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This report is printed on 45 lb (66.6 g/m<sup>2</sup>) Ecopaque™ produced at our Alma mill, in Quebec. An environmentally preferable alternative to traditional offset paper, Ecopaque uses 50% less wood fiber, is manufactured totally chlorine-free and offers significant cost savings due to its light weight and high opacity.

Printed in Canada

# Financial Highlights <sup>(1)</sup>

The information highlighted below provides a summary of important financial indicators over the past three years.

<i>(In millions of U.S. dollars)</i>	2010	2009	2008
<b>Sales by segment</b>			
Newsprint	1,804	1,802	3,238
Coated papers	482	416	659
Specialty papers	1,321	1,331	1,829
Market pulp	715	518	626
Wood products	424	290	418
Corporate and other	-	9	1
<b>Total sales</b>	<b>4,746</b>	<b>4,366</b>	<b>6,771</b>
<b>Operating (loss) income by segment <sup>(2)</sup></b>			
Newsprint	(171)	(353)	30
Coated papers	31	89	126
Specialty papers	(44)	85	(14)
Market pulp	137	112	66
Wood products	9	(56)	(69)
Corporate and other	(122)	(252)	(1,569)
<b>Total operating loss</b>	<b>(160)</b>	<b>(375)</b>	<b>(1,430)</b>
<b>Selling and administrative expenses</b>	<b>(155)</b>	<b>(198)</b>	<b>(332)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>39</b>	<b>46</b>	<b>(420)</b>
<b>Capital expenditures</b>	<b>81</b>	<b>101</b>	<b>186</b>
<b>Total assets</b>	<b>7,156</b>	<b>7,112</b>	<b>8,072</b>
<b>Total debt <sup>(3) (4)</sup></b>	<b>905</b>	<b>1,499</b>	<b>5,970</b>

- (1) The table provided in this section presents certain historical financial statistics for each of the last three years and should be read in conjunction with Items 7 and 8 from our annual report on Form 10-K. As further discussed in this report, including the annual report on Form 10-K, the implementation of the plans of reorganization and the application of fresh start accounting materially changed the carrying amounts and classifications reported in our consolidated financial statements and resulted in the Company becoming a new entity for financial reporting purposes. Accordingly, our consolidated financial statements for periods before December 31, 2010, will not be comparable to the consolidated financial statements thereafter. For additional information regarding the impact of the implementation of the plans of reorganization and the application of fresh start accounting on our consolidated balance sheet as of December 31, 2010, see Note 4, "Creditor Protection Proceedings Related Disclosures – Fresh start accounting," to our consolidated financial statements, included in Item 8 of the annual report on Form 10-K.
- (2) Total operating loss for 2010, 2009 and 2008 included a net gain on disposition of assets and other of \$30 million, \$91 million and \$49 million, respectively, and included closure costs, impairment of assets other than goodwill and other related charges of \$11 million, \$202 million and \$481 million, respectively. Total operating loss for 2009 included \$276 million of alternative fuel mixture tax credits (see Note 25, "Alternative Fuel Mixture Tax Credits," to our consolidated financial statements for additional information). Total operating loss for 2008 included impairment of goodwill charges of \$810 million.
- (3) As of the Company's emergence from creditor protection on December 9, 2010, and pursuant to the Company's reorganization plans, all amounts outstanding under our debtor in possession financing arrangements and the specified debtors' pre-petition secured debt obligations were paid in full in cash, and certain holders of allowed claims arising from certain debtors' pre-petition unsecured debt obligations received their pro rata share of the emerged company's common stock. Additionally, upon the consummation of the Company's reorganization plans, we assumed the obligations in respect of the \$850 million principal amount of 2018 Notes issued by an escrow subsidiary of ours. For additional information, see Note 17, "Liquidity and Debt," to our consolidated financial statements.
- (4) Due to the commencement of the Company's creditor protection proceedings, our Consolidated Balance Sheets as of December 31, 2009, included unsecured pre-petition debt obligations of \$4,852 million (included in "Liabilities subject to compromise"), secured pre-petition debt obligations of \$980 million (included in current liabilities) and pre-petition secured debt obligations of \$34 million (included in "Long-term debt, net of current portion").

# Letter to Shareholders

**Richard B. Evans** (left)  
Non-Executive  
Chairman of the Board

**Richard Garneau**  
President and  
Chief Executive Officer



## A year of transformation

December 9, 2010, marked a new beginning for AbitibiBowater, as the Company completed its restructuring process and emerged from creditor protection an organization transformed – stronger, more sustainable and resolutely focused on achieving profitability.

The new AbitibiBowater is truly a new organization. We took full advantage of the restructuring to strengthen our financial position and streamline our operational profile. We have streamlined our asset profile to encompass only better-performing facilities, closing or idling 3.4 million metric tons of paper capacity and removing 900 million board feet of lumber since 2007. As a result, we emerged with a balanced product portfolio and flexible operating base better able to deal with market fluctuations and changing trends in market demand. And, as part of this process, we monetized assets and land holdings for gross proceeds of about \$940 million.

We have also dramatically improved our financial position. Debt levels have been reduced by 88% excluding non-recourse joint-venture debt, from \$6.8 billion at the time of the Company's formation in 2007 to a principal amount of \$850 million following emergence. Also, our annual fixed costs are now 65% lower as compared to 2007 levels, decreasing from \$1.4 billion annually to approximately \$470 million per year.

Thanks to agreements with the provinces of Ontario and Quebec, we continue to pay 100% of our obligations to our retirees and other beneficiaries of our Canadian registered pension plans while receiving greater financial flexibility in managing pension liabilities. Once necessary funding relief regulations are adopted, these agreements will set our pension funding contributions to manageable levels over the next 10 years. Another key development in 2010 was the settlement of our NAFTA claim for C\$130 million relating to the expropriation of Company assets in Newfoundland and Labrador. We would like to thank our government partners for their assistance in these outcomes as well as for their ongoing support.

As we worked last year to lay the groundwork for the future, AbitibiBowater's underlying financial performance continued to strengthen. The Company generated positive operating income of \$23 million for the last two quarters of 2010.

With respect to our restructuring accomplishments, we must recognize the extraordinary support of former members of our board of directors, especially former President and Chief Executive Officer David J. Paterson. Dave's drive to succeed during difficult times – coupled with the strong support of the Company's debt holders, creditors and business partners – was instrumental in repositioning this organization for success.

## The path forward

Completing the restructuring marked a key step toward the creation of a successful, sustainable, lower-cost company. As 2011 unfolds, we are focused on leveraging our leadership and experience to execute our business strategy, further reduce costs and enhance our competitiveness. This will enable us to forcefully respond to the reality of ongoing market challenges while capitalizing on meaningful opportunities in our various business segments.

Priorities for the current year include further reducing selling, general and administrative (SG&A) expenses as well as the Company's debt burden. We also will strive to make carefully targeted, strategic capital investments on projects that offer the most attractive returns in light of our current needs and future market prospects.

As we embark on this next chapter, we would like to take the opportunity to welcome our fellow members to the Company's new board, whose appointments were effective December 9, 2010. They bring to the table an outstanding combination of know-how and experience, along with the highest level of integrity, providing us with sound strategic advice and effective oversight.

We have also made a number of changes at the senior management level to support the execution of our business strategy, focusing on efficiency and costs, sustained profitability and world-class safety performance. We are confident that our new executive team, with the support of our employees, can deliver on our strategic vision while creating a dynamic workplace culture.

The restructuring was an exceptionally difficult period for everyone involved. We wish to acknowledge the challenges faced and sacrifices made by our former shareholders, creditors, suppliers, employees, and other business and community partners. Going forward, we are committed to operating profitably and will be guided by our four cornerstone values: work safely, be accountable, ensure sustainability and succeed together.

We always put the safety of our people first. Our target this year is an Occupational Safety and Health Administration (OSHA) incident rate of 1 with no lost time. The ultimate goal of zero incidents, zero injuries remains key to our success.

By engaging people, acting with integrity, setting goals and measuring progress, we are ensuring accountability and delivering first-class products and services to our customers as well as creating value for shareholders and all Company stakeholders.

Sustainability has long been a key focus for our Company and remains a priority. Throughout the creditor protection process, we continued to work toward our corporate-wide commitment to being an environmentally responsible supplier of choice. Going forward, we will work relentlessly on the implementation of our sustainability roadmap, which focuses on climate change, responsible fiber sourcing, product stewardship, stakeholder engagement and reducing the size of our environmental footprint.

Today's AbitibiBowater is the result of our collective commitment and belief in a promising and profitable future. Working together, we are ready to take on new challenges and write the next chapter of our story. AbitibiBowater has never been stronger. We are one team with one vision, where profitability and sustainability drive our future.

Thank you for your continued support.



**Richard B. Evans**  
Non-Executive  
Chairman of the Board

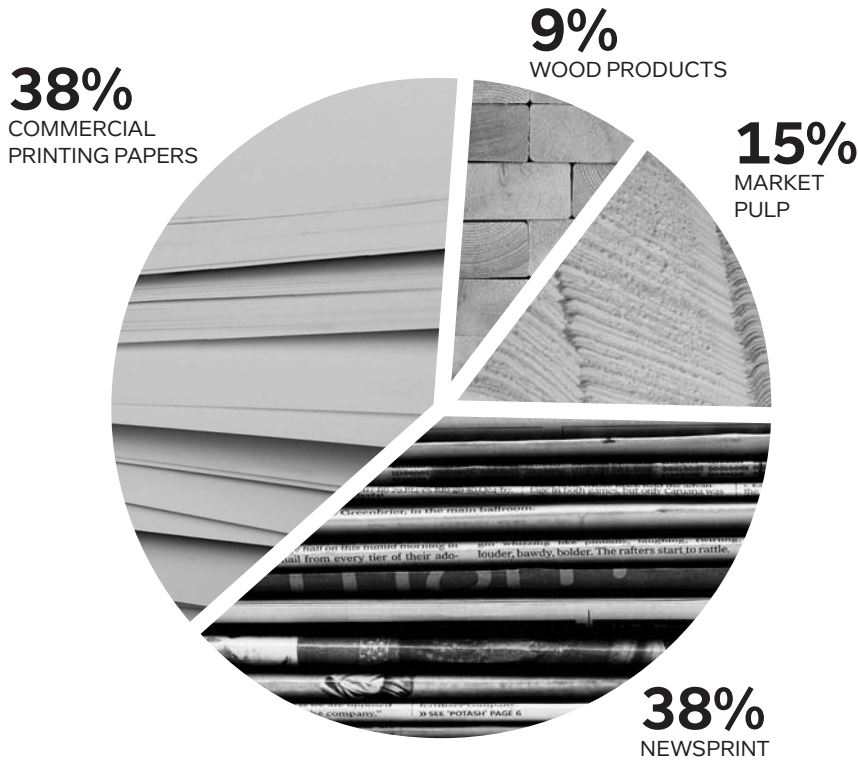


**Richard Garneau**  
President and  
Chief Executive Officer

April 29, 2011

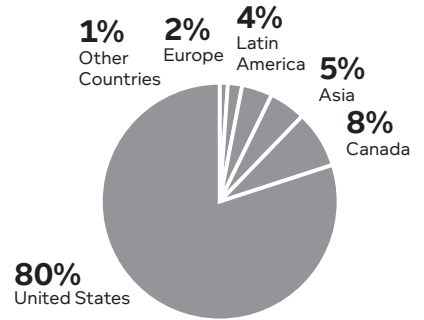
# Distribution of Sales (\$)

For the year ended December 31, 2010

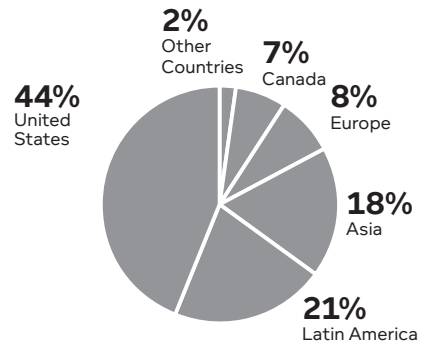


AbitibiBowater is a global leader in the forest products industry, producing a diverse range of products, including newsprint, commercial printing papers, market pulp and wood products. The Company owns or operates 18 pulp and paper mills and 24 wood products facilities located in the United States, Canada and South Korea. Marketing its products in more than 70 countries, AbitibiBowater is also among the largest recyclers of old newspapers and magazines in North America, and has third-party certified 100% of its managed woodlands to sustainable forest management standards.

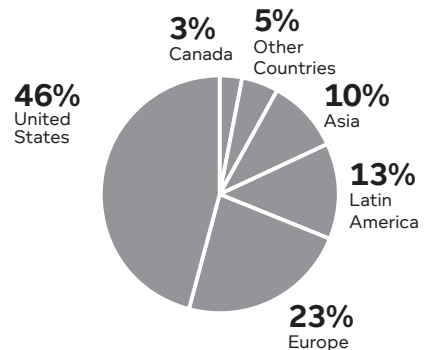
## COMMERCIAL PRINTING PAPERS



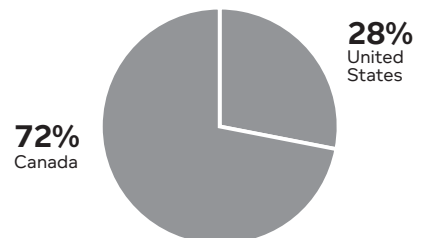
## NEWSPRINT



## MARKET PULP



## WOOD PRODUCTS



# Our Products

## COMMERCIAL PRINTING PAPERS

### COATED MECHANICAL

**AbiBowMax 84, AbiBowBrite 80/76, AbiBowGloss**

**End uses:** Magazines, catalogs, coupons, inserts/flyers/circulars, annual reports, general commercial printing

### UNCOATED MECHANICAL

#### SUPERCALENDERED

**AbiBowSCA+, AbiBowSCA, AbiBowSCB, AbiBowSNC**

**End uses:** Inserts/flyers/circulars, catalogs, magazines, coupons, general commercial printing

#### SUPER-BRITE

**Ecopaque Jet with ColorPRO Technology, Ecopaque Laser, Ecopaque Offset, Equal Offset, Equal Book, Hybrid Offset, Innovative Offset, Alternative Offset, Alternative Opaque, Alternative Book, AbiBowSelect 75**

**End uses:** Inserts/flyers/circulars, direct mail, instruction manuals, financial printing, statements, books, forms, maps, brochures, directories, general commercial printing, digital printing

#### HI-BRITE

**AbiBowSelect 65/70**

**End uses:** See Super-Brite

#### BOOK

**AbiBowBook 85/75/70/65/60, AbiBowBook 70 Cream, AbiBowText, Alternative Book Cream**

**End uses:** Paperback books, hard cover books, educational workbooks, children's books, coloring books, comics

#### DIRECTORY

**AbiBowLite**

**End uses:** Telephone books, directories, catalogs, manuals, brochures

#### SPECIALTY

**AbiBowClass, AbiBowSert**

**End uses:** Construction and insert/wrap papers

### MILLS

#### CANADA

Alma (QC), Fort Frances (ON), Iroquois Falls (ON), Kénogami (QC), Laurentide (QC), Mersey (NS), Thunder Bay (ON)

#### UNITED STATES

Calhoun (TN), Catawba (SC)

## MARKET PULP

### PULP

**AbiBow Northern Bleached Softwood Kraft, AbiBow Northern Bleached Softwood Kraft – Flash, AbiBow Southern Bleached Softwood Kraft, AbiBow Northern Bleached Hardwood Kraft, AbiBow Southern Bleached Hardwood Kraft**

**End uses:** Printing and writing papers, tissue and paper towels, packaging and specialty papers

### FLUFF

**AbiBowSorb (S) (SE)**

**End uses:** Disposable diapers, absorbent hygiene and other specialty products

### MILLS

#### CANADA

Fort Frances (ON), Thunder Bay (ON)

#### UNITED STATES

Calhoun (TN), Catawba (SC), Coosa Pines (AL)

## NEWSPRINT

**AbiBowNews, AbiBowColored News**

**End uses:** Newspapers, inserts/flyers/circulars, directories

### MILLS

#### CANADA

Amos (QC), Baie-Comeau (QC), Clermont (QC), Iroquois Falls (ON), Mersey (NS), Thorold (ON), Thunder Bay (ON)

#### UNITED STATES

Augusta (GA), Calhoun (TN), Grenada (MS), Ponderay (WA)

#### SOUTH KOREA

Mokpo

## WOOD PRODUCTS

### FRAMING LUMBER

**Studs and random lengths: nominal sizes: 1x2 to 2x10 inches, length: 6 to 16 feet**

**End uses:** Light-frame construction, including walls, roofs and floors

### SPECIALTY PRODUCTS

**Premium and select grades, machine-stress rated (MSR) lumber, finger-jointed lumber, furring strips, bed-frame components, I-joists**

**End uses:** Do-it-yourself (DIY) projects, roof trusses, structural and industrial components, high-performance flooring

### SAWMILLS

#### CANADA

Comtois (QC), Girardville – Normandin (QC), La Doré (QC), Maniwaki (QC), Mistassini (QC), Oakhill (NS), Opitciwan (QC), Outardes (QC), Petit-Saguenay (QC), Produits Forestiers Mauricie (QC), Produits Forestiers Petit-Paris (QC), Roberval (QC), Saint-Félicien (QC), Saint-Fulgence (QC), Saint-Hilarion (QC), Saint-Thomas (QC), Senneterre (QC), Thunder Bay (ON)

### WOOD REMANUFACTURING

#### CANADA

Château-Richer (QC), La Doré (QC), Manseau (QC), Saint-Prime (QC)

### ENGINEERED WOOD

#### CANADA

Abitibi-LP (Larouche and Saint-Prime) (QC)

# Manufacturing Operations

## Canada

### QUEBEC

#### **Pulp and Paper**

Alma / Amos / Baie-Comeau /  
Clermont / Kénogami / Laurentide

#### **Wood Products**

Abitibi LP (Larouche and  
Saint-Prime) / Château-Richer /  
Comtois / Girardville – Normandin /  
La Doré (2 facilities) / Maniwaki /  
Manseau / Mistassini / Opitciwan /  
Outardes / Petit-Saguenay / Produits  
Forestiers Mauricie / Produits Forestiers  
Petit-Paris / Roberval / Saint-Félicien /  
Saint-Fulgence / Saint-Hilarion / Saint-  
Prime / Saint-Thomas / Senneterre

### ONTARIO

#### **Pulp and Paper**

Fort Frances / Iroquois Falls /  
Thorold / Thunder Bay

#### **Wood Products**

Thunder Bay

### NOVA SCOTIA

#### **Pulp and Paper**

Mersey

#### **Wood Products**

Oakhill

## United States

#### **Pulp and Paper**

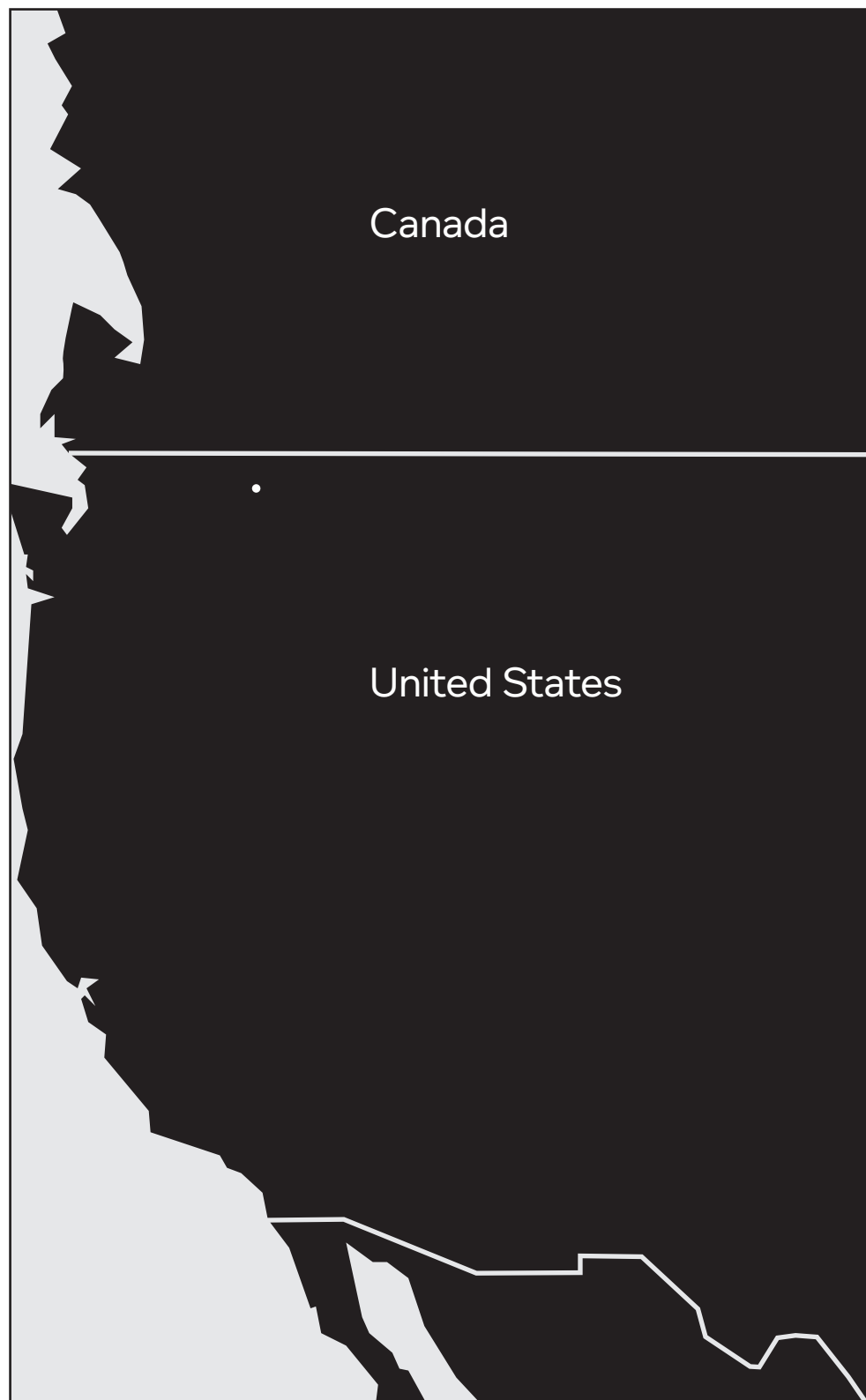
Augusta, GA / Calhoun, TN /  
Catawba, SC / Coosa Pines, AL /  
Grenada, MS / Ponderay, WA

## South Korea

#### **Pulp and Paper**

Mokpo

For the full list of our Company  
locations, visit [abitibibowater.com](http://abitibibowater.com).









## Board of Directors

### **Richard B. Evans**

Non-Executive Chairman,  
AbitibiBowater Inc.

### **Richard Garneau**

President and Chief Executive  
Officer, AbitibiBowater Inc.

### **Pierre Dupuis** <sup>1, 4, 5</sup>

Corporate Director

### **Richard D. Falconer** <sup>1, 2, 3</sup>

Corporate Director

### **Jeffrey A. Hearn** <sup>2, 4</sup>

Corporate Director

### **Sarah E. Nash** <sup>1, 4, 5</sup>

Corporate Director

### **Alain Rhéaume** <sup>1, 3</sup>

Managing Partner,  
Trio Capital Inc.

### **Paul C. Rivett** <sup>3, 4</sup>

Vice President and Chief  
Legal Officer, Fairfax  
Financial Holdings Limited

### **Michael S. Rousseau** <sup>1, 3</sup>

Executive Vice President  
and Chief Financial  
Officer, Air Canada

### **David H. Wilkins** <sup>2, 4</sup>

Partner, Nelson Mullins  
Riley & Scarborough LLP;  
Former U.S. Ambassador  
to Canada

1 Audit Committee

2 Environmental, Health  
and Safety Committee

3 Finance Committee

4 Human Resources and Compensation/  
Nominating and Governance Committee

5 Not standing for re-election at the  
June 9, 2011, annual meeting of  
stockholders

## Executive Officers

### **Richard Garneau**

President and  
Chief Executive Officer

### **Alain Boivin**

Senior Vice President,  
Pulp and Paper Operations

### **Alain Grandmont**

Senior Vice President,  
Human Resources  
and Public Affairs

### **William G. Harvey**

Senior Vice President and  
Chief Financial Officer

### **John Lafave**

Senior Vice President,  
Pulp and Paper Sales  
and Marketing

### **Yves Laflamme**

Senior Vice President, Wood  
Products, Global Supply Chain  
and Information Technology

### **Jacques P. Vachon**

Senior Vice President and  
Chief Legal Officer

## Shareholder Information

### **Annual General Meeting**

Our annual meeting of stockholders will be held at the  
Centre Mont-Royal, Salon International, 2200 Mansfield Street,  
3<sup>rd</sup> Floor, Montreal, Quebec, Canada, on Thursday, June 9, 2011,  
at 8:00 a.m. (Eastern).

### **Transfer Agent for Common Stock**

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078 United States  
866 820-6919 (toll-free within the United States and Canada)  
781 575-3100  
[www.computershare.com/investor](http://www.computershare.com/investor)

### **Co-Transfer Agent (Canada)**

Computershare Investor Services Inc.  
100 University Avenue, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1 Canada  
866 820-6919 (toll-free within the United States and Canada)  
781 575-3100  
[www.computershare.com/investor](http://www.computershare.com/investor)

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
1250 René-Lévesque Boulevard West, Suite 2800  
Montreal, Quebec H3B 2G4 Canada

### **Investor Relations**

Duane A. Owens  
Vice President, Finance  
864 282-9488  
[duane.owens@abitibibowater.com](mailto:duane.owens@abitibibowater.com)

### **Media**

Seth Kursman  
Vice President, Corporate Communications,  
Sustainability and Government Relations  
514 394-2398  
[seth.kursman@abitibibowater.com](mailto:seth.kursman@abitibibowater.com)

### **Investor Information and Financial Reporting**

Investor inquiries should be directed to AbitibiBowater's  
Investor Relations department at [ir@abitibibowater.com](mailto:ir@abitibibowater.com).

### **10-K Report**

AbitibiBowater files an annual report on Form 10-K with the  
Securities and Exchange Commission, a copy of which is included  
in this Annual Report to Shareholders. An additional free copy  
(without exhibits) is available upon request to AbitibiBowater's  
Investor Relations department. In addition, the Company's SEC  
filings, Annual Report to Shareholders, news releases and other  
investor information can be accessed at [abitibibowater.com](http://abitibibowater.com).

### **Stock Listings**

AbitibiBowater's shares trade under the stock symbol "ABH"  
on both the New York Stock Exchange and the Toronto Stock  
Exchange.

**Le présent rapport est disponible en version française  
à l'adresse [abitibibowater.com](http://abitibibowater.com).**

[abitibibowater.com](http://abitibibowater.com)



Photo courtesy of Forest Products Association of Canada