

# AbitibiBowater

## Creating A Global Leader In Paper And Forest Products

January 29, 2007



# Forward Looking Statements

Any statements made regarding the proposed transaction between Abitibi-Consolidated and Bowater, the expected timetable for completing the transaction, benefits or synergies of the transaction, and other statements contained in this presentation that are not historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are based on management's beliefs, certain assumptions and current expectations. These statements may be identified by the use of forward-looking terminology such as the words "expects," "projects," "intends," "believes," "anticipates" and other terms with similar meaning indicating possible future events or actions or potential impact on the businesses or shareholders of Abitibi-Consolidated and Bowater (separately and together the "Companies"). Such statements include, but are not limited to, statements about future financial and operating results, Abitibi-Consolidated's and Bowater's plans, objectives, expectations and intentions, including Bowater's intention to continue to pay its regular quarterly dividend until the transaction closes, the markets for Abitibi-Consolidated's and Bowater's products, the future development of Abitibi-Consolidated's and Bowater's business, and the contingencies and uncertainties to which Abitibi-Consolidated and Bowater may be subject, statements regarding our ability to generate efficiencies and improve our financial profile; achieve significant synergies and the manner in which we expect to achieve them, in particular an estimated \$250 million of synergies within two years, which we expect to accomplish without mill closings or significant workforce reductions; become more competitive; improve product quality and breadth; develop new products and better serve our customers; and diversifying our revenue stream; as well as other statements that are not historical facts. The presentation also includes information that has not been reviewed by the Companies' independent auditors. There is no assurance the transaction contemplated in this presentation will be completed at all, or completed upon the same terms and conditions described. All forward-looking statements in this presentation are expressly qualified by information contained in each company's filings with regulatory authorities.

The following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: the ability to obtain required governmental or third party approvals of the combination on the proposed terms and schedule and without material concessions; the failure of Abitibi-Consolidated or Bowater shareholders to approve the combination; the exercise by a material percentage of Abitibi-Consolidated shareholders of their dissent rights; the risk that the businesses will not be integrated successfully or that the improved financial performance, product quality and development will not be achieved; the risk that other combinations within the industry or other factors may limit our ability to increase our competitive position; the risk that the cost savings and other expected synergies from the transaction may not be fully realized or may take longer to realize than expected; and disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers. Additional factors that could cause Abitibi-Consolidated's and Bowater's results to differ materially from those described in the forward-looking statements can be found in the periodic reports filed by Abitibi-Consolidated and Bowater with the Securities and Exchange Commission (SEC) and the Canadian securities commissions and available at the SEC's internet site (<http://www.sec.gov>) and on SEDAR (<http://www.sedar.com>). Neither Abitibi-Consolidated nor Bowater undertakes and each specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

## Additional Information and Where to Find it

In connection with the proposed transaction, AbitibiBowater (as the proposed new parent corporation for Abitibi-Consolidated and Bowater) will file with the SEC a registration statement on Form S-4, which will include a proxy statement/prospectus of Bowater and a management information circular of Abitibi-Consolidated. Shareholders are urged to read the joint proxy statement/ prospectus/ management information circular regarding the proposed transaction when it becomes available, because it will contain important information. Shareholders will be able to obtain a free copy of the joint proxy statement/ prospectus/management information circular, as well as other filings containing information about Abitibi-Consolidated and Bowater, without charge, at the SEC's internet site (<http://www.sec.gov>) and on SEDAR (<http://www.sedar.com>). Copies of the joint proxy statement/ prospectus/management information circular and the filings with the SEC and the Canadian securities commissions that will be incorporated by reference in the joint proxy statement/ prospectus/management information circular can also be obtained, without charge, by directing a request to Abitibi-Consolidated, 1155 Metcalfe Street, Suite 800, Montréal, Québec Canada H3B 5H2, Attention: Investor Relations, (514) 394-2341, or to Bowater, 55 E. Camperdown Way, Greenville, SC, USA, 29602, Attention: Investor Relations, (864) 271-7733.

## Participants in the Solicitation

Abitibi-Consolidated, Bowater and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed combination. Information regarding Abitibi-Consolidated's directors and executive officers is available in the 2005 Annual Report on Form 40-F filed with the SEC by Abitibi-Consolidated on March 31, 2006, and the management information circular with respect to Abitibi-Consolidated's 2006 Annual Meeting of Shareholders filed by Abitibi-Consolidated on SEDAR on March 31, 2006. Information regarding Bowater's directors and executive officers is available in the Annual Report on Form 10-K filed with the SEC by Bowater on March 13, 2006 and the Proxy Statement with respect to Bowater's 2006 Annual Meeting of Stockholders filed by Bowater with the SEC on April 12, 2006. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/ prospectus/management information circular and other relevant materials to be filed with the SEC and the Canadian securities commissions when they become available.



# *AbitibiBowater - Strategic Rationale*

- Creates stronger company better able to compete in global market
- Better positioned to adapt to challenging newsprint market conditions
- Significant value creation through US\$250 million of annualized cost synergies
- Increased cash flow, better growth platform and asset mix
- Increased efficiencies, better product quality, new product innovation, logistical flexibility
- Proven leadership team with a successful integration track record
- Positioned for greater success than either company could have achieved on its own

# AbitibiBowater - Transaction Overview

<b>Structure</b>	All-stock merger of equals
<b>Exchange Ratio</b>	Each Abitibi-Consolidated common share exchanged for 0.06261 share of AbitibiBowater Each Bowater common share exchanged for 0.52 share of AbitibiBowater
<b>Ownership</b>	48% of AbitibiBowater owned by former Abitibi-Consolidated shareholders 52% of AbitibiBowater owned by former Bowater shareholders
<b>Company Name</b>	AbitibiBowater Inc.
<b>Listing &amp; Reporting</b>	NYSE and TSX
<b>Incorporation</b>	U.S. GAAP / U.S. Dollars Incorporated in Delaware
<b>Headquarters and Executive Office</b>	Montreal, Quebec
<b>U.S. Regional Manufacturing and Sales Office</b>	Greenville, South Carolina
<b>Board</b>	14 members (seven from each company)
<b>Management</b>	Executive Chairman -- John W. Weaver President and CEO -- David J. Paterson
<b>Expected Closing</b>	3Q 2007
<b>Approval Process</b>	Abitibi-Consolidated & Bowater shareholder approvals Quebec Superior Court approval U.S. and Canadian regulatory and government approvals
<b>Dividend</b>	Bowater intends to continue regular dividend until transaction close New AbitibiBowater Board to determine dividend policy

# AbitibiBowater - Substantial Cost Synergies

- Production
- SG&A
- Distribution
- Procurement

- Cost synergies driven through scale and implementation of best practices
- Expected annual run rate:
  - US\$125 million by end of year 1
  - US\$250 million by end of year 2
- NPV of cost synergies is US\$1.5 billion<sup>1</sup>
- 60+% of combined current equity value

Note:

1. Reflects NPV of synergies of \$1.5 billion assuming 10% discount rate and 1% perpetuity growth rate, net of US\$125 million of one-time costs

# *AbitibiBowater - Sources of Cost Synergies*

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## **Production**

- Improvement of asset performance and fixed costs
- Enhancement of production network and capital spending
- Reduction of changeovers and waste

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## **SG&A**

- Lower fixed overhead costs
- Consolidation of functions
- Regionalization of mill-level SG&A

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## **Distribution**

- Enhancement of distribution facilities and timberland-mill and mill-customer pairings
- Improvement of distribution performance
- Optimization of freight rates

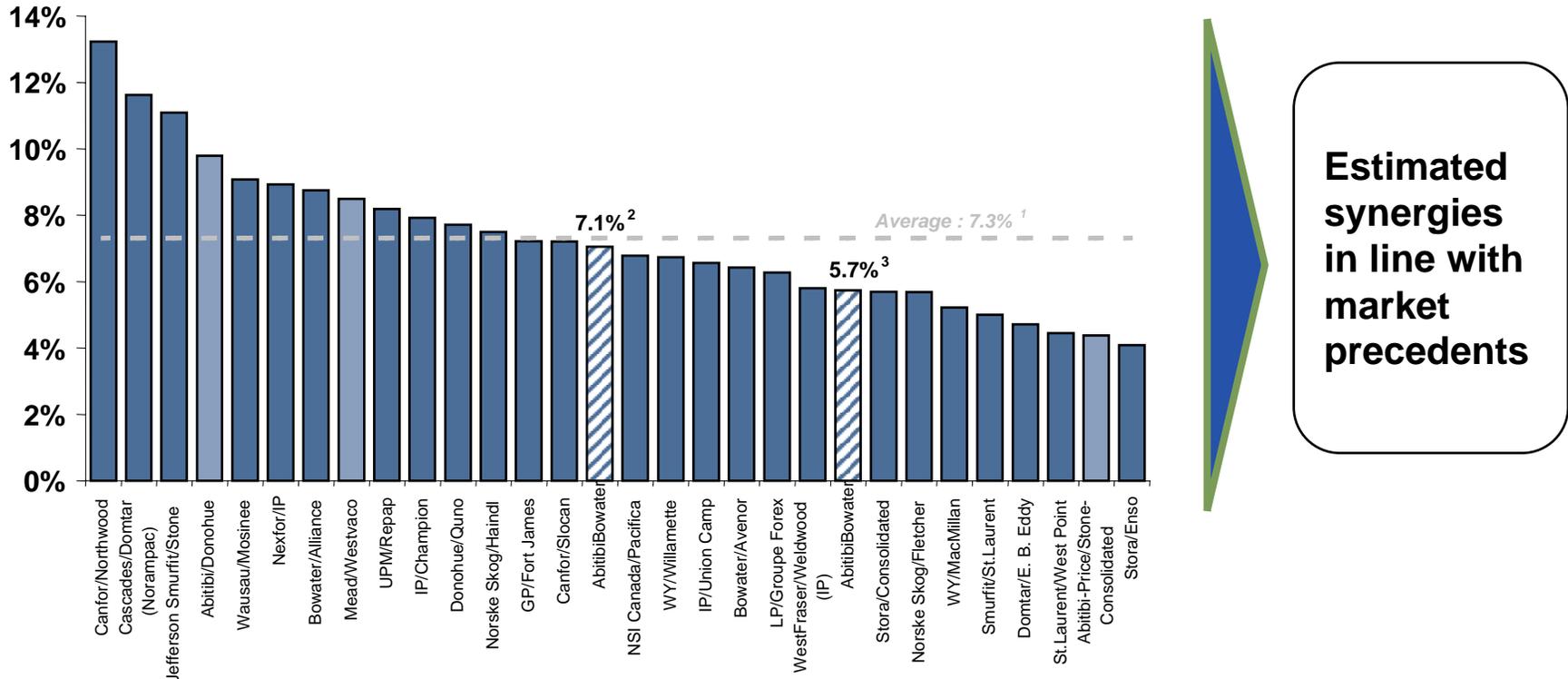
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## **Procurement**

- Consolidation of raw materials collection
- Negotiation of volume discounts
- Improvement of inventory management

# AbitibiBowater - Synergies In Line With Precedents

## Synergies as Percentage of LTM (Last Twelve Months) Sales



Source: Company filings and press releases

Notes:

1. AbitibiBowater transaction excluded from the average

2. Calculation based on Bowater's sales

3. Calculation based on Abitibi-Consolidated's sales



# AbitibiBowater - A Global Paper & Forest Products Leader

## Pro Forma AbitibiBowater <sup>1,2</sup>

<b>(US\$M)</b>	<b>LTM 9/30/06</b>	<b>LTM 9/30/06 (with Synergies)</b>
Sales	7,905	7,905
EBITDA	876	1,126
EBIT	171	421
Total Assets	11,830	11,830
Net Debt	5,716	5,716

Note:

1. Before purchase accounting impact

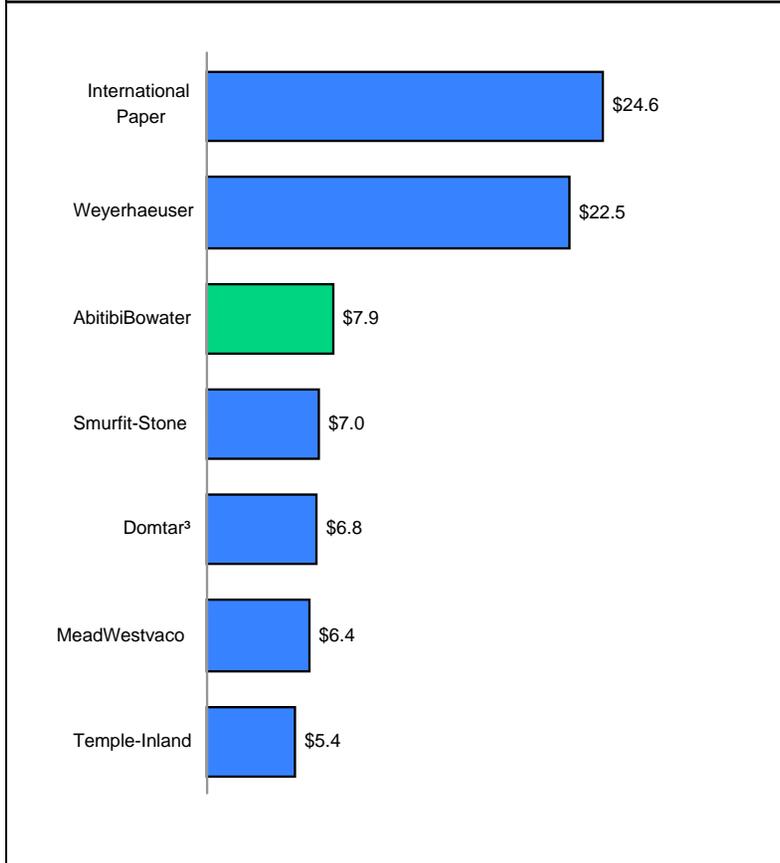
2. FX for LTM figures was C\$/US\$ of 1.143 and for 9/30 figures was C\$/US\$ of 1.118



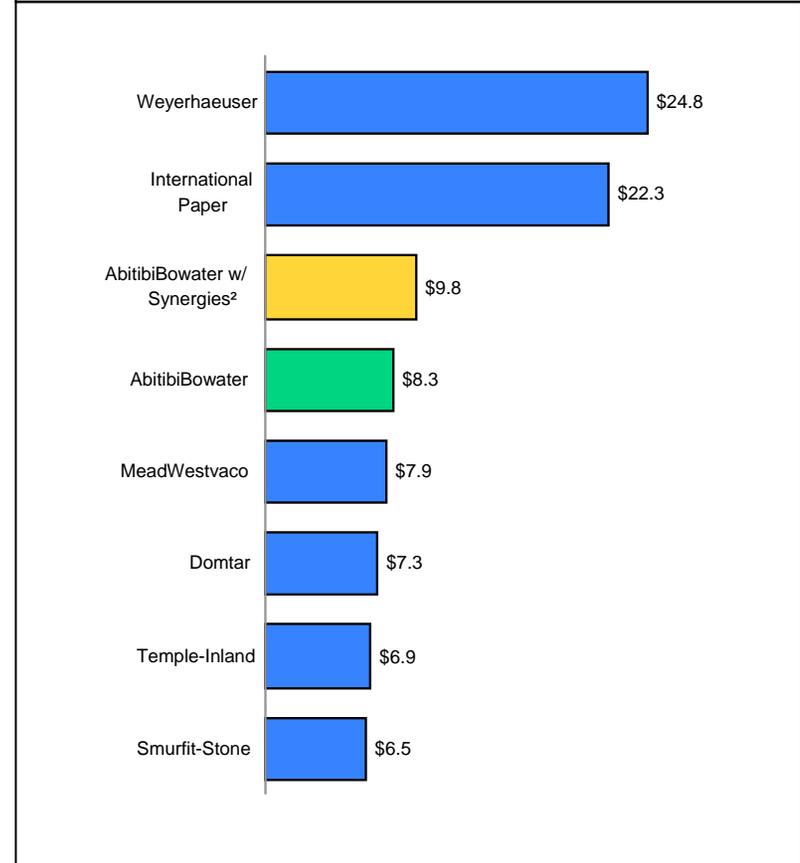
# AbitibiBowater - Pro Forma North American Industry Ranking

(US\$ in billions)

## LTM Sales <sup>1</sup>



## Total Enterprise Value <sup>1</sup>



Source: Company filings, FactSet Research System and Capital IQ

Note:

1. Excluding private companies; all data adjusted for acquisitions and divestitures not reflected in the financial statements as of 9/30/06
2. Reflects NPV of synergies of \$1.5 billion assuming 10% discount rate and 1% perpetuity growth rate, net of US\$125 million of one-time costs
3. Based on 2006 9-months results annualized



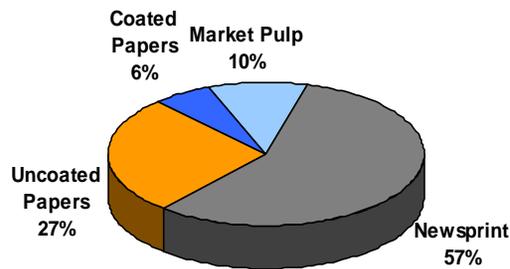
# AbitibiBowater - A Global Leader

**World-class assets, better product mix, and greater efficiency will enable AbitibiBowater to better compete and meet evolving customer needs**

- US\$8.3 billion pro forma enterprise value
- Pro forma revenues of US\$7.9 billion and EBITDA of US\$1.1 billion including fully realized annualized cost synergies
- 11.3 million tonnes of pulp & paper capacity
  - 6.4 million tonnes of newsprint
  - 3.8 million tonnes of coated & uncoated mechanical papers
  - 1.1 million tonnes of market pulp
- 3.1 billion board feet of lumber
- 1.8 million acres of timberlands owned or leased
- 32 pulp & paper mills and 35 wood products facilities
- Approximately 20,000 employees

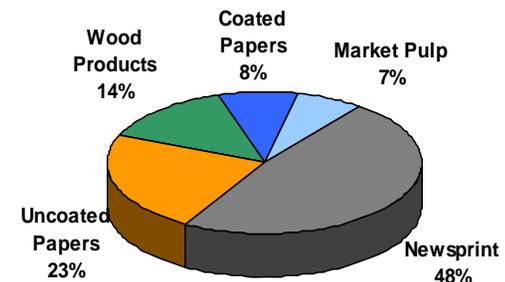
## Pro Forma AbitibiBowater

**Pulp and Paper Volume**  
(‘000s of mt)



**Total Pulp and Paper capacity:**  
11.3 million tonnes

**Total LTM Sales<sup>1</sup>**  
(US\$M)



**Total LTM Sales:**  
US\$7.9 billion<sup>1</sup>

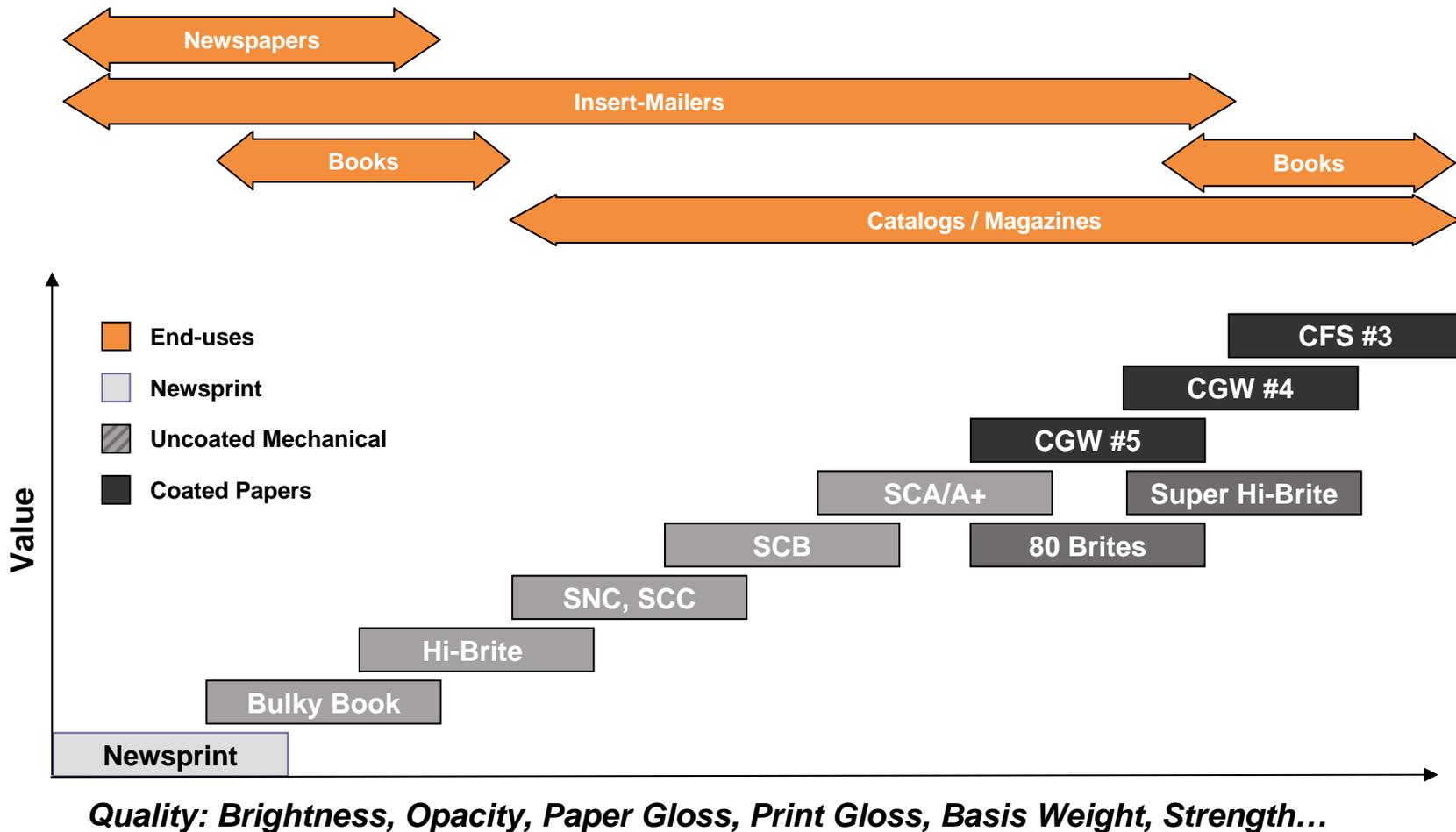
Source: 2005 Annual reports and press releases. Company reports.  
Note: 1. Abitibi-Consolidated financials converted in US\$ at an average exchange rate of 0.8750

# AbitibiBowater - Broad Geographic Footprint



# AbitibiBowater - Global Leader in Publication Papers

## Product Breadth



# *AbitibiBowater - A Global Paper & Forest Products Leader*

## **Highly Competitive and Changing Marketplace**

- Customers continue to have many suppliers in highly competitive environment
- Today there are 15 major North American suppliers of newsprint
- New Asian and European suppliers are entering North American market
- Other North American suppliers will have capacity equal to approximately 70% of North American demand

## **Benefits To Customers**

- Focused on world-class customer service and on-time delivery
- Stronger platform for improvements to product quality and new product innovation
- Committed supplier of newsprint and coated & uncoated mechanical paper

Source: Based on 2007 PPPC capacity and demand forecasts



# *AbitibiBowater - A Global Paper & Forest Products Leader*

- **Creates industry leader that is strongly positioned to adapt to:**
  - Evolving customer needs
  - Challenging forest products market
- **Upside potential for shareholders of both companies**
  - Financially stronger business with improved cash flow, revenue and EBITDA
  - Substantial value creation through US\$250 million of annualized cost synergies
- **Benefits to customers in competitive market**
- **Benefits for employees as part of stronger, more competitive company**
- **Better positioned for success than either company would be on its own**

# AbitibiBowater

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## Appendix

January 29, 2007



# AbitibiBowater - Total Pulp and Paper Capacity

## Canada

Mill	Newsprint	UM	CM	Pulp	Total
Alma	-	350	-	-	350
Amos	207	-	-	-	207
Baie-Comeau	577	-	-	-	577
Beaupre	-	223	-	-	223
Belgo	116	260	-	-	376
Clermont	354	-	-	-	354
Dalhousie	213	26	-	-	239
Dolbeau	-	232	-	-	232
Donnacona	-	160	-	-	160
Fort Frances	-	288	-	93	381
Fort William	-	141	-	-	141
Gatineau	432	44	-	-	476
Grand Falls	191	10	-	-	201
Iroquois Falls	240	38	-	-	278
Kenogami	-	207	-	-	207
Laurentide	-	360	-	-	360
Mackenzie	186	-	-	-	186
Mersey	253	-	-	-	253
Thorold	414	-	-	-	414
Thunder Bay	380	85	-	330	795
	<b>3,563</b>	<b>2,424</b>	-	<b>423</b>	<b>6,410</b>

## United States

Mill	Newsprint	UM	CM	Pulp	Total
Alabama	264	-	-	-	264
Augusta	426	-	-	-	426
Calhoun	382	381	-	171	934
Catawba	-	-	667	245	912
Coosa Pines	328	-	-	260	588
Covington	-	76	-	-	76
Grenada	249	-	-	-	249
Lufkin	150	234	-	-	384
Ponderay	249	-	-	-	249
Snowflake	375	-	-	-	375
	<b>2,423</b>	<b>691</b>	<b>667</b>	<b>676</b>	<b>4,457</b>

## Offshore

Mill	Newsprint	UM	CM	Pulp	Total
Bridgewater	209	-	-	-	209
Mokpo	254	-	-	-	254
	<b>463</b>	-	-	-	<b>463</b>

Newsprint	UM	CM	Pulp	Total
<b>6,449</b>	<b>3,115</b>	<b>667</b>	<b>1,099</b>	<b>11,330</b>

Source: Company reports

Note: Capacity is shown in thousands of tonnes and represents 100% capacity of partnerships

# AbitibiBowater - Total Wood Products Capacity

Province / State	Region	Mills	# of facilities	Ownership	Capacity (Mlf)	Capacity (Mbf)
Quebec	Abitibi	Comtois, Senneterre	2	100%		247
	Lac St-Jean	Chibougamau, Girardville/Normandin, La Doré, Roberval, Saint-Thomas, Mistassini, St-Félicien	8	100%		863
		Saint-Ludger-de-Milot ( <i>Produits Forestiers Petit-Paris</i> )*	1	50%		45
	Saguenay	Laterrière, Petit-Saguenay, Saint-Fulgence ( <i>Produits Forestiers Saguenay</i> )*	3	77%		219
	Mauricie	La Tuque	1	100%		99
		La Tuque ( <i>Produits Forestiers La Tuque</i> )*	1	82%		34
	Côte-Nord	Pointe-aux-Outardes	2	100%		230
	Québec	Saint-Raymond	1	100%		46
		Saint-Hilarion	1	100%		51
	Lower St-Lawrence	Price	1	100%		74
	Outaouais	Maniwaki	1	100%		117
Nova Scotia		Oakhill	1	100%		137
Ontario		Thunder Bay, Ignace	2	100%		281
British Columbia		Mackenzie	2	100%		549
Alabama		Albertville, Westover	2	100%		160
Intercompany transactions						(169)
Total Sawmills			29			2983
	Lac-Saint-Jean	Saint-Prime, La Doré	2	100%		39
		Larouche, Saint-Prime (Abitibi-LP Engineered Wood Inc.)*	2	50%	73	
	Charlevoix	Château-Richer, Manseau	2	100%		91
<b>Total - Remanufacturing and Engineered Wood Facilities</b>			<b>6</b>		<b>73</b>	<b>130</b>

Source: Company reports

Note: Capacity is shown on a proportionate basis



# *AbitibiBowater - Exchangeable Shares*

- Under the terms of the Combination Agreement, Bowater Canada Inc., the issuer of Bowater's currently outstanding exchangeable shares, will:
  - Call meeting of holders of exchangeable shares to approve by vote requiring approval of 2/3 of exchangeable shares present at meeting (in person or by proxy):
    - Consolidation of the then-outstanding exchangeable shares on the same basis as Bowater's common stockholders who will exchange their shares into AbitibiBowater common stock
    - Pushing back "sunset" date of exchangeable shares from June 2008 until June 2018
  - If not approved by exchangeable shares, Bowater has agreed in Combination Agreement to cause early redemption of exchangeable shares immediately prior to consummation of combination transaction, forcing exchangeable shares to exchange their exchangeable shares for Bowater common shares, as permitted by terms of exchangeable share provisions, and to proceed with amendments to exchangeable share provisions as sole shareholder of Bowater Canada.