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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

November 14, 2008

COMMISSION FILE NUMBER: 1-14636

ABITIBI-CONSOLIDATED INC.
(Translation of registrant's name into English)

1155 Metcalfe Street, Suite 800; Montreal, Quebec, Canada H3B 5H2
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☑ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):
☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ☐

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ABITIBI-CONSOLIDATED INC.

In connection with its Third Quarter 2008 Report to Shareholders and Unaudited Interim Consolidated Financial Statements furnished on this Form 6-K, Abitibi-Consolidated Inc. is voluntarily filing certifications by its Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
31.1	Certification of President Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Vice President and Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.1	Third Quarter 2008 Report to Shareholders.
99.2	Third Quarter 2008 Unaudited Interim Consolidated Financial Statements.

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ABITIBI-CONSOLIDATED INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABITIBI-CONSOLIDATED INC.

Date: November 14, 2008

By: /s/ William G. Harvey
William G. Harvey
Vice President and Treasurer

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Exhibit 31.1

Certification

I, David J. Paterson, certify that:

1. I have reviewed this quarterly report on Form 6-K for the quarterly period ended September 30, 2008 of ABITIBI-CONSOLIDATED INC.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ David J. Paterson
David J. Paterson
President

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Exhibit 31.2

Certification

I, William G. Harvey, certify that:

1. I have reviewed this quarterly report on Form 6-K for the quarterly period ended September 30, 2008 of ABITIBI-CONSOLIDATED INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ William G. Harvey
William G. Harvey
Vice President and Treasurer

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Exhibit 99.1

Abitibi-Consolidated Inc.
Management's Discussion and Analysis
Third Quarter 2008 Report to Shareholders
November 14, 2008

This Management's Discussion and Analysis ("MD&A") for Abitibi-Consolidated Inc. ("Abitibi" or the "Company") should be read in conjunction with the unaudited Interim Consolidated Financial Statements ("Interim Consolidated Financial Statements") for the period ended September 30, 2008 appearing in Exhibit 99.2 of this Form 6-K, as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2007. Readers should also read the "Cautionary Statements Regarding Forward-Looking Information and Use of Third Party Data" legal advisory contained at the end of this document. The Interim Consolidated Financial Statements and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This document is dated November 14, 2008.

KEY EVENTS

THIRD QUARTER OF 2008

Permanent Closure of Mackenzie Paper Mill

In November 2008, Abitibi's parent company, AbitibiBowater Inc. ("AbitibiBowater") announced the permanent closure of Abitibi's previously idled Mackenzie paper mill, based on current market conditions. Upon review of the recoverability of the long-lived assets at this paper mill, Abitibi used this additional information and recorded long-lived asset impairment charges of $91 million for the three and nine months ended September 30, 2008. The fair value of the long-lived assets of the Mackenzie paper mill was determined to be zero based on its estimated sale and salvage value. Additionally, $3 million of mill stores inventory was determined to be unusable and was recorded in cost of sales.

Change in functional currency

The Company experienced several significant changes in its economic facts and circumstances resulting in a reconsideration of the functional currency of each of the Company's domestic and foreign operations. The primary indicators of change were in cash flows from intercompany transactions and arrangements and cash flows from financing activities. The consideration received from a subsidiary of AbitibiBowater in the Donohue Corp. ("Donohue") transaction (see below) was denominated in U.S. dollars. Further, the Company completed a series of financing transactions on April 1, 2008. As a result of these refinancing transactions, substantially all the Company's debt is now denominated in U.S. dollars. Consequently, upon reconsideration, the Company concluded that the functional currency of the majority of the Company's Canadian operations had changed from the Canadian dollar to the U.S. dollar. The change in functional currency was accounted for prospectively on July 1, 2008, with no change to previously reported results or balances. The exchange loss attributable to the remeasurement of the non-monetary items as of the date of the change in functional currency was included as part of the foreign currency translation adjustment included in a separate component of accumulated other comprehensive loss within shareholders' (deficit) equity.

Effective July 1, 2008, and as a result of the change in functional currency, the Company translates all of its foreign operations with a functional currency of the U.S. dollar into its reporting currency of the Canadian dollar. As a result of translating these non-monetary assets at the current rate as of July 1, 2008, the Company's non-monetary assets and shareholders' (deficit) equity decreased by $909 million. See Note 2, "Basis of Presentation — Change in functional currency" to the Interim Consolidated Financial Statements for additional disclosures.

SECOND QUARTER OF 2008

Successful completion of refinancing transactions

On April 1, 2008, Abitibi and AbitibiBowater Inc. ("AbitibiBowater") successfully completed a series of financing transactions designed to address Abitibi's near-term debt maturities and general liquidity needs. See "Liquidity and Capital Resources — April 1, 2008 Refinancings" section below for additional information.

Impairment of Donohue and subsequent sale

Prior to April 1, 2008, Donohue was a wholly-owned subsidiary of Abitibi-Consolidated Company of Canada ("ACCC"), which is a wholly-owned subsidiary of Abitibi. Donohue owns 52% of the Augusta Newsprint Company and operates the U.S. recycling operations and the Alabama River newsprint mill and, prior to its sale on April 10, 2008, the Snowflake newsprint mill. On April 1, 2008, ACCC exchanged its interest in Donohue for gross proceeds of approximately $862 million from a subsidiary of AbitibiBowater. The $862 million exchange value of Donohue was determined based on a fair market value review of the assets.

The exchange transactions of Donohue took place through a series of intracompany transactions comprised of the sale by ACCC of 200,000 common shares and 151,492 preferred shares of Donohue and the transfer of ACCC's outstanding loans, plus accrued and unpaid interest of Donohue.

In the second quarter of 2008, prior to the sale of Donohue, the Company recorded a long-lived asset impairment charge of $421 million, which is discussed more fully in Note 6, "Sale of Donohue" to the Interim Consolidated Financial Statements.

As a result of the sale of Donohue, the unaudited Interim Consolidated Financial Statements included herein do not reflect the financial position or results of operations of Donohue after March 31, 2008.

FOURTH QUARTER OF 2007

On October 29, 2007, pursuant to a Combination and Agreement and Plan of Merger, dated as of January 29, 2007, Abitibi and Bowater Incorporated ("Bowater") combined in a merger of equals with each becoming a wholly-owned subsidiary of AbitibiBowater.

HIGHLIGHTS AND OVERVIEW OF FINANCIAL PERFORMANCE

Consolidated Results of Operations

Three months ended September 30, 2008 compared to three months ended September 30, 2007

(in millions of dollars)

	Third Quarter 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Third Quarter 2007
Sales	$ 854	$ (251)	$ (30)	$ 136	$ —	$ 999
Cost of sales, excluding amortization	639	200	3	—	(14)	828
Amortization	57	27	—	—	22	106
Distribution costs	98	28	3	—	(13)	116
Selling, general and administrative expenses ("SG&A")	38	3	—	—	2	43
Closure costs, impairment and other related charges	90	—	—	—	(87)	3
Net gain on disposition of assets	(5)	—	—	—	(35)	(40)
Operating loss	(63)	$ 7	$ (24)	$ 136	$ (125)	(57)
Interest expense	103					85
Loss (gain) on translation of foreign currencies	14					(200)
Other (income) expense, net	(9)					1
Income tax expense (recovery)	7					1
Share of earnings from investments subject to significant influence	—					—
Non-controlling interests	3					2
Net (loss) income	$ (181)					$ 54

Sales

Sales declined in the third quarter of 2008 as compared with the third quarter of 2007 by $145 million, primarily due to the sale of Donohue on April 1, 2008, a decline in volume and the impact of the stronger Canadian dollar compared to the U.S. dollar, partially offset by increases in selling prices.

Operating Loss

Operating loss increased $6 million in the third quarter of 2008 as compared with the third quarter of 2007, primarily as a result of the impairment charges recorded in the third quarter of 2008 for the Mackenzie paper mill discussed above, a decline in volume and slight increases in production and distribution costs per unit, mostly offset by an increase in selling prices in the third quarter of 2008 compared to the third quarter of 2007. The above table analyzes the major items that increased operating loss in the third quarter of 2008 compared to the same period of 2007. A brief explanation of these major items follows:

Cost of sales, excluding amortization, decreased $189 million compared to the same period of 2007 due to the sale of Donohue and lower sales volume, minimally offset by a slight increase in manufacturing costs per unit.

Distribution costs decreased by $18 million in the third quarter of 2008 as compared to the third quarter of 2007, primarily due to the sale of Donohue and lower sales volume, partially offset by an increase in distribution costs per unit.

SG&A expenses decreased by $5 million in the third quarter of 2008 as compared to the third quarter of 2007, due to continued efforts to reduce costs and the sale of Donohue.

In November 2008, AbitibiBowater announced its decision to permanently close its previously idled Mackenzie (British Columbia) paper mill. The non-cash impairment charge related to this action was $91 million, which was recorded in the third quarter of 2008. Additionally, $3 million of inventory was determined to be unusable and was recorded in cost of sales. Closure costs, impairment and other related charges are discussed more fully in Note 5, "Closure costs, impairment and other related charges" to the Interim Consolidated Financial Statements.

Net gain on disposition of assets decreased by $35 million in the third quarter of 2008 as compared to the third quarter of 2007, due to the disposal of a portion of the Company's timberlands located in Georgia and South Carolina in the third quarter of 2007.

Amortization expense decreased by $49 million in the third quarter of 2008 as compared to the third quarter of 2007, primarily due to the sale of Donohue on April 1, 2008, the overall decline in depreciable assets and the July 1, 2008 prospective change in the functional currency to the U.S. dollar from the Canadian dollar discussed above.

Net Loss

Net loss in the third quarter of 2008 was $181 million, an increase in net loss of $235 million, compared to third quarter 2007 net income of $54 million. The increase in net loss in the third quarter of 2008 was partially due to a $6 million increase in operating loss discussed above for the comparable periods. The following are the primary items that resulted in the increase in the 2008 third quarter net loss:

Interest expense increased $18 million in the third quarter of 2008 as compared with the third quarter of 2007, primarily as a result of the refinancing transactions discussed above.

Translation of foreign currencies decreased by $214 million to a loss of $14 million in the third quarter of 2008 as compared to a gain of $200 million in the third quarter of 2007.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

(in millions of dollars)

	Nine Months Ended 2008	Favorable/(unfavorable) variance due to				Nine Months Ended 2007
		Volume	Foreign exchange	Prices	Costs	
Sales	**$ 2,584**	$ (531)	$ (160)	$ 144	$ —	$ 3,131
Cost of sales, excluding amortization	**2,086**	485	18	—	(58)	2,531
Amortization	**220**	52	2	—	47	321
Distribution costs	**312**	60	6	—	(22)	356
Selling, general and administrative expenses	**117**	6	—	—	15	138
Closure costs, impairment and other related charges	**532**	—	—	—	(510)	22
Net gain on disposition of assets	**(6)**	—	—	—	(65)	(71)
Operating loss	**(677)**	$ 72	$ (134)	$ 144	$ (593)	(166)
Interest expense	**281**					258
Loss (gain) on translation of foreign currencies	**91**					(468)
Other (income) expense, net	**28**					(29)
Income tax expense (recovery)	**(21)**					(79)
Share of earnings from						

investments subject to significant influence	**(1)**	(1)
Non-controlling interests	**6**	21
Net (loss) income	**$(1,061)**	$ 13[illegible]

Sales

Sales decreased in the first nine months of 2008 as compared with the same period of 2007 by $547 million, primarily due to the sale of Donohue on April 1, 2008, a decline in volume, as well as the impact of the stronger Canadian dollar compared to the U.S. dollar, partially offset by a slight increase in selling prices.

Operating loss

Operating loss increased in the first nine months of 2008 as compared with the same period of 2007. The above table analyzes the major items that increased operating loss in the first nine months of 2008 compared to the same period of 2007. A brief explanation of these major items follows:

Cost of sales, excluding amortization, decreased $445 million in the first nine months of 2008 compared to the same period of 2007 primarily due to lower sales volume and the sale of Donohue, partially offset by a slight increase in the average transaction price per unit.

Distribution costs declined by $44 million in the first nine months of 2008 compared to the same period of 2007 primarily due to lower sales volume and the sale of Donohue, partially offset by an increase in the average distribution cost per unit.

SG&A expenses declined by $21 million in the first nine months of 2008 compared to the same period of 2007 as a result of continued efforts to reduce costs and the sale of Donohue.

In November 2008, AbitibiBowater announced its decision to permanently close its previously idled Mackenzie (British Columbia) paper mill. The non-cash impairment charge related to this action was $91 million, which was recorded in the third quarter of 2008. Additionally, $3 million of inventory was determined to be unusable and was recorded in cost of sales. Closure costs, impairment and other related charges are discussed more fully in Note 5, "Closure costs, impairment and other related charges" to the Interim Consolidated Financial Statements. In the first nine months of 2008, the Company recorded a long-lived asset impairment charge of $421 million related to Donohue, which is discussed more fully in Note 6, "Sale of Donohue" to the Interim Consolidated Financial Statements.

Net gain on disposition of assets declined by $65 million in the first nine months of 2008 compared to the first nine months of 2007. In the first nine months of 2007, the Company disposed of a portion of its timberlands located in Georgia and South Carolina.

Amortization expense decreased by $101 million in the first nine months of 2008 compared to the same period of 2007. The decline is primarily due to the sale of Donohue on April 1, 2008, the overall decline in depreciable assets and the July 1, 2008 prospective change in the functional currency to the U.S. dollar from the Canadian dollar in the third quarter of 2008 discussed above.

Net loss

Net loss of $1,061 million in the first nine months of 2008 compared to net income of $132 million in the same period of 2007 represented a $1,193 million decrease, partially due to the increase in operating loss which included impairment charges totaling $512 million for Donohue and Mackenzie, as discussed above. The following items also impacted the net loss:

Interest expense increased by $23 million in the first nine months of 2008 compared to the same period of 2007, primarily as a result of the refinancing transactions discussed above.

Translation of foreign currencies decreased by $559 million to a loss of $91 million in the first nine months of 2008 compared to a gain of $468 million in the same period of 2007.

The change in other (income) expense, net in the first nine months of 2008 compared to the same period of 2007 was due primarily to fees of $68 million associated with the April 1, 2008 refinancing transactions, partially offset by a gain of $36 million realized on the extinguishment of debt.

Income tax recoveries declined by $58 million in the first nine months of 2008 compared to the same period of 2007 as a result of valuation allowances used in the first nine months of 2008 for the Company's subsidiary in the United Kingdom ar ACCC.

Segment Results of Operations

Abitibi manages its business based on the products that it manufactures and sells to external customers. Abitibi's reportable segments, which correspond to its primary product lines, are newsprint, specialty papers and wood products. In general, Abitibi's products are globally traded commodities. Pricing and the level of shipments of these products will continue to be influenced by the balance between supply and demand as affected by global economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in currency exchange rates. None of the income or loss items following "Operating loss" in the Unaudited Consolidated Statements of Operations are allocated to the Company's segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, employee termination costs, gains on dispositions of assets and other discretionary charges or credits are not allocated to the segments. Share-based compensation expense and depreciation expense are, however, allocated to the segments. For further information regarding the Company's segments, see the Consolidated Business Segments table included in the Interim Consolidated Financial Statements.

Newsprint

Three months ended September 30, 2008 compared to three months ended September 30, 2007

(in millions of dollars)

	Third Quarter 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Third Quarter 2007
Sales	**$440**	$(156)	$(17)	$87	$ —	$526
Amortization	**26**	16	—	—	13	55
Operating income (loss)	**50**	5	(12)	87	(15)	(15)

Newsprint's sales declined by $86 million in the third quarter of 2008 compared to the third quarter of 2007 due to the sale of Donohue and a decline in volume, partially offset by an increase in prices. Newsprint's $65 million operating income improvement in the third quarter of 2008 compared to the third quarter of 2007 is primarily attributed to a $120 per tonne increase in the selling price in the comparable periods.

Newsprint's shipments for the third quarter of 2008 were 584,000 tonnes, compared to 830,000 tonnes in the third quarter of 2007, a decline of 29.6% in the comparable periods due to the sale of Donohue and lower sales volume. While North American consumption continued its decline in the third quarter of 2008, the Company continues to seek growth in the stronger international destinations by exporting newsprint from North America into areas where market conditions are more favorable.

Newsprint's transaction prices were 18.9% higher in the third quarter of 2008 than the comparable period in the prior year. Abitibi has implemented each of the previously announced North American newsprint price increases through November and expects to implement the announced $20 per tonne December increase.

Newsprint's third quarter 2008 cost of sales, on a per tonne basis, was 5.1% higher than in the same period of 2007. The increase in cost was mainly due to spreading fixed costs over a lower volume and higher fiber and energy costs, partially offset by a stronger Canadian dollar, decreasing production costs in Canadian dollars of the Company's U.S. mills and lower employee future benefit expense.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

(in millions of dollars)

	Nine Months Ended 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Nine Months Ended 2007
Sales	**$1,344**	$(315)	$(106)	$98	$ —	$1,667
Amortization	**110**	29	3	—	25	167
Operating loss	**(23)**	2	(86)	98	(29)	(8)

Newsprint's sales declined by $323 million in the first nine months of 2008 compared to the first nine months of 2007 due to the sale of Donohue, a decline in volume and an unfavorable currency exchange due to the continued strength of the Canadian dollar, which also negatively impacted transaction prices, as the Company's sales are primarily denominated in U.S. dollars, partially offset by a slight increase in prices.

Newsprint's increased operating loss is primarily a result of lower sales volume as well as a stronger Canadian dollar compared to the U.S. dollar, partially offset by lower amortization costs. The Newsprint and Corporate and other segments for the nine months ended September 30, 2007 reflect a reclassification of $67 million of operating income from Corporate and other to Newsprint related to an adjustment to the presentation of these business segments in the second quarter of 2007.

Newsprint's shipments for the first nine months of 2008 were 1,976,000 tonnes, compared to 2,436,000 tonnes in the first nine months of 2007, a decline of 18.9% in the comparable periods due to the sale of Donohue and lower sales volume. As the demand for newsprint in North America has continued to decline, the Company continues to seek growth in the stronger international destinations by exporting newsprint from North America into areas where market conditions are more favorable.

Although Newsprint's average transaction price for the first nine months of 2008 was essentially flat compared to the first nine months of 2007, declining by 0.6%, the Company's North American newsprint prices have increased significantly from December 2007 to September 2008. Abitibi has implemented each of the announced newsprint price increases through November and expects to implement the announced $20 per tonne December increase.

Newsprint's cost of goods sold for the first nine months of 2008, on a per tonne basis increased 1.4% compared to the same period of 2007. Higher fiber and energy costs have been partially offset by decreases in cost due to a stronger Canadian dollar, decreasing production costs in Canadian dollars of Newsprint's U.S. mills, and lower employee future benefit expense.

Newsprint Third Party Data (source: Pulp and Paper Products Council): In the nine months ended September 30, 2008, total North American newsprint demand declined 9.4%, compared to the same period last year. North American net exports of newsprint were 3.0% higher than 2007 levels. Inventories (North American mills and U.S. users) at September 30, 2008 were 368,000 metric tons, 19.1% lower than September 30, 2007. The days of supply at the U.S. daily newspapers was 48 days at September 30, 2008, 23.1% higher compared to September 30, 2007. The North American operating rate was 95.0% for the nine months ended September 30, 2008.

Specialty Papers

Three months ended September 30, 2008 compared to three months ended September 30, 2007

(in millions of dollars)

	Third Quarter 2008	Favorable/(unfavorable) variance due to				Third Quarter 2007
		Volume	Foreign exchange	Prices	Costs	
Sales	**$339**	$(36)	$—	$45	$—	$330
Amortization	**21**	4	—	—	12	37
Operating income (loss)	**22**	3	—	45	8	(34)

Specialty Papers' sales increased by $9 million in the third quarter of 2008 compared to the third quarter of 2007, due to a 16% increase in average selling prices, partially offset by a decline in volume.

Specialty Papers' operating income improvement of $56 million in the third quarter of 2008 compared to the third quarter of 2007 is due primarily to a 16% increase in average selling prices.

Specialty Papers' shipments in the third quarter of 2008 were 376,000 tonnes, compared to 424,000 tonnes in the third quarter of 2007. Total demand for uncoated mechanical decreased approximately 11% compared to the third quarter of 2007.

During the third quarter of 2008, the average price for Specialty Papers in the U.S. was 10.5% higher, compared to the second quarter of 2008. Compared to the third quarter of 2007, the average price in the U.S. was 16% higher. Price increases of US$60 per tonne were announced during the fourth quarter of 2007 for most of Specialty Papers' uncoated mechanical grades.

On a per tonne basis, Specialty Papers' cost of goods sold for the third quarter of 2008 declined by approximately 1.3% compared to the same period of 2007. The decrease was attributable to improving productivity, lower employee future benefits expense and lower maintenance costs, partially offset by higher energy costs.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

(in millions of dollars)

	Nine Months Ended 2008	Favorable/(unfavorable) variance due to				Nine Months Ended 2007
		Volume	Foreign exchange	Prices	Costs	
Sales	**$959**	$(72)	$(59)	$68	$—	$1,022
Amortization	**77**	7	—	—	27	111
Operating loss	**(5)**	3	(59)	68	30	(47)

Specialty Papers' sales declined by $63 million in the first nine months of 2008 compared to the first nine months of 2007 due to a decline in volume and an unfavorable currency exchange due to the continued strength of the Canadian dollar, which also negatively impacted transaction prices, as the Company's sales are primarily denominated in U.S. dollars, partially offset by a slight increase in prices.

The decrease in the operating loss was due primarily to the decline in amortization costs, a slight increase in average selling prices and a decrease in selling and administrative costs, partially offset by lower sales volumes.

Specialty Papers' shipments for the first nine months of 2008 were 1,150,000 tonnes, compared to 1,238,000 tonnes in the first nine months of 2007, a 7.1% decline in the comparable periods.

Comparing the first nine months of 2008 to the same period in 2007, Specialty Papers' average price in the U.S. was 1.1% higher. Price increases of US$60 per tonne were announced during the fourth quarter of 2007 for most of Specialty Papers' uncoated mechanical grades.

On a per tonne basis, Specialty Papers' cost of goods sold in the first nine months of 2008 were essentially flat compared to the same period of 2007. Higher energy costs have been essentially offset by better productivity, lower employee future benefits expense and lower maintenance costs.

Specialty Papers Third Party Data (source: Pulp and Paper Products Council): In the first nine months of 2008 compared to the same period in 2007, North American demand for supercalendered high gloss papers was down 1.9%, for lightweight or directory grades was down 8.1% and for standard uncoated mechanical papers was up 9.6%. The industry operating rate was 92.0% in the first nine months of 2008 compared to 88.0% for the same period of 2007. North American uncoated mechanical mill inventories were at 17 days supply at September 30, 2008 compared to 22 days supply at September 30, 2007.

Wood Products

Three months ended September 30, 2008 compared to three months ended September 30, 2007

(in millions of dollars)

	Third Quarter 2008	Favorable/(unfavorable) variance due to				Third Quarter 2007
		Volume	Foreign exchange	Prices	Costs	
Sales	**$70**	$(59)	$—	$ 3	$—	$126
Amortization	**5**	5	—	—	1	11
Operating loss	**(6)**	13	—	3	5	(27)

Wood Products' sales declined by $56 million in the third quarter of 2008 compared to the third quarter of 2007 due to the decline in volume.

Wood Products' decrease in operating loss was primarily due to lower per unit production costs and slightly higher selling prices, partially offset by lower volumes.

Wood Products' shipments of 194 million board feet ("mbf") in the third quarter of 2008 were approximately 46% lower compared to shipments of 362 mbf in the third quarter of 2007. The decline in the demand for wood products has resulted in the continued idling of several facilities.

Wood Products' continued decrease in shipments is due primarily to lower demand from a weaker U.S. housing market. The Company is not expecting any significant improvements in the wood products market in the short term. As such, during the first quarter of 2008, the Company announced the curtailment of annualized capacity in the province of Québec and British Columbia. Moreover, downtime experienced at its sawmills was the result of the weak lumber market. During the first quarter of 2008, the Company idled its Mackenzie sawmills for an indefinite period of time, three sawmills in Québec for the entire quarter and reduced production shifts in certain other sawmills, resulting in declines in production.

Wood Products' cost of goods sold, on a per mbf basis, decreased by $16 per mbf, primarily due to lower cost of wood, mainly related to the idling of the higher cost sawmills.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

(in millions of dollars)

	Nine Months Ended 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Nine Months Ended 2007
Sales	**$245**	$(144)	$ (4)	$(23)	$—	$416
Amortization	**24**	12	—	—	(3)	33
Operating loss	**(45)**	24	(4)	(23)	28	(70)

Wood Products' sales declined by $171 million in the first nine months of 2008 compared to the first nine months of 2007 primarily due to a decline in volume and lower selling prices.

The decrease in Wood Products' operating loss was due to lower sales volume and lower transaction prices.

Wood Products' shipments of 782 mbf in the first nine months of 2008 were 34.5% lower compared to shipments of 1,193 mbf in the first nine months of 2007. The demand for wood products has continued to decline in the first nine months of 2008, resulting in the continued idling and closure of several facilities.

The decrease in shipments and lower pricing is due primarily to lower demand from a weaker U.S. housing market. The Company is not expecting any significant improvements in the wood products market in the short term. As such, during the first quarter of 2008, the Company announced the curtailment of capacity in the province of Québec and British Columbia. Moreover, downtime experienced at its sawmills was the result of the weak lumber market. During the first quarter of 2008, the Company idled its Mackenzie sawmill for an indefinite period of time, idled three sawmills in Québec and reduced production shifts in certain other sawmills, resulting in declines in production.

On a per mbf basis, Wood Products' cost of goods sold decreased by $34 per mbf, primarily due to lower cost of wood, mainly related to the idling of the higher cost sawmills.

Wood Products Third Party Data (source: U.S. Census Bureau): U.S. housing starts decreased 31.1% to 817,000 units in the first nine months of 2008, compared to 1,185,000 units in the first nine months of 2007, and are at their lowest level in approximately 17 years.

Corporate and Other

The Company excludes hedging, net gain on disposition of assets, closure costs, impairment and other related charges, employee termination costs and merger-related charges from its internal review of segment results. Also excluded from segment results are corporate and other items, which include general and administrative expenses. These items are analyzed separately from segment results.

Three months ended September 30, 2008 compared to three months ended September 30, 2007

(in millions of dollars)

	Third Quarter 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Third Quarter 2007
Sales	$ 5	$—	$(12)	$—	$ —	$ 17
Closure costs, impairment and other related charges	90	—	—	—	(87)	3
Net gain on disposition of assets	(5)	—	—	—	(35)	(40)
Amortization	5	—	—	—	(2)	3
Operating (loss) income	(129)	—	—	—	(148)	19

Corporate and Other revenues in the third quarter of 2008 declined by $12 million, compared to the third quarter of 2007, due to the Company's hedging program that had a less favorable contribution in the third quarter of 2008.

In November 2008, the Company announced its decision to permanently close its previously idled Mackenzie (British Columbia) paper mill. The non-cash impairment charge related to this action was $91 million, which was recorded in the third quarter of 2008. This is discussed more fully above and in Note 5, "Closure costs, impairment and other related charges" to the Interim Consolidated Financial Statements.

Corporate and Other's operating loss of $129 million represents a $148 million decrease from operating income of $19 million in the third quarter of 2007, primarily due to the impairment charge on the long-lived assets of Mackenzie discussed above, a decrease in net gain on disposition of assets and the decline in sales.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

(in millions of dollars)

	Nine Months Ended 2008	Favorable/(unfavorable) variance due to Volume	Foreign exchange	Prices	Costs	Nine Months Ended 2007
Sales	$ 36	$—	$10	$—	$ —	$ 26
Closure costs, impairment and other related charges	532	—	—	—	(510)	22
Net gain on disposition of assets	(6)	—	—	—	(65)	(71)
Amortization	9	—	—	—	1	10
Operating loss	(604)	—	(4)	—	(559)	(41)

Corporate and Other's $10 million increase in revenues is due to the Company's hedging program that had favorable contributions in the first nine months of 2008.

In November 2008, the Company announced its decision to permanently close its previously idled Mackenzie (British Columbia) paper mill. The non-cash impairment charge related to this action was $91 million, which was recorded in the third quarter of 2008. This is discussed more fully above and in Note 5, "Closure costs, impairment and other related charges" to the Interim Consolidated Financial Statements.

In the first nine months of 2008, the Company recorded an impairment charge of $421 million related to the sale of Donohue, which is discussed more fully in Note 6, "Sale of Donohue" to the Interim Consolidated Financial Statements.

Corporate and Other's operating loss increase was principally due to the impairment charges on the long-lived assets of Donohue and Mackenzie discussed above and the decrease in net gain on disposition of assets. The Newsprint and Corporate and other segments for the nine months ended September 30, 2007 reflect a reclassification of $67 million of operating income from Corporate and other to Newsprint related to an adjustment to the presentation of these business segments in the second quarter of 2007.

BALANCE SHEET

As of September 30, 2008, total long-term debt amounted to $3,706 million, compared to $3,343 million as of December 31 2007.

On March 10, 2008, S&P changed its rating on the Company from B to B-. The outlook is negative. On March 18, 2008, Moody's changed its rating on the Company from B2 to Caa1. The outlook is negative. On April 4, 2008, DBRS changed its rating on the Company from BBL to B.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Abitibi's primary sources of liquidity and capital resources are cash on hand, cash provided from operations and the accounts receivable securitization program. In addition, cash generated by Donohue is used, in part, to service the debt obligations of Abitibi since Abitibi receives interest from AbitibiBowater on the note issued as consideration for the transfer of Donohue to another subsidiary of AbitibiBowater (see Note 6, "Sale of Donohue" to the Interim Consolidated Financial Statements). Abitibi also periodically reviews timberland holdings and sells timberlands as a source of additional liquidity. AbitibiBowater has targeted approximately US$750 million in asset sales by the end of 2009, including timberlands, sawmills, hydroelectric sites and other assets. It is unclear how the current global credit crisis may impact Abitibi's ability to sell any of these assets.

Abitibi has significant short-term debt maturities which primarily consist of the $369 million (US$347 million) term loan due March 30, 2009 (discussed below). In addition, Abitibi's and Donohue's US$350 million accounts receivable securitization program could terminate in July 2009 (US$255 million outstanding at September 30, 2008), if not renewed.

Abitibi believes that cash on hand, cash generated from its operations and the accounts receivable securitization program will be sufficient to provide for its anticipated requirements for working capital, capital expenditures and contractual obligations (excluding debt maturities) for the next twelve months. However, the weakening U.S. and global economy, together with the current credit environment, could reduce Abitibi's ability to generate cash from operations. In the event Abitibi does not generate adequate cash from operations, Abitibi may not have sufficient liquidity to support its operations. In addition, Abitibi will need to refinance its $369 million (US$347 million) term loan due March 30, 2009, which may prove difficult in the current market and economic environment.

The ongoing and unprecedented disruption in the credit markets has had a significant adverse impact on a number of financial institutions and companies, and could impact Abitibi's ability to refinance its short-term obligations. These financial market conditions have reduced the ability of many companies to refinance short-term credit facilities and other short-term indebtedness. Abitibi's operations are funded by cash generated through its operations and the accounts receivable securitization program, although these sources will not be sufficient alone to refinance Abitibi's short-term obligations. Abitibi is currently working on refinancing plans for its $369 million (US$347 million) term loan and intends to refinance this term loan before its due date. However, considering current market conditions and the instability of the credit markets, no assurance can be made that the Company will be able to complete this refinancing transaction or that it will be completed on terms acceptable to the Company. If such refinancing is not consummated, the Company believes its liquidity could approach the minimum amounts necessary to operate its business and the Company would be highly dependent on the success of its previously announced initiatives, including the receipt of substantial proceeds from asset sales and improved operating performance and conditions. If Abitibi's future cash flow is insufficient and refinancing or additional financing is unavailable, Abitibi may be unable to meet its debt obligations. If Abitibi defaults under the terms of some of its indebtedness, the relevant debt holders may accelerate the maturity of its obligations, which could cause cross-defaults or cross-acceleration under Abitibi's other obligations.

Cash used in operating activities

Cash used in operating activities totaled $388 million in the first nine months of 2008 compared to $421 million in the same period of 2007. The decrease in cash used for operations was primarily related to a decrease in the use of working capital. Additionally, the Company expects that its continued export of newsprint from North America to international destinations could have a negative impact on its working capital due to the less favorable accounts receivable terms for international sales versus North American sales.

Cash provided by financing activities

Cash provided by financing activities totaled $108 million for the nine months ended September 30, 2008, compared to $350 million for the same period of 2007. The significant decrease in the first nine months of 2008 as compared to the same period of 2007 was due to the net impact of the April 1, 2008 refinancing transactions.

Cash provided by investing activities

Cash provided by investing activities totaled $347 million for the first nine months of 2008 compared to $6 million for the first nine months of 2007. The increase in cash provided by investing activities was principally due to proceeds received as a result of the sale of Donohue to AbitibiBowater as discussed above and in Note 6, "Sale of Donohue" to the Interim Consolidated Financial Statements.

The Company intends to limit its capital expenditure program in 2008 to approximately $100 million, of which approximately $48 million is estimated to be for the biomass energy generator at Fort Frances.

Liquidity and Short-term Debt

As described in Note 1, "Going Concern," to the Abitibi-Consolidated Inc. audited consolidated financial statements included in its Annual Report on Form 20-F for the year ended December 31, 2007, filed on March 31, 2008, the Company experienced a liquidity shortfall and faced significant near-term liquidity challenges at the end of the first quarter of 2008. These circumstances lent substantial doubt as to the ability of Abitibi to meet its obligations as they became due and, accordingly, substantial doubt as to the appropriateness of Abitibi's use of accounting principles applicable to a going concern. As of March 31, 2008, the Company had a total of $355 million (US$346 million) of long-term debt maturing in 2008: $201 million (US$196 million) principal amount of its 6.95% Senior Notes due April 1, 2008 and $154 million (US$150 million) principal amount of its 5.25% Senior Notes due June 20, 2008, issued by Abitibi-Consolidated Company of Canada ("ACCC"), a wholly owned subsidiary of Abitibi. Additionally, the Company had revolving bank credit facilities with commitments totalling $710 million (US$695 million) maturing in the fourth quarter of 2008. These amounts were successfully refinanced on April 1, 2008 as described below.

As of September 30, 2008, total short-term debt and long-term debt due within one year totaled $380 million. In order to address the Company's significant upcoming debt maturities, which primarily consist of the $369 million (US$347 million) term loan due March 30, 2009, the Company is currently pursuing refinancing alternatives, including the sale of assets.

Abitibi's primary sources of liquidity and capital resources are cash on hand, cash provided from operations and the accounts receivable securitization program. In addition, cash generated by Donohue is used, in part, to service the debt obligations of Abitibi, as discussed above. As of September 30, 2008, Abitibi had cash on hand of approximately $198 million. Abitibi's third quarter 2008 cash used in operations was $18 million, an improvement of $163 million as compared to the second quarter of 2008. Additionally, as of September 30, 2008, Abitibi and Donohue transferred US$485 million of trade receivables resulting in cash proceeds of $271 million (Abitibi $188 million, Donohue $83 million) (US$255 million).

Abitibi is forecasting improved quarterly cash from operations. However, Abitibi is not expected to have sufficient cash to repay the $369 million (US$347 million) term loan due March 30, 2009, without significant asset sales or external refinancing as presently contemplated by Abitibi's refinancing plans, which Abitibi is actively pursuing. As a result, while the Company's April 1 refinancings alleviated the substantial doubt about Abitibi's ability to continue as a going concern, significant financial uncertainties and challenges remain for Abitibi to overcome including, but not limited to, Abitibi's ability to repay or to refinance the $369 million (US$347 million) term loan due March 30, 2009 and to service its considerable debt, including the new debt resulting from the April 1 refinancings. Furthermore, the transfer of Donohue out of the Abitibi consolidated group has and will continue to impact Abitibi's results of operations going forward, decreasing its revenues and costs. However, Donohue's cash flows support the obligations under the $369 million (US$347 million) term loan since Abitibi receives interest from AbitibiBowater on the note issued as consideration for the transfer of Donohue to another subsidiary of AbitibiBowater.

April 1, 2008 Refinancings

The following series of financing transactions, completed on April 1, 2008, addressed the debt maturities and general liquidity needs of Abitibi.

- A private placement by ACCC of $422 million (US$413 million) of 13.75% senior secured notes due April 1, 2011 ("2011 Notes"). The 2011 Notes are guaranteed by Abitibi, Donohue and certain of their subsidiaries, and are secured by mortgages on certain pulp and paper mills owned by, and security interests in and pledges of certain other assets of, ACCC and its subsidiaries that are guarantors.

- A \$409 million (US\$400 million) 364-day senior secured term loan due March 30, 2009 ("Term Loan") to ACCC, with interest at LIBOR plus 800 basis points, with a 3.5% LIBOR floor. On April 15, 2008, ACCC repaid \$51 million (US\$50 million) of the Term Loan with a portion of the proceeds from the April 10, 2008 sale of Donohue's Snowflake, Arizona newsprint mill (see Note 7, "Assets held for sale and liabilities associated with assets held for sale") and repaid another \$3 million (US\$3 million) of the Term Loan with a portion of the proceeds from other debt issuances. The outstanding balance at September 30, 2008 was \$369 million (US\$347 million). The Term Loan is secured primarily by the personal property (including accounts receivable and inventory, but excluding equipment, intellectual property and capital stock of subsidiaries) of ACCC, Abitibi and other guarantors, and by a first lien on substantially all of the personal property of Donohue and its subsidiaries (including accounts receivable, inventory and equipment), the pledge of the stock or other equity interest of certain subsidiaries of Donohue and by the real estate relating to the Alabama River newsprint mill. The Term Loan ranks effectively senior to the 2011 Notes and the 2010 Notes (see following paragraph) to the extent of the collateral securing the Term Loan, while the 2011 Notes rank effectively senior to the Term Loan and the 2010 Notes to the extent of the collateral securing the 2011 Notes.
- The private exchange of a combination of US\$293 million principal amount of new senior unsecured 15.5% notes due July 15, 2010 of ACCC ("2010 Notes") and US\$218 million in cash for an aggregate of \$465 million (US\$455 million) of outstanding notes issued by Abitibi, ACCC and Abitibi-Consolidated Finance L.P. ("ACF"), a wholly-owned subsidiary of Abitibi. The exchange resulted in a debt extinguishment gain during the second quarter of 2008 of approximately \$36 million, which is included in "Other (income) expense, net" on the Consolidated Statements of Operations for the nine months ended September 30, 2008. The 2010 Notes were issued at a discount of US\$82 million. The fair value of the 2010 Notes was determined to be 72% of par, based on observed market prices of the 2010 Notes after they began trading on April 7, 2008 extrapolated backwards to April 1, 2008 based on fluctuations in the observed market prices of comparable outstanding Abitibi public debt. This exchange represents a second quarter 2008 non-cash financing item of US\$211 million. During the second quarter of 2008, Abitibi repaid US\$21 million of 6.95% Notes due April 1, 2008 and US\$12 million of 5.25% Notes due June 30, 2008, that were not tendered for exchange in the private exchange offer.
- US\$350 million cash received from AbitibiBowater, together with notes receivable and assumed, in exchange for the sale of Donohue. AbitibiBowater financed this acquisition from a private sale of US\$350 million convertible notes.
- Abitibi's former bank credit facility was repaid and cancelled.

As a result of the refinancings and the cancellation of Abitibi's former bank credit facility, Abitibi is no longer subject to financial maintenance covenants on its recourse debt. However, the Term Loan, the 2010 Notes and the 2011 Notes restrict the ability of Abitibi, Donohue and their respective subsidiaries to incur additional indebtedness, to grant additional liens, to pay dividends or make loans to AbitibiBowater, to make acquisitions or to make other investments.

Accounts Receivable Securitization Program

Abitibi and Donohue (the "participants") continue to participate in the Accounts Receivable Securitization Program (the "program") that was established when Donohue was a subsidiary of Abitibi. Accordingly, the participants share between themselves the amounts available under the program.

The participants sell most of their trade receivables in order to reduce working capital requirements. The program is committed until July 2009 to obtain aggregate cash proceeds of up to \$373 million (US\$350 million) from accounts receivable. The participants expect to renew or enter into a similar accounts receivable securitization program prior to the maturity of the existing program.

As of September 30, 2008, amounts outstanding under the participants' program were as follows:

(Unaudited, in millions)	Commitment	Amount Outstanding	Termination Date	Weighted Average Interest Rate
Off-Balance Sheet:				
U.S. dollar equivalents	\$350	\$255	07/09	8.33%

As of September 30, 2008, the participants transferred \$516 million (US\$485 million) of trade receivables resulting in cash proceeds of \$271 million (Abitibi \$188 million, Donohue \$83 million) (US\$255 million), which represented the total available at that time, based on current level and eligibility of trade receivables. Accounts receivable are sold at discounted amounts based on the securitization provider's funding cost plus a margin. The participants act as servicing agents and administer the collection of the accounts receivable sold pursuant to these agreements.

The fees received for servicing the accounts receivable approximate the value of services rendered. The amount that can be obtained under the program depends on the amount and nature of the accounts receivable available to be sold. The commitment fee for the unused portion is 50 basis points.

Adoption of new accounting standards

None

Accounting principles issued but not yet implemented

Goodwill and intangible assets

In February 2008, the AcSB issued Section 3064 of the Handbook, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The objectives of the new standard are to reinforce the principles-based approach to the recognition of costs as an asset under the current definition of assets and the recognition principles in the conceptual framework, and to clarify the application of the concept of matching of revenues and expenses.

The changes will be effective for fiscal years beginning on or after October 1, 2008. Earlier adoption is permitted. The Company is currently assessing the impact that this accounting pronouncement will have on its consolidated financial statements.

Critical Accounting Policies and Estimates

The following discussion and analysis provides information that the Company believes is useful in understanding the Company's operating results, cash flows and financial condition in its Interim Consolidated Financial Statements included in Exhibit 99.2 of this Form 6-K. The Company's significant accounting policies are described in Note 2 to the Consolidated Financial Statements in its Annual Report on Form 20-F for the year ended December 31, 2007, filed on March 31, 2008, as updated below for Goodwill and Long-lived Asset Impairment.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates, assumptions and judgments and rely on projections of future results of operations and cash flows. The Company bases its estimates and assumptions on historical data and other assumptions that it believes are reasonable under the circumstances. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities in its financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period.

The Company's judgments are based on its assessment as to the effect certain estimates, assumptions of future trends or events may have on the financial condition and results of operations reported in its Interim Consolidated Financial Statements. It is important that the reader of the Company's financial statements understand that actual results could differ materially from these estimates, assumptions, projections and judgments.

Goodwill

The Company has a significant amount of goodwill recorded in its Consolidated Balance Sheets. The Company reviews the carrying value of its goodwill for impairment in the fourth quarter of each year or more frequently, if an event occurs that triggers such an interim review. Goodwill is allocated to reporting units for purposes of performing a test for impairment. If a reporting unit's carrying value exceeds its fair value, an impairment charge equal to the difference in the carrying value of the goodwill and the implied fair value of the goodwill is recorded.

The Company determined the fair values of its reporting units relying primarily on the discounted cash flow method. This method uses projections of cash flows from each of the reporting units. Several of the key assumptions used in the Company's valuation models include periods of operation, projections of product pricing, production levels, product costs, market supply and demand, foreign exchange rates, inflation, weighted average cost of capital and capital spending. The Company derives these assumptions from several sources, including its internal budgets, which contain existing sales data based on current product lines and assumed production levels, manufacturing costs and product pricing. The Company believes that its internal forecasts are consistent with those that would be used by a potential buyer in valuing the Company's reporting units.

The Company's products are commodity products; therefore, pricing is inherently volatile and often follows a cyclical pattern. The average price over a commodity cycle forms the basis of the Company's product pricing assumption. The Company derives its pricing estimates from information generated internally, from industry research firms and from other

published reports and forecasts. As of December 31, 2007, because the strength of the Canadian dollar (as compared to the U.S. dollar) was near historical highs, the Company believed a potential buyer would consider a shorter-term view of exchange rates between the Canadian and U.S. dollar. Therefore, the Company used foreign exchange rates that are based on market forward rates followed by a gradual reversion to a 5-year historical average.

In the Company's 2007 impairment test, there were no indications of impairment for any of its reporting units, and the fair value of each reporting unit exceeded the respective carrying value of each reporting unit by at least 10%.

During the third quarter of 2008 and subsequent to the end of the third quarter, the Company's parent, AbitibiBowater experienced a significant decline in the price of its publicly-traded common stock and, accordingly, a significant decline in its market capitalization. The Company believes the decline in AbitibiBowater's stock price was principally driven by the current economic environment and the extraordinary decline in the worldwide stock market as a whole. It has also been impacted by Bowater's and Abitibi's liquidity concerns. The Company does not believe that these events impact the fair value of its reporting units with allocated goodwill; however, they would impact AbitibiBowater's ability to reconcile the fair value of its reporting units to its market capitalization. As part of the Company's annual goodwill impairment test, which it will perform in the fourth quarter of 2008, AbitibiBowater will prepare a reconciliation of the fair value of its reporting units to its market capitalization. As a result of this reconciliation process, and if AbitibiBowater's stock price remains at current levels for a more extended period of time, it is possible that AbitibiBowater could identify factors impacting enterprise value that have not yet been reflected in its assessment of reporting unit fair value. Any consequent reduction in the estimated fair value of the Company's reporting units as a result of the identification of such factors could result in a non-cash goodwill impairment charge.

Long-lived Asset Impairment

Losses related to impairment of long-lived assets are recognized when circumstances indicate the carrying values of the assets may not be recoverable, such as continuing losses in certain locations. When certain indicators that the carrying value of a long-lived asset may not be recoverable are triggered, the Company evaluates the carrying value of the asset in relation to its expected undiscounted future cash flows. If the carrying value of the asset is greater than the expected undiscounted future cash flows, an impairment charge is recorded based on the excess of the long-lived asset's carrying value over its fair value.

Asset impairment loss calculations require the Company to apply judgment in estimating asset fair values and future cash flows, including periods of operation, projections of product pricing, first quality production levels, product costs, market supply and demand, foreign exchange rates, inflation, projected capital spending, estimated useful lives and discount rates. One key assumption, especially for the Company's long-lived assets in Canada, is the foreign exchange rate. The Company determined the foreign exchange rates based on market forward rates followed by a gradual reversion to a 5-year historical average.

Immediately upon the Combination, AbitibiBowater began a comprehensive strategic review of its operations to reduce costs and improve its profitability. On November 29, 2007, AbitibiBowater announced the results of the initial phase of its comprehensive review, which, among other things, included AbitibiBowater's decision to reduce its newsprint and specialty papers production capacity by approximately one million metric tons per year.

In November 2008, AbitibiBowater announced the permanent closure of the Company's previously idled Mackenzie paper mill, based on current market conditions. Upon review of the recoverability of the long-lived assets at this paper mill, the Company used this additional information and recorded long-lived asset impairment charges of $91 million at its Mackenzie paper mill for the three and nine months ended September 30, 2008.

The fair value of the long-lived assets of the Mackenzie paper mill was determined to be zero based on its estimated sale and salvage value.

Employee Benefit Plans

The determination of projected benefit obligations and the recognition of expenses related to pension and other postretirement obligations are dependent on assumptions used in calculating these amounts. These assumptions include: discount rates, expected rates of return on plan assets, rate of future compensation increases, mortality, termination, health care inflation trend rates and other factors. Management develops each assumption using relevant company experience in conjunction with market related data for each individual country in which such plans exist. All assumptions are reviewed periodically with third party actuarial consultants and adjusted as necessary.

Recent deterioration in the securities markets has impacted the value of the assets included in the Company's defined benefit pension plans, the effect of which has not been reflected in the Interim Consolidated Financial Statements as of and for the nine months ended September 30, 2008, based on the provisions of Section 3461, of the CICA Handbook which require plan assets and obligations to be re-measured on the date of the annual financial statements. In June 2008, the Company embarked on a de-risking strategy with its pension plans by reducing the equity component of such plans. Currently, the Company's plans are comprised of approximately 25% equity and 75% fixed income. Accordingly, the Company mitigated the recent volatility that impacted the equity markets.

Should values not recover before December 31, 2008, the decline in fair value of the Company's plans would result in increased total pension costs for 2009 as compared to total pension costs expected during 2008. However, future minimum cash contributions are not expected to be materially impacted in 2009 as a result of the continued market volatility since the 2009 contributions are largely based on valuations performed as of or prior to January 1, 2008. A continued decline in fair value of the Company's plans may, however, increase the minimum cash contributions that will be required in 2010.

Cautionary Statements Regarding Forward-Looking Information and Use of Third Party Data

Statements in this report that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to the Company's refinancing activities, its efforts to improve operating and financial performance, its plans for future price increases for certain of the Company's products, its efforts to reduce costs and increase revenues and profitability, the Company's business outlook, the Company's curtailment of production of certain of its products, its assessments of market conditions, the Company's ability to achieve targeted synergies (as part of the overall AbitibiBowater program), AbitibiBowater's ability to meet its $1 billion debt reduction target (including the success of its program to sell non-core assets and the success of other actions aimed at reducing the Company's debt, as well as the debt of Bowater, and the Company's strategies for achieving its goals generally. Forward-looking statements may be identified by the use of forward-looking terminology such as the words "should," "would," "could," "will," "may," "expect," "believe," "anticipate" and other terms with similar meaning indicating possible future events or potential impact on the business of Abitibi.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management's current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to, the Company's substantial indebtedness and its ability to refinance its existing indebtedness or to obtain financing or otherwise derive additional liquidity, especially in light of the current decline in the global economy and the credit crisis, the Company's capital intensive operations and the adequacy of its capital resources, the ability of Abitibi's parent, AbitibiBowater, to meet its continued listing requirements of the New York Stock Exchange, industry conditions generally and further growth in alternative media, the Company's ability to realize announced price increases, the Company's ability to obtain timely contributions to its cost-reduction initiatives from its unionized and salaried employees, the prices and terms under which the Company would be able to sell targeted assets, the volatility of the U.S. dollar against the Canadian dollar, the costs of raw materials such as energy, chemicals and fiber and the success of the Company's post-merger integration activities, including the rollout of information technology platforms and billing and procurement systems as well as the impact of the Company's liquidity position on the relationship with its customers, vendors and trade creditors. In addition, with respect to forward-looking statements relating to the combination of Abitibi and Bowater, the following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: the risk that the businesses will not be integrated successfully or that the improved financial performance, product quality and product development will not be achieved; the risk that other combinations within the industry or other factors may limit the Company's ability to improve its competitive position; the risk that the cost savings and other

expected synergies from the combination 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 risks that could cause actual results to differ from forward-looking statements are enumerated in the Company's Annual Report on Form 20-F for the year ended December 31, 2007, filed on March 31, 2008, and as amended on April 9, 2008 and May 30, 2008, as updated in the Company's Quarterly Report on Form 6-K for the quarter ended March 31, 2008, filed on May 15, 2008 and as further updated in the "Risk Factors" section below of this Management's Discussion and Analysis. All forward-looking statements in this report are expressly qualified by information contained in this report and in the Company's other filings with the SEC and the Canadian securities regulatory authorities. Additional factors that could cause Abitibi's results, or those of AbitibiBowater, to differ materially from those described in the forward-looking statements can be found in the periodic reports filed by AbitibiBowater, Abitibi and Bowater Incorporated with the SEC and the Canadian securities regulatory authorities and available at the SEC's internet site (http://www.sec.gov) and on SEDAR (http://www.sedar.com). The Company disclaims any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Market and Industry Data

Information about industry or general economic conditions contained in this report is derived from third party sources (i.e., the Pulp and Paper Products Council; RISI, Inc.; and certain trade publications) that the Company believes are widely accepted and accurate; however, the Company has not independently verified this information and cannot provide assurances of its accuracy.

Risk Factors

The following risk factors are intended to update the risk factors set forth in the Company's audited consolidated financial statements included in the Company's 2007 Annual Report on Form 20-F, filed on March 31, 2008, as amended on April 9, 2008 and May 30, 2008, and as updated in this Management's Discussion and Analysis in its 2008 Quarterly Report on Form 6-K for the quarter ended March 31, 2008, filed on May 15, 2008.

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect the Company's business, financial condition or future results. The risks described below are not the only risks the Company is facing. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially affect the Company's business, financial condition or results of operations.

The Company's substantial indebtedness is currently affecting its financial health.

The Company, AbitibiBowater and Bowater have a significant amount of indebtedness. As of September 30, 2008, AbitibiBowater, on a consolidated basis, had outstanding total debt of approximately $6.2 billion, of which approximately $1.1 billion was secured debt, and shareholder's equity of $1.2 billion. At September 30, 2008, Abitibi had outstanding total debt of approximately $4.1 billion, of which approximately $0.8 billion was secured debt, and a shareholders' deficit of $227 million. AbitibiBowater has outstanding long-term convertible notes and the Company and Bowater have outstanding long-term notes. In addition, the Company utilizes an accounts receivable securitization program for working capital and other operating needs. The Company's substantial amount of debt could have important negative consequences, by further:

- limiting the Company's ability to obtain additional financing, if needed, or refinancing, when needed, for debt service requirements, working capital, capital expenditures or other purposes;
- increasing the Company's vulnerability to current and future adverse economic and industry conditions;
- requiring the Company to dedicate a substantial portion of its cash flows from operations to make payments on the Company's debt;
- causing the Company and its parent, AbitibiBowater, to monetize assets such as timberland or production facilities on terms that may be unfavorable to them;
- causing the Company to offer debt securities on terms that may not be favorable to the Company;
- reducing funds available for operations, future business opportunities or other purposes;

- limiting the Company's flexibility in planning for, or reacting to, changes and opportunities in its business and its industry;
- increasing employee turnover and uncertainty, diverting management's attention from routine business and hindering the Company's ability to recruit qualified employees; and
- placing the Company at a competitive disadvantage compared to its competitors that have less debt.

The indentures governing the Company's various notes, debentures and other debt securities and the terms and conditions of its other indebtedness, may permit the Company or its subsidiaries to incur or guarantee additional indebtedness, including secured indebtedness in some circumstances. The terms of this indebtedness also restrict the Company and its parent, AbitibiBowater's ability to sell assets, apply the proceeds of such sales, and reinvest in the business. As discussed in the immediately following risk factor, the Company expects that it will incur additional or replacement indebtedness in the near term. As a result, some or all of the risks discussed above may increase.

There can be no assurance that the Company will be able to generate sufficient cash flows to repay its outstanding indebtedness when it matures, in light of (1) the significant decreases in North American demand for newsprint, which is the Company's principal product, (2) the current weakness in the housing and lumber markets, (3) current pricing for its specialty products and (4) the strength of other currencies against the U.S. dollar. If the Company's future cash flow is insufficient and refinancing or additional financing is unavailable, the Company may be unable to meet its debt obligations. If the Company defaults under the terms of some of its indebtedness, the relevant debt holders may accelerate the maturity of their obligations, which could cause cross-defaults or cross-acceleration under the Company's other obligations.

In addition, both the Company's and AbitibiBowater's substantial indebtedness and current liquidity situation may cause concern to one or more of its customers, vendors or trade creditors. If any customer's, vendor's or trade creditor's concern changes their business relations with the Company by stopping work, ceasing sales, requiring sales on cash terms or other changes, these changes may materially adversely affect the Company's cash flows and results of operations.

The current decline in the global economy and credit crisis may significantly inhibit the Company's ability to reduce and refinance its current indebtedness.

As of September 30, 2008, total short-term bank debt and current installments of long-term debt totaled $380 million. Based on the Company's current and expected cash flows, the Company expects that it will need to refinance a significant portion of this indebtedness. During the third quarter of 2008, the global credit markets suffered a significant contraction, including the failure of some large financial institutions. This has resulted in a significant decline in the credit markets and the overall availability of credit. Although many governments, including the United States, have recently taken actions to ease the current credit crisis and make more credit available, no assurance can be provided that such efforts will be successful. Market disruptions, such as those currently being experienced, as well as the Company's high debt levels and the overall weakness in demand for the Company's products may increase its cost of borrowing or adversely affect its ability to refinance the Company's obligations as they become due. If the Company is unable to refinance its indebtedness or access additional credit, or if its short-term or long-term borrowing costs dramatically increase, the Company's ability to finance its current operations and meet its short-term and long-term obligations could be adversely affected.

In addition, the Company's parent, AbitibiBowater has targeted approximately $750 million in asset sales by the end of 2009, including additional forest lands, sawmills, hydroelectric sites and other assets in order to reduce the Company's outstanding indebtedness and provide the Company with additional working capital. However, as a result of the current global economy and credit crisis, it may be difficult for potential purchasers to obtain the financing necessary to buy such assets. As a result, AbitibiBowater may be forced to sell the assets for significantly lower amounts than planned or may not be able to sell them at all.

The Company's operations require substantial capital and the Company may not have adequate capital resources to provide for all of its capital requirements.

The Company's businesses are capital intensive and require that it regularly incur capital expenditures in order to maintain its equipment, increase its operating efficiency and comply with environmental laws. In addition, significant amounts of capital may be required to modify the Company's equipment to produce alternative grades with better demand characteristics or to make significant improvements in the characteristics of its current products. If the Company's available cash resources and cash generated from operations are not sufficient to fund its operating needs and capital expenditures, the Company would have to obtain additional funds from borrowings or other available sources or reduce or delay its capital expenditures. As discussed above, the recent credit crisis and downturn in the global economy has resulted in a significant decline in the credit markets and the overall availability of credit. The Company may not be able to obtain additional funds on favorable terms or at all. In addition, the Company's debt service obligations will reduce its available cash flows. If the Company cannot maintain or upgrade its equipment as required, it may become unable to manufacture products that compete effectively.

If AbitibiBowater does not meet the continued listing requirements of the New York Stock Exchange, AbitibiBowater's common stock may be delisted.

AbitibiBowater's common stock is listed on both the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange. The NYSE requires AbitibiBowater to continue to meet certain listing standards, including standards related to the trading price of AbitibiBowater's common stock (e.g., maintaining an average share price of at least $1.00), as well as AbitibiBowater's global market capitalization (e.g., maintaining an average global market capitalization of at least $75 million). If AbitibiBowater does not meet the NYSE's continued listing standards, AbitibiBowater will be notified by the NYSE and will be required to take corrective action to meet the continued listing standards; otherwise AbitibiBowater's common stock will be delisted from the NYSE. While AbitibiBowater expects that it would have a reasonable time (e.g., between 6 and 18 months) to take corrective action, AbitibiBowater cannot provide any assurances that it will have a reasonable time, if any, or that its corrective action would be successful. A delisting of AbitibiBowater's common stock from the NYSE could hurt its investors by reducing the liquidity and market price of its common stock. Additionally, a delisting could negatively impact AbitibiBowater by reducing the number of investors willing to hold or acquire its common stock, which could negatively impact its ability to access the public capital markets, which in turn, could have a negative impact on the Company. A delisting could also reduce the value of AbitibiBowater's equity compensation plans, including the Abitibi plans, which could negatively impact the Company's ability to retain key employees.

Developments in alternative media could continue to adversely affect the demand for the Company's products, especially in North America, and the Company's responses to these developments may not be successful.

Trends in advertising, electronic data transmission and storage and the Internet could have further adverse effects on traditional print media, including the Company's products and those of its customers, but neither the timing nor the extent of those trends can be predicted with certainty. The Company's newspaper, magazine and catalog publishing customers may increasingly use, and compete with businesses that use, other forms of media and advertising and electronic data transmission and storage, including television and the Internet, instead of newsprint, uncoated specialty papers or other products made by the Company. The demand for certain of the Company's products weakened significantly over the last several years. For example, industry statistics indicate that North American newsprint consumption has been in decline for several years and has experienced annual declines of 5.1% in 2005, 6% in 2006, 9.8% in 2007 and 9.4% for the first nine months of 2008. The Company believes, and certain third party forecasters indicate, that these declines in newsprint demand could continue or accelerate for the remainder of 2008 and for 2009 and beyond due to conservation measures taken by publishers, reduced North American newspaper circulation, less space devoted to advertising and substitution to other uncoated mechanical grades.

One of AbitibiBowater's responses to the declining demand for its products has been to curtail its production capacity. For example, during the first quarter of 2008, AbitibiBowater completed the implementation of the first phase of a strategic review, which, among other things, reduced its newsprint and specialty papers production capacity by almost 1 million metric tons per year. During the third quarter of 2008, AbitibiBowater announced that it would take approximately 30,000 to 35,000 metric tons per month of market-related downtime in newsprint during the fourth quarter of 2008. Additionally, AbitibiBowater recently announced that it would take approximately 35,000 metric tons of market-related downtime in pulp during the fourth quarter of 2008. AbitibiBowater has also disclosed that it plans to reduce capacity in 2009 by taking 50,000 metric tons of market-related downtime monthly. It may also become necessary to curtail even more production or permanently shut down even more machines or facilities. Such further curtailments and shut downs would become increasingly likely as North American newsprint demand continues to decline or if market conditions otherwise worsen. Curtailments or shutdowns could result in goodwill or asset write-downs and additional costs at the affected facilities, and could negatively impact the Company's cash flows and materially affect its results of operations and financial condition.

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Exhibit 99.2

Abitibi-Consolidated Inc.
Consolidated Statements of Operations
(Unaudited, in millions of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Sales	**$ 854**	$ 999	**$ 2,584**	$3,131
Costs and expenses:				
Cost of sales, excluding amortization	**639**	828	**2,086**	2,531
Amortization of property, plant and equipment	**54**	102	**208**	308
Amortization of intangible assets	**3**	4	**12**	13
Distribution costs	**98**	116	**312**	356
Selling, general and administrative expenses	**38**	43	**117**	138
Closure costs, impairment and other related charges	**90**	3	**532**	22
Net gain on disposition of assets	**(5)**	(40)	**(6)**	(71)
Operating loss	**(63)**	(57)	**(677)**	(166)
Interest expense	**103**	85	**281**	258
Loss (gain) on translation of foreign currencies	**14**	(200)	**91**	(468)
Other (income) expense, net	**(9)**	1	**28**	(29)
(Loss) income before the following items	**(171)**	57	**(1,077)**	73
Income tax expense (recovery)	**7**	1	**(21)**	(79)
Share of earnings from investments subject to significant influence	**—**	—	**(1)**	(1)
Non-controlling interests	**3**	2	**6**	21
Net (loss) income	**$(181)**	$ 54	**$(1,061)**	$ 132

Consolidated Statements of Comprehensive Loss
(Unaudited, in millions of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Net (loss) income	**$ (181)**	$ 54	**$(1,061)**	$ 132
Other comprehensive loss, net of income taxes				
Foreign currency translation adjustment	**(920)**	(81)	**(489)**	(192)
Reclassification to earnings of gains on derivatives designated as cash flow hedging instruments (a)	**(3)**	(8)	**(20)**	(9)
Change in unrecognized gains on derivatives designated as cash flow hedging instruments (b)	**—**	27	**—**	55
Comprehensive loss	**$(1,104)**	$ (8)	**$(1,570)**	$ (14)

(a) Net of $1 million and $9 million of income taxes in the three and nine months ended September 30, 2008, respectively, and net of $3 million and $4 million of income taxes in the three and nine months ended September 30, 2007, respectively.

(b) Net of $13 million and $25 million of income taxes in the three and nine months ended September 30, 2007, respectively.

See accompanying notes to unaudited consolidated financial statements.

Abitibi-Consolidated Inc.
Consolidated Statements of Cash Flows
(Unaudited, in millions of Canadian dollars)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities				
Net (loss) income	**$(181)**	$ 54	**$(1,061)**	$ 132
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Amortization	**57**	106	**220**	321
Future income taxes	**6**	(5)	**(21)**	(89)
Loss (gain) on translation of foreign currency denominated debt	**—**	(210)	**74**	(535)
Employee future benefits, excess of funding over expense	**(23)**	(8)	**(67)**	(45)
Recognition of non-cash hedging gains related to revenue	**(3)**	—	**(24)**	—
Net gain on dilution resulting from units issued by a subsidiary	**—**	—	**—**	(33)
Net gain on disposition of assets	**(5)**	(40)	**(6)**	(71)
Non-controlling interests	**3**	2	**6**	21
Closure costs, impairment and other related charges	**91**	—	**518**	—
Other, net	**(5)**	(1)	**10**	(9)
Changes in working capital:				
Accounts receivable	**(10)**	(21)	**(208)**	38
Inventories	**(2)**	11	**109**	16
Prepaid expenses	**10**	—	**4**	(18)
Accounts payable and accrued liabilities	**45**	(94)	**58**	(149)
Net cash used in operating activities	**(17)**	(206)	**(388)**	(421)
Cash flows from financing activities				
Increase in short-term debt	**—**	53	**778**	433
Decrease in short-term debt	**—**	(19)	**(810)**	(287)
Increase in long-term debt	**—**	—	**425**	250
Repayments of long-term debt	**—**	—	**(283)**	(67)
Dividends and cash distributions paid to non-controlling interests	**(1)**	(4)	**(3)**	(16)
Net proceeds on issuance of units by a subsidiary	**—**	—	**—**	37
Other, net	**1**	—	**1**	—
Net cash provided by financing activities	**—**	30	**108**	350
Cash flows from investing activities				
Additions to property, plant and equipment	**(25)**	(30)	**(72)**	(71)
Cash distributions from entities subject to significant influence	**1**	—	**2**	—
Net proceeds on disposal of assets	**5**	56	**6**	98
Net proceeds on disposal of investment	**—**	—	**351**	—
Increase in deposit requirements for letters of credit	**(1)**	(2)	**(73)**	(24)
Decrease in note from an affiliate	**—**	—	**132**	—
Other, net	**—**	2	**1**	3
Net cash (used in) provided by investing activities	**(20)**	26	**347**	6
Net (decrease) increase in cash and cash equivalents	**(37)**	(150)	**67**	(65)
Foreign currency translation adjustment on cash and cash equivalents	**(2)**	(7)	**(1)**	(10)
Cash and cash equivalents, beginning of period	**237**	298	**132**	216
Cash and cash equivalents, end of period	**$ 198**	$ 141	**$ 198**	$ 141
Cash outflows during the period related to:				
Interest	**$ 85**	$ 79	**$ 233**	$ 245
Income taxes	**—**	3	**3**	10

See accompanying notes to unaudited consolidated financial statements.

Abitibi-Consolidated Inc.
Consolidated Balance Sheets
(Unaudited, in millions of Canadian dollars)

	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 198**	$ 132
Accounts receivable, net	**192**	303
Accounts receivable from affiliates	**229**	—
Inventories, net	**412**	530
Prepaid expenses	**42**	44
Total current assets	**1,073**	1,009
Assets held for sale	**40**	174
Property, plant and equipment, net	**1,896**	3,015
Intangible assets, net	**368**	443
Employee future benefits	**542**	500
Future income taxes	**4**	8
Other assets	**240**	183
Goodwill	**755**	1,240
Total assets	**$ 4,918**	$ 6,572
Liabilities and shareholders' (deficit) equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 607**	$ 691
Short-term debt	**369**	383
Long-term debt due within one year	**11**	342
Liabilities associated with assets held for sale	**2**	17
Total current liabilities	**989**	1,433
Liabilities associated with assets held for sale	**23**	2
Long-term debt	**3,695**	3,001
Employee future benefits	**186**	261
Future income taxes	**171**	205
Other long-term liabilities	**48**	55
Non-controlling interests	**33**	69
Commitments and contingencies		
Shareholders' (deficit) equity:		
Capital stock	**3,518**	3,518
Contributed surplus	**91**	43
Note receivable from an affiliate	**(251)**	—
Deficit	**(2,652)**	(1,591)
Accumulated other comprehensive loss	**(933)**	(424)
Total shareholders' (deficit) equity	**(227)**	1,546
Total liabilities and shareholders' (deficit) equity	**$ 4,918**	$ 6,572

See accompanying notes to unaudited consolidated financial statements.

Abitibi-Consolidated Inc.
Consolidated Statements of Changes in Shareholders' (Deficit) Equity
(Unaudited, in millions of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Capital stock				
Common shares, beginning and end of period	**$ 3,518**	$ 3,518	**$ 3,518**	$ 3,518
Contributed surplus				
Contributed surplus, beginning of period	**46**	42	**43**	40
Stock option compensation expense	—	1	**3**	3
Adjustment to consideration exchanged in Donohue asset transfer	**45**	—	**45**	—
Contributed surplus, end of period	**91**	43	**91**	43
Note receivable from an affiliate				
Note receivable from an affiliate, beginning of period	—	—	—	—
Note receivable reclassified during period	**(251)**	—	**(251)**	—
Note receivable from an affiliate, end of period	**(251)**	—	**(251)**	—
Deficit				
Deficit, beginning of period, as previously reported	**(2,429)**	(799)	**(1,591)**	(843)
Prior period adjustment to increase valuation allowance (1)	**(42)**	—	—	—
Deficit, beginning of period (restated)	**2,471**			
Transition adjustment on adoption of Financial Instruments standards, net of taxes	—	—	—	(34)
Net (loss) income	**(181)**	54	**(1,061)**	132
Deficit, end of period	**(2,652)**	(745)	**(2,652)**	(745)
Accumulated other comprehensive loss, net of taxes				
Accumulated other comprehensive loss, beginning of period	**(10)**	(355)	**(424)**	(264)
Transition adjustment on adoption of Financial Instruments standards, net of taxes	—	—	—	(7)
Other comprehensive loss for the period, net of income taxes	**(923)**	(62)	**(509)**	(146)
Accumulated other comprehensive loss, end of period	**(933)**	(417)	**(933)**	(417)
Total shareholders' (deficit) equity, end of period	**$ (227)**	$ 2,399	**$ (227)**	$ 2,399

(1) In the third quarter of 2008, the Company identified a prior period error relating to the calculation of the Company's valuation allowance at March 31, 2008. The impact of the error resulted in an overstatement of deferred tax assets at March 31, 2008 of $42 million, and a corresponding understatement of net loss for the first quarter of 2008. See further discussion in Note 9, "Income tax expense (recovery)."

Total of deficit and accumulated other comprehensive loss amounts to $3,585 million as of September 30, 2008 ($1,162 million as of September 30, 2007).

See accompanying notes to unaudited consolidated financial statements.

Abitibi-Consolidated Inc.
Consolidated Business Segments
(Unaudited, in millions of Canadian dollars)

Three months ended September 30, 2008	Sales	Amortization	Operating (loss) income(1)	Additions to capital assets(2)	Sales Volume	
Newsprint	$ 440	$ 26	$ 50	$—	$ 584	a)
Specialty papers	339	21	22	20	376	a)
Wood products (3)	70	5	(6)	5	194	b)
Corporate and other	5	5	(129)	—	—	
Total	$ 854	$ 57	$ (63)	$25		

Three months ended September 30, 2007	Sales	Amortization	Operating (loss) income	Additions to capital assets (2)	Sales Volume	
Newsprint	$ 526	$ 55	$ (15)	$12	830	a)
Specialty papers	330	37	(34)	10	424	a)
Wood products (3)	126	11	(27)	8	362	b)
Corporate and other	17	3	19	—	—	
Total	$ 999	$106	$ (57)	$30		

Nine months ended September 30, 2008	Sales	Amortization	Operating (loss) income(1)	Additions to capital assets(2)	Sales Volume	
Newsprint	$1,344	$110	$ (23)	$18	1,976	a)
Specialty papers	959	77	(5)	48	1,150	a)
Wood products (3)	245	24	(45)	6	782	b)
Corporate and other	36	9	(604)	—	—	
Total	$2,584	$220	$(677)	$72		

Nine months ended September 30, 2007	Sales	Amortization	Operating (loss) income(1)	Additions to capital assets (2)	Sales Volume	
Newsprint	$1,667	$167	$ (8)	$42	2,436	a)
Specialty papers	1,022	111	(47)	19	1,238	a)
Wood products (3)	416	33	(70)	9	1,193	b)
Corporate and other	26	10	(41)	1	—	
Total	$3,131	$321	$(166)	$71		

a) In thousands of tonnes

b) In millions of board feet

(1) Corporate and other for the nine months ended September 30, 2008 includes a $421 million charge for the impairment of Donohue long-lived assets (see Note 6, "Sale of Donohue"). Corporate and Other for the three and nine months ended September 30, 2008 includes a $91 million charge for the impairment of Mackenzie long-lived assets (see Note 5 "Closure costs, impairment and other related charges").

The Newsprint and Corporate and other segments for the nine months ended September 30, 2007 reflect a reclassification of $67 million of operating income from Corporate and other to Newsprint related to an adjustment to the presentation of these business segments in the second quarter of 2007.

(2) Capital assets include property, plant and equipment and intangible assets.

(3) Wood products sales exclude inter-segment sales of $30 million and $111 million for the three and nine months ended September 30, 2008, respectively, and $40 million and $118 million for the three and nine months ended September 30, 2007, respectively.

Only assets which are identifiable by segment and reviewed by the Company's management are allocated to segment assets. Allocated assets include goodwill and finished goods inventory. All other assets are not identifiable by segment and are included in Corporate and Other.

The following table summarizes information about segment assets as of September 30, 2008 and December 31, 2007:

Total assets	**September 30, 2008**	December 31, 2007
Newsprint (4)	**$ 659**	$ 885
Specialty papers	**468**	493
Wood products	**49**	78
Corporate and other	**3,742**	5,116
	$4,918	$6,572

4) The Company transferred its investment in Donohue Corp. to a subsidiary of the Company's ultimate parent, AbitibiBowater. See Note 6, "Sale of Donohue" for additional information. Included in the Company's investment was $209 million of goodwill previously included in the Company's Newsprint segment.

See accompanying notes to unaudited consolidated financial statements.

Abitibi-Consolidated Inc.
Notes to Unaudited Consolidated Financial Statements
September 30, 2008
(in millions of Canadian dollars, unless otherwise noted)

1. Liquidity and debt

Liquidity and Short-term Debt

As described in Note 1, "Going Concern," to the Abitibi-Consolidated Inc. (the "Company" or "Abitibi") audited consolidated financial statements included in its Annual Report on Form 20-F for the year ended December 31, 2007, filed on March 31, 2008, the Company experienced a liquidity shortfall and faced significant near-term liquidity challenges at the end of the first quarter of 2008. These circumstances lent substantial doubt as to the ability of Abitibi to meet its obligations as they became due and, accordingly, substantial doubt as to the appropriateness of Abitibi's use of accounting principles applicable to a going concern. As of March 31, 2008, the Company had a total of $355 million (US$346 million) of long-term debt maturing in 2008: $201 million (US$196 million) principal amount of its 6.95% Senior Notes due April 1, 2008 and $154 million (US$150 million) principal amount of its 5.25% Senior Notes due June 20, 2008, issued by Abitibi-Consolidated Company of Canada ("ACCC"), a wholly owned subsidiary of Abitibi. Additionally, the Company had revolving bank credit facilities with commitments totalling $710 million (US$695 million) maturing in the fourth quarter of 2008. These amounts were successfully refinanced on April 1, 2008 as described below.

Abitibi's primary sources of liquidity and capital resources are cash on hand, cash provided from operations and available proceeds under the accounts receivable securitization program. In addition, cash generated by Donohue Corp. ("Donohue") is used, in part, to service the debt obligations of Abitibi since Abitibi receives interest from AbitibiBowater Inc. ("AbitibiBowater") on the note issued as consideration for the transfer of Donohue to another subsidiary of AbitibiBowater (see Note 6, "Sale of Donohue"). As of September 30, 2008, Abitibi had cash on hand of approximately $198 million. Abitibi's third quarter 2008 cash used in operations was $17 million, an improvement of $164 million as compared to the second quarter of 2008.

Abitibi is not expected to have sufficient cash to repay its US$347 million term loan due March 30, 2009 (discussed below), without significant asset sales or external financing as presently contemplated by Abitibi's refinancing plans, which Abitibi is actively pursuing. As a result, while the April 1 refinancings alleviated the substantial doubt about Abitibi's ability to continue as a going concern, significant financial uncertainties and challenges remain for Abitibi to overcome including, but not limited to, Abitibi's ability to repay or to refinance the US$347 million term loan due March 30, 2009 and to service its considerable debt, including the new debt resulting from the April 1 refinancings.

If Abitibi defaults under the terms of any of its indebtedness, some or all of Abitibi's other long-term debt instruments could also go into default, possibly leading to the acceleration of the maturity of these obligations and requiring the presentation of these obligations as current liabilities.

April 1, 2008 Refinancings

The following series of financing transactions, completed on April 1, 2008, addressed the debt maturities and general liquidity needs of Abitibi.

- A private placement by ACCC of $422 million (US$413 million) of 13.75% senior secured notes due April 1, 2011 ("2011 Notes"). The 2011 Notes are guaranteed by Abitibi, Donohue and certain of their subsidiaries, and are secured by mortgages on certain pulp and paper mills owned by, and security interests in and pledges of certain other assets of, ACCC and its subsidiaries that are guarantors.
- A $409 million (US$400 million) 364-day senior secured term loan due March 30, 2009 ("Term Loan") to ACCC, with interest at LIBOR plus 800 basis points, with a 3.5% LIBOR floor. On April 15, 2008, ACCC repaid $51 million (US$50 million) of the Term Loan with a portion of the proceeds from the April 10, 2008 sale of Donohue's Snowflake, Arizona newsprint mill (see Note 7, "Assets held for sale and liabilities associated with assets held for sale") and repaid another $3 million (US$3 million) of the Term Loan with a portion of the proceeds from other debt issuances. The outstanding balance at September 30, 2008 was $369 million (US$347 million). The Term Loan is secured primarily by the personal property (including accounts receivable and inventory, but excluding equipment, intellectual property and capital stock of subsidiaries) of

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ACCC, Abitibi and other guarantors, and by a first lien on substantially all of the personal property of Donohue and its subsidiaries (including accounts receivable, inventory and equipment), the pledge of the stock or other equity interest of certain subsidiaries of Donohue and by the real estate relating to the Alabama River newsprint mill. The Term Loan ranks effectively senior to the 2011 Notes and the 2010 Notes (see following paragraph) to the extent of the collateral securing the Term Loan, while the 2011 Notes rank effectively senior to the Term Loan and the 2010 Notes to the extent of the collateral securing the 2011 Notes.

- The private exchange of a combination of US$293 million principal amount of new senior unsecured 15.5% notes due July 15, 2010 of ACCC ("2010 Notes") and US$218 million in cash for an aggregate of $465 million (US$455 million) of outstanding notes issued by Abitibi, ACCC and Abitibi-Consolidated Finance L.P. ("ACF"), a wholly-owned subsidiary of Abitibi. The exchange resulted in a debt extinguishment gain during the second quarter of 2008 of approximately $36 million, which is included in "Other (income) expense, net" on the Consolidated Statements of Operations for the nine months ended September 30, 2008. The 2010 Notes were issued at a discount of US$82 million. The fair value of the 2010 Notes was determined to be 72% of par, based on observed market prices of the 2010 Notes after they began trading on April 7, 2008 extrapolated backwards to April 1, 2008 based on fluctuations in the observed market prices of comparable outstanding Abitibi public debt. This exchange represents a second quarter 2008 non-cash financing item of US$211 million. During the second quarter of 2008, Abitibi repaid US$21 million of 6.95% Notes due April 1, 2008 and US$12 million of 5.25% Notes due June 30, 2008, that were not tendered for exchange in the private exchange offer.
- US$350 million cash received from AbitibiBowater, together with notes receivable and assumed, in exchange for the sale of Donohue. AbitibiBowater financed this acquisition from a private sale of US$350 million convertible notes.
- Abitibi's former bank credit facility was repaid and cancelled.

As a result of the refinancings and the cancellation of Abitibi's former bank credit facility, Abitibi is no longer subject to financial maintenance covenants on its recourse debt. However, the Term Loan, the 2010 Notes and the 2011 Notes restrict the ability of Abitibi and its respective subsidiaries to incur additional indebtedness, to grant additional liens, to pay dividends or make loans to AbitibiBowater, to make acquisitions or to make other investments.

Accounts Receivable Securitization Program

Abitibi and Donohue (the "participants") continue to participate in the Accounts Receivable Securitization Program (the "program") that was established when Donohue was a subsidiary of Abitibi. Accordingly, the participants share between themselves the amounts available under the program.

The participants sell most of their trade receivables in order to reduce working capital requirements. The program is committed until July 2009 to obtain aggregate cash proceeds of up to $373 million (US$350 million) from accounts receivable. The participants expect to renew or enter into a similar accounts receivable securitization program prior to the maturity of the existing program.

As of September 30, 2008, amounts outstanding under the participants' accounts receivable securitization program were as follows:

(Unaudited, in millions)	Commitment	Amount Outstanding	Termination Date	Weighted Average Interest Rate
Off-Balance Sheet:				
U.S. dollar	$350	$255	07/09	8.33%

As of September 30, 2008, the participants transferred $516 million (US$485 million) of trade receivables resulting in cash proceeds of $271 million (Abitibi $188 million, Donohue $83 million) (US$255 million), which represented the total available at that time, based on current level and eligibility of trade receivables. Accounts receivable are sold at discounted amounts based on the securitization provider's funding cost plus a margin. The participants act as servicing agents and administer the collection of the accounts receivable sold pursuant to these agreements.

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The fees received for servicing the accounts receivable approximate the value of services rendered. The amount that can be obtained under the program depends on the amount and nature of the accounts receivable available to be sold. The commitment fee for the unused portion is 50 basis points.

2. Basis of presentation

Combination

On October 29, 2007, pursuant to a Combination and Agreement and Plan of Merger, dated as of January 29, 2007, Abitibi and Bowater Incorporated combined in a merger of equals with each becoming a wholly-owned subsidiary of AbitibiBowater.

Donohue

Prior to April 1, 2008, Donohue was a wholly-owned subsidiary of ACCC, which is a wholly-owned subsidiary of Abitibi. Donohue owns 52% of the Augusta Newsprint Company and operates the U.S. recycling operations and the Alabama River newsprint mill and, prior to its sale on April 10, 2008, the Snowflake newsprint mill. On April 1, 2008, ACCC transferred all of the outstanding common and preferred stock of Donohue to AbitibiBowater US Holding LLC ("Holding"), a direct subsidiary of AbitibiBowater, for a combination of $359 million in cash, a $143 million note assumed by Holding and a $360 million note issued by Holding. The $360 million note issued to ACCC by Holding bears interest at 13.75%, matures on March 31, 2013 and was contributed to ACCC as additional paid-in capital. Interest on the note is due semi-annually and until October 1, 2008, was recorded in interest income on the Consolidated Statement of Operations. Effective September 30, 2008, Abitibi reclassified the remaining balance of the note receivable of $251 million from Holding to a separate caption within shareholders' (deficit) equity in the balance sheet. Management's decision to reclassify this note receivable from a long-term asset to a separate caption within shareholders' (deficit) equity is due to the fact that the note receivable will not be settled in the current year and the increasing uncertainty surrounding its ultimate repayment by Holding. As of September 30, 2008, with the current financial credit crisis, management evaluated Holding's intent and ability to repay the note receivable and concluded that although it is Holding's current intent to settle the note receivable, its ability to secure the necessary financing is uncertain. Given the nature of the relationship between Abitibi and Holding, which is controlled by Abitibi's parent, AbitibiBowater, and the control inherent in that relationship, classifying this note receivable in shareholders' (deficit) equity, with subsequent repayments of principle and interest reflected as contributed capital was considered appropriate. See Note 6, "Sale of Donohue."

Since Donohue is no longer a subsidiary of Abitibi, the unaudited consolidated financial statements included herein do not reflect the financial position or results of operations of Donohue after March 31, 2008.

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Change in functional currency

The Company experienced several significant changes in its economic facts and circumstances resulting in a reconsideration of the functional currency of each of the Company's domestic and foreign operations. The primary indicators of change were in cash flows from intercompany transactions and arrangements and cash flows from financing activities. The consideration received from Holding in the Donohue transaction was denominated in U.S. dollars. Further, the Company completed a series of financing transactions on April 1, 2008. As a result of these refinancing transactions, substantially all the Company's debt is now denominated in U.S. dollars. Consequently, upon reconsideration, the Company concluded that the functional currency of the majority of the Company's Canadian operations had changed from the Canadian dollar to the U.S. dollar. The change in functional currency was accounted for prospectively on July 1, 2008, with no change to previously reported results or balances. The exchange loss attributable to the remeasurement of the non-monetary items as of the date of the change in functional currency was included as part of the foreign currency translation adjustment included in a separate component of accumulated other comprehensive loss within shareholders' (deficit) equity.

Effective July 1, 2008, and as a result of the change in functional currency, the Company translates all of its foreign operations with a functional currency of the U.S. dollar into its reporting currency of the Canadian dollar. As a result of translating these non-monetary assets at the current rate as of July 1, 2008, the Company's non-monetary assets and shareholders' (deficit) equity decreased by $909 million, as follows:

	Increase (decrease)	
Inventories, net	$	3
Prepaid expenses		1
Property, plant and equipment, net		(537)
Intangible assets, net		(69)
Assets held for sale		(3)
Goodwill		(307)
Other assets		(1)
Non-controlling interests		4
Change in non-monetary assets and shareholder's (deficit) equity	**$**	**(909)**

Additionally, the Company will no longer recognize foreign currency transaction gains and losses on the remeasurement of its U.S. dollar-denominated debt. Instead, the Company will record transaction gains and losses on the majority of its Canadian dollar-denominated monetary balance sheet items.

Comparative figures

Certain comparative figures presented in the consolidated financial statements have been reclassified to conform to the current period presentation.

3. Summary of significant accounting policies

These interim consolidated financial statements are prepared in accordance with Canadian GAAP, with the exception that these disclosures do not conform in all material respects to the requirements of GAAP for annual financial statements. They should be read in conjunction with the latest annual financial statements.

These interim consolidated financial statements are prepared using the same accounting principles and application thereof as Abitibi's audited consolidated financial statements included in its 2007 Annual Report on Form 20-F, except for the recently adopted accounting pronouncements.

General standards of financial presentation

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") issued amended CICA Handbook (the "Handbook") Section 1400, *General Standards of Financial Statement Presentation*. The Section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. The Company adopted this standard when it became effective on January 1, 2008. This standard did not impact the presentation of its financial statements.

Capital disclosures

On January 1, 2008, the Company adopted Section 1535 of the Handbook, *Capital Disclosures*. The capital disclosures standards establish required disclosure of information about an entity's capital and how it is managed, including an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

Inventories

On January 1, 2008, the Company adopted Section 3031 of the Handbook, *Inventories*, which prescribes the accounting treatment for inventories. Section 3031 provides guidance on the determination of costs and its

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subsequent recognition as an expense, and provides guidance on the cost formulas used to assign costs to inventories.

The standard introduces significant changes to the measurement and disclosure of inventory. The measurement changes include: the elimination of LIFO, the requirement to measure inventories at the lower of cost or net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

Entities can choose to apply the standard either to opening inventory for the period, adjusting opening retained earnings by the difference in the measurement of opening inventory, or retrospectively, by restating prior periods. The adoption of this standard had no significant impact on the Company's consolidated financial position as the Company was already following most of the newly required practices.

Financial instruments — disclosure and presentation

In December 2006, the AcSB published the following two Sections of the CICA Handbook: Section 3862, *Financial Instruments — Disclosures* and Section 3863, *Financial Instruments — Presentation.* These two Sections came into effect on January 1, 2008 replacing Section 3861, *Financial Instruments — Disclosures and Presentation.* These changes are disclosed in Note 13, "Financial instruments and capital management." The new standards introduce disclosure and presentation requirements that will enable financial statements' users to evaluate and enhance their understanding of the significance of financial instruments for the entity's financial position, performance and cash flows, and the nature and extent of risks arising from financial instruments to which the entity is exposed, and how those risks are managed. The existing requirements on presentation of financial instruments have been carried forward unchanged.

In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

Translation of foreign currencies

Self-sustaining foreign operations

Assets and liabilities of self-sustaining foreign subsidiaries and joint ventures are first re-measured into the functional currency of those foreign operations, which is mainly the US. dollar, and are subsequently translated to Canadian dollars at exchange rates as of the balance sheet date; the resulting unrealized exchange gains or losses are included in accumulated other comprehensive loss in shareholders' (deficit) equity. Revenue and expense items are translated using the same method at the exchange rate in effect on the date on which such items are recognized into earnings.

Translation of other foreign currency transactions

Monetary items denominated in a currency other than the functional currency, such as foreign currency debt are translated at the exchange rate as of the balance sheet date. The resulting exchange gains or losses are included in earnings of the period. Realized gains and losses on currency options and forward exchange contracts designated as hedges of anticipated revenues are recognized in earnings when such revenue is earned.

Accounting principles issued but not yet implemented

Goodwill and intangible assets

In February 2008, the AcSB issued Section 3064 of the Handbook, *Goodwill and Intangible Assets,* replacing Section 3062, *Goodwill and Other Intangible Assets,* and Section 3450, *Research and Development Costs.* The objectives of the new standard are to reinforce the principles-based approach to the recognition of costs as an asset

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under the current definition of assets and the recognition principles in the conceptual framework, and to clarify the application of the concept of matching of revenues and expenses.

The changes will be effective for fiscal years beginning on or after October 1, 2008. Earlier adoption is permitted. The Company is currently assessing the impact that this accounting pronouncement will have on its consolidated financial statements.

4. Short-term debt and long-term debt

Short-term debt

	September 30, 2008	December 31, 2007
Canadian and U.S. revolving facilities bearing interest at floating rates based on bankers' acceptances, prime, U.S. base rate or LIBOR	$ —	$383
Senior secured term loan with interest at LIBOR plus 800 basis points, with a 3.5% LIBOR floor	369	—

As more fully described in Note 1, "Liquidity and debt," on April 1, 2008, Abitibi's former bank credit facility was repaid and cancelled and Abitibi entered into a 364-day senior secured term loan.

Long-term debt

	September 30, 2008	December 31, 2007
Recourse debt:		
US$196 million 6.95% notes due April 1, 2008	$ —	$ 193
US$150 million 5.25% notes due June 20, 2008	—	148
US$150 million 7.875% notes due August 1, 2009	8	148
US$395 million 8.55% notes due August 1, 2010	420	388
US$413 million 13.75% senior secured notes due April 1, 2011	440	—
US$200 million 7.75% notes due June 15, 2011	219	205
US$200 million three-month LIBOR plus 3.5% floating-rate notes due June 15, 2011	213	200
US$293 million 15.5% Senior notes due July 15, 2010	238	—
US$350 million 6.00% notes due June 20, 2013	373	350
US$450 million 8.375% notes due April 1, 2015	479	449
US$100 million 7.40% debentures due April 1, 2018	93	87
US$250 million 7.50% debentures due April 1, 2028	226	204
US$250 million 8.50% debentures due August 1, 2029	253	235
US$450 million 8.85% debentures due August 1, 2030	479	449
Other recourse debt, due in installments through 2012	15	15
Non-recourse debt:		
CAD $250 million 7.132% term loan due March 31, 2017 (1)	250	250
9.2% amortized loan maturing April 1, 2023(2)	—	22
	3,706	3,343
Less: Due within one year	11	342
	$3,695	$3,001

(1) Term loan, non-recourse to the Company, which requires ACH Limited Partnership to meet a specific financial ratio.

(2) Amortized loan, non-recourse to the Company, secured by the assets of Star Lake Hydro Partnership.

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5. Closure costs, impairment and other related charges

The principal components of closure costs, impairment and other related charges are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Severance and related costs	**$—**	$ 3	**$ 8**	$22
Impairment of long-lived assets of Donohue (see Note 6)	**—**	—	**421**	—
Impairment of long-lived assets of Mackenzie	**91**	—	**91**	—
Other impairment of long-lived assets	**(1)**	—	**6**	—
Litigation	**—**	—	**6**	—
	$90	$ 3	**$532**	$22

Immediately upon the Combination, AbitibiBowater began a comprehensive strategic review of its operations to reduce costs and improve its profitability. On November 29, 2007, AbitibiBowater announced the results of the initial phase of its comprehensive review, which included a decision to reduce its newsprint and specialty papers production capacity by approximately one million metric tons per year. The reductions included the permanent closure of the Abitibi's Belgo, Quebec facility and Fort William, Ontario facility, as well as the indefinite idling of the Abitibi's Mackenzie, British Columbia facility, including two sawmills that directly support the Mackenzie paper mill operations. These actions were completed in the first quarter of 2008.

In November 2008, AbitibiBowater announced the permanent closure of Abitibi's previously idled Mackenzie paper mill, based on current market conditions. Upon review of the recoverability of the long-lived assets at this paper mill, Abitibi used this additional information and recorded long-lived asset impairment charges of $91 million for the three and nine months ended September 30, 2008. The fair value of the long-lived assets of the Mackenzie paper mill was determined to be zero based on its estimated sale and salvage value. Additionally, $3 million of mill stores inventory was determined to be unusable and was recorded in cost of sales.

In the three and nine months ended September 30, 2008, the Company recorded less than $1 million and $9 million, respectively, of severance and related costs associated with employee reduction initiatives throughout the Company, as well as the departure of certain corporate executives in the second quarter of 2008.

In the three months ended September 30, 2007, the Company recorded $3 million of severance and related costs mainly associated with the indefinite idling of its Fort William, Ontario facility, which was subsequently permanently closed. For the nine months ended September 30, 2007, the Company recorded a charge of $22 million, mainly related to the Fort William facility and other labor-related charges.

The following table provides a reconciliation of the mill closure elements provision for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Mill closure elements provision, beginning of period	**$31**	$12	**$ 60**	$ 7
Mill closure elements incurred during the period	**1**	1	**5**	21
Payments	**(9)**	(3)	**(42)**	(18)
Mill closure elements provision, end of period	**$23**	$10	**$ 23**	$ 10

The Company expects to pay most of the balance of the provision for mill closure elements by December 31, 2008. This provision is included in "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets.

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6. Sale of Donohue

Prior to April 1, 2008, Donohue was a wholly-owned subsidiary of ACCC, which is a wholly-owned subsidiary of Abitibi. Donohue indirectly owns 52% of the Augusta Newsprint Company and operates the U.S. recycling operations and the Alabama River newsprint mill and, prior to its sale on April 10, 2008, the Snowflake newsprint mill. On April 1, 2008, ACCC exchanged its interest in Donohue. Gross proceeds of approximately $862 million were received from Holding through September 30, 2008. Since the transfer of Donohue was between subsidiaries of the ultimate parent, AbitibiBowater, the sale was recorded at the carrying value of Donohue as of April 1, 2008 ("the continuity-of-interests" method).

The sale of Donohue was a triggering event which required a review of the asset groups for recoverability. The Company's testing indicated that there was an impairment of the long-lived assets of these mills of approximately $421 million. The asset impairment was based on a comparison of the book values of Donohue to the fair value of the Donohue assets removed. This asset impairment analysis also included an allocation of goodwill as discussed below.

The Company has two reporting units with goodwill allocated to them: the Newsprint reporting unit and the Specialty Papers reporting unit. The Company sold Donohue, which owned its Alabama River paper mill, Snowflake paper mill and Lufkin paper mill and its 52% interest in the Augusta paper mill. The Alabama River paper mill, Snowflake paper mill and a portion of the Augusta paper mill were components of the Company's Newsprint reporting unit prior to the disposal of Donohue. The Lufkin paper mill was permanently closed in November 2007 and was not a component of a reporting unit with allocated goodwill.

The sale of Donohue was also a triggering event which required a review of whether such an event would more likely than not reduce the fair value of the Company's Newsprint reporting unit below its carrying amount. Upon review of the facts, the Company concluded that it was not likely that the fair value of the reporting unit had fallen below its carrying values just prior to the sale of Donohue.

Since the sale of Donohue comprised a portion of a reporting unit that constitutes a business, a portion of the goodwill in the Newsprint reporting unit was allocated to the components that were included in the sale of Donohue based on the relative fair value of the disposed newsprint components to the fair value of the components of the Newsprint reporting unit that will remain with Abitibi. The allocation of goodwill to the components included in the sale of Donohue was as follows:

Components of Newsprint reporting unit	Allocation of Goodwill as of April 1, 2008
Spin-off components	$209
Other components	592
Total	$801

Immediately after the sale of Donohue, the Company evaluated its Newsprint reporting unit for impairment. Reference is made to the Company's Annual Report on Form 20-F for the year ended December 31, 2007, filed March 31, 2008, for details about assumptions used in the testing of the Company's goodwill for impairment. No significant changes to those assumptions were needed for this interim test. The Company's testing indicated that there was no impairment of the goodwill included in the Newsprint reporting unit immediately following the sale of Donohue.

The exchange of Donohue took place through a series of intracompany transactions comprised of the sale by ACCC of 200,000 common shares and 151,492 preferred shares of Donohue and the transfer of ACCC's outstanding loans, plus accrued and unpaid interest to Donohue. The consideration received and carrying value of net assets removed were as follows:

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Consideration received	
Cash	**$ 359**
Note payable by ACCC to Donohue assumed by a subsidiary of AbitibiBowater	**143**
Note receivable from a subsidiary of AbitibiBowater	**360**
Total consideration	**$ 862**
Net assets removed	
Current assets	**$ 253**
Property, plant and equipment, net	**129**
Other non-current assets	**144**
Goodwill	**209**
Current liabilities	**(152)**
Long-term liabilities	**(181)**
Foreign currency translation adjustment (note 10)	**415**
Carrying value of net assets removed	**$ 817**

The $360 million note receivable bears interest at 13.75%, matures on March 31, 2013 and was contributed by Holding to ACCC as additional paid-in capital. Interest on the note is due semi-annually and, until October 1, 2008, was recorded in interest income on the Consolidated Statement of Operations. Since the note receivable is due from a subsidiary of Abitibi's parent, AbitibiBowater, it has been classified as a separate caption in shareholders' (deficit) equity. In the second quarter of 2008, Holding repaid approximately $132 million of the note with the proceeds from the sale of Donohue's Snowflake mill. The note receivable balance at September 30, 2008, after an exchange adjustment of $7 million and accrued interest of $16 million, was $251 million. Subsequent repayments of principle and interest on the note receivable will be reflected as contributed capital in shareholders' (deficit) equity. Refer to Note 2, "Basis of presentation — Donohue" for disclosure of the basis and reasons for the reclassification of the note receivable to shareholders' (deficit) equity effective September 30, 2008. Subsequent to the finalization of the fair value of Donohue during the third quarter, an increase to the intercompany note balance by $45 million was agreed to between Abitibi and Holding, resulting in a adjustment to contributed surplus of the same amount.

7. Assets held for sale and liabilities associated with assets held for sale

Assets held for sale are comprised of the following:

	September 30, 2008	December 31, 2007
Accounts receivable	**$ —**	$ 2
Inventories, net	**—**	15
Prepaid expenses	**—**	1
Property, plant and equipment, net	**40**	156
Total assets held for sale	**$ 40**	$ 174

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Liabilities associated with assets held for sale are comprised of the following:

	September 30, 2008	December 31, 2007
Accounts payable and accrued liabilities	$ 1	$17
Long-term debt due within one year	1	—
Long-term debt	22	—
Other long-term liabilities	1	2
Total liabilities associated with assets held for sale	25	19
Current portion of total liabilities associated with assets held for sale	2	17
Non-current portion of total liabilities associated with assets held for sale	$23	$ 2

At September 30, 2008, Abitibi held a hydroelectric facility and some timberlands for sale. The Company expects to complete a sale of these assets within the next twelve months for an amount that exceeds their individual carrying values. The assets and liabilities held for sale are carried on the Consolidated Balance Sheets at the lower of carrying value or fair value less costs to sell. The Company ceases recording depreciation and amortization when assets are classified as held for sale.

8. Other (income) expense, net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Refinancing transaction costs (1)	$—	$—	$ 68	$ —
Gain on extinguishment of debt (1)	—	—	(36)	—
Interest income (including interest on note from an affiliate)	(6)	(4)	(14)	(11)
Discount on sale of accounts receivable	—	6	4	19
Net gains or losses representing net changes in the fair value of financial assets and financial liabilities held-for-trading	(3)	—	(1)	—
Gain on transfer of timberlands	—	—	—	(9)
Net gain on dilution of interest in subsidiary	—	—	—	(33)
Other, net	—	(1)	7	5
	$ (9)	$ 1	$ 28	$(29)

(1) These items are related to the refinancing transactions described in Note 1, "Liquidity and debt."

9. Income tax expense (recovery)

In the three and nine months ended September 30, 2008, income tax benefits of approximately $73 million and $206 million generated on the Company's current quarter operating losses were entirely offset by tax charges to increase the Company's valuation allowance related to these tax benefits. Included in the $206 million is an adjustment of approximately $42 million related to an increase in the valuation allowance on the Company's deferred tax asset position, that required a full valuation allowance, and represented a correction of a prior period error in the first quarter of 2008. No tax benefit was recorded with regard to the $421 million impairment of Donohue's long-lived assets recorded in the second quarter of 2008, as this loss was non-deductible. Any income tax benefits recorded on any future operating losses generated by the Company's operations will probably be offset by additional increases to the valuation allowance (tax charges).

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10. Accumulated other comprehensive loss

The components of accumulated other comprehensive loss are as follows:

	September 30, 2008	December 31, 2007
Foreign currency translation adjustment	$(933)	$(444)
Unrecognized gains on derivative instruments designated as cash flow hedging instruments, net of taxes of $9 million at December 31, 2007.	—	20
	$(933)	$(424)

With respect to the Abitibi's investments in self-sustaining operations, the foreign currency translation adjustment represents the unrealized gain or loss on the Company's net investment. These valuation adjustments are recognized in earnings only when there is a reduction in the Company's investment in the respective foreign operations.

	September 30, 2008	December 31, 2007
Foreign currency translation adjustment, beginning of period	$(444)	$(264)
Unrealized losses for the period on translation of net assets	5	(180)
Exchange loss on change in functional currency at July 1, 2008	(909)	—
Sale of Donohue (see Note 6 "Sale of Donohue")	415	—
Foreign currency translation adjustment, end of period	$(933)	$(444)

See Note 2, "Basis of Presentation — Change in functional currency," for additional information regarding the exchange loss on reconsideration of functional currency at July 1, 2008.

11. Inventories, net

	September 30, 2008	December 31, 2007
Newsprint and specialty papers	$ 97	$137
Wood products	50	78
Logs, chips and other raw materials	116	146
Production and maintenance supplies	149	169
	$412	$530

12. Employee future benefits

The following table provides total employee future benefit costs for the periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Defined contribution pension plans	$ 1	$ 4	$ 5	$ 11
Defined benefit pension plans and other benefits	23	37	63	114
	$24	$ 41	$ 68	$125

13. Financial instruments and capital management

Please refer to the financial statement notes to the Company's Annual Report on Form 20-F for the year ended December 31, 2007, for additional information regarding the description and designation basis of the financial instruments held.

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Nature and extent of risks arising from financial instruments

In the normal course of business, the Company is exposed to certain financial risks. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. This department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Derivative financial instruments

The Company utilizes certain derivative instruments to enhance its ability to manage risk relating to cash flow and fair value exposures. Derivative instruments are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into contracts for speculative purposes; however, it does, from time to time enter into interest rate, commodity and currency derivative contracts that are not accounted for as accounting hedges.

Financial derivatives designated as held-for-trading consist of foreign currency contracts of $1 million, classified as financial assets under accounts receivables, and less than $1 million of foreign currency contracts of financial liabilities, classified as accounts payables. Interest rate swaps with a fair value of $4 million are used as fair value hedges of long-term debt.

Credit risk

The Company is exposed to credit risk on the accounts receivable from its customers. In order to manage its credit risk, the Company has adopted policies, which include the analysis of the financial position of its customers and the regular review of their credit limits. The Company also subscribes to credit insurance and, in some cases, requires bank letters of credit. The Company has a large and diversified customer base, and as a result, does not have significant exposure to any individual customer. Its customers are mainly in the newspaper publishing, commercial printing, paper converting, advertising and lumber wholesaling and retailing businesses. Historically, credit losses are low and the Company provides for an allowance for doubtful accounts to absorb credit losses. The allowance for doubtful accounts was $12 million at September 30, 2008 and $6 million at December 31, 2007.

The Company is exposed to credit risk on the favorable fair value of its derivative financial instruments. In order to mitigate that risk, the Company contracts its derivative financial instruments with institutions that possess investment grade credit ratings and sets a credit limit on a percentage basis that it can contract with any given financial institution. The Company has entered into master netting agreements with those counterparties, which provides that in the event of default, any amounts due to or from a counterparty will be offset. The risk of counterparty non-performance is considered to be unlikely.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In order to manage this risk, the Company forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping sufficient funds available. Refer to Note 1, "Liquidity and debt" for additional information regarding how the Company manages its liquidity risks. The following table summarizes the aggregate amount of contractual future cash flows for the Company's financial liabilities as at September 30, 2008.

The carrying value of all financial instruments approximates fair value, except for the following:

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	Total	One to three years	Four to five years	After five years	Fair Value
Non-derivative financial liabilities					
Long-term debt (excluding amount due within one year)	$3,695	$1,537	$376	$1,782	$2,187
Other long-term liabilities	48	36	11	1	48
	$3,743	$ 699	$889	$2,155	$2,235

Substantially all of the Company's assets have been pledged against financial liabilities as of September 30, 2008 (December 31, 2007 — $920 million).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency exchange rates, primarily arising from sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Company's foreign and domestic operations. To reduce the Company's exposure to Canadian dollar exchange rate fluctuations, the Company periodically enters into and designates foreign currency derivatives to hedge certain of its forecasted foreign currency cash inflows.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed-rate and variable-rate long-term debt and its short-term variable-rate bank debt. The Company's objective is to manage the impact of interest rate changes on earnings and cash flows and on the market value of its borrowings. The Company has US$100 million of notional amount of interest rate swaps that exchange a fixed rate for a variable rate. At September 30, 2008, 86% (December 31, 2007 – 85%) of the Company's debt was at fixed rates.

The following table summarizes the Company's exposure to changes in interest rates and foreign currency on its financial assets and liabilities.

	Carrying amount	Interest rate risk change of 1% Income [1]	Foreign exchange rate risk change of 10% Income
Financial assets			
Cash and cash equivalents	$ 198	$ 1	$ 3
Accounts receivable	192	—	7
Derivative instruments	—	—	—
Interest rate swaps	4	—	—
Financial liabilities			
Accounts payable and accrued liabilities	607	—	50
Short-term debt	369	1	—
Long-term debt due within one year	11	—	—
Long-term debt	3,695	1	1

1 Represents the effect on net loss and other comprehensive loss for the three months ended September 30, 2008.

Capital management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to make proper capital investments for asset compliance and maintenance purposes to ensure the Company remains

competitive and in compliance with regulatory requirements;

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- to make proper capital investments to seek opportunities to reduce costs and to increase sales of higher-margin grades of value added uncoated papers; and
- from a financial perspective, achieving stable liquidity and reducing the Company's debt are the top priorities going forward.

The Company's primary sources of liquidity and capital resources are cash on hand, cash provided by operations and available borrowings under Abitibi's and Donohue's accounts receivable securitization program. The Company's major cash requirements are to fund operating activities, working capital, capital expenditures and debt service obligations. Refer to Note 1, "Liquidity and debt" for additional information regarding how the Company manages its capital.

As a result of the refinancings and the cancellation of Abitibi's former bank credit facility, Abitibi is no longer subject to financial maintenance covenants on its recourse debt. However, the Term Loan, the 2010 Notes and the 2011 Notes restrict the ability of Abitibi and its respective subsidiaries to incur additional indebtedness, to grant additional liens, to pay dividends or make loans to AbitibiBowater, to make acquisitions or to make other investments.

The total capital as of September 30, 2008 and December 31, 2007 is calculated as follows:

	September 30, 2008	December 31, 2007
Short-term and long-term debt	**$4,075**	$3,726
Non-controlling interests	**33**	69
Total debt and non-controlling interests	**4,108**	3,795
Shareholders' (deficit) equity [1]	**(227)**	1,526
	3,881	5,321
Less cash and cash equivalents	**198**	132
Total capital	**$3,683**	$5,189

1 Shareholders' (deficit) equity includes accumulated other comprehensive loss, net of unrecognized gains and losses on derivative instruments designated as cash flow hedges.

14. Related party transactions

On January 1, 2008, the Company began providing certain corporate administrative services on behalf of AbitibiBowater and certain of its subsidiaries (referred to as "Affiliates") including legal, finance, tax, risk management, IT, executive management, payroll and employee benefits. As such, the Company has charged a portion of its general and administrative expenses to its Affiliates and recorded this charge as a reduction of its costs, based on specific identification or on an appropriate allocation key (e.g., sales, purchases, headcount, etc.) determined by the type of expense or department. During the three and nine months ended September 30, 2008, the Company charged its Affiliates approximately $5 million and $16 million, respectively, for certain corporate administrative expenses that the Company incurred on behalf of those Affiliates.

During the three and nine months ended September 30, 2008, the Company also sold $49 million of paper to Bowater Incorporated.

Affiliates of the Company maintain a centralized domestic sales force. The Company sells products to its Affiliates at the same price the Affiliates sell those products to third party customers. In order to compensate the Affiliates for these services, the Company is charged a service fee equal to 120% of the Affiliate's selling costs based on the value of the products sold. The fees charged to the Company's wholly-owned subsidiaries are eliminated in consolidation. During the three and nine months ended September 30, 2008, the Company was charged $3 million and $7 million, respectively, for these services. During the three and nine months ended September 30, 2008, the Company sold goods in the amount of approximately $431 million and $826 million, respectively, to Donohue, now an Affiliate.

During the three and nine months ended September 30, 2008, the Company purchased approximately $41 million and $68 million, respectively, of inventory from Donohue, which the Company has sold or plans to sell to third party customers.

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As of September 30, 2008, the amount receivable from Donohue and its subsidiaries was $163 million and the amount receivable from the Company's other Affiliates was $66 million with respect to all transactions between the parties.

As part of the consideration for the sale of Donohue, the Company recorded a note receivable from a subsidiary of AbitibiBowater (see Note 6, "Sale of Donohue"). For the three and nine months ended September 30, 2008, interest income of $11 million and $16 million, respectively, was included in Other (income) expense, net, on the Consolidated Statements of Operations.

During the three and nine months ended September 30, 2008, goods in the amount of $2 million and $6 million, respectively, were sold to Affiliates and to AbitibiBowater, to which the Company is related through common control. These transactions were made in the normal course of business and have been recorded at the exchange amounts. During the three and nine months ended September 30, 2008, the Company purchased $9 million and $20 million, respectively, of inventory from Affiliates, excluding Donohue.