DU PONT

CANADA

DU PONT OF CANADA

ANNUAL REPORT

1958

CONTENTS

DU PONT OF CANADA LIMITED

Incorporated in 1910 under the Companies Act of Canada

BOARD OF DIRECTORS

Robert G. Beck	George W. Huggett
Joseph M. Breen	John K. Jenney
Frank S. Capon	Herbert H. Lank
W. Samuel Carpenter, III	Hugh H. Lawson
Lammot du P. Copeland	R. Russell Pippin
Robert L. Hershey	Robert L. Richards

OFFICERS

Chairman of the Board	George W. Huggett
President	Herbert H. Lank
Vice-President	Robert G. Beck
Treasurer	Frank S. Capon
Secretary	B. M. Ogilvie
Assistant Treasurer	K. M. Place
Assistant Treasurer	C. A. Harvie
Assistant Secretary	R. A. C. Henry

TRANSFER AGENT, REGISTRAR AND
DIVIDEND DISBURSING AGENT

Montreal Trust Company
Montreal, Toronto and Vancouver

FINANCIAL RESULTS IN BRIEF

	1958	1957
	(Amounts in thousands of dollars)	
Sales	$81,680	$72,635
Other Income	73	105
	81,753	72,740
Costs and expenses (excluding depreciation, interest and taxes)	65,916	59,876
Depreciation	5,358	4,324
Interest on borrowed money	394	55
Taxes—Payable currently	3,700	2,561
—Payable in the future	1,150	1,433
Net Income	$ 5,235	$ 4,491
Earnings a common share	70 cents	60 cents
Dividends a common share	50 cents	50 cents

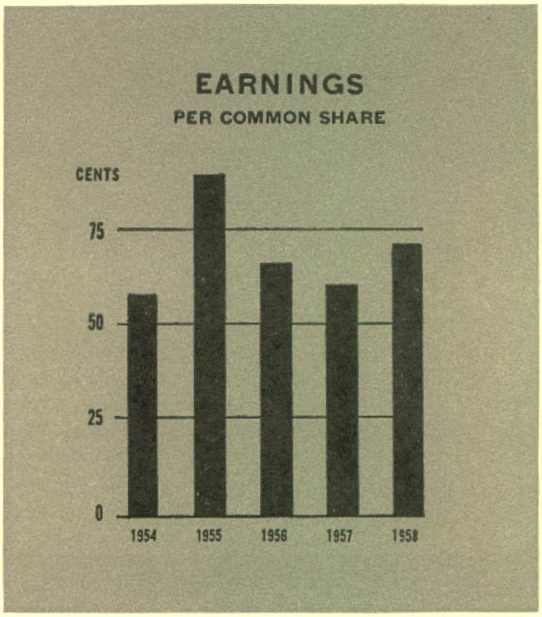
ANNUAL REPORT
to the Shareholders

In a year marked by some hesitancy in business during the opening months followed by a later resumption of growth, Du Pont of Canada made further progress in the expansion and diversification of its operations. Sales and earnings were higher than those of the preceding year, two plants were brought into production and construction was commenced at two new sites.

FINANCIAL RESULTS

Earnings

Net income for the year 1958 amounted to $5,235,000, equivalent to 70 cents a common share after allowing for dividends on the preferred stock, or 17% higher than in the previous year. This improvement was due primarily to increased sales which rose 12% partly as a result of production from new and expanded plant facilities and also because of a better demand for most products during the second half of the year. As in recent years, the costs and expenses inevitable in the early operating periods of new plants adversely



affected earnings, but economies continued to be realized throughout the organization by improvements in processes and operating procedures.

Financial Charges

Interest on borrowed money totalled $394,000 for the year. Interest charges incurred in the second half of 1957 were about equal to the interest received from marketable securities held in the first half. Taxes on income at $4,850,000 were up 21% over 1957 and were equivalent to 67 cents a common share. Current income tax payments have been reduced by $1,150,000 through claiming as a deduction for tax purposes that part of the capital cost allowances in excess of the amount charged as depreciation in the accounts and this sum was set aside to be paid in future years.

Costs and Expenses

In 1958, as in the preceding year, manufacturing costs and expenses absorbed a disproportionate share of revenue. For new products, such as acrylic fibre, it is essential to build economic sized plants which usually have capacity well above that necessary to meet initial market requirements; during the period when markets are being developed, such plants must often be operated at levels insufficient to yield a satisfactory return.

Wages and salaries rose as the Company followed national trends. On the other hand, reductions were realized in the landed cost of some important raw materials. Mechanization of clerical work and greatly improved flow and quality of information is now being achieved through the electronic computer installation. Not only has it become possible to handle a greater volume of clerical work with fewer employees but the larger sales volume has also been possible with a relatively smaller investment in working capital because of improved control of inventories and accounts receivable.

Depreciation on buildings and equipment is one of the important cost factors and at $5,358,000 was 24% above the figure for 1957, in comparison with an increase of 12% in the investment in these assets. Relatively high rates of depreciation are applied in the early years of operation of new plants when technical obsolescence is greatest.

Selling Prices

Notwithstanding increased unit manufacturing costs for practically all products, there was a slight reduction during 1958 in the index of selling prices of the Company's manufactured products. Expressed in terms of 1949 = 100, the average index for the year was 91.2 as compared with 91.3 in 1957. Although there have been further increases in the cost of living in Canada (as evidenced by the consumer price index), the index of wholesale prices has not advanced for some years. The following tabulation gives a comparison of the prices of the Company's products and various factors affecting the cost of living in Canada:

	Index Base 1949=100			
	1958	1956	1954	1952
Du Pont of Canada				
Selling Prices — Manufactured Products	91	91	102	106
Canadian Indexes				
Wholesale Prices	115	114	109	114
Consumer Prices	125	118	116	117
Average Hourly Earnings—Manufacturing	168	154	143	131

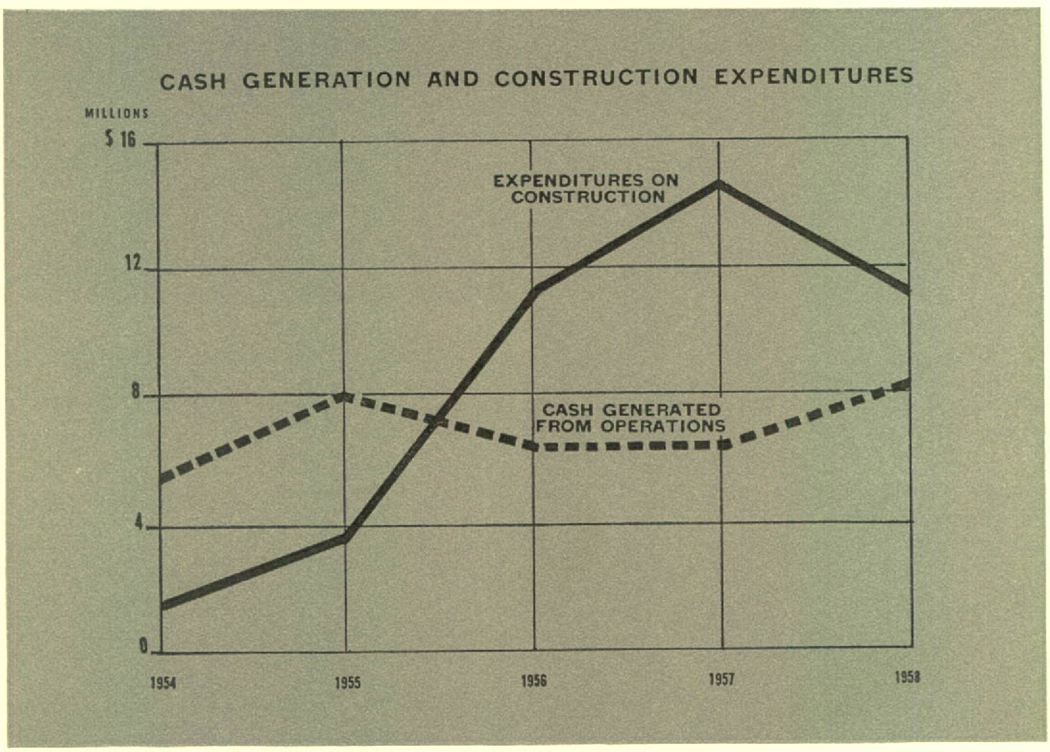
Dividends and Retained Earnings

The regular dividends were paid on the preferred stock. Dividends on the common stock totalled 50 cents a share, the same as in recent years and consisted of three interim quarterly dividends of 10 cents a share followed by a final payment of 20 cents in January 1959.

An amount of $1,448,000 or 28% of earnings remained undistributed and was available to assist in financing expansion.

OPERATING INVESTMENT

Operating investment, which comprises all tangible assets under the control of management, reached $113,402,000 at the end of 1958, an increase of $11,532,000 over the previous year. Two new plants were completed and brought into operation at Maitland during the year, one to produce acrylic polymer (from which "Orlon" acrylic staple and tow are manufactured at the adjacent fibre plant) and the other to produce hydrogen peroxide using a new chemical process. A major expansion of the Company's nylon capacity was completed, including additional facilities for spinning nylon tire yarn, which will in turn release equipment to increase textile yarn capacity. Expenditures on construction amounted to $11,264,000 for the year and brought the total investment in plants and properties to



$96,000,000 at 31st December 1958. At that date, a further $10,450,000 remained unexpended on projects under construction.

Flexibility of operations at Maitland has been improved by the availability of Alberta natural gas commencing on 1st November 1958. This gas is obtained from Augusta Natural Gas Limited, a wholly-owned subsidiary of the Company, which operates the franchise for the township in which the plant is located.

The increase in operating investment was financed to the extent of $8,268,000 by the provisions for depreciation and future taxes, retained earnings and other internal sources. It was, however, necessary to borrow additional sums, bringing total borrowings to $9,000,000 at the year end. With generation of funds within the Company increasing to a total approaching construction expenditures, current needs are being financed by short-term borrowing in Canada. By this means, interest costs have been kept to a minimum and the Company's capital structure has retained the flexibility needed to meet any situations which may arise in the future.

BUSINESS

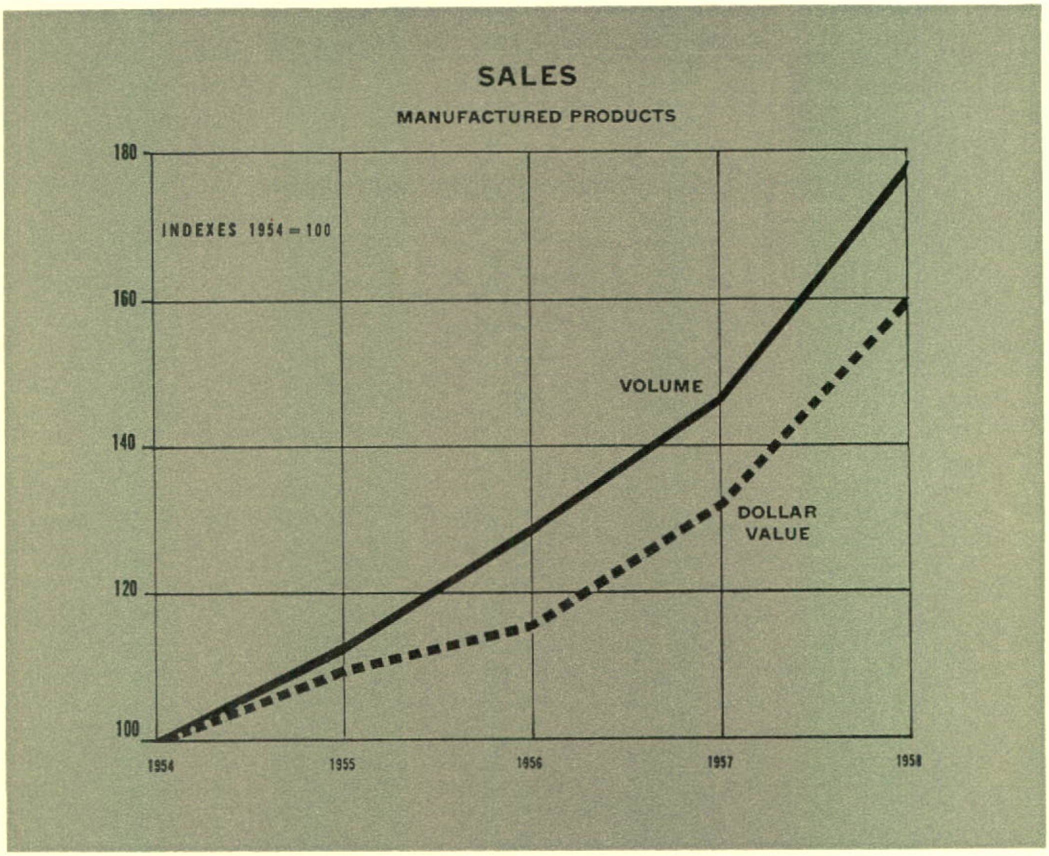
Conditions in Canada

The downward trend in Canadian business which became evident during 1957 was halted in the second quarter of 1958 and a slow recovery has been underway since that time. The effects of declining expenditures for industrial expansion and of reduced shipments of many of Canada's major exports were to a large extent offset by the domestic strength in consumer spending. An increasing population, a growth in personal incomes and an apparent confidence in the future combined to support a high level of demand for consumer goods and services. The net effect was a production of goods and services for the full year slightly higher than in 1957 although the rate of improvement was much less than the average annual growth exhibited by this country in the past ten years.

Markets were increasingly competitive in 1958. Through much of the year, industry and commerce were engaged in reducing inventories which had been allowed to rise in the early months of 1957. At the same time, the nation's manufacturing capacity was greater than ever before, as a result of the record amounts spent to build new plants during the past several years. With similar conditions existing in foreign countries, materials made by the Company and products made by its customers encountered increasingly strong competition.

Sales

With shipments being made from new and expanded plant facilities, total sales of $81,680,000 in 1958 were 12% greater than the $72,635,000 realized in the preceding year.



Additional capacity for the manufacture of nylon was completed and utilized in the latter part of the year when there was an improvement in the demand. The gain in sales of the Company's fibres was due in large measure to the growing acceptance of products using textured nylon yarns, although sales of tire yarns as well as other nylon and acrylic fibres enjoyed an increased proportion of the total markets available. Nevertheless, a growing proportion of the total Canadian consumption of textiles manufactured from man-made fibres is being met with imports of fabrics and finished goods from various foreign countries.

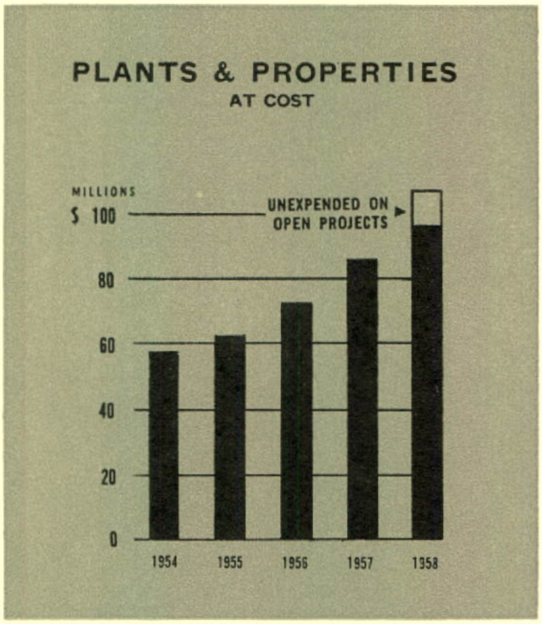
In the first full year of operation at the Nipissing plant, penetration of the market for explosives continued despite the lowered consumption in the important base metal mining industry. Generally high purchasing power throughout Canada aided in the attainment of greater sales of cellulose and polyethylene films for the wrapping of innumerable consumer products. This factor also assisted in the achievement of increased shipments of the chemicals used in the increasing range of products employing aerosols as dispensing agents.

DEVELOPMENT AND GROWTH

The greatest possible participation in Canadian markets is accomplished through the building of manufacturing plants in this country as soon as a sufficient volume of output can be foreseen to justify their operation. The Company's past growth stems from a continuous search for new and improved products of potential interest in Canada. For these purposes, ready access to the research and technical knowledge of E. I. du Pont de Nemours and Company is of inestimable value.

Diversification continued during 1958 as studies in the plastics field and in particular of polyethylene resins resulted in process development leading to a decision to construct a polyethylene resin plant at Sarnia. A plastics sales service laboratory has been installed at Kingston and a new polyethylene film plant is under construction at Whitby.

The growing complexity of the various plants on the Maitland site has made it advisable to build a large new technical laboratory there. To keep chemical processes up to date and to take advantage of newer techniques requires much study and analysis. Achievements have already resulted in higher output from existing facilities while at the same time reducing the estimated cost of future expansion.



The four and one-half year period since the corporate re-organization has been marked by the completion of a new research centre, the acquisition of four new plant sites and the construction of seven new plants as well as by expansion of the older plants and large additions to technical and sales service laboratory facilities. Projects completed during the period or still under construction involve the expenditure of $52,432,000 as compared with the investment of $56,618,000 in plants and properties at 1st July 1954.

EMPLOYEES

At the end of the year, the Company had 4,179 employees as compared with 4,200 a year earlier. The number of employees has increased by 50% since 1st July 1954 as compared with the increase of 79% in the physical output of manufactured products.

Safe working conditions are essential for maximum efficiency and a constant effort is made to ensure that safety regulations be consistently observed. An alert interest in accident prevention is fostered by awards for the attainment of specified periods of accident-free operations. The accident frequency rate for 1958 of 1.28 per million man hours worked was the best in the Company's history and compared with the latest figures of 3.55 for the chemical industry as a whole and 6.27 for all manufacturing industry in North America as published by the National Safety Council. Similarly fire hazards are under constant surveillance and training in fire prevention and fire fighting is continuous. We are pleased to report that Shawinigan Works won first place in the Canadian section of the 1958 international fire prevention contest and fourth place in the combined U.S.-Canada contest.

The employee benefit plans which have been developed over a period of forty years were further broadened in 1958. The disability wage plan which gives hourly paid employees protection against loss of earnings due to illness or accident was revised to extend the duration of disability wage payments in cases of occupational injury. In keeping with the Company's long standing practice of making health insurance available to employees, a major medical supplement to existing health insurance arrangements was introduced. This type of insurance is designed to supplement basic health insurance in cases of serious and prolonged illness or accident where the hospital and medical charges can become a heavy burden to employees. The future development of employee welfare coverage will necessarily be influenced by increasing governmental activity in the social security field with its inevitable impact on corporate and personal taxes.

At the end of the year, a corporate trustee held $7,380,000 in an irrevocable trust fund, representing contributions by the Company and accumulated income thereon, to pay pensions under the Company's non-contributory pension plan. As a supplement to the pension provided entirely at the Company's expense, employees are given an option to have a percentage of their earnings deducted and invested in a separate trust fund.

BONUS PLAN

The bonus plan affords the Company the opportunity of granting special recognition to those employees who have contributed in an unusual degree to its progress and success. Experience has shown that interest in the progress of the Company is encouraged by stock ownership and that such ownership by bonus recipients is important to the achievement of maximum success for the Company.

The Board of Directors may credit to the bonus fund each year a portion of net income above six per cent of the average amount of the issued capital stock, surplus and any interest bearing indebtedness. A committee of directors, chosen from among those members of the Board who are not eligible to participate under the plan, is appointed annually to determine the individual awards which are delivered in four equal annual instalments.

For the year 1958, awards were made to 147 employees including those executive officers who are also directors of the Company. Amounts delivered during the year, were, as in recent years, in the form of common stock, after withholding sufficient cash to meet income tax requirements.

DIRECTORS

Walter J. Beadle resigned as a Director of the Company in June 1958 in view of his retirement from E. I. du Pont de Nemours and Company. The board was privileged to enjoy the benefit of his broad experience and wise counsel during the eleven years of his Directorship. R. Russell Pippin was appointed a Director to fill the vacancy.

Crawford H. Greenewalt who had been a Director since 1946, resigned in December 1958 due to the pressure of his business responsibilities in the United States. Mr. Greenewalt's sound judgment and exceptional business talents played an incalculable part in guiding the course of the Company's progress and development. W. Samuel Carpenter, III, was appointed a Director for the remainder of the term.

The short term business outlook for Canada is brighter than when the 1957 Annual Report was written, and the long term future is as promising as ever. While the Company's immediate financial results are still dependent to some degree on the level of operations at new plants and the costs and expenses inherent in initial production at new sites, its ultimate success is closely interwoven with that of the entire country.

The past five years of expansion and diversification, during which the expenditures and commitments for construction have doubled the investment in plants, has placed heavy demands on all personnel. It is a pleasure to acknowledge, on behalf of the Board of Directors, the vital role played by the men and women of the Company's organization throughout this period.

Chairman of the Board

President

23rd March 1959,
Montreal, Canada

Ross, Touche & Co.
CHARTERED ACCOUNTANTS
SAINT JOHN, N.B. MONTREAL OTTAWA TORONTO
LONDON WINNIPEG REGINA SASKATOON
CALGARY EDMONTON VANCOUVER VICTORIA
REPRESENTED IN THE UNITED STATES OF AMERICA
AND IN GREAT BRITAIN

AUDITORS' REPORT TO THE SHAREHOLDERS

Du Pont of Canada Limited,
Montreal, Canada.

We have examined the consolidated balance sheet of Du Pont of Canada Limited and its wholly owned subsidiary as at 31st December 1958 and the related statements of consolidated income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related statements of consolidated income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its wholly owned subsidiary as at 31st December 1958 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

Ross, Touche & Co.

Chartered Accountants

Montreal, Canada.
20th February, 1959.

DU PONT OF CANADA LIMITED

And its wholly owned subsidiary

STATEMENT OF CONSOLIDATED INCOME

	1958	1957
NET SALES	$81,679,771	$72,635,188
OTHER INCOME	73,539	105,328
	$81,753,310	$72,740,516
LESS:		
Cost of goods sold and other charges except depreciation, interest and income taxes	$65,916,351	$59,876,054
Provision for depreciation	5,357,494	4,324,483
Interest on borrowed money	393,728	55,048
Federal and provincial taxes on current income:		
Payable by 30th June following year	3,699,705	2,561,074
Estimated to be payable in future years*	1,150,600	1,432,400
	$76,517,878	$68,249,059
NET INCOME FOR THE YEAR	$ 5,235,432	$ 4,491,457

Included in the charges against income are the following:

	1958	1957
Remuneration of executive officers, including bonus awards and directors' fees	$399,260	$351,280
Other directors' fees	24,027	24,000
Legal fees	1,973	5,255

*Note

Capital cost allowances in excess of the provision for depreciation charged against income in the accounts have been claimed for tax purposes. The amount by which tax payments have thereby been reduced has been set aside as a provision for taxes which may be payable in future years.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

	1958	1957
BALANCE AT 1st JANUARY	$38,371,579	$37,658,628
ADD: Net income for the year	5,235,432	4,491,457
	$43,607,011	$42,150,085
DEDUCT: Dividends declared on —		
Preferred 7½% cumulative stock	$ 174,376	$ 174,376
Common stock (50 cents a share)	3,613,445	3,604,130
	$ 3,787,821	$ 3,778,506
BALANCE AT 31st DECEMBER	$39,819,190	$38,371,579

DU PONT OF

And its wholly

C O N S O L I D A T E D

ASSETS

		31st December 1958	1957
CURRENT ASSETS			
Cash		$ 383,925	$ 565,307
Accounts receivable		7,788,307	7,063,712
Customers	$ 7,525,830		
Others	262,477		
Inventories of raw materials, supplies, goods in process and finished goods, valued at the lower of cost or market		8,427,232	8,102,052
		16,599,464	15,731,071
DEFERRED CHARGES		802,797	602,833
PLANTS AND PROPERTIES, AT COST		95,999,512	85,535,967
GOODWILL, PATENTS AND PROCESSES		1,688,576	1,688,576
		$115,090,349	$103,558,447

Signed on behalf of the Board,

G. W. Huggett } Directors.
H. H. Lawson }

CANADA LIMITED

owned subsidiary

BALANCE SHEET

LIABILITIES

			31st December 1958	31st December 1957
CURRENT LIABILITIES				
Short term loans and overdraft			$ 9,000,000	$ 5,202,156
Accounts payable and accrued liabilities			5,165,635	6,278,979
Federal, provincial and municipal taxes			2,453,400	938,075
Dividends declared			1,488,972	1,485,246
			18,108,007	13,904,456
LIABILITIES NOT PAYABLE WITHIN ONE YEAR			673,410	723,412
ACCUMULATED PROVISION FOR FUTURE INCOME TAXES (see note on income statement)			3,725,000	2,699,500
ACCUMULATED PROVISION FOR DEPRECIATION OF PLANTS AND PROPERTIES			40,808,370	36,190,051
CAPITAL STOCK				
Authorized	Shares			
Preferred 7½% cumulative stock (par value $50)	46,500			
Common stock (no par value)	13,500,000			
Issued and fully paid				
Preferred	46,500	$ 2,325,000		
Common	7,226,892	9,631,372		
(Issued during the year to employees under the Bonus Plan, 18,630 shares of common stock — $286,923)				
EARNED SURPLUS		39,819,190	51,775,562	50,041,028
			$115,090,349	$103,558,447

STATEMENT OF FUNDS

Showing cash receipts and expenditures during the year ended 31st December 1958

NET RECEIPTS DURING THE YEAR:		
From sales and other income less operating costs and expenses*	$12,103,000	
From issue of 18,630 common shares in accordance with the terms of the Company's Bonus Plan	287,000	
From disposal of fixed assets	61,000	$12,451,000
EXPENDITURES DURING THE YEAR:		
On payment of dividends—Preferred stock	174,000	
—Common stock	3,610,000	
	3,784,000	
On additions to working capital excluding cash	1,382,000	
On additions and alterations to plants and properties	11,264,000	16,430,000
NET DECREASE IN FUNDS DURING THE YEAR		3,979,000
FUNDS PROVIDED DURING THE YEAR:		
From cash at 1st January 1958	565,000	
From borrowings	3,798,000	4,363,000
CASH AT 31st DECEMBER 1958		$ 384,000

*Operating costs and expenses are the amounts expended for the purchase of materials, supplies and services, the payment of salaries and wages, and the payment of selling, advertising, administrative and other operating expenses as included in the income statement. Provisions for depreciation ($5,358,000), liabilities not payable within one year ($360,000), and future income taxes ($1,150,000) while charged against operations in arriving at net income, have not been deducted in this statement of funds as they do not involve a current outlay of funds.

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FIVE YEAR FINANCIAL & OPERATING RECORD

(approximate amounts in thousands of dollars except where otherwise noted)

OPERATIONS:	1958	1957	1956	1955	1954
Sales and Other Income	81,753	72,740	67,060	65,748	55,742
Costs and Expenses (excluding depreciation, interest and taxes)	65,916	59,876	53,577	48,554	43,117
Depreciation	5,358	4,324	4,298	4,493	4,298
Interest on borrowed money	394	55			
Taxes	4,850	3,994	4,216	6,207	3,986
Net Income	5,235	4,491	4,969	6,494	4,341
Earnings a common share	70 cts.	60 cts.	67 cts.	88 cts.	58 cts.
Dividends a common share	50 cts.	50 cts.	50 cts.	50 cts.	50 cts.

INVESTMENT:	1958	1957	1956	1955	1954
At 31st December:					
Plants and Properties at Cost	96,000	85,550	71,350	61,000	57,400
Accounts Receivable and Inventories	16,210	15,160	12,260	10,150	9,650
Changes During Year:					
Plants and Properties	11,260	14,650	11,300	3,900	1,850
Accounts Receivable and Inventories	1,050	2,900	2,110	500	(2,220)
Average for The Year:					
Operating Investment	106,700	93,200	86,200	78,650	70,500
Return on Operating Investment	4.9%	4.8%	5.8%	8.3%	6.2%

Operating investment comprises total assets as shown in the Company's Balance Sheets exclusive of goodwill, patents and processes; the average is based on the investment at the beginning of each calendar month.

Directory

DEPARTMENTS	PRODUCTS	MARKETS SERVED	
CHEMICALS	MANUFACTURED: "Dulux" enamel automotive finishes and refinish materials "Freon" fluorinated hydrocarbon refrigerants and aerosol propellents "Zytel" nylon resins Adipic and hydrochloric acids Hydrogen peroxide RESALE: X-ray film and photo products Plastic moulding and extrusion powders Synthetic rubbers and rubber chemicals White and coloured pigments Food supplements Seed-treating and weed-killing chemicals Dyes and auxiliary chemicals Gasoline anti-knock compounds and petroleum chemicals Industrial chemicals	Automotive industry and refinish trade Manufacturers and users of refrigerating equipment Electrical industry Packaging industry Petroleum, plastics, rubber, steel and metal fabricating industries	Chemicals and paint manufacturers Food processing industry Pulp and paper manufacturers Tanning industry Textile manufacturers Graphic arts industry Institutions and utilities Farmers and pesticides manufacturers
EXPLOSIVES	MANUFACTURED: Commercial explosives Ammonia, ditching and stumping dynamites Ammonia, semi and straight gelatins RESALE: Blasting caps, safety fuse and other blasting accessories	Mining Quarrying Construction	Lumbering Agriculture
FILMS	MANUFACTURED: Plain and moisture-proof transparent "Cellophane" cellulose film Polyethylene film and tubing Polyethylene vapour barrier film RESALE: *"Mylar" polyester film Cellulose sponge and yarn *E. I. du Pont de Nemours & Co. trade-mark	Packaging industry including: Food Tobacco Textiles Drugs and chemicals	Agricultural industry Construction industry Electrical industry Consumer goods industries
TEXTILE FIBRES	MANUFACTURED: Nylon continuous filament yarns, tire yarn and staple "Tynex" nylon monofilament "Orlon" acrylic staple and tow	Manufacturers of hosiery and of textiles for apparel and industrial use Manufacturers of automotive and truck tires	Manufacturers of brushes and sporting goods

SALES OFFICES

Halifax, N.S.
Moncton, N.B.
Saint John, N.B.
Montreal, Que.
Bourlamaque, Que.
Noranda, Que.
Thetford Mines, Que.
Val d'Or, Que.
Toronto, Ont.
London, Ont.
Elliot Lake, Ont.
Sudbury, Ont.
Timmins, Ont.
Port Arthur, Ont.
Winnipeg, Man.
Calgary, Alta.
Vancouver, B.C.

PLANTS

Shawinigan, Que.
Ajax, Ont.
Kingston, Ont.
Maitland, Ont.
North Bay, Ont.
Sarnia, Ont.*
Whitby, Ont.*

**Under Construction*

Address Inquiries to:
DU PONT OF CANADA LIMITED
P.O. BOX 660, MONTREAL

DU PONT
CANADA

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... *THROUGH CHEMISTRY*

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