

NINE MONTHS ENDED
SEPTEMBER 30, 2000

**Third
Quarter
Report
to
Shareholders**



**ABITIBI
CONSOLIDATED**

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Forward-Looking Statements Certain statements contained in this Third Quarter Report to Shareholders, including statements which may contain words such as “anticipate”, “could”, “expect”, “seek”, “may”, “intend”, “will,” “believe” and similar expressions, statements that are based on current expectations and estimates about the markets in which the Company operates, and statements of the Company’s belief, intentions and expectations about developments, results and events which will or may occur in the future constitute “forward-looking statements” within the meaning of the “safe harbour” provision of the United States Private Securities Litigation Reform Act of 1995, and are based on certain assumptions and analyses made by the Company and derived from its experience and perceptions. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by or on behalf of the Company. Such forward-looking statements are subject to important risks, uncertainties, and assumptions which are difficult to predict and which affect the Company’s operations, including: the impact of general economic conditions in the U.S. and Canada and in countries in which the Company currently does business; industry conditions, including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in the availability or costs of raw materials or electrical power; changes in existing forestry regulations or changes in how they are administered which could result in the loss of certain contractual or other rights or permits which are material to the Company’s businesses; increased competition; the lack of availability of qualified personnel or management; the outcome of certain litigation; labour unrest; fluctuation in foreign exchange or interest rates; stock market volatility; obtaining required approvals from regulatory authorities; opportunities available to or pursued by the Company and other factors, many of which are beyond the control of the Company. The Company’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will occur, or if any of them do so, what benefits or proceeds the Company will derive therefrom. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

\$108 Million Net Earnings in Third Quarter

Abitibi-Consolidated Inc. reported net earnings of \$108 million in the quarter ended September 30, 2000. This represents an improvement in net earnings of \$60 million compared to the same three months in 1999 and \$47 million compared to the second quarter of 2000.

Net earnings for the nine-month period ended September 30, 2000 were \$220 million compared to net earnings of \$133 million in the same period of 1999.

On an earnings per share basis, the Company realized \$0.24 for the third quarter of 2000, on a weighted average number of shares outstanding of 440 million, and \$0.60 for the nine-month period ended September 30, 2000 on a weighted average number of shares outstanding of 365 million. This compares to \$0.19 per share and \$0.53 per share respectively on 249 million shares for the same periods in 1999.

The results of Abitibi-Consolidated Inc. reflect the acquisition of Donohue Inc. on April 18, 2000 and the application of the reverse take-over accounting method in which Donohue is considered as the acquirer. All figures prior to April 18, 2000 are the former Donohue results only.

The improvement in earnings in the third quarter resulted from higher prices in newsprint, value-added paper and pulp, as well as from a higher operating rate, synergies achieved from the acquisition of Donohue and a more favorable exchange rate on the US currency. Lower lumber prices, higher costs of fibre and energy, and a \$16 M write-off of deferred financing costs partially offset the earnings improvements.

The higher levels of net sales, cost of products sold, selling, general and administrative expenses, depreciation and interest expense all result from the acquisition of Donohue and the application of the reserve take-over accounting method.

Increase in Prices

The Company has implemented the US\$50 per metric tonne price increase for the North American newsprint market announced for September 1, 2000.

Prices for certain grades of value-added paper also increased during the quarter and further price increases are expected for some grades in the fourth quarter. A price increase of US\$30 per metric tonne for market pulp was also implemented during the third quarter.

Dividends

On August 23, 2000, the Board of Directors of the Company declared a dividend of \$0.10 per share payable on October 2, 2000 to shareholders of record as at September 11, 2000.

Overview of Results

A comparison of the Company's 2000 interim results with the corresponding 1999 results shows significant changes in all elements. Certain indicators of pro-forma financial results are provided to assist the reader of the financial statements. The pro-forma information assumes that the acquisition of Donohue and related debt issue had taken effect at the beginning of each reported pro-forma period.

Selected Information

(Millions of dollars, except per share amounts)

	Three months Ended Sept. 30		Nine months Ended Sept. 30	
	Actual 2000	Pro-forma 1999	Pro-forma 2000	Pro-forma 1999
Net Sales	1,736	1,505	5,000	4,403
Operating Profit	314	117	718	399
Interest Expense	125	114	363	332
Net Earnings (losses)	108	(12)	204	(138)
Earnings (losses) per share	0.24	(0.03)	0.46	(0.31)

Net sales for the third quarter amounted to \$1.74 billion compared to pro-forma net sales of \$1.51 billion for the corresponding quarter of 1999. Operating profit was \$314 million or 18.1% of net sales for the third quarter of 2000 compared to a pro-forma operating profit of \$117 million or 7.8% of pro-forma net sales for the corresponding period in 1999.

For the nine-month period ended September 30, 2000, pro-forma net sales reached \$5.0 billion and pro-forma operating profit amounted to \$718 million or 14.4% of pro-forma net sales compared to pro-forma net sales of \$4.40 billion and pro-forma operating profit of \$399 million or 9.1% of pro-forma net sales for the corresponding period in 1999.

Operating profit per business segment was as follows:

	Three months Ended Sept. 30		Nine months Ended Sept. 30	
	Actual 2000	Pro-forma 1999	Pro-forma 2000	Pro-forma 1999
	(Millions of dollars)			
Newsprint	189	32	393	164
Value Added Groundwood Papers and Market Pulp	132	43	298	137
Lumber	(7)	42	27	98
	314	117	718	399

The improvement to operating profit in the third quarter of 2000 over the pro-forma operating profit of the corresponding quarter of 1999 resulted mainly from higher selling prices for newsprint, value-added papers and pulp and a more favorable exchange rate on the US dollar, offset partially by the reduction in lumber prices. The synergies achieved in the third quarter enabled the Company to maintain the cost of sales at a similar level when compared to the corresponding quarter of 1999, despite higher energy and fibre costs.

The Company issued an aggregate amount of US \$1.4 billion of debentures on July 13, 2000. The net proceeds were used to repay the bridge loan of \$1.8 billion incurred to finance the Donohue acquisition and to reduce other indebtedness. Consequently, the unamortized deferred financing costs of \$16 million from the bridge loan were written-off in the quarter.

Newsprint, Value-Added Groundwood Papers, Lumber and Market Pulp

Newsprint

The North American newsprint market remained strong in the quarter. A price increase of US\$50 for the US market and \$75 in Canada announced for September 1, 2000 has been successfully implemented.

As expected, North American consumer and producer inventory levels grew during the summer months but they remain at a seasonally adjusted low level. The Company's newsprint inventories decreased by 15,000 metric tonnes during the quarter. According to the Pulp and Paper Products Council, U.S. consumption of newsprint year-to-date September has grown by 2.6% compared to the same period in 1999.

Demand in overseas markets is strong and the Company implemented price increases in many countries. However, the gap in pricing between the European market and the North American market widened to an unprecedented level due to the decrease in the value of the Euro when compared to North American currencies and the greater price increases in North America.

Economic growth in North America in 2001 is expected to slow from the high growth rate of the current year. International growth in demand is expected to remain strong. Currently, supply and demand are balanced and the Company expects that with the already announced capacity conversions or shutdowns in North America, the market will remain in balance through 2001.

Value-Added Groundwood Papers and Market Pulp

Demand for value-added groundwood papers remained strong during the quarter with more than a 10% increase in sales of glossy grades and nearly a 5% increase in sales of hi-brite and bulky grades when compared to the previous year. Various price increases were implemented during the third quarter for glossy grades and additional increases for hi-brite grades were implemented beginning in October.

The uncoated freesheet market is less robust with greater competition arising from recent new capacity added in Asia which will impact the introduction of our Equal Offset grade to the market. The new capacity of super-calendered grades coming on stream this year and the addition of our Lufkin (Texas) machine early next year are expected to create a short-term oversupply situation for these grades.

Global demand for Northern Bleached Softwood Kraft pulp (NBSK) was strong during the quarter and the Company implemented a price increase of US \$30 per tonne announced for July 1, 2000. Demand is showing some signs of weakness, particularly in the white paper market, however announced capacity curtailments should help balance supply and demand.

Lumber

An increase in production both in Canada and the US, combined with lower housing starts, has led to higher lumber inventories and to lower prices. The number of housing starts in the US was 6.8% lower than the third quarter of 1999 despite a strong economy.

Lumber prices decreased significantly during the quarter. Prices for 2x4 Random Lengths (reference Great Lakes) are down 15% compared to the second quarter of 2000 and 33% compared to the third quarter of 1999.

The Company does not expect any significant recovery in lumber prices this year as demand and supply remains unbalanced.

Synergies

The Company has set a synergy target of \$250 million in cost savings to be achieved following the acquisition of Donohue, with an annualized run rate of \$125 million to be achieved by the end of the first year following the acquisition and \$250 million after two years.

The annualized synergies achieved to date amounted to \$180 million. The synergies were achieved in logistics (\$26M), in selling, general and administrative expenses (\$22M), and through lower manufacturing costs (\$132M). This synergy run rate is substantially ahead of forecast, and future progress toward the balance of the objective is expected to proceed in line with the Company's original timetable.

Financial Position and Liquidity

Cash generated by operating activities totaled \$321 million, or \$0.73 per share for the third quarter compared to \$124 million or \$0.50 per share for the corresponding period in 1999. For the nine-month period ended September 30, 2000, cash generated by operating activities amounted to \$611 million or \$1.67 per share compared to \$308 million or \$1.24 per share for the same period in 1999.

Capital expenditures were \$151 million in the third quarter and \$358 million for the nine-month period, including \$60 million and \$206 million respectively for the Sheldon and Lufkin, Texas mills' modernization program.

During the third quarter, the Company issued an aggregate amount of US \$1.4 billion (equivalent to C\$2.1 billion) debentures and the proceeds were used primarily to repay the bridge loan of \$1.8 billion. Total repayment of long-term debt during the quarter amounted to \$2.3 billion. As at September 30, 2000, total debt amounted to \$5.9 billion or a ratio of net debt to total capitalization of 0.66.

The Company maintains a disciplined capital expenditure program and intends to apply free cash flow to the reduction of long-term debt.

Accounting Changes Year 2000 – Future Income Taxes and Employee Future Benefits

As required under Canadian generally accepted accounting principles, the Company has adopted new accounting standards relating to income taxes and employee future benefits. On January 1, 2000, the Company recorded an increase to goodwill and fixed assets of \$176 million and an increase to future income taxes of \$174 million to recognize the new income tax accounting standards. Also, on January 1, 2000, the Company recorded an after-tax charge to retained earnings of \$11 million to recognize the change in the Company's obligations for employee future benefits under the new accounting standards. These amounts have been reflected retroactively to January 1, 1999 and the 1999 results have been restated accordingly.

CONSOLIDATED EARNINGS (note 1)

(Unaudited)
(millions of Canadian dollars, except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Net Sales	\$ 1,736	\$ 633	\$ 3,873	\$ 1,806
Cost of products sold	1,203	464	2,759	1,317
Selling, general and administrative expenses	53	16	115	50
Depreciation and amortization	166	59	375	172
Operating profit	314	94	624	267
Interest on long-term debt	125	23	255	69
Other expenses (income)	25	–	24	(4)
Earnings before the undernoted items	164	71	345	202
Income tax expense	52	21	116	62
Non-controlling interests	4	2	9	7
Net earnings for the period	\$ 108	\$ 48	\$ 220	\$ 133
Earnings and fully diluted earnings per share	\$ 0.24	\$ 0.19	\$ 0.60	\$ 0.53
Weighted average number of common shares outstanding (millions)	440.2	249.6	364.9	249.3
Common shares outstanding at end of period (millions)	440.2	249.7	440.2	249.7

CONSOLIDATED RETAINED EARNINGS (DEFICIT) (note 1)

(Unaudited)
(millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
Retained earnings (deficit), beginning of period	\$ (565)	\$ 953	\$ 1,053	\$ 897
Net earnings for the period	108	48	220	133
Redemption of stock options	–	–	(49)	–
Dividends (note 2)	(45)	(15)	(1,726)	(44)
Retained earnings (deficit), end of period	\$ (502)	\$ 986	\$ (502)	\$ 986

Note 1:

Financial results prior to April 18, 2000 represent Donohue Inc. operations only, and results of Abitibi-Consolidated Inc. are included in the three-month and nine-month statements only from that date.

Note 2:

The cash portion of \$1.622 billion of the purchase price for Donohue Inc. is accounted for as a dividend.

CONSOLIDATED CASH FLOWS (note 3)

(Unaudited)
(millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2000	1999	2000	1999
OPERATING ACTIVITIES				
Net earnings	\$ 108	\$ 48	\$ 220	\$ 133
Depreciation and amortization	166	59	375	172
Future income taxes	16	(7)	29	(15)
Other non-cash items	3	4	(5)	10
	293	104	619	300
Change in non-cash operating working capital components ^(*)	28	20	(8)	8
	321	124	611	308
FINANCING ACTIVITIES				
Increase in long-term debt	2,116	22	4,277	37
Repayment of long-term debt	(2,304)	(43)	(2,745)	(106)
Decrease of bank loan	–	(8)	–	(14)
Deferred financing fees	(19)	(1)	(41)	(1)
Dividends paid to shareholders	(44)	(18)	(1,681)	(49)
Redemption of stock options	–	–	(49)	–
Net proceeds of issuance of shares	–	2	3	8
Other	(5)	–	(13)	(4)
	(256)	(46)	(249)	(129)
INVESTING ACTIVITIES				
Business acquisition, net of cash	(14)	(82)	(18)	(82)
Additions to fixed assets	(151)	(86)	(358)	(180)
Other	(7)	(12)	(4)	(12)
	(172)	(180)	(380)	(274)
Decrease in cash and cash equivalents, during the period	(107)	(102)	(18)	(95)
Currency translation adjustment	(1)	–	(1)	(4)
Cash and cash equivalents, beginning of period	113	99	24	96
Cash and cash equivalents, end of period	\$ 5	\$ (3)	\$ 5	\$ (3)
^(*) Components of the changes in non-cash working capital				
Accounts receivable	\$ (5)	\$ (26)	\$ (6)	\$ 18
Inventories	(9)	(16)	7	9
Prepaid expenses	4	(3)	(4)	(6)
Accounts payable and accrued liabilities	38	65	(5)	(13)
	\$ 28	\$ 20	\$ (8)	\$ 8
Cash outflows (inflows) during the period related to				
Interest on long term debt	\$ 105	\$ 9	\$ 220	\$ 52
Income taxes	(2)	6	85	83
	\$ 103	\$ 15	\$ 305	\$ 135

Note 3:

Financial results prior to April 18, 2000 represent Donohue Inc. operations only, and results of Abitibi-Consolidated Inc. are included in the three-month and nine-month statements only from that date.

CONSOLIDATED BALANCE SHEET (note 4)

(Unaudited)
(millions of Canadian dollars)

	September 30 2000	December 31 1999
ASSETS		
Current assets		
Cash and short term investments	\$ 5	\$ 24
Accounts receivable	802	356
Inventories	788	379
Prepaid expenses	74	32
	1,669	791
Fixed assets	8,073	2,668
Employee future benefits	–	46
Other assets	286	21
Goodwill	1,341	154
	\$11,369	\$ 3,680
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,346	\$ 340
Long-term debt due within one year	180	90
	1,526	430
Long-term debt	5,690	1,248
Employee future benefits	268	44
Future income taxes	794	424
Non-controlling interest	59	45
SHAREHOLDERS' EQUITY		
Capital stock	3,520	421
Contributed surplus	14	23
Retained earnings (deficit)	(502)	1,053
Foreign currency translation adjustment	–	(8)
	3,032	1,489
	\$11,369	\$ 3,680

Note 4:

Purchase accounting requires the harmonization of accounting policies with those practiced by the parent company. The only significant harmonization required in the preparation of these financial statements relate to employee future benefits.

Note 5:

The determination of the fair value of net assets acquired is substantially completed and is expected to be finalized in the fourth quarter.

CONSOLIDATED BUSINESS SEGMENTS (note 6)

(Unaudited)
(millions of Canadian dollars)

Three months ended September 30, 2000	Net Sales	Depreciation and amortization	Operating Profit	Assets	Capital Expenditures	Volume Sales
Newsprint	\$ 1,044	\$ 109	\$ 189	\$ 7,412	\$ 29	(a) 1,421
Value-added groundwood						
paper and market pulp	530	44	132	3,129	107	(a) 567
Lumber	162	13	(7)	828	15	(b) 495
	\$ 1,736	\$ 166	\$ 314	\$ 11,369	\$ 151	

Three months ended September 30, 1999

Newsprint	\$ 360	\$ 42	\$ 39	\$ 2,495	\$ 36	(a) 583
Value-added groundwood						
paper and market pulp	113	6	21	549	35	(a) 170
Lumber	160	11	34	636	15	(b) 368
	\$ 633	\$ 59	\$ 94	\$ 3,680	\$ 86	

(a) in thousand metric tonnes
(b) in million foot board measure

Note 6:

Financial results prior to April 18, 2000 represent Donohue Inc. operations only, and results of Abitibi-Consolidated Inc. are included in the three-month and nine-month statements only from that date.

Note 7:

Certain 1999 figures have been reclassified to conform with the presentation adopted for the year 2000.

Nine months ended September 30, 2000	Net Sales	Depreciation and amortization	Operating Profit	Assets	Capital Expenditures	Volume Sales
Newsprint	\$ 2,319	\$ 252	\$ 358	\$ 7,412	\$ 89	(a) 3,271
Value-added groundwood paper and market pulp	1,049	83	246	3,129	239	(a) 1,170
Lumber	505	40	20	828	30	(b) 1,408
	\$ 3,873	\$ 375	\$ 624	\$ 11,369	\$ 358	

Nine months ended September 30, 1999

Newsprint	\$ 1,071	\$ 124	\$ 143	\$ 2,495	\$ 81	(a) 1,632
Value-added groundwood paper and market pulp	295	18	48	549	73	(a) 452
Lumber	440	30	76	636	26	(b) 1,083
	\$ 1,806	\$ 172	\$ 267	\$ 3,680	\$ 180	

Notes

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