Abitibi-Price Inc.

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THE VISION OF

ABITIBI-PRICE

IS TO BECOME

THE WORLD'S FINEST

MANUFACTURER

AND MARKETER OF

GROUNDWOOD PAPERS.

THIS REPORT WILL

SHOW YOU HOW THE

VISION IS IN FOCUS.

1992 Annual Report

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EXPLAINING THE VISION

FINANCIAL REVIEW

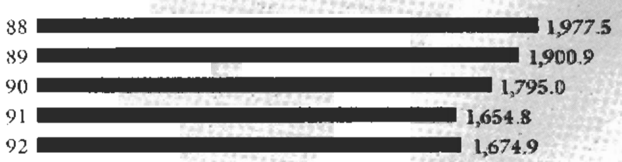
On peut obtenir le présent rapport en français sur demande.

FINANCIAL

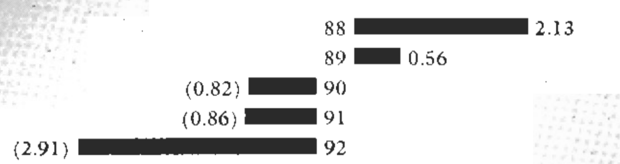
Highlights

(millions of Canadian dollars)	**1992**	1991
Net sales	**$ 1,675**	$ 1,655
Operating loss from continuing operations	**(148)**	(24)
Loss for the year	**(219)**	(76)
Capital expenditures	**22**	31
Working capital	**68**	341
Common shareholders' equity	**745**	1,001
Per common share		
Net loss	**(3.19)**	(1.12)
Dividends declared	**0.50**	0.50
Dividends paid	**0.50**	0.50
Common shareholders' equity	**10.75**	14.44

Net Sales
(millions of dollars)



Earnings (Loss) From Continuing Operations Per Common Share
(dollars)



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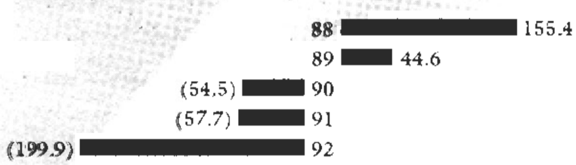
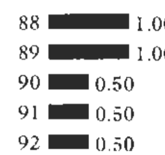


Dividends Paid Per Common Share
(dollars)



CORPORATE PROFILE

Abitibi-Price Inc. – a Canadian-based forest products company – manufactures newsprint and uncoated groundwood papers at eleven mills in North America and markets these products to customers around the world. The company is also a converter and distributor of paper and other information-related products.

Our Vision is Clear

THE VISION OF ABITIBI-PRICE IS TO BECOME THE WORLD'S FINEST MANUFACTURER AND MARKETER OF GROUNDWOOD PAPERS.

No matter how lofty the vision, it cannot be achieved if it is not in focus. And no matter how focused and achievable, our vision will not inspire confidence – or secure our future – if it does not produce concrete results and solid returns for shareholders.

With the loss of $219 million, returns were anything but solid in the year just past.

Certainly, we can demonstrate that we do have a vision and we are moving rapidly towards it. But we must also prove the vision is the right one for Abitibi-Price. At the same time, we must prove that in looking to the future, we have not taken our eyes off the immediate challenges we face. And we must prove it in 1993.

This year is pivotal for Abitibi-Price. That is because we have accomplished a key element of our vision – we are now a groundwood paper company, not a conglomerate. In the past year, we radically reshaped the company to focus on our core business.

DIVESTING NON-CORE ASSETS

Last year in this report, we said that one of our most important priorities was to sell non-strategic assets. We ultimately determined that any operation that was non-core was non-strategic. And at the core, Abitibi-Price is a groundwood newsprint and paper company. This is the business where we have the most expertise and where we see the best long-term opportunities for all our stakeholders. On page 8 of this report, we explain the rationale and benefits of the focus on groundwood.

The transformation began in 1991 when we sold two paper distribution interests and a converting operation. But it really picked up steam in the third quarter of 1992, when we sold two of our three merchant business groups – paper distribution and industrial products distribution – to Alco Standard for $340 million; net cash proceeds of $274 million were used to reduce debt. Also in the third quarter, we sold the Building Products division for over $120

million, with net cash proceeds of $77.3 million. And early in 1993, we reached an agreement to transfer ownership of Provincial Papers – our coated papers division – to the employees of the division's only mill, in Thunder Bay, Ontario. Approval and ratification of this agreement is underway as we write this report, and the transaction is expected to close in March.

We have now sold most of our non-core assets, and having reshaped the company to reflect the vision, we will be under close scrutiny. We must demonstrate that we can perform better as a groundwood paper company than we did as a conglomerate. That would not seem immediately apparent given the record loss of 1992.

Ronald Y. Oberlander
President and
Chief Executive Officer

RESPONDING TO MARKET CONDITIONS

During 1992, selling prices continued their free fall – reaching, according to industry reports, to the lowest levels since the late seventies. Last year in this report, we discussed the devastating impact of a 13% drop in newsprint prices from 1990 to 1991. But what we saw in 1992 was even worse – a further decline of 17%. For all our paper products the decline worked out to more than $90 Canadian a tonne, and when you consider we produce over 2 million tonnes of paper, the impact is clear. Even low cost producers cannot operate profitably at those prices.

In the face of plummeting prices, we persevered. The people of Abitibi-Price did a superb job in 1992 – launching customer satisfaction initiatives, increasing efficiency, improving operating rates and, at the same time, reducing our average newsprint costs by $15 per tonne.

Further, we successfully defended our North American newsprint market, which has been a competitive battleground – especially in the softer markets of the past four years – and actually increased our market share, which should yield positive results as prices rise.

Our productivity and efficiency levels are heading in the right direction – and so at last are prices. The low point occurred mid-way through '92 and, as we noted in our second quarter report, we believe that was the bottom of the trough. Since that time there has been a positive upward movement in newsprint prices – driven, for the first time, by the low-cost producers.

Although prices still remain well below the level of 1991, continued improvements appear supportable: in 1992, the supply/demand gap was cut in two, and most experts now agree that the deep and lingering recession in North America is over. Further modest improvements in demand should follow.

SETTING PRIORITIES FOR 1993

We intend to do better than make modest improvements in our performance at Abitibi-Price. And we have two clear priorities for 1993:

- produce near-term results – by showing a major improvement in operating performance;
- develop the core competencies that will make us the finest in the groundwood industry.

The Values Supporting the Vision

Setting a new course for Abitibi-Price required sweeping and fundamental changes – not just in our vision, goals and strategies, but in our way of doing things. As our corporate structure has been reshaped by divestitures and reorganization, our corporate culture has been reshaped by our five core values:

CONTINUOUS LEARNING
constantly upgrading our knowledge of our jobs, the company and the challenges we face to keep pace with change;

VELOCITY
moving with great urgency to make changes for the better and grasp opportunities as they arise;

FLEXIBILITY
being responsive to change and open to new ways of doing things;

BUSINESSLIKE THINKING
looking at every job and every task in terms of its impact on the business of the company;

WISE SPENDING
looking for the optimum benefit of all expenditures – of time, energies, resources, and money.

Improving our operating performance in the near term is vital; we must staunch the flow of red ink in 1993. It will not do shareholders much good for Abitibi-Price to be the finest groundwood company if being the finest simply means we are not losing as much money as our competitors.

While producing better results, we will be honing our core competencies – by which we mean the collective capabilities of the organization, not just the abilities and skills of individual employees. For the past two years, our employees have responded positively to our vision and values and have delivered impressive improvements in individual performances. Now our challenge is to institutionalize those improvements – in other words, make sure that all our employees are focused on the things Abitibi-Price must do consistently well to be the finest.

We have identified three core competencies: delivering customer satisfaction at low cost, upgrading our product and asset mix, and managing for financial flexibility. Now we must realign the organization to deliver.

BUILDING ON STRENGTHS

We have the strength to do so. Our employees have clearly demonstrated their capacity to accept change and upgrade their skills. And despite the record loss of 1992, with the proceeds of our asset sales we strengthened our balance sheet, which was already among the best in our industry.

This financial strength is significant to our ongoing viability and to improving our competitiveness. It is also significant given the concerns that have been raised in the past year about the well-publicised financial problems of our controlling shareholder, Olympia & York Developments Limited. Those problems have not affected the operations or balance sheet of Abitibi-Price. What has been affected is the composition of our Board of Directors.

Following the approval of O&Y's Plans of Compromise and Arrangement by various classes of creditors, Albert Reichmann, Paul Reichmann, Ralph Reichmann and Gil Newman resigned from our Board in January, 1993. We thank them for their years of service to the Board of Abitibi-Price – and for the fact that they always acted in the best inrerests of all shareholders, and in the best long-term interest of the company.

We welcome three new Directors to the Board: Stanley H. Hartt, Chairman, President and Chief Executive Officer of Camdev Corporation; H. Earl Joudrie, Chairman of Algoma Steel Inc.; and Allan H. Michell, formerly Vice-Chairman of the Royal Bank of Canada. Together, our new Directors bring formidable industry and business expertise to the Board. We are confident that they, too, are fully committed to building shareholder value.

LOOKING AHEAD

We firmly believe that achieving our vision – becoming the finest in our industry – will deliver solid rewards to shareholders, and we have focused our energies and committed our resources to this end. In the pages ahead, we explain the vision and the progress we are making towards it. In the year ahead, we must prove that the vision is the right one for Abitibi-Price and all our stakeholders.

Ronald Y. Oberlander,
President and Chief Executive Officer
February 15, 1993

WHAT WE MEAN BY

The Finest

FOUR DIFFERENT STAKEHOLDERS TELL US WHAT THE FINEST GROUNDWOOD PAPERS COMPANY *SHOULD* BE.

Stating that we plan to be "the finest" raises some very simple questions – finest to whom? by whose definition? in what way?

Each of our key groups of stakeholders – shareholders, customers, employees and the community – has a different perspective on what "finest" in our industry means, and what Abitibi-Price should be.

From a shareholder perspective, finest means the finest investment in our industry – the best returns, the best growth in shareholder value, and the best long-term prospects.

From a customer perspective, finest means the finest supplier of groundwood papers – the best combination of products, quality, service, and value in our industry.

From an employee perspective, finest means the finest employer – delivering the safest and most positive working conditions, the best possible rewards and the greatest opportunities for career development and job satisfaction.

And from the community perspective, the finest in our industry means the company that works closely with the community to achieve the greatest mutual benefits – in terms of economic contributions, corporate citizenship, and environmental leadership.

All of these perspectives are reflected in our vision, and in our definition of "finest". We have often talked in the past of the importance of serving all stakeholder groups well, because we cannot survive or grow without the support of every one of them. And we have made some progress in recent years in doing a better job for at least three stakeholder groups.

For customers, we have improved product quality and service responsiveness in our quest to be their number one supplier. We have made substantial gains in the past year, and we are now there with the majority.

For employees, we have boosted training programs to provide greater opportunities for everyone to upgrade their skill levels, and we think we have made jobs at Abitibi-Price more interesting by breaking down internal barriers and broadening job responsibilities. We have also boosted safety awareness and training, with a positive impact on our safety record. And we believe our employees are committed to making our company the finest and that they are beginning to derive job satisfaction from the process.

For the community, we have improved our environmental performance and developed closer relationships with all levels of governments and with a broad range of citizen groups.

For shareholders, we have certainly not improved returns since 1989 – but we believe we have improved the viability and long term growth prospects of Abitibi-Price.

We believe we are above-average for our industry in most respects. But above-average is not good enough. We aim to be the finest, and we are making strides.

CUSTOMER "...the finest newsprint supplier must be responsive, reacting positively to change and moving fast. And they must do what they say they're going to do – no surprises, no excuses..."

William Metzfield, President, Gannett Supply Corp.

SHAREHOLDER "...the company must consistently demonstrate above-average financial performance, growth prospects, and returns to shareholders..."

Susan J. Bridges, Vice President, Alliance Capital Management, L.P.

EMPLOYEE "...a company I can be proud of, that cares about us – pays us well and treats us well, and gives us a chance for the future..."

Gerald "Bud" Noseworthy, Backtender, Stephenville

COMMUNITY LEADER "...a company that has a stake in our community, and gives us a share in its success..."

Mayor James A. Brown, Iroquois Falls, Ontario

WHY THE FOCUS ON

Groundwood Papers

Abitibi-Price is now firmly focused on the groundwood papers business – including newsprint and other uncoated groundwood papers. Over the past three years, we have discussed progress towards this key goal, achieved by divesting non-core assets. And we are now virtually pared down to the core. But we really haven't explained why we decided to abandon our previous strategy of business diversification.

When we embarked on a diversification program in the seventies, we saw the opportunity to reduce the risk of reliance on a single industry and stabilize our earnings through the business cycle. We were generating excess capital at that time as the largest newsprint company in the world. And we believed that diversification – rather than expansion of our core business – would make the company more attractive to investors. This approach made sense to us and many other major corporations at the time. But it didn't deliver all the benefits we anticipated.

Investors are able to diversify their investments themselves, very quickly and nimbly, with a phone call to their brokers. It is far more difficult for a corporation to diversify its businesses – and, on the evidence of stock performance, investors see little or no added value in conglomeration. At Abitibi-Price, we reached the point where diversified industries produced over half our revenues, but investors continued to look at us as a papermaker. They looked for the value in our core business, where they could predict cycles and returns, and assess performance and management ability. And, frankly, it was always our core business that delivered the highest earnings.

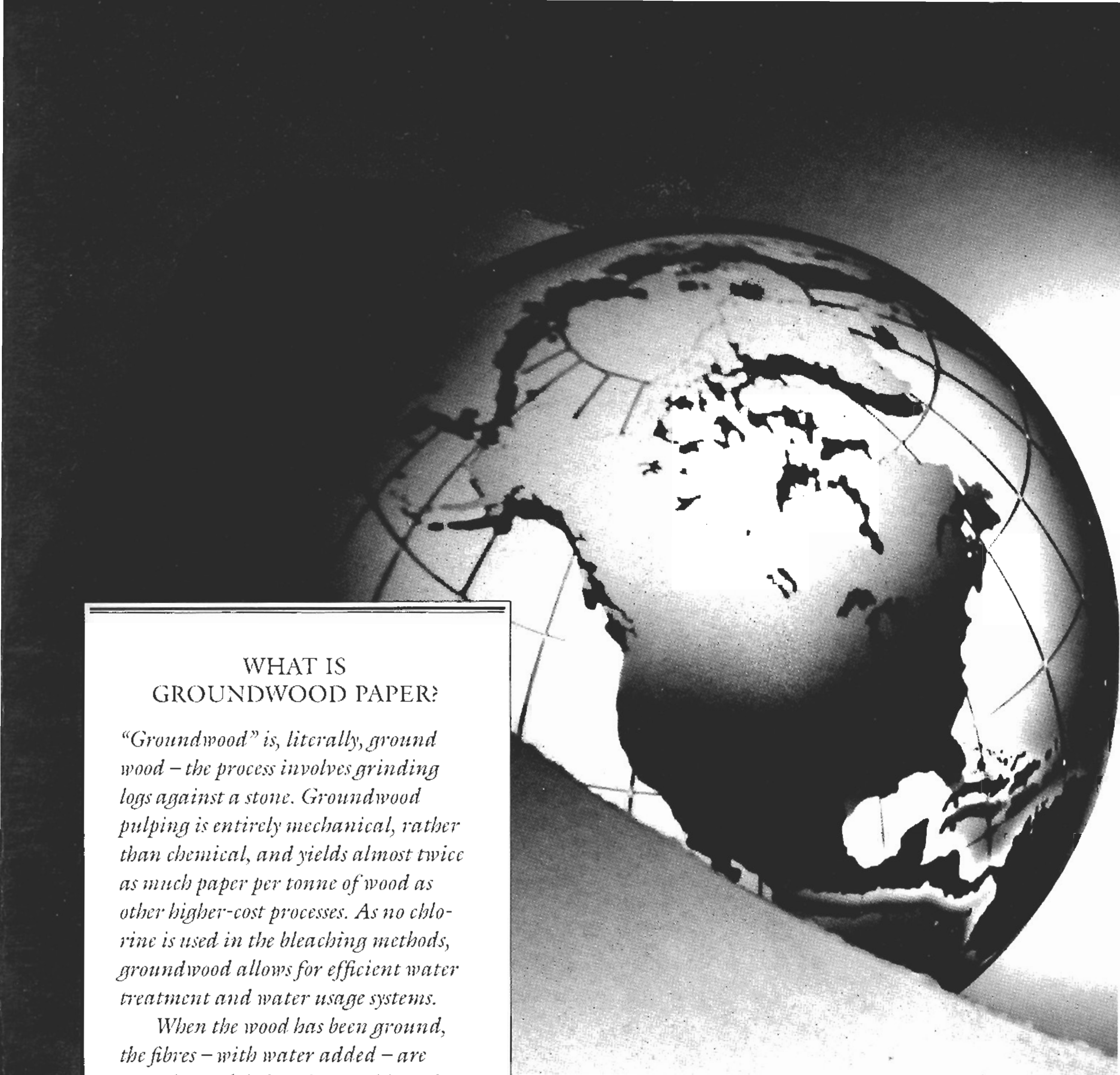
In our peak earning years of the eighties, newsprint and groundwood produced 80% of the profits on less than 50% of the revenues. And when recession set in, our diversified interests failed to stabilize earnings. Even with the steep slump in newsprint and groundwood paper markets in the past four years, these core businesses have contributed about 75% of earnings over the last decade.

Having repositioned ourselves as a pure papermaking play, we now have a singular business and management focus – so we can devote all our attention, energies and financial resources to developing and improving the business which has delivered the greatest value and where we have the greatest level of expertise.

Furthermore, we raised badly needed cash, which has strengthened our balance sheet and financial position at a very opportune time.

So a singular business focus makes sense for us now – but why paper – and, more specifically – why groundwood papers? We believe paper is vital to every society. As a communication and educational medium, newsprint and groundwood publications deliver news, information and advertising more cost effectively than any other. Furthermore, paper is made from a renewable resource, and advances in printing and papermaking technology are expanding end uses.

We are focused on the right product, but that doesn't mean every groundwood papers company will automatically succeed. Only the finest.



WHAT IS GROUNDWOOD PAPER?

"Groundwood" is, literally, ground wood – the process involves grinding logs against a stone. Groundwood pulping is entirely mechanical, rather than chemical, and yields almost twice as much paper per tonne of wood as other higher-cost processes. As no chlorine is used in the bleaching methods, groundwood allows for efficient water treatment and water usage systems.

When the wood has been ground, the fibres – with water added – are spread out, dried and pressed into sheets of paper known for high opacity, superior runnability on high speed presses, and a relatively high bulk-to-weight ratio. Abitibi-Price produces a vast range of groundwood newsprint and paper products – plain or coloured, standard or lightweight, bulky or high bright – used for telephone directories, business forms, advertising inserts, flyers, magazines, catalogues, and, of course, newspapers.

HOW WE'RE BECOMING THE

Finest Manufacturer

Being the finest manufacturer of newsprint and other groundwood papers means developing the most efficient and effective processes, to maximize returns – and developing the best range of quality products, to maximize sales.

Since 1990 – despite steep hikes in hydro costs and wage increases totalling 11% – we have made considerable strides at most of our mills in boosting efficiency and productivity levels, as measured by costs per tonne of paper produced. These costs are down 10% at Augusta, 33% at Alabama River, 12% at Grand Falls, 12% at Kenogami, 1% at Alma newsprint and 6% at Alma groundwood. At Chandler, costs are even with 1990 levels. These mills represent over 60% of our total paper production.

At Stephenville, Pine Falls, Beaupré, Iroquois Falls, and Fort William, costs per tonne have increased slightly since 1990 despite efficiency improvements in most cases. The major factor in the cost increases was lower operating rates and investments in customer satisfaction programs.

Overall, our productivity levels have improved appreciably – and further gains can and will be made – with no sacrifice to product quality. It is particularly significant that our productivity improvements have been made while adjusting to shorter production runs and a far greater variety of products, as we have worked to meet precise and often widely differing customer specifications. That is the other key to becoming the finest manufacturer.

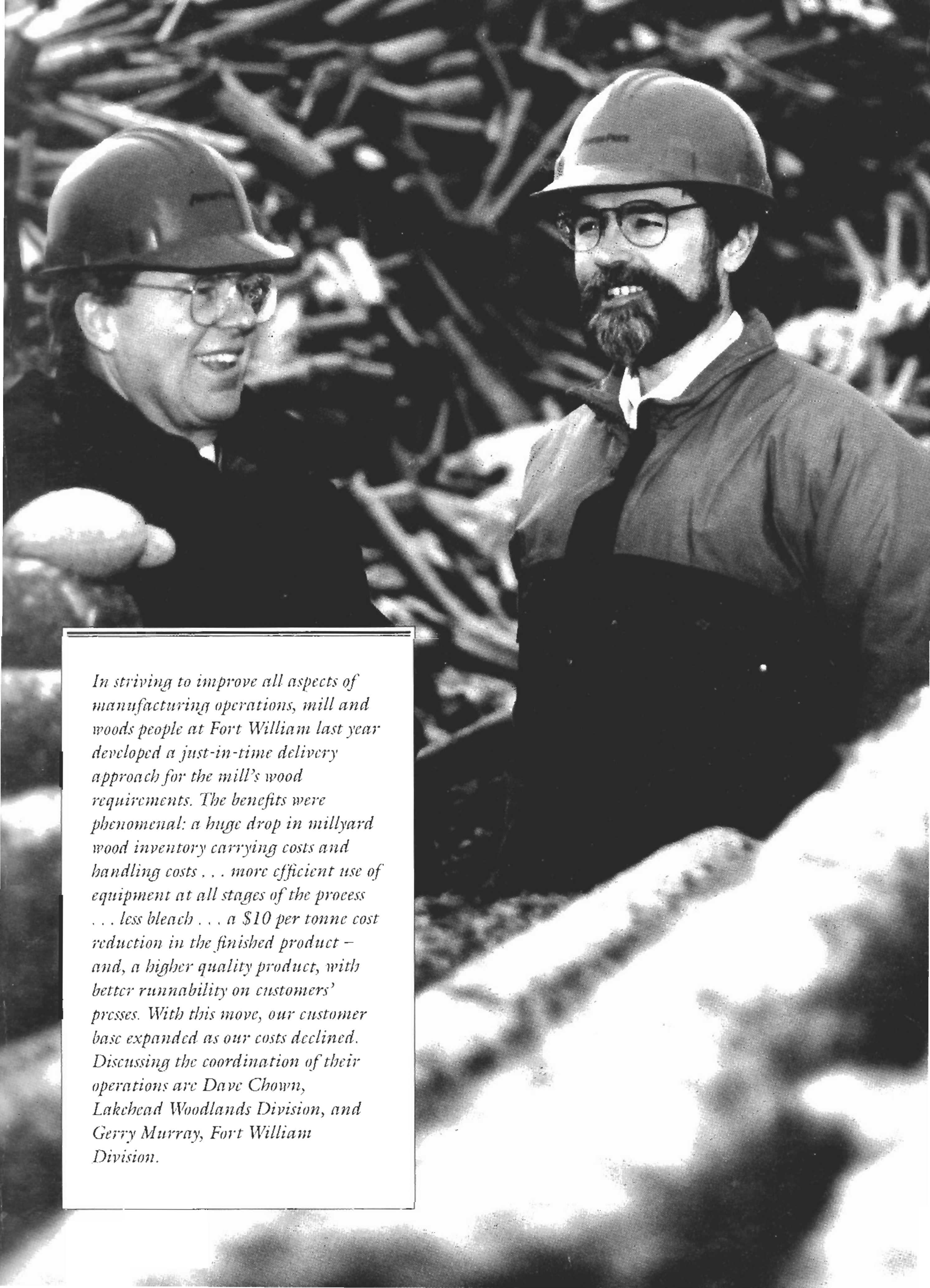
In a competitive market, customers have their choice of suppliers. Customer satisfaction is the imperative – and responding to the imperative delivers results. In 1992, we made customer satisfaction the driving goal at Abitibi-Price – not just for marketing, service and sales people . . . but for everyone from the harvester operator in our woodlands to the backtender on one of our paper machines.

Our employees have taken this to heart. They have seen the link between customer satisfaction, increased sales, the future of their mill, and their own job security. And they are responding.

One of many examples of timely and effective response by our employees last year strengthened our relationship with La Stampa – a leading newspaper and long-time customer in Turin, Italy. La Stampa indicated that what they wanted most from their five newsprint suppliers was product consistency – consistency of shade, brightness, colour, thickness, roll structure, strength and moisture.

Employees at our mill at Stephenville moved rapidly, assembled teams involving people from all areas of mill operations, developed a series of tests, and introduced controls that met the customers' needs. And now, we are supplying La Stampa with a sevenfold increase in tonnage.

La Stampa now considers Abitibi-Price to be their finest supplier – not yet in every category, but in consistency, which is most important to them. By making gains in all areas, we will become the finest supplier to all our customers.



In striving to improve all aspects of manufacturing operations, mill and woods people at Fort William last year developed a just-in-time delivery approach for the mill's wood requirements. The benefits were phenomenal: a huge drop in millyard wood inventory carrying costs and handling costs . . . more efficient use of equipment at all stages of the process . . . less bleach . . . a $10 per tonne cost reduction in the finished product – and, a higher quality product, with better runnability on customers' presses. With this move, our customer base expanded as our costs declined. Discussing the coordination of their operations are Dave Chown, Lakehead Woodlands Division, and Gerry Murray, Fort William Division.

HOW WE'RE BECOMING THE

Finest Marketer

At Abitibi-Price, as the lines between manufacturing and marketing continue to blur, we are doing a better job in meeting the needs of our customers.

Our marketing goal is to be the number one supplier to all our customers by proving that Abitibi-Price can deliver what they need better than anyone else. And our most important marketing initiative in the past two years has been our pressroom visit program, involving papermakers from all our mills.

We send teams averaging three people to each pressroom, and in 1992, close to 800 employees of Abitibi-Price made pressroom visits to customers around the world. Our teams see how their product is used – and how it performs – first hand. With a better understanding of pressroom conditions and customer needs, they relay the information back to the mills, where they are part of the process of boosting quality to ensure customer satisfaction.

This program – and the responsiveness of mills to the lessons learned on these visits – has had an enormously positive impact on employees and customers alike. Employees have gained an unparalleled insight into what customer satisfaction means, and they have been intensifying their efforts to meet customer satisfaction goals. And customers appreciate the effort and attention – as well as the improved results they see in the products we deliver.

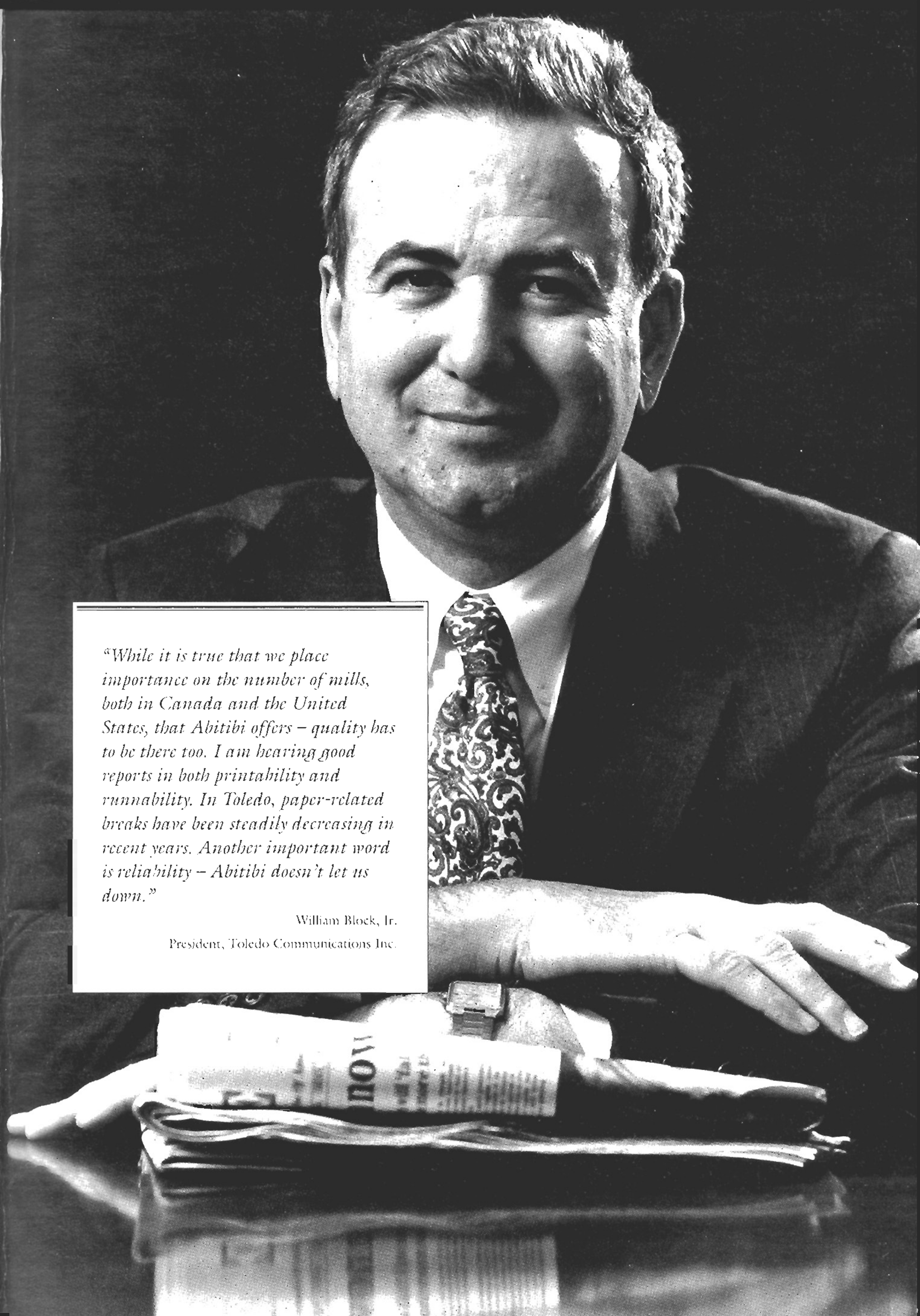
This program is paying off very quickly – customers are ranking Abitibi-Price higher on their list of top suppliers.

For example, we turned around an account at a major mid-western newspaper, as a customer/mill/sales team worked on turning their poorest running sheet into its best; today we are the number one supplier whereas a year ago we almost lost the account. . . . For another U.S. publisher, our team achieved customer satisfaction targets and we are now the sole supplier – resulting in an additional 35,000 tonnes per year. . . . For a commercial printing firm, we developed a new stiffer newsprint sheet that helped our customer secure more tabloid magazine business . . . .

Similar success stories have improved our supplier status at a host of other customers of newsprint and other uncoated groundwood papers. In 1991, just 47% of our customers ranked Abitibi-Price as their #1 supplier. In 1992, that figure climbed to 58% – a vast improvement.

The bottom line? In 1992, we boosted volumes by 8% and regained market share we had lost to aggressive pricing by competitors since 1990 – moving newsprint share in the very tough North American market from 9.5% to 11.2%. And with the gain in volumes, we improved our operating rates.

With the focus on customer satisfaction, Abitibi-Price has become a finer marketer *and* a finer manufacturer. As the lines between marketing and manufacturing have blurred, the vision has crystallized.



"While it is true that we place importance on the number of mills, both in Canada and the United States, that Abitibi offers – quality has to be there too. I am hearing good reports in both printability and runnability. In Toledo, paper-related breaks have been steadily decreasing in recent years. Another important word is reliability – Abitibi doesn't let us down."

William Block, Jr.
President, Toledo Communications Inc.

HOW WE'RE DEVELOPING OUR

Environmental Focus

Environmental leadership in our industry must go hand in hand with business success, or we won't be in business very long.

That point is clear to us. It is also clear to all our stakeholders: paper customers – and *their* customers – who are increasingly concerned about the environmental practices of forest products suppliers . . . investors and lenders who are concerned about the quality of their investment . . . and the community – including all our employees – is concerned about future viability.

As we seek to improve our environmental performance, we are pursuing the achievable concept of sustainable development – a healthy environment in a healthy economy. Those are dual goals that are equally important to the communities we serve. Both environmental health and economic health are vital to our future and that of our children.

To this end, we are focused on three key areas: improving the impact of our operations on the environment, increasing our recycling capabilities, and improving our management of the forests that are the key resource, not just of forestry companies, but of everyone.

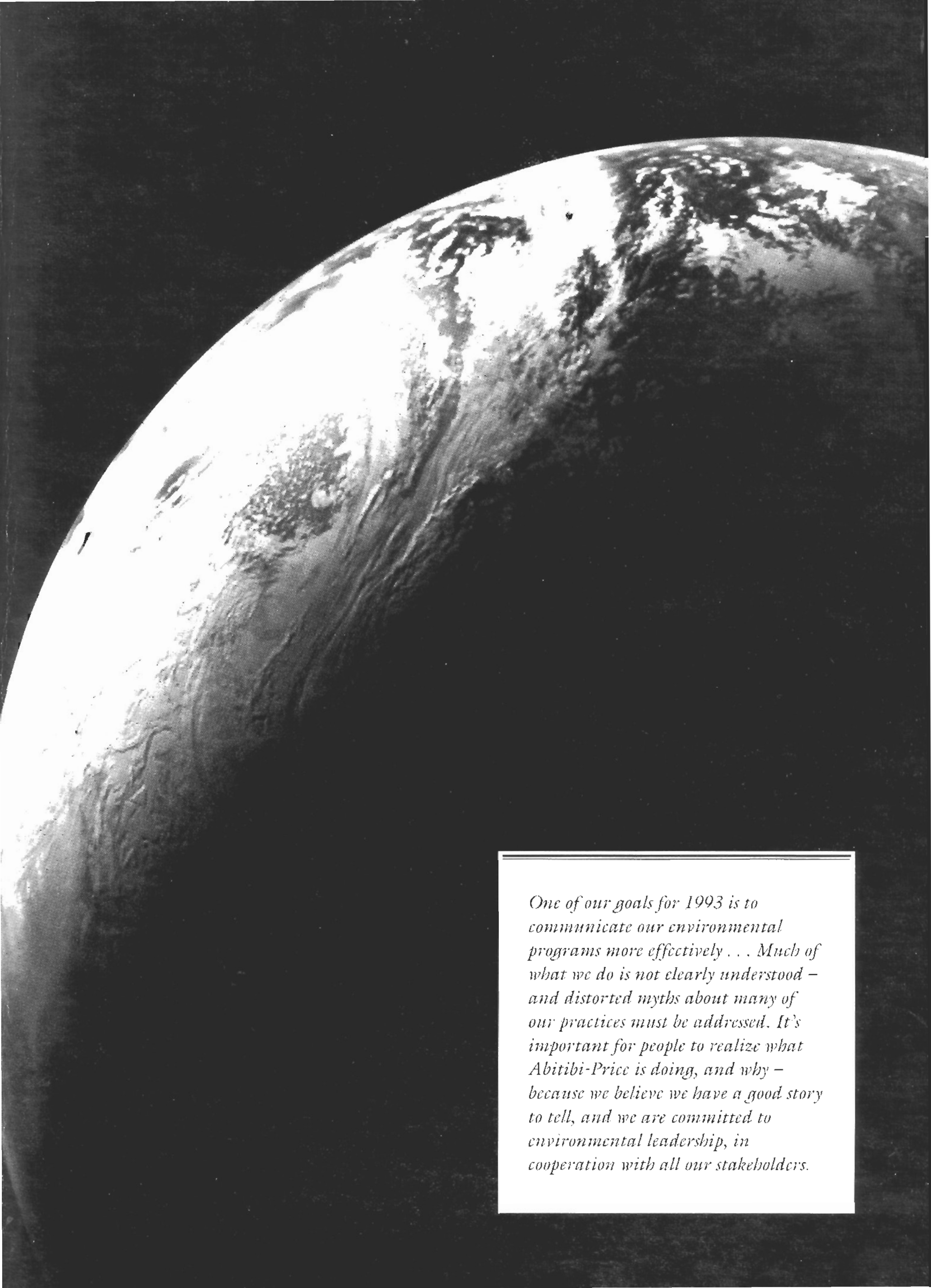
In the first area, we are not yet the finest, but we have made considerable progress. We have maintained compliance with air emission and effluent discharge regulations, and we are focused on further improvements to meet and exceed increasingly rigorous regulatory standards. Through our environmental research program, we have been developing cost-effective ways of achieving this goal: traditional approaches would require capital expenditures of about $250 million over the next few years; with our new approaches we believe we will be able to reduce that cost to $150 million or less.

In the recycling area, we have been moving rapidly from a standing start three years ago when we produced no recycled product. This year – with the technology in place at Augusta, Alabama River, Fort William, Pine Falls, and Chandler – close to half the newsprint produced by Abitibi-Price will have recycled content. We intend to do more.

When it comes to our forest management practices, we believe we can already claim to be the finest. We succeed because we have been seeking alliances and common ground with a vast range of groups that have a stake in the forest.

It *is* possible to find that ground. That is the basis of the Model Forest Program, which is part of Canada's Green Plan, and which was created to establish models of sustainable forestry across Canada – balancing economic, environmental and social values. In 1992, the government reviewed 90 proposals in selecting ten Model Forest programs. And Abitibi-Price established its leadership in forest management practices when four of the seven proposals in which we participated were accepted. Our partners in these Model Forests include environmental associations, native peoples, local governments, private landowners, recreation clubs, schools . . . .

Through partnerships like these, we can achieve sustainable development. And that is essential to becoming the finest.



One of our goals for 1993 is to communicate our environmental programs more effectively . . . Much of what we do is not clearly understood – and distorted myths about many of our practices must be addressed. It's important for people to realize what Abitibi-Price is doing, and why – because we believe we have a good story to tell, and we are committed to environmental leadership, in cooperation with all our stakeholders.

Where We Are Today

Location	Newsprint Capacity (000s tonnes)	No. of Paper Machines	Uncoated Groundwood Papers Capacity (000s tonnes)	No. of Paper Machines	Woodlands (landbase in 000s km²)	Model Forests	Sales and Other Offices	Joint Venture Partners	General Notes
Alma	130	1	97	2					Directory and catalogue with recycled content
Augusta	375	2						The Thomson Corporation (50%)	Recycling to be increased up to 40%
Atlanta							⌂		Sales office to U.S. Southeast
Beaupré			148	2	2	▲			Forms, cold and heatset offsets for publishers, retailers and printers
Chandler	254	2			25			The New York Times Company (49%)	Standard newsprint for domestic and offshore customers
Chicoutimi					17				Supplies the Alma and Jonquière mills
Claiborne	218	1						Parsons & Whittemore, Incorporated (50%)	Recycling to start in 1993 at above 20%
Dallas							⌂		Sales office to U.S. South and West
Grand Falls-Windsor	199	2			22	▲			Standard and specialty newsprint for offshore markets; base for Newfoundland Fibre Resources supplying the Grand Falls and Stephenville mills.
Iroquois Falls	305	3			10	▲			Standard newsprint and specialty papers including non-printing grades
Jonquière			216	4					Supercalendered and soft-nip papers for offset and rotogravure printing
London, England							⌂		Newsprint sales office to EEC
Montreal							⌂		Principal Quebec sales office; lumber and pulp sales for other producers
New York							⌂		Base for company's North American and offshore sales
Pine Falls	170	2			27	▲			Standard newsprint with some recycled content; management group seeking buyout of operation
Québec							⌂		Base for operations at Alma, Beaupré, Chicoutimi and Jonquière
Rosemont							⌂		Sales office to U.S. Mid-West
Stephenville	177	1							Standard and coloured newsprint for offshore customers
Thunder Bay	139	1			13				Standard newsprint with recycled content; base for Lakehead Woodlands supplying the Fort William mill and other buyers
Toronto							⌂		Home base for CEO and support staff; Canadian sales offices; and Sheridan Park technology centre

Other Businesses

Montreal	AZERTY (Canada)	– sells information-processing supplies to resellers in Canada
Buffalo	AZERTY	– distribution of information-processing and office supplies in the U.S.
Montreal	COMPU-REDI	– sells information-processing supplies to end users in Canada
Netherlands	EUROZERTY	– distribution of information-processing products in Europe
Toronto	HILROY	– paper product manufacture and distribution for school, home and office
Lachute	PRICE WILSON	– manufacture and distribution of industrial goods, with recycled content

ABITIBI-PRICE OPERATES 11 NEWSPRINT AND UNCOATED GROUNDWOOD PAPERS MILLS STRATEGICALLY LOCATED ACROSS NORTH AMERICA. COLLECTIVELY, THESE MILLS PRODUCED ALMOST 2.2 MILLION TONNES OF PAPER IN 1992, AND SERVED THOUSANDS OF CUSTOMERS IN OVER 30 COUNTRIES. HERE'S A LOOK AT OUR OPERATIONS ON AN INDIVIDUAL BASIS.

WHERE WE

Plan to Be

In the year ahead, we will continue to target manufacturing, marketing and productivity improvements to make Abitibi-Price a finer company. As stated in the letter to shareholders, we know that we must produce an improvement in financial results in the near term, in order to achieve our vision over the longer term.

Our goal is to become the finest in our industry by the end of 1995 – and to be recognized as the finest by all our stakeholders. We know we are putting ourselves on the line by targeting an actual date, but that is healthy because it gives us a concrete goal to work towards. We have no time to lose and we are intensifying our efforts to meet the deadline.

That will not be the end of the road. While we are focused on achieving this goal in the next three years, our field of vision extends much further.

It would not be much of an achievement to become the finest of a second'rate group in a fading industry – and it would not deliver value to our stakeholders.

But as we mentioned earlier, we see a strong future for groundwood papers – and a strong future for quality companies in our industry. Becoming the finest is phase 1 in tbe transformation of Abitibi-Price. In phase 2, what we see are the opportunities to leverage the advantages of being the finest into growing rewards for our stakeholders.

For shareholders, our phase 2 goals are threefold:

- Earning returns that are not only higher than the industry, but above the cost of capital over the economic cycle;
- Spending capital wisely – to grow by investing in opportunities that generate value. While it is impossible to foresee all the opportunities that will arise, we believe we can break new ground by developing and marketing our expertise as well as our paper. For example, we are seeing growing demand for a software system that we created for publishers, and exceptional prospects for the cost-effective environmental technologies we are developing;
- Managing industry cyclicality and volatility more effectively.

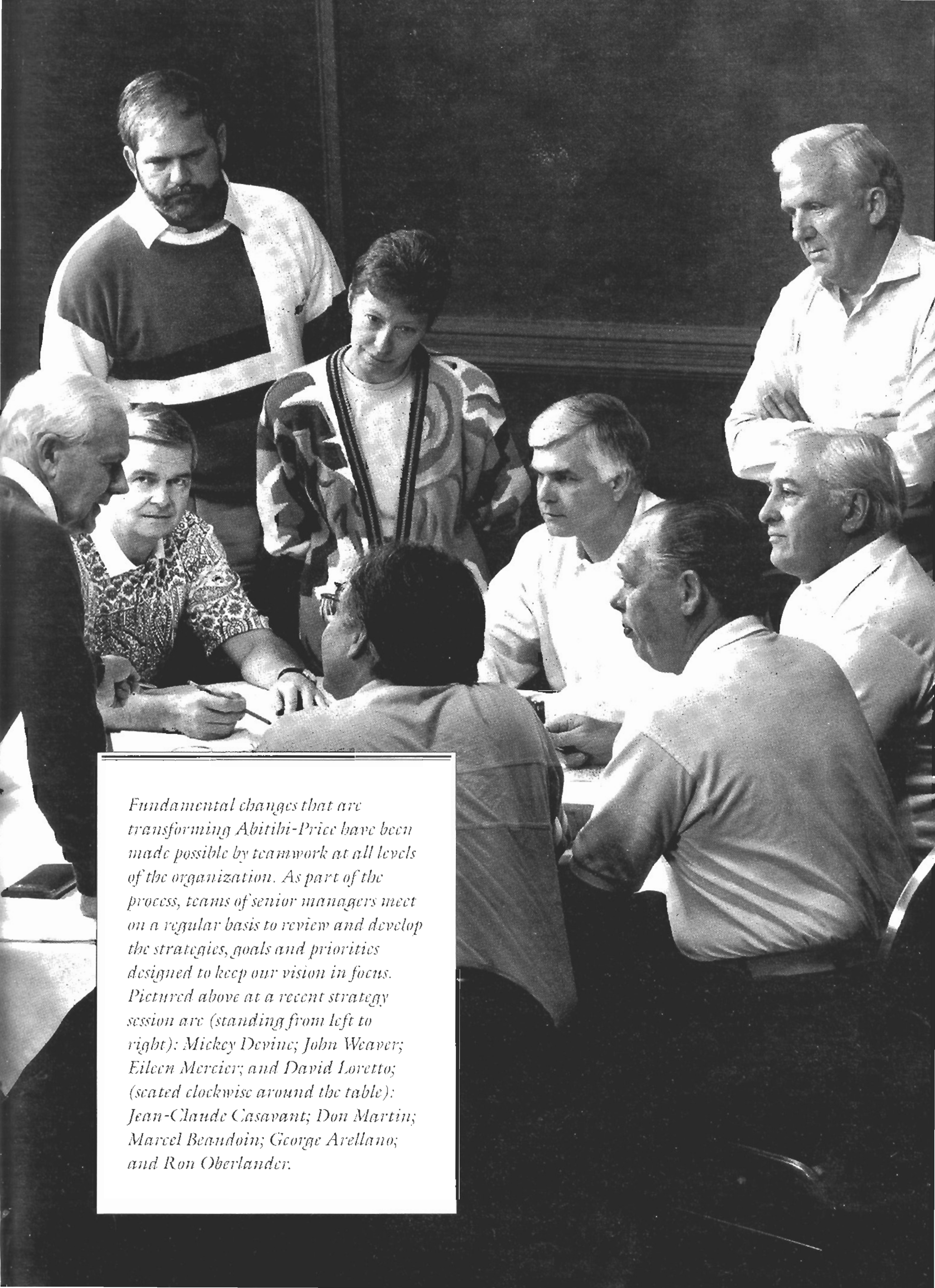
For customers, our phase 2 plan is to become partners in their success by using our strengths to provide a unique and superior combination of products and services.

For employees, we aim to provide a climate for unparalleled personal growth through innovative approacbes to development, training, education and compensation.

And for the community, we will pursue stronger partnerships to meet and exceed expectations of economic and environmental leadership.

We will have the opportunity to build value as never before . . . through a greater ability to improve our operations . . . to attract and retain outstanding employees . . . to exert higher levels of environmental leadership and community involvement . . . to finance productivity enhancements . . . to provide our customers with more of what they want in terms of quality, choice and service – and thereby gain and keep more customers . . . to grow profitably.

We are already the most focused groundwood paper manufacturer and marketer in the world. And we are well on our way to becoming the finest. When we reach that goal, we will redefine our vision by making the "finest" finer, year after year.



Fundamental changes that are transforming Abitibi-Price have been made possible by teamwork at all levels of the organization. As part of the process, teams of senior managers meet on a regular basis to review and develop the strategies, goals and priorities designed to keep our vision in focus. Pictured above at a recent strategy session are (standing from left to right): Mickey Devine; John Weaver; Eileen Mercier; and David Loretto; (seated clockwise around the table): Jean-Claude Casavant; Don Martin; Marcel Beaudoin; George Arellano; and Ron Oberlander.

A Review of 1992 Overall

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Despite very difficult business conditions in 1992, the Company generated $174.9 million in net cash. The sale of non-strategic assets had a significant impact, as the Company continued to focus on its core groundwood papers business.

Abitibi-Price's 1992 loss of $219.3 million (compared with a loss of $75.9 million in 1991) reflects the year's challenges. Price erosion was the biggest factor; it alone reduced operating profit by $150.7 million over 1991. The selling price for the Company's major products declined by $91 a tonne on average. This was partly offset by the effects of the many operating improvements made during the year.

Selling non-strategic assets generated sufficient cash to fund operating losses, keep the balance sheet strong and position the Company for the future.

CONTINUING OPERATIONS

Summary of Operating Results
The Company's operating loss was $148.2 million in 1992 – compared with $24.0 million in 1991. The main cause of the increase was significant price declines for the Company's products, which reduced gross margins. This was partly offset by the benefits of productivity improvements made during the year.

Total sales were $1.7 billion in 1992, an increase of just over 1%, or $20.1 million, over 1991. In spite of the fact that an additional 225,000 tonnes of paper were sold, revenue from the paper segments decreased by $83.6 million. The additional tonnes were not enough to compensate for the lower price. Lumber sales increased by $98.8 million.

Cost of sales increased by $144.3 million over 1991. Of that amount, $36.7 million was incurred in the paper operations, where the cost of increased volume was partly offset by lower production costs. Most of the large increase was related to growth in wholesale lumber sales activity, which led to a $98.6 million increase in cost of sales.

In 1992, the Company also incurred slightly higher selling and administration costs, which resulted from decentralizing the Company's paper operations. 1992 also saw substantial investments in non-traditional training costs, as development of Abitibi-Price people was a priority during the year.

NEWSPRINT

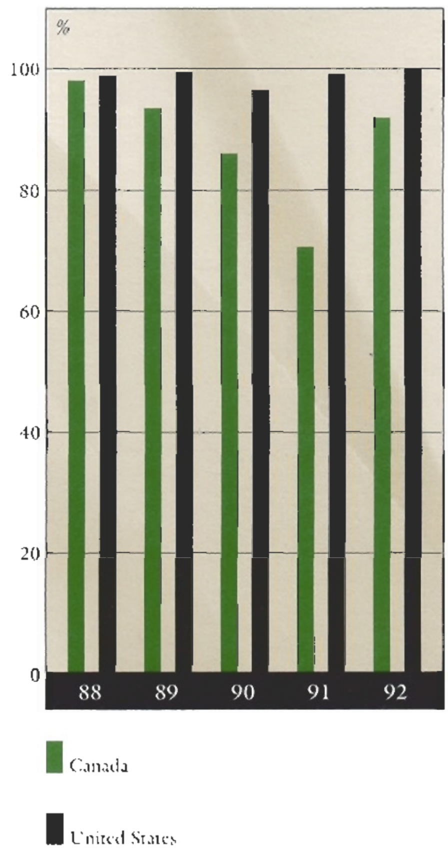
North American Newsprint Market

Over 70% of the Company's production is sold in the United States. Newsprint consumption increased by 2% in that market last year – the first year-over-year increase since 1988.

An improving economy led consumers to spend more in the second half of the year. This spurred an increase in newspaper advertising, the largest driver of U.S. newsprint demand. Preprints, the newspaper inserts which represent a growing end-use for newsprint, showed very healthy gains.

After rising by almost 4% in 1991, North American production capacity was flat last year. Combined with the improvement in demand, the result was a modest tightening of the market during the second half of the year. The list price for newsprint remained

Abitibi-Price
Newsprint Operating Rates



steady at U.S. $685 a tonne, but discounts offered to customers reduced transaction prices. These prices bottomed out during the second quarter, ending four years of price declines.

On August 1, a discount reduction of 5% was announced by Abitibi-Price to its customers and was fully implemented by November 1, 1992. A further discount reduction of 7% has been announced by Abitibi-Price for March 1, 1993; this corresponds to a U.S.$47.95 per tonne increase.

With the increase in demand, North American overcapacity dropped by about 700,000 tonnes to 1.1 million tonnes in 1992, while operating rates rose by 1% to 92%. The Canadian industry ran at nearly 89%, an increase of 2%; U.S. producers showed a 1% increase in the operating rate to 97%. Moreover, an increase in tonnage shipped in the last half of the year cut North American mill inventories by about 250,000 tonnes.

1993 should show even more improvement. Classified and display advertising should get a boost from rising retail sales, and from sales in the key housing and auto sectors. North American operating rates are expected to increase by 2-3%. Most of that will be in the Canadian industry, because U.S. mills have been running essentially full, and there is no new capacity currently under construction.

International Newsprint Market

Abitibi-Price maintained its international sales volumes in 1992 – despite oversupply in Europe and competitive pressure from Canadian and U.S. suppliers. In Europe, the Company faced severe pressure from downward trends in pricing and adverse changes in exchange rates. Late in 1992, currency devaluations in Europe squeezed profitability and currently are making the Scandinavian producers more competitive.

Newsprint Operating Results

Sales volume increased by 215,000 tonnes adding $125.8 million to revenue – but this wasn't enough to offset the impact of lower prices, which removed $180.6 million. The Company's average transaction price in North America fell by over U.S. $100, and in the international marketplace by over U.S. $75.

The net effect was a drop in newsprint net sales of $61.7 million – from $907.2 million in 1991 to $845.5 million in 1992. This includes the offsetting impact of favourable exchange rates and higher distribution costs.

Primary Production

(thousands of tonnes)	Newsprint*	Uncoated Groundwood Papers
Production		
1987	1,833	363
1988	1,900	407
1989	1,791	416
1990	1,723	420
1991	1,613	407
1992	1,777	413
Capacity		
1993	1,967	461

**Newsprint figures include the total production of the joint ventures at Chandler, Quebec, at Augusta, Georgia, and at Claiborne, Alabama, and of the mill at Thunder Bay, Ontario, which was closed in 1992.*

Cost of sales for newsprint increased by $39.6 million in 1992. Additional sales volume contributed to this increase. In 1992, the Company sold 1.8 million tonnes of newsprint, compared with 1.6 million tonnes in 1991.

Increased furnish usage and higher costs for many newsprint production inputs, including labour, resulted in a cost increase of $27 per tonne. Much of this was incurred as an investment in identifying and satisfying customer needs.

In 1992, however, management introduced operating improvements and increased efficiency which reduced costs by $14 per tonne, saving $14.7 million. The increased production volume further reduced the cost per tonne by $28 in 1992.

The net of these increases and decreases was a $15 per tonne reduction in the Company's average newsprint cost – despite the extra investment in furnish and other inputs to secure more tonnage.

In spite of the increased sales volume, the operating loss of the segment was $121.4 million in 1992, compared with $22.4 million in 1991. The benefits of the increased sales volume and reduced production costs were offset by the fact that the sales price for each tonne of newsprint sold was lower in 1992 than in 1991, as noted above.

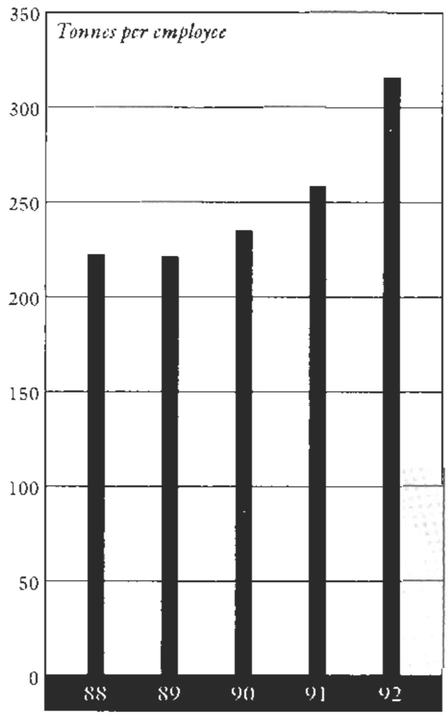
Newsprint Joint Ventures
The Company manages the mills and sells the products of three joint ventures: Gaspésia Pulp and Paper Company Ltd., Augusta Newsprint Company and Alabama River Newsprint Company. All three recorded losses in 1992. The total was $49.7 million, compared with a loss of $1.5 million in 1991.

Major factors contributing to the higher loss were the significant reduction in per tonne newsprint selling prices, and a depreciation charge of $10 million at Alabama River. That mill began commercial production on October 1, 1991, so results for that year included depreciation expense for the last quarter only.

The good news was that operating costs among the joint ventures were reduced by 3% on average, while product quality improved and output increased by 10%.

During 1992, the Company voluntarily advanced $15.4 million to Alabama River to support its

Newsprint and Groundwood Papers
Productivity Improvement



The productivity achievements made in the company's core business reflect significant operational improvements and efficiency gains, as well as reductions in the number of employees.

creditworthiness. No dividends were paid to Abitibi-Price by any joint venture in 1992. In 1991, Augusta paid $4.3 million to the Company as a return on its share of profits.

GROUNDWOOD PRINTING PAPERS

Markets
The Company maintained its strong presence in uncoated groundwood printing paper markets in 1992. Inserts, flyers, telephone directories and stock tab business forms were the predominant product lines. This was reflected in a 2.5% increase in volume – to 412,000 tonnes in 1992, from 402,000 tonnes in 1991. Yet sales revenue decreased from $326.1 million in 1991 to $304.2 million, due to lower prices and the recession-induced trend among retailers, publishers and printers to substitute lower cost grades.

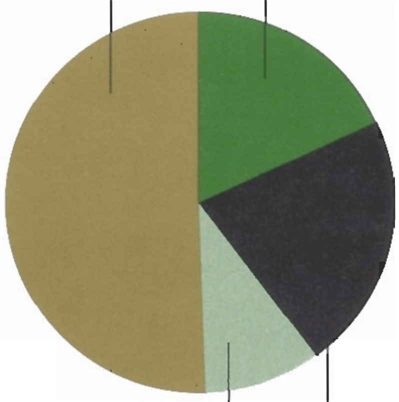
To offset the impact of price erosion, the Company kept working on its aggressive cost reduction program at the groundwood printing paper mills in Quebec. A 5% reduction in number of employees, together with reduced fibre costs, have reduced the operating loss.
A reduction in inventories (wood,

finished goods and mill supplies) of $24.9 million has reduced working capital levels and improved cash flow.

The Company has developed recycled products to meet growing customer demand. The Alma mill produces a recycled directory product, REDIRECT, that meets the Yellow Pages Publishers Association guidelines for recycled fibre content. The Beaupré mill makes groundwood forms with 20% recycled content, while the Kénogami mill offers supercalendered grades with recycled content based on customers' specifications.

In 1992, the Company launched an extensive customer satisfaction program to ensure that its products meet customers' needs better than those of competitors. Over 400 employees from the groundwood paper mills have visited customers' pressrooms to learn first hand what customers need.

Net Sales by Business Segment 1992



Groundwood Printing Papers Operating Results

The story here is much the same as for newsprint, as prices for these products plummeted. The 1992 mix-adjusted average sales price per tonne was U.S.$70 lower than in 1991. This reduced revenue by $33.5 million. The sale of 9,500 additional tonnes closed this gap slightly, increasing revenue by $6.6 million.

The net impact of lower prices and slightly higher volume, as well as more favourable exchange rates and distribution costs, was a decrease in revenue of $21.9 million – from $326.1 million in 1991 to $304.2 million in 1992.

Cost of sales for groundwood printing papers decreased by $2.9 million in 1992, in spite of additional volume. In 1992, the Company sold 412,000 tonnes of groundwood printing papers compared with 402,000 tonnes in 1991.

Significant cost savings at these Quebec mills offset some of the impact of price deterioration. The net savings from these improvements was $11.1 million, or $30 per tonne – more than enough to cover the costs incurred to improve products and the increased costs of labour and materials.

The operating loss of the uncoated groundwood papers segment increased to $23.1 million for 1992 from its 1991 level of $0.3 million.

OFFICE PRODUCTS AND CONVERTED PRODUCTS

The sales and operating profit of the Office Products division exceeded 1991 results. In the United States, there was continued and profitable expansion of the Azerty product line from computer-related supplies and accessories into a broader range of office products. The division's European arm, Eurozerty, started operations early in 1992. Sales have been modest to date but are growing steadily. Eurozerty recorded a small operating loss for 1992.

The Converted Products division consists of Price Wilson, primarily a recycled paper bag manufacturer; and Hilroy, a manufacturer and distributor of supplies for school, home and office. Downward pressure on volume and selling prices did not let up in either division in 1992; both incurred operating losses. Hilroy also recorded a one-time charge of $5 million, mainly relating to inventory valuation and obsolescence, as a new management team positioned the business for a turnaround.

Interest Expense

Interest on long- and short-term debt from continuing operations declined from $36.2 million in 1991 to $32.9 million in 1992. During the year, U.S. short-term interest rates declined from 4¼% in January to 3⁵⁄₁₆% in December. Proceeds from the sale of the Distribution business were used to pay down short-term debt, so the average amount of short-term debt outstanding during the year was less than in 1991. In early 1992, long-term debt was reduced by $24.4 million; this also contributed to lower interest costs.

Unusual Items

Unusual items totalled $66.9 million in 1992, compared with $39.5 million in 1991. The major unusual item in 1992 was the $60 million writedown of the book value of the Thunder Bay mill. The mill had been idled in March of 1991. Its equipment will be sold or used in other Company mills.

The other unusual charges in 1992 and 1991 refer mainly to the cost of various restructuring programs; in these cases, it's expected that the long-term savings resulting from streamlined operations will cover severance costs.

Other Income and Expense

This varied from a 1991 income of $5.7 million to a 1992 expense of $11.5 million. In 1991 the Company recorded gains on the sale of its interest in Spicers Paper Limited and its Innova Envelope division.

The 1992 expense includes foreign exchange losses, compared with a small foreign exchange gain in 1991. A major reason for this change occurred in the third quarter, when the Company's U.S. denominated short-term debt was repaid in lower-value Canadian dollars. However, that repayment reduced short-term interest costs.

Income Taxes

The effective rate for income tax recovery in 1992 was 35.4% compared with 39.6% in 1991. This lower effective tax rate is the result of a reduced impact from the recovery of deferred income taxes. These deferred taxes have been accumulated at historical rates, which are higher than the current rate. The amount of the Large Corporations Tax, which reduces the income tax recovery, remained relatively constant over the two years.

DISCONTINUED OPERATIONS

During 1992, Abitibi-Price sold its Paper Distribution and Building Products businesses; the cash proceeds were $353 million. The Company has also taken a provision on the planned sale of its Coated Papers Division, Provincial Papers.

Paper Distribution and Building Products were sold to companies based in the United States. Under the terms of a memorandum of agreement, Abitibi-Price will transfer the assets of Provincial Papers to a new employee-owned company in Thunder Bay, Ontario, and will provide various services under an arm's-length contract for a period of time to be negotiated.

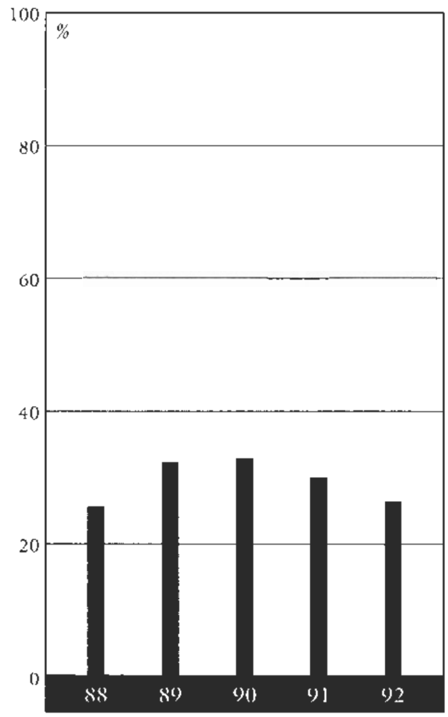
The loss from discontinued operations, net of applicable income tax recoveries, was $13.4 million, compared with a loss of $18.2 million in 1991. The Company has also recorded a loss on disposal of these discontinued operations of $6 million, net of income tax recovery of $28.1 million.

FINANCIAL POSITION AND LIQUIDITY

Debt Position

To evaluate and discuss its capital structure, the Company divides debt, net of cash balances, by the total of this net debt and shareholders' equity. At the end of 1991, this ratio was .30. It dropped to .26 by the end of 1992. The improvement was due entirely to the cash generated and the resulting reduction of debt, as discussed earlier.

Total Debt to Total Debt Plus Shareholders' Equity



Total debt comprises long-term debt, long-term debt due within one year and bank indebtedness, less cash and short-term investments.

The Company's U.S. $96.4 million term loan, which is secured by the Series K Debentures, will mature on December 31, 1993. After the year end, the Company obtained financing in the form of $150 million of subordinated debentures, carrying a coupon rate of 7.85%. The proceeds from the debenture issue will be used to repay the term loan, and therefore this debt has not been reflected as a current liability in the 1992 financial statements.

Changes in Cash Position

The Company's cash consists of cash and short-term investments, less bank indebtedness. Despite a loss for the year of $219.3 million, the Company generated net cash of $174.9 million. This left the Company with cash of $120 million as of December 31, 1992. During 1991, the Company generated net cash of $100.2 million, reducing the cash deficiency at December 31, 1991, to $54.9 million.

Cash From Continuing Businesses

Cash used in continuing operating activities in 1992 was $30.6 million. Working capital reductions generated $53.5 million in 1992. In 1991, continuing operations generated $14.6 million in cash, and $8 million was used for financing working capital.

Inventory reductions provided more than $35 million in 1992 as compared with over $26 million in 1991. Projects are now in place to further reduce inventory levels throughout 1993.

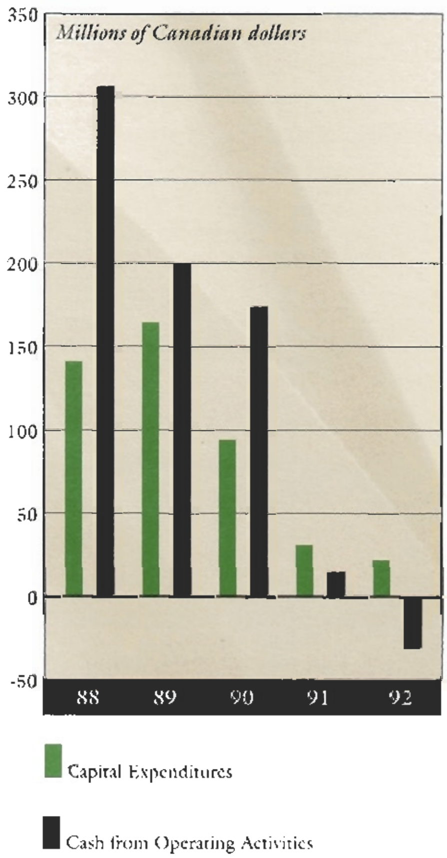
Last year the Company made long-term debt repayments of $24.4 million, compared with $21.6 million in 1991.

Preferred share retirements amounted to $1.6 million, compared with $6.1 million in 1991. The reduced retirement in 1992 corresponds to lower market rates of interest at the end of 1991 when the prime rate was only 8%, down from more than 13% in the previous year. The preferred shares bear interest at just over 8%.

Abitibi-Price made capital expenditures of $21.5 million in 1992, compared with $30.5 million in 1991. Most of the money was required to maintain facilities. Under today's market and business conditions, the Company is managing capital expenditures tightly to ensure maximum return.

Consistent with the intent to sell non-strategic businesses and focus on groundwood papers, the Company sold several businesses over the past two years. Total cash proceeds were $90.3 million in 1991, and $353 million in 1992.

Capital Expenditures and Cash From Operating Activities



In 1991, the Company generated $90.3 million in cash and increased pre-tax earnings by $1.6 million from the sales of its equity interest in Spicers Paper Limited and the Barber-Ellis (U.S.) and Innova Envelope business units.

In 1992, the Company sold its Printing Papers and Industrial Products Distribution businesses and its Building Products division. Sale of the Distribution businesses, which distribute printing and business papers, graphic art supplies, stationery products and food-service, retail and industrial packaging products, provided net cash proceeds of $274 million and a gain on sale of $102.6 million. Sale of the Building Products division, which produces hardboard siding, interior panelling, complementary plastic moulding products and millwork products, generated cash of $79 million.

In both 1991 and 1992, the Company paid common share dividends of $34.6 million, or $0.50 per share. Preferred share dividends were reduced by $0.1 million from 1991 to $1.6 million in 1992. This reduction was due entirely to the retirement of shares in January of 1992.

Cash From Discontinued Businesses
The businesses disposed of during 1992, and Provincial Papers for which a disposal plan was developed, used total cash of $48.7 million. These businesses generated $90.3 million in 1991. In 1991, the sales of accounts receivable generated $71 million. There were no comparable sales in 1992. Also in 1991, these businesses generated cash through liquidation of more than $41 million of working capital. This opportunity was not available in 1992, as working capital levels were already very low.

Foreign Currency and Interest Rate Exposure Management
Because Abitibi-Price sells so much of its product line in the United States, changes in the value of the U.S. dollar against the Canadian dollar profoundly affect the Company's earnings and cash flow. As protection from the negative impact of a decline in the U.S. dollar, the Company has a series of currency options covering expected sales for a period of one year in advance.

At December 31, 1992, the Company had entered into currency options totalling U.S.$676 million. These protect the Company against the U.S. value of the Canadian dollar rising above an average of U.S.$0.8239 during 1993. In the event of a weakening Canadian dollar, the Company would be required to buy Canadian dollars at rates which average U.S.$0.7736 in 1993. (In 1992, the Canadian dollar averaged U.S.$0.8273, down 5.8% from U.S.$0.8783 in 1991.)

The Company also manages exposure to floating rate debt through interest rate swaps and collars. At the year-end, the Company had U.S.$150 million of floating rate debt swapped to an average fixed rate of 8.9%.

Environmental Compliance
The Company set up an Environmental Technology department in 1992. Its mandate is to search for and develop the most cost-effective processes in order to comply with stringent new federal and provincial effluent regulations. Working with staff experts, the mills are also exploring changes to production processes and alternative pollution abatement processes in order to reach compliance at greatly reduced capital costs. As a result of this work, and the closure of the Thunder Bay Division, compliance cost estimates have decreased from an original estimate of $250 million to $150 million.

The deadline for compliance under Quebec regulations is September 30, 1995. The earliest compliance deadline under the Federal requirements is January 1, 1994. However, the Company has applied for the maximum allowable extension of that date to December 31, 1995.

Outlook for 1993
Abitibi-Price expects better operating results than in 1992. A modest turnaround in North American newsprint price is already apparent. With the emphasis on producing high value products at the lowest cost, the Company is probing every facet of its operations to identify and exploit operating improvements. More and more often, extra customer satisfaction efforts are making Abitibi-Price one of the preferred suppliers in the industry's pressrooms.

A plan to improve the Company's capital structure during the year is in place, and selling non-strategic businesses is still a priority. This mix of effective operating, investing and financing strategies will position the Company for further value creation in the years ahead.

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

February 22, 1993
Toronto, Ontario

AUDITORS' REPORT

To the Shareholders of Abitibi-Price Inc.

We have audited the consolidated balance sheets of Abitibi-Price Inc. as at December 31, 1992 and 1991 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, 1992 and 1991 and the results of its operations and the changes in its cash position for the years then ended in accordance with Canadian generally accepted accounting principles.

Price Waterhouse
Chartered Accountants

February 22, 1993
Toronto, Ontario

CONSOLIDATED EARNINGS

Year ended December 31 *(millions of Canadian dollars)*	1992	1991 (restated – note 2)
Net sales	$ 1,674.9	$ 1,654.8
Cost of sales	1,627.0	1,482.7
Selling and administrative expenses	105.6	102.3
Depreciation and depletion	90.5	93.8
	1,823.1	1,678.8
Operating loss from continuing operations	(148.2)	(24.0)
Loss from newsprint joint ventures, before income taxes (note 3)	(49.7)	(1.5)
Interest expense – long-term (note 12)	(29.5)	(29.0)
– short-term	(3.4)	(7.2)
Unusual items (note 4)	(66.9)	(39.5)
Other income and expense (note 5)	(11.5)	5.7
Loss from continuing operations before income taxes	(309.2)	(95.5)
Recovery of income taxes (note 6)	109.3	37.8
Loss from continuing operations	(199.9)	(57.7)
Discontinued operations (note 2) –		
Loss from discontinued operations, net of income tax recoveries of $8.2 and $15.8, respectively	(13.4)	(18.2)
Loss on disposal of discontinued operations, net of an income tax recovery of $28.1	(6.0)	—
Loss from discontinued operations	(19.4)	(18.2)
Loss for the year	(219.3)	(75.9)
Provision for dividends on preferred shares	(1.6)	(1.7)
Loss attributable to common shareholders	$ (220.9)	$ (77.6)
Per Common Share:		
Loss from continuing operations	$ (2.91)	$ (0.86)
Loss	(3.19)	(1.12)
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)*	1992	1991
Retained earnings at beginning of year	$ 738.6	$ 850.8
Loss for the year	(219.3)	(75.9)
	519.3	774.9
Dividends declared		
Preferred shares	(1.6)	(1.7)
Common shares	(34.6)	(34.6)
Retained earnings at end of year	$ 483.1	$ 738.6

CHANGES IN CONSOLIDATED CASH POSITION

Year ended December 31 *(millions of Canadian dollars)*	1992	1991 (restated – note 2)
Operating Activities		
Loss for the year from continuing operations	$ (199.9)	$ (57.7)
Depreciation and depletion	90.5	93.8
Unusual items	66.9	28.0
Loss from newsprint joint ventures	49.7	1.5
Deferred income taxes	(112.7)	(36.9)
Other	21.4	(6.1)
	(84.1)	22.6
Change in operating working capital from continuing operations (note 7)	53.5	(8.0)
Cash from (applied to) continuing operating activities	(30.6)	14.6
Financing Activities		
Repayment of long-term debt	(24.4)	(21.6)
Retirement of preferred shares	(1.6)	(6.1)
Other	(1.3)	(0.7)
Cash applied to financing activities	(27.3)	(28.4)
Investment Activities		
Additions to fixed assets	(21.5)	(30.5)
Sales of discontinued operations, equity interest and operating divisions	353.0	90.3
Investment in newsprint joint ventures	(15.4)	(2.8)
(Increase) decrease in long-term receivables	(0.5)	1.9
Other	2.1	1.1
Cash from investment activities	317.7	60.0
Dividends Paid		
Preferred shareholders	(1.6)	(1.7)
Common shareholders	(34.6)	(34.6)
	(36.2)	(36.3)
Cash from (applied to) discontinued operations	(48.7)	90.3
Cash – Increase	174.9	100.2
– Beginning of year	(54.9)	(155.1)
– End of year	$ 120.0	$ (54.9)

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

CONSOLIDATED BALANCE SHEET

December 31 *(millions of Canadian dollars)*	1992	1991 (restated – note 2)
ASSETS		
Current assets		
Cash and short-term investments	$ 120.0	$ —
Accounts receivable (note 8)	119.9	163.5
Income taxes receivable	2.0	7.3
Inventories (note 9)	197.0	341.6
Prepaid expenses	14.1	28.4
Net assets held for divestiture (note 2)	—	220.4
	453.0	761.2
Fixed assets (note 10)	946.3	1,073.8
Other assets		
Investment in newsprint joint ventures (note 3)	185.4	202.6
Deferred pension cost	83.1	76.8
Goodwill	29.0	28.1
Long-term receivables, investments and other assets	41.3	17.3
	338.8	324.8
	$ 1,738.1	$ 2,159.8

Approved by the Board of Directors:

Director

Director

December 31 *(millions of Canadian dollars)*	1992	1991 (restated – note 2)
LIABILITIES		
Current liabilities		
Bank indebtedness (note 11)	$ —	$ 54.9
Accounts payable and accrued liabilities (note 2)	364.3	342.6
Dividends payable	8.7	8.6
Long-term debt due within one year (note 12)	12.2	13.7
	385.2	419.8
Long-term debt (note 12)	382.5	368.6
Unrealized loss on translation of long-term debt payable in U.S. funds	(6.9)	—
Deferred income taxes	212.5	349.5
SHAREHOLDERS' EQUITY		
Capital stock (note 13)		
Preferred Shares		
Series F – 1,697,189 shares (1991 – 1,831,139 shares)	19.5	21.1
Common Shares – 69,266,738 shares	262.2	262.2
Retained earnings	483.1	738.6
	764.8	1,021.9
	$ 1,738.1	$ 2,159.8

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
1992								
Business Segments								
Newsprint	$ 845.5	$ 0.9	$ 846.4	$50.8	$(121.4)	$(60.4)	$13.3	$ 875.5
Groundwood papers	304.2	—	304.2	32.4	(23.1)	(1.9)	5.0	476.7
Office and Converted products	363.7	0.1	363.8	4.0	(1.3)	(2.1)	1.4	168.7
Other	161.5	—	161.5	3.3	(2.4)	(2.5)	0.2	74.3
Eliminations	—	(1.0)	(1.0)	—	—	—	—	—
							19.9	1,595.2
Corporate							1.6	142.9
Continuing segments	1,674.9	—	1,674.9	$90.5	$(148.2)	$(66.9)	$21.5	$1,738.1
Discontinued segments	770.4	—	770.4					
	$2,445.3	$ —	$2,445.3					
Geographic Segments (1)								
Canada (2)			$1,139.3		$(155.7)			$1,267.8
U.S.A.			535.6		7.5			327.4
								1,595.2
Corporate								142.9
Continuing segments			$1,674.9		$(148.2)			$1,738.1
1991								
Business Segments								
Newsprint	$ 907.2	$ 1.2	$ 908.4	$53.1	$ (22.4)	$(30.1)	$16.6	$1,024.8
Groundwood papers	326.1	0.1	326.2	31.9	(0.3)	(4.4)	9.7	503.1
Office and Converted products	358.8	0.5	359.3	4.6	(1.9)	(4.9)	2.6	152.2
Other	62.7	—	62.7	4.2	0.6	(0.1)	0.6	21.9
Eliminations	—	(1.8)	(1.8)	—	—	—	—	—
							29.5	1,702.0
Corporate							1.0	28.6
Continuing segments	1,654.8	—	1,654.8	$93.8	$ (24.0)	$(39.5)	$30.5	$1,730.6
Discontinued segments	1,145.7	—	1,145.7					
	$2,800.5	$ —	$2,800.5					
Geographic Segments (1)								
Canada (2)			$1,150.9		$ (28.3)			$1,391.6
U.S.A.			503.9		4.3			310.4
								1,702.0
Corporate								28.6
Continuing segments			$1,654.8		$ (24.0)			$1,730.6

Notes:

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

(2) Continuing Canadian operations include sales to the U.S. market of $693.0 million (1991 – $477.1 million) and other export sales of $191.3 million (1991 – $226.7 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1992 and 1991

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 integrared 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 debr payable in U.S. funds. Such gains or losses which relate to debt that hedges rhe 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 thar is hedged by a future income stream denominared in U.S. funds, is deferred and included in earnings in the same years as rhe 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 ro capital expenditures are credited to fixed assers.

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 rerire. Adjustments arising from pension plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over rhe estimated average remaining service lives of the members.

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

Costs associated wirh post-retirement benefits are expensed when paid 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 undisrributed earnings of foreign subsidiaries because remittance of such earnings would not result in any significant tax liability.

2. Discontinued operations

Loss on disposal of discontinued operations –

The gains and losses recorded on the sales of the Distribution and Building Products businesses and the planned sale, in the first quarter of 1993, of the Coated Papers business, net of an income tax recovery of $28.1 million, are as follows:

	($ millions)
Distribution	$ 102.6
Building Products	(20.2)
Coated Papers	(88.4)
Loss on disposal of discontinued operations	$ (6.0)

Loss from discontinued operations –

During the third quarter of 1992, the Company reclassified the above businesses to discontinued operations. The loss from discontinued operations, net of income tax recoveries for the year ended December 31, 1992 was $13.4 million (1991 – $18.2 million). Interest expense allocated to discontinued operations was $5.9 million for the year ended December 31, 1992 (1991 – $11.8 million).

The applicable 1991 non-working capital assets and liabilities of these businesses in the amount of $220.4 million, were also reclassified as discontinued operations. Included in the Company's net working capital at December 31, 1991 was $102.3 million related to discontinued operations. Accounts payable and accrued liabilities at December 31, 1992 of $364.3 million included $58.1 million relating to obligations in connection with discontinued operations.

3. Newsprint joint ventures

The Company's newsprint operations include 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% ("Gaspesia"), Augusta Newsprint Company – 50% and Alabama River Newsprint Company – 50% ("Alabama"). 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

	1992	1991
	($ millions)	
Net sales	**$ 375.3**	$ 327.9
Costs and expenses	**(422.9)**	(304.4)
Interest (a)	**(51.2)**	(26.3)
Loss before income taxes (b) (c)	**$ (98.8)**	$ (2.8)
Abitibi-Price Inc.'s share	**$ (49.7)**	$ (1.5)

Balance sheets

	1992	1991
	($ millions)	
Current assets (d)	**$ 112.9**	$ 129.9
Current liabilities	**(121.9)**	(79.9)
Fixed assets (net)	**893.9**	853.8
Long-term debt (e)	**(553.0)**	(533.1)
Other	**36.3**	31.5
Partners' equity	**$ 368.2**	$ 402.2
Abitibi-Price Inc.'s investment in joint ventures	**$ 185.4**	$ 202.6

(a) Includes interest of $1.7 million in 1991 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 income taxes of $5.0 million in 1992 and $2.0 million in 1991.

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

(d) Includes accounts receivable with Abitibi-Price Inc. of $39.4 million in 1992 and $44.1 million in 1991. The consolidated financial statements include corresponding amounts in accounts payable and accrued liabilities.

(e) Long-term borrowings are without recourse to the partners. The Company has an equity interest in Alabama of $55.1 million. In 1993, Alabama may not be in compliance with certain debt covenants under certain circumstances. The partners are currently negotiating with the creditors and investigating alternative sources of financing.

4. Unusual items

	1992	1991
	($ millions)	
Cost of employee restructuring programmes	$ 4.9	$ 18.5
Charges relating to the permanent closure of the Thunder Bay newsprint mill	60.0	16.5
Write-off of preliminary expenditures on capital projects which have been cancelled and other expenses	2.0	4.5
	$ 66.9	$ 39.5

5. Other income and expense

	1992	1991
	($ millions)	
Interest	$ 6.6	$ 4.8
Discount on sale of accounts receivable	(7.8)	(8.0)
Gain (loss) on sale of assets	(0.5)	4.9
Foreign exchange gain (loss) on working capital items	(10.6)	1.3
Other	0.8	2.7
	$ (11.5)	$ 5.7

6. Income taxes

The Company's effective income tax rate pertaining to continuing operations is as follows:

	1992	1991
	($ millions)	
Loss from continuing operations before income taxes	$ (309.2)	$ (95.5)
Recovery of income taxes	$ 109.3	$ 37.8
Effective income tax rate	(35.4)%	(39.6)%

	1992	1991
Made up of:		
Combined basic Canadian federal/provincial income tax rates	(41.5)%	(40.9)%
Effect of:		
Manufacturing and processing allowances	3.7	2.6
Large Corporations Tax	0.7	3.4
Tax rate differential	(1.0)	(6.8)
Foreign taxes	1.6	1.9
Application of prior years' capital losses	—	(1.9)
Other	1.1	2.1
Effective income tax rate	(35.4)%	(39.6)%

At December 31, 1992, the Company and its subsidiaries had operating loss carryforwards for income tax purposes totalling approximately $250 million, which expire between 1998 and 2007, the benefit of which has been reflected in these financial statements. An acquisition of control of the Company could, in certain circumstances, restrict the use of some operating loss carryforwards for income tax purposes.

7. Change in operating working capital

	1992	1991
	($ millions)	
Cash used for changes in operating working capital components from continuing operations:		
Decrease (increase) in current assets:		
Accounts receivable	$ (21.9)	$ 45.1
Income taxes receivable	5.3	(2.8)
Inventories	35.2	26.3
Prepaid expenses	2.8	(1.7)
Increase (decrease) in accounts payable and accrued liabilities	32.1	(49.0)
	53.5	17.9
Operating working capital included in sale of operating divisions	—	(25.9)
Change in operating working capital from continuing operations	$ 53.5	$ (8.0)

8. Accounts receivable

Under 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, 1992 was $122.1 million (1991 – $202.8 million).

9. Inventories

	1992	1991
	($ millions)	
Finished products and work in process	**$ 101.0**	$ 199.1
Pulpwood, sawlogs and expenditures on current logging operations	**45.8**	81.8
Materials and operating supplies	**50.2**	60.7
	$ 197.0	$ 341.6

10. Fixed assets

	Cost	Accumulated Depreciation	Net Book Value
		($ millions)	
1992			
Property, plant and equipment	**$1,795.6**	**$ 882.7**	**$ 912.9**
Logging equipment and development	**94.9**	**70.6**	**24.3**
Timber limits and water power rights	**21.7**	**12.6**	**9.1**
	$1,912.2	**$ 965.9**	**$ 946.3**
1991			
Property, plant and equipment	$1,858.8	$ 823.0	$1,035.8
Logging equipment and development	97.2	69.6	27.6
Timber limits and water power rights	23.6	13.2	10.4
	$1,979.6	$ 905.8	$1,073.8

11. Bank lines of credit

At December 31, 1992, the Company had unused bank lines of credit totalling $298 million, comprising $275 million in committed lines which are renewable at the option of the banks annually and $23 million in demand lines. Borrowings under all lines of credit bear interest at prevailing market rates.

12. Long-term debt

	1992	1991
	($ millions)	
Abitibi-Price Inc.		
Sinking Fund Debentures		
11½% Series F, maturing 1995 (a)	**$ 4.8**	$ 5.6
10.65% Series H, maturing 2000 (U.S. $58.7 million)	**74.6**	87.9
Floating Rate Term Loan, maturing 1994 (U.S. $150 million) (b)	**190.6**	173.3
Abitibi-Price Refinance Inc.		
Floating Rate Cumulative Term Loan, maturing 1993 (U.S. $96.4 million) (c)(d)	**122.5**	111.4
Other indebtedness	**2.2**	4.1
	394.7	382.3
Less: Amount due within one year	**12.2**	13.7
	$ 382.5	$ 368.6

(a) The Company has entered into a currency swap agreement 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 swap 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 EuroCanadian 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 an agreement to issue 7.85% Convertible Subordinated Debentures, which are due in 2003 in the principal amount of $150 million. The net proceeds from the issuance of the debentures will be used to repay the Abitibi-Price Refinance Inc. floating rate cumulative term loan. These debentures will be convertible into common shares of the Company at 66.67 common shares for each $1,000 debenture at the option of the holder. The debentures will also be redeemable by the Company on or after March 1, 1996 under certain conditions and may, at the Company's option, be converted into common shares on redemption or at maturity.

Sinking fund and other long-term debr repayment obligations for the years 1994 to 1997 are estimated to be $202.6 million, $14.1 million, $11.1 million, and $11.1 million, respectively.

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

During the year ended December 31, 1992, interest of $0.3 million was capitalized on major capital additions (1991 – $1.4 million).

13. Capital stock

The Company is governed by the Canada Business Corporations Acr and is authorized to issue an unlimited number of preferred shares and common shares. The Company has covenanted not to pay dividends on its common shares, whether in cash or cash equivalent, in excess of $0.50 per share in 1993.

The Company has granted 1,776,200 stock options to executive officers at December 31, 1992 as follows:

Date of Grant	Number of Common Shares Under Option	Exercise Price	Expiry Date
April 16, 1984	60,000	$ 8.5000	April 16, 1994
April 15, 1985	36,000	17.0625	April 15, 1995
October 17, 1988	215,250	19.8750	October 17, 1993
September 18, 1989	247,750	17.5625	September 18, 1994
September 17, 1990	305,750	15.5000	September 17, 1995
February 17, 1992	274,200	15.3125	February 17, 1997
February 17, 1992	85,400	15.3125	February 17, 2002
July 29, 1992	300,000	15.5000	July 29, 2002
October 26, 1992	251,850	13.6250	October 26, 1997
	1,776,200		

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 pet share and are retractable at $11.50 per share at the option of the holder on January 1 in each year. In 1992, 133,950 shares were retracted (1991 – 535,711 shares).

14. Foreign currency hedging commitments

At December 31, 1992, the Company was committed to options of U.S. $676 million, maturing from January to December 1993, which protect the Company in 1993 against the U.S. value of the Canadian dollar rising above an average of U.S. $0.8239 and which, in the event of a weakening Canadian dollar, require the Company to buy Canadian dollars at rates which average U.S. $0.7736.

15. Lease commitments

The Company and its subsidiaries have entered into operating leases to charter ships and ro lease property and equipment for various periods up to the year 2028 at rentals aggregating approximately $43.9 million. Minimum payments under these leases are as follows:

	($ millions)
1993	$ 21.4
1994	5.0
1995	4.2
1996	2.8
1997	1.0
Remaining years	9.5
	$ 43.9

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.

The following table displays the funded status of the pension plans:

	1992	1991
	($ millions)	
Market value of assets	**$ 738.2**	$ 746.7
Actuarial present value of accumulated plan benefits based on current service and compensation levels		
Vested	**615.6**	526.6
Non-vested	**13.8**	13.7
	629.4	540.3
Excess of market value of assets over accumulated benefit obligations	**$ 108.8**	$ 206.4

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:

	1992	1991
	($ millions)	
Loss from continuing operations, as reported under Canadian GAAP	$ (199.9)	$ (57.7)
Unrealized loss on translation of long-term debt payable in U.S. funds, net of applicable income taxes	(6.2)	(1.2)
Unrealized gain on forward exchange contracts, net of income taxes	1.2	6.7
	(204.9)	(52.2)
Loss from discontinued operations, as reported under Canadian and U.S. GAAP	(19.4)	(18.2)
Loss, as adjusted to U.S. GAAP	$ (224.3)	$ (70.4)
Per Common Share:		
Loss from continuing operations, as reported under Canadian GAAP	$ (2.91)	$ (0.86)
Adjustments	(0.07)	0.08
Loss from continuing operations as adjusted under U.S. GAAP	$ (2.98)	$ (0.78)
Loss, as reported under Canadian GAAP	$ (3.19)	$ (1.12)
Adjustments	(0.07)	0.08
Loss, as adjusted under U.S. GAAP	$ (3.26)	$ (1.04)

(ii) The Company is intending to adopt, for purposes of U.S. GAAP reporting, Financial Accounting Standard 109 ("FAS 109") relating to income taxes and Financial Accounting Standard 106 ("FAS 106") relating to employee post-retirement benefits in 1993.

FAS 109 will result in a change in the Company's method of accounting for income taxes under U.S. GAAP from the deferred method to the asset and liability method. The Company expects to adopt FAS 109 on a prospective basis. At December 31, 1992, deferred tax liabilities would be reduced by approximately $15 million under FAS 109, with a corresponding increase in retained earnings.

In addition to providing pension benefits, the Company also provides health and life insurance benefits to its retirees. The Company's costs of providing these benefits are expensed when paid. The Company expects to adopt FAS 106 in 1993 with a resulting charge to income of approximately $13.0 million. The unfunded and unrecognized cost of providing these benefits was approximately $0.7 million after income taxes in each of 1992 and 1991. The estimated unfunded liability at December 31, 1992 was approximately $13.0 million.

18. Comparative figures

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

ELEVEN-YEAR FINANCIAL REVIEW (1)

Year ended December 31	1992	1991	1990	1989
Sales and earnings ($ millions)				
Net sales	**$ 1,674.9**	$ 1,654.8	$ 1,795.0	$ 1,900.9
Cost of sales	**1,627.0**	1,482.7	1,566.1	1,552.9
Selling and administrative expenses	**105.6**	102.3	126.0	135.0
Depreciation and depletion	**90.5**	93.8	93.6	91.6
Operating profit (loss) from continuing operations	**(148.2)**	(24.0)	9.3	121.4
Income (loss) from newsprint joint ventures, before income taxes	**(49.7)**	(1.5)	(9.4)	3.6
Interest expense – long-term	**29.5**	29.0	27.2	30.3
– short-term	**3.4**	7.2	17.3	5.2
Unusual items	**66.9**	39.5	54.1	22.1
Other income (expense)	**(11.5)**	5.7	11.9	13.6
Earnings (loss) from continuing operations before income taxes and extraordinary items	**(309.2)**	(95.5)	(86.8)	81.0
Recovery of (provision for) income taxes	**109.3**	37.8	32.3	(36.4)
Earnings (loss) from continuing operations before extraordinary items	**(199.9)**	(57.7)	(54.5)	44.6
Earnings (loss) from discontinued operations	**(19.4)**	(18.2)	4.1	9.6
Extraordinary items	**—**	—	—	—
Net earnings (loss)	**(219.3)**	(75.9)	(50.4)	54.2
Dividends declared ($ millions)				
Preferred shares	**$ 1.6**	$ 1.7	$ 2.2	$ 5.7
Common shares (2)	**34.6**	34.6	34.6	60.6
Capital expenditures from continuing operations ($ millions)	**$ 21.5**	$ 30.5	$ 93.7	$ 163.7
Financial position ($ millions)				
Working capital, excluding net assets held for divestiture	**$ 67.8**	$ 121.0	$ 178.5	$ 308.0
Net assets held for divestiture	**—**	220.4	248.7	257.0
Fixed assets, net	**946.3**	1,073.8	1,154.2	1,168.5
Long-term debt	**382.5**	368.6	387.5	404.6
Deferred income taxes	**212.5**	349.5	406.5	417.0
Preferred shares	**19.5**	21.1	27.2	31.1
Common shareholders' equity	**745.3**	1,000.8	1,113.0	1,200.3
Per common share (2)				
Earnings (loss) from continuing operations before extraordinary items	**$ (2.91)**	$ (0.86)	$ (0.82)	$ 0.56
Net earnings (loss)	**(3.19)**	(1.12)	(0.76)	0.70
Dividends declared (3)	**0.50**	0.50	0.50	0.875
Dividends paid (3)	**0.50**	0.50	0.50	1.00
Common shareholders' equity	**10.75**	14.44	16.06	17.32
Return on average common shareholders' equity	**—**	—	—	4.0%
Long-term debt/long-term debt plus shareholders' equity	**33.3%**	26.5%	25.4%	24.7%
Number of employees (year end)	**8,630**	12,068	14,300	15,600

Notes:

(1) Figures for 1982 to 1992 have been restated to reflect the classification of the continuing businesses separately from the discontinued businesses as referred to in Note 2 of the notes to the Consolidated Financial Statements.

1988	1987	1986	1985	1984	1983	1982
$ 1,977.5	$ 1,780.9	$ 1,705.5	$ 1,614.8	$ 1,488.8	$ 1,146.6	$ 1,192.2
1,507.7	1,418.0	1,379.3	1,318.6	1,265.4	1,025.2	993.1
126.4	109.6	94.6	90.1	75.1	66.2	79.4
86.3	74.3	67.1	63.0	61.7	52.3	54.7
257.1	179.0	164.5	143.1	86.6	2.9	65.0
29.4	19.7	20.7	9.9	5.9	6.7	11.8
39.5	30.6	27.6	33.7	31.5	14.1	18.8
0.7	2.2	1.6	2.3	1.0	0.6	1.0
—	—	—	—	—	—	—
13.8	13.5	5.2	18.0	17.4	25.0	21.9
260.1	179.4	161.2	135.0	77.4	19.9	78.9
(104.7)	(77.0)	(71.6)	(52.7)	(18.7)	7.4	(17.5)
155.4	102.4	89.6	82.3	58.7	27.3	61.4
32.8	23.3	20.5	17.9	13.5	10.7	2.5
2.9	—	(2.8)	—	(2.2)	—	(2.6)
191.1	125.7	107.3	100.2	70.0	38.0	61.3
$ 7.8	$ 8.1	$ 8.7	$ 9.3	$ 8.0	$ 7.4	$ 10.8
69.3	48.5	41.5	47.0	25.0	12.4	31.1
$ 140.3	$ 204.4	$ 224.2	$ 152.4	$ 81.7	$ 144.9	$ 160.0
$ 521.2	$ 572.4	$ 424.8	$ 333.8	$ 384.5	$ 360.6	$ 414.7
229.0	226.8	195.6	213.9	153.4	136.3	131.1
1,117.5	1,069.0	983.4	877.2	802.2	810.3	741.9
456.1	560.8	413.0	432.5	399.5	375.6	368.7
389.3	296.1	254.9	219.7	194.2	179.9	176.6
115.4	121.0	122.8	124.1	104.2	113.8	122.7
1,212.4	1,098.1	1,028.6	837.4	792.5	739.4	721.1
$ 2.13	$ 1.36	$ 1.20	$ 1.17	$ 0.81	$ 0.31	$ 0.83
2.64	1.70	1.46	1.42	0.99	0.48	0.82
1.00	0.70	0.60	0.73	0.40	0.20	0.50
1.00	0.60	0.60	0.58	0.40	0.30	0.50
17.50	15.86	14.86	13.04	12.40	11.89	11.60
15.6%	11.1%	10.9%	11.2%	8.4%	4.2%	7.5%
25.6%	31.5%	26.4%	31.0%	30.8%	30.6%	30.4%
16,200	16,000	16,200	15,500	14,800	15,100	14,600

(2) Figures for the years 1982 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 1982 to 1992, but because of changes in dividend declaration dates, three dividends were declared in 1983 and five in 1985.

QUARTERLY FINANCIAL INFORMATION

(unaudited)

(millions of dollars, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1992 (1)					
Net sales	**$ 379.0**	**$ 414.0**	**$ 438.1**	**$ 443.8**	**$ 1,674.9**
Operating loss from continuing operations	**(39.2)**	**(35.9)**	**(31.7)**	**(41.4)**	**(148.2)**
Unusual items	—	**(0.8)**	**(60.4)**	**(5.7)**	**(66.9)**
Loss from continuing operations	**(37.9)**	**(37.5)**	**(73.3)**	**(51.2)**	**(199.9)**
Earnings (loss) from discontinued operations	**(3.7)**	**(3.8)**	**4.6**	**(16.5)**	**(19.4)**
Loss	**(41.6)**	**(41.3)**	**(68.7)**	**(67.7)**	**(219.3)**
Per common share:					
Loss from continuing operations	**$ (0.56)**	**$ (0.55)**	**$ (1.06)**	**$ (0.74)**	**$ (2.91)**
Loss	**(0.61)**	**(0.60)**	**(1.00)**	**(0.98)**	**(3.19)**
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	**$ 16.63**	**$ 16.50**	**$ 16.13**	**$ 14.63**	
Low	**13.88**	**14.38**	**14.25**	**13.13**	
New York Stock Exchange (U.S. Dollars)					
High	**13.88**	**13.75**	**13.50**	**11.50**	
Low	**12.13**	**12.00**	**11.50**	**10.38**	
1991					
Net sales	$ 433.1	$ 432.7	$ 409.1	$ 379.9	$ 1,654.8
Operating profit (loss) from continuing operations	(1.5)	13.2	(5.4)	(30.3)	(24.0)
Unusual items	—	(20.0)	—	(19.5)	(39.5)
Loss from continuing operations	(0.2)	(2.7)	(13.4)	(41.4)	(57.7)
Loss from discontinued operations	(5.3)	(3.0)	(3.2)	(6.7)	(18.2)
Loss	(5.5)	(5.7)	(16.6)	(48.1)	(75.9)
Per common share:					
Loss from continuing operations	$ (0.01)	$ (0.04)	$ (0.20)	$ (0.61)	$ (0.86)
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	

(1) 1992 1st and 2nd Quarter Figures have been restated as explained in Note 2 of the notes to the Consolidated Financial Statements.

DIRECTORS

Robert J. Butler
(Age 70) (3,4)
Director
Toronto, Ontario

Marshall A. Cohen, Q.C.
(Age 57) (4)
President and Chief Executive Officer
The Molson Companies Limited
Toronto, Ontario

Lionel G. Dodd
(Age 53) (2,5)
Chief Operating Officer
O&Y Enterprises Inc.
Toronto, Ontario

Stanley H. Hartt, Q.C.
(Age 55) (1,4)
Chairman, President and Chief Executive Officer
Camdev Corporation
Toronto, Ontario

H. Earl Joudrie
(Age 58) (1,3)
Chairman of the Board
Algoma Steel Inc.
Toronto, Ontario

Bernd K. Koken
(Age 66) (1,4,5)
Chairman of the Board
Abitibi-Price Inc.
Osprey, Florida

C. Edward Medland
(Age 64) (2,3,5)
Directot
Toronto, Ontario

Allan H. Michell
(Age 62) (2,4)
Director
Montreal, Quebec

Ronald Y. Oberlander
(Age 51) (1)
President and Chief Executive Officer
Abitibi-Price Inc.
Toronto, Ontario

Francis J. Ryan, Q.C.
(Age 66) (4)
Partner
Stewart McKelvey Stirling Scales
St. John's, Newfoundland

John A. Tory, Q.C.
(Age 62) (1,3,5)
Deputy Chairman
The Thomson Corporation
Toronto, Ontario

Paul-Gaston Tremblay
(Age 64) (2,4)
Presidenr
Primo-Gestion Inc.
Chicoutimi, Quebec

David A. Ward, Q.C.
(Age 61) (2)
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.

MANAGEMENT AND OFFICERS*

Chairman of the Board
Bernd K. Koken*

President and Chief Executive Officer
Ronald Y. Oberlander*

Executive Vice-President
J. Kenneth Stevens*

Senior Vice-Presidents

George R. Arellano*
Commercial Business

Marcel C. Beaudoin*
Commercial Business

Jean-Claude Casavant*
Organizational Leadership and Innovation

T. Maitland Devine*
Publishers Business

David L. Loretto*
International Business

C. Donald Martin*
Publishers Business

Eileen A. Mercier*
Chief Financial Officer

Vice-Presidents

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Corporate Communication

Richard W. Detrick
Marketing Development and Technology

Fernand H. Duquette*
Engineering and Environment

James A. Hone*
Financial Services
Commercial Business

William H. Sheffield*
General Manager
Iroquois Falls Division

John Weaver*
Chairman, Business Support Board

Victor A. Wells*
Controller

Phil Whiting
Executive Scientist

Brian J. Young
Environmental Affairs

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Senior Vice-Presidents and General Managers

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C. Donald Martin

Administration

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Vice-President Human Resources
Toronto, ON

D.G. Curry
Vice-President Financial Services
Toronto, ON

F.H. Duquette
Vice-President Engineering & Environment
Toronto, ON

F.J. Graves
Vice-President & General Manager
Lumber & Pulp Sales
Montreal, PQ

C.J. Keeler
Vice-President Marketing
New York, NY/Toronto, ON

Operations

R.D. Chown
Director, Lakehead Woodlands Division
Thunder Bay, ON

L. Gauthier
General Manager, Gaspésia Pulp and Paper Company
Chandler, PQ

F.J. Pitre
Mill Manager, Pine Falls Division
Pine Falls, MB

W.H. Sheffield
Vice-President & General Manager
Iroquois Falls Division
Iroquois Falls, ON

B. Stevenson
General Manager, Fort William Division
Thunder Bay, ON

T. Thorsteinson
Mill Manager, Alabama River Newsprint Company
Claiborne, AL

J. Weaver
General Manager
Augusta Newsprint Company
Augusta, GA

Marketing

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Vice-President Regional Manager
Toronto, ON

R.T. Dorris
Vice-President Regional Manager
Atlanta, GA

J.B. O'Brien
Vice-President Regional Manager
Dallas, TX

R.W. Ritter
Vice-President Regional Manager
Rosemont, IL

COMMERCIAL BUSINESS

Senior Vice-Presidents and General Managers

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Marcel C. Beaudoin

Administration

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Marketing Director
New York, NY

D. Dunn
Manager, Logistics
Toronto, ON

G. Guérin
General Manager, Organizational Development, Leadership and Innovation
Québec, PQ

M. Giroux
Vice-President, Operations Development
Jonquière, PQ

B. Graham
Vice-President Operations
New York, NY

R. Haché
Vice-President
Commercial Markets and General Manager, Administration, Environment and Public Relations
Québec, PQ

J.A. Hone
Vice-President and Financial Services Officer
Québec, PQ

F. Nadeau
General Manager, Hydro Electric
Jonquière, PQ

Operations

A. Grandmont
General Mill Manager, Alma Division
Alma, PQ

M. Lessard
Woodlands Manager, Saguenay – Lac-Saint-Jean
Chicoutimi, PQ

J.-Y. Potvin
General Mill Manager, Beaupré Division
Beaupré, PQ

A. Vatcher
Vice-President and General Mill Manager, Kénogami Division
Jonquière, PQ

Marketing

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Vice-President, Western Region
Rosemont, IL

R. Rehel
Regional Manager, Canadian Region
Don Mills, ON

J.R. Tesone
Vice-President, Eastern Region
New York, NY

C.F. Wilson
Vice-Presidenr Sales
Rosemont, IL

INTERNATIONAL BUSINESS

Senior Vice-President and General Manager

David L. Loretto

Administration

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Director Marketing
New York, NY

J.-M.Goldstein
Director Customer Satisfaction
New York, NY

A. Nordin
Vice-President Financial Services
New York, NY

J.S. Prochilo
Director Logistics
New York, NY

M. Mayhew
Vice-President
Organization Development
New York, NY

Operations

R.A. Collez
Resident General Manager, Grand Falls Division
Grand Falls-Windsor, NF

G.C. Oldford
Manager, Newfoundland Fibre Resources
Grand Falls-Windsor, NF

J. Verhoeven
Mill Manager, Stephenville Division
Stephenville, NF

Marketing

C.P. Harvey
Managing Director
London, England

D.J. Moday
Vice-President Region III
New York, NY

P. Planet
Vice-President Sales
New York, NY

J. Santelli
Senior Vice-President
International Sales
New York, NY

OTHER BUSINESS

Converted Products Division

J.K. Stevens
Executive Vice-President

R. MacDonald
President
Hilroy

B. Rhéaume
Acting General Manager
Price Wilson

Office Products Division

B.J. McGroarty
President
Azerty, Azerty (Canada), Compu-Redi and Eurozerty

Annual Meeting
The annual and special meeting of shareholders of Abitibi-Price Inc. will be held at the King Edward Hotel, Mezzanine Level, Vanity Fair Ballroom, 37 King Street East, Toronto, Ontario, Canada on Monday, April 19, 1993 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 rhe New York Stock Exchange under the symbol ABY.

Annual Information Form
A copy of the company's Annual Information Form (AIF) as filed with securiries regularors in Canada and the United States is available at no cost from rhe following address:

Communication and Public Affairs
Abitibi-Price Inc.
207 Queen's Quay West, Suite 680
Toronro, Ontario
Canada M5J 2P5

Telephone (416) 369-6700

Under the Multi-Jurisdictional Disclosure System (MJDS) introduced in 1991, rhe company's AIF is accepted by the Securities and Exchange Commission (SEC) as a substitute filing for the Form 10-K.

Similarly, the company will file its interim quarterly reports, instead of Forms 10-Q, with 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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– Studio: Didier Dorval

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