Consolidated-Bathurst Inc. C

1983 Annual Report

Contents

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 1983, the Group's eight primary mills in Quebec, New Brunswick and in the U.K. produced 841 thousand tonnes of newsprint and 517 thousand tonnes of market pulp, paperboard and kraft paper. Four sawmills manufactured 99 million board feet of pine and spruce lumber.

North American Packaging. From plants across Canada, CB Pak Inc., through its subsidiaries, Domglas Inc. and Twinpak Inc., provides other manufacturing and process industries with a wide variety of industrial and consumer packaging and related packaging systems. Products include glass and plastic bottles and containers, flexible packaging products, multiwall paper and heavy-duty plastic bags and packaging systems. An affiliated company manufactures and sells glass tableware in Canada while another produces glass bottles in Pennsylvania and West Virginia. MacMillan Bathurst Inc., a joint venture with MacMillan Bloedel Limited, is a nationwide supplier of corrugated 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 made investments totalling $175 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

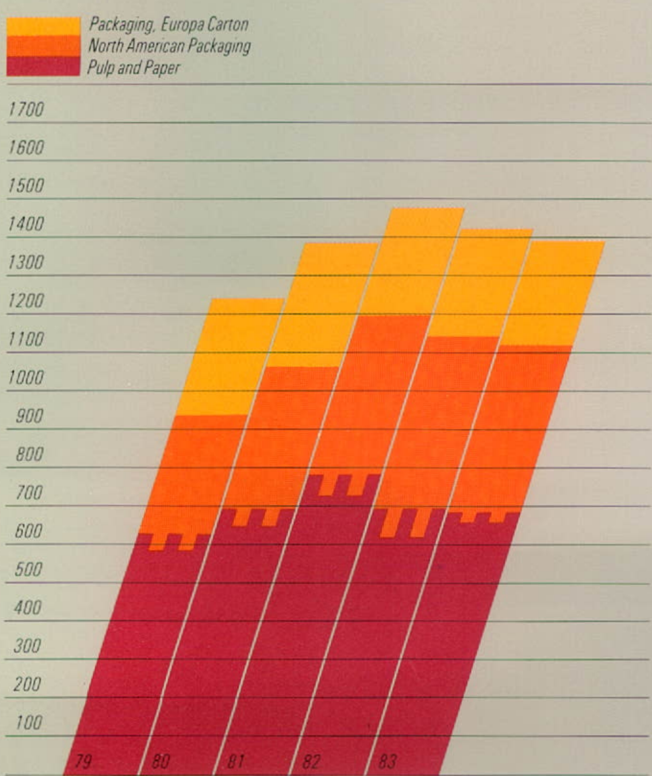
Transfer Agent and Registrar
Montreal Trust Company at
Saint John, Montreal, Toronto,
Winnipeg, Calgary and Vancouver

Annual Meeting
Queen Elizabeth Hotel, Montreal
April 26, 1984 – 10:30 a.m.

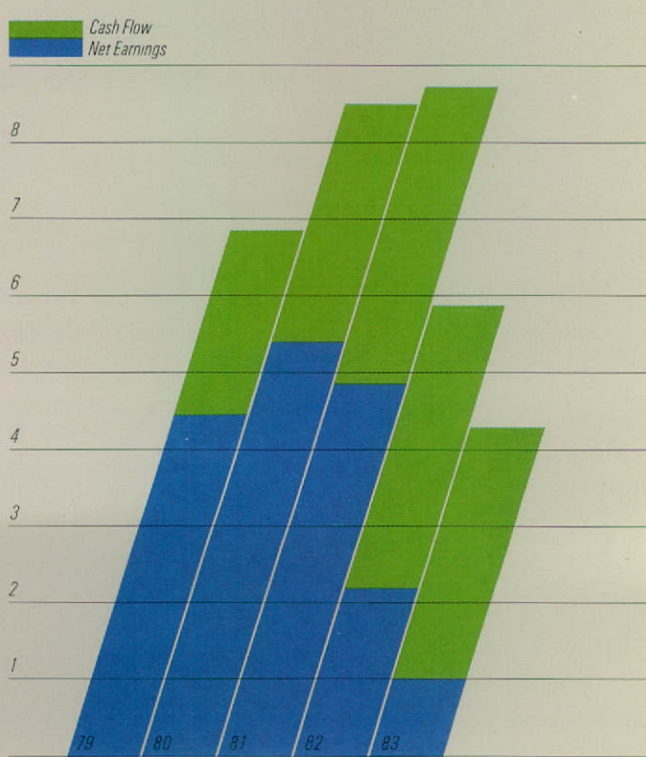
Highlights

		1983	1982	1981
Operations (thousands of dollars)	Net sales	**$1 393 065**	$1 424 284	$1 479 252
	Earnings before extraordinary items	**43 011**	53 406	101 780
	Extraordinary items	**(9 680)**	—	10 283
	Net earnings	**$ 33 331**	$ 53 406	$ 112 063
	Cash flow from operations	**$ 107 198**	$ 136 200	$ 198 592
	Additions to property and plant	**175 309**	242 429	239 614
	Total assets	**$1 670 316**	$1 588 247	$1 432 684
Per common share	Earnings before extraordinary items	**$ 1.44**	$ 2.20	$ 4.41
	Extraordinary items	**(0.43)**	—	0.46
	Net earnings	**$ 1.01**	$ 2.20	$ 4.87
	Cash flow from operations	**$ 4.29**	$ 5.89	$ 8.74
	Dividends	**0.80**	1.60	2.00
	Book value	**$23.22**	$23.02	$22.48
Other data	Number of issued common shares	**22 479 199**	22 439 223	22 425 057
	Canadian registered	**80.9%**	81.2%	84.7%
	Number of common shareholders	**13 530**	14 106	14 118
	Number of employees	**14 787**	15 820	16 704

Net Sales, by group *(millions of dollars)*



Net Earnings and Cash Flow per Common Share *(dollars)*



Report of the Directors

To shareholders and employees:

As we predicted here last year, Consolidated-Bathurst's results in its 52nd year declined from those of 1982, as operations continued to reflect recession and a highly competitive market environment. While overall results were disappointing in terms of the performance standards of recent years, they compared favourably with those of most Canadian forest products companies. In short, 1983 was a profitable, hard fought and event-filled year, with an upswing in the fall quarter.

Operating results

In 1983, net earnings were $33.3 million, or $1.01 per common share, compared with $53.4 million, or $2.20 per common share in 1982. Before the extraordinary charge in the final quarter, however, earnings in 1983 were $43.0 million, or $1.44 per share. The extraordinary charge consisted of a write-down by $12 million of the Corporation's investment in Sulpetro Limited. This does not reflect a loss of confidence in Sulpetro over the long term. The write-down was occasioned by the dilution created by Sulpetro's issuance of convertible debentures in a restructuring of its bank borrowings.

As indicated elsewhere, and particularly in the segmented information on page 26, Consolidated-Bathurst's broad diversification in packaging as well as forest products helped considerably to moderate the effects of pulp and paper's downside cycle. While operating earnings of Pulp and Paper were hardest hit, down 35% from 1982, those of packaging in North America and West Germany were only 7% below the preceding year, although the figures are not fully comparable because of an organizational change in the North American Packaging Group.

Total Company operating earnings were down 22% on a dollar sales decline of 2.2%. In pulp and paper products, added industry newsprint capacity worked to constrain

Pulp and Paper down, Packaging higher

price levels, which did not recover until the summer quarter of 1983. Shipments of groundwood specialties and bleached pulp began to pick up in the period. With lower interest rates and increased housing starts, lumber shipments improved from the first quarter. Although lumber prices softened later in the year, when more sawmills resumed operation, Company Wood Products turned a loss in 1982 into a profit in 1983.

Excluding sales of the Container Division in both years, those of North American Packaging operations were about 10% higher than in 1982 and operating earnings were better in 1983 by 21%. Sales of Europa Carton, the Company's German packaging organization, were 2% higher in Deutsche marks, mainly as a result of improved performance by its Corrugated Container and Folding Carton divisions. ECA earnings improved 21% in Deutsche marks, but when translated into dollars were the same in 1983 as in 1982.

Expansion and modernization

Capital expenditures declined to $175 million in 1983 from $242 million in 1982. Except for 1982 and 1981, however, they were substantially higher than any preceding year. Some $137 million was spent on a number of Pulp and Paper projects. The modernized No. 8 machine at the Belgo mill in Shawinigan started up in January and a Dynaformer twin-wire improved quality of the Company's widest groundwood specialty machine, No. 10 at the Laurentide mill in Grand'Mère. Two older, narrower machines were shut down at those mills in September.

The key Pulp and Paper project was the Bathurst/Bridgewater development. The new chemi-thermo-mechanical pulp mill at Bathurst was in preliminary production by July. The first and smallest paper machine of the rebuilt Bridgewater mill at Ellesmere Port, England, began operation in August and attained consistent production levels in the fourth quarter. The mill's de-inking plant and its second machine came on stream in January of this year.

Packaging capital improvements totalled some $31 million, with North American Packaging at $19 million, down about 11%.

Although Company capital expenditures will be lower in the near term, emphasis on modernization, rationalization and improved productivity will be continued.

Packaging Reorganization

Early in 1983, the Company's Bag Division was integrated into Twinpak Inc., at that time a Domglas subsidiary. The Division over recent years had broadened its original concentration on multiwall paper and industrial plastic bags and high-speed filling systems through diversification into coated and laminated films and papers and related flexible packaging products. This included, from 1982, vacuum metallized papers and films.

The Bag Division's merger with Twinpak as the Flexible Packaging Division of that company helps to make Twinpak one of Canada's leading plastics packaging organizations. The Division's new products also contributed to sharply improved Twinpak operating earnings in 1983. Part of Twinpak's own noteworthy improvement in 1983 over 1982 was the result of additional production of PET plastic bottles for the soft drink industry.

A second major development in 1983 made the Company's Container Division part of a new national corrugated container company called MacMillan Bathurst Inc., effective July 1, 1983. This joint venture company, based on seven Container Division plants and the ten Canadian corrugated container plants of MacMillan Bloedel Limited, became the second largest producer of corrugated containers in Canada. MacMillan Bathurst also serves to assure a growth

Hon. Edward C. Lumley, Canada's Minister of Industry, Trade and Commerce and Regional Industrial Expansion, and Hon. Richard B. Hatfield, Premier of New Brunswick, presided at official inauguration of new Bathurst Division pulp mill, September 30, 1983. They are shown here with Company President T.O. Stangeland (left) and Chairman and C.E.O. W.I.M. Turner, Jr. (right) at unveiling of commemorative plaque.

market for the linerboard production of Consolidated-Bathurst's Chaleurs Division mill.

The third development in North American Packaging's entrepreneurial progress was the organization in January 1984 of its companies and affiliates, other than MacMillan Bathurst, under CB Pak Inc. That company, a new subsidiary of Consolidated-Bathurst, consists of Domglas Inc., Twinpak Inc., and Domglas investments in Libbey-St. Clair Inc., the glass tableware company, and Diamond-Bathurst Inc., the U.S. glass bottle producer. CB Pak Inc. has filed a preliminary prospectus in anticipation of making a public offering of its common shares. The proceeds of the sale of these shares will be used to reduce CB Pak's short-term debt. The offering will afford investors a unique opportunity to participate directly in Canada's largest producer of glass, plastic and paper-based packaging products and systems.

Financing

The long-term financing facilities put in place in 1982 to sustain the Corporation's capital expenditure program were only partly used in 1983. Consolidated-Bathurst took advantage, instead, of competitive interest rates in the Canadian and U.S. short-term money markets to increase its short-term borrowings to finance the continuation of the capital program. As most of these borrowings will be refinanced through unused revolving credit facilities, an amount of $67 million was classified as long-term debt in the financial statements at December 31, 1983.

Capital leasing was also used as a financing vehicle in 1983 for certain expenditures. At the Bridgewater Division in England, the Corporation financed additional equipment expenditures of $35 million under financing arrangements with a major U.K. leasing company. In Canada, capital leases financed expenditures of $9 million for the purchase and installation of computerized process control equipment at several pulp and paper mills.

Early in 1983, foreign exchange exposure on the German term bank loan, due to be repaid in July 1985, was virtually eliminated by buying forward DM 50 million, at a rate of 1 DM = $0.5635, for delivery at that date. The loan, which amounted to DM 72 million at year-end 1983, was already covered by German certificates of indebtedness totalling DM 20 million.

Directors

On January 28, 1983, the Board of Directors decreased the number of the Corporation's directors from 21 to 17, effective April 29, 1983. Under mandatory retirement provisions of the Company's By-law One, five directors did not stand for re-election at the Corporation's Annual Meeting. These directors were Edward G. Byrne, Peter D. Curry, Edward A. Galvin, Roland Giroux, and G. Arnold Hart. The importance of their contributions is emphasized by the length of their tenure on the Board, ranging from nine to 25 years. At the meeting, A. Frank Knowles, Senior Vice-President of Power Corporation of Canada, was elected to the Board of Directors of the Corporation.

Management

A number of senior managers and officers also retired during 1983 within a framework of planned succession and orderly transfer of executive responsibility. Effective April 1, 1983, E.S. Kirkland, for many years Secretary of Bathurst Paper and, subsequently, of Consolidated-Bathurst, retired after 32 years of exemplary service. He was succeeded by J.M. Dawson, who had been appointed Associate Secretary on October 1, 1982, in anticipation of the change.

B.G.R. Cotterill, Vice-President, Bag Division, also retired April 1, 1983, after more than 30 years in marketing and management with that Division and its predecessor companies. P.S. Echenberg, President of Twinpak Inc. since 1971, assumed, as well, senior management responsibility for the Division and was appointed Vice-President, Plastics and Bag Division, April 29, 1983.

Industry labour negotiations ahead

E.A. Thompson retired as Executive Vice-President on July 1, 1983, but continued as Chairman of the Board and a director of Domglas until January 26, 1984, when he relinquished that office to become a director of CB Pak Inc. Mr. Thompson was President of Domglas from 1967, Vice-President, Packaging of the Corporation from 1975 and an Executive Vice-President from 1976.

In Pulp and Paper Marketing, Colin B. Marquis, Vice-President, Pulp, Kraft and Paperboard Sales, retired September 1, 1983, after 39 years of dedicated service to the Company. He was succeeded by B.G. Duns as General Manager, Pulp, Kraft, and Paperboard Sales. Mr. Duns was also appointed President of the related sales subsidiary companies.

Dividends and Outlook

During the year, the Board maintained the quarterly dividend of 20¢ per common share, the same level as established in January 1982. General cost constraint measures instituted in 1982 were continued. Merit increases due to salaried employees for the first quarter of 1983 were deferred into the second quarter of that year.

The outlook for 1984 is basically optimistic. Markets, shipments and operating rates in pulp and paper products will improve. In packaging, the new breadth of MacMillan Bathurst and of CB Pak Inc. offer special opportunities to magnify improvements in the Canadian economy through concentration of experience, rationalization of facilities and development of new product lines.

In the U.K. and the European Economic Community – the Bridgewater Paper Company Limited has been incorporated to promote the interests and products of the Bridgewater Division mill. The name of the sales company in the U.K. over the last 20 years, Consolidated-Bathurst (Overseas) Limited, has been changed to Bridgewater Paper Sales Limited. These moves suggest the strong aspirations of Consolidated-Bathurst to play a key role in meeting the needs of the U.K. and the E.E.C. for quality newsprint into the future. In spite of this new capability and ambition, the Company is not in favour of the proposed reduction in quotas on the duty-free entry of Canadian newsprint into the E.E.C., a matter of considerable concern to all Canadian newsprint producers. Consolidated-Bathurst has supplied Canadian newsprint to the U.K. for many years and would like to maintain the option of being able to do so in the future.

Despite the promise of early improvement in the fortunes of forest products and packaging companies, the difficulties to be faced are many, especially in the context of an election year in the United States and political leadership successions in Canada. Positive action to reduce government deficits and their leverage toward continued high real interest rates is most desirable. In its absence, industry, business and investors must seek to circumscribe the inevitable damage of lost opportunities and jobs forgone.

The prospect of near-term improvement for the pulp and paper industry is overshadowed by the forthcoming labour negotiations. The major forest products union in western Canada accepted settlement terms consistent with the position of the recession-weakened industry and its need to maintain international competitiveness. For eastern Canada, as well, this need requires not only long-term contract stability but settlements that take into account delivered costs and market access that can be changed quickly and radically by foreign exchange fluctuations. In recent years, the tandem strength of the Canadian and U.S. dollars against other currencies has emphasized the imperative that a predominantly export industry must contain all of its costs.

We extend our appreciation to the employees of Consolidated-Bathurst in all its parts and divisions in Canada and abroad for their competence, their participation and their commitment to our mutual effort and high expectations.

On behalf of the Board of Directors,

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

T.O. Stangeland,
President and
Chief Operating Officer

Montreal, February 23, 1984

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.

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

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

A. Frank Knowles, C.A.
Senior Vice-President,
Power Corporation of Canada
Montreal, Que.

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

Kenneth A. Randall
Corporate director
and consultant
New Canaan, Conn.

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 Giroux, C.C.
Honorary Chairman

Edward G. Byrne, Q.C.
Peter D. Curry
Edward A. Galvin
G. Arnold Hart, M.B.E., C.M.

Executive Committee

Paul Desmarais, O.C., Chairman
William I.M. Turner, Jr., Vice-Chairman
James W. Burns
A. Frank Knowles, C.A.
The Rt. Hon. The Viscount Rothermere
T. Oscar Stangeland

Audit Committee

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

Remuneration Committee

H. Roy Crabtree, Chairman
Douglas A. Berlis, Q.C.
Paul Desmarais, O.C.

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

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

J. Michael Dawson
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

Paul S. Echenberg
Vice-President,
Plastics and Bag Division

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

K. Ross Hughes
Vice-President,
Newsprint Sales

*retiring March 1, 1984
**retiring April 30, 1984

Subsidiary Operations

Bart G. Duns
President,
Consolidated Pontiac Inc.
Consolidated-Bathurst Paper
Sales Limited

Robert A. Nugent
President,
Gillies Inc.

Michael A. Pelham
Managing Director,
Bridgewater Paper Sales Limited

Ron J. Simpson
President,
Domglas Inc.

Werner Woitas
Chairman, Managing Board,
Europa Carton AG

Affiliated Companies

Frank B. Foster, III
President,
Diamond-Bathurst Inc.

Robert A. Graham
President,
Libbey-St. Clair Inc.

Theodor W. Haiplik
President,
MacMillan Bathurst Inc.

Results of the Pulp and Paper Group in 1983 were sharply lower as the lingering effects of the recession and the general over-supply of newsprint and pulp adversely affected prices. Although higher sales tonnage did improve mill operating rates, continuing cost escalation and the delay of price recovery to late in the year resulted in a substantial decrease in operating earnings.

Net sales for the year were $692.1 million, including $35.0 million to Company packaging operations. This total represented a decrease of 1.3% from 1982, because the 2% increase in sales volume was more than offset by lower average prices. As shown in the segmented information on page 26, operating earnings declined 35% to $66.4 million, with all products except kraft paper and boxboard, and wood products going down.

Modernizing to compete internationally

Overall demand for publisher newsprint was strong, with newspapers showing gains in both advertising linage and circulation. Canadian producers had to be especially competitive to benefit from U.S. growth in demand, but this situation did improve, to allow a mid-year U.S. price increase that restored prices to the levels of a year earlier. The U.S. recovery in demand for commercial printing and writing papers helped markets for uncoated groundwood specialties, with most of the improvement in the higher quality grades.

Improving economic conditions and papermaking requirements resulted in improved pulp demand in all major markets. Operating rates were better and there was a reduction of Norscan inventories to 1.2 million tonnes by year-end. Although pulp prices had increased by year-end, they remained below average levels in 1982.

Containerboard markets also improved in 1983, with Company operations doing better than the industry, as requirements of its affiliated converting operations strengthened with the Canadian economy, particularly in the second half of the year. During 1983, there was also a turnaround in the wood products operations of the Company, reflecting the 60% increase in U.S. housing starts over those of 1982.

In the twin-mill Bathurst/Bridgewater project, the new pulp mill at Bathurst, N.B., was in preliminary production at the beginning of July 1983.

Its product, chemi-thermo-mechanical pulp was, as expected, found to be well suited to the production of newsprint and other groundwood paper products. At the Bridgewater mill in England, one completely rebuilt twin-wire newsprint machine was started up in August and the second in January 1984. When the third machine is brought on stream in the spring of this year and as the mill's three machines reach capacity, the Company will be a major producer of high quality newsprint for the large European Economic Community market.

Capital expenditures slowed as major multi-year projects moved toward completion. Expenditures in 1983 included major allocations for energy conservation, modernization, and pollution control. A special program emphasized installation of on-machine quality control instrumentation. Although 1984 capital expenditures will also be lower than in recent years, continuing objectives are to reduce costs, to improve quality, and to rationalize facilities for long-term competitive strength.

Expectations are that pulp and paper demand in all markets will improve through 1984. Operating rates overall will improve, with many product sectors expected to operate near capacity, although the problem of excess capacity in newsprint markets may well continue. Depending on the resolution this spring and summer of industry labour negotiations in the long-term interests of employees and of Canada's international competitiveness, the Eastern Canadian industry should be able to benefit from continuing economic improvement in the U.S. and in world markets.

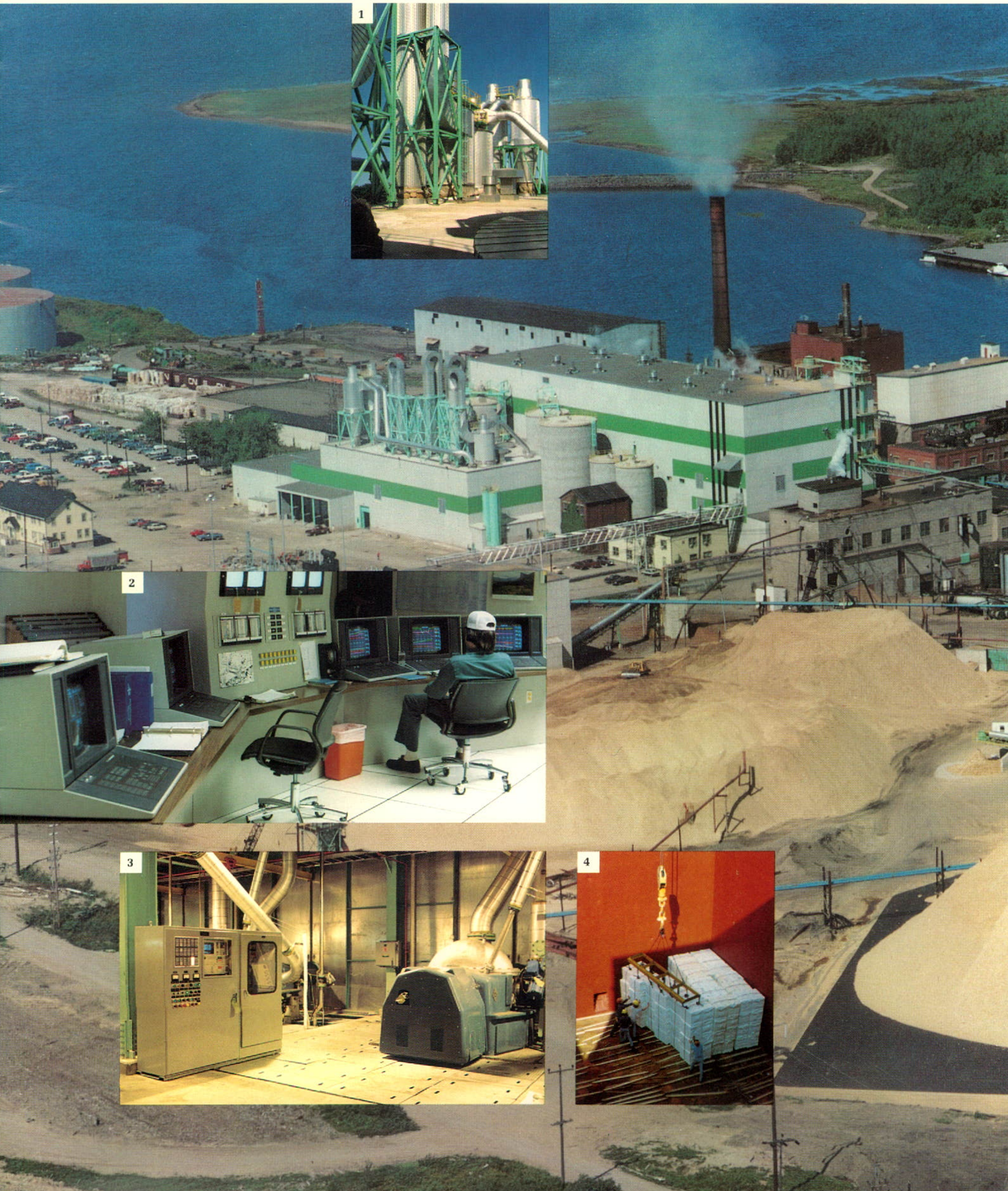
Newsprint

The volume of newsprint and groundwood specialties shipped in 1983 was higher than in 1982 by 15 000 tonnes, in spite of the permanent shutdown in the final quarter of two older paper machines at Laurentide and Belgo divisions. These had an annual capacity of 55 000 tonnes.

Newsprint consumption in the United States, the Company's most important market, increased dramatically in 1983 as the economy rebounded from recession. After four relatively flat years, consumption increased by 4.7% to 10.6 million tonnes. The improvement accelerated during the second half of the year, suggesting a strong and growing market for 1984.

Shipments – Pulp and Paper Group Products (thousands of tonnes)	**1983**	1982	1981	1980	1979
Newsprint and groundwood specialties	**840**	825	959	913	952
Pulp	**200**	178	222	231	230
Containerboard	**252**	269	289	302	301
Kraft paper and boxboard	**56**	55	78	81	88
Lumber (thousands of board feet)	**93 144**	67 915	93 502	92 081	131 192

1 Drying tower system against backdrop of new CTMP mill, Bathurst, N.B.
2 Central control room for high pressure refiners.
3 Typical of seven 10 000 horsepower refiners that break down chips to basic wood fibres.
4 CTM pulp bales being loaded at Chatham, N.B., en route to Bridgewater Division mill.



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Increases in domestic U.S. newsprint supply and the threat of imports from overseas, attracted by the strong U.S. dollar, softened positive developments for Canadian suppliers in 1983. Excess capacity in North America and Scandinavia tended to reduce operating rates and to depress price levels in all markets.

For other markets, the growth of locally-produced newsprint and limitations on available hard currency had an impact on the Company's and the industry's ability to sell overseas. In 1983, Company newsprint shipments went 63% to the United States; 22% to Canada; and 15% overseas, including the United Kingdom.

In April 1983, the Company announced its intention to reinstate the U.S. $500 per tonne price for publisher newsprint in the United States. This had fallen some 6% in the fourth quarter of 1982. By summer, the price level of mid-1981 was re-established. In the most competitive conditions in memory, the Company's publisher grade newsprint mills in Canada operated at approximately the 1983 industry average production-to-capacity ratio of 85%.

Net sales of publisher newsprint mills in 1983 were $249.2 million, compared with $271.2 million in 1982. The decrease in dollar sales year-to-year was the direct result of competitive price pressure.

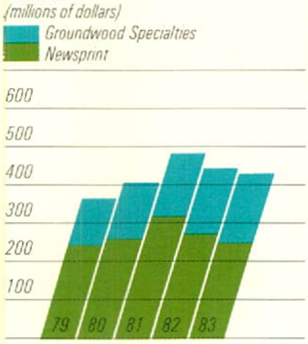
Newsprint produced at the new Bridgewater mill has won good market acceptance and its sheet quality is fully up to international standards.

Although world wide newsprint capacity continues to exceed demand, this situation is likely to be rectified when the economic recovery is more widespread than at present. Continued relative strength of the U.S. dollar is likely to encourage increased availability of foreign newsprint in that country and, as the Canadian dollar follows the U.S., make Canadian newsprint more expensive in other markets.

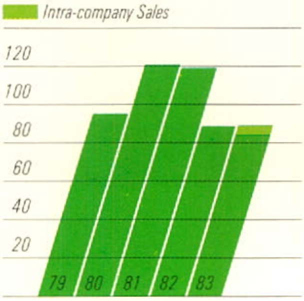
Groundwood Specialties

Net sales of the Company's groundwood specialty mills increased $7.0 million over those of 1982, to total $179.8 million, while shipments of 294 000 tonnes were 6% greater than in 1982.

Newsprint and Groundwood Specialties Net Sales
(millions of dollars)



Pulp Net Sales
(millions of dollars)



Although competition remains severe in the overall 'groundwood specialty' market, quality specialty papers were more in demand toward the latter part of 1983. This was prompted by the increasing popularity of advertising inserts. In November, the Company announced modest price advances for its top-of-the-line rotogravure and heat-set offset paper grades.

Steady demand for quality specialty grades in 1984 should result in a further improvement in the price situation as the year progresses. The Company has a strong reputation in the manufacture of these papers and is well situated to take advantage of the trend in North America toward quality printing.

The outlook for newsprint and groundwood specialties in 1984, while mixed, is more optimistic than it was early in 1983. While a constantly changing market will continue to test the marketing skills of Company personnel, specialties should enjoy strong demand through the year, with improved operating rates.

Kraft Market Pulp

Pulp prices in Canada and the United States were weak through 1983 but strengthened late in the year. A modest increase for hardwood, the major grade at Pontiac, was effected in the fourth quarter. Although the second half showed strength in North America, demand from Western Europe and Japan showed only slight improvement. With offshore markets weak, prices were under severe pressure because of competition made more aggressive by the unprecedented strength of the U.S. dollar relative to European currencies.

In 1983, sales of unbleached kraft pulp from the Bathurst mill, which stopped making that product in December 1982, were a final 6 000 tonnes. Net sales of bleached kraft market pulp from the Pontiac mill increased to $80.4 million, 7% above the preceding year, based on shipments of 177 000 tonnes, 18% higher than in 1982. Except for three weeks of summer downtime and normal fall maintenance, the Pontiac mill ran close to maximum operating rate, as demand for its products strengthened in 1983 with specialty grades leading the way.

The outlook for 1984 is positive, with a full operating rate anticipated. North American demand is expected to remain strong and prices to continue to improve over the year as paper manufacturers increase their output to meet demand.

Containerboard

Net sales of containerboard for the year amounted to $105.2 million, a decrease of 5% from 1982, while shipments were down 6%. Shipments to the Container Division and MacMillan Bathurst Inc. accounted for approximately half of total sales volume.

The first half of 1983 reflected a carry-over of depressed market conditions from 1982. Volumes and prices were under pressure, with the Chaleurs linerboard mill and Bathurst corrugating medium mill both operating below

1 CTM pulp from Bathurst is unloaded at wharf adjoining Bridgewater mill.
2 De-ink plant prior to operation. Its recycled paper currently provides 20% of newsprint furnish.
3 Bridgewater No. 2 paper machine from Dynaformer twin-wire end.
4/5 No. 2 dry-end reel, and lorry of Bridgewater newsprint for a newspaper customer.

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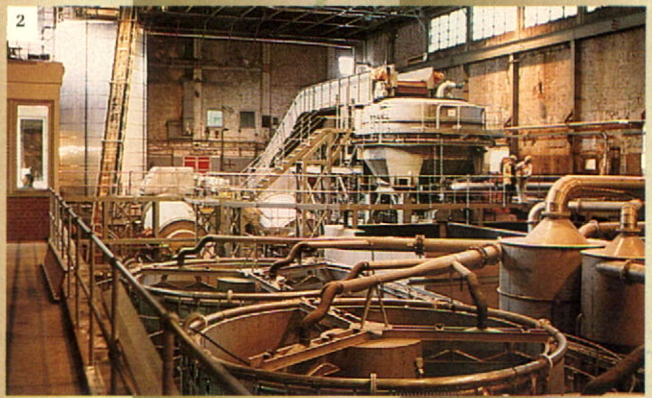

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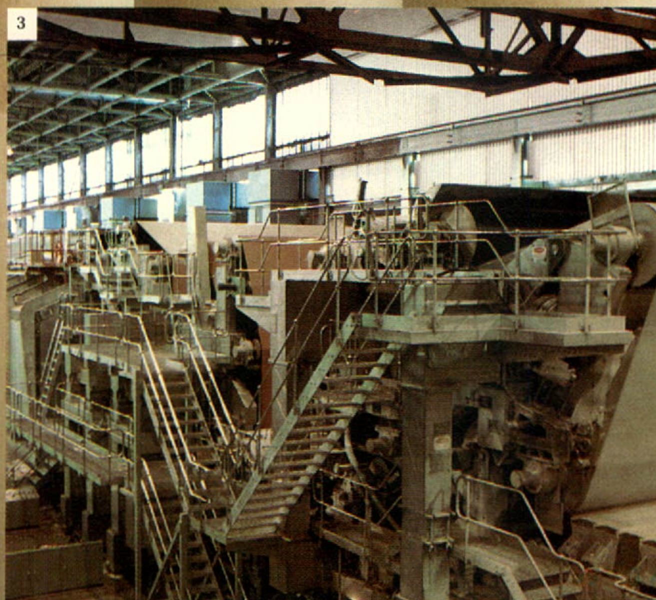

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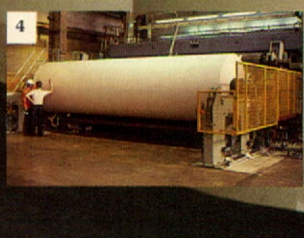

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capacity in the first half. In the second half of 1983, however, strengthening world-wide market conditions for containerboard, and the MacMillan Bathurst joint venture, in particular, improved operating levels dramatically.

Linerboard shipments from Chaleurs were 158 000 tonnes or 7% below those of 1982. The creation of MacMillan Bathurst Inc. increased domestic demand for Chaleurs linerboard to the point where the entire output of that Division was directed to Canadian destinations.

Sales of corrugating medium from Bathurst were 94 000 tonnes or 5% below last year. Prices and volumes recovered somewhat in the second half, but year-end levels were still adversely affected by competitive Scandinavian currency devaluations and the slow economic recovery of various export markets.

The outlook for 1984 is for good improvement in volumes and prices of containerboard, especially linerboard, as economic recovery progresses in Canada and in other world markets.

Kraft Paper and Boxboard

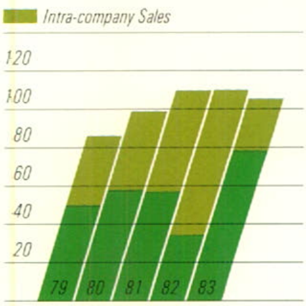
Net sales of kraft paper and boxboard amounted to $38.4 million, slightly higher than in 1982.

Kraft paper shipments from the Wayagamack mill at Trois-Rivières were 30 000 tonnes. Sales volume of one-time carbonizing tissue increased 12.3%. Competition from both imported paper and converted products continued through 1983, however, making it impracticable to pass on cost increases.

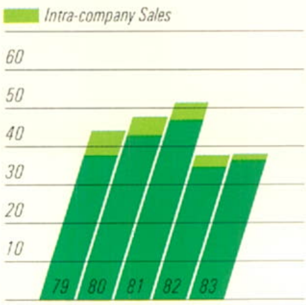
Demand for boxboard improved and shipments were 3.5% higher than in 1982. Prices were increased on most product lines to offset rising costs of fibre.

The program of production rationalization for both kraft paper and boxboard products will continue. Improvements in pulp and paper markets are expected to have a positive effect on shipments and revenues through 1984.

Containerboard Net Sales
(millions of dollars)



Kraft Paper and Boxboard Net Sales
(millions of dollars)



Wood Products

The performance of the Company's Wood Products Group improved substantially during 1983. Net sales were $31.2 million, 52% better than in 1982. Of these sales, 61% went to Canada, 37% to the U.S.A. and 2% overseas. Sales volume in 1983 was 93.1 million fbm, 37% better than in 1982. Overseas sales declined sharply from 1982 primarily because of the relatively lower value of European currencies against the dollar.

Lower North American mortgage rates and, in Canada, government incentives for new house construction returned housing starts to a more normal level from the depressed situation of 1982. Both lumber demand and prices improved during the first half of 1983. During the second half, however, although demand continued reasonably strong, prices fell sharply as high North American production and reduced overseas shipments created an excess in available supply.

Relative to capacity, the Company's sawmills operated at the following rates: Braeside 96%, Bathurst 36%, Notre-Dame-du-Rosaire 84% and Saint-Fulgence 37%. Operations at the Bathurst sawmill, which also supplies fibre to the Company's pulp mill there, were restricted as a result of the shutdown of the Bathurst pulp mill during construction of the CTMP expansion.

Sawmill productivity improved at all mills during the year, particularly at Saint-Fulgence where actual production per shift was 40% better than expected for the modernized and rebuilt sawmill, which started up in 1982.

Woodlands

During 1983, the four Woodlands divisions delivered 1.95 million tonnes of wood fibre to Company pulp and paper mills and sawmills. This was 74 000 tonnes more than the volume delivered in 1982.

Of total deliveries, sawmill chips and sawdust amounted to 741 000 tonnes, or 38%, including 111 000 tonnes from Company-owned sawmills. Woodlands divisions also delivered 130 000 wet tonnes of bark and other sawmill residues to the Port Alfred, Laurentide and Wayagamack mills for use as fuel.

Final wood cost was slightly lower than in 1982, as escalations in most elements of cost, including labour, were more than offset by cost reduction measures and increases in productivity.

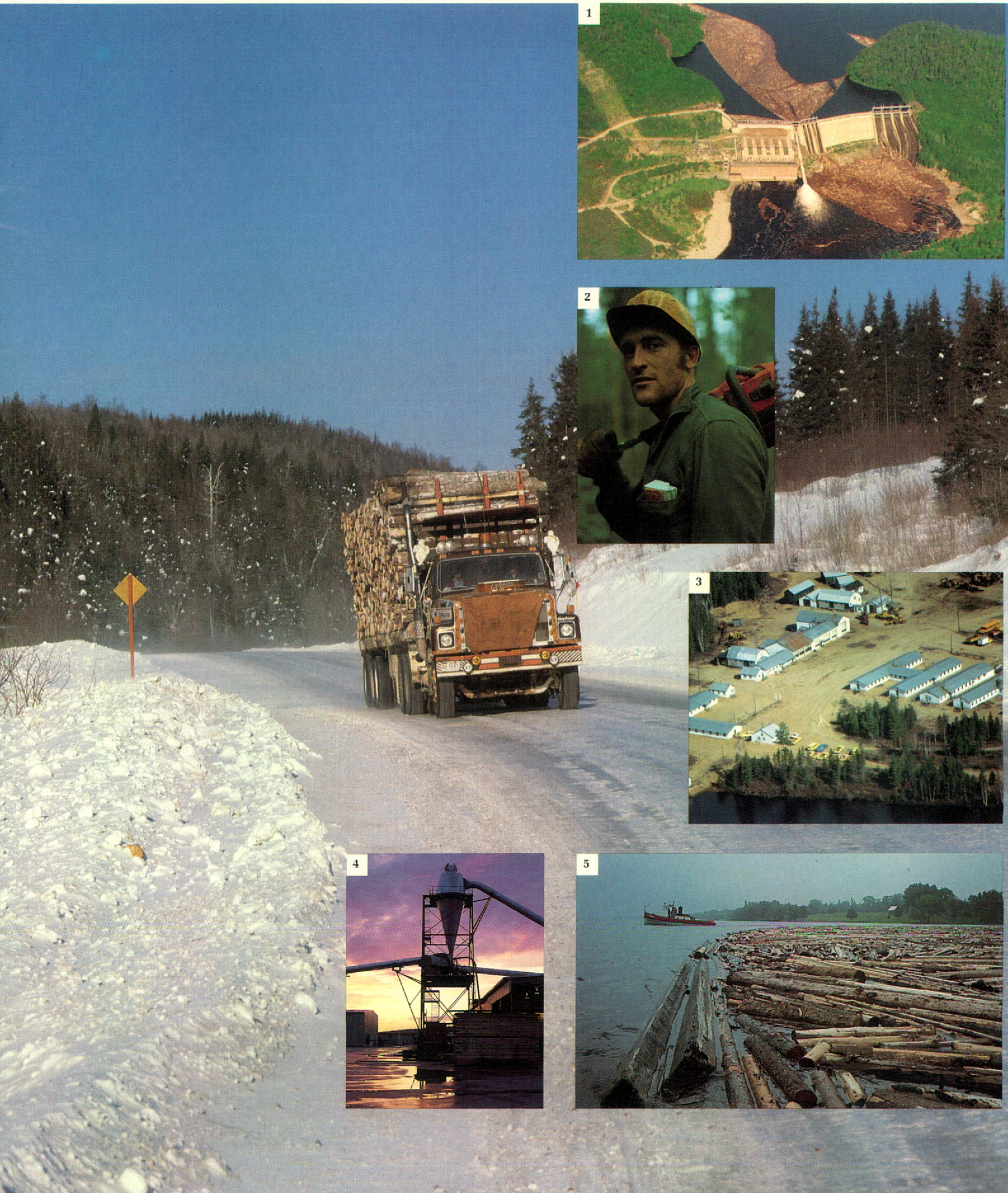
At year-end, inventories in the mill yards, rivers, and in the forest were valued at $92.8 million. As a result of continuing efforts to improve cash flow, this figure was $6.5 million lower than at year-end 1982.

Capital expenditures for mechanical equipment, roads, camps and other facilities amounted to $1.7 million, 4% less than in 1982. In 1983, under the terms of the Canada-Quebec joint supplementary agreement on forestry development, which ends in 1984, the Company had

1 Efficient, multiple use of the Trenche dam on the St. Maurice River, for energy and wood movement.
2 Woodsworker at end of day.

3 Camp at Lac Charland is among largest in St. Maurice Division woodlands. In eleven years of operation, its workers have harvested three million cubic metres of wood.

4 Braeside pine sawmill operated at 96% of capacity in 1983.
5 Typical towing boom used to transport wood across Lac Toro.



accrued grants totalling $450 000 against its expenditures for road construction.

No additional Company limits were revoked by the Quebec Government in 1983. A wood supply guarantee was signed to replace wood volumes previously available from the Chaleurs limits; compensation in the form of cutting rights has been obtained for the limits revoked. For the Ottawa Valley, negotiations are continuing at a slow pace.

In line with the Company and government policy to encourage forest management and with the help of federal/provincial cost-sharing programs, 883 hectares were scarified and 2.6 million seedlings were planted on 1 185 hectares of limit and private lands.

Better productivity helped contain wood costs

After several years of low forest fire hazard, the 1983 season in Quebec proved to be particularly devastating. Some 224 square kilometres of Company limits were burned, an area roughly equivalent to the area harvested by the Company each year. The Company's share of fire protection and suppression cost was 50%, or $612 000, higher than usual.

Manufacturing

Total production from the Company's eight pulp and paper mills in 1983 was 1 358 000 tonnes, 3% more than in 1982.

Newsprint and specialties production, at 841 000 tonnes, was 31 000 tonnes more than in 1982. Wayagamack Division reached 126 000 tonnes, a new mill record. This reflected 12 months' operation of the No. 3 lightweight paper machine, which started up in April 1982. In England, the Bridgewater Division's first paper machine was fully in operation in November to produce 13 000 tonnes of newsprint in 1983.

Production of other paper and containerboard grades at 308 000 tonnes was 5% less than in 1982, reflecting lower market demand, while higher demand for Pontiac hardwood pulp helped increase pulp production to 208 000 tonnes, 28 000 tonnes higher than in 1982. Bathurst pulp production remained at about 31 000 tonnes, with output of the new CTMP mill replacing an equivalent amount of the unbleached kraft pulp production phased out by December 1982.

Energy costs for the Canadian mills totalled $106 million, 16% more than in 1982 mainly because of increased prices and the energy contract for the new Bathurst CTMP mill. Bunker 'C' fuel oil consumption was 1 121 000 barrels, down 479 000 bbls, or 19%, from 1982. In the case of primary power, costs increased by 22% and consumption by 5%. This included major contract adjustments at Port Alfred and rate increases at all mills, as well as the new contract at Bathurst.

During 1983, secondary power displaced 655 000 barrels of Bunker 'C' fuel oil for steam generation and wood residues replaced an additional 500 000 barrels.

Manufacturing capital expenditures were $121 million, 36% below 1982's $190 million. The major 1983 item was the $79 million spent on Bathurst/Bridgewater projects. The Bathurst CTMP plant came on stream in July 1983, ahead of schedule and below budget. At the Bridgewater mill, the first paper machine went into operation in August, the second was in start-up phase in January this year, with the third machine scheduled to start up in April 1984.

Some $11.3 million was spent in 1983 on environmental projects, as work on these was accelerated during the year.

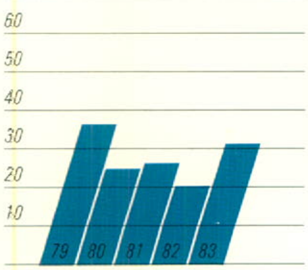
At the Belgo, Port Alfred and Wayagamack mills, new process computer installations with automatic cross-machine basis weight, moisture and caliper controls were in operation on six machines, with an additional three scheduled for 1984. The proposed authorization of two additional units in 1984 means that eleven key newsprint machines will have this essential equipment.

During the year, agreement was reached with Hydro-Quebec for the installation of 200-megawatt-rated electric boiler capacity at Belgo, Laurentide and Wayagamack mills, based on a four-year secondary power supply contract. The contract represents displacement of an estimated one million barrels of fuel oil.

The Laurentide No. 6 paper machine, originally built in 1904, and the Belgo No. 4, originally built in 1906, were permanently shut down on September 15. Performance of both machines was adversely affected by the increasing costs necessary to meet competitive quality standards.

The two-year collective labour agreements for the Company's pulp and paper mills, which continued in force throughout 1983, expire at the end of April 1984.

Lumber Net Sales
(millions of dollars)



The reorganization and rationalization of North American Packaging, started in 1982, continued in 1983. As of May 1, 1983, the Bag Division of Consolidated-Bathurst was amalgamated into Twinpak Inc. so as to achieve the synergy of a broader-based rigid and flexible plastic and paper packaging operation.

Effective July 1, 1983, the Container Division of Consolidated-Bathurst Packaging Limited and the Canadian corrugated packaging operations of MacMillan Bloedel Limited formed a new joint venture company, called MacMillan Bathurst Inc. As this operation is 50% owned by each parent company, it is being treated as an equity investment and, accordingly, MacMillan Bathurst's corrugated container sales are not consolidated in Company sales.

CB Pak Inc. versatile, new packaging company

In August 1983, Diamond-Bathurst Inc., the holding company of Diamond Glass Company of Royersford, Pa., went public and is currently listed on the American Stock Exchange. Following the offering, Domglas Inc. held 37% of Diamond-Bathurst shares.

In October 1983, Domglas Inc. sold the assets of its gas utility subsidiary company, Canadian Western Power & Fuel Limited, to the town of Redcliff, Alta., where the utility's operations are located. The company was in an unrelated field and was not large enough to be managed as a separate entity.

Effective January 1, 1984, CB Pak Inc. was formed as the holding company for certain North American Packaging operations. Domglas Inc., which became part of CB Pak Inc., sold its subsidiary Twinpak Inc. and affiliates Libbey-St. Clair (50%), and Diamond-Bathurst (37%) to the new CB Pak Inc. Henceforth, Domglas will concentrate on the manufacture and sale of glass containers.

Net sales of North American Packaging in 1983 were $467.5 million, compared with $531.0 million in 1982. The lower sales reflect the elimination of corrugated container sales for the last six months. Excluding container sales in both years, the remaining operations registered a 10% increase over sales of 1982.

CB Pak Inc.

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

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

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

Plastics and Flexible Packaging
Twinpak Inc.
- Rigid Plastics and Liquid Packaging Systems Division
- Flexible Packaging Division
- Packaging Distribution Division (Ampak)

MacMillan Bathurst Inc. (joint venture)

Corrugated Containers

Operating earnings of approximately $36.1 million were down from the $40.1 million recorded in 1982. Excluding the Container Division, the Group's operating earnings improved by 21%, with glass containers at about the same level and other divisions showing higher earnings.

In view of the considerable organizational restructuring, year-to-year comparisons of financial results are less pertinent. The review that follows describes performance of individual sectors.

Shipments – North American Packaging Products	**1983**	1982	1981	1980	1979
Glass (tonnes)	**511 790**	495 733	513 402	512 522	468 603
Bags (tonnes)	**15 876**	16 435	19 800	21 380	25 964
Containers (millions of square meters)	**138**	338	291	281	276

Glass Containers, Canada

Domglas Inc.

More than offsetting the 17% reduction in export shipments that resulted from price deterioration in the U.S. market, glass container sales volume overall rose by 3%. Continued growth in beverage markets led a very strong domestic performance. This improvement was paced by 'Plasti-Shield' prelabelled bottles, and the demand for new, non-standard beer bottles.

The new competitive styling of domestic beer bottles promises to add container volume over the next two years, as breweries build 'floats' for their own distinctive beer-bottle shapes.

'Plasti-Shield' soft-drink bottle helps Domglas increase shipments

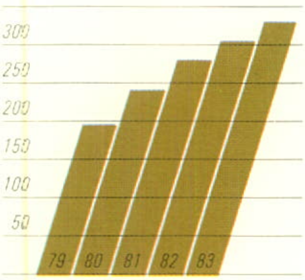
Only sales to the distilling industry continued at depressed levels, as a result of a combination of excessive taxation, high inventories and a shift in consumer tastes to lighter beverages.

Manufacturing turned in another strong performance, based on productivity increases of 1.5%, a manning reduction of 2% and continued aggressive cost reduction programs. Together, these offset the reduced margins that might otherwise have resulted from pricing constraints. Also contributing were reduced interest costs, that resulted from lower rates, and an improvement in inventory and receivables turnover of 23% and 11%, respectively.

Capital expenditures increased to $15 million, higher by 7% than in 1982, but below traditional levels. Projects included the installation of a 'Plasti-Shield' facility at Redcliff, Alberta, to service western markets, a major modernization program at the Montreal plant and upgrades to the 'Plasti-Shield' facility at Scoudouc, N.B.

On May 15, 1983, Domglas completed its 70th year of operations, although predecessor companies in the Canadian production of glass containers go back to 1878. On January 26, 1984, R. J. Simpson was appointed President of Canada's major glass container company, succeeding J.E. Souccar, who became Chairman. Mr. Simpson, who joined Domglas in 1969, had been Vice-President and General Manager from October 1982.

Domglas Net Sales
(millions of dollars)



Glass Containers, U.S.A.

Diamond-Bathurst Inc.

Diamond-Bathurst Inc. acquired a glass plant in Vienna, W. Va., in 1982 and, as a result, its sales of glass containers increased in 1983. Diamond specializes in the sale of liquor and pharmaceutical containers. It outperformed the glass container industry in the United States during a period of economic difficulties by improving its productivity and reducing its costs.

In August, Diamond-Bathurst was successful in a public share issue which enabled it to increase its equity. Following the share issue, Domglas Inc. held a 37% interest, with Bessemer Securities Corporation, the second largest shareowner, at 16%.

The new equity places the company in a strong position to finance new growth and diversification in related packaging areas. The company subsequently entered into an agreement with a plastic producer to jointly market and develop plastic bottles for the liquor industry.

Glass Tableware

Libbey-St. Clair Inc.

Although economic conditions improved, slow retail sales and severe import competition kept Libbey-St. Clair's glass tableware sales below expectations in spite of a good increase in dollar volume over 1982.

The increase in premium sales enabled the company to increase total unit sales by 8%, while improvements in productivity and cost reduction efforts generated better earnings.

Furnace consolidation at the company's plant in Wallaceburg, Ont., including a complete rebuild effected in 1982, continued to generate important fuel savings throughout 1983.

Libbey-St. Clair has initiated an aggressive market development program to expand further its product lines over the next two years and to place itself in a stronger position to compete against imports.

1 Etobicoke Plant signage for MacMillan Bathurst, the new national corrugated container company.

2 'Plasti-Shield' foam-plastic labels help protect bottles.
3 Computerized glass container design at Hamilton mould shop and design facility.

4 Liquor bottles in production at Domglas plant in Hamilton.
5 Libbey-St. Clair 'Classic' elegant glass tableware.

Plastics and Flexible Packaging

Twinpak Inc.

During the year, the Bag Division of Consolidated-Bathurst Packaging Limited was merged into Twinpak Inc. That company now operates three divisions, each servicing a major segment of the packaging market.

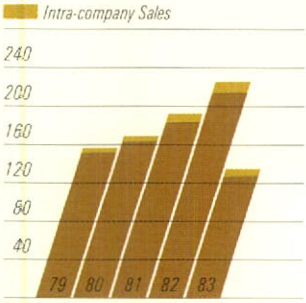
The *Rigid Plastic and Liquid Packaging Systems Division* has six manufacturing plants. The Division's three major product groups are PET bottles for the soft drink industry, a variety of packaging machinery systems including bag-in-box and pouch packaging, and plastic squeeze tubes marketed under the name 'Plastube'.

The *Flexible Packaging Division* has four plants and is sub-divided into three major product groups: multiwall paper and plastic industrial bags and blown film products; coated and laminated papers and fabrics; and the new operation at Brantford, Ont., in which paper and plastic films are vacuum metallized. These are used in a variety of packages for the food, beverage and tobacco industries.

Strong Flexible Packaging Division broadens Twinpak product lines

The company's *Packaging Distribution Division (Ampak)* markets a wide variety of packaging products produced by numerous manufacturers operating in Canada and abroad, with about 30% purchased from Twinpak and Domglas.

Bag and Container Net Sales
(millions of dollars)



Total net sales of Twinpak operations increased 16% in 1983, led by the addition of new product lines and continuing development of existing lines. Increased volume, and improved efficiencies and synergy resulting from the amalgamation of the Bag Division enabled operating earnings to improve considerably over those of the previous year.

Capital expenditures were $3 million and included the addition of a new six-colour flexo printing press at the Brantford plant. This will provide improved graphics for applications such as bags for pet foods. Additional injection equipment to increase the manufacture of pre-forms for 'Petalite' bottles was added at Calgary and will come on stream in 1984.

Corrugated Containers

MacMillan Bathurst Inc.

The Container Division operated for only six months of the year before operations of its seven plants were merged with those of the ten Canadian corrugated container plants of MacMillan Bloedel Limited into a new joint venture owned 50% each by Consolidated-Bathurst and MacMillan Bloedel.

The new company, MacMillan Bathurst Inc. or MBI, becomes one of the largest national producers of corrugated containers in Canada and has worked to rationalize its manufacturing during the year, to reduce excess capacity that has become a basic problem in this industry. The plant at London, Ont., was permanently shut down in order to improve capacity utilization in a region that could not support dual operations. In April 1983, prior to the formation of MBI, the Container Division's plant at Hamilton had been closed.

MBI is new national corrugated container company

Since results of the new national corrugated container company are treated as equity earnings and sales are not consolidated with those of Consolidated-Bathurst, figures comparative with previous years are no longer relevant.

1 PET soft-drink bottles in one and two-litre sizes made by Twinpak, and ½ litre now commercial in U.S.
2 Calgary plant employee checks PET bottles.

3 Variety of glass and plastic cosmetic containers supplied by Twinpak's Packaging Distribution Division (Ampak).

4 Film and paper vacuum-metallized at Brantford plant for attractive, functional packaging and labelling.

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Europa Carton AG, headquartered in Hamburg, is the leading producer of paper-based packaging in the Federal Republic of Germany. The year 1983 extended ECA's lead in the production of corrugated boxes and folding cartons, which accounted for 74% of the company's sales. An additional 20% was attributable to raw materials, i.e., wastepaper, corrugating medium and boxboard, with the remaining 6% coming from the sales of services, especially in package and corporate design.

After two years of declining real GNP, the Federal Republic of Germany began a slow economic recovery in 1983. The country's unemployment rate was 9.5% at year-end, slightly above that of 1982. Interest rates remained at a high level and the exchange value of the Deutsche mark weakened further against the dollar. The second half of 1983 was, nevertheless, noteworthy for a pick-up in orders and in production in key industries.

ECA leadership achieves improved performance

While real GNP grew only 1.2%, based mainly on a pick-up in domestic demand from consumer spending, Europa Carton increased its sales in all product areas and was able to maintain export sales. Its growth rate exceeded the average of comparable industries, the strongest expansion being achieved by the company's eight corrugated container plants, with production climbing 4.4% to 336 million square metres. Shipments of the Hoya boxboard mill increased 5%. Corrugating medium shipments, from Viersen, were approximately the same as in 1982, at 36 000 tonnes, but sales of wastepaper improved to 254 000 tonnes or by 5.8%.

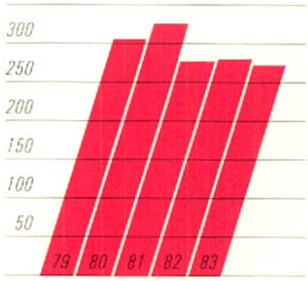
In spite of the recovery in demand, prices remained under pressure because of continuing severe competition. Accordingly, net sales increased only about 2% over 1982, to attain DM 567.5 million. Although the increase in sales was modest, general cost reduction measures toward productivity improvements, marketing emphasis on more profitable products and a continuing rationalization of operations led to a further increase in DM earnings in 1983.

The earnings trend of the Corrugated Container Division improved substantially over that of the previous year.

In line with a major improvement in folding carton sales, a turn-around in operating losses at the Munich folding carton plant was achieved. This plant produces cigarette cartons for domestic and export sales and is the location of ECA's subsidiary Obpacher Verlag, which distributes greeting cards and gift wrapping paper.

In both the Corrugated Container and Folding Carton divisions, margins were improved through emphasis on product specialization. An example of such development was the introduction of a packaging system to produce hermetically-sealed paperboard cans made inline from flat paperboard blanks. In addition, the corrugated container plant at Germersheim began manufacture of boxes of up to 1.5 cubic metres in volume.

Europa Carton Net Sales
(millions of dollars)



Capital expenditures during the year were DM 26 million, almost unchanged from those of 1982. Highlights of the program were a new paper machine former to increase the use of recycled material at the Hoya boxboard mill, effluent treatment facilities there, and the new, wide corrugated container line at the plant in Germersheim. Changes in boxboard production not only reduced costs of raw material, but resulted in a marked reduction in energy costs. The machine was speeded up and boxboard quality improved.

The outlook for 1984 is one of both opportunities and challenges. Economic expectations are for a continuation of recovery with a concurrent development of improved demand for packaging materials. At the same time, new cost increases for raw materials used in making corrugating medium and boxboard are to be expected. There is also the prospect of difficult labour negotiations which relate to the labour movement's demand to reduce the work week from 40 to 35 hours with no reduction of pay for the shorter week. Overall, ECA's expectations for 1984 are for a satisfactory improvement in performance, based on cost-conscious management and a market-oriented product policy.

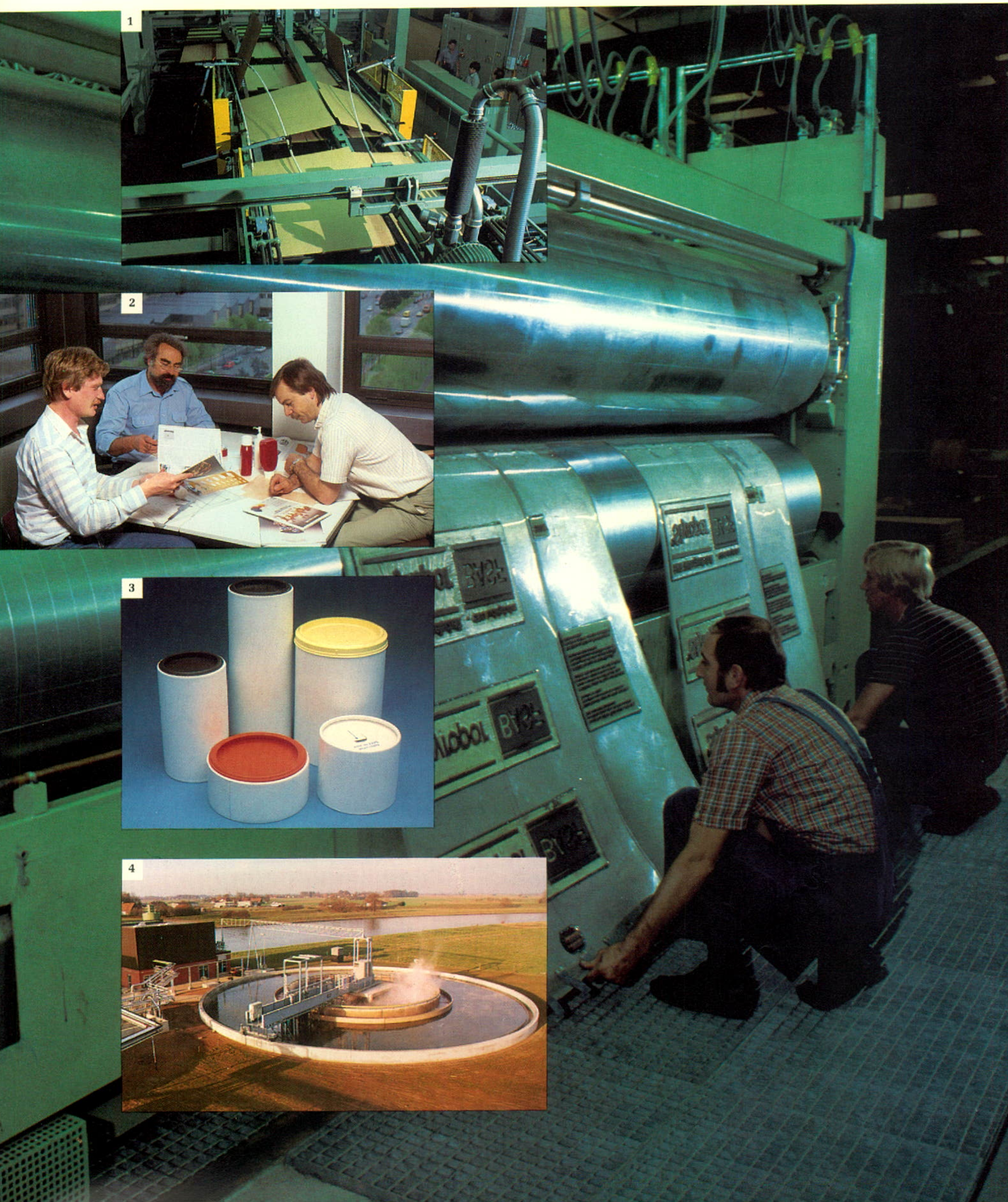
Shipments – Europa Carton	**1983**	1982	1981	1980	1979
Containers (millions of square meters)	**346**	335	330	325	328
Folding cartons (tonnes)	**47 030**	46 430	40 920	44 670	42 774
Paperboard (tonnes)	**82 060**	79 770	78 964	77 000	76 906

1 New large-box inline printer-folder-gluer at Germersheim is 4.8 metres wide, 57 metres long — the first of its kind in Europe.

2 Designers at ECA Institute discuss customer packaging requirements.

3 Hermetically-sealed 'Cekacan' paperboard cans are made from flat blanks in an inplant system.

4 Clarifier for biological treatment of waste water from boxboard mill at Hoya, installed during 1983 at a cost of DM 4.5 million.



During 1983, Consolidated-Bathurst invested $11 million in exploration for oil and gas in Canada, which brought the total amount devoted to the energy investment portfolio to $175 million at December 31, 1983. Performance of these investments has been hampered over the past two years by the effect of worldwide recession on energy supply and demand, in general, and by severely depressed markets for Canadian natural gas, in particular.

Lower interest rates and changes in government policy with respect to pricing and taxation have provided some relief. However, substantial increases in demand for Canadian natural gas are not expected until late 1985 or 1986. A major portion of the natural gas reserves directly owned by the Company should come into production late in the '80's, providing an important source of cash flow.

Sceptre Resources Limited

At December 31, 1983, Consolidated-Bathurst's investment in Sceptre Resources Limited was $30 million, unchanged from 12 months earlier. Sceptre is a Canadian public company involved in oil and gas exploration in western Canada, the United States, Indonesia and the Middle East. Comparison of 1983 operating results with those of 1982 shows the impact on Sceptre of the acquisition of the Canadian operations of Francana Oil and Gas Ltd. in May, 1982 and the purchase of Willowdale Resources (1981) Ltd. in January 1983. Total production of crude oil and natural gas liquids was 1.4 million barrels in 1983 compared to 740 000 in 1982 and total production of natural gas climbed to 15.6 billion cubic feet from 8.0 in the prior year.

In June, Sceptre's U.S. operations were combined with those of S & K Petroleum Ltd., to form High Plains Oil Corporation, of which Sceptre owns 79%. Sceptre's entire interest in its U.K. affiliate, Candecca Resources plc, was sold in three stages between October 1983 and January 1984. Total proceeds from the sale amounted to approximately $42 million.

Other important financial transactions implemented in 1983 permitted Sceptre to reduce its bank indebtedness and to build up working capital required to expand its exploration activities in coming years. In February 1983, a Canadian institutional investor purchased $15 million of new equity in Sceptre, consisting of 1 920 000 common shares and 150 000 convertible second preferred shares, Series C. A $39 million private placement completed in September involved the issuance of 6 500 000 common shares to the Caisse de Dépôt et Placement du Québec. The Caisse also received warrants to purchase an additional one million common shares, expiring August 15, 1988. Following these transactions, Consolidated-Bathurst held 8% of Sceptre's common shares at December 31, 1983.

Sulpetro Limited

Sulpetro Limited is a Canadian public company which explores for and produces petroleum and natural gas in Canada, the North Sea and around the world. Sulpetro's natural gas sales of 2.6 million cubic metres per day in 1983 represented a 6% decrease from the corresponding 1982 figure. This was chiefly due to reduced deliveries to traditional domestic purchasers, who constitute over 60% of Sulpetro's market and who purchased less than 50% of contract obligation levels in 1983. By contrast, Sulpetro's unique direct export contract with Transcontinental Gas Pipe Line Corporation in the United States was fulfilled to a level of 72% of contracted volume in 1983. Crude oil and natural gas liquids sales decreased 11% in 1983 to 1 138 cubic metres per day, partly as a result of Sulpetro's final participation in the expanded Buchan Unit, in the North Sea, being reduced from 13.3% to 12.7%. Despite curtailments in Sulpetro's capital expenditure program in 1983, an 85% drilling success rate helped to provide sufficient additions to proven reserves to offset decreases due to production and the sale of certain mature producing properties.

Consolidated-Bathurst's investment in Sulpetro at year-end 1983 amounted to $54 million, a reduction of $12 million from a year earlier. The Company's holdings represent approximately 19% of Sulpetro's outstanding common shares, or 13% after taking into account possible dilution from conversion of the $50 million Series A convertible debentures issued by Sulpetro to its principal banker in 1983. Conversion of these debentures would reduce Consolidated-Bathurst's equity share of Sulpetro's assets, thereby decreasing the long-term value of its Sulpetro investment. The Company has accordingly written down the investment by $12 million.

Sulbath Exploration Ltd.

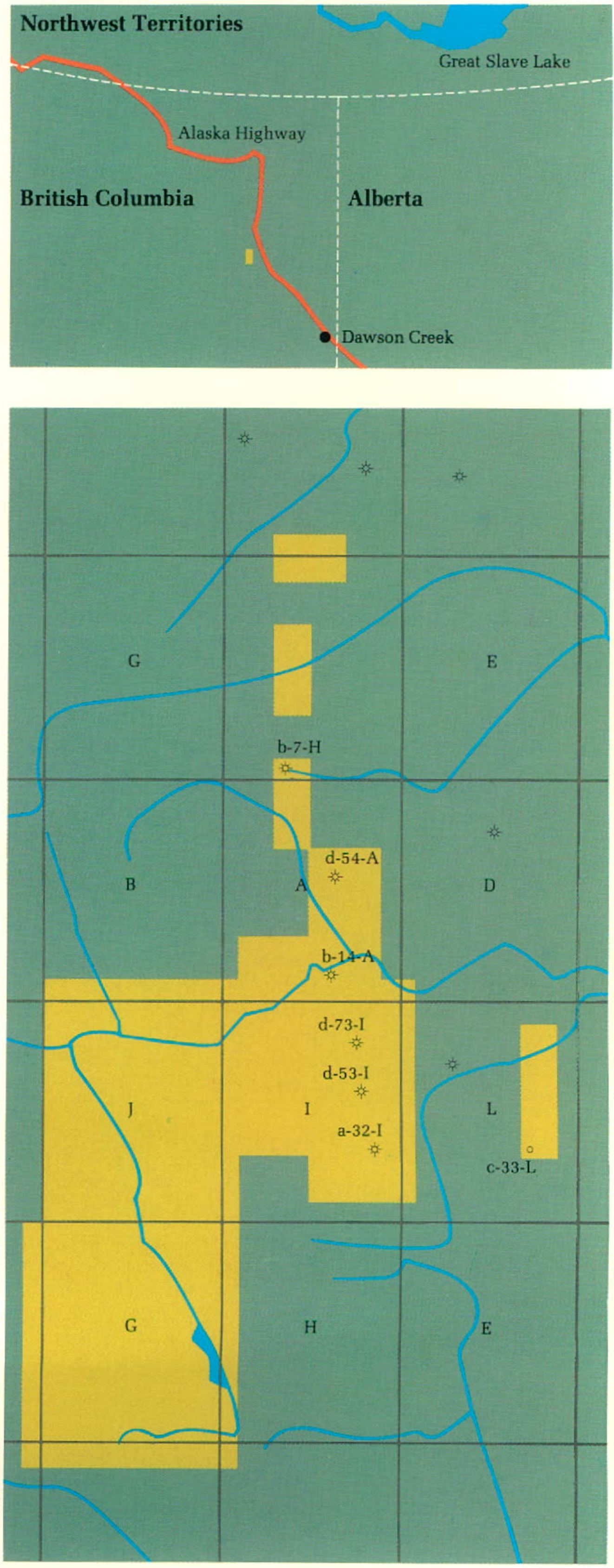
Sulbath Exploration Ltd. is the joint exploration company formed by Sulpetro Limited and Consolidated-Bathurst in May 1981. Sulpetro owns slightly more than 50% of the company and Consolidated-Bathurst owns the remainder. Sulpetro manages its exploration program, which achieved a number of major successes in 1983. Most notable were the results of initial drilling on Sulbath property offshore Nova Scotia, under a farmout agreement with Canterra Energy Ltd. The first discovery well, Glenelg J-48, has estimated gross probable recoverable reserves of 10 billion cubic metres of natural gas. Encouraging results are expected from a second well, Uniacke G-72, in spite of a blow-out there, currently being brought under control. Two additional wells, Alma F-67 and Bonnet P-23, are being drilled on previously untested geological structures. Sulbath's working interest in the discoveries is 2.5%. In Alberta, sizable new proven reserves of oil, natural gas and natural gas liquids have been established on properties at Ferrier and Valhalla.

Grant payments of $12 million under the Petroleum Incentives Program provided the major source of funding

Sulbath program had major successes in 1983

Location of Consolidated-Bathurst's six successful gas wells in Grassy area of British Columbia.

☼ successful
○ in progress



for Sulbath's 1983 drilling expenditures. Consolidated-Bathurst contributed $2.7 million, bringing its total investment in Sulbath to $35.4 million by December 31, 1983. A final contribution of $9.1 million in 1984 will fulfill the Company's obligations under the Sulbath agreement.

Redgas Limited

Redgas Limited is a wholly-owned subsidiary of Consolidated-Bathurst, located in Redcliff, Alberta. Redgas produces natural gas from 41 shallow gas wells located on its freehold property. The gas is sold to two major customers — to Domglas Inc. as fuel for the furnaces in the Redcliff glass container plant and to TransCanada PipeLines Limited for distribution through its pipeline network. Due to depressed markets, Redgas produced at only 60% of capacity in 1983, which resulted in a contribution of $2.4 million to corporate pre-tax earnings. Redgas continued to participate with Consolidated-Bathurst in the Remington Resources Ltd. joint venture program in 1983, investing $4.2 million in development of a natural gas discovery in northeastern British Columbia.

Remington Resources Ltd.

Since 1979, Remington Resources Ltd. of Calgary has operated a joint venture exploration program for Consolidated-Bathurst in Alberta and British Columbia, expending $34 million up to December 31, 1983. Including Redgas participation, $8.3 million was expended during 1983, offset by the receipt of $5.7 million in grant payments under the Petroleum Incentives Program.

Recently, Remington's exploration efforts have been concentrated in the Grassy region of northeastern British Columbia, where the Company announced a major natural gas discovery in January 1983. The Company has acquired working interests varying between 75% and 85% in mineral rights over 36 000 hectares. The six wells drilled in the discovery area to date have been successful and are now shut in, awaiting improvement in natural gas markets. A seventh well is currently in progress.

Six successful wells in Remington Grassy discovery

Test results indicate that the hydrocarbon reserves established by these wells consist of sweet dry gas and are capable of production at exceptionally high flow rates. Their proximity to the main gas transmission pipeline should make them an attractive source of supply to major projects such as the liquefied natural gas project proposed by Dome Petroleum Ltd. to start up in 1987.

Pulp and Paper Operations

- Woodlands Divisions

Wood harvesting, purchase of wood and chips, silviculture: *Maritimes Division* (Bathurst Area, Bathurst; Chaleurs Area, New Richmond); *Ottawa Division*, Portage-du-Fort; *Saguenay Division*, Chicoutimi; *Saint-Maurice Division*, Grand'Mère

- Sawmills

Dimension pine lumber, pine panelling: *Braeside*
Spruce studs: *Bathurst, Notre-Dame-du-Rosaire*
Fir and spruce dimension lumber, studs: *Saint-Fulgence*

- Pulp, Paper and Paperboard Mills

Chemi-thermo-mechanical pulp, containerboard (corrugating medium): *Bathurst* (Bathurst Division)
Publisher newsprint: *Ellesmere Port* (Bridgewater Division), *La Baie* (Port Alfred Division), *Shawinigan* (Belgo Division)
Groundwood specialty papers, boxboard: *Grand'Mère* (Laurentide Division)
Groundwood specialty papers, kraft paper: *Trois-Rivières* (Wayagamack Division)
Containerboard (linerboard): *New Richmond* (Chaleurs Division)
Bleached kraft pulp: *Portage-du-Fort* (Pontiac Division)
Research Centre: *Grand'Mère*

Pulp and Paper Marketing

Sales Offices: *Montreal, Toronto, New York, Chicago, London, Geneva.*

Sales Agents: *Argentina, Australia, Belgium, Brazil, Costa Rica, Federal Republic of Germany, France, Hong Kong, India, Italy, Mexico, Panama, Peru, Spain, Uruguay*

North American Packaging

- Domglas Inc.
Telephone (416) 823-3860

Glass containers: *Brampton, Burnaby, B.C., Hamilton*
Glass containers, 'Plasti-Shield' bottles: *Montreal* (Pointe Saint-Charles), *Redcliff, Alta., Scoudouc, N.B.*
Industrial glass products, glass furnace rebuilds: *Brantford*
Mould design and production: *Hamilton*
Research Centre: *Mississauga*

- Twinpak Inc.
Telephone (514) 684-7070

Rigid Plastics and Liquid Packaging Systems Division
Bags, liquid packaging systems: *Dorval*
Plastic containers, closures: *Montreal* (Ville Saint-Pierre)
Plastic squeeze tubes: *Granby*
PET bottles: *Calgary, Moncton*

Flexible Packaging Division
Multiwall paper bags, industrial plastic bags, coated and laminated products, metallized films and paper: *Brantford*
Multiwall paper bags, industrial plastic bags, plastic films: *Calgary*
Multiwall paper bags, industrial plastic bags, coated and laminated products: *Cap-de-la-Madeleine, Vancouver*

Packaging Distribution Division (Ampak)
Dorval, Edmonton, Vancouver
Distribution and dispensing cap assembly: *Toronto*

Joint Ventures

- Libbey-St. Clair Inc. (with Owens-Illinois Inc.)
Telephone (416) 823-7270

Glass tableware: *Wallaceburg*

- MacMillan Bathurst Inc. (with MacMillan Bloedel Limited)
Telephone (416) 823-6410

Corrugated Container Plants:
Calgary, Edmonton, Etobicoke, Guelph, Montreal, New Westminster, Pembroke, Regina, Rexdale, Saint John West, Saint-Laurent, St. Thomas, Town of Mount-Royal, Whitby, Winnipeg (2)

Investment

- Diamond-Bathurst Inc.
Telephone (215) 948-3400

Glass Bottle Plants:
Royersford, Pa., Vienna, W.Va.

Packaging, Europa Carton

Telephone: 040/30 90 10

- Plants

Folding cartons: *Augsburg, Bremen, Frankfurt, Heppenheim, Munich*
Corrugated containers: *Düsseldorf, Germersheim, Hamburg, Jülich, Lauenburg, Lübbecke, Neuburg, Plattling*

- Mills

Boxboard: *Hoya*
Containerboard (corrugating medium): *Viersen*

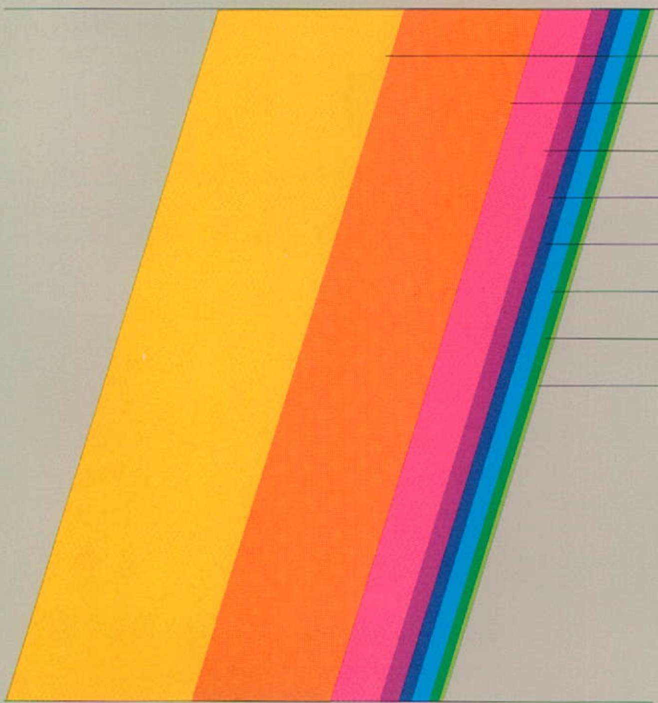
Waste paper collection: *Eddelak, Essen, Hamburg, Metten, Nürnberg*

- Institutes

Market research: *Hamburg*
Industrial design: *Hamburg*

Financial Section

Distribution of Revenue* *(millions of dollars)*



	1983	%	1982	%
Materials, supplies, etc.	$ 605	43	$ 613	43
Wages, salaries and fringe benefits	450	32	463	32
Fuel and power	159	11	143	10
Depreciation	60	4	55	4
Federal, provincial and municipal direct taxes	43	3	49	3
Interest	53	4	61	4
Dividends	29	2	40	3
Retained earnings (excluding extraordinary items)	12	1	8	1
	$1 411	100	$1 432	100

*Comprises net sales, other income and equity earnings.

Quarterly financial data

	Net sales	Net earnings	Net earnings	Dividends declared	Stock price range Low	High
	(millions of dollars)		(per common share)		(per common share)	
1982						
First quarter	$ 362	$18	$0.75	$0.40	$14½	$18¾
Second quarter	372	17	0.75	0.40	13⅝	15
Third quarter	340	9	0.39	0.40	13⅞	18
Fourth quarter	350	9	0.31	0.40	$15⅛	$17⅝
	$1 424	$53	$2.20	$1.60		
1983						
First quarter	$ 342	$ 9	$0.27	$0.20	$16⅛	$20
Second quarter	366	9	0.29	0.20	18⅞	23¾
Third quarter	336	7	0.22	0.20	20¾	24¼
Fourth quarter	349	8	0.23	0.20	$22	$26¾
	$1 393	$33	$1.01	$0.80		

Financial Review

Segmented information

Net sales were $1.393 billion in 1983, a decrease of 2% from the previous year. In Pulp and Paper, lower average prices for publisher newsprint and bleached pulp combined with reduced shipments of containerboard resulted in a decline in net sales of 1.3%. In North American Packaging, the exclusion of the Container sales for the second half of 1983 following the formation of the joint venture MacMillan Bathurst Inc. (MBI) was partially offset by an increase of 8.5% in the sales of glass and plastic containers. Europa Carton's sales expressed in Canadian currency declined by 3% in 1983 as a result of a lower DM exchange rate.

Operating earnings decreased by 22% to $123 million in 1983. For pulp and paper products, a serious cost/price squeeze persisted throughout most of the year and accounted for the reduction of 35% in earnings. In North American Packaging, results of glass and plastic containers and of bags improved in 1983. This improvement was more than offset at the group level, however, by the absence of the Container Division operating earnings for the last six months of 1983 when the results of MBI were accounted for as equity earnings. Europa Carton improved its performance in 1983, mainly in corrugated containers and folding cartons, but after translation into Canadian dollars, ECA operating earnings were the same as in 1982.

Operating capital

In 1983 as in 1982, the Corporation succeeded in reducing its year-end wood inventories. They decreased from $113 million at the end of 1981 to $93 million at December 31, 1983. Raw materials and finished goods also declined in 1983 as the sale of container inventories to MBI more than offset the build-up of CTM pulp with the start-up of the new Bathurst mill.

Trade accounts receivable were reduced in 1983 because the sale of the Container Division accounts to MBI and lower receivables in glass containers, due to a reduction in the average number of days outstanding, more than offset the increase in newsprint receivables, resulting mainly from the sales at the Bridgewater Division. Reflecting the new Bathurst/Bridgewater activity, accounts payable rose sharply in 1983.

Working capital amounted to $313 million at December 31, 1983, down $28 million from the preceding year. The working capital ratio was 2.42 compared with 2.67 at December 31, 1982.

Financing and capital structure

The total debt of the Corporation increased to $586 million at December 31, 1983, from $511 million in the previous year. The higher borrowings were necessitated by the continuation of the capital program at Bathurst/Bridgewater and by the financing of the related pre-operating expenses and working capital build-up.

Shareholders' equity decreased during the year by $12 million to $626 million chiefly as a result of the $16 million redemption of the 1978 Series preferred shares. Retained earnings increased marginally as net earnings were offset to a great extent by the dividends on the Series A and B preferred shares and on the common shares. The debt/equity ratio rose to 48/52 from 44/56 at December 31, 1982.

Foreign currency translation

Effective January 1, 1984, the Corporation has adopted the new CICA rules on foreign currency translation. The major change consists of the translation at current rates of the accounts of a major self-sustaining subsidiary, Europa Carton A.G. of West Germany, as against the Corporation's past practice of using the current/non-current method and of deferring the exchange gain or loss on translation of these financial statements. Since the Deutsche mark has weakened considerably in recent years vis-à-vis the Canadian dollar, the new translation rules generate a debit adjustment of approximately $21 million to the required separate exchange component of shareholders' equity.

Sales, Property & Plant, Employees, Shareholders and Shares by Province and Country as at December 31, 1983

	Net Sales	Property & Plant — Net	Number of Employees	Number of Common Shareholders	Number of Common Shares
	(millions of dollars)				
Alberta	$ 34.1	$ 38.8	547	433	357 257
British Columbia	43.6	5.3	391	632	140 039
Manitoba	9.4	—	1	267	129 771
New Brunswick	35.9	128.2	841	382	41 192
Newfoundland	9.8	—	—	13	10 454
Nova Scotia	11.1	—	—	137	79 302
Ontario	275.9	61.7	2 795	4 885	4 945 293
Prince Edward Island	1.0	—	—	19	5 725
Quebec	224.4	527.3	6 927	5 291	12 454 055
Saskatchewan	2.2	—	—	116	26 401
Yukon & Territories	—	—	—	4	1 156
Canada	647.4	761.3	11 502	12 179	18 190 645
United Kingdom	40.9	67.7	424	214	3 829 226
United States	385.5	0.1	30	400	335 356
West Germany	279.3	81.8	2 831	658	2 541
Other Countries	40.0	—	—	79	121 431
	$1 393.1	$910.9	14 787	13 530	22 479 199

Reporting the effects of changing prices

	Historical as reported	Current cost	Adjustment
		(millions of dollars)	
Consolidated earnings for the year ended December 31, 1983			
Depreciation	$ 60	$ 97	$ 37
Cost of sales	1 148	1 161	13
Income taxes	21	21	—
Earnings (loss) before extraordinary charge	43	(7)	(50)
Selected consolidated assets as at December 31, 1983			
Property and plant — net	911	1 274	363
Inventory	306	310	4
Common shareholders' equity	$ 522	$ 889	$367

The Corporation has prepared the inflation accounting data shown above substantially in accordance with the recent recommendations of the Canadian Institute of Chartered Accountants (CICA) for reporting the effects of changing prices. The current replacement cost amounts for the Corporation's property and plant were determined, in most cases, by using appropriate specific indexes. This method assumes that these assets would have the same useful lives as presently used in the historical cost statements and would be replaced with similar technology although this, in fact, might not be the case. The current replacement cost of inventory and the adjustment to cost of sales were determined by using estimated specific price changes which occurred during 1983. The purpose of such accounting is to give information about the effects of both past and present inflation on the Corporation.

The effect of past inflation is measured through calculations of the current replacement cost of property and plant. The significant difference between the current replacement cost and the historical cost of these assets reflects, on the one hand, the large understatement of the net property and plant ($1 274 against $911) and, on the other hand, the increased annual cost of maintaining these assets which would result in a higher depreciation charge to earnings ($97 against $60).

The effect of present inflation on the Corporation is reflected through adjustments to the cost of goods consumed in 1983 as it was charged to cost of sales and to inventory values as they were stated on the balance sheet at year-end. These adjustments reflect several factors: the length of time the inventory has been held; the use of average cost for inventory valuation; and the rate of inflation during the year. In the pulp and paper industry, inventory — especially wood — can be in stock for a considerable period of time. The cost of that inventory when consumed and as charged to cost of sales will usually be lower than the cost of replacing the inventory at that moment. In 1983, however, the current replacement cost of inventory was only marginally higher than the historical cost. The current replacement cost of the inventory as at December 31, 1983, was calculated to be $310 as against $306 in the historical accounts. The adjustment to cost of sales for 1983 was estimated to be $13. The total adjustment from the effects of inflation would have been an increase of $367 in shareholders' equity and a charge of $50 to consolidated earnings.

Supplementary information

In addition to giving information about the direct effect of inflation on costs and on selected asset values, the CICA requires the disclosure of sufficient additional information to enable readers to make an assessment of income on a current cost basis under both an operating capability and a financial concept of capital maintenance.

The operating capability concept is concerned with the fact that sufficient capital (inventory and property and plant) is maintained in the Corporation to continue previous levels of output of goods and services. The financial concept is concerned with the fact that the current cost dollar value of inventory and property and plant does not decrease. To allow calculation of these concepts, the following information is given:

(i) Increase in current cost amounts of property and plant and inventory based on:

General inflation	$56
Specific prices	$33

(ii) Adjustment to recognize the level of debt financing in the Corporation

On specific price increases of property and plant and inventory amounting to $33	$14
On current cost adjustments made to earnings during the year and amounting to $50	$21

(iii) General purchasing power gain on net monetary liabilities — $29

Classes and major product lines

Sales to Customers 1983	Sales to Customers 1982	Inter-segment Sales 1983	Inter-segment Sales 1982	Net Sales 1983	Net Sales 1982	
				(millions of dollars)		
$ 429.0	$ 444.0	**$ —**	$ —	**$ 429.0**	$ 444.0	Newsprint and groundwood specialties
82.7	88.3	**5.6**	—	**88.3**	88.3	Pulp
77.8	34.0	**27.4**	76.5	**105.2**	110.5	Containerboard
36.4	34.7	**2.0**	3.2	**38.4**	37.9	Kraft paper and boxboard
31.2	20.5	**—**	—	**31.2**	20.5	Lumber
657.1	621.5	**35.0**	79.7	**692.1**	701.2	Pulp and Paper
127.6	212.4	**7.4**	12.2	**135.0**	224.6	Bags and containers (note)
332.5	306.4	**—**	—	**332.5**	306.4	Glass and plastic containers
460.1	518.8	**7.4**	12.2	**467.5**	531.0	North American Packaging
274.3	282.7	**—**	—	**274.3**	282.7	Containers — Europa Carton
734.4	801.5	**7.4**	12.2	**741.8**	813.7	Packaging
1.6	1.3	**1.2**	1.5	**2.8**	2.8	Oil and gas
—	—	**(43.6)**	(93.4)	**(43.6)**	(93.4)	Eliminations
$1 393.1	$1 424.3	**$ —**	$ —	**$1 393.1**	$1 424.3	Total operations

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

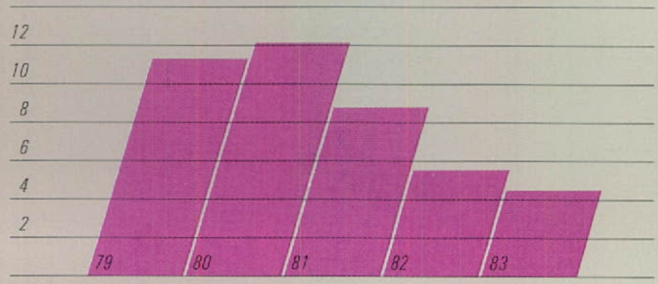
Geographical regions

Sales to Customers 1983	Sales to Customers 1982	Inter-segment Sales 1983	Inter-segment Sales 1982	Net Sales 1983	Net Sales 1982	
$1 113.2	$1 141.6	**$ —**	$ —	**$1 113.2**	$1 141.6	Canada
274.3	282.7	**—**	—	**274.3**	282.7	West Germany
5.6	—	**—**	—	**5.6**	—	United Kingdom
$1 393.1	$1 424.3	**$ —**	$ —	**$1 393.1**	$1 424.3	Total operations

Canadian operations include export sales to the United States of $385.5 million (1982 $387.6 million) and to other countries of $80.3 million (1982 $99.1 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 Earnings		Depreciation		Capital Expenditures		Identifiable Assets as at December 31	
1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
						(millions of dollars)	
$ 43.6	$ 79.8	**$22.6**	$17.1	**$130.2**	$189.7	**$ 657.7**	$ 580.5
12.6	12.1	**4.5**	4.6	**1.6**	3.3	**196.7**	157.1
6.6	11.4	**3.8**	3.9	**2.9**	3.9	**79.8**	78.9
1.1	1.0	**1.5**	1.6	**1.6**	3.0	**34.5**	34.9
2.5	(2.7)	**2.6**	2.2	**0.3**	0.5	**36.0**	36.1
66.4	101.6	**35.0**	29.4	**136.6**	200.4	**1 004.7**	887.5
5.1	12.6	**2.5**	3.6	**1.7**	5.0	**33.0**	103.2
31.0	27.5	**16.2**	15.0	**17.0**	16.0	**225.3**	226.5
36.1	40.1	**18.7**	18.6	**18.7**	21.0	**258.3**	329.7
15.9	15.9	**6.2**	6.2	**12.5**	12.3	**144.5**	136.3
52.0	56.0	**24.9**	24.8	**31.2**	33.3	**402.8**	466.0
1.4	0.4	**0.2**	0.3	**7.5**	8.7	**148.3**	160.1
3.1	(0.7)	**—**	—	**—**	—	**—**	—
$122.9	$157.3	**$60.1**	$54.5	**$175.3**	$242.4	**$1 555.8**	$1 513.6

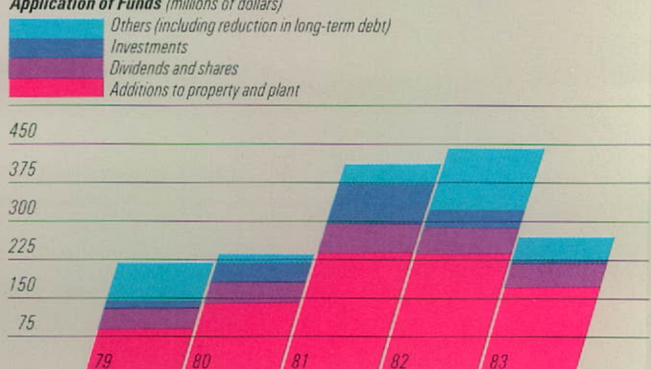
$107.0	$141.4	**$53.9**	$48.3	**$108.4**	$208.7	**$1 310.6**	$1 336.5
15.9	15.9	**6.2**	6.2	**12.5**	12.3	**144.5**	136.3
—	—	**—**	—	**54.4**	21.4	**100.7**	40.8
$122.9	$157.3	**$60.1**	$54.5	**$175.3**	$242.4	**$1 555.8**	$1 513.6

Note: This segment includes the sales, operating earnings, depreciation and capital expenditures of containers for only the first six months of 1983 as a result of the formation of MacMillan Bathurst Inc. (MBI) on July 1. The investment in MBI as at December 31, 1983 is included in unidentifiable assets.

Unidentifiable assets amounted to $114.5 million in 1983 and $74.7 million in 1982.

Source of Funds *(millions of dollars)*

Application of Funds *(millions of dollars)*



Statement of Consolidated Earnings
for the year ended December 31, 1983

		1983	1982
		(thousands of dollars)	
Net sales		**$1 393 065**	$1 424 284
Costs and expenses	Cost of goods sold	**1 147 625**	1 143 065
	Administrative and selling	**62 429**	69 441
	Depreciation	**60 060**	54 509
Operating earnings		**122 951**	157 269
	Interest expense — long-term	**41 937**	48 223
	— short-term	**10 788**	13 159
	Corporate administrative expense	**24 315**	22 190
	Other income (note 2)	**10 647**	5 677
Earnings before income taxes		**56 558**	79 374
	Income taxes (note 3)	**20 677**	28 329
Earnings before undernoted item		**35 881**	51 045
	Share of net earnings of joint ventures and associated company (note 4)	**7 130**	2 361
Earnings before extraordinary charge		**43 011**	53 406
	Extraordinary charge (note 7 (a))	**9 680**	—
Net earnings		**$ 33 331**	$ 53 406
Earnings per common share	Before extraordinary charge	**$1.44**	$2.20
	Extraordinary charge	**0.43**	—
	Net	**$1.01**	$2.20

Statement of Consolidated Retained Earnings
for the year ended December 31, 1983

		1983	1982
		(thousands of dollars)	
Retained earnings at beginning of year		**$326 469**	$318 880
Excess cost of purchasing common shares over stated value		**2 482**	4 295
Second preferred share issue expenses, net of tax		—	1 744
		323 987	312 841
Net earnings		**33 331**	53 406
		357 318	366 247
Dividends	Preferred	**10 724**	3 979
	Common	**17 962**	35 799
Retained earnings at end of year		**$328 632**	$326 469
Dividends per share	Preferred		
	1966 Series	**$1.50**	$1.50
	1978 Series	**0.47**	2.22
	Series A	**5.75**	0.72
	Series B	**6.48**	0.81
	Common	**$0.80**	$1.60

Statement of Consolidated Changes in Financial Position
for the year ended December 31, 1983

		1983	1982
		(thousands of dollars)	
Working capital at beginning of year		**$341 385**	$367 860
Source of working capital	Earnings before extraordinary charge	**43 011**	53 406
	Add (deduct)		
	Depreciation	**60 060**	54 509
	Deferred income taxes	**11 566**	31 946
	German pensions	**4 171**	93
	Equity earnings	**(7 130)**	(2 361)
	Other non-cash items	**(4 480)**	(1 393)
	Total from operations	**107 198**	136 200
	Increase in long-term debt	**102 864**	156 441
	Grants on additions to property and plant	**20 887**	30 753
	Proceeds from disposal of investments	**3 148**	3 687
	Proceeds from disposal of property and plant	**4 463**	5 971
	Issue of common shares (note 11)	**547**	539
	Issue of second preferred shares	—	82 931
	Other items — net	**1 742**	1 808
		240 849	418 330
Application of working capital	Additions to property and plant	**175 309**	242 429
	Reduction in long-term debt	**27 329**	115 013
	Purchase of common and preferred shares for cancellation	**20 569**	10 994
	Increase in pre-operating expenses	**13 818**	4 658
	Cash dividends on common shares	**13 767**	27 456
	Dividends on preferred shares	**10 724**	3 979
	Increase in investments	**3 929**	35 784
	Reduction in deferred income taxes	**3 656**	—
	Second preferred share issue expenses	—	2 968
	Increase in unamortized long-term debt expense	—	1 524
		269 101	444 805
Decrease in working capital during year		**28 252**	26 475
Working capital at end of year		**$313 133**	$341 385

On behalf of the Board:

William M Turner Jr   T Stangeland

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

T.O. Stangeland,
Director

Consolidated Balance Sheet
as at December 31, 1983

		1983	1982
		(thousands of dollars)	
Assets			
Current assets	Cash and short-term deposits	**$ 10 289**	$ 6 141
	Accounts receivable	**193 238**	193 933
	Grants receivable	**13 796**	21 952
	Income taxes recoverable	**5 205**	8 715
	Inventories (note 5)	**305 752**	309 598
	Prepaid expenses	**5 679**	5 593
		533 959	545 932
Property and plant	Mills, plants and other properties	**1 433 804**	1 359 209
	Less: Accumulated depreciation (note 6)	**522 936**	515 112
		910 868	844 097
Investments	(note 7)	**201 997**	185 218
Other assets	(note 8)	**23 492**	13 000
		$1 670 316	$1 588 247

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 23, 1984, 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 financial controls. The internal audit department performs independent appraisals of the effectiveness of these internal controls and reports its findings and recommendations to management and to the Audit Committee.

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

The Board of Directors approves all of the information contained in the annual report; the financial information contained throughout the annual report conforms with that shown in the financial statements.

T.J. Wagg,
Vice-President, Finance

Montreal, Quebec
February 23, 1984

		1983	1982
		(thousands of dollars)	
Liabilities and Shareholders' Equity			
Current liabilities	Bank loans and notes payable (note 9 (b))	**$ 19 617**	$ 27 950
	Accounts payable and accrued expenses	**148 150**	137 336
	Taxes payable	**30 383**	26 660
	Dividends payable	**2 451**	2 001
	Current portion of long-term debt	**20 225**	10 600
		220 826	204 547
Long-term debt	(note 9)	**545 976**	472 036
Deferred income taxes		**222 908**	218 234
Provisions	(note 10)	**51 136**	52 741
Minority interest		**3 168**	2 824
Shareholders' equity	Stated capital (note 11)		
	Preferred shares	**104 399**	121 375
	Common shares	**193 271**	190 021
	Retained earnings	**328 632**	326 469
		626 302	637 865
		$1 670 316	$1 588 247

Auditors' Report

The Shareholders,
Consolidated-Bathurst Inc.

We have examined the consolidated balance sheet of Consolidated-Bathurst Inc. as at December 31, 1983 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, 1983 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 23, 1984

(thousands of dollars)

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 any permanent decline in value, when appropriate. Investments in the joint ventures and in the associated company over which the Corporation has significant influence 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 are capitalized and 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. 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 after deducting dividends on preferred shares and using 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

	1983	1982
Gain on hedge of the German term bank loan	**$ 5 631**	$ —
Income from investments and short-term deposits	**2 844**	3 805
Gain from debt retirement and disposal of property and plant	**2 172**	1 872
	$10 647	$ 5 677

3. Income taxes

	1983	1982
Current before tax credits	**$13 581**	$ (651)
Less credits relating to:		
Inventories	**2 652**	2 872
Capital expenditures	**1 818**	94
Current	**9 111**	(3 617)
Deferred	**11 566**	31 946
	$20 677	$28 329

(a) As at December 31, 1983, investment tax credits on capital expenditures available to reduce future income taxes amounted to $57 311.

(b) The Corporation's effective income tax rate is determined as follows:

	1983	1982
Combined Canadian federal and provincial income tax rate	**45.7%**	45.6%
Increase (decrease) in the income tax rate resulting from:		
Higher effective income tax rate on earnings of foreign subsidiary	**4.5**	2.7
Federal income tax surcharge	**0.2**	0.9
Inventory allowance	**(4.6)**	(3.6)
Lower effective income tax rate on capital gains	**(2.8)**	(4.2)
Manufacturing and processing profits deduction	**(2.4)**	(2.8)
Investment tax credits	**(1.7)**	(0.1)
Effect of tax-free dividends	**(1.3)**	(1.0)
Miscellaneous	**(1.0)**	(1.8)
Effective income tax rate	**36.6%**	35.7%

(c) 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 has been paid. No charge to earnings has been made for this amount pending final disposition of the objection.

4. Share of net earnings of joint ventures and associated company

The equity earnings of $7 130 in 1983 include a non-recurring gain of $3 262 as a result of the public sale of shares by Diamond-Bathurst Inc.

5. Inventories

	1983	1982
Expenditures on wood operations	**$ 48 458**	$ 47 763
Pulpwood, chips, sawlogs and wood residue at mills	**44 296**	51 463
Other raw materials and supplies	**93 675**	85 934
Work in process and finished goods	**119 323**	124 438
	$305 752	$309 598

(thousands of dollars)

6. Property and plant

	1983			1982
	Gross	Accumulated depreciation	Net	Net
Pulp, paper, paperboard and lumber mills	**$1 032 027**	**$344 260**	**$687 767**	$604 519
Glass and plastic container plants	**241 869**	**119 195**	**122 674**	108 652
Converting plants	**108 152**	**42 758**	**65 394**	100 465
Woodlands	**22 265**	**14 703**	**7 562**	8 137
Oil and gas properties	**25 623**	**753**	**24 870**	20 155
Other	**3 868**	**1 267**	**2 601**	2 169
	$1 433 804	**$522 936**	**$910 868**	$844 097

(a) Interest capitalized on major additions during 1983 was $12 926 (1982 $11 177).

(b) Pulp, paper, paperboard and lumber mills include $80 515 (1982 $36 995) 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	2-3%	8-10%

7. Investments

	1983	1982
Portfolio:		
Oil and gas		
Sulpetro Limited (market value $17 875; 1982 $14 903) (a)	**$ 54 060**	$ 66 425
Sceptre Resources Limited (market value $15 994; 1982 $16 520)	**30 428**	30 428
Sulbath Exploration Ltd. (b)	**35 393**	32 737
Other securities	**1 205**	3 006
	121 086	132 596
German certificates of indebtedness, 8¼%, 1985 (DM 19 964)	**12 523**	12 523
Canadian Pacific Limited (market value $21 128; 1982 $15 084)	**13 947**	13 947
Rolland inc. (market value $571; 1982 $1 103)	**327**	1 568
Other securities and loans of a non-current nature	**9 762**	9 217
	157 645	169 851
Equity:		
Joint ventures		
MacMillan Bathurst Inc.	**25 135**	—
Libbey-St. Clair Inc.	**10 986**	9 547
Associated company		
Diamond-Bathurst Inc.	**8 231**	5 820
	$201 997	$185 218

(a) The Corporation wrote down its investment in Sulpetro Limited by $12 365 because of the reduction in the long-term value of that investment arising from the potential share dilution associated with the restructuring of Sulpetro's bank borrowings. The extraordinary charge to earnings was net of deferred income taxes of $2 685.

(b) Under its agreement related to the subscription for 49.9% of the shares of Sulbath Exploration Ltd., the Corporation is obliged to invest a total of $44 500. 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 equivalent. The Corporation is presently negotiating a one-year deferral of its option.

8. Other assets

	1983	1982
Pre-operating expenses	**$17 473**	$ 5 231
Unamortized long-term debt expense	**2 908**	4 081
Deferred charges	**1 472**	1 535
Advances to trustees under share option and purchase plans		
1979 Share Option Plan	**1 440**	1 762
Exercised Option Purchase Plan	**178**	344
Executive Employee Stock Purchase Plan	**21**	47
	$23 492	$13 000

Of advances to trustees, $1 470 (1982 $1 872) is owing to the trustees from officers, two of whom are directors.

9. Long-term debt

		1983	1982	1983	1982
		Foreign currencies (thousands)		Canadian dollars	
Consolidated-Bathurst Inc.					
Sinking fund debentures					
5.85% Series A 1990	U.S. $	**6 965**	8 049	**$ 7 489**	$ 8 654
6⅜% Series B 1991	U.S. $	**6 147**	7 238	**6 617**	7 792
8¾% Series C 1993				**9 046**	9 149
9% Series F 1992	U.S. $	**16 981**	17 881	**18 327**	19 299
17½% Series I 1988	U.S. $	**60 000**	60 000	**71 129**	71 129
17¼% debentures, Series J, 1987				**40 000**	40 000
Revolving credit (a)	U.S. $	**100 000**	100 000	**123 646**	123 882
Obligations under capital leases					
Bridgewater (c)	£	**34 787**	16 966	**69 487**	36 995
Other				**8 606**	—
9¼% Swedish export credit, 1987	SEK	**46 540**	58 174	**9 313**	11 641
Term bank loan, Canadian bank prime, 1994				**5 000**	5 000
8½% Irish export credit, 1987	£	**402**	516	**870**	1 119
Bathurst Paper Limited					
6% first mortgage sinking fund bonds, Series A, 1984				**2 401**	2 401
6% sinking fund debentures, Series A, 1984				**1 879**	2 266
7½% German term bank loan, 1985 (d)	DM	**72 000**	72 000	**19 307**	19 307
8½% British export credit, 1986	£	**300**	343	**672**	768
Consolidated-Bathurst Pontiac Limited					
11% first mortgage sinking fund bonds, Series A, 1995, retractable in 1985				**25 463**	25 463
Revolving credit (a)	U.S. $	**20 000**	—	**24 980**	—
Revolving and term credit (a)				**—**	—
Domglas Inc. and subsidiaries					
9½% sinking fund debentures, Series A, 1990				**14 314**	15 993
Revolving credit (a)				**20 000**	20 000
Other				**2 891**	4 145
Europa Carton AG and subsidiaries					
Term bank loans, various interest rates, 1984 to 1995	DM	**35 794**	42 873	**19 800**	23 837
Reclassification of short-term borrowings (b)				**67 182**	34 173
Other				**36**	53
				568 455	483 066
Less: Current portion, at historical exchange rates				**22 479**	11 030
				$545 976	$472 036

(thousands of dollars)

9. Long-term debt (continued)

(a) The revolving credit facilities (i) and the revolving and term credit facility (ii) at December 31, 1983, are summarized as follows:

	Consolidated-Bathurst Inc.	Consolidated-Bathurst Pontiac Limited		Domglas Inc.
	(i)	(ii)	(i)	(i)
Amount of facility	Cdn.$100 000 /U.S.	Cdn. $100 000 (or U.S. equivalent)	Cdn.$50 000 /U.S.	Cdn. $20 000
Outstanding borrowings at London Interbank Offered Rate (LIBOR)	U.S. $100 000	—	U.S. $20 000	—
Bankers' acceptance rates	—	—	—	$20 000
Secured by	Demand debentures, Series K	—	—	Demand debenture, Series B
Current revolving period ends	November 28, 1985	June 30, 1984	May 31, 1985	December 29, 1985

(i) 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 outstanding borrowings under the $50 000 facility of Consolidated-Bathurst Pontiac Limited are unsecured until borrowings are made under the $100 000 revolving and term credit facility mentioned in (ii), at which time borrowings under both facilities will become secured by Demand second mortgage bonds.
Advances of U.S. $50 000 under the U.S. $100 000 facility of the Corporation have a fixed interest rate of 13.1% per annum to November 1, 1992, as a result of an interest rate swap agreement.

(ii) 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.

(b) Bank loans and notes payable of $67 182 at December 31, 1983, (1982 $34 173) were included in long-term debt as the Corporation intends to refinance these borrowings under its revolving credit facilities.

(c) Under the capital lease obligation for equipment at the Bridgewater Division, the lease payments commenced on December 30, 1983, 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 certificate of deposit. In March 1983, the Corporation entered into foreign exchange contracts to buy forward DM 50 000 at a rate of 1 DM = $0.5635 which will be used to repay part of the German term loan maturing in July 1985.

(e) 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, 1983, is $585 above the Canadian dollar amounts recorded in the accounts.

(f) Sinking fund requirements and principal payments during the next five years, based on exchange rates at December 31, 1983, are: 1984 $20 225; 1985 $52 134; 1986 $46 565; 1987 $87 237; 1988 $80 036.

10. Provisions

	1983	1982
Potential exchange charges on German term bank loan	**$22 775**	$28 406
German pensions	**27 424**	23 398
Other	**937**	937
	$51 136	$52 741

11. Stated capital

Preferred shares

(a) Authorized
— 6 000 000 preferred shares of which 1 027 169 are designated as 1966 Series
— unlimited number of second preferred shares, issuable in series

(b) Issued and outstanding

	1983 Shares	1983 Stated Value	1982 Shares	1982 Stated Value
Preferred shares				
1966 Series	**858 741**	**$ 21 468**	897 741	$ 22 444
1978 Series	—	—	640 000	16 000
Second preferred shares				
Series A	**800 000**	**40 000**	800 000	40 000
Series B	**700 000**	**42 931**	700 000	42 931
	2 358 741	**$104 399**	3 037 741	$121 375

(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
Series A — $5.75 per share par annum, payable quarterly
Series B — U.S. $5.25 per share per annum, payable quarterly

(iii) Redemption
1966 Series — at $26 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. 39 000 shares purchased in 1983 (38 867 in 1982) at a cost of $595 ($512 in 1982)
1978 Series — On April 1, 1983, the remaining 640 000 shares were redeemed at a cost of $16 000
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.

(thousands of dollars)

11. 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, 1983	16 923 564	$129 876	5 515 659	$60 145
Net conversion from Series B to Series A (c)	504 255	4 288	(504 255)	(4 288)
Issued as stock dividends	—	—	203 714	4 195
Issued under the 1983 Share Purchase Plan (d)	14 105	286	7 357	149
Issued under the 1979 Share Option Plan (e)	7 000	90	1 700	22
Purchased and cancelled	(193 900)	(1 492)	—	—
Balance December 31, 1983	17 255 024	$133 048	5 224 175	$60 223

(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) 1983 Share Purchase Plan
In 1983, the Corporation established the 1983 Share Purchase Plan to provide eligible employees with the opportunity to purchase shares on April 29, 1983, directly from the Corporation at the then prevailing market price of $20.25 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, 1983, 231 400 shares had been issued under this Plan.

12. Sale of container operations

Effective July 1, 1983, the Corporation merged its Canadian corrugated container operations with the Canadian container operations of MacMillan Bloedel Limited into a new joint venture company named MacMillan Bathurst Inc. The sale is summarized as follows:

	1983
Sale of fixed assets	**$24 039**
Sale of working capital	**23 348**
	47 387
Less:	
Proceeds from MacMillan Bathurst Inc.	**19 000**
Short-term notes receivable from MacMillan Bathurst Inc.	**4 346**
Adjustment to deferred income tax liability	**898**
Investment in MacMillan Bathurst Inc.	**$23 143**

Since that date, the Corporation has accounted for 50% of the net earnings of that company on an equity basis.

13. 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 26 and 27 of this report.

14. Related party transactions

Power Corporation of Canada is the major shareholder of the Corporation owning approximately 40% of the outstanding common shares. In 1983, 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 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.

Since July 1, 1983, the Corporation had transactions with MacMillan Bathurst Inc. in respect of sales of containerboard. Such transactions were made at market prices and were not significant in relation to the total sales of the Corporation.

15. 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, 1983, are as follows:

	Capital Leases	Operating Leases
1984	$ 13 000	$ 7 000
1985	14 300	7 600
1986	14 300	6 800
1987	14 100	6 600
1988	13 800	4 500
Thereafter	53 900	6 700
	123 400	$39 200
Less: Imputed interest	45 726	
Present value of minimum lease payments	$ 77 674	

(b) At December 31, 1983, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $22 700.

(c) Based on an actuarial valuation at December 31, 1982, and on an actuarial estimate at December 31, 1983, the pension plans of the Corporation and its Canadian subsidiaries had no unfunded liabilities.

16. Comparative figures

Certain of the comparative figures for the consolidated financial statements have been restated to conform with the presentation adopted in 1983.

17. Subsequent event

Effective January 1, 1984, Consolidated-Bathurst Inc. and its subsidiary, Bathurst Paper Limited, acquired CB Pak Inc. and restructured it to acquire the packaging assets and investments of Domglas Inc., another subsidiary of the Corporation. Following the filing of a preliminary prospectus on January 26, CB Pak Inc. and the Corporation intend to enter into an agreement for the sale to underwriters of up to four million common shares for a total approximate value of $50 million through a primary issue by CB Pak Inc. and a secondary offering by the Corporation. The secondary offering is not expected to exceed two million common shares.

Comparative Data

		1983	1982	1981
Operations (thousands of dollars)	Net sales	**$1 393 065**	$1 424 284	$1 479 252
	Depreciation	**60 060**	54 509	44 486
	Interest — both short and long-term	**52 725**	61 382	43 507
	Income taxes	**20 677**	28 329	65 022
	Earnings before extraordinary items	**43 011**	53 406	101 780
	Extraordinary items — net of taxes	**(9 680)**	—	10 283
	Net earnings	**$ 33 331**	$ 53 406	$ 112 063
	Additions to property and plant	**$ 175 309**	$ 242 429	$ 239 614
	Increase in investments	**3 929**	35 784	78 664
	Maintenance and repair expense	**115 478**	109 312	115 013
	Wages, salaries and fringe benefits	**449 922**	462 813	458 224
	Energy costs	**158 580**	142 792	142 082
	Dividends — common	**17 962**	35 799	44 501
	— preferred	**$ 10 724**	$ 3 979	$ 3 071
Per common share (dollars)	Earnings before extraordinary items	**$ 1.44**	$ 2.20	$ 4.41
	Net earnings	**1.01**	2.20	4.87
	Dividends declared	**0.80**	1.60	2.00
	Cash flow from operations	**4.29**	5.89	8.74
	Book value	**$ 23.22**	$ 23.02	$ 22.48
Per preferred share (dollars)	Dividends accrued — 1966 Series	**$ 1.50**	$ 1.50	$ 1.50
	— 1978 Series	**0.47**	2.22	2.25
	— Series A	**5.75**	0.72	—
	— Series B	**$ 6.48**	$ 0.81	$ —
Balance sheet (thousands of dollars)	Total assets	**$1 670 316**	$1 588 247	$1 432 684
	Working capital	**313 133**	341 385	367 860
	Property and plant — gross	**1 433 804**	1 359 209	1 170 213
	Accumulated depreciation	**522 936**	515 112	474 176
	Investments	**201 997**	185 218	152 265
	Long-term debt	**545 976**	472 036	430 203
	Provision for exchange and contingent charges	**22 775**	28 406	30 037
	Provision for German pensions	**27 424**	23 398	23 305
	Minority interest	**3 168**	2 824	2 877
	Stated capital			
	— preferred — 1966 Series and 1978 Series	**21 468**	38 444	41 415
	— Series A and B	**82 931**	82 931	—
	— common	**193 271**	190 021	185 326
	Retained earnings	**328 632**	326 469	318 880
	Total shareholders' equity	**$ 626 302**	$ 637 865	$ 545 621
Other data	Ratio of current assets to current liabilities	**2.4 to 1**	2.7 to 1	2.8 to 1
	Ratio of short and long-term debt to shareholders' equity	**48/52**	44/56	47/53
	Return on assets — %	**4.5**	5.6	8.8
	Return on common shareholders' equity — %	**6.2**	9.7	20.9
	Shares outstanding — preferred	**2 358 741**	3 037 741	1 656 608
	— common	**22 479 199**	22 439 223	22 425 057
	Number of employees	**14 787**	15 820	16 704
	Number of common shareholders	**13 530**	14 106	14 118

1980	1979	1978	1977	1976	1975	1974	1973
$1 389 433	$1 244 312	$1 078 843	$868 865	$745 193	$643 719	$689 009	$497 683
42 651	38 774	36 022	32 484	28 659	26 150	25 658	21 500
29 886	26 353	26 930	26 823	22 941	18 812	18 445	14 518
78 412	57 058	36 350	10 038	9 227	20 338	34 463	14 220
122 379	98 259	59 147	21 355	18 240	32 599	47 712	19 870
—	4 589	1 568	1 361	—	—	14 608	(900)
$ 122 379	$102 848	$ 60 715	$ 22 716	$ 18 240	$ 32 599	$ 62 320	$ 18 970
$ 143 152	$ 92 332	$ 47 475	$ 53 783	$ 56 678	$ 49 740	$ 36 992	$ 30 242
40 483	20 414	34 039	4 695	—	—	47 637	—
98 334	83 294	73 038	69 889	58 267	44 467	45 861	29 724
423 067	395 386	365 745	324 995	279 653	232 204	218 340	179 332
104 899	92 393	78 059	66 357	51 705	42 459	43 220	28 359
43 964	22 254	16 540	14 591	14 543	14 471	15 108	—
$ 3 204	$ 3 147	$ 2.057	$ 1 569	$ 1 633	$ 1 751	$ 2 198	$ 6 385
$ 5.42	$ 4.27	$ 2.60	$ 0.90	$ 0.76	$ 1.42	$ 2.37	$ 0.92
5.42	4.47	2.67	0.97	0.76	1.42	3.13	0.87
2.00	1.00	0.75	0.67	0.67	0.67	0.75	—
8.51	6.86	5.25	2.96	2.24	2.98	4.76	2.54
$ 19.72	$ 16.26	$ 12.79	$ 11.00	$ 10.70	$ 10.64	$ 9.89	$ 6.51
$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 3.38
2.16	2.03	0.64	—	—	—	—	—
—	—	—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
$1 136 558	$ 991 854	$ 872 944	$808 791	$742 667	$662 369	$636 632	$534 987
322 891	289 633	263 141	209 233	157 860	159 084	133 045	81 066
968 517	851 947	784 661	769 237	730 763	678 302	634 033	611 733
445 129	416 862	392 549	375 895	363 477	339 692	317 097	298 617
114 107	73 805	52 702	30 851	26 162	26 438	26 452	11 026
278 921	231 950	228 231	245 647	178 837	157 176	129 896	141 968
32 378	32 378	30 708	20 268	16 919	17 607	15 985	15 543
19 877	15 319	12 829	11 199	7 404	6 418	4 937	2 644
2 524	2 784	2 832	5 896	5 877	6 291	6 502	19 676
44 393	45 360	46 279	26 145	27 094	28 067	31 078	47 229
—	—	—	—	—	—	—	—
178 714	165 575	165 848	89 804	89 803	88 695	88 626	42 091
264 711	192 966	120 317	150 940	144 384	142 320	125 943	80 929
$ 487 818	$ 403 901	$ 332 444	$266 889	$261 281	$259 082	$245 647	$170 249
2.9 to 1	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
37/63	37/63	42/58	53/47	50/50	43/57	42/58	54/46
12.2	11.4	8.5	4.6	4.3	6.6	9.2	5.4
29.8	29.6	21.8	8.5	7.3	14.0	27.4	12.2
1 775 708	1 814 408	1 851 156	1 045 808	1 083 755	1 122 684	1 243 119	1 889 144
22 481 643	22 051 362	22 381 992	21 886 602	21 886 377	21 720 102	21 700 812	18 905 412
17 022	17 869	18 340	17 725	17 557	17 545	19 900	19 100
14 160	14 534	13 008	11 983	12 036	11 291	11 806	10 243

Cover:
Distinctive drying tower for flash-drying process at new Bathurst CTM pulp mill built during 1982-83.

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