Annual Address to Shareholders

Abitibi-Consolidated 2000:
We're not just bigger . . . we're better

(check against delivery)

John W. Weaver
President & CEO

26 April 2001

Good morning.

First, on behalf of the Management Team, I would like to add my thanks to Ron and Arnold for their support and counsel over the years. They have both been a pleasure to work with and will be missed.

Today, history is being made because, for the first time, an Abitibi-Consolidated Annual Meeting is being broadcast worldwide via the Web - so for those who have just logged on, good morning or good afternoon or good evening, as the case may be, and welcome.

This morning, I will use the same format as I have used for the past two years.

I will be highlighting market conditions and financial results in both 2000 and 2001 and devoting a little more time to what we refer to as 'the Report Card' portion. This is where you have the chance to judge whether Management is focusing on the right issues and how well we are doing with respect to delivering on our commitments. I will also be commenting on some short-term challenges and on the Donohue acquisition.

2000 MARKETS

First, let's look at the market highlights of 2000:

With US consumption growing by 1.2% and imports down by 47%, North American newsprint demand was strong throughout the twelve months resulting in one of the best markets we've seen in recent years.

Our newsprint inventories dropped by over 70,000 tonnes and North American mill inventories hit their lowest levels since the 1998 strike - 29% lower than January 2000.

During the year, we successfully implemented two price increases in North America and in our international markets, we were able to significantly increase prices in all geographical trading areas.

The strength of the value-added paper and pulp markets were also major contributors to our bottom-line. We were successful in implementing price increases in both of these sectors.

North American lumber markets were depressed as prices for our products declined throughout last year and during the fourth quarter, we took significant downtime to address the supply imbalance.

2000 REPORT CARD

In terms of our report card, someone compared the last twelve months to changing a tire while the car was still moving. An apt description, but I suggest we did more than that. We changed the tire, we cleaned out the trunk, and we tuned up the engine.

And the fact that we did all this . . . without being distracted and with our foot on the accelerator is an accomplishment that can be shared by all our employees.

So lets look at the Company's results versus the commitments we made one year ago.

We completed the $7.1 billion acquisition of Donohue and I will discuss this in more detail later.

At the end of 2000, we were ahead of our projected Year-end synergy target of $125 million from the

Donohue acquisition. In fact, we achieved an annualized run rate of $168 million in the 4th quarter.

We removed over 200,000 tonnes of high-cost, excess capacity and, over a two year period have now closed 1 million tonnes.

Not identified as a goal last year, but certainly noteworthy is that we paid down $400 million of debt.

We sold the Chandler, Quebec mill for $35 million. The mill will be converted to manufacture grades other than those produced at Abitibi-Consolidated.

We certified forest management systems covering nearly 10 million hectares of woodlands under our care. That's 25% more than the 8 million hectare target we set last year.

In terms of customer satisfaction we maintained our base but did not achieve the target of interviewing an additional 10% of customers on preferred supplier status. This program was interrupted by the need to integrate the Donohue mills and sales people into our customer satisfaction program.

However, we did launch our new Equal Offset™ brand, offering a truly innovative value-proposition for customers who have traditionally used freesheet grades.

And we implemented a website where our customers may check the status of their orders via the Internet.

FINANCIALS 2000

From a financial perspective, our positive performance was driven by higher paper and pulp prices, by the acquisition of Donohue, and by sustained cost-cutting initiatives throughout the year.

Operating income was over one billion dollars with net earnings of $367 million, or 96 cents a share, on net sales of $5.7 billion. This compares to 1999 net earnings of $216 million, or 86 cents a share, on net sales of $2.5 billion.

Our total EBITDA margins, or earnings before interest, taxes, depreciation and amortization steadily increased quarter over quarter in 2000. In fact, on a global basis, our EBITDA margins exceeded all other major forest products companies in 2000, reaching 26.7%.

MARKETS 2001

Turning to the market outlook for 2001.

There is little doubt that the economic slowdown has had an effect on the industry and eroded advertising lineage. But despite a drop in consumption, total US demand for the first few months is in line with the ten-year average and total inventories remain under control.

With capacity reductions and virtually no imports into North America, we expect the market to remain in balance and look forward to a recovery in the second half of the year.

Internationally, European prices were increased at the beginning of the year and we continue to see strong demand.

Latin American markets are generally stable and pricing is likely to track US levels.

And despite a drop in overall economic activity in Asia, pricing in most markets still exceeds the US. In addition, our PanAsia joint venture announced approximately 35,000 tonnes of downtime to correct an inventory imbalance. A concrete example of how globalization is influencing regional market strategies.

Our value-added paper business continues to be a strong performer and our order books remain firm well into the second quarter.

The directory business is performing well and our expanded offset paper line continues to pay dividends.

However, we expect our supercalendered grades to remain under pressure as the result of new capacity coming online and projected weak market conditions for lightweight coated grades.

Pulp has not fared as well this year. Prices have deteriorated since January and we don't expect this market to recover until the fourth quarter.

Lumber prices stabilized in the first quarter but are still well below levels seen in the same quarter last year. Overall, the segment remains weak. We took 90 million board feet of downtime in Q1 and have scheduled an additional 30 million for the current quarter.

FINANCIALS Q1 2001

Financially, in the first quarter of this year net earnings were $132 million, or 30 cents a share, on net sales of $1.7 billion. This compares to $51 million, or 20 cents a share in the same period last year and $148 million or 33 cents a share in the previous quarter.

During the quarter, we continued to achieve some of the best EBITDA margins in the industry. Despite lower sales volumes, we were able to increase our margins to 29.9% in the first quarter.

The quarter was favorably impacted by one month of the $50 US newsprint price increase plus improvements in international pricing. The result was a quarter over quarter improvement of $31 per tonne.

Internationally, our share of the Pan Asia joint venture earned $16 million for the first quarter, or $3 million more than the fourth quarter.

At the end of first quarter, almost a full year after the acquisition, we are still delivering synergies ahead of schedule. Despite the tough winter months, we achieved an annualized run rate at the end of the first quarter of $194 million and expect to hit our $250 million goal before year-end.

The greatest progress continues to be made in the areas of SG&A and logistics as we expect to exceed the goals we set in each of those areas.

On the manufacturing side, we've maintained $83 million in synergies after backing out annualized cost increases in fibre and energy of $267 million versus the same quarter last year. We expect the pace of these synergies to pick up and with more normalized energy pricing, they should begin to show up on the bottom line.

In summary I am pleased with the first quarter results. Despite record high energy prices and high fibre costs we managed to outperform the other major forest products companies.

2001 ISSUES

Now let's turn our attention to some of the issues that will impact our business in the coming months:

Hansol Paper of South Korea, one of our Pan Asia partners, has decided to divest its share of our joint venture. We expect to negotiate an agreement that would see Abitibi-Consolidated share equal ownership with the other partner, Norske Skog of Norway. We believe that a stronger position in one of the world's fastest growing markets will provide a strategic advantage and be accretive to our bottom line.

The start-up of the Kenogami TMP operation was completed this past quarter with better than expected results. During the quarter we also continued with the major conversion of the Lufkin SCB machine. This project should continue to negatively impact earnings throughout the start-up curve.

At the end of the day, Kenogami and Lufkin will produce an additional 240,000 tonnes of highly profitable glossy papers.

As we announced in February, we will divest our Port-Alfred newsprint mill as part of our settlement agreement with the Canadian Competition Bureau. Port-Alfred has long been profitable and we expect to realize full and fair value for the mill. The process has begun and we expect to conclude the sale in the second half of the year.

The lumber business, which largely depends on a buoyant economy and, in particular, the health of the construction industry, now has the added challenge of Canada obtaining a favourable decision on softwood lumber exports to the US.

Abitibi-Consolidated has long supported the expiration of the US-Canada Softwood Lumber Agreement. Now that the agreement has ended, we are committed to working with our partners to create a new trade relationship. Unrestricted trade across the US border should be our highest priority. In the midst of all this, we do not anticipate any significant recovery for the lumber markets.

2001 PRIORITIES & CHALLENGES

This year we have identified a new set of priorities.

First, we will continue to improve earnings and generate free cash flows to further lower our debt.

And in support of this objective we will limit capital expenditures to 50% of depreciation, or approximately $300 million. This excludes the Lufkin project of about $100 million of additional CAPEX in 2001.

Second we will complete the rationalization of the 400,000 tonnes of high-cost newsprint capacity, announced at the time of the Donohue acquisition.

And third we will reach an annualized synergy run rate of $250 million in cost savings by December 31st.

In addition we will complete the sales of our Wayagamack and Port- Alfred mills.

We will reinstate our customer satisfaction targets and interview 30% of our expanded customer base.

And, in response to customer feedback, we are committed to re-branding our value-added papers.

And finally we will continue certifying our forest management systems, covering an additional 7 million hectares before the end of 2002, bringing the total to over 16 million hectares, or 100% of the woodlands under our care.

DONOHUE INTEGRATION

Now I would like to review the Donohue acquisition.

Because, two of the most frequently asked questions in recent months have been - Am I still as enthusiastic about the Donohue acquisition as I was a year ago? And is the integration proceeding as planned?

My response to both is an immediate and unqualified "YES".

The Donohue acquisition not only presented a unique opportunity to add both size and quality to our organization, it was the essential third step needed to achieve our goal of becoming a global low cost producer.

From a historical perspective, it was only four short years ago, that the marriage of Abitibi-Price and Stone Consolidated formed the foundation of the new Abitibi-Consolidated and last year the addition of Donohue elevated us into the heavy weight ranks in our industry.

However, our objective was to become a global low-cost producer and this could only be achieved by the quick and efficient integration of the best that the Donohue acquisition offered.

When I spoke to you last year we were in the initial phase of the integration. We had put a 'top down' assessment process in place that would insure that each level of management was involved in the evaluation and selection of their direct reports.

Within 30 days the organizational structure was in place and the senior management team selected.

Within 60 days the next level of management was chosen and a process tabled to define the best practices.

Within 90 days the SG&A structure was agreed upon; personnel selected and the implementation of best practices started.

Within 120 days synergy targets were in place down to the mill level.

By year-end we had hit a running rate of $168 million in synergies.

To better appreciate this achievement and the degree to which there has been a blending of backgrounds at the new Abitibi-Consolidated, let's look at three groups of employees.

First, the Top 85 managers - These are the people who report to me, and their direct reports. As you can see, approximately one-third of Senior Managers come from each of the previous organizations.

The next group is the 500 people who make up Sales & General Administration. These are Staff support personnel at head office plus our field sales and sales support people. The same ratio holds true only this one is divided in four, with one quarter being people new to the Company since the 1997 merger.

And, finally the 18,000 employees of Abitibi-Consolidated. Here, too, you can see that the ratios are fairly balanced.

Hopefully, these visuals show the extent to which Abitibi-Consolidated has been enriched by the assimilation of different backgrounds and experiences.

There is little doubt that the impact of the Donohue acquisition has been both profound and permanent. The shear increase in size necessitated a careful assessment, not only of people, but of reporting structures, operating systems, sales coverage and IT systems.

To date, we have a lot to be proud of: We've smoothly integrated our operations and rationalized capacity; we've regionalized our woodlands operations; we've implemented new financial cost control processes; and we've completed the integration of the sales and marketing groups.

In all cases, agreement was reached based on what would be in the best interest of the new Abitibi-Consolidated - and by new. . .

I mean that among the top 10 global competitors, Abitibi-Consolidated ranks 8th in sales; 5th in earnings and we rank first in terms of EBITDA margins.

We are the 5th largest lumber producer in North America with a capacity of more than 2 billion board feet.

Abitibi-Consolidated is the world's largest producer of uncoated groundwood with a capacity of nearly 2 million tonnes.

Abitibi-Consolidated is the world's largest newsprint producer with a capacity of over 5 million tonnes.

Clearly, Abitibi-Consolidated is a global market leader.

However, it takes only the stroke of a pen to make a company one of the biggest in its industry, but it takes the pride and commitment of its employees to make it the best.

I am pleased with the way our employees responded to the challenges of the past 12 months and as I travel around the Company, I sense a greater appreciation for the concept that it's possible to be both large and lean; to have a broad reach and a narrow strategic focus; that global leaders can be found tending machines and processing orders; that the transformation from good to great is both an incremental and never-ending process.

I intend to lead this transformation by searching for unique growth opportunities while continuing to refine, rationalize and consolidate our existing asset base and by instilling, in Abitibi-Consolidated, the need to constantly raise the bar and challenge traditional levels of excellence.

Thank you for your support.