisions	90.3	—
Investment in newsprint joint ventures	(2.8)	(31.2)
Decrease in long-term receivables	2.2	4.0
Other	(2.7)	0.2
Cash from (applied to) investment activities	48.5	(132.9)
Dividends Paid		
Preferred shareholders	(1.7)	(2.9)
Common shareholders	(34.6)	(34.6)
	(36.3)	(37.5)
Cash – Increase (decrease)	100.2	(5.4)
– Beginning of year	(155.1)	(149.7)
– End of year	$ (54.9)	$(155.1)

Cash comprises cash less bank indebtedness and commercial paper.

CONSOLIDATED BALANCE SHEET

December 31 *(millions of Canadian dollars)*	**1991**	1990
ASSETS		
Current assets		
Accounts receivable (note 8)	$ 163.5	$ 285.5
Income taxes receivable	7.3	7.7
Inventories (note 9)	341.6	396.7
Prepaid expenses	28.4	26.2
	540.8	716.1
Fixed assets (note 10)		
Property, plant and other fixed assets	2,399.0	2,409.2
Less – accumulated depreciation and depletion	1,117.9	1,035.5
	1,281.1	1,373.7
Other assets		
Investment in newsprint joint ventures (note 2)	202.6	196.3
Deferred pension cost (note 16)	73.0	75.8
Goodwill	46.2	55.2
Long-term receivables, investments and other assets	18.3	55.8
	340.1	383.1
	$2,162.0	$2,472.9

Approved by the Board of Directors:

Director *Director*

December 31 *(millions of Canadian dollars)*	1991	1990
LIABILITIES		
Current liabilities		
Bank indebtedness and commercial paper (note 11)	$ 54.9	$ 155.1
Accounts payable and accrued liabilities	342.6	356.8
Dividends payable	8.6	8.6
Long-term debt due within one year (note 12)	13.7	17.1
	419.8	537.6
Long-term debt (note 12)	370.8	389.9
Unrealized loss on translation of long-term debt payable in U.S. funds	—	(1.3)
Deferred income taxes	349.5	406.5
SHAREHOLDERS' EQUITY		
Capital stock (note 13)		
Preferred Shares		
Series F – 1,831,139 shares (1990 – 2,366,850 shares)	21.1	27.2
Common Shares – 69,266,738 shares	262.2	262.2
Retained earnings	738.6	850.8
	1,021.9	1,140.2
	$2,162.0	$2,472.9

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
1991								
Business Segments								
Newsprint	$ 907.2	$ 1.2	$ 908.4	$ 55.1	$(22.4)	$30.1	$ 16.6	$1,024.8
Groundwood papers	326.1	0.1	326.2	32.7	(0.3)	4.4	9.7	503.1
Coated papers	81.6	14.9	96.5	7.9	(40.7)	4.4	1.3	129.9
Distribution, Office products and Converted products	1,237.9	0.5	1,238.4	8.0	25.6	5.4	6.8	314.2
Building products	185.0	—	185.0	8.0	(2.7)	—	2.5	139.5
Other	62.7	—	62.7	1.4	0.6	0.1	0.6	21.9
Eliminations	—	(16.7)	(16.7)	—	—	—	—	—
	$2,800.5	$ —	$2,800.5	$113.1	$(39.9)	$44.4	37.5	2,133.4
Corporate							1.0	28.6
							$ 38.5	$2,162.0
Geographic Segments (1)								
Canada (2)			$1,957.0		$(41.9)			$1,657.2
U.S.A.			843.5		2.0			476.2
			$2,800.5		$(39.9)			2,133.4
Corporate								28.6
								$2,162.0
1990								
Business Segments								
Newsprint	$ 998.1	$ 1.2	$ 999.3	$ 54.8	$ 1.8	$24.7	$ 57.8	$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	41.3	12.9	9.6	468.9
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	$ 26.2	$54.1	103.7	2,404.9
Corporate							2.2	68.0
							$105.9	$2,472.9
Geographic Segments (1)								
Canada (2)			$2,255.9		$ 14.9			$1,940.2
U.S.A.			832.1		11.3			464.7
			$3,088.0		$ 26.2			2,404.9
Corporate								68.0
								$2,472.9

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 $653.5 million (1990 – $801.0 million) and other export sales of $226.7 million (1990 – $213.2 million).

December 31, 1991 and 1990

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 are accounted for by the equity method.

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 and joint ventures are included in shareholders' equity, while the balance, if any, 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.

Costs associated with post-retirement benefits are recognized as incurred by the Company.

(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. Income taxes have not been provided on undistributed earnings of foreign subsidiaries because remittance of such earnings would not result in any significant tax liability.

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

	1991	1990
	($ millions)	
Net sales	$ 327.9	$ 313.5
Costs and expenses	(304.4)	(310.0)
Interest (a)	(26.3)	(22.0)
Loss before income taxes (b) (c)	$ (2.8)	$ (18.5)
Abitibi-Price Inc.'s share	$ (1.5)	$ (9.4)

Balance sheets

	1991	1990
	($ millions)	
Current assets (d)	$ 129.9	$ 97.4
Current liabilities	(79.9)	(75.9)
Fixed assets (net)	853.8	844.6
Loans from partners	—	(69.6)
Long-term debt (e)	(533.1)	(509.9)
Other	31.5	33.4
Partners' equity	$ 402.2	$ 320.0
Abitibi-Price Inc.'s investment in joint ventures:		
Equity	$ 202.6	$ 160.8
Loan	—	35.5
	$ 202.6	$ 196.3

(a) Includes interest of $1.7 million in 1991 (1990 – $5.9 million) charged on loans from joint venture partners.

(b) Gaspesia is an incorporated company which is responsible for its own income taxes. Any taxable income of the other joint ventures, which are unincorporated, is included in the individual income tax returns of the partners. Recovery of income taxes reported on the earnings statement includes Abitibi-Price Inc.'s share of Gaspesia's recovery of $2.0 million in 1991 and $5.4 million in 1990.

(c) Alabama River Newsprint Company commenced commercial production of newsprint on October 1, 1991. Capitalized interest on this project in 1991 was $25.8 million (1990 – $26.2 million).

(d) Includes accounts receivable with Abitibi-Price Inc. of $44.1 million in 1991 and $39.3 million in 1990. The consolidated financial statements include corresponding amounts in accounts payable and accrued liabilities.

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

3. Unusual items

	1991	1990
	($ millions)	
Cost of idling Thunder Bay newsprint mill	$16.5	$ —
Cost of employee restructuring programs	21.5	34.7
Charges relating to permanent closure of operations:		
Provincial Papers plant at Georgetown, Ontario	1.9	—
Jaffe office products business in Florida	0.9	12.9
Groundwood papers machine at Jonquière, Quebec	—	1.8
Write-off of preliminary expenditures on capital projects which have been cancelled	3.6	4.7
	$44.4	$54.1

4. Other income and expense

	1991	1990
	($ millions)	
Interest	$ 6.2	$10.7
Discount on sale of accounts receivable	(8.0)	—
Gain (loss) on sale of assets	1.8	(0.9)
Spicers Paper Limited – equity income	0.5	3.0
Foreign exchange gain	1.3	0.4
Other	2.2	0.6
	$ 4.0	$13.8

5. Income taxes

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

	1991	1990
	($ millions)	
Loss before income taxes	$(129.5)	$(79.3)
Recovery of income taxes	$ 53.6	$ 28.9
Effective income tax rate	(41.4)%	(36.4)%
Made up of:		
Combined basic Canadian federal/provincial income tax rates	(40.9)%	(40.1)%
Effect of:		
Manufacturing and processing allowances	2.6	2.8
Large corporations tax	2.5	4.8
Tax rate differential	(6.8)	(3.4)
Foreign taxes	1.9	1.0
Application of prior years' capital losses	(1.9)	—
Other	1.2	(1.5)
Effective income tax rate	(41.4)%	(36.4)%

At December 31, 1991, the Company and its subsidiaries had operating loss carryforwards for income tax purposes totalling approximately $150 million, which expire between 1997 and 2006, the benefit of which has been reflected in these financial statements.

6. Prior period adjustment

During the fourth quarter of 1991, the Company became aware of a misstatement of the 1990 operating results in the Converted Products division of the Diversified Group. For 1990, operating profit has been decreased by $10.3 million and the loss for the year and the loss per common share have been increased by $5.8 million and $0.08 per share, respectively. As a result, the balance of retained earnings at January 1, 1991 has been adjusted by $5.8 million (net of recovery of income taxes of $4.5 million).

7. Change in operating working capital

	1991	1990
	($millions)	
Cash used for changes in operating working capital components:		
Decrease (increase) in current assets:		
Accounts receivable	$120.4	$ 97.6
Income taxes receivable	(2.8)	(2.3)
Inventories	53.5	13.5
Prepaid expenses	(2.2)	0.3
Increase (decrease) in accounts payable and accrued liabilities	(39.0)	28.4
	129.9	137.5
Operating working capital included in sale of operating divisions	(25.9)	—
Change in operating working capital	$104.0	$137.5

8. Accounts receivable

Under three agreements entered into with major Canadian and U.S. banks, 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 collection of the receivables. The total of such receivables which remained outstanding at December 31, 1991 was $202.8 million (1990 – $137.3 million).

9. Inventories

	1991	1990
	($ millions)	
Finished products and work in process	$199.1	$221.2
Pulpwood, sawlogs and expenditures on current logging operations	81.8	99.7
Materials and operating supplies	60.7	75.8
	$341.6	$396.7

10. Fixed assets

	Cost	Accumulated depreciation	1991 Net	1990 Net
		($ millions)		
Property, plant and equipment	$2,278.2	$1,035.1	$1,243.1	$1,332.5
Logging equipment and development	97.2	69.6	27.6	30.3
Timber limits and water power rights	23.6	13.2	10.4	10.9
	$2,399.0	$1,117.9	$1,281.1	$1,373.7

11. Bank lines of credit and commercial paper

At December 31, 1991, the Company had $305 million in unused bank lines of credit. Any borrowings under these demand lines of credit would bear interest at prevailing market rates.

There were no short-term promissory notes outstanding under the Company's commercial paper program at December 31, 1991. Floating interest rates on short-term promissory notes issued under the Company's commercial paper program were 8.04% on U.S. $38.4 million (Cdn. $44.5 million) of notes outstanding at December 31, 1990.

12. Long-term debt

	1991	1990
	($ millions)	
Abitibi-Price Inc.		
Sinking Fund Debentures		
11 ½ % Series F, maturing 1995 (a)	$ 5.6	$ 6.5
11 ⅞ % Series G	—	9.3
10.65% Series H, maturing 2000 (U.S. $76.1 million)	87.9	98.3
Floating Rate Term Loan, maturing 1994 (U.S. $150 million) (b)	173.3	174.0
Abitibi-Price Refinance Inc.		
Floating Rate Cumulative/Term Loan, maturing 1993 (U.S. $96.4 million) (c)(d)	111.4	111.9
Other indebtedness	6.3	7.0
	384.5	407.0
Less: Amount due within one year	13.7	17.1
	$370.8	$389.9

(a) The Company has entered into a currency swap agreement in 1991 covering interest and principal payments over the period to maturity, resulting in an effective interest rate of 9.19% on the U.S. dollar equivalent of the outstanding debt.

(b) 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 nonperformance by the other parties to the interest rate swap agreements, the Company would be exposed to floating interest rates.

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

(d) 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 nonperformance 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 1993 to 1996 are estimated to be $123.2 million, $184.8 million, $13.6 million and $10.5 million, respectively.

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

During the year ended December 31, 1991, interest of $1.4 million was capitalized on major capital additions (1990 – $4.8 million).

13. Capital stock

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

The $0.94 Cumulative Redeemable Retractable Preferred Shares Series F, 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 1991, 535,711 shares were retracted (1990 – 339,600 shares).

14. Foreign-currency hedging commitments

At December 31, 1991, the Company was committed to options of U.S. $683 million, maturing from January to December 1992, which protect the Company against the Canadian value of the U.S. dollar falling below an average of Cdn. $1.1585 and which, in the event of a strengthening U.S. dollar, require the Company to sell U.S. dollars at rates which average Cdn. $1.2297.

15. 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 $88.9 million. Minimum payments under these leases are as follows:

	($ millions)
1992	$29.0
1993	19.7
1994	11.0
1995	7.7
1996	5.5
Remaining years	16.0
	$88.9

16. 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, 1991, approximately 56% 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:

	1991 ($ millions)	1990
Market value of assets	$ 843.5	$ 783.9
Actuarial present value of accumulated plan benefits based on current service and compensation levels		
Vested	605.2	619.1
Non-vested	15.7	4.6
	620.9	623.7
Adjustment for projected service and compensation levels	118.4	100.0
	739.3	723.7
Excess of market value of assets over projected benefit obligations	$ 104.2	$ 60.2
Consisting of:		
Unrecognized loss	$ (8.4)	$ (62.9)
Prior service cost not yet recognized in periodic pension expense	(45.0)	(50.0)
Balance of unrecognized net assets existing at January 1, 1986	84.6	97.3
Deferred pension cost recognized on the balance sheet	73.0	75.8
	$ 104.2	$ 60.2

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

	1991 ($ millions)	1990
Service cost – benefits earned during the year for both defined benefit and defined contribution plans	$ 16.2	$ 17.1
Interest cost on projected benefit obligations	65.3	63.9
Actual (gain) loss on plan assets	(125.4)	19.7
Net total of other components	53.8	(106.7)
Net pension cost (credit)	$ 9.9	$ (6.0)

Pension benefit obligations were based on an assumed discount rate of 9.5% (1990 – 9.5%) and an assumed compensation rate increase of 6.0% (1990 – 6.0%). The assumed long-term rate of return on pension plan assets was 9.5% (1990 – 9.5%).

17. 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:

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:

	1991	1990
	($ millions)	
Loss, as reported under Canadian GAAP	$(75.9)	$(50.4)
Unrealized gain on translation of long-term debt payable in U.S. funds, net of income taxes	(1.2)	(0.4)
Unrealized gain (loss) on forward exchange contracts, net of income taxes	6.7	(7.3)
Loss, as adjusted to U.S. GAAP	$(70.4)	$(58.1)
Per Common Share:		
Loss, as reported under Canadian GAAP	$(1.12)	$(0.76)
Adjustments	0.08	(0.11)
Loss, as adjusted under U.S. GAAP	$(1.04)	$(0.87)

(ii) The impact on net earnings adjusted under U.S. GAAP of Financial Accounting Standard 96 relating to income taxes has not been estimated, inasmuch as amendments are expected to result from the current review of the statement by the FASB. Similarly, the impact of Finaucial Accounting Standard 106 relating to employee post-retirement benefits, is under review but not complete. Both standards are currently required to be implemented for 1993.

18. Comparative figures

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

(unaudited) *(millions of dollars, except per share amounts)*	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1991					
Net sales	$ 726.4	$ 792.7	$ 692.3	$ 652.1	$ 2,800.5
Operating profit (loss)	(6.8)	9.4	(9.3)	(33.2)	(39.9)
Unusual items	—	(20.0)	—	(24.4)	(44.4)
Net loss	(5.5)	(5.7)	(16.6)	(48.1)	(75.9)
Per common share:					
Net loss	$ (0.09)	$ (0.08)	$ (0.25)	$ (0.70)	$ (1.12)
Dividends declared	0.125	0.125	0.125	0.125	0.50
Dividends paid	0.125	0.125	0.125	0.125	0.50
Price range per common share					
Toronto Stock Exchange					
High	$ 15.50	$ 16.50	$ 16.75	$ 15.88	
Low	11.25	15.00	15.00	14.38	
New York Stock Exchange (U.S. Dollars)					
High	13.25	14.50	14.63	14.00	
Low	9.88	12.88	13.13	12.50	
1990(1)					
Net sales	$ 784.8	$ 803.1	$ 756.8	$ 743.3	$ 3,088.0
Operating profit (loss)	8.2	37.3	15.6	(34.9)	26.2
Unusual items	(13.7)	(28.9)	—	(11.5)	(54.1)
Net loss	(11.3)	(3.7)	(0.7)	(34.7)	(50.4)
Per common share:					
Net loss	$ (0.17)	$ (0.06)	$ (0.02)	$ (0.51)	$ (0.76)
Dividends declared	0.125	0.125	0.125	0.125	0.50
Dividends paid	0.125	0.125	0.125	0.125	0.50
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	

(1) 1990 4th quarter figures have been restated as explained in Note 6 of the notes to the consolidated financial statements.

Year ended December 31	1991	1990(1)	1989	1988
Sales and earnings ($ millions)				
Net sales	**$2,800.5**	$3,088.0	$3,257.7	$3,304.5
Cost of sales	**2,493.6**	2,684.5	2,717.2	2,617.1
Selling and administrative expenses	**233.7**	264.0	273.3	256.0
Depreciation and depletion	**113.1**	113.3	111.5	104.4
Operating (loss) profit	**(39.9)**	26.2	155.7	327.0
Income (loss) from newsprint joint ventures, before income taxes	**(1.5)**	(9.4)	3.6	29.4
Interest expense – long-term	**35.0**	34.2	38.2	49.8
– short-term	**12.7**	21.6	6.5	0.9
Unusual items	**44.4**	54.1	31.2	—
Other income and expense	**4.0**	13.8	15.7	15.9
Provision for (recovery of) income taxes	**(53.6)**	(28.9)	44.9	133.4
Earnings (loss) before extraordinary items	**(75.9)**	(50.4)	54.2	188.2
Extraordinary items	**—**	—	—	2.9
Net earnings (loss)	**(75.9)**	(50.4)	54.2	191.1
Dividends declared ($ millions)				
Preferred shares	**$ 1.7**	$ 2.2	$ 5.7	$ 7.8
Common shares (2)	**34.6**	34.6	60.6	69.3
Capital expenditures ($ millions)	**$ 38.5**	$ 105.9	$ 212.7	$ 168.2
Financial position ($ millions)				
Working Capital	**$ 121.0**	$ 178.5	$ 308.0	$ 521.2
Fixed assets, net	**1,281.1**	1,373.7	1,395.3	1,322.7
Long-term debt	**370.8**	389.9	407.0	459.0
Deferred income taxes	**349.5**	406.5	417.0	389.3
Preferred shares	**21.1**	27.2	31.1	115.4
Common shareholders' equity	**1,000.8**	1,113.0	1,200.3	1,212.4
Per common share (2)				
Earnings (loss) before extraordinary items	**$ (1.12)**	$ (0.76)	$ 0.70	$ 2.60
Net earnings (loss)	**(1.12)**	(0.76)	0.70	2.64
Dividends declared (3)	**0.50**	0.50	0.875	1.00
Dividends paid (3)	**0.50**	0.50	1.00	1.00
Common shareholders' equity	**14.44**	16.06	17.32	17.50
Return on average common shareholders' equity	**—**	—	4.0%	15.6%
Long-term debt/long-term debt plus shareholders' equity	**26.6%**	25.5%	24.8%	25.7%
Number of employees (year end)	**12,068**	14,300	15,600	16,200

Notes:

(1) Figures for 1990 have been restated to reflect the correction of a misstatement as referred to in Note 6 of the notes to the consolidated financial statements.

(2) Figures for the years 1981 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 1981 to 1991, but because of changes in dividend declaration dates, three dividends were declared in 1983 and five in 1985.

1987	1986	1985	1984	1983	1982	1981
$2,988.0	$2,763.5	$2,549.8	$2,137.2	$1,660.2	$1,634.3	$1,763.4
2,425.6	2,272.4	2,103.3	1,814.1	1,455.8	1,378.2	1,387.4
232.3	201.4	187.0	131.6	113.9	121.0	116.7
92.0	83.5	77.6	73.5	64.8	66.3	58.0
238.1	206.2	181.9	118.0	25.7	68.8	201.3
19.7	20.7	9.9	5.9	6.7	11.8	12.5
39.1	34.8	42.8	40.4	18.8	24.8	27.7
2.8	2.0	2.9	1.2	0.8	1.4	—
—	—	—	—	—	—	—
11.9	5.3	18.8	17.8	25.0	28.6	18.4
102.1	85.3	64.7	27.8	(0.2)	19.1	81.1
125.7	110.1	100.2	72.3	38.0	63.9	123.4
—	(2.8)	—	(2.2)	—	(2.6)	12.3
125.7	107.3	100.2	70.1	38.0	61.3	135.7
$ 8.1	$ 8.7	$ 9.3	$ 8.0	$ 7.4	$ 10.8	$ 10.0
48.5	41.5	47.0	25.0	12.4	31.1	33.1
$ 220.3	$ 249.3	**$ 193.9**	**$ 103.6**	$ 155.2	$ 181.6	**$ 202.8**
$ 572.4	$ 424.8	$ 333.8	$ 384.5	$ 360.6	$ 414.7	$ 442.3
1,275.4	1,173.8	1,079.0	959.2	957.2	885.2	806.3
564.7	428.9	440.4	409.0	386.6	381.5	382.9
296.1	254.9	219.7	194.2	179.9	176.6	165.0
121.0	122.8	124.1	104.2	113.8	122.7	130.8
1,098.1	1,028.6	837.4	792.5	739.4	721.1	701.5
$ 1.70	$ 1.50	$ 1.42	$ 1.02	$ 0.48	$ 0.87	$ 1.85
1.70	1.46	1.42	0.99	0.48	0.82	2.05
0.70	0.60	0.73	0.40	0.20	0.50	0.53
0.60	0.60	0.58	0.40	0.30	0.50	0.53
15.86	14.86	13.04	12.40	11.89	11.60	11.29
11.1%	10.9%	11.2%	8.4%	4.2%	7.5%	18.0%
31.7%	27.1%	31.4%	31.3%	31.2%	31.1%	31.5%
16,000	16,200	15,500	14,800	15,100	14,600	17,800

PRIMARY PRODUCTION

(figures in thousands)	Newsprint* (tonnes)	Groundwood Papers (tonnes)	Kraft Products (tonnes)	Lumber (mfbm)	Coated Papers (tonnes)	Hardboard (msf-equivalent)
Production						
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
1991	**1,613**	407	—	55	88	**1,110**
Capacity – 1992	2,134	**469**	—	75	**154**	**1,166**

*Newsprint figures include the total production of the joint ventures at Chandler, Quebec, at Augusta, Georgia, at Claiborne, Alabama and the idled mill at Thunder Bay, Ontario.

Robert J. Butler
(Age 69) (3,4)
Director
Toronto, Ontario

Marshall A. Cohen, Q.C.
(Age 56) (1,3)
President and Chief Executive Officer
The Molson Companies Limited
Toronto, Ontario

Lionel G. Dodd
(Age 52) (1,2)
Chief Operating Officer
O&Y Enterprises Inc.
Toronto, Ontario

Bernd K. Koken
(Age 65) (1,4,5)
Chairman of the Board
Abitibi-Price Inc.
Osprey, Florida

C. Edward Medland
(Age 63) (2,3)
Director
Toronto, Ontario

Gilbert I. Newman
(Age 70) (1,2,4)
Executive Vice-President
Olympia & York Developments Limited
Toronto, Ontario

Ronald Y. Oberlander
(Age 50) (1)
President and Chief Executive Officer
Abitibi-Price Inc.
Toronto, Ontario

Albert Reichmann
(Age 63) (1,3,5)
Chairman
Olympia & York Developments Limited
Toronto, Ontario

Paul Reichmann
(Age 61) (1)
President
Olympia & York Developments Limited
Toronto, Ontario

Ralph Reichmann
(Age 58)
Executive Vice-President and Treasurer
Olympia & York Developments Limited
Toronto, Ontario

Francis J. Ryan, Q.C.
(Age 65) (2)
Partner
Stewart McKelvey Stirling Scales
St. John's, Newfoundland

John A. Tory, Q.C.
(Age 61) (1,3)
Deputy Chairman
The Thomson Corporation
Toronto, Ontario

Paul-Gaston Tremblay
(Age 63) (2,4)
President
Primo-Gestion Inc.
Chicoutimi, Quebec

David A. Ward, Q.C.
(Age 60) (4,5)
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 of the Board

Bernd K. Koken

President and Chief Executive Officer

Ronald Y. Oberlander

Executive Vice-President

J. Kenneth Stevens
Diversified Group

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
Counsel, Compliance and Communication

David L. Loretto
International Business

C. Donald Martin
Publishers Business

Eileen A. Mercier
Chief Financial Officer

John V. Olsen
Business Support Board

Vice-Presidents

Fernand H. Duquette
Engineering and Environment

James A. Hone
Financial Services
Commercial Business

William H. Sheffield
General Manager
Iroquois Falls Division

Victor A. Wells
Controller

Diversified Group

Henry Hildebrand
President
Industrial Products Distribution

Bruce J. McGroarty
President
Office Products Distribution

Yves Montmarquette
President
Printing Papers Distribution

Other Businesses

J. Raymond Langevin
President
Building Products

John V. Olsen
President
Provincial Papers

Annual Meeting

The annual and special meeting of shareholders of Abitibi-Price Inc. will be held at the King Edward Hotel, Mezzanine Level, Ballroom, 37 King Street East, Toronto, Ontario, Canada on Monday, April 20, 1992 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.

Annual Information Form

A copy of the company's annual information form as filed with securities regulators in Canada and the United States is available from investor relations at:

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

Telephone (416) 369-6700

Under the *Multi-Jurisdictional Disclosure System* (MJDS) introduced in 1991, the company's annual information form (AIF) is accepted by the Securities and Exchange Commission (SEC) as a substitute filing for the Form 10-K, which the company filed in each of the years 1987 through 1990. Similarly, the company will file its interim quarterly reports, instead of Forms 10-Q, to securities regulators in Canada and the United States.

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

Credits

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Illustration: Tim Zeltner
Photography: Ron Watts
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Cover: Provincial Papers' Eco Gloss Cover 80lb

Text, pages 1–28: Provincial Papers' Eco Matte 100lb

Text, pages 29–52: 55# Abisert 65

Eco Gloss Cover and Eco Matte are recycled papers containing 10% post-commercial and 10% post-consumer fibres, made at the Provincial Papers mill in Thunder Bay, Ontario.

Abisert is manufactured at our newsprint mill in Iroquois Falls, Ontario.

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