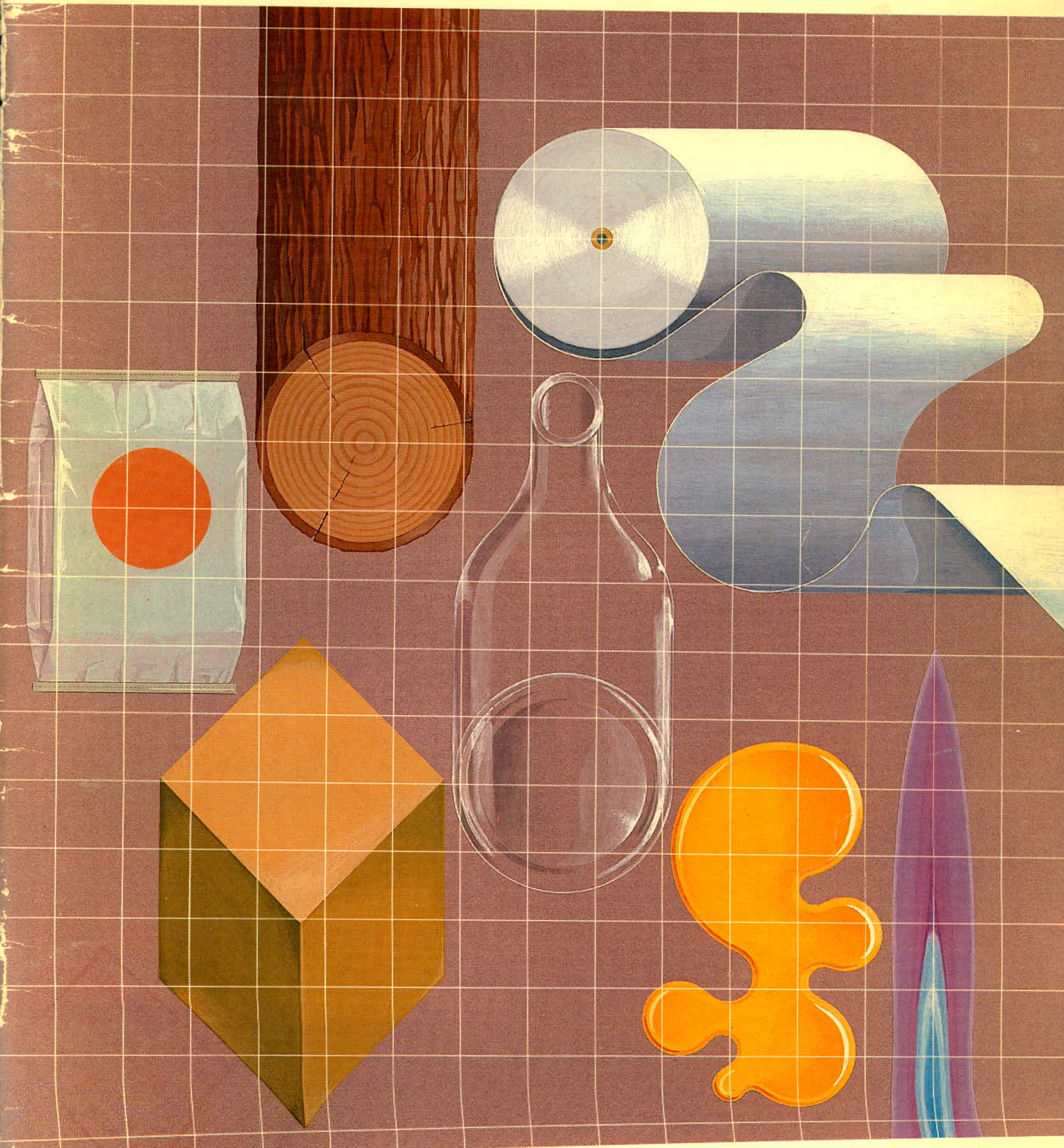
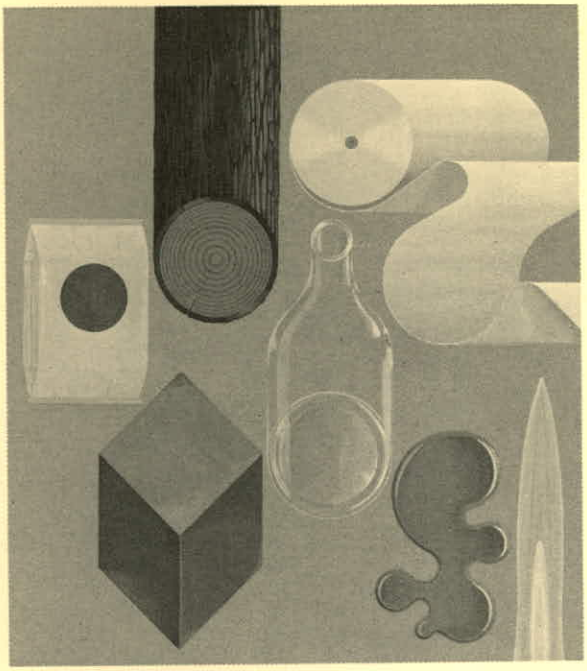
Consolidated-Bathurst Inc.

Annual Report 1982





Consolidated-Bathurst Inc.

An eastern Canadian forest products and packaging organization that ranks among the 30 largest publicly-owned manufacturing companies in Canada. Production and sales operations function under three business groups: Pulp and Paper, North American Packaging, and Europa Carton AG.

Pulp and Paper. Most important product line is newsprint, a versatile paper used mainly in printing daily and weekly newspapers. During 1982, the Group's seven primary mills produced 815 thousand tonnes of newsprint, mostly for export, and 500 thousand tonnes of kraft pulp, paperboard and kraft paper. Four sawmills manufactured 59 million board feet of pine and spruce lumber.

North American Packaging. From plants across Canada, several companies and key subsidiaries provide other manufacturing and processing industries with a wide variety of industrial and consumer packaging and related packaging systems. Products include multiwall paper and heavy-duty plastic bags, corrugated containers, glass and plastic bottles and containers.

Packaging, Europa Carton. Europa Carton AG, headquartered in Hamburg, has two paperboard mills, and plants across the Federal Republic. It is the leading supplier of corrugated containers and folding cartons in West Germany.

Oil and Gas Investments. In recent years, the Company has announced investments or commitments of $168 million in Canadian-managed oil and gas production and exploration.

Consolidated-Bathurst's major shareholder, with 40% of outstanding common shares, is another Canadian organization, Power Corporation of Canada, of Montreal.

Incorporated August 28, 1931,
under the laws of Canada

Registered Office
800 Dorchester Boulevard West
Montreal, Quebec H3B 1Y9
Telephone: (514) 875-2160
Telex: 05-25165

Auditors
Touche Ross & Co.

Share listings: Con Bath
The Montreal Exchange
The Toronto Stock Exchange

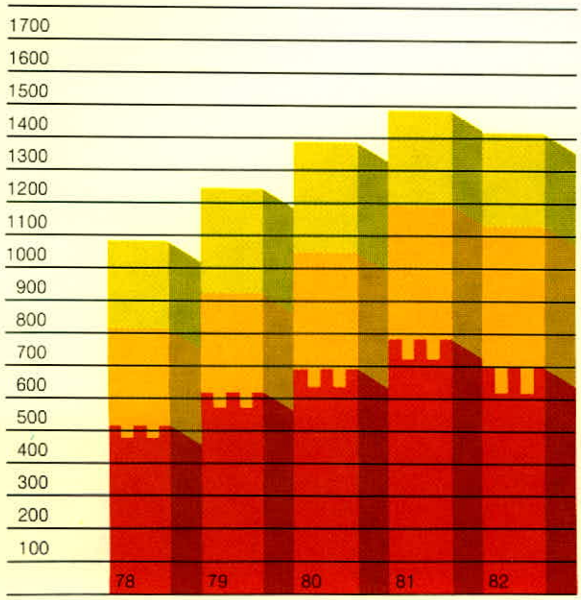
Transfer Agent and Registrar
Montreal Trust Company at
Saint John, Montreal, Toronto,
Winnipeg, Calgary and Vancouver

Annual Meeting
Westin Bonaventure Hotel, Montreal
April 29, 1983 – 10:30 a.m.

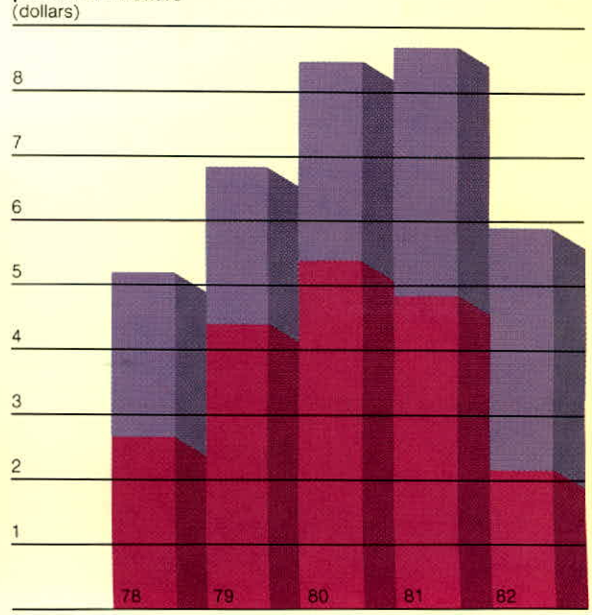
Highlights

		1982	1981	1980
Operations (thousands of dollars)	Net sales and other income	**$1 432 322**	$1 491 393	$1 403 757
	Earnings before extraordinary items	**53 406**	101 780	122 379
	Extraordinary items	**—**	10 283	—
	Net earnings	**$ 53 406**	$ 112 063	$ 122 379
	Cash flow from operations	**$ 136 200**	$ 198 592	$ 194 530
	Additions to property and plant	**242 429**	239 614	143 152
	Total assets	**$1 588 247**	$1 432 684	$1 136 558
Per common share	Earnings before extraordinary items	**$ 2.20**	$ 4.41	$ 5.42
	Extraordinary items	**—**	0.46	—
	Net earnings	**$ 2.20**	$ 4.87	$ 5.42
	Cash flow from operations	**$ 5.89**	$ 8.74	$ 8.51
	Dividends	**1.60**	2.00	2.00
	Book value	**$23.02**	$22.48	$19.72
Other data	Number of issued common shares	**22 439 223**	22 425 057	22 481 643
	Canadian registered	**81.2%**	84.7%	84.2%
	Number of common shareholders	**14 106**	14 118	14 160
	Number of employees	**15 820**	16 704	17 022

Net Sales, by group
(millions of dollars)



Net Earnings and Cash Flow per Common Share
(dollars)



Packaging, Europa Carton
North American Packaging
Pulp and Paper

Cash Flow
Net Earnings

Contents

Report of the Directors

To shareholders and employees:

As the numbers and reviews in this report demonstrate, the recession caught up with Consolidated-Bathurst in 1982, the Company's 51st year of operations. Although its performance compared favorably against that of much of Canadian industry and, indeed, that of most of the Canadian pulp and paper industry, results fell sharply below the high levels attained by Consolidated-Bathurst in each of the three preceding years.

Operating results

Net earnings for 1982 were $53.4 million, or $2.20 per common share, compared with earnings before extraordinary credit of $101.8 million, or $4.41 per common share in 1981. The 1981 extraordinary credit amounted to $10.3 million, or $0.46 per share. The Company's accounting policy for investment tax credits is more conservative than that of many companies in the pulp and paper industry. It excluded from 1982 results $14 million, or $0.64 per share, of benefits relating to that year's qualifying capital expenditures. As explained in the Financial Review on page 23, these benefits will be recorded *in income in* the year of realization.

In 1982, a typical downside cycle of the pulp and paper industry was deepened by the continuing malaise of western economies. In last year's report, we noted the outlook for pulp and paper as clouded by the prospect of difficult labour contract negotiations. Accordingly, customers accumulated substantial inventories of paper products. As the summer wore on, agreements were reached without a strike. A rundown of customer inventories followed, particularly in newsprint. As markets weakened, new and excess capacity led to mill downtime that severely curtailed operating rates. In turn, in the final quarter, for the first time since 1934, newsprint posted price levels at New York City declined.

Nor did other pulp and paper products fare much better. Markets for uncoated groundwood specialty papers were entered by non-traditional suppliers with excess capacity of higher grade papers. Pulp markets were weak and Scandinavian devaluation helped drive prices down. Containerboard markets were also weaker but strong internal sales helped Company performance. Lumber shipments were severely depressed and at year-end Company sawmills, excepting the pine sawmill at Braeside, were closed pending better markets for construction grades.

Packaging operations overall showed improvement in 1982, led by Domglas Inc. and Twinpak Inc., the plastic container manufacturing company. While Bag Division operating profit was down, that of the Container Division was higher. Much of that improvement was the result of a lengthy strike shutdown of several major competitors in eastern Canada during summer and fall. Consolidated-Bathurst's subsidiary Europa Carton AG in the Federal Republic of Germany is that country's leading supplier of corrugated containers and folding cartons. In spite of generally adverse economic conditions, ECA was able to achieve good results in 1982 and, although depressed by the weakness of the Deutsch mark when translated into Canadian dollars, the best performance in that company's history.

Expansion and Modernization

In spite of the year's difficulties, Consolidated-Bathurst pressed forward with its expansion and modernization program involving a broad range of projects. Capital expenditures for the year amounted to $242 million, slightly higher than the $240 million of 1981. There was some $33 million invested in various packaging areas, but the major expense was the Bathurst-Bridgewater project. This involves construction of a new chemi-thermo-mechanical pulp (CTMP) plant at the Company's mill in Bathurst, N.B., to supply flash-dried CTMP to a completely rebuilt newsprint mill at Ellesmere Port in England. Both of these mills are to start up in 1983, with the Ellesmere Port mill, or Bridgewater Division, to phase in its three twin-wire newsprint machines so as to reach a capacity level of 250 000 tonnes per annum early in 1984.

In April at Trois-Rivières, the new Wayagamack No. 3 paper machine was started up ahead of schedule and officially inaugurated in August. It will produce 70 000 tonnes per annum of lightweight groundwood specialties. At the end of January 1983, the Belgo Division, in Shawinigan, completed the speed-up and modernization of that Division's No. 8 newsprint machine. With an annual capacity of 98 000 tonnes, it adds 40 000 tonnes to the Division's capacity.

Major projects in North American Packaging included the new vacuum-metallizing facility at the Brantford Bag Division plant, production of 'Plasti-Shield' bottles at the Domglas plant in Montreal, the relocation of Twinpak's Granby plant for plastic squeeze tubes to much larger premises in that city.

In packaging and in forest products, the Company's emphasis is on continuing modernization and rationalization, to increase capacity and to improve productivity, product quality and profitability. The intention is to give all viable operations the technology and flexibility to meet the exacting demands of the market for paper-making, in printing, converting, and packaging.

Financing

Various long-term financing arrangements were made in 1982 to sustain the Company's capital expenditure program. Early in that year, Consolidated-Bathurst issued at par $40 million 17¼% Series J debentures due 1987. During 1982, revolving credit borrowings of the parent Company were

1
W.I.M. Turner, Jr.
Chairman and
Chief Executive Officer
2
T.O. Stangeland
President and
Chief Operating Officer

1

2

increased by $74 million and, at year-end, the U.S. $100 million revolving credit facility was fully utilized. In the fourth quarter, Consolidated-Bathurst effected an interest rate swap that will lock in an effective interest cost of 13.1% over the ten years to November 1, 1992 for U.S. $50 million of advances under its revolving credit facility. The Company borrowed $21 million under its financing arrangements with a major U.K. leasing company to help finance the rebuild of the Bridgewater Division newsprint mill, and $12 million through a Swedish export facility toward the purchase of refining equipment for the new Bathurst Division plant.

At a special common shareholders' meeting on October 19, 1982, the creation of a new class of shares was approved consisting of an unlimited number of Second Preferred Shares issuable in series. On November 16th, Consolidated-Bathurst issued $40 million of $5.75 Second Preferred Shares, Series A and U.S. $35 million of U.S. $5.25 Second Preferred Shares, Series B.

In the fourth quarter of 1982, Consolidated-Bathurst Pontiac Limited, a subsidiary, entered into a $100 million revolving and term credit agreement with two Canadian banks. Borrowings will be available in 1983 under this facility to finance certain expenditures for the new CTMP plant being built at the Bathurst Division.

Energy investments

Consolidated-Bathurst's investments in this area are outlined on pages 20–22 of this report. Important exploration developments in this area were gas discoveries in the joint venture exploration program operated for the Company by Remington Resources Ltd. of Calgary. In the Grassy project, two of the four successful wells drilled in northeastern British Columbia rank, on the basis of absolute open flow tests, among the top five in the province.

Organizational changes

At the meeting of the Board that followed the 50th Annual Meeting last April 23rd, Roland Giroux, at his own request, stood down as Chairman after almost five years of service in that post and was named Honorary Chairman. W.I.M. Turner, Jr. was appointed Chairman, continuing as Chief Executive Officer of the Corporation. T.O. Stangeland, previously Executive Vice-President, Pulp and Paper, and elected a director at the Annual Meeting, was appointed President and Chief Operating Officer.

In addition and indicative of a change in organizational structure, Messrs. J.D. Andrew and E.A. Thompson continued as executive vice-presidents with specific assignments, and four new senior vice-presidents were named. These were: Guy Dufresne, Senior Vice-President, Pulp and Paper Operations; M. de B. Strathy, Senior Vice-President, Pulp and Paper Marketing; A.K. Narang, Senior Vice-President, Planning and Administrative Services; and J.E. Souccar, Senior Vice-President, North American Packaging. Also in the Pulp and Paper Group, K.R. Hughes was appointed Vice-President, Newsprint Sales and C.M. Marquis, Vice-President, Pulp, Kraft and Paperboard Sales. N.A. Grundy became Vice-President, International; Dr. J.A.D. Brunet, Vice-President, Medical Services. The new emphasis for the Company's packaging activities in Canada and certain locations in the U.S. is described on p. 13.

In July last year, H. Roy Crabtree, of Montreal, Chairman of the Board of Wabasso Inc. and a director of Domglas Inc. since 1966, was appointed a director of the Corporation. On April 23rd, Colin G. Fraser was appointed Treasurer; as of October 1st, J.M. Dawson was appointed Associate Secretary, and on October 29, 1982, Jean-Jacques Carrier became Controller.

Dividends and Outlook

At its meeting in January 1983, the Board declared a quarterly dividend of 20¢ per common share, down 50% from previous quarterly dividends of 40¢. This is in contrast to the special year-end extra dividends declared for 1980 and 1981. The reduction is a reflection of the unexpected length of the current recession and of the impact of the highly competitive pressures of the market place in a weakened world economy. It is also a measure of prudence that recognizes the need to maintain liquidity in extraordinary economic circumstances. The action follows implementation of broad cost constraint programs referred to in several parts of this report. These included staff reductions, a freeze on new hirings, a six-month reduction of 10% in top management salaries and of 5% in those of upper middle management, and deferral of merit increases for the first quarter of 1983.

While the outlook for 1983 is for a further decline in earnings, the consensus is broadening among economists, government and business leaders that the recession is coming to an end, with some recovery so far as our industry is concerned later this year. It seems also generally agreed that even in recovery the economic environment will be considerably different from that of recent years, with anomalies and problems that will not readily be resolved. We are convinced that Consolidated-Bathurst has the technology, the competence and the resources to face that kind of situation.

We wish to thank the employees of the Corporation for their courage and accomplishments in adversity and to assure them of our conviction of higher achievement for our collective efforts in the months and years ahead.

On behalf of the Board of Directors,

William M Turner Jr

W.I.M. Turner, Jr. Chairman and Chief Executive Officer	T.O. Stangeland President and Chief Operating Officer

Montreal, February 25, 1983

Pulp and Paper

Weak markets, lower prices and mill downtime sharply reduced profit.

In 1982, Pulp and Paper Group results were sharply reduced by the effects of worldwide recession on demand for its products. A severe drop in sales volume required a general curtailment of operations, particularly in the second half of the year. The effect of this and of continuing cost escalations was a sharp decrease in operating profit.

Net sales for the year were $701.2 million, including $79.7 million to the Company's packaging operations. This total represented a decrease of 11% from 1981. As set out in the segmented information on page 24, operating profit declined to $97.0 million — a 43% drop from 1981 results, with all products except containerboard showing large decreases.

Market demand sharply lower

Demand for pulp and paper products declined steadily throughout the year, with the second half being especially difficult as the effects of recession weakened U.S. demand. In the publisher newsprint market, in spite of the economy, consumption was stable through the year, but customer inventories were run down after industry labour agreements were reached in eastern Canada. The dramatic decline in demand for Canadian newsprint, capacity additions to an already excess capacity situation and the widespread weakness in all markets led to price declines in newsprint in the fourth quarter of last year.

Uncoated groundwood specialties became more competitive in 1982 because several non-traditional suppliers entered the market. Because it was well advanced, the Company continued its program of modernization so as to increase capacity in specialty grades, and to strengthen its position in this fast growing market.

Pulp markets, following the downturn in demand in late 1981, continued to weaken through 1982, and prices fell dramatically. Significantly, Norscan pulp inventories remained at reasonably low levels, ending the year at 1.6 million tonnes. Despite the overall weakness in containerboard markets, the Company's shipments of these products remained at a good level in the second half of the year because the Company's Container Division operated while strikes shut down most major eastern Canadian competitors.

Capital expenditures maintained

In spite of financial constraints, the Group's program of modernization and expansion was maintained, except for the machine speed-up at the Port Alfred mill, which has been postponed two years. The Bathurst-Bridgewater development is well advanced, with start-up scheduled for mid-1983. Both mills are being supplied with the most modern equipment to establish operations competitive in product cost and quality. During the year, a number of other projects were completed including the No. 3 paper machine at Wayagamack, which can produce 70 000 tonnes per year of lightweight groundwood specialty paper, and the speed-up of the Belgo No. 8 paper machine. This machine started production at the end of January 1983.

At the beginning of 1983, there are signs that the severe recession of last year may be over in the United States and that growth may resume in Canada late in the year. It is expected that by mid-year the economies of major Western countries will be showing signs of recovery and that this will be reflected in a pick-up in pulp and paper demand. While the industry has considerable surplus capacity, particularly in newsprint, increased demand should allow operating margins to improve in the latter half of 1983. No strong rebound is expected for the Canadian pulp and paper industry, however, until improved cost-competitiveness enables it to meet the increasing pressure of international competition.

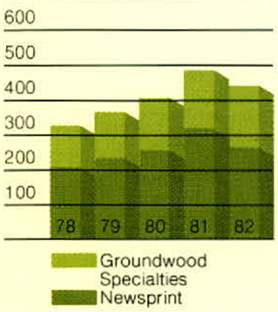
Shipments — Pulp and Paper

(thousands of tonnes)	**1982**	1981	1980	1979	1978
Newsprint and groundwood specialties	**825**	959	913	952	933
Pulp	**178**	222	231	230	220
Containerboard	**269**	289	302	301	279
Kraft paper and boxboard	**55**	78	81	88	82
Lumber (thousands of board feet)	**67 915**	93 502	92 081	131 192	128 159

1
Four Company mills make newsprint: Belgo and Port Alfred divisions, publisher grades; Laurentide and Wayagamack, groundwood specialty papers.

1

Newsprint and Groundwood Specialties Net Sales
(millions of dollars)



Newsprint

For the fourth consecutive year, demand for newsprint in the United States, the Company's largest and most important market, was almost static. A basic problem for the industry is current excess capacity in several parts of the world, particularly in North America and Scandinavia. The effects of this situation are deepened by the persistence of worldwide recession and its curtailment of growth.

Last year's report anticipated a good order situation through the first quarter. In fact, this was the case for the first half of 1982. Although Company mills took approximately five weeks of downtime in the second half of the year, newsprint and groundwood specialty operations ran slightly above the overall Canadian industry rate of 82%.

Net sales of all newsprint grades were $444.0 million, compared with $484.2 million in 1981. Shipments were directed 61% to the United States, 23% to Canada, and 16% to overseas markets, including the U.K. The related lower mill operating rates and a broad decline in prices reduced sales of publisher newsprint to $271 million and operating profit at $44.7 million was 46% below 1981.

Marketing activity and planning abroad is proceeding based on complete modernization of the Bridgewater mill in England and construction of the related pulp facility at Bathurst, N.B. Sales and technical service capabilities for the U.K. and continental Europe are being strengthened accordingly. Mr. John Andrew, Executive Vice-President of the Corporation, now resident in London as Chairman of Consolidated-Bathurst (Overseas) Ltd., is giving special emphasis to the Company's newsprint sales in the U.K., which will be mainly from the new Bridgewater Division.

Groundwood Specialties

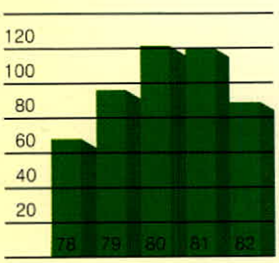
Competition has been severe in the newly-defined area of newsprint called 'groundwood specialty' papers. Serious over-capacity in higher quality papers, such as lightweight coated grades, has led manufacturers, mainly in the U.S., to divert large blocks of capacity into traditional uncoated groundwood specialty markets at reduced prices. Although this development is likely to be temporary, it has forced the upgrading of some products and has contributed to reduced groundwood volumes and margins. The Company continues, nevertheless, as a well-established supplier to rotogravure printers and has maintained its good reputation for quality with output of the new directory paper machine at Wayagamack Division. Net sales of the Company's groundwood specialty mills declined to $173 million and an operating profit of $32 million, 23% below that of 1981.

The outlook for newsprint and groundwood specialties in 1983 remains clouded. Much depends on the timing of the long-awaited upturn in the economy and the market's perception of it. If this occurs as predicted in 1983, there is every reason to expect some strengthening in prices against the erosion suffered in 1982, although excess capacity and severe competition are certain to persist throughout the year.

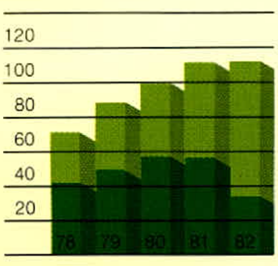
Kraft Market Pulp

Net sales of $88.3 million on shipments of 178 000 tonnes of pulp reflected a sharp decline from 1981 results.

Pulp Net Sales
(millions of dollars)



Containerboard Net Sales
(millions of dollars)



Deepening world recession reduced the demand for pulp and paper products. As a result, erosion of pulp prices, which started in Western Europe in 1981, continued unabated in 1982 and quickly spread into North America and into offshore markets.

Based mainly on the demand for specialty pulps, the Pontiac bleached kraft pulp mill was able to maintain relatively strong operating rates for the first six months of 1982. However, as paper markets continued to weaken, downtime became necessary in the second half of the year. Offshore markets were particularly vulnerable during the year because of the sharp drop in demand and increased competition from Scandinavian pulps because of devaluation of their currencies.

For the changeover to CTMP production, the unbleached kraft market pulp operation at the Bathurst mill was permanently shut down in December. Weak demand in U.S. and offshore markets and distressed price levels sharply reduced operating levels and profit.

Although the outlook for 1983 does not suggest improvement in the first half, there are indications that prices and demand may have bottomed out. There seems to be a reasonable prospect that recovery in the economies of a number of countries will be reflected in a more balanced supply/demand picture for market pulp in 1983.

Containerboard

Net sales of containerboard (linerboard and corrugating medium) amounted to $110.5 million, compared with sales of $110.1 million in 1981, although shipments were 7% lower than in 1981. About 60% of containerboard shipments went to meet the requirements of the Container Division.

Depressed volumes and prices in world markets and the effect of the strike shutdown of many box plants in eastern Canada in the second half of 1982 resulted in low industry operating rates. The fact that the Container Division was not affected by the strike helped to maintain containerboard operations at a good level in the second half of the year. Competition in export markets resulted in unacceptably low prices and a severe drop in export shipments.

Linerboard shipments from the Chaleurs mill were 7.6% below 1981, but were above industry averages. Shipments of corrugating medium from Bathurst were also below 1981, by 6.2%. A relatively strong position was maintained with accounts in Central America and in China. Price levels in all export markets were severely affected by increased competition and depressed market conditions.

A further tariff reduction on containerboard imported from the U.S., conceded by Canada at the recent GATT negotiations, will increase competitive pressure in 1983. In line with general economic forecasts, the early part of the year is expected to reflect seasonally weak demand for containerboard. Moreover, the industry in eastern Canada lost market share to U.S. producers during the strike period when some 65% of corrugated container capacity was shut down. As the economy improves, however, a strengthening of demand for the Company's containerboard products is anticipated.

Kraft Paper and Boxboard

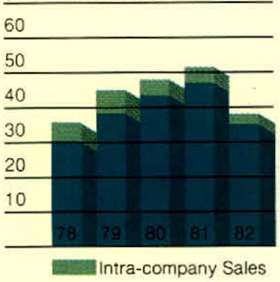
Net sales of kraft paper and boxboard were $37.9 million, down 27% from 1981 levels.

Industry production of kraft paper declined by 6% because of reduced demand and capacity and an increase in imported bags and sacks. Kraft shipments from the Trois-Rivières mill were 30 990 tonnes, or 35.6% below the 1981 level, primarily because of the permanent shutdown of the No. 2 kraft machine in March. Continued emphasis was placed on the upgrading of the kraft product mix.

The downturn in boxboard demand continued throughout 1982, resulting in an overall operating rate of 68% for the year. Although shipments of boxboard from the Laurentide Division declined by 18.8% from 1981 levels, sales revenues declined by 12%. Continued rationalization of grade mix, price increases and lower fibre costs helped to offset the decline in shipments.

2
'Verti-Forma' twin-wire end of Wayagamack No. 3 machine. No. 3 started up in April 1982, to make 70 000 tonnes per annum of lightweight groundwood specialty papers.
3
Construction of the new pulp mill at Bathurst is well advanced. Its 50 megawatt substation (foreground) and woodroom are now operational. Shipments of pulp to the Company's U.K. mill will begin this summer.
4
De-inking plant area of the Bridgewater Division mill at Ellesmere Port, Cheshire. Mill will start up the first of its three modernized twin-wire newsprint machines about mid-year.

Kraft Paper and Boxboard Net Sales
(millions of dollars)



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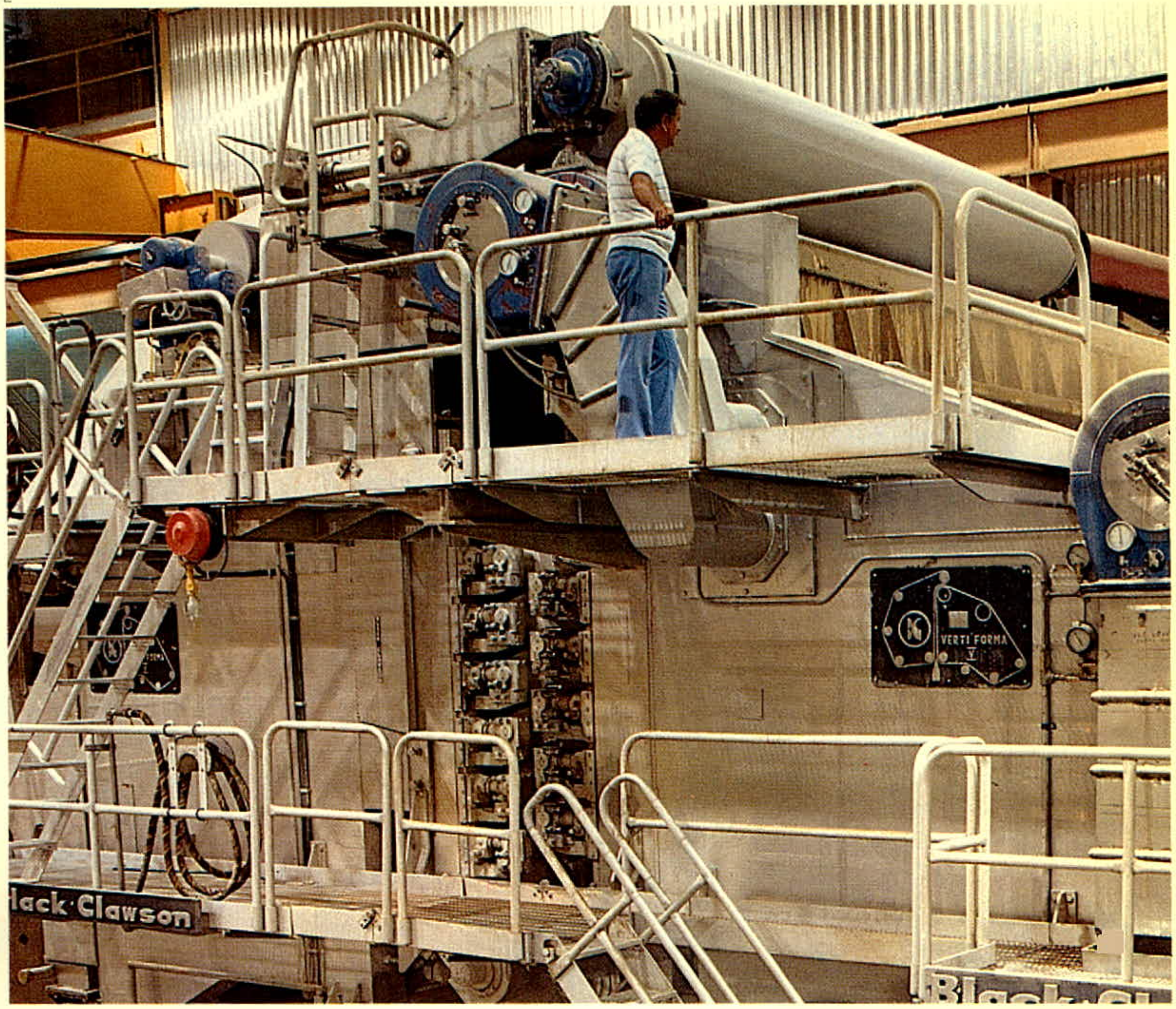

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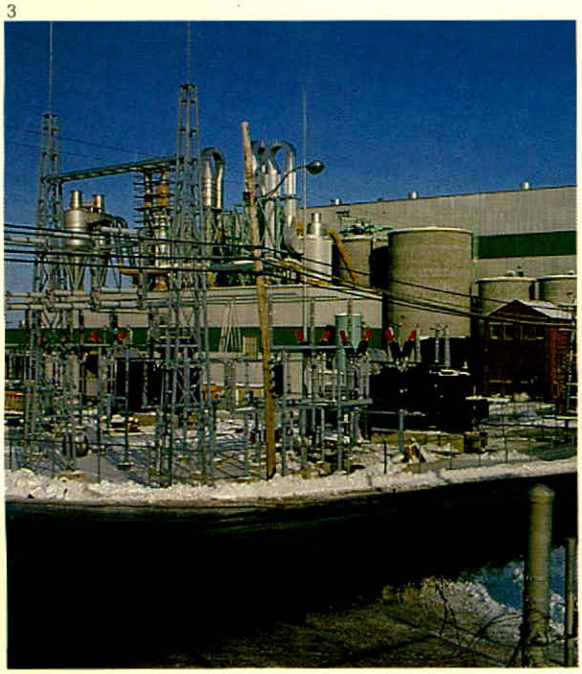

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5
Mobile slasher at work in St. Maurice Division. Operation shown produces 16' wood for sawmilling and four-foot pulpwood.

6
Tandem-tugs tow booms of pulpwood across wide water in the St. Maurice River system, a critical wood highway since the beginning of Quebec's wood-based pulp and paper industry.

7/8
Construction of a visitors' centre, at the entrance of the Morgan Arboretum near Montreal, and of a 'Musée du Bûcheron' at Grandes-Piles, Qué., were sponsored by the Company in its 50th Anniversary activities early in 1982. They should contribute to public knowledge of forest operations and forest management.

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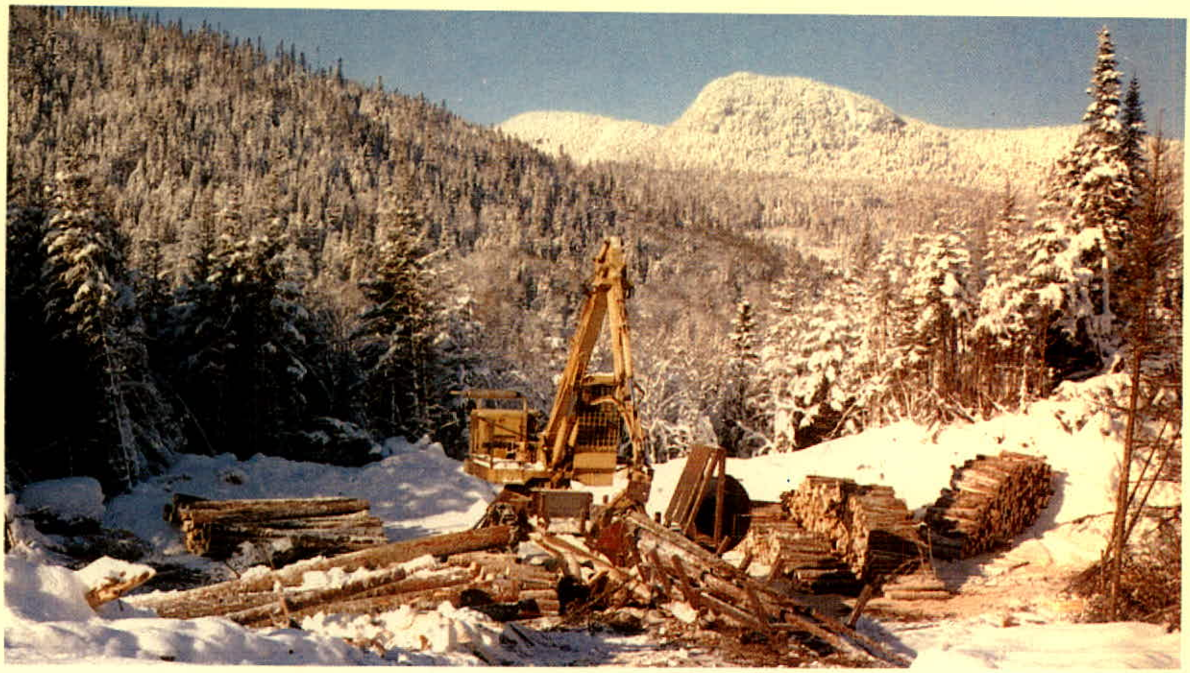

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8

Curtailed mill production cut wood fibre needs by 21%.

Woodlands Group

The total volume of fibre required by Company pulp and paper mills and sawmills in 1982 was 20.6% less than in 1981. This reduction related directly to low mill operating rates and poor market conditions. During the year, the four Woodlands divisions delivered 1.9 million tonnes of wood fibre to Company pulp and paper mills and sawmills.

Sawmill residues as a source of fibre for the pulp and paper mills amounted to 735 300 tonnes or 39.2% of total wood and fibre deliveries. This included 104 900 tonnes from Company-owned sawmills. The Bathurst, Chaleurs and Pontiac mills used 76 100 tonnes of sawdust and shavings as a lower-cost fibre furnish in 1982, compared with 113 900 tonnes in 1981, and 89 000 tonnes in 1980.

The volume of purchased roundwood delivered to the mills in 1982 amounted to 531 900 tonnes, compared with 668 400 tonnes in 1981, and 617 700 tonnes in 1980. The availability of purchased roundwood more than compensated for the shortfall in sawmill chips, sawdust and shavings.

Inventories of wood in mill yards, rivers and in the forest were valued at $99.2 million at year-end. This was 12% lower than the previous year, reflecting efforts to reduce inventory levels and conserve cash.

Capital expenditures in 1982 for mechanical equipment, roads, camps and other facilities were $1.8 million, 63% less than in 1981. Under the terms of the existing Canada-Quebec joint supplementary agreement on forestry development, which extends until 1984, the Company either received or had accrued grants for road construction in 1982 in the amount of $700 000.

No additional Company limits were revoked by the Government of Quebec in 1982, and cash compensation for improvements for all prior revocations has been received. Compensation in the form of cutting rights has been more difficult to resolve. Negotiations continued through 1982 and by year-end the Government had indicated some willingness to establish guidelines for a new system of forest tenure and management, a system in which the role of industry would be more clearly defined.

9
Modernization of sawmill at St.Fulgence, Qué., was completed, under budget, during 1982. Improved housing starts will help markets for its products.
10
Belgo's No. 8 paper machine, showing new 'Papriformer' twin-wire unit. No. 8's improvement and speed-up add 40 000 tonnes to mill's annual capacity.
11
Automated charging of pulpwood into grinders at Belgo Division was a modernization project at that location.

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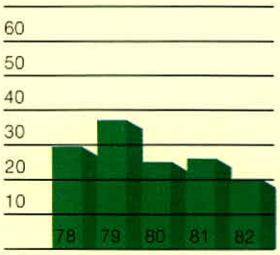
Lumber Net Sales
(millions of dollars)



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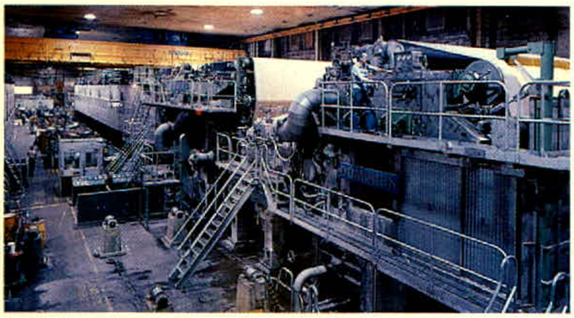


Effective March 16, 1982, the Province of New Brunswick issued a new timber license to the Company under the terms of a Forest Management Agreement. This license, which covers 263 943 hectares (652 142 acres), has been identified as the Nepisiquit License, and provides for the basic wood requirements for the expanded mill operations and for the sawmill at Bathurst. The license also provides for the wood requirements of other local wood users which will tend to promote a close working relationship among all of the forest-based companies in the region.

Wood Products

The Company's Wood Products Group performance during 1982 was seriously affected by the continuing recession. Net sales of lumber were $20.5 million in 1982, compared with $26.5 million in 1981, $25.0 million in 1980, and $36.8 million in 1979. Sales volume in 1982 was 67.9 million fbm, compared with 93.5 million fbm in 1981. About 12% of lumber sold was shipped overseas and 33% to the U.S.

The effect on prices of the devaluation of Swedish and Finnish currencies during the year served to limit Group participation in the European market. Reductions in mortgage rates late in 1982 had little early effect on North American lumber demand. Recently, increased market activity suggests, however, that improvement can be expected during 1983.

During 1982, the Wood Products Group concentrated on reducing lumber inventories in order to conserve cash. Total lumber inventory at year-end was, as a result, approximately 25% below that of 1981. This reduction and lower sales volumes curtailed production at all mills.

The stud mills at Bathurst, N.B., and Notre-Dame-du-Rosaire, Que., operated at 50% and 30% of capacity, respectively. The pine mill at Braeside, Ont., operated at 42% of capacity, and the spruce dimension mill at St. Fulgence, Que., at 50% of capacity. Except for Braeside, all sawmills were closed at year-end until markets recover.

During 1982, the start-up of the redesigned St. Fulgence sawmill was successfully completed. Capital costs of this modernization project were

Mill capital expenditures attained a new record level.

below budget and, at the time of its temporary closure, actual production per shift at the mill was 10% better than planned.

Manufacturing Group

Production in 1982 from the seven operating mills of the Manufacturing Group was 1 315 000 tonnes, 12.5% below the 1 500 000 tonnes of 1981. This reduced production reflected lower market demand for all products.

At 815 000 tonnes, newsprint and specialties production was 95 000 tonnes less than in 1981. The exception was the Wayagamack Division mill, which produced 90 000 tonnes, up 3% over 1981. This mill's production record was based on start-up of the new No. 3 paper machine in April 1982. It added 70 000 tonnes/year to the mill's capacity.

Total energy cost for the year was $91 million, 9.7% more than in 1981. Increases in the cost of power and fuel items averaged 11%. Oil consumption at 1 600 000 barrels was, however, down 10%, while process energy at 2 350 gigawatt hours was down 5%. These reductions reflected reduced production requirements and process improvements. At the same time, the introduction of additional production facilities increased process power demand by 10%. This additional power cost was partly offset, however, by improved wood and chemical yields of the new pulping processes.

During 1982, secondary power was used whenever feasible for steam generation and displaced some 600 000 barrels of fuel oil. Additional wood-residue burning facilities came on stream at Wayagamack in April, at Port Alfred in May last year and at Laurentide in January 1983. Wood residue utilization at all mills in 1982 displaced an estimated 350 000 barrels of oil.

Capital expenditures in 1982 were $199 million. Exceeding the $168 million of 1981, this represented a new record for the Company's manufacturing mills. The major item in 1982 was the $90 million spent on the Bathurst-Bridgewater mills project. This will produce 250 000 tonnes of newsprint annually in a much modernized mill in the United Kingdom using de-inked pulp, and CTMP pulp from a new installation at Bathurst. Both projects are expected to be in operation by mid-1983.

At the Belgo Division, work was virtually completed during the year on modernization of the No. 8 paper machine. This included installation of a 'Papriformer' twin-wire wet end and a 'triple-nip' energy-efficient press section. The modernized No. 8 machine started up at the end of January 1983.

The new No. 3 paper machine at Wayagamack came on stream in April 1982. At the same time, the No. 2 kraft machine was taken out of service, releasing pulp for more profitable allocation to production of the No. 3 paper machine grades. The No. 3 machine start-up period took place under competitive market conditions which emphasized product quality. These requirements continue to be met successfully.

The modernization of the No. 4 paper machine at Port Alfred has been deferred and new equipment already received placed in storage, as the additional production capacity to be provided by this speed-up is not presently required. To reduce 1983-84 capital expenditure commitment by an estimated $40 million, completions were also deferred on several smaller projects.

At the Laurentide mill, corrosion problems were discovered in June 1982 in a part of the Division's 'very-high-yield' sulphite plant, some seven months after the December 1981 start-up. The plant operated at reduced capacity pending remedial action, and a return to full capacity is scheduled for mid-1983.

Laurentide's No. 4 paper machine, originally built in 1898, was shut down permanently on November 19, 1982, because of the increased operating costs required to meet current quality standards.

Collective agreements for all the pulp and paper mills were renewed in 1982. The terms of these agreements are in line with the established industry pattern, which provided increases of 12% and 10% in succeeding years of the two-year term.

Packaging, North America

Packaging profit improved 20%. Inventories and capital projects were cut back.

Early in 1982, the geographical and market diversity of the Packaging Group was recognized with its division into two key groups each under a senior executive reporting to the President and Chief Operating Officer. Europa Carton AG of Hamburg serves the packaging needs of West Germany and the E.E.C., while the Canadian-based companies and a U.S. glass affiliate have been grouped under the designation 'North American Packaging'.

Net sales of the North American Packaging companies in 1982 were $531.0 million, compared with $473.4 million on the same basis in 1981. Operating profit of the Group was $40.1 million, up 19.7% from $33.5 million in 1981.

During the year, the Group initiated a reorganization toward an overall rationalization of product lines and the establishment of coordinated staff services. Accordingly, activities and interests will be grouped along the following product lines: glass containers, Canada; glass containers, U.S.; glass tableware; plastics and industrial bags; and corrugated containers. The table opposite highlights present companies and divisions in this structure.

Although the 1982 results of glass and plastic container activities are consolidated under Domglas and those of Bag and Container divisions are presented together in the segmented information on pages 24-25, the summary that follows presents a review of the past year by sector.

Consolidated net sales of Domglas Inc. and subsidiaries in 1982 were $306.4 million, 8.5% higher than the $282.5 million of 1981. The increased revenue was a result of higher prices, acquisition of a new glass plant and increased level of exports.

Operating profit, at $27.5 million, was 21% better than $22.7 million in 1981. This improvement resulted from higher prices, productivity improvements, the contribution of the newly acquired plant in Moncton, N.B., and equity earnings from a U.S. affiliate.

Domglas continued its penetration of the U.S. market with higher direct shipments and through its equity participation in Diamond Glass Company of Royersford, Pa. In 1982, this company almost doubled its sales volume following its acquisition of a glass plant in West Virginia.

Glass Containers, Canada
- Domglas Inc.
- National Pressed Glass Division, Domglas Inc.

Glass Containers, U.S.A.
- Diamond Glass Company, Inc. (equity investment)

Glass Tableware
- Libbey-St. Clair Inc. (joint venture)

Plastics and Industrial Bags
- Twinpak Inc.
- Ampak Division, Twinpak Inc.
- Twinpak Atlantic Inc.
- Bag Division, Consolidated-Bathurst Packaging Limited

Corrugated Containers
- Container Division, Consolidated-Bathurst Packaging Limited

Shipments — North American Packaging	**1982**	1981	1980	1979	1978
Glass (tonnes)	**495 733**	513 402	512 522	468 603	511 129
Bags (tonnes)	**16 435**	19 800	21 380	25 964	24 623
Containers (millions of square meters)	**338**	291	281	276	258

Tableware sales lower. Twinpak plastic bottle and tube capacity expanded.

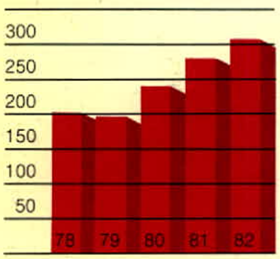
Glass Containers, Canada

Volume of glass containers produced in Canada rose marginally, with important gains in export volumes offsetting the sluggish domestic shipments, particularly to beverage bottlers. In Canadian markets, increases in prelabeled soft drink bottles and in food containers were not sufficient to offset declines in other categories.

Domglas was able to rationalize its production in eastern Canada following the acquisition of a glass container plant in New Brunswick. 'Plasti-Shield', a prelabeled bottle for the soft drink industry, was successfully launched, to become an important contributing factor to improved market penetration. A second 'Plasti-Shield' facility began operation late in the year, at the Pointe St. Charles glass container plant in Montreal. This will further strengthen the supply position for this product in 1983 and beyond.

In Western Canada, labour difficulties in late spring and summer at the plant in Burnaby, B.C., resulted in an eleven-week shutdown that sharply reduced sales of domestic and export containers from that plant.

Domglas Net Sales
(millions of dollars)



An aggressive cost reduction program, an 8% reduction in finished goods inventories compared to year-end 1981 and lower capital expenditures helped the company to conserve cash and improve liquidity.

Capital expenditures were held to $14 million, a 36% reduction from the previous year. Major projects included the installation of 'Plasti-Shield' equipment, as mentioned, and automation of palletizing at the company's Montreal plant, and the enlargement of furnace capacity at the newly-acquired New Brunswick plant.

The National Pressed Glass Division at Brantford had another successful year, producing glass fuse-plug bodies and undertaking all glass-making machine rebuilds required by the glass container division.

Glass Tableware

Glass tableware, made at Wallaceburg, Ont., is produced and sold by Libbey-St. Clair Inc., a company owned in equal partnership by Domglas Inc. and Owens-Illinois, Inc.

General economic conditions caused significant deterioration in both the retail and hotel and restaurant markets with the result that Libbey-St. Clair experienced a 6% decline in sales during 1982. The strength of the Canadian dollar relative to the currencies of major European tableware producers encouraged imports, so that prices deteriorated as the year progressed. This is likely to continue through 1983.

Cost reduction and cash management programs initiated early in the year and the benefit of previous years' capital spending programs substantially reduced the adverse impact of lower sales on earnings.

During the year, more efficient decorating facilities and an additional production line were installed. Various new products, quality improvements and new marketing programs should also contribute to improving the company's market position in 1983.

Plastics and Industrial Bags

Twinpak Inc.

The Company's plastic packaging manufacturing subsidiary, Twinpak Inc., continued its strong performance of 1981 through 1982, in spite of a generally poor performance by the plastics industry. Consolidated sales showed an improvement over 1981, and, as in the preceding year, operating profits increased.

All key operations contributed to these results — the Ampak packaging distribution division, injection-moulding operations, plastic squeeze tube operations, and the polyethylene terephthalate (PET) two-litre soft drink bottles.

Twinpak Atlantic Inc. began operations in December 1981, making two-litre plastic bottles for the soft drink industry in the Atlantic Provinces. This company, which operates a plant in Moncton, N.B., and is 58%-owned by Twinpak Inc., performed to expectations during 1982.

Capital expenditures in 1982 were $2.1 million, compared with $4.1 in 1981. During the year, Twinpak incorporated into its two PET plants, at Calgary and Moncton, full robotic controls for the injection-moulding stage of plastic bottle production. This is believed to be the most up-to-date bottle moulding technology presently available.

Twinpak also opened a new plastic squeeze tube facility in Granby, Quebec, a facility three times larger than its previous plant there. Mayor Paul O. Trépanier of Granby presided at an official opening in December, 1982, which was attended by several hundred customers and suppliers from across Canada.

Bag Division —
Consolidated-Bathurst Packaging Limited

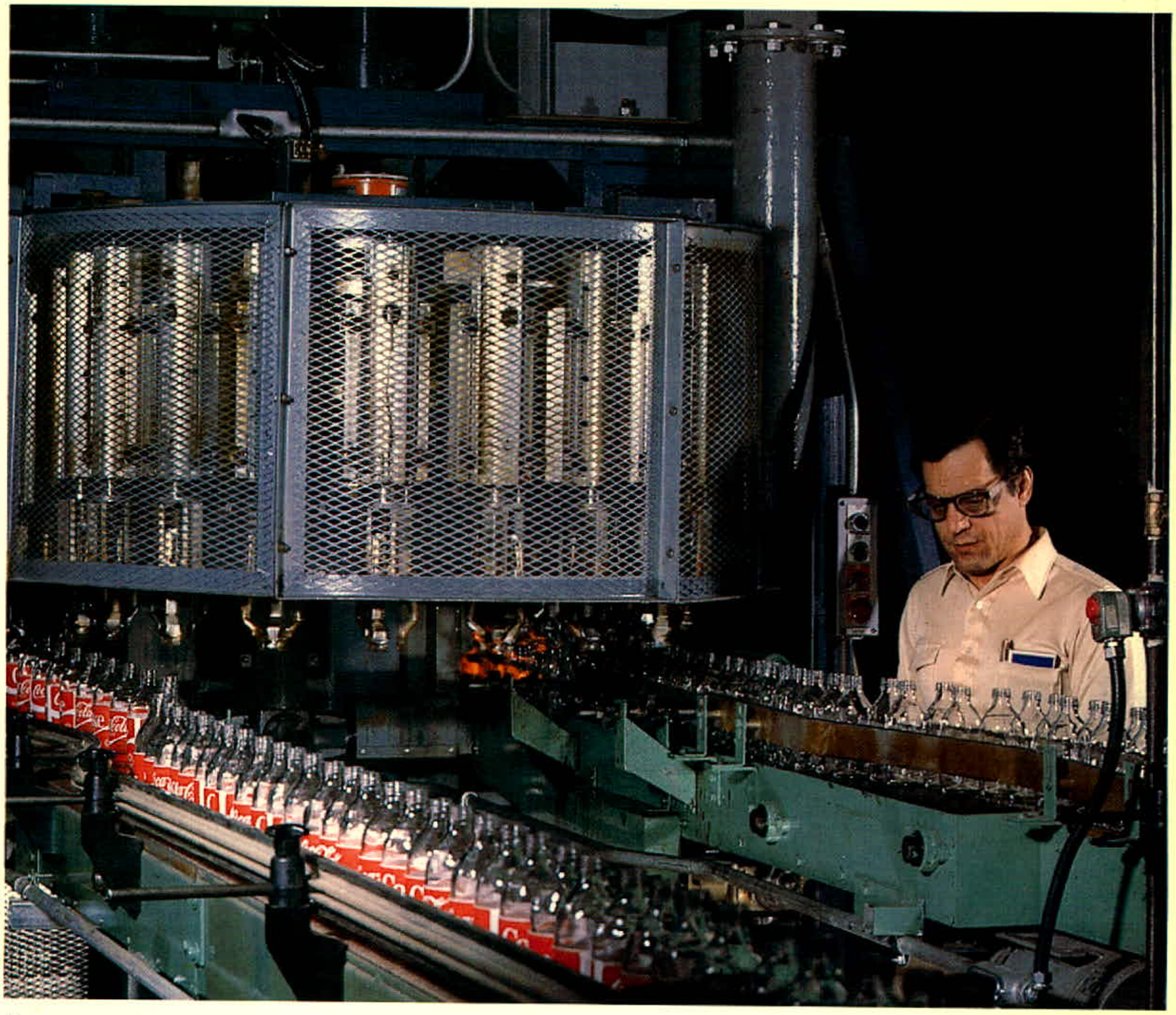
Net sales of industrial bags and flexible packaging products by the Bag Division were $50.3 million, 3.1% lower than the $51.9 million achieved in 1981. Reduced shipments of multiwall paper and heavy duty plastic bags were the main factor in the sales decline. Because of the reduced sales and lower margins resulting from highly competitive market conditions, operating profit was down sharply from 1981.

1
'Plasti-Shield' production line for prelabeled soft-drink bottles began operation at Domglas' Montreal Plant in Pointe St. Charles during 1982.

2
Plant employee inspects 'Plasti-Shield' bottle at Montreal, the second glass container plant to acquire this type of production capability.

3
Special labels are attractively printed and 'Plasti-Shield' type offers added protection to the bottle in filling, handling and transportation.

1



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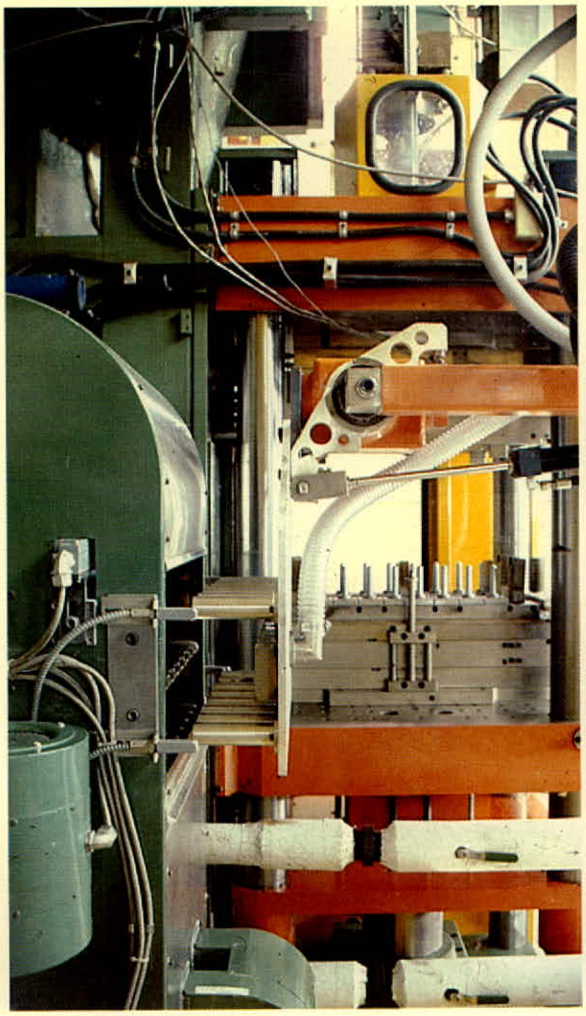
3

4
Twinpak Atlantic produces 'PET' two-litre plastic bottles for soft drink bottlers at its modern plant in Moncton. Here, robot arm of the preform injection-moulding machine deposits bottle preforms into cooling conveyor.
5
Twinpak's 'Plastube' plant moved to much larger facilities in Granby, Qué., in 1982. Part of plastic squeeze tube production, as shown here, is automatic capping of tubes.
6
Continuous-operation feature was added to St. Laurent container plant corrugator in 1982. It makes it possible to change specifications of corrugated board produced without stopping the machine.

4


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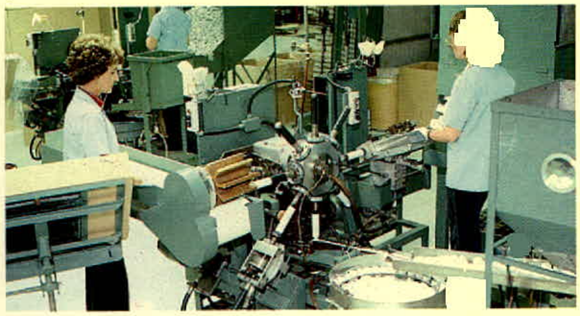
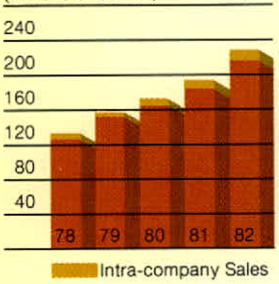


6


Bag and Container Net Sales
(millions of dollars)



Construction activity, which provides a major portion of the demand for multiwall bags, was depressed in 1982. The high interest rates which existed through most of the year were the main factor weakening this market. Agricultural demand for fertilizer, which is packaged in heavy duty plastic bags, was also severely affected, as were exports of chemical products. The weakness in these product areas was widespread, with all regions adversely affected.

Partially offsetting the weakness in bag markets were higher sales in flexible packaging products, particularly polyethylene coated and reinforced papers used for protecting lumber, steel, carpets and other manufactured products. Demand for lumberwrap continued to be strong in the West, despite the weakness of the forest products industry, as the need to protect accumulating inventories of lumber provided a good market. Export shipments, wider acceptance of Division products and new applications in both the East and the West provided market growth to offset the weakness in traditional uses.

Sales of vacuum metallized paper and film products began in the second half of the year from the 25 000 sq. ft. extension of the Brantford plant housing the new vacuum metallizer. Market response to these products, which are widely used for labels, cigarette and food packaging, has been very encouraging. Initial technical problems related to certain products were overcome and growth prospects in vacuum metallized products are promising.

Capital expenditures during 1982 totalled $2.6 million. In addition to its vacuum metallizing facility, a major project at Brantford is the installation of a six-colour flexo press, to be completed in 1983. This will provide for improved printing quality, to meet customer requirements for sophisticated graphics on consumer-product bags.

Bag Division's new Flexible Packaging unit metallizes plastic and paper.

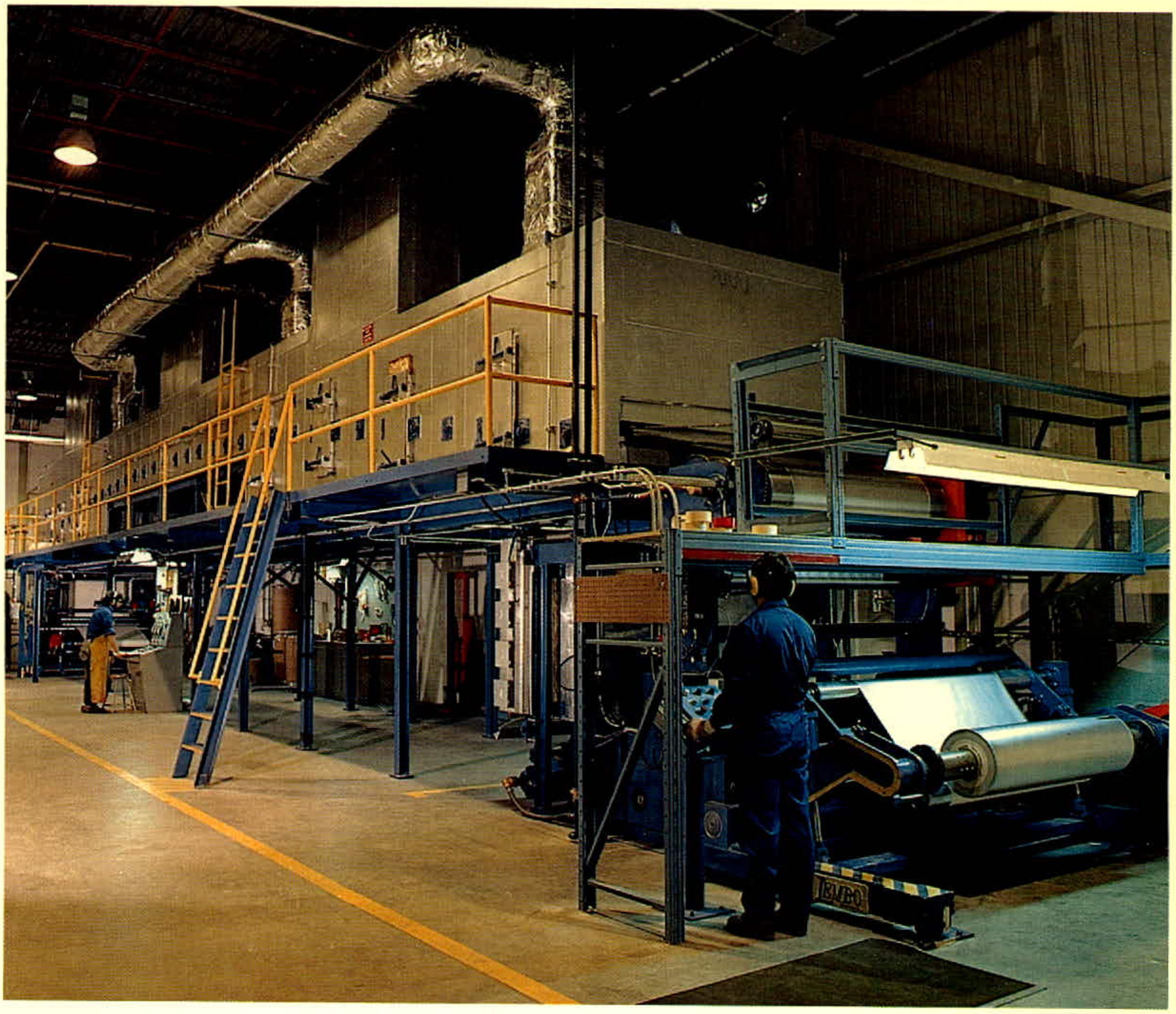
Corrugated Containers

Container Division — Consolidated-Bathurst Packaging Limited

Net sales of the Container Division increased to $174.3 million, 25.4% higher than the $139.0 million recorded in 1981. The increase, resulting from a combination of higher shipments and prices, helped

7
Dryer section of new vacuum metallizing installation at Bag Division's Brantford Plant. Various papers are pre-lacquered here in advance of metallizing.

7



Strike shutdowns of competitors challenged Container Division productivity.

the Division to increase its operating profit, for the fourth time in the last five years.

Virtually all food and manufactured products require corrugated containers as primary or secondary packaging. In the first half of 1982, operations were adversely affected by the weak Canadian economy, with total market decline estimated at more than 12% below 1981. Food and beverage requirements fell below expectations as customers sought to minimize inventories, and manufactured products were weak, reflecting reduced consumer demand.

The situation changed in the second half of the year, however, as labour contract renewal difficulties, which did not involve the Company, shut down much of the industry in Ontario, Quebec and the Maritimes. As a result, the Division operated at capacity through the balance of the year and sales and earnings improved sharply. A higher level of productivity, partially attributable to earlier capital expenditure programs, contributed to improved performance.

With industry labour settlements late in the year, competitive activity and capacity were restored.

Early in 1983, the Division's own labour contracts were settled without strikes. Three-year agreements cover Ontario and Quebec plants. With no improvement in the market currently evident, the outlook for the near term is one of uncertainty.

In 1982, as a part of the long-term program to increase capacity and productivity, the St. Laurent Plant corrugator was equipped for continuous operation. With such installations and other major capital expenditures over recent years, including $2.4 million in 1982, the Division was able to make noteworthy improvements in productivity and waste performance. It is well positioned to meet the needs of the market-place when demand improves.

Packaging, Europa Carton

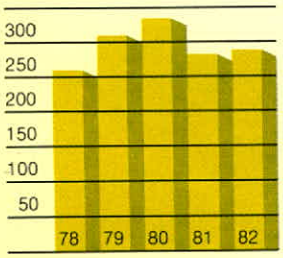
Despite poor economy, sales volumes up and operating profit set new record.

Europa Carton AG, with its head office in Hamburg and plants across Germany, is a wholly-owned subsidiary of Consolidated-Bathurst. It is the leading producer of paper-based packaging in the Federal Republic of Germany. Operations are partially integrated through ownership of a large waste-paper company and of two mills, one producing boxboard and the other, containerboard. Independently operated institutes serve the needs of clients throughout the EEC for package design, consumer research and corporate identity.

In 1982, the West German economy slid further into recession, marking the first occasion since World War II of two years of declining real GNP. With the exception of 1975, when real GNP fell 1.8%, the 1982 decline of 1.2% is the most severe in the post-war period. The 2.2 million unemployed at year-end represented 9.2% of the labour force.

The Deutsch mark weakened slightly over the year relative to the Canadian dollar, with a decline in value from 53¢ in the prior year to an average of 51¢ in 1982.

Europa Carton Net Sales
(millions of dollars)



Activity in the paper packaging industry is closely dependent on general economic conditions. There was, accordingly, a decline in the volume of industry shipments during the year. Highly competitive conditions were particularly severe in Southern Germany and in folding carton markets, where there is substantial excess capacity. A large increase in taxes on cigarettes resulted in an important reduction in cigarette sales. This was reflected in reduced demand for cartons, with an adverse effect on ECA, an important supplier of high quality containers to major brands.

In spite of these generally depressed economic and business conditions, ECA was able to achieve good results in 1982, with a doubling of pre-tax earnings in DM's over the preceding year and, in Canadian dollars, the best results in the company's history. Net sales increased by 5.6% to DM 556 million, or $282.7 million Canadian.

Capital expenditures during 1982 were DM 24.2 million. They were mainly directed toward modernization and improvement of converting equipment.

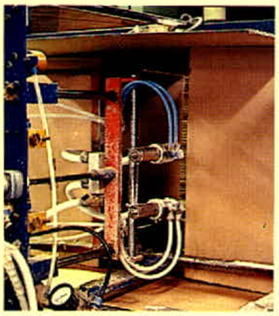
The improvement in 1982 results is mainly attributable to the success of certain management initiatives. Increased penetration of export markets, expansion of sales in packaging systems — where boxes are sold in conjunction with packaging machinery — and in organizational restructuring toward higher productivity. These continuing efforts are intended to meet the challenge of a difficult economic environment, one which offers little promise of improvement in the current year.

Shipments — Europa Carton	**1982**	1981	1980	1979	1978
Containers (millions of square meters)	**335**	330	325	328	297
Folding cartons (tonnes)	**46 430**	40 920	44 670	42 774	40 079
Paperboard (tonnes)	**79 770**	78 964	77 000	76 906	76 430

1/2
Packaging is often treated more effectively as a system. This approach was a major factor in improving Europa Carton's sales results in 1982.
3
'Sweets' box produced by ECA for a folding carton system. This container won awards from German and European packaging federations.

4
Part of die-cutting operations at the Munich plant, one of ECA's five folding carton plants.
5
Unusual and highly successful product range is represented by these oversized or bulk containers of ECA's Corrugated Container Division.

1



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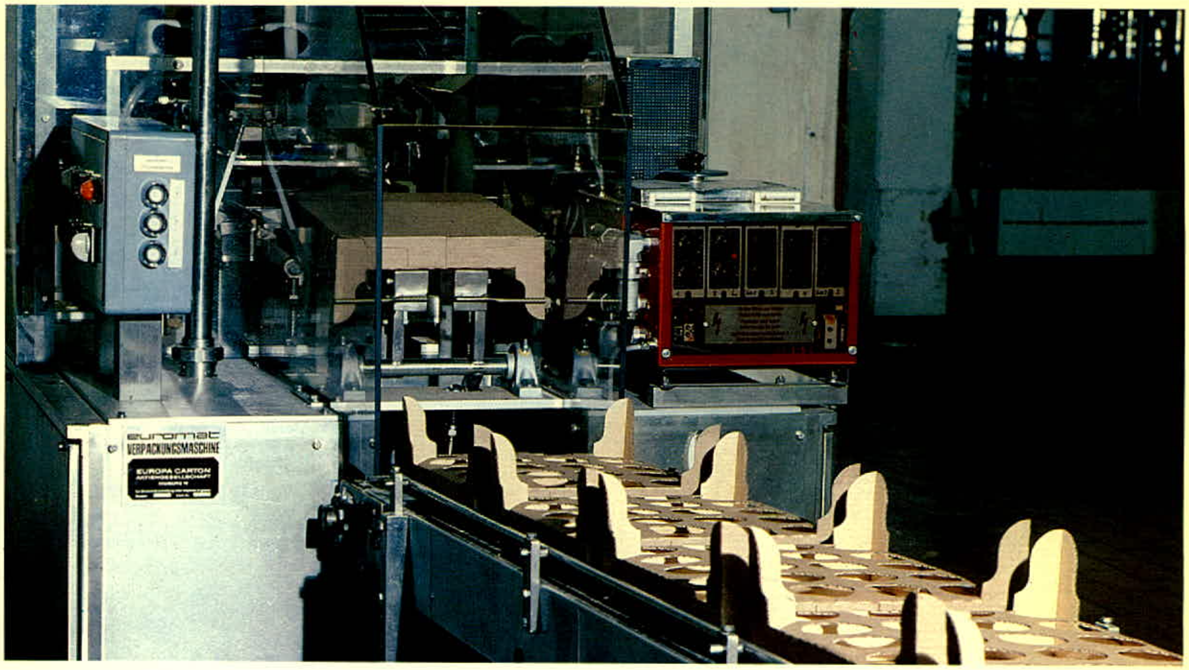

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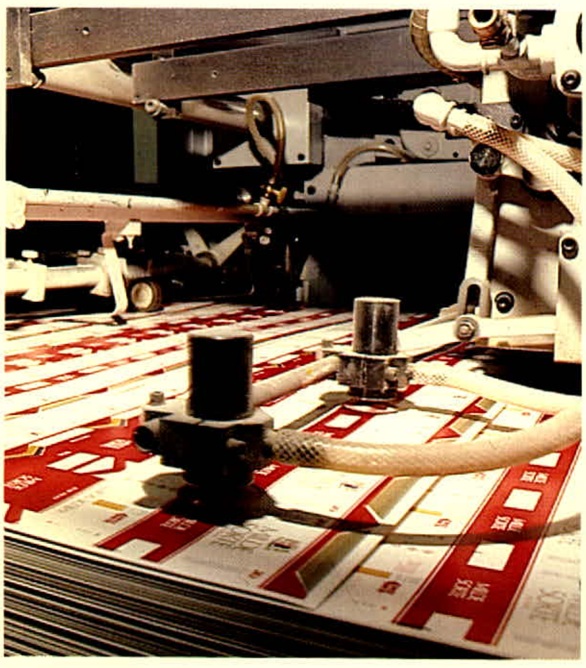

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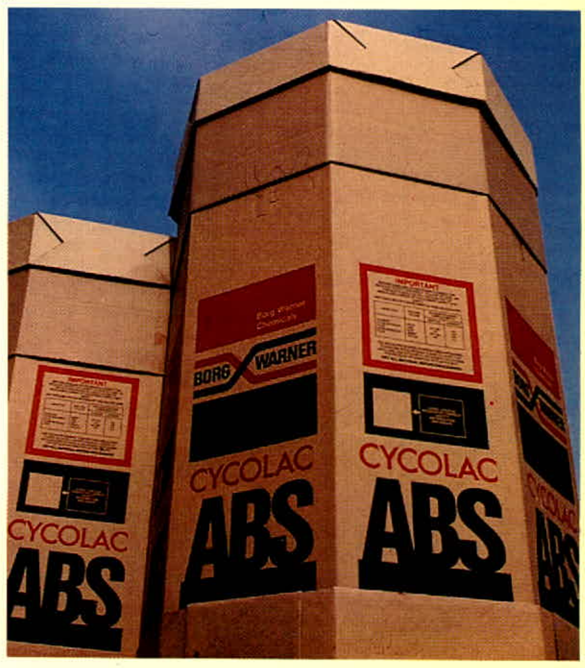


Oil and Gas Investments

Long-term benefits are seen in diversified oil and gas reserves.

Consolidated-Bathurst's involvement in oil and gas resources, which has been emphasized since 1979, is basically in three categories: subsidiary companies, exploration joint ventures, and equity investments.

The Company's overall investment commitment to this sector totalled approximately $168 million at the end of 1982. Currently the market value of these investments is depressed by the situation in world energy supply and demand. The oil and gas reserves resulting from these investments, however, represent an important strategic asset for the Company. In the years to come, they should appreciate in value and provide important benefits in terms of cash flow and diversification.

Subsidiaries

Redgas and Canadian Western Power & Fuel

Consolidated-Bathurst owns two natural gas production and distribution companies located in Redcliff, Alberta. Canadian Western Power & Fuel Company Limited (C.W.P. & F.) is a small utility which supplies nearby residential and industrial customers. Early in 1983, the Company accepted an offer from the city of Redcliff to purchase C.W.P. & F. The actual sale will take place once the necessary regulatory approvals are obtained.

Redgas Limited, also a subsidiary, contributed approximately $2.6 million in pre-tax earnings during 1982. These earnings resulted from natural gas sales amounting to 38 million cubic metres over the year to Redgas' two major customers, the Domglas glass container plant in Redcliff and Trans Canada PipeLines Limited. During 1982, Redgas participated with Consolidated-Bathurst in the Remington Resources joint venture program, investing over $3.5 million in Canadian energy exploration.

Joint Ventures

Remington Resources Ltd.

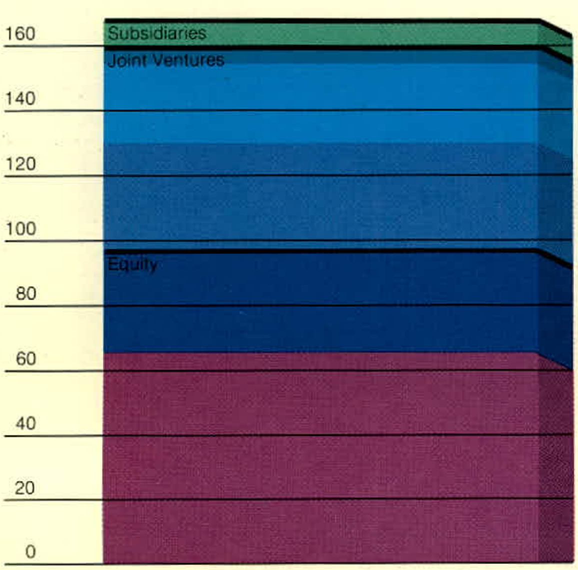
As of December 31, 1982, the Company and its Redgas subsidiary had invested $25.6 million in a joint venture exploration program operated by Remington Resources Ltd. of Calgary. In January 1983, Consolidated-Bathurst announced a major natural gas discovery under the program, in the Grassy region of northeastern British Columbia. Of the four wells the venture has drilled in the area, all have been successful and two rank among the top five wells in the province with respect to absolute open flow potential test results. All of the wells produced sweet dry gas, one achieving a calculated rate of 5.5 million cubic metres per day. The Grassy discovery is 19 kilometres west of the main transmission pipeline and the Alaska Highway. Remington now plans a continuous drilling program over the 29 000 hectares controlled by the venture in the vicinity. Company working interests in these mineral rights vary between 75% and 85%.

Zenith Exploration Company, Inc.

Consolidated-Bathurst has a 25% interest in a U.S. $14 million exploration program begun in January 1981 by Zenith Exploration Company, Inc. of Houston, Texas. This program continued at a reduced pace during 1982. Advances of U.S. $670 000 over the year brought the total invested to U.S. $2.3 million at December 31, 1982. Revenues and repayments of advances total U.S. $580 000 to date.

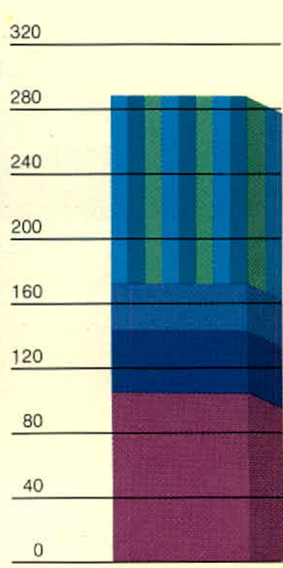
Investment

(millions of dollars)

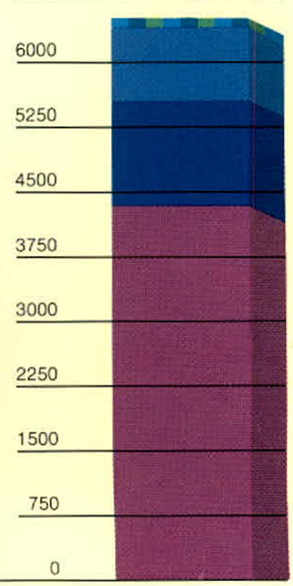


Interest in Proven Reserves*

Gas (billion cubic feet)

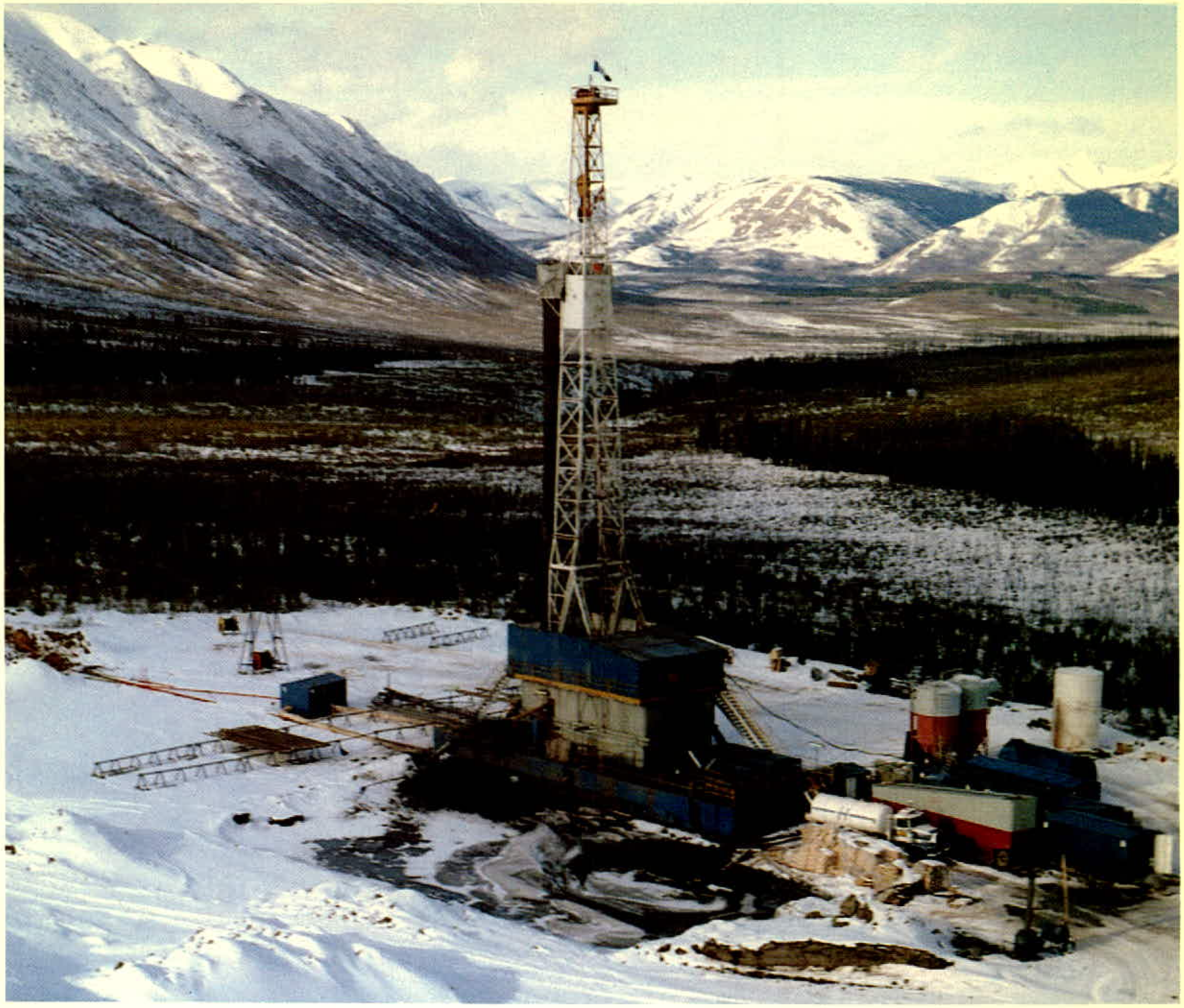


Oil & NGL's (thousand barrels)



*For equity investments — based on fully-diluted holdings.

Site of successful gas exploration conducted in northeastern British Columbia for Consolidated-Bathurst by Remington Resources Ltd. of Calgary. Two of four successful wells have tested among the top five in the province.



Alkebec-Joffre Oil & Gas Partnership No. 9

In 1981, Consolidated-Bathurst invested $1 million in a 40% interest in the Alkebec-Joffre Oil & Gas Partnership No. 9, which completed its drilling program in late fall of 1982. Proven and probable reserves established by the program were estimated by independent consultants at 250 thousand barrels of crude oil and natural gas liquids (NGL) and 760 million cubic feet of natural gas. When this drilling partnership was wound up, the Company exchanged its interest for shares of a new company established to continue development of the oil and gas assets of the former partnership.

Sulbath Exploration Ltd.

Sulbath Exploration Ltd. is the joint exploration company formed by Consolidated-Bathurst and Sulpetro Limited in May 1981. As its subscription price for slightly less than 50% of the shares of Sulbath, Consolidated-Bathurst agreed to pay up to $50 million over a period ending in 1983. This commitment was reduced by $500 000 in September 1982, coincident with the purchase of $500 000 of Sulpetro Series Z Preferred Shares. Consolidated-Bathurst's payments, which totalled $33 million by December 31, 1982, are used to fund Sulbath exploration and development expenses. These are deductible by the Company for tax purposes.

Sulpetro, for its part, contributed certain Canadian oil and gas properties to Sulbath and manages its exploration program. The 55 wells drilled in the program have resulted in 43 successful gas wells and nine successful oil wells.

In September 1982, Sulbath entered into a farm-out agreement for exploration of its 700 000 net acres located off the east coast of Nova Scotia in the vicinity of the Mobil Venture discovery. Canterra Energy Ltd. will spend an estimated $35 million to drill a maximum of ten wells to earn half of Sulbath's 5% working interest.

Equity investments include 12% share of Sceptre, 11% of Sulpetro.

Equity Investments

Sceptre Resources Limited

Sceptre Resources Limited is a Canadian public company involved in oil and gas exploration in western Canada, the United States, the North Sea, Indonesia and the Middle East. During 1982, Sceptre's most significant achievement was the acquisition, on May 14, 1982, of the Canadian operations of Francana Oil & Gas Ltd. The acquisition increased Sceptre's exploration exposure in Canada by almost 500 000 net acres and more than tripled Sceptre's proven and probable reserves and cash flow. To obtain these assets, Sceptre issued approximately 7.1 million common shares, reducing Consolidated-Bathurst's holding, on a fully-diluted basis, to 12% of Sceptre's outstanding common shares as of December 31, 1982, from 19% twelve months earlier.

On January 27, 1983, Sceptre announced that, pursuant to an offer made in December 1982, it had acquired 98% of the common shares of Willowdale Resources (1981) Ltd. in return for the issue of approximately 840 000 Sceptre 8.5% convertible second preferred shares, Series B. Willowdale originated as a drilling partnership which conducted a successful exploration and development program primarily in Alberta. The proven and probable reserves of Willowdale consist of approximately 110 billion cubic feet of gas and 588 000 barrels of oil.

During 1982, Sceptre's oil and gas reserves grew, not only through acquisition, but also through successful exploration activity. Capital expenditures were approximately $41 million in the year, of which $7 million was spent in Canada, $16 million in the United States and $18 million internationally. Sceptre's daily production increased from levels of 159 barrels of oil and natural gas liquids and 5.7 million cubic feet of gas in 1981 to an estimated 2 025 barrels of oil and natural gas liquids and 21.7 million cubic feet of gas in 1982.

At December 31, 1982, Consolidated-Bathurst's investment in Sceptre was $30 million, and consisted of 2 125 600 common shares and 279 020 7% convertible second preferred shares, Series A.

Sulpetro Limited

Sulpetro Limited is a large Canadian public company involved worldwide in energy exploration and development. To acquire CanDel Ltd. in 1981, the company borrowed $620 million, of which $220 million was to be repaid by May 1983. In the context of this commitment and the depressed results of energy resource companies in 1982, Sulpetro concentrated on improving its financial position through restructuring of its debt and curtailment of its capital and operating expenses. Although the burden of interest payments on the CanDel loan caused Sulpetro to report a loss for the year ended October 31, 1982, cash flow was positive over the same period.

Early in January 1983, Sulpetro announced that the Royal Bank of Canada had agreed to purchase $100 million of Sulpetro 10-year convertible debentures and to reschedule payments on the CanDel acquisition loan.

Sulpetro's oil and gas operations reported a number of successes during 1982. Between October 31, 1981, and October 31, 1982, proven reserves of oil and natural gas liquids increased by 23% to 41.8 million barrels and proven natural gas reserves increased by 7% to surpass one trillion cubic feet. Natural gas sales averaged 99 million cubic feet per day over the period, an increase of 26% from the previous year, with oil and NGL sales increasing 66% to 8 080 barrels per day. A second natural gas export project, for an eight-year term commencing November 1, 1983, was authorized by the U.S. Economic Regulatory Agency in September 1982 and approved by Canada's National Energy Board in January 1983.

Consolidated-Bathurst's investment in Sulpetro Limited as of December 31, 1982, amounted to $66 million. Equity interests were comprised of 60 417 Class A voting common shares, 2 820 132 Class B non-voting common shares and 25 000 14% Stock Dividend Convertible Preferred Shares, Series Z. These holdings represent approximately 19% of Sulpetro's outstanding common shares. After Sulpetro's issue of convertible debentures in February 1983, these holdings represent 11% of Sulpetro's common shares on a fully-diluted basis.

Financial Section

Financial Review

Segmented information
Net sales were $1.424 billion in 1982, a decline of 4% from the previous year. In Pulp and Paper, lower shipments of all products combined with reduced prices in newsprint, pulp and spruce lumber resulted in a decrease in net sales of 11%. In North American Packaging, sales of bags and containers increased by 18% over 1981 mainly because of higher shipments of corrugated containers, while sales of glass and plastic containers improved by 8%. Europa Carton's sales expressed in DM's were 6% higher than in the preceding year but, as a result of a lower DM exchange rate, up only marginally in Canadian dollars.
Operating profit decreased by 29% to $153 million in 1982. The results of Pulp and Paper suffered from the lower operating levels necessitated by declining sales. In North American Packaging and in Europa Carton, in spite of highly competitive markets, operating profit improved mainly as a result of effective cost reduction measures and better productivity.
Capital expenditures reached $242 million in 1982 compared with $240 million in 1981, newsprint and groundwood specialties accounting for the major portion of these expenditures.

Net earnings and investment tax credits
Net earnings in 1982 were $53 million, or $2.20 per common share, a reduction of 52% from 1981. These results excluded investment tax credit benefits, net of deferred taxes, of $14 million, or $0.64 per share, which related to 1982 qualifying expenditures, but will only be recorded in income in the year of realization. In 1982, only certain Canadian subsidiaries had taxable income and accordingly virtually no investment tax credits could be claimed in that year.

Operating capital
The Corporation responded quickly to meet the effects of weakening markets in 1982 by reducing operating capital requirements. Inventories were reduced by $15 million during the year, mainly in wood and raw materials for pulp and paper production. In sales collections, the Corporation maintained its average number of days outstanding to the 1981 level and accounts receivable declined by $6 million. These factors were partially offset by the decrease of $10 million in accounts payable relating to the lower level of activity.

Source and use of funds, capital structure and financing
Sources of funds amounted to $418 million in 1982 and were mainly composed of $136 million from operations, $156 million from long-term debt, $83 million from preferred stock and $31 million from grants. These funds were used primarily to finance additions to property and plant of $242 million, investments of $36 million, to reduce long-term debt by $65 million, and to pay dividends and redeem shares to a total of $41 million.

At December 31, 1982, the Corporation had $638 million in preferred and common equity as against $448 million in long-term debt and $62 million in short-term debt, resulting in a debt/equity ratio of 44/56.
Long-term debt arrangements at floating rates are currently in place to finance the completion of the Bathurst-Bridgewater project. To take advantage of lower fixed interest rates in capital markets and to increase the proportion of its fixed-rate debt to floating-rate debt, the Corporation effected an interest rate swap late in 1982. This locked in an effective interest rate of 13.1% on U.S. $50 million of its revolving credit borrowings.

Sales, Property and Plant, Employees, Shareholders and Shares by Province and Country as at December 31, 1982

	Net Sales	Property and Plant — Net	Number of employees	Number of Common Shareholders	Number of Common Shares
	(millions of dollars)				
Alberta	$ 27.9	$ 35.0	505	445	379 844
British Columbia	29.6	6.3	332	690	180 173
Manitoba	19.4	1.9	128	294	264 692
New Brunswick	31.4	92.9	992	354	37 673
Newfoundland	12.0	—	—	15	10 954
Nova Scotia	13.5	0.1	2	164	156 262
Ontario	305.5	81.2	3 580	5 193	3 944 806
Prince Edward Island	1.6	—	—	23	5 494
Quebec	209.2	521.4	7 195	5 451	13 200 961
Saskatchewan	4.8	—	—	132	29 209
Yukon and Territories	—	—	—	6	1 250
Canada	654.9	738.8	12 734	12 767	18 211 318
United Kingdom	43.8	29.4	85	168	3 697 567
United States	387.6	0.1	36	435	388 204
West Germany	283.7	75.8	2 965	650	2 855
Other countries	54.3	—	—	86	139 279
	$1 424.3	$844.1	15 820	14 106	22 439 223

Distribution of Revenue

(millions of dollars)	**1982**	**%**	1981	%
Materials, supplies, etc.	**$ 613**	**43**	$ 614	41
Wages, salaries and fringe benefits	**463**	**32**	458	31
Fuel and power	**143**	**10**	142	9
Depreciation	**55**	**4**	44	3
Federal, provincial and municipal direct taxes	**49**	**3**	87	6
Interest	**61**	**4**	44	3
Dividends	**40**	**3**	48	3
Retained earnings (excluding extraordinary items)	**8**	**1**	54	4
	$1 432	**100**	$1 491	100

Quarterly financial data per common share

	Earnings before extraordinary items	Dividends declared	Stock price range Low	High
1981				
First quarter	$1.13	$0.30	$22¼	$29½
Second quarter	1.18	0.40	26	29⅞
Third quarter	1.23	0.40	18	28¼
Fourth quarter	0.87	0.90	$16½	$21¼
	$4.41	$2.00		
1982				
First quarter	$0.75	$0.40	$14½	$18¾
Second quarter	0.75	0.40	13⅝	15
Third quarter	0.39	0.40	13⅞	18
Fourth quarter	0.31	0.40	$15⅛	$17⅝
	$2.20	$1.60		

Classes and major product lines

Sales to Customers 1982	Sales to Customers 1981	Inter-segment Sales 1982	Inter-segment Sales 1981	Net Sales 1982	Net Sales 1981	
				(millions of dollars)		
$ 444.0	$ 484.2	$ —	$ —	$ 444.0	$ 484.2	Newsprint and groundwood specialties
88.3	117.7	—	1.5	88.3	119.2	Pulp
34.0	57.4	76.5	52.7	110.5	110.1	Containerboard
34.7	46.8	3.2	4.8	37.9	51.6	Kraft paper and boxboard
20.5	26.5	—	—	20.5	26.5	Lumber
621.5	732.6	79.7	59.0	701.2	791.6	Pulp and Paper
212.4	182.3	12.2	8.6	224.6	190.9	Bags and containers
306.4	282.5	—	—	306.4	282.5	Glass and plastic containers — Domglas
518.8	464.8	12.2	8.6	531.0	473.4	North American Packaging
282.7	280.7	—	—	282.7	280.7	Containers — Europa Carton
801.5	745.5	12.2	8.6	813.7	754.1	Packaging
1.3	1.2	1.5	1.2	2.8	2.4	Oil and gas
		(93.4)	(68.8)	(93.4)	(68.8)	Eliminations
$1 424.3	$1 479.3	$ —	$ —	$1 424.3	$1 479.3	Total operations
						Investment and other income
						Income taxes
						Interest expense
						Corporate
						Consolidated total

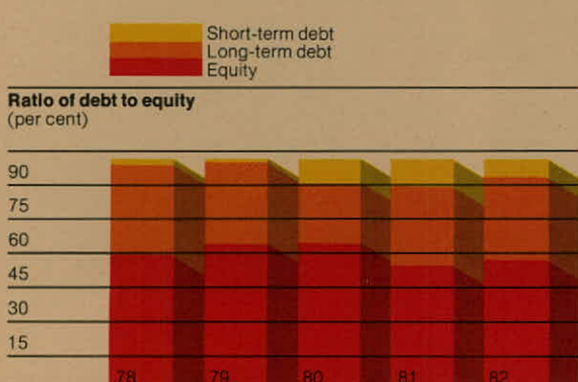
Inter-segment sales are accounted for at prices comparable to open market prices for similar products.

Geographical Regions

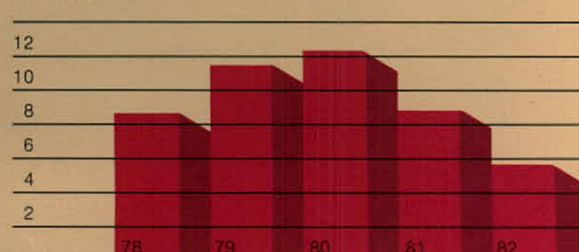
Sales to Customers 1982	Sales to Customers 1981	Inter-segment Sales 1982	Inter-segment Sales 1981	Net Sales 1982	Net Sales 1981	
$1 141.6	$1 198.6	$ —	$ —	$1 141.6	$1 198.6	Canada
282.7	280.7	—	—	282.7	280.7	West Germany
—	—	—	—	—	—	United Kingdom
$1 424.3	$1 479.3	$ —	$ —	$1 424.3	$1 479.3	Total operations
						Corporate
						Consolidated total

Canadian operations include export sales to the United States of $387.6 million (1981 $402.0 million) and to other countries of $99.1 million (1981 $142.2 million).

Ratio of debt to equity
(per cent)



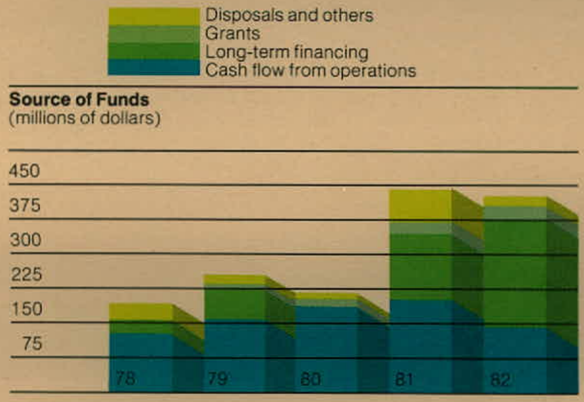
Return on Assets*
(per cent)

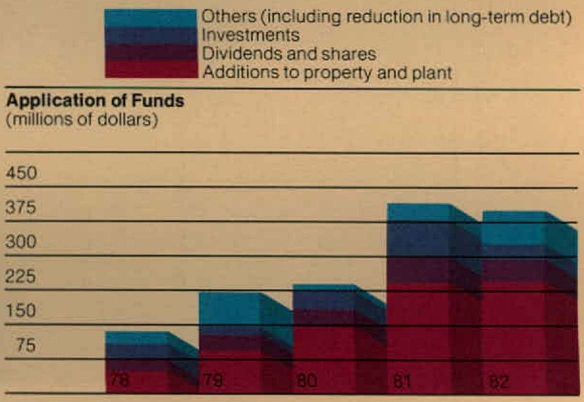


*Return on Assets: Earnings before extraordinary items and after-tax interest, divided by total assets after accumulated depreciation.

Operating Profit		Depreciation		Capital Expenditures		Identifiable Assets	
1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
							(millions of dollars)
$ 76.7	$122.2	**$17.1**	$11.4	**$189.7**	$157.6	**$ 643.1**	$ 516.2
11.5	33.9	**4.6**	4.3	**3.3**	6.4	**94.5**	100.1
10.8	12.2	**3.9**	3.6	**3.9**	3.9	**78.9**	79.5
0.7	3.0	**1.6**	1.2	**3.0**	3.8	**34.9**	39.3
(2.7)	(1.3)	**2.2**	1.9	**0.5**	7.8	**36.1**	44.8
97.0	170.0	**29.4**	22.4	**200.4**	179.5	**887.5**	779.9
12.6	10.8	**3.6**	3.1	**5.0**	8.5	**103.2**	91.1
27.5	22.7	**15.0**	13.7	**16.0**	25.7	**232.3**	229.0
40.1	33.5	**18.6**	16.8	**21.0**	34.2	**335.5**	320.1
15.9	11.1	**6.2**	5.0	**12.3**	13.9	**136.3**	131.0
56.0	44.6	**24.8**	21.8	**33.3**	48.1	**471.8**	451.1
0.4	0.9	**0.3**	0.3	**8.7**	12.0	**160.1**	134.5
(0.7)	0.6						
152.7	216.1	**$54.5**	$44.5	**$242.4**	$239.6	**1 519.4**	1 365.5
8.0	12.1						
(28.3)	(65.0)						
(61.4)	(43.5)						
(17.6)	(17.9)					**68.8**	67.2
$ 53.4	$101.8					**$1 588.2**	$1 432.7

Operating Profit		Depreciation		Capital Expenditures		Identifiable Assets	
$136.8	$205.0	**$48.3**	$39.5	**$208.7**	$199.6	**$1 342.3**	$1 212.6
15.9	11.1	**6.2**	5.0	**12.3**	13.9	**136.3**	131.0
—	—	**—**	—	**21.4**	26.1	**40.8**	21.9
152.7	216.1	**$54.5**	$44.5	**$242.4**	$239.6	**1 519.4**	1 365.5
(99.3)	(114.3)					**68.8**	67.2
$ 53.4	$101.8					**$1 588.2**	$1 432.7





Reporting the Effects of Changing Prices

In December 1982, the CICA released section 4510 of the Handbook entitled "Reporting the Effects of Changing Prices". These rules, which become effective in 1983, call for certain disclosures with respect to the current cost of inventories and fixed assets, the effects of general inflation, the bases and methods used to prepare the financial data and the significance of the information.

Impact of Inflation on Funds Flow

For 1982, the Corporation continued to present a supplementary statement prepared in accordance with the method proposed in 1978 by the Ontario Committee on Inflation Accounting. This statement indicates how funds provided from operations should be allocated to ensure the maintenance of the firm's productive capacity during inflation.

		1982		1981
				(thousands of dollars)
Funds provided from operations		**$136 200**		$198 592
Less: Depreciation on property and plant based on historical cost		**54 509**		44 486
Additional funds required to cover:				
Depreciation on indexed basis	**$40 146**		$35 244	
Cost of sales on replacement cost basis	**27 076**		27 181	
	67 222		62 425	
Deduct: Financing adjustment	**$23 331**	**43 891**	$16 619	45 806
Funds available for expansion or distribution to shareholders		**$ 37 800**		$108 300

Discussion of 1982 Results

The funds provided from operations decreased to $136 million in 1982 from $199 million in the preceding year. After having provided $98 million for the maintenance of productive capacity, there was a balance of $38 million representing the funds available for expansion or distribution to shareholders.

The depreciation adjustment of $40 million represented the difference between depreciation as charged in the accounts of $55 million and depreciation indexed for the effect of inflation of $95 million using the business investment component of the Gross National Expenditures implicit price index.

The cost of sales adjustment of $27 million represented the difference between the cost of goods sold on a historical basis and their current replacement cost at date of sale.

The financing adjustment of $23 million indicated the extent to which the additional funds required to finance the increased cost of maintaining operating capacity could be available from borrowings, on the assumption that the Corporation's debt to equity ratio at January 1, 1982, is maintained. This offsetting amount was included in the adjustments in order to arrive at an approximation of the funds that would be available for expansion or distribution to shareholders after taking into account the Corporation's theoretical use of debt financing.

Statement of Consolidated Earnings for the year ended December 31, 1982

		1982	1981
			(thousands of dollars)
Net sales and other income	Net sales	**$1 424 284**	$1 479 252
	Other income (note 2)	**8 038**	12 141
		1 432 322	1 491 393
Costs and expenses	Cost of goods sold	**1 143 065**	1 149 274
	Administrative and selling expenses	**91 631**	87 324
	Depreciation	**54 509**	44 486
	Interest on debt — long-term	**48 223**	25 497
	— short-term	**13 159**	18 010
		1 350 587	1 324 591
Earnings before income taxes and extraordinary items		**81 735**	166 802
	Income taxes (note 3)	**28 329**	65 022
Earnings before extraordinary items		**53 406**	101 780
	Extraordinary items	**—**	10 283
Net earnings		**$ 53 406**	$ 112 063
Earnings per common share	Before extraordinary items	**$2.20**	$4.41
	Extraordinary items	**—**	0.46
	Net	**$2.20**	$4.87

Statement of Consolidated Retained Earnings for the year ended December 31, 1982

		1982	1981
			(thousands of dollars)
Retained earnings at beginning of year		**$318 880**	$264 711
Excess cost of purchasing common shares over stated value		**4 295**	10 322
Second preferred share issue expenses, net of tax		**1 744**	—
		312 841	254 389
Net earnings		**53 406**	112 063
		366 247	366 452
Dividends	Preferred	**3 979**	3 071
	Common	**35 799**	44 501
Retained earnings at end of year		**$326 469**	$318 880
Dividends per share	Preferred		
	1966 Series	**$1.50**	$1.50
	1978 Series	**2.22**	2.25
	Series A	**0.72**	—
	Series B	**0.81**	—
	Common	**$1.60**	$2.00

Consolidated Balance Sheet as at December 31, 1982

			1982	1981
				(thousands of dollars)
Assets				
	Current assets	Cash and short-term deposits	**$ 6 141**	$ 4 073
		Marketable securities (note 6)	**—**	15 515
		Accounts receivable	**193 933**	199 842
		Grants receivable	**21 952**	23 698
		Income taxes recoverable (note 3)	**8 715**	—
		Inventories (note 4)	**309 598**	325 075
		Prepaid expenses	**5 593**	6 669
			545 932	574 872
	Property and plant	Mills, plants and other properties	**1 359 209**	1 170 213
		Less: Accumulated depreciation (note 5)	**515 112**	474 176
			844 097	696 037
	Investments	(note 6)	**185 218**	152 265
	Other assets	(note 7)	**13 000**	9 510
			$1 588 247	$1 432 684

Management's Report

The consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles consistently applied and conform substantially with International Accounting Standards. These statements, which necessarily include estimates and approximations, reflect information available to February 25, 1983, and have been audited by Touche Ross & Co., Chartered Accountants, whose report is included on the next page.

Management maintains an accounting system which incorporates extensive internal controls. The internal audit department performs independent appraisals of the effectiveness of internal controls and reports its findings and recommendations to management.

The Board appoints the members of the Audit Committee which is composed solely of outside directors. The Committee reviews the recommendations of the external and internal auditors for improvements in internal controls as well as management's action to implement such recommendations. The Audit Committee also reviews the consolidated financial statements with management and the external auditors prior to submission to the Board for approval.

TJWagg

T.J. Wagg,
Vice-President, Finance

Montreal, Quebec
February 25, 1983

		1982	1981
			(thousands of dollars)
Liabilities and Shareholders' Equity			
Current liabilities	Bank loans and notes payable	**$ 62 123**	$ 125 738
	Accounts payable and accrued expenses	**137 336**	146 861
	Taxes and stumpage dues	**26 660**	9 633
	Dividends payable	**2 001**	921
	Current portion of long-term debt	**10 600**	7 597
		238 720	290 750
Long-term debt	(note 8)	**437 863**	346 465
Deferred income taxes		**218 234**	193 629
Provisions	(note 9)	**52 741**	53 342
Minority interest		**2 824**	2 877
Shareholders' equity	Stated capital (note 10)		
	Preferred shares	**121 375**	41 415
	Common shares	**190 021**	185 326
	Retained earnings	**326 469**	318 880
		637 865	545 621
		$1 588 247	$1 432 684

Auditors' Report

The Shareholders,
Consolidated-Bathurst Inc.

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

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Montreal, Quebec
February 25, 1983

Statement of Consolidated Changes in Financial Position for the year ended December 31, 1982

		1982	1981
			(thousands of dollars)
Working capital at beginning of year		**$284 122**	$260 746
Source of working capital	Earnings before extraordinary items	**53 406**	101 780
	Add (deduct)		
	Depreciation	**54 509**	44 486
	Deferred income taxes	**31 946**	52 085
	German pensions	**93**	3 428
	Other non-cash items	**(3 754)**	(3 187)
	Total from operations	**136 200**	198 592
	Increase in long-term debt	**156 441**	141 478
	Issue of second preferred shares (note 10)	**82 931**	—
	Grants on additions to property and plant	**30 753**	29 297
	Proceeds from disposal of property and plant	**5 971**	1 250
	Proceeds from disposal of investments	**3 687**	62 093
	Issue of common shares (note 10)	**539**	1 124
	Other items — net	**1 808**	2 471
		418 330	436 305
Application of working capital	Additions to property and plant	**242 429**	239 614
	Reduction in long-term debt	**65 448**	21 099
	Increase in investments	**35 784**	78 664
	Cash dividends on common shares	**27 456**	34 779
	Dividends on preferred shares	**3 979**	3 071
	Purchase of common and preferred shares for cancellation	**10 994**	17 211
	Increase in pre-operating expenses	**4 658**	573
	Second preferred share issue expenses	**2 968**	—
	Increase in unamortized long-term debt expense	**1 524**	2 867
	Decrease in working capital related to extraordinary items and acquisition of subsidiary	**—**	15 051
		395 240	412 929
Increase in working capital during year		**23 090**	23 376
Working capital at end of year		**$307 212**	$284 122

On behalf of the Board:

William M Turner Jr. T.O. Stangeland

W.I.M. Turner, Jr., Director

T.O. Stangeland, Director

1. Summary of Significant Accounting Policies

Principles of consolidation
The consolidated financial statements include the accounts of all subsidiaries. All significant inter-company items are eliminated. Acquisitions of all subsidiaries are accounted for on a purchase basis and earnings are included in the consolidated financial statements from the date of acquisition.

Foreign exchange
Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at exchange rates prevailing at the transaction dates for non-current assets and liabilities, except for the German term bank loan which is subject to a provision for potential exchange charges. Income and expenses other than depreciation are translated at average exchange rates prevailing during the year. Depreciation is translated at historical exchange rates. Exchange gains or losses on translation of foreign subsidiaries' financial statements are deferred.

Inventory valuation
Expenditures on wood operations are stated at average cost. Pulpwood, chips, sawlogs and wood residue at mills, and other raw materials and supplies are also stated at average cost. Work in process and finished goods inventories, which include raw materials, direct labour and certain manufacturing overhead expenses, are stated at the lower of average cost and net realizable value. Provision is made for slow-moving and obsolete inventories.

Investments
Portfolio investments are stated at cost less write-downs for declines in value, when appropriate. Investments in the associated company over which the Corporation has significant influence and in the joint venture are accounted for by the equity method.

Property and plant, depreciation and capitalization
Mills, plants and other properties are stated at cost. On retirement or disposal of property and plant, the Corporation removes the cost of the assets and the related accumulated depreciation. Gains and losses on disposal of assets are included in earnings.
Depreciation, calculated principally on the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable property from the date that the property becomes operational.
Expenditures which result in material enhancement of the value of the facilities involved are capitalized. Maintenance and repair costs are expensed as incurred.
Grants relating to property and plant additions are deducted from the cost of the assets and depreciation is calculated on the net amount. Accruals are made for the appropriate portion of the estimated total of approved grants. Grants in respect of current expenses are included in earnings.
Interest is capitalized on major additions to property and plant involving the construction of new or materially improved manufacturing facilities. The interest cost is determined using the interest rate on new debt incurred by the Corporation to finance these capital expenditures.
Investments in shares of oil and gas companies are accounted for as described under Investments.
Oil and gas expenditures by the Corporation are accounted for under the successful efforts method whereby geological, geophysical and carrying costs are expensed and exploratory drilling and stratigraphic test costs are capitalized as property and plant. When no reserves are discovered, exploratory costs are expensed. All development costs including dry holes are capitalized. The amortization of capitalized exploratory drilling and development costs is based on proven developed reserves.

Pre-operating expenses
Pre-operating expenses consist of costs incurred in connection with the construction and modernization of major manufacturing facilities before they become operational. These expenses are amortized on a straight-line basis over a period of five years.

Leases
Long-term leases in which the Corporation, as a lessee, retains substantially all the benefits and risks incident to ownership are accounted for as additions to property and plant. The asset value and related obligation for such capital leases is recorded at the present value of the future minimum lease payments, using an appropriate discount rate.

Pensions
The Corporation and its Canadian subsidiaries have contributory, trusteed and funded pension plans. The current service cost portion is charged annually to earnings as funded. Unfunded past service liabilities are being funded and charged to earnings over a 15-year period. The German subsidiaries have non-funded pension plans; the provision and related charge to earnings is actuarially calculated in accordance with German legislation.

Income taxes
The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown in the financial statements result principally from capital cost allowance claimed for tax purposes in excess of depreciation. Investment tax credits on capital expenditures, net of deferred taxes, are accounted for as a reduction in income taxes in the year realized.

Earnings per common share
Earnings per common share are calculated on the weighted average number of common shares outstanding during the year. Common shares issuable as dividends on the Series B common shares are included as being outstanding from the dividend declaration dates.

2. Other income

	1982	1981
		(thousands of dollars)
Income from investments, marketable securities and short-term deposits	**$ 3 805**	$ 8 099
Share of net earnings of joint venture and associated company	**2 361**	2 507
Gain from debt retirement and disposal of property and plant	**1 872**	1 535
	$ 8 038	$12 141

3. Income taxes

	1982	1981
		(thousands of dollars)
Current before tax credits	**$ (651)**	$22 705
Less credits relating to:		
Inventories	**2 872**	2 638
Capital expenditures	**94**	7 130
Current	**(3 617)**	12 937
Deferred	**31 946**	52 085
	$28 329	$65 022

(a) The Corporation and one of its subsidiaries intend to report tax losses for the fiscal year 1982 by claiming additional available capital cost allowances. The carry-back of these losses to 1981 will result in the recovery of $8 715 000 of income taxes paid in that year. In the statement of consolidated earnings for 1982, this recovery has been netted against current income taxes of other subsidiaries.

(b) As at December 31, 1982, investment tax credits on capital expenditures available to reduce future income taxes amounted to $42 566 000.

(c) The Corporation's effective income tax rates are determined as follows:

	1982	1981
Canadian statutory income tax rate	**46.4%**	49.0%
Capital gains	**(3.7)**	(0.5)
3% inventory allowance	**(3.5)**	(1.6)
Manufacturing and processing allowance	**(2.7)**	(4.1)
Non-taxable dividends and equity earnings	**(2.0)**	(1.3)
Investment tax credits	**(0.1)**	(2.3)
Federal 5% surtax	**0.8**	1.3
Other	**(0.5)**	(1.5)
	34.7%	39.0%

The decline in the Canadian statutory income tax rate in 1982 resulted from the reduction of 5% in the Quebec corporate income tax rate.

(d) The Corporation, on the advice of tax counsel, has filed notices of objection to income tax reassessments issued by the taxation authorities of Canada, Ontario and Quebec for the years 1971 to 1975. These reassessments disallowed the deduction of certain interest payments to a non-resident subsidiary and certain insurance costs incurred by the Corporation. The income tax reassessed and related interest amounting to $2 024 000 has been paid. No provision has been made for this amount pending final disposition of the objection.

4. Inventories

	1982	1981
		(thousands of dollars)
Expenditures on wood operations	**$ 47 763**	$ 60 559
Pulpwood, chips, sawlogs and wood residue at mills	**51 463**	52 645
Other raw materials and supplies	**84 064**	92 539
Work in process and finished goods	**126 308**	119 332
	$309 598	$325 075

5. Property and plant

	1982			1981
	(thousands of dollars)			
	Gross	Accumulated depreciation	Net	Net
Pulp, paper, paperboard and lumber mills	$ 927 812	$323 293	$604 519	$462 345
Glass and plastic container plants	202 000	93 348	108 652	109 964
Converting plants	183 047	82 582	100 465	96 625
Woodlands	21 550	13 413	8 137	8 877
Oil and gas properties	21 431	1 276	20 155	16 101
Other	3 369	1 200	2 169	2 125
	$1 359 209	$515 112	$844 097	$696 037

(a) Interest capitalized on major additions during 1982 was $11 177 000 (1981 $10 525 000).

(b) Pulp, paper, paperboard and lumber mills include $36 995 000 (1981 $15 849 000) of equipment acquired under capital lease.

(c) The following rates apply to those assets being depreciated on the straight-line method:

	Buildings	Equipment
Pulp, paper, paperboard and lumber mills	2½%	6%
Glass and plastic container plants	5%	9%
Converting plants	2-5%	8-10%

6. Investments

	1982	1981
	(thousands of dollars)	
Portfolio:		
Oil and gas		
Sulpetro Limited (market value $14 903 000; 1981 $48 967 000)	$ 66 425	$ 65 925
Sceptre Resources Limited (market value $16 520 000; 1981 $33 422 000)	30 428	30 428
Sulbath Exploration Ltd. (a)	32 737	15 002
Other securities	3 006	2 500
	132 596	113 855
German certificates of indebtedness, 8¼%, 1985 (DM 19 964 000)	12 523	12 523
Canadian Pacific Limited (market value $15 084 000; 1981 $17 607 000) (b)	13 947	—
Rolland inc. (market value $1 103 000; 1981 $1 359 000) (b)	1 568	—
Other securities and loans of a non-current nature	9 217	12 015
	169 851	138 393
Equity:		
Joint venture		
Libbey-St. Clair Inc.	9 547	7 948
Associated company		
Diamond Glass Company, Inc.	5 820	5 924
	$185 218	$152 265

(a) Under its agreement related to the subscription for 49.9% of the shares of Sulbath Exploration Ltd., the Corporation is obliged to pay $44 500 000 (of which $32 737 000 has been invested to December 31, 1982), plus an additional contingent payment of $5 000 000. The Corporation has an option, exercisable after December 31, 1983, and before February 1, 1985, to exchange its shares in Sulbath for 1 631 667 class B common shares of Sulpetro Limited. If this option is not exercised, Sulpetro has the right, subject to certain conditions, to acquire the Corporation's shares in Sulbath in exchange for 1 631 667 class B common shares of Sulpetro or cash.

(b) The holdings in Canadian Pacific Limited and Rolland inc., aggregating $15 515 000 at December 31, 1981, were reclassified in 1982 from marketable securities to investments.

7. Other assets

	1982	1981
		(thousands of dollars)
Pre-operating expenses	$ 5 231	$ 573
Unamortized long-term debt expense	4 081	3 782
Deferred charges	1 535	2 526
Advances to trustees under share option and purchase plans		
1979 Share Option Plan	1 762	1 928
Exercised Option Purchase Plan	344	618
Executive Employee Stock Purchase Plan	47	83
	$13 000	$9 510

Of advances to trustees, $1 900 000 (1981 $2 200 000) is owing to the trustees from officers, two of whom are directors (1981 — one of whom was a director).

8. Long-term debt

		1982	1981	1982	1981
	Foreign currencies			Canadian dollars (thousands)	
Consolidated-Bathurst Inc.					
Sinking fund debentures					
5.85% Series A 1990	U.S. $	8 049	9 133	$ 8 654	$ 9 819
6⅜% Series B 1991	U.S. $	7 238	8 329	7 792	8 966
8¾% Series C 1993				9 149	9 149
9% Series F 1992	U.S. $	17 881	18 537	19 299	20 006
17½% Series I 1988	U.S. $	60 000	60 000	71 129	71 129
17¼% debentures, Series J, 1987				40 000	—
Revolving credit (a)	U.S. $	100 000	—	123 882	50 000
Obligation under capital lease (c)	£	16 966	6 975	36 995	15 849
9¼% Swedish export credit, 1987	SEK	58 174	—	11 641	—
Term bank loan, Canadian bank prime, 1994				5 000	—
8½% Irish export credit, 1987	£	516	—	1 119	—
Bathurst Paper Limited					
6% first mortgage sinking fund bonds, Series A, 1984				2 401	2 412
6% sinking fund debentures, Series A, 1984				2 266	2 590
7½% German term bank loan, 1985 (d)	DM	72 000	76 000	19 307	20 380
8½% British export credit, 1986	£	343	—	768	—
Consolidated-Bathurst Pontiac Limited					
11% first mortgage sinking fund bonds, Series A, 1995, retractable in 1985				25 463	25 463
Revolving credit (a)				—	50 000
Revolving and term credit, 1994 (b)				—	—
Domglas Inc. and subsidiaries					
9½% sinking fund debentures, Series A, 1990				15 993	17 174
Revolving credit (a)				20 000	20 000
Other				4 145	4 750
Europa Carton AG and subsidiaries					
Term bank loans, various interest rates, 1983 to 1995	DM	42 873	47 131	23 837	26 547
Other				53	57
				448 893	354 291
Less: Current portion, at historical exchange rates				11 030	7 826
				$437 863	$346 465

8. Long-term debt (continued)

(a) Under each revolving credit facility, funds can be borrowed by way of direct advances or bankers' acceptances, repaid and re-borrowed during a two-year revolving period, renewable annually. If not renewed, borrowings can, at the Corporation's option, either be repaid or converted to a ten-year term loan at various floating interest rates. The revolving credit facilities of each corporation are summarized as follows:

	Consolidated-Bathurst Inc.	Consolidated-Bathurst Pontiac Limited	Domglas Inc.
	U.S. dollars	Cdn. or U.S. dollars	Cdn. dollars
At December 31, 1982			
Amount of facility	$100 000 000	$50 000 000	$20 000 000
Outstanding borrowings at London Interbank			
Offered Rate (LIBOR)	$100 000 000	—	—
Canadian bank prime rate	—	—	$20 000 000
Secured by	Demand debentures, Series K	Demand second mortgage bonds	Demand debenture, Series B
Current revolving period ends	November 28, 1984	May 31, 1984	December 29, 1984

(b) In connection with the pulp mill conversion at the Bathurst Division, Consolidated-Bathurst Pontiac Limited has negotiated a $100 000 000 (or U.S. dollar equivalent) revolving and term credit facility, secured by Demand second mortgage bonds. During the revolving period to June 30, 1984, borrowings can be made for the full amount of the facility by direct advances (at Canadian bank prime rate, U.S. base rate or LIBOR) or by bankers' acceptances. During the ten-year term period to June 30, 1994, borrowings can continue to be made at various floating interest rates within the limits of the credit facility which is reduced by annual instalments.

(c) Under the terms of a leasing facility, completed in February 1982 with a major United Kingdom leasing company, approximately $75 million of manufacturing equipment for the Bridgewater Division newsprint mill will be leased to the Corporation over the economic life of the equipment. Lease payments will commence on January 1, 1984, and will vary during the first ten years with the six-month LIBOR plus 1% and the lessor's effective tax rate in respect of the lease. Thereafter, annual lease payments will be fixed at a nominal rate based on the total cost of the leased equipment.

(d) The German term loan is secured by the pledge of all the shares of Europa Carton AG and by a DM 5 000 000 certificate of deposit.

(e) The Corporation has, by way of an interest rate swap agreement, fixed the interest rate on advances of U.S. $50 million under its revolving credit facility at 13.1% per annum for the ten years to November 1, 1992.

(f) Excluding the debt of Europa Carton AG repayable from its operations and including the provision for potential exchange charges on the German term bank loan, the cost of repayment of the debt in foreign currencies, based on exchange rates at December 31, 1982, is $6 712 000 below the Canadian dollar amounts recorded in the accounts.

(g) Sinking fund requirements and principal payments during the next five years, based on exchange rates at December 31, 1982, are: 1983 $10 600 000; 1984 $20 541 000; 1985 $55 613 000; 1986 $29 889 000; 1987 $70 436 000.

9. Provisions

	1982	1981
	(thousands of dollars)	
Potential exchange charges on German term bank loan	**$28 406**	$30 037
German pensions	**23 398**	23 305
Other	**937**	—
	$52 741	$53 342

10. Stated capital

Preferred shares

(a) Authorized

- 6 000 000 preferred shares of which 1 027 169 are designated as 1966 Series and 800 000 as 1978 Series
- unlimited number of second preferred shares, issuable in series

(b) Issued and outstanding

	1982		1981	
	Shares	Stated Value	Shares	Stated Value
Preferred shares				
1966 Series	**897 741**	**$ 22 444 000**	936 608	$23 415 000
1978 Series	**640 000**	**16 000 000**	720 000	18 000 000
Second preferred shares				
Series A	**800 000**	**40 000 000**	—	—
Series B	**700 000**	**42 931 000**	—	—
	3 037 741	**$121 375 000**	1 656 608	$41 415 000

(c) Principal features

(i) General

The shares are redeemable and are non-voting unless the Corporation fails to pay, in the aggregate, eight quarterly dividends. Subject to provisions in the Trust Deeds securing the debentures and to the provisions attaching to all preferred shares, the Corporation, at its option, may effect share redemptions on 30 days' notice at specific prices plus accrued dividends thereon. Unless the market price is in excess of the redemption price, the Corporation is obliged to make all reasonable efforts to purchase a certain number of shares annually.

(ii) Cumulative dividends

1966 Series — $1.50 per share per annum, payable quarterly

1978 Series — annual rate, applied to $25 per share, equal to the lesser of (i) 9% and (ii) one-half of the average Canadian prime rate, plus 1¾% calculated quarterly

Series A — $5.75 per share per annum, payable quarterly

Series B — U.S. $5.25 per share per annum, payable quarterly

(iii) Redemption

1966 Series — at $26 per share

1978 Series — at $25 per share

Series A — at $52 per share, on or after April 15, 1988, and reducing by $0.40 per year to $50 per share on or after April 15, 1993

Series B — same as Series A except in U.S. dollars

(iv) Purchases for cancellation

1966 Series — 38 686 shares annually. 38 867 shares purchased in 1982 (39 100 in 1981) at a cost of $512 000 ($655 000 in 1981)

1978 Series — remaining 640 000 shares to be redeemed on April 1, 1983. 80 000 shares purchased in 1981 and 1982 at a cost of $2 000 000 in each year

Series A — 2% per year of the shares issued at a cost not exceeding $50 per share up to and including December 31, 1987, and thereafter, commencing January 1, 1989, 4% per year of the shares outstanding on December 31, 1988

Series B — same as Series A except in U.S. dollars

(v) Retraction and conversion

The Series A and Series B shares are retractable at the holder's option on April 15, 1988, at $50 per share and U.S. $50 per share, respectively, plus accrued and unpaid dividends. The Corporation may elect, by giving at least 35 days' notice prior to retraction date, to create further series of preferred shares into which the Series A and Series B shares would be convertible at the holder's option during a conversion period commencing no later than the retraction date and ending no earlier than six months after the retraction date.

(vi) Currency election

The holders of the Series B shares may elect to receive the U.S. dollar dividend, retraction and redemption payments in the Canadian dollar equivalent thereof.

10. Stated capital (continued)

Common shares
(a) Authorized — unlimited number of shares
(b) Issued and outstanding

	Series A		Series B	
	Shares	Stated Value	Shares	Stated Value
Balance January 1, 1982	17 328 515	$132 715 000	5 096 542	$52 611 000
Net conversions from Series B to Series A (c)	117 696	985 000	(117 696)	(985 000)
Issued as stock dividends	—	—	525 521	8 343 000
Issued under the 1982 Share Purchase Plan (d)	15 815	261 000	8 692	143 000
Issued under the 1979 Share Option Plan (e)	7 900	102 000	2 600	33 000
Purchased and cancelled	(546 362)	(4 187 000)	—	—
Balance December 31, 1982	16 923 564	$129 876 000	5 515 659	$60 145 000

(c) Principal features
The Series A and Series B shares are voting, inter-convertible on a share for share basis, and identical in all respects with the exception that dividends on the Series B shares are paid in the form of shares instead of cash. Dividends, other than stock dividends, are subject to restrictions under the Trust Deeds.

(d) 1982 Share Purchase Plan
In November 1982, the Corporation established the 1982 Share Purchase Plan to provide eligible employees with the opportunity to purchase shares on November 18, directly from the Corporation at a price of $16.50 per share. This plan also enabled such employees who reside in Quebec to benefit from certain tax legislation of that Province.

(e) 1979 Share Option Plan
In 1979, options were granted to a number of officers and employees to purchase, until December 31, 1984, up to an aggregate of 250 000 shares of the Corporation, at the price of $12.875 per share. As at December 31, 1982, 222 700 shares had been issued under this Plan.

11. Segmented information

The Directors have determined the classes of business of the Corporation to be pulp and paper, packaging and oil and gas. Information segmented by classes and major product lines and by geographical regions is reported on pages 24 and 25 of this report.

12. Related party transactions

Power Corporation of Canada is the major shareholder of the Corporation owning approximately 40% of the outstanding common shares. In 1982, the Corporation had transactions with certain companies in the Power Corporation group, mainly in respect of sales of newsprint and purchases of insurance services. Such transactions were made at open market prices for similar products and services and the total value was not significant in relation to the total sales and purchases of the Corporation.

13. Commitments

(a) The future minimum lease payments under capital and operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 1982, are as follows:

	Capital Lease	Operating Leases
	(thousands of dollars)	
1983	$ —	$ 7 300
1984	6 200	5 900
1985	6 200	4 600
1986	6 200	3 600
1987	6 200	3 000
Thereafter	37 200	9 400
	62 000	$33 800
Less: Imputed interest	25 005	
Present value of minimum lease payments	$36 995	

(b) At December 31, 1982, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $75 200 000.

(c) At December 31, 1982, the pension plans of the Corporation and its Canadian subsidiaries had no unfunded past service liabilities. At December 31, 1981, the unfunded liabilities of these pension plans had been actuarially estimated to be $18 700 000. The elimination of unfunded liabilities in 1982 resulted from changes in the actuarial assumptions used to value the liabilities of the plans and from the actual investment performance of the funds which exceeded the actuarial calculations that are based on long-term assumptions.

The charge to earnings in respect of the pension plans of the Corporation and all of its subsidiaries decreased to $8 500 000 from $14 400 000 in 1981, resulting from the above changes and from required modifications to the non-funded pension plans of Europa Carton AG.

Directors

Pierre Arbour
President,
Laduboro Oil Ltd.
Montreal, Que.

Robert A. Bandeen, O.C.
Chairman, President
and Chief Executive Officer,
Crown Life Insurance Company
Toronto, Ont.

Douglas A. Berlis, Q.C.
A Senior Partner,
Aird & Berlis
Toronto, Ont.

James W. Burns
President,
Power Corporation of Canada
Montreal, Que.

Edward G. Byrne, Q.C.
A company director
Tucker's Town, Bermuda

H. Roy Crabtree
Chairman of the Board,
Wabasso Inc.
Montreal, Que.

Peter D. Curry
Deputy Chairman,
Power Corporation of Canada
Montreal, Que.

Paul Desmarais, O.C.
Chairman
and Chief Executive Officer,
Power Corporation of Canada
Montreal, Que.

Edward A. Galvin
President,
Poco Petroleums Ltd.
Calgary, Alta.

Roland Giroux, C.C.
Honorary Chairman of the Board
of the Corporation
Montreal, Que.

G. Arnold Hart, M.B.E., C.M.
Director and
former Chairman of the Board
and Chief Executive Officer,
Bank of Montreal
Mountain, Ont.

Robert E. Morrow, Q.C.
Counsel to Ogilvy, Renault
Montreal, Que.

Kenneth A. Randall
Corporate director
and consultant
New York, N.Y.

**The Rt. Hon.
The Viscount Rothermere**
Chairman,
Associated Newspapers
Group p.l.c.
London, England

John M. Seabrook
Chairman of the Executive
Committee,
IU International
Philadelphia, Pa.

R.M.P. Shields
Managing Director,
Associated Newspapers
Group p.l.c.
London, England

Jean Simard
Vice-President,
Simcor Inc.
Montreal, Que.

T.Oscar Stangeland
President and Chief Operating
Officer of the Corporation
Montreal, Que.

Peter N. Thomson
Chairman,
Caribbean Utilities Company Ltd.
Nassau, Bahamas

William I.M. Turner, Jr.
Chairman and
Chief Executive Officer
of the Corporation
Montreal, Que.

Gus A. Van Wielingen
Chairman of the Board
and Chief Executive Officer,
Sulpetro Limited
Calgary, Alta.

Honorary Directors

Roland Chagnon, C.A.
A. Searle Leach

Officers

William I.M. Turner, Jr.
Chairman and
Chief Executive Officer

T. Oscar Stangeland
President and
Chief Operating Officer

John D. Andrew
Executive Vice-President

E.A. Thompson
Executive Vice-President

Ashok K. Narang
Senior Vice-President,
Planning and
Administrative Services

Dr. J.A. David Brunet
Vice-President,
Medical Services

Norman A. Grundy
Vice-President, International

John B. Sweeney
Vice-President,
Technical Development
and Environmental Affairs

Timothy J. Wagg
Vice-President, Finance

Jean-Jacques Carrier
Controller

Colin G. Fraser
Treasurer

Edwin S. Kirkland
Secretary

J. Michael Dawson
Associate Secretary

E. Camille Robichaud
Assistant Secretary

Guy Dufresne
Senior Vice-President
Pulp and Paper Operations

Lawrence F. Horne
Vice-President,
Kraft Production

James G. MacLeod
Vice-President, Woodlands

Ritchie MacPherson
Vice-President,
Newsprint Production

John P. Woods
Vice-President, Manufacturing

Joseph E. Souccar
Senior Vice-President,
North American Packaging

Benedict G.R. Cotterill
Vice-President, Bag Division

Theodor W. Haiplik
Vice-President,
Container Division

Mackenzie deB. Strathy
Senior Vice-President,
Pulp and Paper Marketing

K. Ross Hughes
Vice-President,
Newsprint Sales

Colin M. Marquis
Vice-President,
Pulp, Kraft and
Paperboard Sales

Subsidiary Operations

Paul S. Echenberg
President, Twinpak Inc.

Michael A. Pelham
Managing Director,
Consolidated-Bathurst
(Overseas) Limited

Werner Woitas
Chairman, Managing Board,
Europa Carton AG

Executive Committee

Paul Desmarais, O.C., Chairman
William I.M. Turner, Jr.,
Vice-Chairman
James W. Burns
Peter D. Curry
Roland Giroux, C.C.
G. Arnold Hart, M.B.E., C.M.
The Rt. Hon.
The Viscount Rothermere
T.Oscar Stangeland

Audit Committee

R.M.P. Shields, Chairman
Pierre Arbour
Douglas A. Berlis, Q.C.
Robert E. Morrow, Q.C.
Kenneth A. Randall

Remuneration Committee

G. Arnold Hart, M.B.E., C.M., Chairman
Paul Desmarais, O.C.
Roland Giroux, C.C.

Comparative Data

		1982	1981	1980
Operations (thousands of dollars)	Net Sales	**$1 424 284**	$1 479 252	$1 389 433
	Depreciation	**54 509**	44 486	42 651
	Interest — both short and long-term	**61 382**	43 507	29 886
	Income taxes	**28 329**	65 022	78 412
	Earnings before extraordinary items	**53 406**	101 780	122 379
	Extraordinary items — net of taxes	**—**	10 283	—
	Net earnings	**$ 53 406**	$ 112 063	$ 122 379
	Additions to property and plant	**$ 242 429**	$ 239 614	$ 143 152
	Increase in investments	**35 784**	78 664	40 483
	Maintenance and repair expense	**109 312**	115 013	98 334
	Wages, salaries and fringe benefits	**462 813**	458 224	423 067
	Energy costs	**142 792**	142 082	104 899
	Dividends — common	**35 799**	44 501	43 964
	— preferred	**$ 3 979**	$ 3 071	$ 3 204
Per common share (dollars)	Earnings before extraordinary items	**$ 2.20**	$ 4.41	$ 5.42
	Net earnings	**2.20**	4.87	5.42
	Dividends declared	**1.60**	2.00	2.00
	Cash flow from operations	**5.89**	8.74	8.51
	Book value	**$ 23.02**	$ 22.48	$ 19.72
Per preferred share (dollars)	Dividends — 1966 Series	**$ 1.50**	$ 1.50	$ 1.50
	— 1978 Series	**2.22**	2.25	2.16
	— Series A	**0.72**	—	—
	— Series B	**$ 0.81**	$ —	$ —
Balance sheet (thousands of dollars)	Total assets	**$1 588 247**	$1 432 684	$1 136 558
	Working capital	**307 212**	284 122	260 746
	Property and plant — gross	**1 359 209**	1 170 213	968 517
	Accumulated depreciation	**515 112**	474 176	445 129
	Investments	**185 218**	152 265	114 107
	Long-term debt	**437 863**	346 465	216 776
	Provision for exchange and contingent charges	**28 406**	30 037	32 378
	Provision for German pensions	**23 398**	23 305	19 877
	Minority interest	**2 824**	2 877	2 524
	Stated capital — preferred	**121 375**	41 415	44 393
	— common	**190 021**	185 326	178 714
	Retained earnings	**326 469**	318 880	264 711
	Total shareholders' equity	**$ 637 865**	$ 545 621	$ 487 818
Other data	Ratio of current assets to current liabilities	**2.3 to 1**	2.0 to 1	2.1 to 1
	Ratio of short and long-term debt to shareholders' equity	**44/56**	47/53	37/63
	Return on assets — %	**5.6**	8.8	12.2
	Return on common shareholders' equity — %	**9.7**	20.9	29.8
	Shares outstanding — preferred	**3 037 741**	1 656 608	1 775 708
	— common	**22 439 223**	22 425 057	22 481 643
	Number of employees	**15 820**	16 704	17 022
	Number of common shareholders	**14 106**	14 118	14 160

1979	1978	1977	1976	1975	1974	1973*	1972
$1 244 312	$1 078 843	$868 865	$745 193	$643 719	$689 009	$497 683	$348 055
38 774	36 022	32 484	28 659	26 150	25 658	21 500	16 534
26 353	26 930	26 823	22 941	18 812	18 445	14 518	10 573
57 058	36 350	10 038	9 227	20 338	34 463	14 220	4 674
98 259	59 147	21 355	18 240	32 599	47 712	19 870	6 181
4 589	1 568	1 361	—	—	14 608	(900)	63
$ 102 848	$ 60 715	$ 22 716	$ 18 240	$ 32 599	$ 62 320	$ 18 970	$ 6 244
$ 92 332	$ 47 475	$ 53 783	$ 56 678	$ 49 740	$ 36 992	$ 30 242	$ 14 968
20 414	34 039	4 695	—	—	47 637	—	—
83 294	73 038	69 889	58 267	44 467	45 861	29 724	19 809
395 386	365 745	324 995	279 653	232 204	218 340	179 332	133 291
92 393	78 059	66 357	51 705	42 459	43 220	28 359	22 794
22 254	16 540	14 591	14 543	14 471	15 108	—	—
$ 3 147	$ 2 057	$ 1 569	$ 1 633	$ 1 751	$ 2 198	$ 6 385	$ 2 116
$ 4.27	$ 2.60	$ 0.90	$ 0.76	$ 1.42	$ 2.37	$ 0.92	$ 0.18
4.47	2.67	0.97	0.76	1.42	3.13	0.87	0.19
1.00	0.75	0.67	0.67	0.67	0.75	—	—
6.86	5.25	2.96	2.24	2.98	4.76	2.54	1.19
$ 16.26	$ 12.79	$ 11.00	$ 10.70	$ 10.64	$ 9.89	$ 6.51	$ 5.74
$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 3.38	$ 1.12
2.03	0.64	—	—	—	—	—	—
—	—	—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
$ 991 854	$ 872 944	$808 791	$742 667	$662 369	$636 632	$534 987	$430 404
289 633	263 141	209 233	157 860	159 084	133 045	81 066	77 303
851 947	784 661	769 237	730 763	678 302	634 033	611 733	500 175
416 862	392 549	375 895	363 477	339 692	317 097	298 617	245 173
73 805	52 702	30 851	26 162	26 438	26 452	11 026	18 321
231 950	228 231	245 647	178 837	157 176	129 896	141 968	130 751
32 378	30 708	20 268	16 919	17 607	15 985	15 543	18 820
15 319	12 829	11 199	7 404	6 418	4 937	2 644	2 103
2 784	2 832	5 896	5 877	6 291	6 502	19 676	6 394
45 360	46 279	26 145	27 094	28 067	31 078	47 229	47 229
165 575	165 848	89 804	89 803	88 695	88 626	42 091	39 518
192 966	120 317	150 940	144 384	142 320	125 943	80 929	68 344
$ 403 901	$ 332 444	$266 889	$261 281	$259 082	$245 647	$170 249	$155 091
2.6 to 1	2.7 to 1	2.2 to 1	1.9 to 1	2.2 to 1	1.9 to 1	1.7 to 1	2.0 to 1
37/63	42/58	53/47	50/50	43/57	42/58	54/46	51/49
11.4	8.5	4.6	4.3	6.6	9.2	5.4	2.8
29.6	21.8	8.5	7.3	14.0	27.4	12.2	4.1
1 814 408	1 851 156	1 045 808	1 083 755	1 122 684	1 243 119	1 889 144	1 889 144
22 051 362	22 381 992	21 886 602	21 886 377	21 720 102	21 700 812	18 905 412	18 178 812
17 869	18 340	17 725	17 557	17 545	19 900	19 100	13 200
14 534	13 008	11 983	12 036	11 291	11 806	10 243	11 774

* 1973 — Reflects consolidation of Domglas Inc. from April.

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