ABITIBI-PRICE

ON COURSE

Continuing the vision

to become the world's finest manufacturer

and marketer of groundwood papers.

1993 ANNUAL REPORT

ABITIBI-PRICE

Vision

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

Philosophy

WE RECOGNIZE THAT, FOR OUR COMPANY TO SURVIVE AND PROSPER, WE MUST ACCEPT AND BALANCE OUR RESPONSIBILITIES TOWARDS THE VARIED INTERESTS AND CONCERNS OF OUR SHAREHOLDERS, OUR CUSTOMERS, OUR EMPLOYEES AND SOCIETY.

Values

SETTING A NEW COURSE FOR ABITIBI-PRICE HAS REQUIRED SWEEPING AND FUNDAMENTAL CHANGES. AS OUR CORPORATE STRUCTURE HAS BEEN RESHAPED BY DIVESTITURES AND REORGANIZATION, OUR CORPORATE CULTURE HAS BEEN RESHAPED BY OUR FIVE CORE VALUES:

CONTINUOUS LEARNING keeping pace with change by constantly upgrading our knowledge and skills to meet the challenges;

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;

BUSINESS-LIKE THINKING examining every issue and every task in terms of its impact on the company;

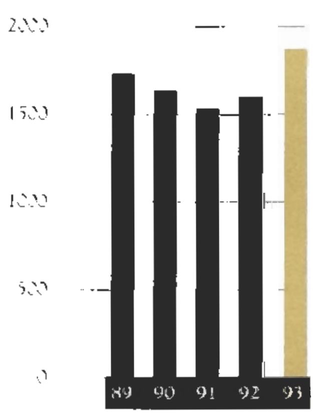
WISE SPENDING looking for the optimum benefit of all expenditures – of time, energies, resources and money.

On peut obtenir le présent rapport en français sur demande.

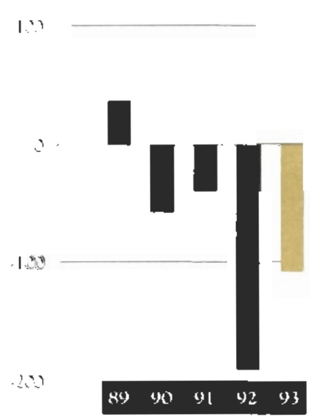
Financial Highlights

(millions of dollars)	1993	1992
Net sales	$ 1,869	$ 1,601
Operating loss from continuing operations	(40)	(138)
Loss for the year	(122)	(219)
Capital expenditures	39	21
Working capital	146	45
Common shareholders' equity	713	745
Per common share		
Net loss	(1.71)	(3.19)
Dividends declared	0.125	0.50
Dividends paid	0.25	0.50
Common shareholders' equity	9.92	10.75

Net Sales
(millions of dollars)

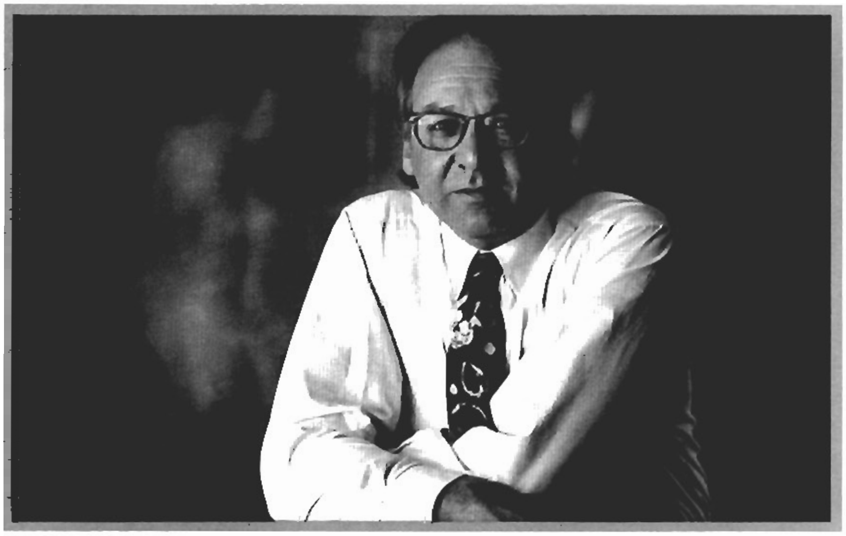


Earnings (Loss) From Continuing Operations
(millions of dollars)



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

"We picked up momentum in 1993 – cutting operating losses by $100 million – as we kept our focus on our vision of becoming the finest."



RONALD Y. OBERLANDER
President and Chief Executive Officer

A DRAMATIC IMPROVEMENT IN OUR OPERATING RESULTS FOR 1993 WAS NOT ENOUGH TO PUT US BACK INTO THE BLACK, BUT WE ARE CERTAINLY ON COURSE. WITH SOME POSITIVE TRENDS AT LAST IN OUR MARKETPLACE – AND WITH THE IMPROVEMENTS WE HAVE BEEN MAKING INTERNALLY – THE FUTURE LOOKS BRIGHTER THAN AT ANY TIME SINCE I BECAME PRESIDENT IN 1990.

That doesn't mean we're satisfied – far from it. We don't enjoy losing money, and everybody at Abitibi-Price is as eager as our shareholders for our Company to be profitable again. So we will hold our course – and accelerate.

Understanding the dynamics of the marketplace

About half of the improvement in our operating results in 1993 was due to factors for which we can claim absolutely no credit – the external factors of exchange rates and economic growth.

As exporters, we are greatly affected by exchange rates – particularly the rates between Canada and the United States – which had a negative impact on our earnings over the past several years. But in 1993, the rate movement finally worked in our favour – contributing about $35 million to the improvement in our results from operations.

Favourable exchange rates delivered an immediate benefit in 1993; momentum in the underlying economy should deliver increasing benefits over the next few years.

Economic recovery in North America in the past two years by-passed our industry to a large degree because of low levels of consumer confidence which depressed consumer spending – reducing media advertising which in turn reduced the number of pages in newspapers.

Evidence that the consumer is now playing a role in the recovery appeared in the last quarter of 1993, when we saw three successive months of rising consumption of newsprint. At the same time, as demand is picking up, the oversupply conditions we have faced are improving. In North America, excess capacity in newsprint fell by close to 50% in 1993 to 500,000 tonnes – with further improvements expected in 1994. We believe these highly positive trends will translate into steady and sustainable pricing improvements.

The demographics of newspaper readership are changing, but it is still uncertain what impact the electronic media will have on newsprint consumption in the long term. However, over the next few years, we expect to see consumption in North America grow in concert with general economic growth. And other global markets should grow much more rapidly – particularly Central and South America, the Pacific Rim, and Eastern Europe. Our challenge at Abitibi-Price is to understand these market dynamics – and to plan for the long term accordingly.

Focusing on internal improvements

To take full advantage of the external forces shaping our markets, we have to get even better at what we do – and quickly. That's why we've been working hard to become the finest. And in 1993 we made considerable progress in three critical areas: decentralizing, cutting costs, and marketing.

In the third quarter, we built momentum by creating a more effective, responsive and focused organization – a major step forward in our decentralization program. We eliminated $20 million of corporate overhead – on a permanent annual basis – and redesignated each of our mills as a distinct business unit. Day-to-day operating decisions are now made at the mill business unit level – and the management team of each business unit is responsible and accountable for sales, human resources and cash and expense management, as well as manufacturing operations.

A key benefit of decentralization is moving closer to our customers. We have placed operational decision making and accountability, as well as the responsibility for selling and manufacturing, where it counts – *in the mills that serve our customers.* Each of these mills now operates as an individual business – and this should add considerable depth and strength to the overall management of Abitibi-Price.

This approach, which is uncommon in our industry, places a far greater level of responsibility on the shoulders of our mill business unit leaders – and their ability to deliver will be the key to the success of each of our mills.

This important step forward – which resulred from the efforts and consultation of a broadly based team of employees from all levels of the Company – clearly demonstrates all our values in action.... velocity, flexibility, continuous learning, wise spending and businesslike thinking.

Our corporare activities at home base in Toronto are now more focused – on broad policies for strategic planning and direction, financing, environmental management, communications and marketing.

Cost reduction and productivity programs have been in place at all our mills since 1990 – and in the past year cost reductions and efficiency gains at our mills contributed about 28% of the improvemenr in newsprinr and groundwood papers operating results.

Excluding the impact of exchange rates, the

Alma Business Unit
Alma, Quebec

BREEN BLAINE
left
JEAN-MARC SIMARD
right

> "By decentralizing and creating mill business units in 1993, we cut corporate overhead, moved closer to our customers and put decision making – and responsibility – where it counts."

Joe Tesone
left
Alain Grandmont
right

Kénogami Business Unit
Jonquière, Quebec

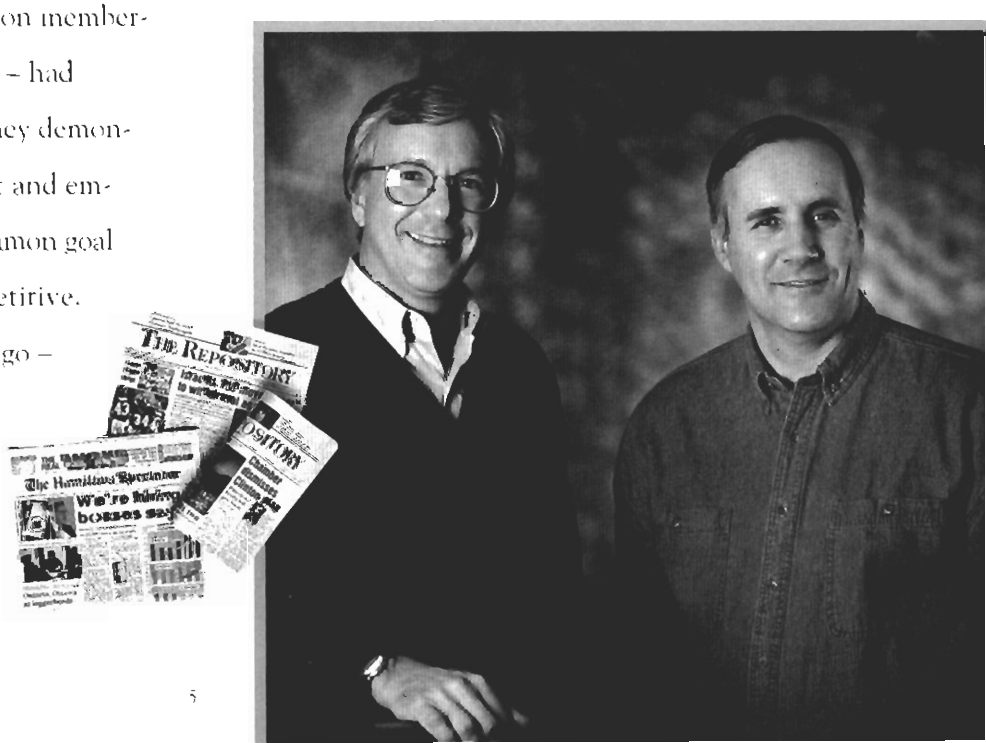
average cost per tonne declined by $17 at our newsprint mills, and $20 at our groundwood operations – thanks to a host of large and small value creation initiatives at all our mills, and to more effective supply management.

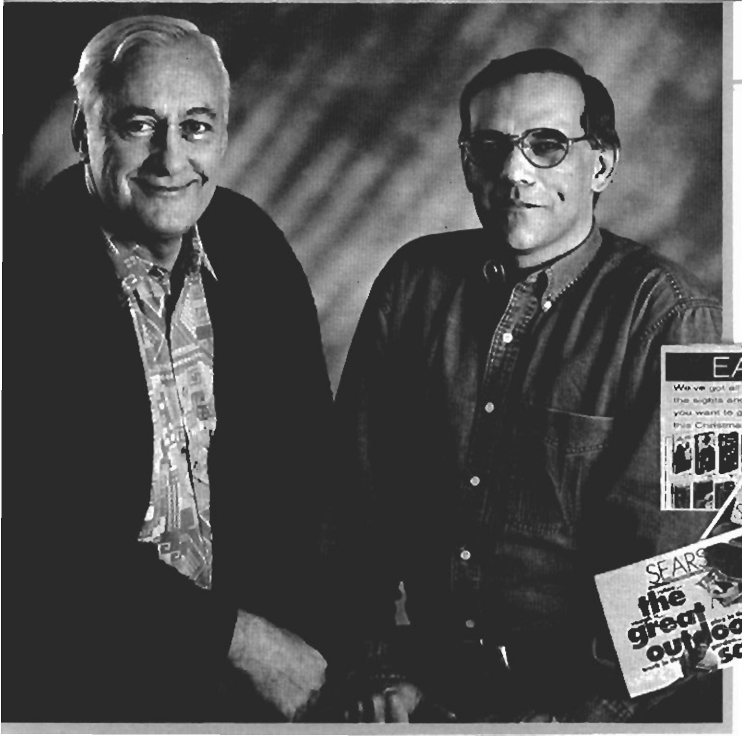
We gained momentum in developing a more competitive cost structure with new labour agreements forged with our major unions – groundbreaking five-year contracts, containing labour costs for the next three years. These agreements – which were ratified overwhelmingly by the union membership and set the pattern for our industry – had implications far beyond cost savings. They demonstrated the commitment of management and employees to work together towards the common goal to succeed and be internationally competitive.

We still have a good deal further to go – our total cost of production in 1993 still exceeded selling prices, and several of our mills do not yet rank among the lowest-cost producers in

Iroquois Falls Business Unit
Iroquois Falls, Ontario

Joe Robb **Bill Sheffield**





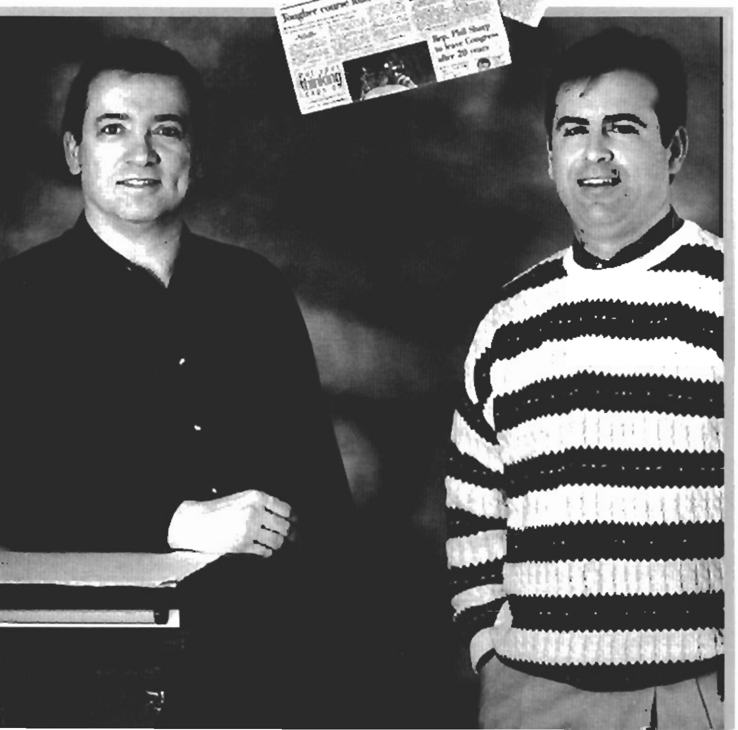
MARCEL BEAUDOIN

LUC RANGER

Beaupré Business Unit
Beaupré, Quebec

Fort William Business Unit
Thunder Bay, Ontario

BRIAN STEVENSON
left
JON MELKERSON
right



North America – partly because our competitors have been reducing their costs as well. The Canadian pulp and paper industry has become far more productive and has regained its competitive edge in the past few years.

That's why we must gain further momentum in 1994. Each mill business unit has plans in place to accelerate cost reduction programs, and to manage cash more effectively in an oversupplied market: downtime decisions will become cash decisions.

We will also begin to see the impact of our new consistency program which we launched in 1993 at Augusta, Stephenville and Fort William – and which is being phased in to our other mills this year and next. This program is based on sustaining the performance of a given mill's best three months over the entire year – by identifying and eliminating the reasons for process, product and cost variances. We believe this consistency program will yield further annual savings of $5 million by the end of 1994 – and expect at least $25 million more over the next few years.

In a year of improvement for our mill business units, greater involvement by everyone in the safety committees and their programs has resulted in fewer mistakes and fewer accidents – in short, a stronger safety record. With no lost-time accidents, Stephenville led the way with industry recognition as the safest mill in Canada. Health and safety will remain high on our agenda, because every injury serves as a reminder that we have failed our ultimate objecrive – an accident-free environment.

Our internal improvements are a direct result of our employees' dedication to getting better at what we do and to do more with less. Their contriburion is fully acknowledged and allows us to look back on a difficult year as a success in many ways.

BOOSTI .

In our competitive marketplace, major cusromers use several paper suppliers. As demand falls, the customer's number one supplier clearly has the best chance of retaining the most business. In 1991, we were ranked #1 by fewer than half of our cusromers – and we launched a customer satisfaction and visitation program, and established programs to respond to customer needs in terms of quality and consistency of our products. Although our #1 ranking climbed to 57% of customers in 1992, we didn't achieve that same level across all of our mills in 1993 – even more incenrive to increase our efforts.

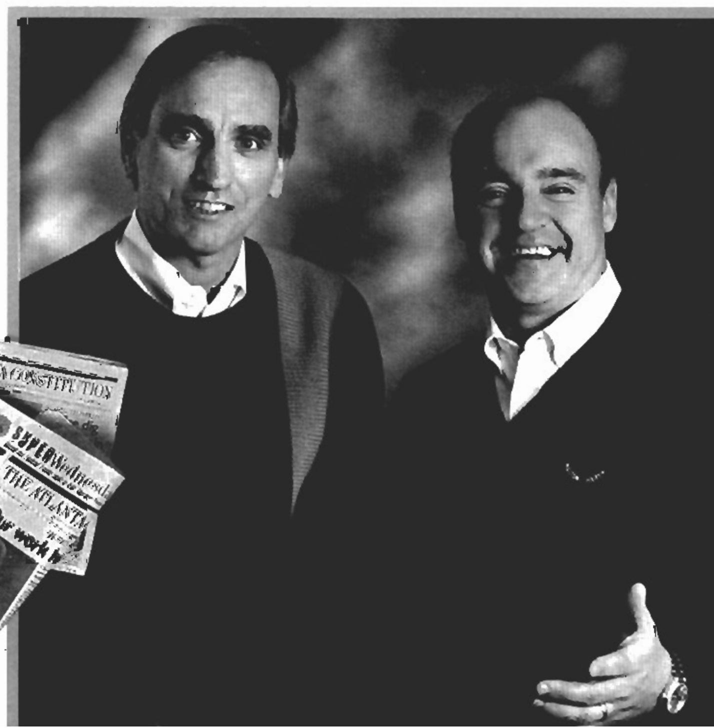
"For several years we have had our sights set on becoming a low-cost producer, as the key to being competitive in a global marketplace."

Our focus is not just on our existing customers, but on developing new markers – to help offser the impact of shifting consumprion parterns. This proved highly effective in 1993 when our European markets were hurt by recession, new capacity, and currency devaluations which affected our return. Our international sales fotce expanded our markets in Asia and Central and South America – markets where consumption is expected to grow significantly over the next decade. We are committed to penetrating these markets further.

Another pattern that is changing is consumption of recycled paper: many customers have shifted their demand from virgin newsprint and groundwood to recycled products. To keep pace with this demand, we

Augusta Newsprint Company
Augusta, Georgia

DICK DORRIS BOB COLLEZ



boosted recycled content at seven of our ten mills in 1993 – and we have managed this increase very cost-effectively. Over 50% of our tonnage now has recycled content – and we plan to shift more capacity to production of recycled products at our mills over the next two years.

Last year, we dedicated two of our older newsprint machines at Iroquois Falls to specialty production, including non-printing grades. These machines were no longer competitive in newsprint production and the pressure is on to make them more profitable. We are looking for that success in value-added specialty products, where we have an opportunity to improve margins and open up new markets for the Company.

"Being a low-cost producer is one dimension of outperforming the competition and delivering superior returns. Effective marketing and selling – based on superior service and customer satisfaction – is another."

Alabama River Newsprint Company
Claiborne, Alabama

THOR THORSTEINSON JIM O'BRIEN

Moving forward as a widely-held company

In February, we became a widely-held company – without a controlling shareholder for the first time since 1980. As a closely-held company, we were fortunate in that our controlling shareholders and their lenders who had interests in our shares were positive influences – supportive of management and taking the interests of the Company and of minority shareholders very seriously. But we are very pleased with this new development, because it indicates the confidence of investors in our future. And with a much larger float for our shares – that is, more shares being actively traded – we now have improved access to capital markets, and greater financial flexibility.

At the same time, we understand that we will face new challenges. Our new status as a widely-held company means that management of Abitibi-Price has more people to answer to. It means we must be very clear about our objectives, and fully accountable in delivering on our goal of building shareholder value.

As we move ahead, a substantially new Board of Directors is at the helm. In the past year, we saw the departure from the board of Robert Butler, Marshall Cohen, Lionel Dodd, Francis Ryan and Paul-Gaston Tremblay – all of whom made important contributions to our Company through difficult times. Early in 1994, we were joined by two new directors who bring considerable experience and valuable perspective to our Board: Lise Lachapelle, who leads a public policy and trade policy consulting firm, and Henry Nowak, a former member of the United States House of Representatives.

JACK VERHOEVEN DAVE KERR PAUL PLANET

International Business Unit
Grand Falls and Stephenville, Newfoundland

Building momentum with our priorities for 1994

We are already seeing solid improvements in our major markets this year; consumption growth and a better supply/demand balance will lead to sustainable price increases, with an immediate impact on our bottom line. But we are not relying on external growth, and we aim to build momentum in our internal improvements. To this end we have established our priorities for 1994:

- Acc Successful cost reduction programs of 1993 have pointed the way to further savings and productivity improvements, which will more than offset rising input costs.
- C We will phase our consistency program through three more mills in 1994, with

Pine Falls Business Unit
Pine Falls, Manitoba

FERN PITRE BOB RITTER

a view to discovering the most efficient way to do certain tasks, learning how to replicate these tasks on an ongoing basis – and passing on this knowledge to all our mill business units.

In our Environmental Review – published separately this year – we discuss our substantial accomplishments to date and our plans for meeting the challenges surrounding new and higher standards for environmental compliance.

Three successful financings in 1993 increased our flexibility at the corporate level – as did our decision last June to conserve cash and maintain a strong balance sheet by suspending the quarterly dividend; our focus in 1994 is to boost financial skills at the mill business units.

"As we announced last year, our goal is to be the finest in our industry by the end of 1995. We are feeling the pressure of that deadline – but we know of no other way to go than to place excessive demands on ourselves."

Decentralization places the onus on the mill business units to work together and network effectively – to achieve group purchasing power, improve supply management, and share resources, technology and ideas.

Each mill must find more effective ways to serve customers better – to achieve the highest levels of customer satisfaction at the lowest possible cost.

We will keep our values front and centre – making them more evident in everything we do – as they provide a constant focus in our rapidly changing business.

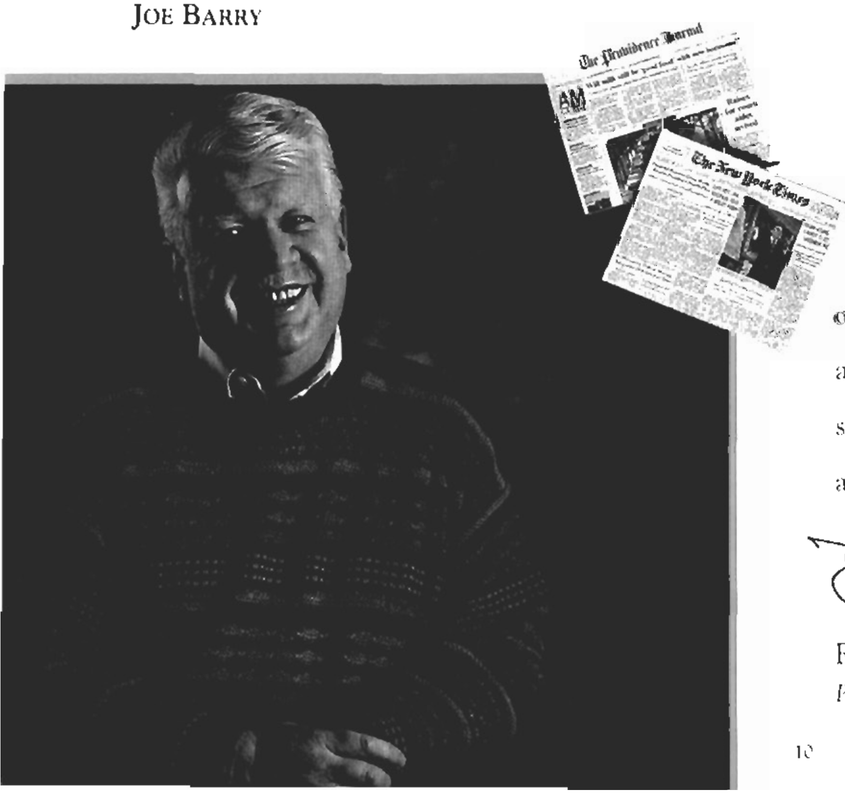
We have been putting ourselves on the line by setting out our vision, our values, our priorities and our goals – because these have become yardsticks against which our performance can and will be measured. We expect our new shareholders to hold us fully accountable. And we are determined to measure up.

RONALD Y. OBERLANDER
President and Chief Executive Officer

February 28th, 1994

Gaspesia Pulp & Paper Company
Chandler, Quebec

JOE BARRY



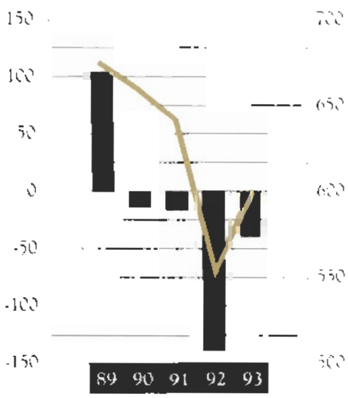
Mill Business Units	1994 Capacity (000s tonnes)	Number of Machines	1993 Cost Improvement ($/tonne)	1993 Efficiency Improvement (%)	General Notes
Alabama River Newsprint Claiborne, Alabama	240	1	3*	2.4	Joint venture with Parsons & Whittemore, Incorporated (50%); recycled content over 20%
Alma					Standard newsprint; directory and catalogue papers with recycled content
– newsprint	136	1	20	3.8	
– uncoated groundwood	111	2	28	6.8	
Alma, Quebec					
Augusta Newsprint Company Augusta, Georgia	382	2	10*	0.3	Joint venture with The Thomson Corporation (50%); recycling at 40%
Beaupré Beaupré, Quebec	156	2	38	7.3	Forms, cold and heatset offsets for publishers, retailers and printers
Fort William Thunder Bay, Ontario	147	1	20	4.8	Standard newsprint with recycled content
Gaspesia Pulp and Paper Company Chandler, Quebec	260	2	13	2.8	Joint venture with The New York Times Company (49%); standard newsprint for domestic and offshore customers
International					Standard, specialty and coloured newsprint for offshore markets
Grand Falls and	210	2	33	2.6	
Stephenville, Newfoundland	182	1	18	2.1	
Iroquois Falls Iroquois Falls, Ontario	312	3	42	4.3	Standard newsprint and specialty papers, including non-printing grades
Kénogami Jonquière, Quebec	217	4	3	(0.3)	Supercalendered and soft-nip papers for offset and rotogravure printing
Pine Falls Pine Falls, Manitoba	171	2	—	1.8	Standard newsprint with some recycled content; management group seeking buyout of operation

* The cost improvement at these two mills is expressed in United States dollars.

Overview

1993 was a year of significant change for Abitibi-Price. The net loss attributable to common shares of $123.1 million was nearly $100.0 million better than the 1992 number of $220.9 million. The operating loss from continuing operations was $39.8 million, and again, nearly $100.0 million less than last year's $138.1 million. The Company's strategy is to continue lowering its cost base and every facet of the operation is being reviewed to exploit operating improvements.

OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS *(millions of dollars)*



AVERAGE NEWSPRINT TRANSACTION PRICES — ALL MARKETS *(Canadian $/tonne)*

■ Operating Profit (Loss) from Continuing Operations
■ Average Newsprint Transaction Prices — All Markets

The capital structure of the Company was strengthened through the infusion of $507 million in new cash through the issuance of $97.6 million in treasury shares, $150.0 million in convertible debentures and U.S.$200.0 million in long-term debt, net of debt issue costs. The Company's net debt to net debt and equity ratio stood at .18:1 on December 31, 1993 as compared to .26:1 at the end of the previous year.

Continuing Operations

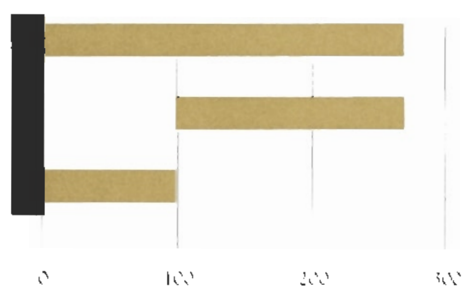
The Company's operating loss of $39.8 million was significantly lower than last year's loss of $138.1 million. This improvement was attributable mainly to more favourable exchange rates, lower manufacturing and distribution costs, and higher sales volume and average selling prices. Approximately 95% of the improvement was realized in the core paper segment.

Total sales were $1,869.0 million in 1993, an increase of 16.8% from $1,600.8 million in 1992. Newsprint and groundwood sales were 11.6% above 1992 levels due to improvement in foreign exchange rates together with higher volumes. Office products sales increased 28.0% as a result of higher volumes, and other sales realized a 33.3% improvement compared to 1992 as a result of higher brokerage revenue from the strong demand for lumber and panel board products.

Newsprint and groundwood paper production efficiencies improved during 1993, adding 78,000 tonnes of capacity. These efficiencies contributed $26.0 million in lower manufacturing costs.

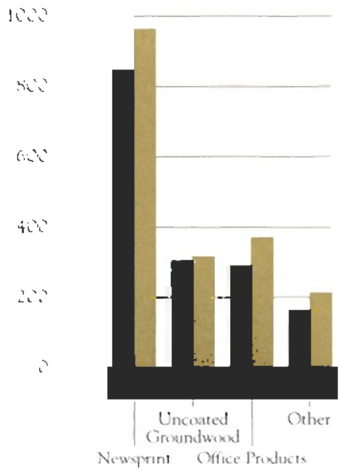
REDUCTION OF OPERATING LOSS FROM CONTINUING OPERATIONS *(millions of dollars)*

	1993	1992	VARIANCE
Net Sales	1869.0	1600.8	268.2
Cost of Sales + Selling & Administrative Expenses + Depreciation & Depletion	1908.8	1738.9	(169.9)
Operating Loss from Continuing Operations	(39.8)	(138.1)	98.3



Net Sales By Business
(millions of dollars)

1992
1993



Newsprint & Groundwood Printing Papers

North American Newsprint Market

The major market for the Company's paper products is the United States. During 1993 approximately 66% of the Company's production was sold in this market. Newsprint consumption in the United States increased by less than 1% during 1993 compared to 1992.

The competitiveness of the market was reflected in the Company's loss of North American market share from 1992's 11.1% to 10.6% in 1993. Offshore market share rose however from 2.0% in 1992 to 2.3% in 1993.

Although Company selling prices in United States dollars remained under pressure through the end of the year, they were on average $9.80 per tonne or 2.1% higher in 1993 than in the previous year. Prices for newsprint in United States dollars ended the year only slightly above those at the 1992 year end, and fourth quarter 1993 selling prices were 2.5% below third quarter prices.

A stronger United States economy, fuelled by improved consumer spending and a revival in the housing and auto sectors caused higher customer demand for newsprint in early 1993. The resulting increase in demand led to some improvement in selling prices as Company discounts were lowered by as much as 7% during the first quarter. Demand was also heightened by concerns over supply disruptions as labour negotiations were underway in eastern Canada during the second quarter. This caused some customers to build inventories during the first half of the year.

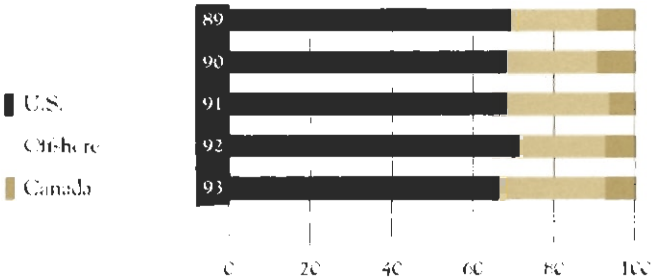
Demand for newsprint began to fall in the second half of the year and the effect was compounded by customers liquidating their unusually high inventories. To balance its newsprint supply with demand, the Company took 123,000 tonnes of downtime during 1993. The net result was a significant offset of the benefits of the previous discount reduction.

But by the end of the fourth quarter there were positive indicators of lower apparent customer inventory levels, an improving economy in the United States, higher newsprint consumption and increased advertising lineage. The Company announced a further reduction in the discount effective March 1, 1994. The Company believes this revenue improvement, along with the continued focus on cost reductions and asset realignment should position us for better operating results in this segment in 1994.

Since a large portion of the newsprint shipped outside of North America is sold in local currency, any devaluation of that currency has the effect of lowering the selling price in Canadian dollars. 1993 proved to be a difficult year in some offshore markets. In Europe, the market suffered from currency devaluations, flat newsprint consumption and excess supply causing a higher operating loss.

In recognition of a less profitable European market and the soft demand in North America, the Company shifted volume to Asian and Latin

NEWSPRINT NET SALES BY MARKET
(percentage)



American markets where consumption remained strong and Company selling prices are based on the United States dollar.

Groundwood Printing Papers Market

The Company maintained its 12% shate of the North American uncoated groundwood printing paper markets in 1993. This product line includes clay-filled supercalendered papers (SCA), directory papers, forms, and machine-finished grades (MF) for heatset and rotogravure – mostly for commercial printers who produce quality advertising inserts, flyers, catalogues, magazines and telephone books.

The Company markets virtually all of its groundwood printing papers in North America with about 82% sold in the United States. Sales volumes were up 3.6% in 1993 compared to 1992. The Company's United States dollar price per tonne however, declined on average by over 4.5% as a result of overcapacity and price weakness in competing grades such as newsprint and light-weight coated paper grades (LWC). Aided by a weaker Canadian dollar, sales revenue in Canadian dollars increased 4.3%.

Commercial printing market demand growth varied among the different end uses and grades during 1993. SCA growth continued to be high while directory, MF grades, and forms were stable. North American overcapacity in all but SCA continues and is largely the effect of the industry's conversion of some newsprint machines to grades with a small overall marker.

Total North American demand for SCA increased sharply; the shipments of North American producers increased 5%. Offshore competirors captured the largest share, relying on devalued currency and on inroads made by the SCA-plus grade at the expense of traditional LWC.

Directory paper demand increased in 1993 by a modest 1.4%, while pressure on prices continued. It appears unlikely that directory prices will recover in 1994 because of the long-term nature of direcrory contracts and industry oversupply.

Although MF demand has increased 5% from the 1992 level, rhese grades continue to be substituted by lower cost smooth-news and sofr-nip grades.

Forms prices fell in 1993 because of slow demand growth and depressed uncoated freesheet pricing.

Newsprint and Groundwood Paper Operations

Total newsprint and groundwood paper sales volumes reached 2.3 million tonnes, a 3.3% increase over the 1992 level. This growth was achieved in spite of the production downtime taken during the year. The percentage increase was almost equally

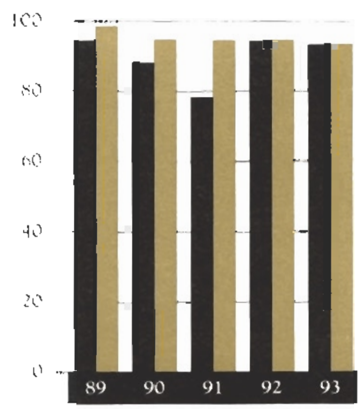
PRIMARY PRODUCTION

(thousands of tonnes)	Newsprint*	Groundwood Papers
Production		
1988	1,900	407
1989	1,791	416
1990	1,723	420
1991	1,613	407
1992	1,777	413
1993	1,856	438
Capacity – 1994	2,040	484

* Newsprint figures include the total production of the joint ventures at Chandler, Quebec, at Augusta, Georgia, at Claiborne, Alabama, and of the Thunder Bay, Ontario, newsprint division, which ceased operation in 1991.

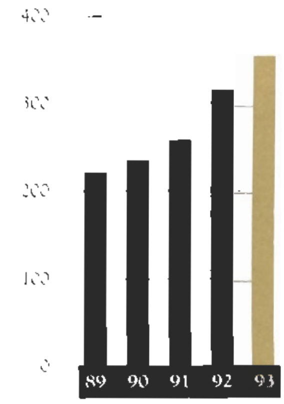
ABITIBI-PRICE

ABITIBI-PRICE OPERATING RATES
(percentage)



NEWSPRINT AND GROUNDWOOD PAPERS PRODUCTIVITY IMPROVEMENT
(tonnes per employee)

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



divided between newsprint and groundwood papers.

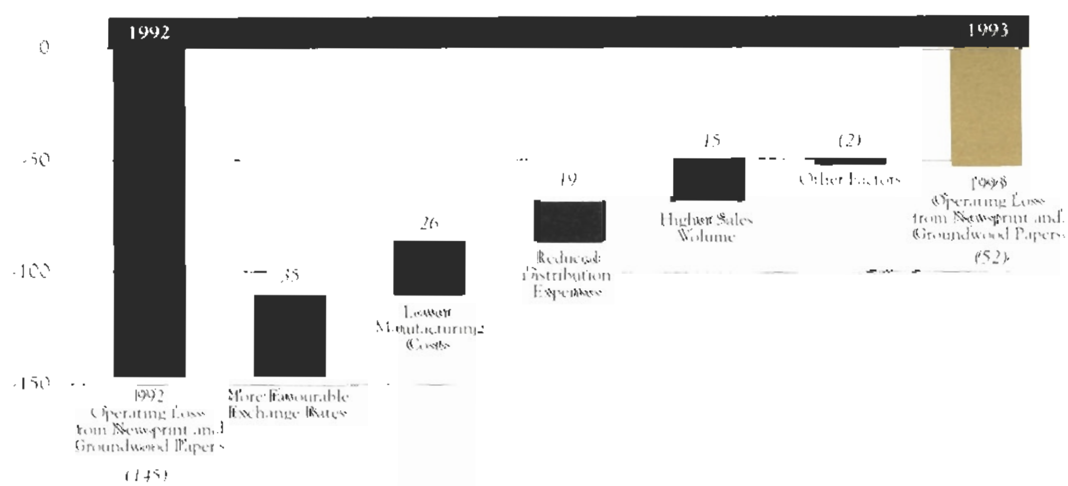
The Company's improved efficiencies contributed 78,000 tonnes of additional capacity in 1993 bringing total capacity of newsprint and groundwood paper to over 2.4 million tonnes. Operating rates, however, were only 94%, compared to 95% in 1992, attributable to the downtime taken during the year.

Although operating losses continue, the $51.6 million operating loss from newsprint and groundwood papers was an improvement of approximately $93 million from 1992. The significant factors contributing to this improvement were favourable foreign exchange rates of $35 million, lower manufacturing costs of $26 million, reduced distribution expenses of $19 million; and higher volume of $15 million.

The relationship between the Company and its unions was strengthened as the parties were successful in reaching settlements without a labour disruption. During 1993, labour negotiations were completed with the Communications, Energy and Paperworkers Union, which represents approximately 3,500 employees at seven of its Canadian mills. Effective May 1, 1993, a five-year contract was ratified providing for no wage increase in the first year, increases of 1% and 1.5% in the second and third years, with wages to be negotiated for the fourth and fifth years.

In addition, the Company signed a separate six-year contract with the Confederation of National Trade Unions (CNTU) local at the Company's mill in Alma, Quebec; it provides for a two-year wage freeze and an increase of 2.5% in the third year. The longer-term nature of the contract with the CNTU

NEWSPRINT AND GROUNDWOOD PAPERS OPERATING IMPROVEMENTS
(millions of dollars)



ABITIBI-PRICE

was a benefit well received by many directory customers who tend to favour similar relationships with their suppliers.

The savings in distribution costs were realized mainly due to a shift in market mix. The Company is working on integrating logistics from order generation through delivery. Continued effort is made to balance increased customer satisfaction with improved distribution costs.

Newsprint Joint Ventures

The Company has interests in three joint ventures: Gaspesia Pulp and Paper Company Ltd. ("Gaspesia") – 51%; Augusta Newsprint Company ("Augusta") – 50%; and Alabama River Newsprint Company and Alabama River Recycling Company ("Alabama") – 50%. The Company manages the mills of these joint ventures and sells the product. The joint ventures all recorded losses during the year. The Company's share of these losses was $37.7 million, down from the 1992 loss of $49.7 million. Major factors contributing to the reduced loss were lower distribution and manufacturing costs.

The Company has initiated a strategic review of its joint venture operations and the arrangements with its partners. The Company has or will soon be initiating discussions with Governments, employees and lenders with the objective of putting certain of these ventures on a more competitive basis under current market conditions. The review is expected to be completed during 1994.

During the year the Company advanced $19.0 million in additional funds to the joint ventures; of which $13.4 million was contributed to Alabama. No dividends or other distributions were paid by any of the joint ventures in 1993.

In 1994, Alabama may not be in compliance with certain debt covenants under certain circumstances. The partners are currenrly negotiating with creditors and investigating alternative sources of financing, the outcome of which is not predictable.

Newsprint and Groundwood Paper Outlook

During the third quarter, the Company announced a further decentralization of its core business activities. Reorganizing its operations into ten semi-autonomous business units is enhancing accountability, customer focus and eliminating a layer in the Company's selling, general and administrative funcrions. This is expected to increase efficiency and, together with a reduction of expenses, is estimated to improve operating results by approximately $20 million per year.

Over the next few years, the Company's objective is to continue to maximize the value of its core businesses through additional operating improvements, increasing the volume of international sales, tightly managing capital expenditures and reducing selling and administrative costs through organizational restructuring. As well, the Company continues to evaluate certain of its mills which may not fit with the Company's long-term product or market strategy based on current market conditions.

Office Products

The Company's office products business is a large specialty wholesaler of information processing supplies with sales in North America and Western Europe. The business serves the information processing, office accessories, peripherals and traditional office markets.

Information processing products consist of magnetic media including tapes, diskettes and optical disks. The Company also offers accessory products such as paper holders, diskette holders, screen cleaners for video display terminals, printer ribbons, toner and related accessories for facsimile machines. Peripheral products include such office basics as facsimile machines, mini copiers, printers and facsimile modems. Traditional office products include pens, pencils, staples, clip boards, paper, dictionaries, etc.

Segment sales rose 28% from $289.6 million in 1992 to $370.8 million in 1993. Significant contributing factors included: continued market share gains in the information processing market; expansion into traditional office products in the United States; developing opportunities in the peripherals market, including the sale of facsimile machines and printers; and a significant broadening of the base in Europe.

The outlook for 1994 is for continued expansion of the North American base and higher sales and profits through the development of new markets in Western Europe and Mexico.

Interest Expense

Interest expense in 1993 reached $40.2 million compared to the $31.9 million in 1992. In 1992 interest expense of $6.9 million was included in the loss from discontinued operations which compares to a much smaller $1.2 million in 1993. Interest expense in 1993 was also higher than last year because United States dollar interest costs were paid on the basis of a weaker Canadian dollar.

Unusual Items

The charge for unusual items in 1993 was $21.6 million compared ro $64.8 million in 1992. The main item in this category in 1993 was a provision for the cost of various restructuring programs, the largest portion of which relates to the decentralization of the core activities of the Company. This should result in a reduction in selling, general and administrative charges in 1994.

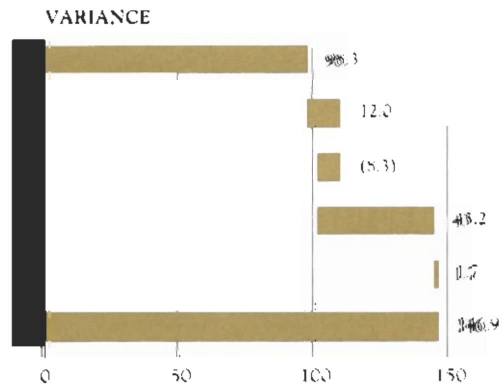
The unusual charge in 1992 related mainly to the write down of the Thunder Bay mill to estimated net realizable value. In 1993 the Company revisited its estimate and took a further charge of $3.7 million related to the permanent closure of this mill.

Other Income and Expense

Other income and expense in 1993 amounted to a charge of $9.5 million compared to a charge of $11.2 million in 1992. The major component of the charge in both years was the foreign exchange loss on working capital of $6.2 million and $10.6 million in 1993 and 1992, respectively. This loss partially offsets the gains realized from the Canadian dollar value of sales in markets in the United States.

Reduction Of Loss From Continuing Operations Before Income Taxes
(millions of dollars)

	1993	1992
Operating Loss from Continuing Operations	(39.8)	(138.1)
Loss from Newsprint Joint Ventures before Income Taxes	(37.7)	(49.7)
Interest Expense	(40.2)	(31.9)
Unusual Items	(21.6)	(64.8)
Other Income and Expense, Net	(9.5)	(11.2)
Loss from Continuing Operations before Income Taxes	(148.8)	(295.7)



Income Taxes

The effective rates of tax recovery were 27.2% in 1993 and 35.2% in 1992. The reduction largely reflects the fact that all available deferred taxes of the Company's operations in the United States have been utilized. As a result, no further tax benefit in respect to losses relating to United States operations has been recorded in the financial statements.

Discontinued Operations

As part of the strategic plan commitment to focus on its core businesses, the Company has decided to dispose of its converting businesses, Price Wilson and Hilroy. A charge to earnings of $10.0 million net of applicable income tax recoveries of $5.6 million was made during the year to reduce the value of these investments to estimated net realizable value. On December 1, 1993, the Company announced its intention to accept an offer from Perkins Paper Ltd. of Montreal to buy the Price Wilson division for approximate consideration of $5.0 million cash and convertible debentures in the aggregate principal amount of $15.0 million. The Company is actively pursuing a buyer for Hilroy.

On May 31, 1993 the Company transferred ownership of its Provincial Papers (coated papers) mill in Thunder Bay, including assets and liabilities, to a new company formed by the employees of the mill. Abitibi-Price provided funding to support operations and for severance payments. The Government of Ontario provided additional funding to the new company through a direct loan and a loan guarantee. During the year a further charge to earnings of $3.1 million net of applicable tax recovery of $1.2 million was recorded to recognize the loss on the sale.

Consistent with the intent to sell non-strategic businesses, the Company sold several businesses over the past two years. Total cash proceeds were $2.4 million in 1993, and $353.0 million in 1992.

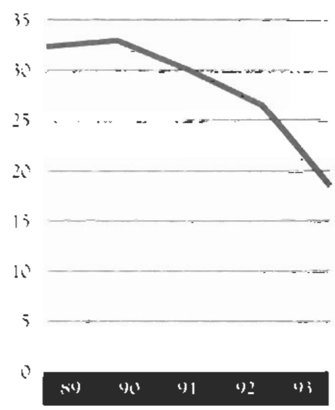
In 1992, the Company sold its Printing Papers and Industrial Products Distribution businesses and its Building Products division. Sale of the Distribution businesses, which distributed printing and business papers, graphic art supplies, stationery products and food-service, retail and industrial packaging products, provided net cash proceeds of $274.0 million and an after-tax gain on sale of $102.6 million. Sale of the Building Products division, which produced hardboard siding, interior panelling, complementary plastic moulding products and millwork products, generated cash of U.S.$79.0 million and the Company assumed a note receivable of U.S.$17.0 million. An after-tax loss of $20.2 million was recorded at the time of sale. Also in 1992, the Company provided for the estimated loss on the sale of its coated paper division of $88.4 million.

Financial Position and Liquidity

Debt Position

The capital structure of the Company improved during the year as the ratio of net debt to net debt and equity was reduced from .26:1 in 1992 to .18:1 in 1993. This improvement relates directly to three major financings during the year.

Net Debt To Net Debt Plus Convertible Debentures And Shareholders' Equity
(percentage)

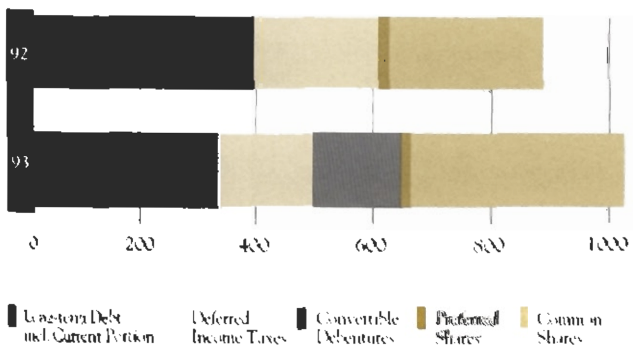


Net debt comprises long-term debt, the current portion of long-term debt and bank indebtedness, less cash and short-term investments.

In March 1993, the Company issued $150 million convertible debentures, the net proceeds of which were used to repay the Company's Series K Debentures and augment working capital. Since it has the option and it is the Company's present intention to repay the convertible debentures with common shares subject to all necessary approvals, these debentures are included with shareholders' equity in the balance sheet.

In September 1993, the Company issued eight million treasury common shares for net proceeds of $97.6 million (after underwriting and other fees),

CAPITAL STRUCTURE *(millions of dollars)*



which were used to replenish working capital and repay short-term debt.

On October 15, 1993 the Company completed a private placement financing in the United States of U.S. $200 million bearing an interest rate of 7.92% payable semi-annually with no mandatory repayment until the fourth year of the twelve-year term. The net proceeds were used to repay the Company's Series L Debentures and to augment working capital.

At December 31, 1993, the Company had committed operating lines of credit with a number of banks in the aggregate amount of approximately $312 million which are renewable at the option of the banks annually. Borrowings under lines of credit, if any, bear interest at prevailing market rates.

Changes in Net Cash

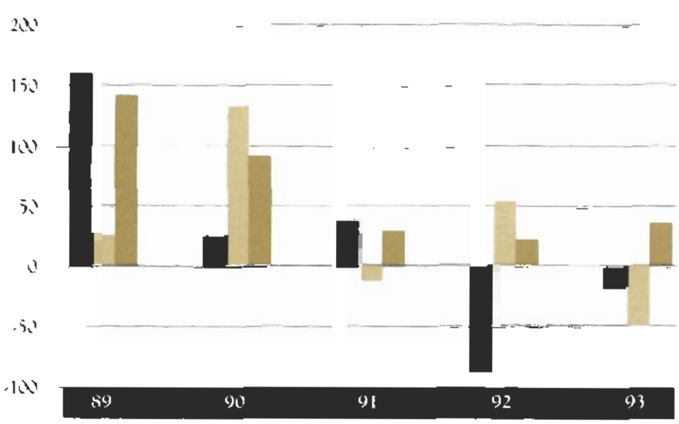
Despite a loss for the year, the Company generated net cash of $18.0 million. This left the Company with a cash balance of $138.0 million at December 31, 1993. During 1992 the $174.9 million of cash generated was mainly from proceeds of sale of discontinued businesses.

Cash Applied to Continuing Businesses

Cash applied to continuing operating activities was $67.1 million, higher than the $27.8 million applied last year. The major change was the increase in working capital in 1993 that was attributable to higher accounts receivable. The Company has a program to sell certain trade accounts receivable with minimal recourse. Total receivables under securitization on

CAPITAL EXPENDITURES AND CASH FROM (APPLIED TO) OPERATING ACTIVITIES
(millions of dollars)

- Cash from (applied to) Operating Activities
- Change in Operating Working Capital from Continuing Operations
- Capital Expenditures



ABITIBI-PRICE

December 31, 1993 was $89.9 million compared to $122.1 million on the same date in 1992.

Inventories were reduced by $6.7 million between the two years and further reductions in inventory levels are anticipated during 1994.

During December 1993, a U.S. $17.0 million note receivable relating to the 1992 sale of Building Products was paid in advance of maturity, further improving the Company's cash position.

Abitibi-Price made capital expenditures of $39.0 million in 1993, compared with $20.5 million in 1992. Most of the money was required to maintain facilities and to increase recycle content in newsprint products. Under today's market and business conditions, the Company is managing capital expenditures tightly to ensure only quick payback and necessary projects are undertaken.

In the first quarter of 1994 the Company is required to make additional pension funding payments of approximately $10.2 million pursuant to regularory requirements.

Cash Applied To Discontinued Businesses

Provincial Papers and the Converting businesses used total cash of $38.2 million. These businesses used $52.4 million of cash in 1992.

Accounts payable and accrued liabilities were reduced to $297.9 million in 1993 from the $331.6 million in 1992 mainly as a result of payments of $36.8 million relating to obligations in connection with discontinued operations.

Dividends

Preferred share dividends were $1.4 million in 1993 compared to $1.6 million in 1992. This reduction was due entirely to the retirement of shares in 1993.

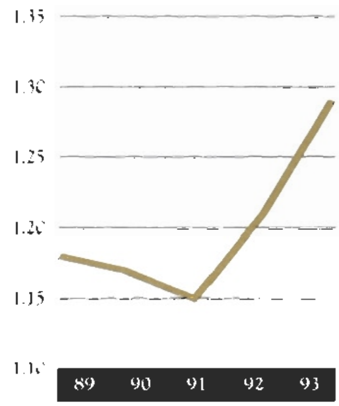
In 1992, the Company paid common share dividends of $34.6 million, or $0.50 per share as compared to $17.3 million or $0.25 per share in 1993. The slower than expected recovery in newsprint demand and the need to spend capital to upgrade its facilities, led the Board of Directors to suspend the quarterly common share dividend in June of 1993. The decision was made to conserve cash, in the best long-term interest of shareholders.

Risks and Opportunities

Foreign Currency and Interest Rate Exposure Management

Because Abitibi-Price sells so much of its product in the United States, changes in the value of the United States dollar against the Canadian dollar

Average Value of U.S. Dollar Expressed In Canadian Dollars
(dollars)



profoundly affect the Company's earnings and cash flow. For every one cent change in the United States dollar, the Company's cash is impacted by approximately $9.0 million. As protection from the negative impact of a decline in the United States dollar, the Company has a series of currency options covering expected sales, net of expenses, for a period of one year in advance.

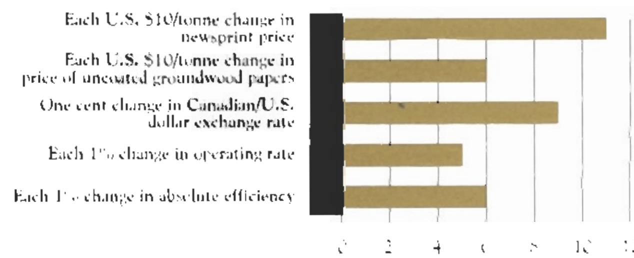
At December 31, 1993, the Company had entered into currency options totalling U.S.$645 million. These options protect the Company against the United States value of the Canadian dollar rising above an average of U.S.$0.78 during 1994. In the event of a weakening Canadian dollar, the Company would be required to buy Canadian dollars at rates which average U.S.$0.73 in 1994. (In 1993, the Canadian dollar averaged U.S.$0.78, down from U.S.$0.83 in 1992).

Environmental Compliance

The Company set up an Environmental Technology department in 1992. Its mandate is to search for and develop the most cost-effective process 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 reduced capital costs. Compliance costs are currently esri-mated at $150 million.

The deadline for compliance under Quebec regulations is October 1, 1995 and under Onrario regulations is December 31, 1995. The compliance deadline under the federal requirements is nego-tiable to a latest date of December 31, 1995. Other than with respect to its Srephenville and Pine Falls mills, the Company has obtained extensions of the date by which the Company must comply with the new federal effluent discharge regulations from the end of 1993 to the end of 1995. The Stephenville mill did not require such an extension since it is already in compliance. The Company believes that a similar extension will be granted with respect to an application regarding the Pine Falls mill. In order to provide an opportunity to implement and assess the effectiveness of newly developed technologies and improve the competitiveness of its mills the Company is seeking a further two year extension (to the end of 1997) for certain of its mills in respect of the compliance deadline.

Cash From Continuing Operations: Sensitivity
(millions of dollars)



Sensitivity to price changes of uncoated groundwood papers is based on an average $10/tonne change for all grades. The sensitivity to changes in operating rates and absolute efficiency do not reflect any resulting changes to supply, which may affect pricing.

Outlook for 1994

Despite the insrallation in Europe and South East Asia of two new newsprint machines in 1993 and three in 1994, worldwide oversupply continues to shrink. As well, there have been no announcements of increases in North American newsprint capacity. In fact, one competitor is converting a 150,000 metric tonne newsprint machine to one which produces coated paper grades, further supporting a tightening of supply.

There continues to be a growing convergence of supply and demand with the growrh in rhe economic recovery in the United States. This should result in improved operating rates and expected strengthening of marker prices.

A 7% discount reduction in the Company's North American newsprint pricing is planned for March 1. Consequently, the Company is estimating stronger operating results in 1994.

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 three 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 11, 1994
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, 1993 and 1992 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, 1993 and 1992 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 11, 1994
Toronto, Ontario

Consolidated Earnings

Year ended December 31 *(millions of Canadian dollars)*	1993	1992
Net sales	$ 1,869.0	$ 1,600.8
Cost of sales	1,727.0	1,556.6
Selling and administrative expenses	99.2	95.2
Depreciation and depletion	82.6	87.1
	1,908.8	1,738.9
Operating loss from continuing operations	(39.8)	(138.1)
Loss from newsprint joint ventures, before income taxes *(note 3)*	(37.7)	(49.7)
Interest expense – long-term *(note 12)*	(38.9)	(28.6)
– short-term	(1.3)	(3.3)
Unusual items *(note 4)*	(21.6)	(64.8)
Other income and expense, net *(note 5)*	(9.5)	(11.2)
Loss from continuing operations before income taxes	(148.8)	(295.7)
Recovery of income taxes *(note 6)*	40.5	104.2
Loss from continuing operations	(108.3)	(191.5)
Discontinued operations *(note 2)* –		
Loss from discontinued operations, net of income tax recoveries of $0.2 and $13.3, respectively	(0.3)	(21.8)
Loss on disposal of discontinued operations, net of income tax recoveries of $6.8 and $28.1, respectively	(13.1)	(6.0)
Loss from discontinued operations	(13.4)	(27.8)
Loss for the year	(121.7)	(219.3)
Provision for dividends on preferred shares	(1.4)	(1.6)
Loss attributable to common shareholders	$ (123.1)	$ (220.9)
Per common share:		
Loss from continuing operations	$ (1.53)	$ (2.79)
Loss	(1.71)	(3.19)
Dividends declared	0.125	0.50
Weighted average number of common shares outstanding *(millions)*	71.8	69.3

Consolidated Retained Earnings

Year ended December 31 *(millions of Canadian dollars)*	1993	1992
Retained earnings at beginning of year	$ 483.1	$ 738.6
Loss for the year	(121.7)	(219.3)
	361.4	519.3
Expenses of common share issue, net of income tax recovery of $1.5	(2.9)	—
Dividends declared		
Preferred shares	(1.4)	(1.6)
Common shares	(8.7)	(34.6)
Retained earnings at end of year	$ 348.4	$ 483.1

Abitibi-Price

Consolidated Balance Sheet

December 31 *(millions of Canadian dollars)*	1993	1992
Assets		
Current assets		
Cash and short-term investments	$ 138.0	$ 120.0
Accounts receivable *(note 8)*	149.3	92.6
Inventories *(note 9)*	157.0	163.7
Prepaid expenses	12.5	12.2
	456.8	388.5
Fixed assets *(note 10)*	864.7	917.0
Other assets		
Investment in newsprint joint ventures *(note 3)*	175.3	186.3
Deferred pension cost	83.3	81.7
Goodwill	28.3	29.0
Long-term receivables, investments and other assets	27.9	47.3
Net assets held for divestiture *(note 2)*	39.5	53.8
	354.3	398.1
	$ 1,675.8	$ 1,703.6

Approved by the Board of Directors:

Director

Director

December 31 *(millions of Canadian dollars)*	1993	1992
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 297.9	$ 331.6
Long-term debt due within one year *(note 12)*	12.6	12.2
	310.5	343.8
Long-term debt *(note 12)*	324.3	382.5
Deferred income taxes	161.2	212.5
Convertible Subordinated Debentures and Shareholders' Equity		
Convertible subordinated debentures *(note 13)*	150.0	—
Shareholders' equity		
Capital stock *(note 14)*		
Preferred shares		
Series F – 1,494,988 shares (1992 – 1,697,189 shares)	17.2	19.5
Common shares – 77,283,232 shares (1992 – 69,266,738 shares)	364.2	262.2
Retained earnings	348.4	483.1
	729.8	764.8
	$ 1,675.8	$ 1,703.6

Changes in Consolidated Cash Position

Year ended December 31 (millions of Canadian dollars)	1993	1992
Operating activities		
Loss for the year from continuing operations	$ (108.3)	$ (191.5)
Depreciation and depletion	82.6	87.1
Unusual items	9.9	64.8
Loss from newsprint joint ventures	37.7	49.7
Deferred income taxes	(40.4)	(112.4)
Other	2.3	21.2
	(16.2)	(81.1)
Change in operating working capital from continuing operations *(note 7)*	(50.9)	53.3
Cash applied to continuing operating activities	(67.1)	(27.8)
Financing activities		
Issue of common shares, net of expenses	97.6	—
Issue of convertible subordinated debentures	150.0	—
Issue of long-term debt	266.3	—
Repayment of long-term debt	(333.6)	(24.4)
Retirement of preferred shares	(2.3)	(1.6)
Debt issue costs and other	(9.8)	(1.3)
Cash from (applied to) financing activities	168.2	(27.3)
Investment activities		
Additions to fixed assets	(39.0)	(20.5)
Sales of discontinued operations and operating divisions	2.4	353.0
Investment in newsprint joint ventures	(19.0)	(16.3)
Decrease in long-term receivables, investments and other assets	23.0	0.4
Other	6.4	2.0
Cash from (applied to) investment activities	(26.2)	318.6
Dividends paid		
Preferred shareholders	(1.4)	(1.6)
Common shareholders	(17.3)	(34.6)
	(18.7)	(36.2)
Cash applied to discontinued operations	(38.2)	(52.4)
Cash – Increase	18.0	174.9
– Beginning of year	120.0	(54.9)
– End of year	$ 138.0	$ 120.0

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

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
1993								
Business Segments								
Newsprint and Groundwood Papers	$ 1,283.0	$ —	$ 1,283.0	$ 79.4	$ (51.6)	$ (21.6)	$ 35.7	$ 1,331.8
Office Products	370.8	—	370.8	0.8	13.1	—	1.7	125.5
Other	215.2	—	215.2	2.4	(1.3)	—	—	3.1
							37.4	1,460.4
Corporate							1.6	175.9
Continuing segments	1,869.0	—	1,869.0	$ 82.6	$ (39.8)	$ (21.6)	$ 39.0	$ 1,636.3
Discontinued segments	82.3	—	82.3					39.5
	$ 1,951.3	$ —	$ 1,951.3					$ 1,675.8
Geographic Segments [1]								
Canada [2]			$ 1,221.6		$ (51.5)			$ 1,197.0
U.S.A.			647.4		11.7			263.4
								1,460.4
Corporate								175.9
Continuing segments			$ 1,869.0		$ (39.8)			$ 1,636.3
1992								
Business Segments								
Newsprint and Groundwood Papers	$ 1,149.7	$ 0.9	$ 1,150.7	$ 83.2	$(144.5)	$ (62.3)	$ 18.3	$ 1,352.2
Office Products	289.6	0.1	289.7	0.6	8.8	—	0.4	108.8
Other	161.5	—	161.4	3.3	(2.4)	(2.5)	0.2	8.0
Eliminations	—	(1.0)	(1.0)	—	—	—	—	—
							18.9	1,469.0
Corporate							1.6	180.8
Continuing segments	1,600.8	—	1,600.8	$ 87.1	$(138.1)	$ (64.8)	$ 20.5	$ 1,649.8
Discontinued segments	844.5	—	844.5					53.8
	$ 2,445.3	$ —	$ 2,445.3					$ 1,703.6
Geographic Segments [1]								
Canada [2]			$ 1,065.2		$(145.6)			$ 1,141.6
U.S.A.			535.6		7.5			327.4
								1,469.0
Corporate								180.8
Continuing segments			$ 1,600.8		$(138.1)			$ 1,649.8

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 $804.2 million (1992 – $687.1 million) and other export sales of $214.7 million (1992 – $190.9 million).

December 31, 1993 and 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of presentation
The financial statements consolidate the accounts of Abitibi-Price Inc. and all subsidiaries. Investments in joint ventures are accounted for by the equity method.

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

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

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

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

(c) Inventories
Inventories of finished products, work in process and materials and operating supplies are valued at the lower of average cost and net realizable value. Inventory of pulpwood is valued at average cost.

(d) Fixed assets and depreciation
Fixed assets are recorded at cost, which includes capitalized interest and preproduction and start-up costs. Investment tax credits and grants received under government programs relating to capital expenditures are credited to fixed assets.

Depreciation is provided at rates considered adequate to amortize the cost over the productive lives of the assets. The principal asset category is primary production equipment which is depreciated over 20 years on a straight-line basis.

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

Differences between pension cost, determined on an accounting basis and the funding of pension costs, as required by regulatory authorities, give rise to timing differences in the recognition of pension expense, which appear on the balance sheet as deferred pension costs.

Costs associated with 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 undistributed earnings of foreign subsidiaries because remittance of such earnings would not result in any significant tax liability.

DISCONTINUED OPERATIONS

The gains and losses recorded on the sale or planned sale of non-core businesses, net of an income tax recovery of $6.8 million (1992 – $28.1 million), are as follows:

($ millions)	1993	1992
Converted Products	$ (10.0)	$ —
Coated Papers	(3.1)	(88.4)
Distribution	—	102.6
Building Products	—	(20.2)
Loss on disposal of discontinued operations	$ (13.1)	$ (6.0)

Loss from discontinued operations –
On December 31, 1993, the Company reclassified the Converted Products businesses to discontinued operations (Distribution, Building Products and Coated Papers businesses were reclassified to discontinued operations in the third quarter of 1992). The loss from discontinued operations, net of income tax recoveries for rhe year ended December 31, 1993 was $0.3 million (1992 – $21.8 million). Interest expense allocated to discontinued operations was $1.2 million for the year ended December 31, 1993 (1992 – $6.9 million).

The applicable 1993 net assets relating to the discontinued businesses in the amount of $39.5 million (1992 – $53.8 million) are classified as net assets held for divestiture. Accounts payable and accrued liabilities at December 31, 1993 of $297.9 million (1992 – $331.6 million) included $23.2 million (1992 – $60.0 million) relating to obligations in connection with discontinued operations.

5. NEWSPRINT JOINT VENTURES

The Company's newsprint operations include 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. ("Gaspesia") – 51%, Augusta Newsprint Company ("Augusta") – 50% and Alabama River Newsprint Company and Alabama River Recycling Company ("Alabama") – 50%. Marketing agreements provide for the Company to sell the newsprint production of the joint ventures.

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

Earnings statements

($ millions)	1993	1992
Net sales	$ 427.5	$ 375.3
Costs and expenses	(442.4)	(422.9)
Interest	(60.2)	(51.2)
Loss before income taxes (a)	$ (75.1)	$ (98.8)
Abitibi-Price Inc.'s share	$ (37.7)	$ (49.7)

Balance sheets

($ millions)	1993	1992
Current assets (b)	$ 108.7	$ 113.2
Current liabilities	(115.2)	(121.9)
Fixed assets (net)	922.9	903.4
Long-term debt (c)(d)	(602.5)	(561.3)
Other	34.4	36.6
Partners' equity	$ 348.3	$ 370.0
Abitibi-Price Inc.'s investment in joint ventures	$ 175.3	$ 186.3

(a) 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 $1.4 million in 1993 and $5.0 million in 1992.

(b) Includes accounts receivable with Abitibi-Price Inc. of $39.9 million in 1993 and $39.4 million in 1992. The consolidated financial statements include corresponding amounts in accounts payable and accrued liabilities.

(c) Long-term borrowings at Augusta and Alabama are without recourse to the partners. There are no long-term borrowings at Gaspesia. The Company has an equity interest in Alabama of $45.5 million; in Augusta of $72.4 million; and in Gaspesia of $57.4 million.

(d) The Company has initiated a strategic review of its joint venture operations and the arrangements with its partners. It is anticipated that this review will be concluded during the latter part of 1994.

In 1994, Alabama may not be in compliance with certain debt covenants under certain circumstances. The partners are currently negotiating with creditors and investigating alternative sources of financing. The outcome of these matters is not determinable.

4. Unusual items

($ millions)	1993	1992
Cost of employee restructuring programmes	$ 18.7	$ 2.8
Charges relating to the permanent closure of the Thunder Bay newsprint mill	3.7	60.0
Other	(0.8)	2.0
	$ 21.6	$ 64.8

5. Other income and expense

($ millions)	1993	1992
Interest income	$ —	$ 6.6
Discount on sale of accounts receivable	(3.7)	(7.8)
Loss on sale of assets	(1.5)	(0.5)
Foreign exchange loss on working capital items	(6.2)	(10.6)
Other	1.9	1.1
	$ (9.5)	$ (11.2)

6. Income taxes

The Company's recovery of income taxes and the effective income tax rate pertaining to continuing operations are as follows:

($ millions)	1993	1992
Loss from continuing operations before income taxes	$ (148.8)	$ (295.7)
Recovery of income taxes	$ 40.5	$ 104.2
Effective income tax rate	(27.2)%	(35.2)%
Made up of:		
Combined basic Canadian federal/provincial income tax rates	(40.4)%	(41.5)%
Effect of:		
Manufacturing and processing allowances	4.2	3.7
Large corporations tax	1.6	0.7
Tax rate differential	(1.8)	(1.0)
Foreign taxes	—	1.6
Losses not tax affected	9.9	—
Other	(0.7)	1.3
Effective income tax rate	(27.2)%	(35.2)%

At December 31, 1993, the Company and its subsidiaries had operating loss carry-forwards for income tax purposes totalling approximately $400 million, which expire between 1998 and 2008.

7. Change in operating working capital

($ millions)	1993	1992
Cash from (applied to) changes in operating working capital components:		
Decrease (increase) in current assets:		
Accounts receivable	$ (56.7)	$ (13.4)
Inventories	6.7	31.1
Prepaid expenses	(0.3)	2.0
Increase (decrease) in accounts payable and accrued liabilities	(33.7)	91.7
	(84.0)	111.4
Less changes in operating working capital not pertaining to continuing operations	33.1	(58.1)
Change in operating working capital from continuing operations	$ (50.9)	$ 53.3

8. Accounts receivable

Under agreements entered into with major 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, 1993 was $89.9 million (1992 – $122.1 million).

9. Inventories

($ millions)	1993	1992
Finished products and work in process	$ 83.3	$ 79.8
Pulpwood and expenditures on current logging operations	32.0	45.4
Materials and operating supplies	41.7	38.5
	$ 157.0	$ 163.7

10. Fixed assets

($ millions)	Cost	Accumulated Depreciation	Net Book Value
1993			
Property, plant and equipment	$ 1,730.4	$ 896.4	$ 834.0
Logging equipment and development	94.8	73.0	21.8
Timber limits and water power rights	21.7	12.8	8.9
	$ 1,846.9	$ 982.2	$ 864.7
1992			
Property, plant and equipment	$ 1,743.7	$ 860.1	$ 883.6
Logging equipmenr and development	94.9	70.6	24.3
Timber limits and water power rights	21.7	12.6	9.1
	$ 1,860.3	$ 943.3	$ 917.0

11. Bank lines of credit

At December 31, 1993, the Company has committed operating lines of credit with a number of banks in the aggregate amount of approximately $312 million which are renewable at the option of the banks annually. Borrowings under lines of credit, if any, bear interest at prevailing market rates.

12. Long-term debt

($ millions)	1993	1992
Abitibi-Price Inc.		
Sinking Fund Debentures		
$11\frac{1}{2}$% Series F, matuting 1995 (a)	$ 3.9	$ 4.8
10.65% Series H, maturing 2000 (U.S. $50.0 million)	66.2	74.6
7.92% Notes, maturing 2005 (U.S. $200.0 million)	264.3	—
Floating Rate Term Loan, maturing 1994 (U.S. $150 million) (b)	—	190.6
Abitibi-Price Refinance Inc.		
Floating Rate Cumulative Term Loan, maturing 1993 (U.S. $96.4 million) (c)	—	122.5
Other indebtedness	2.5	2.2
	336.9	394.7
Less: Amount due within one year	12.6	12.2
	$ 324.3	$ 382.5

(a) The Company has entered into a currency swap agreement covering inreresr 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 was at a rate approximating LIBOR. The loan was secured by an Abitibi-Price Inc. Series L Debenture. The Company entered into interest rate swap agreements for a principal amount of U.S. $150 million ar an average fixed interest rate of 8.9%.

(c) Interest was 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 was secured by an Abitibi-Price Inc. Series K Debenture.

Sinking fund and other long-term debt repayment obligations for the years 1995 to 1998 are estimated to be $15.1 million, $11.5 million, $40.9 million, and $40.9 million, respectively. All outstanding sinking fund debentures and notes are currently redeemable at the option of the Company.

During the year ended December 31, 1993, interest of $0.4 million was capitalized on major capital additions (1992 – $0.3 million).

13. Convertible subordinated debentures

The 7.85% Convertible Subordinated Debentures, issued on March 4, 1993 in the principal amount of $150 million, are due on March 1, 2003. The debentures are 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 inro common shares on redemption or at maturity. Since it has the option and it is rhe Company's present intention to repay the debentures with common shares, in compliance with all necessary approvals, these debentures have been classified under the combined caption "Converrible Subordinated Debentures and Shareholders' Equity."

14. Capital stock

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

At December 31, 1993, outstanding stock options to executive and management personnel were as follows:

Date of Grant	Number of Common Shares Under Option	Exercise Price	Expiry Date
April 16, 1984	24,000	$ 8.5000	April 16, 1994
September 18, 1989	132,250	17.5625	September 18, 1994
September 17, 1990	187,750	15.5000	September 17, 1995
February 17, 1992	254,900	15.3125	February 17, 1997
February 17, 1992	80,700	15.3125	February 17, 2002
July 29, 1992	300,000	15.5000	July 29, 2002
October 26, 1992	247,850	13.6250	October 26, 1997
February 15, 1993	94,700	14.2500	February 15, 2003
April 19, 1993	300,000	14.1875	April 19, 2003
September 20, 1993	283,650	12.2500	September 20, 1998
Total	1,905,800		

Stock options are subject to certain restrictions. Stock options that expire in 2002 and 2003 are 50% exercisable immediately and 100% exercisable one year after the date granted. Exercise of all other stock options are restricted to 30% of the amount granted after the first anniversary date, 30% after the second anniversary date and 40% after the third anniversary date and no restrictions thereafter.

The $0.94 Cumulative Redeemable Retractable Preferred Shares Series F, which were issued at $11.50 per share, are redeemable by the Company at $11.50 per share and are retractable at $11.50 per share at the option of the holder on January 1 in each year. In 1993, 202,201 shares were retracted (1992 – 133,950 shares).

The payment of a cash dividend on the Company's common stock is restricted under the Senior Note and bank line of credit agreements. Dividends on common stock are allowed under certain conditions, subject to the Company generating sufficient net income.

15. Foreign currency hedging commitments

At December 31, 1993, the Company was committed to options of U.S. $645 million, maturing from January to December 1994 which protect the Company in 1994 against the U.S. value of the Canadian dollar rising above an average of U.S. $0.78 and which, in the event of a weakening Canadian dollar, require the Company to buy Canadian dollars at rates which average U.S. $0.73.

16. Lease commitments

The Company and its subsidiaries have entered into operating leases to charter ships and to lease property and equipment for various periods up to the year 2028 at rentals aggregating approximately $36.4 million. Minimum payments under these leases are as follows:

($ millions)	
1994	$ 19.1
1995	9.1
1996	6.0
1997	1.8
1998	0.2
Remaining years	0.2
	$ 36.4

17. Environmental compliance and expenditures

The Company is required to meet various deadlines for compliance with environmental legislation of a number of jurisdictions. The earliest deadline is October 1, 1995 for mills located in Quebec. For mills outside Quebec the earliest deadline is December 31, 1995.

The Company's cost of complying with federal and provincial effluent discharge regulations during the period of 1993 to 1995 is currently estimated to be $150 million of which approximately $10 million was spent in 1993. The Company continues to explore new technology designed to enhance compliance with environmental standards on a reduced cost basis. In order to provide an opportunity to implement and assess the effectiveness of this technology, the Company is seeking a two year extension (to the end of 1997) for certain of its mills in respect of the date by which it is required to comply with environmental regulations.

18. 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 on an accounting basis of the pension plans:

($ millions)	**1993**	1992
Market value of assets	**$ 813.6**	$726.4
Actuarial present value of accumulated plan benefits based on current service and compensation levels		
Vested	**667.5**	605.5
Non-vested	**9.3**	13.5
	676.8	619.0
Excess of market value of assets over accumulated benefit obligations	**$ 136.8**	$107.4

On a going concern basis as required by regulatory authorities, the pension plans had an aggregate unfunded status of approximately $10 million, based on the most recent actuarial reports.

19. United States accounting principles

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

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.

(ii) In addition to providing pension benefits, the Company also provides health and life insurance benefits to its retirees. The Company's cost of providing these benefits is expensed when paid. Under U.S. GAAP, and assuming immediate recognition of the unfunded transition obligation in 1993, the unfunded and unrecognized service and interest costs and the unfunded transition obligation would be charged to income.

(iii) The Company follows the deferred method of accounting for income taxes. Under U.S. GAAP, the asset and liability method is used. The Company adopted the Statement of Financial Accounting Standards No. 109 ("FAS 109") on a prospective basis in 1993 resulting in an increase in earnings and a reduction in the deferred tax liability of approximately $24.0 million.

If treated in accordance with U.S. GAAP, the effect of these differences would be:

($ millions)	**1993**	1992
Loss from continuing operations, as reported under Canadian GAAP	**$ (108.3)**	$ (191.5)
Unrealized gain (loss) on translation of long-term debt payable in U.S. funds, net of income taxes	**1.1**	(6.2)
Unrealized gain (loss) on forward exchange contracrs, net of income taxes	**(0.2)**	1.2
Loss from continuing operations as adjusted to U.S. GAAP	**(107.4)**	(196.5)
Changes in accounting policy:		
Employee post-retirement benefits expense, net of income taxes	**(13.5)**	—
Adoption of FAS 109	**24.0**	—
	(96.9)	(196.5)
Loss from discontinued operations, as reported under Canadian and U.S. GAAP	**(13.4)**	(27.8)
Loss, as adjusted to U.S. GAAP	**$ (110.3)**	$ (224.3)
Per common share:		
Loss from continuing operations, as reported under Canadian GAAP	**$ (1.53)**	$ (2.79)
Adjustments to continuing operations	**0.01**	(0.07)
Loss from continuing operations as adjusted to U.S. GAAP	**$ (1.52)**	$ (2.86)
Loss, as reported to Canadian GAAP	**$ (1.71)**	$ (3.19)
Adjustments	**0.15**	(0.07)
Loss, as adjusted to U.S. GAAP	**$ (1.56)**	$ (3.26)

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation (see note 2).

Quarterly Financial Information

(unaudited) *(millions of dollars, except per share amounts)*	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1993 [1]					
Net sales	$ 454.7	$ 462.0	$ 466.3	$ 486.0	$ 1,869.0
Operating profit (loss) from continuing operations	(22.8)	(10.8)	4.1	(10.3)	(39.8)
Unusual items	—	(0.9)	(15.9)	(4.8)	(21.6)
Loss from continuing operations	(27.9)	(19.7)	(24.9)	(35.8)	(108.3)
Earnings (loss) from discontinued operations	(0.9)	(0.1)	(1.9)	(10.5)	(13.4)
Loss	(28.8)	(19.8)	(26.8)	(46.3)	(121.7)
Per common share:					
Loss from continuing operations	$ (0.40)	$ (0.28)	$ (0.36)	$ (0.49)	$ (1.53)
Loss	(0.42)	(0.29)	(0.38)	(0.62)	(1.71)
Dividends declared	0.125	—	—	—	0.125
Dividends paid	0.125	0.125	—	—	0.25
Price range per common share					
Toronto Stock Exchange					
High	$ 16.00	$ 16.00	$ 13.88	$ 15.88	
Low	12.75	13.25	10.75	10.88	
New York Stock Exchange (U.S. Dollars)					
High	12.63	12.63	10.63	11.88	
Low	10.25	10.50	8.25	8.25	
1992					
Net sales	$ 366.0	$ 388.9	$ 417.8	$ 428.1	$ 1,600.8
Operating loss from continuing operations	(34.0)	(35.8)	(30.9)	(37.4)	(138.1)
Unusual items	—	—	(60.4)	(4.4)	(64.8)
Loss from continuing operations	(34.3)	(37.2)	(72.5)	(47.5)	(191.5)
Earnings (loss) from discontinued operations	(7.3)	(4.1)	3.8	(20.2)	(27.8)
Loss	(41.6)	(41.3)	(68.7)	(67.7)	(219.3)
Per common share:					
Loss from continuing operations	$ (0.50)	$ (0.54)	$ (1.05)	$ (0.70)	$ (2.79)
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	

[1] 1993 1st, 2nd and 3rd Quarter Figures have been restated as explained in Note 2 of the notes to the Consolidated Financial Statements.

Eleven-Year Financial Review[1]

Year ended December 31	1993	1992	1991
Sales and Earnings *($ millions)*			
Net Sales	**$ 1,869.0**	$ 1,600.8	$ 1,533.2
Cost of Sales	**1,727.0**	1,556.6	1,366.7
Selling and administrative expenses	**99.2**	95.2	81.3
Depreciation and depletion	**82.6**	87.1	89.9
Operating profit (loss) from continuing operations	**(39.8)**	(138.1)	(4.7)
Income (loss) from newsprint joint ventures, before income taxes	**(37.7)**	(49.7)	(1.5)
Interest expense – long-term	**38.9**	28.6	27.8
– short-term	**1.3**	3.3	6.9
Unusual items	**21.6**	64.8	38.0
Other income (expense), net	**(9.5)**	(11.2)	7.1
Earnings (loss) from continuing operations before income taxes and extraordinary items	**(148.8)**	(295.7)	(71.8)
Recovery of (provision for) income taxes	**40.5**	104.2	30.3
Earnings (loss) from continuing operations before extraordinary items	**(108.3)**	(191.5)	(41.5)
Earnings (loss) from discontinued operations	**(13.4)**	(27.8)	(34.4)
Extraordinary items	**—**	—	—
Net earnings (loss)	**(121.7)**	(219.3)	(75.9)
Dividends Declared *($ millions)*			
Preferred shares	**$ 1.4**	$ 1.6	$ 1.7
Common shares [2]	**8.7**	34.6	34.6
Capital Expenditures From Continuing Operations *($ millions)*	**$ 39.0**	$ 20.5	$ 28.2
Financial Position *($ millions)*			
Working capital [3]	**$ 146.3**	$ 44.7	$ 121.0
Net assets held for divestiture	**39.5**	53.8	254.9
Fixed assets, net	**864.7**	917.0	1,040.6
Long-term debt	**324.3**	382.5	368.6
Deferred income taxes	**161.2**	212.5	349.5
Preferred shares	**17.2**	19.5	21.1
Common shareholders' equity	**712.6**	745.3	1,000.8
Per Common Share [2]			
Earnings (loss) from continuing operations before extraordinary items	**$ (1.53)**	$ (2.79)	$ (0.62)
Net earnings (loss)	**(1.71)**	(3.19)	(1.12)
Dividends declared [4]	**0.125**	0.50	0.50
Dividends paid [4]	**0.25**	0.50	0.50
Common shareholders' equity	**9.22**	10.75	14.44
Return on average common shareholders' equity	**—**	—	—
Long-term debt/long-term debt plus shareholders' equity	**30.8%**	33.3%	26.5%
Number of employees (year end)	**7,470**	8,630	12,068

Notes:

[1] Figures for 1983 to 1993 have been restated to reflect the continuing businesses separate from the discontinued businesses as referred to in Note 2 of the notes to the Consolidated Financial Statements.

[2] Figures for the years 1983 and 1984 have been restated to reflect the 3-for-1 split of common shares which became effective May 1, 1985.

1990	1989	1988	1987	1986	1985	1984	1983
$ 1,634.7	$ 1,731.9	$ 1,821.7	$ 1,634.1	$ 1,572.5	$ 1,490.9	$ 1,399.9	$ 1,072.1
1,446.6	1,430.4	1,394.4	1,307.6	1,279.6	1,227.0	1,195.4	963.8
100.3	109.3	102.4	86.9	73.7	72.5	62.8	61.1
88.9	87.9	83.1	71.1	64.0	60.3	60.3	51.2
(1.1)	104.3	241.8	168.5	155.2	131.1	81.4	(4.0)
(9.4)	3.6	29.4	19.7	20.7	9.9	5.9	6.7
25.5	28.4	37.6	29.1	26.2	31.9	30.9	13.8
16.3	4.9	0.7	2.1	1.5	2.2	0.9	0.6
54.1	22.1	—	—	—	—	—	—
12.3	14.4	12.8	13.0	4.7	18.0	17.4	25.0
(94.1)	66.9	245.7	170.0	152.9	124.9	72.9	13.3
35.4	(30.4)	(98.6)	(72.1)	(67.9)	(47.9)	(17.0)	10.0
(58.7)	36.5	147.1	97.9	85.0	77.0	55.9	23.3
8.3	17.7	41.1	27.8	25.1	23.2	16.3	14.7
—	—	2.9	—	(2.8)	—	(2.2)	—
(50.4)	54.2	191.1	125.7	107.3	100.2	70.0	38.0
$ 2.2	$ 5.7	$ 7.8	$ 8.1	$ 8.7	$ 9.3	$ 8.0	$ 7.4
34.6	60.6	69.3	48.5	41.5	47.0	25.0	12.4
$ 87.3	$ 140.6	$ 130.1	$ 198.0	$ 220.9	$ 149.7	$ 79.2	$ 141.5
$ 178.5	$ 308.0	$ 521.2	$ 572.4	$ 424.8	$ 333.8	$ 384.5	$ 360.6
304.8	311.5	265.2	252.8	218.1	239.0	165.3	145.2
1,102.9	1,118.3	1,085.4	1,046.9	964.8	855.6	790.3	801.4
387.5	404.6	456.1	560.8	413.0	432.5	399.5	375.6
406.5	417.0	389.3	296.1	254.9	219.7	194.2	179.9
27.2	31.1	115.4	121.0	122.8	124.1	104.2	113.8
1,113.0	1,200.3	1,212.4	1,098.1	1,028.6	837.4	792.5	739.4
$ (0.88)	$ 0.44	$ 2.01	$ 1.30	$ 1.13	$ 1.06	$ 0.76	$ 0.24
(0.76)	0.70	2.64	1.70	1.46	1.42	0.99	0.48
0.50	0.875	1.00	0.70	0.60	0.73	0.40	0.20
0.50	1.00	1.00	0.60	0.60	0.58	0.40	0.30
16.06	17.32	17.50	15.86	14.86	13.04	12.40	11.89
—	4.0%	15.6%	11.1%	10.9%	11.2%	8.4%	4.2%
25.4%	24.7%	25.6%	31.5%	26.4%	31.0%	30.8%	30.6%
14,300	15,600	16,200	16,000	16,200	15,500	14,800	15,100

[3] Working capital items related to discontinued businesses for the years 1983 through 1992 are reflected in working capital from continuing operations.

[4] Four quarterly dividends were paid in each of the years 1983 to 1992, but because of changes in dividend declaration dates, three dividends were declared in 1983 and five in 1985. Payment of common share dividends was suspended after the first declaration in 1993.

Stanley H. Hartt, Q.C.
(Age 56) (1,4)
Chairman, President and Chief Executive Officer
Camdev Corporation
Toronto, Ontario

H. Earl Joudrie
(Age 59) (1,3)
Chairman of the Board
Algoma Steel Inc.
Toronto, Ontario

Bernd K. Koken
(Age 67) (1,4,5)
Chairman of the Board
Abitibi-Price Inc.
Osprey, Florida

Lise Lachapelle
(Age 44)
President
Strategico Inc.
Montreal, Quebec

C. Edward Medland
(Age 65) (2,3,5)
Director
Toronto, Ontario

Allan H. Michell
(Age 63) (2,4)
Director
Montreal, Quebec

Henry J. Nowak
(Age 59) (4)
Attorney-at-Law
Buffalo, New York

Ronald Y. Oberlander
(Age 52) (1)
President and Chief Executive Officer
Abitibi-Price Inc.
Toronto, Ontario

John A. Tory, Q.C.
(Age 63) (1,3,5)
Deputy Chairman
The Thomson Corporation
Toronto, Ontario

David A. Ward, Q.C.
(Age 62) (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 officers and managers of the company. The Committee is composed of members of the Board who are neither employees nor former employees of the company. The Committee may invite the Chief Executive Officer to attend meetings to provide advice and consultation as required.

The Committee makes recommendations to the Board on all aspects of compensation payable to the Chief Executive Officer and approves compensation levels for all other senior officers. The Chief Executive Officer is never present during the Committee's deliberations relative to his own compensation.

(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 Principal Officers*

Chairman of the Board
Bernd K. Koken*

President and Chief Executive Officer
Ronald Y. Oberlander*

Executive Vice-Presidents
T. Maitland Devine*
David L. Loretto*
C. Donald Martin*
John W. Weaver*

Senior Vice-Presidents
Jean-Claude Casavant*
Organizational Leadership and Innovation

Eileen A. Mercier*
Chief Financial Officer

Vice-Presidents
William S. Brown*
Corporate Communication

Patrick G. Crowley*
Controller

Fernand H. Duquette*
Engineering and Environment

James A. Hone*
Treasurer

Robert P. Kanee*

J. Raymond Langevin

William H. Sheffield

Phil Whiting
Executive Scientist

Brian J. Young
Environmental Affairs

Other Businesses

Office Products
Bruce J. McGroarty
President
Axidata, Azerty, Eurozerty

Ediwise
Ijen Huang
President

Hilroy
Ralph MacDonald
President

Mill Business Unit Management Teams

Mill Business Unit	Co-leaders	Manager, Finance	Manager, Human Resources
Alabama River Newsprint Company Claiborne, Alabama	Jim O'Brien Thor Thorsteinson	Barbara Cole	Russ Sirmon
Alma Alma, Quebec	Breen Blaine Jean-Marc Simard	Michel Girard	Richard Guay
Augusta Newsprint Company Augusta, Georgia	Bob Collez Dick Dorris	David Pierce	Jim Reece
Beaupré Beaupré, Quebec	Marcel Beaudoin* Luc Ranger	Alain Landry	Richard Leblanc
Fort William Thunder Bay, Ontario	Jon Melkerson Brian Stevenson	Peter Kibzey	Ray Raslack
Gaspesia Pulp and Paper Company Chandler, Quebec	Joe Barry	Allen Dea	Bob Haché
International Grand Falls & Stephenville, Newfoundland	Dave Kerr Paul Planet Jack Verhoeven	Barry Perry	Gord Oldford
Iroquois Falls Iroquois Falls, Ontario	Joe Robb Bill Sheffield	Alain Lalonde	Don McCroome
Kénogami Jonquière, Quebec	Alain Grandmont Joe Tesone	Jean Chénier	Gaétan Guérin
Pine Falls Pine Falls, Manitoba	Fern Pitre Bob Ritter	Fred Ayotte	Jack Coote

MARKET SECURITIES INFORMATION

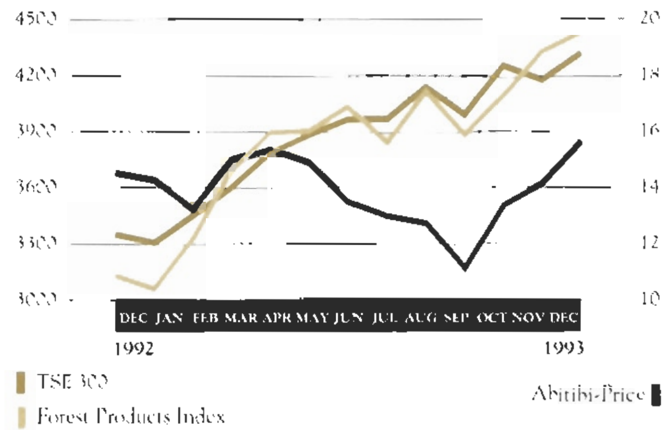
Common Shares
Common shares of the company trade on the Toronto, Montreal, and Vancouver stock exchanges under the symbol A and on the New York Stock Exchange under the symbol ABY.

Convertible Debentures
In March 1993, the company issued Convertible Debentures bearing an annual interest rate of 7.85%. These securities trade under the symbol A.D on the Toronto and Montreal stock exchanges. On a fully diluted basis these debentures represent 10,000,000 common shares.

Instalment Receipts
In January 1994, the company's principal shareholder offered for sale of all of its 54,534,482 Abitibi-Price common shares on an instalment basis. The first instalment of $6.25 per share was payable upon closing of the offering. The remaining two instalments are payable in equal payments of $5.00 per share due on or before January 31, 1995 and October 31, 1995.

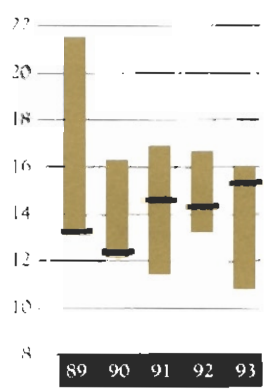
The instalment receipts trade under the symbol A.R on the Toronto and Montreal stock exchanges.

DECEMBER 1992 - DECEMBER 1993 MONTHLY CLOSING PRICES



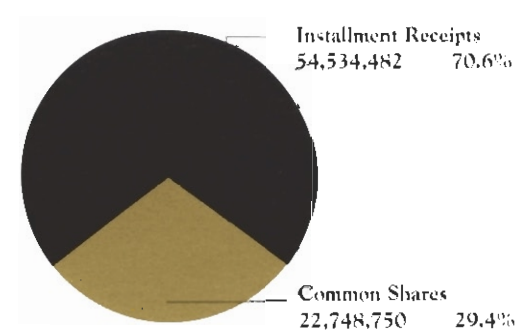
COMMON SHARE PRICE TORONTO STOCK EXCHANGE

(Canadian dollars)



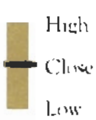
COMMON STOCK PORTFOLIO

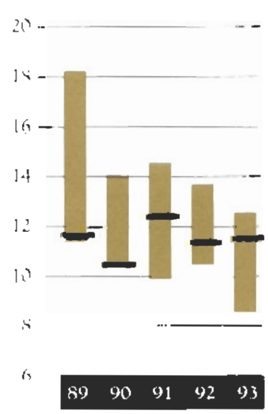
(77,283,232 shares outstanding)



COMMON SHARE PRICE NEW YORK STOCK EXCHANGE

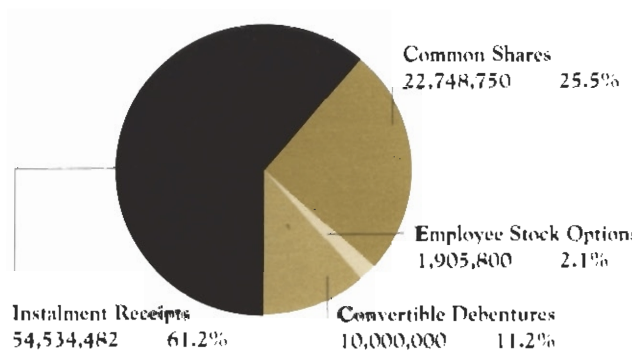
(U.S. dollars)





COMMON STOCK PORTFOLIO

(89,188,032 shares on a fully diluted basis)



Annual General Meeting

The annual general meeting of shareholders of Abitibi-Price Inc. will be held at Constitution Hall, Room 107, Lower Level, Metro Toronto Convention Centre, 255 Front St. West, Toronto, Canada, on Monday, April 18, 1994 at 11:00 a.m.

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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Photography (People): Deborah MacNeill
Printing: Matthews Ingham and Lake Inc.

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Cover: Provincial Papers' Eco Gloss Cover 80lb
Text: Provincial Papers' Eco Matte 100lb

Information available upon request

Additional information about the affairs of the company is available at no cost by contacting the company's Communication & Public Affairs department at:

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

Telephone: (416) 369-6810
Facsimile: (416) 369-6790

Upon request, the company will make available copies of its annual report, environmental report, annual information form, management proxy circular, interim reports and news releases.

Environmental Report

A special request card has been enclosed for your convenience when ordering a copy of the company's environmental report.

Annual Information Form (Form 10-K)

The company's Annual Information Form (AIF) is filed with securities regulators in Canada and the United States.

Under the Multi-Jurisdictional Disclosure System (MJDS) introduced in 1991, the company's AIF is filed as Form 40-F with the U.S. regulatory authority, the Securities and Exchange Commission (SEC), as an equivalent filing to the Form 10-K.

Interim Reports (Form 10-Q)

Similarly, the company files each of its interim quarterly reports with regulatory authorities in Canada and with the SEC in the United States as Form 6-K, as an equivalent filing to Form 10-Q.

Investor Relations Contact

Robert J. Tait
Manager, Investor Relations
Telephone: (416) 369-6789
Facsimile: (416) 369-6790

What About The Environment?

No one is more aware of the importance of how Abitibi-Price interacts with the environment than the inhabitants of our communities.

We believe it is important that the people who coexist with our operations have the opportunity to be informed about our relationship with their surroundings.

To meet that goal we have published our first Environmental Report for distribution within our operating communities, including their elected representatives and the special interest groups who endeavour to raise everyone's awareness that the health of our planet is of the highest priority.

If you would like a copy of the Environmental Report, please return the enclosed request card or write to our Communications & Public Affairs department at the address listed on the inside of this cover.

ABITIBI-PRICE

Printed in Canada