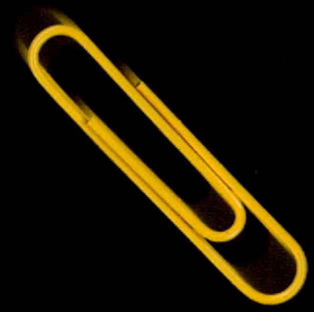
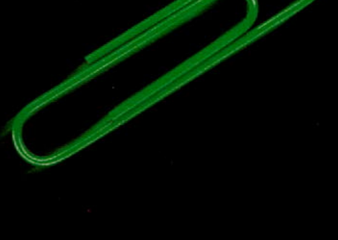
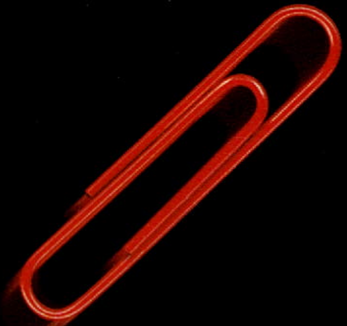
DuPont Canada



Our work starts from the OUTSIDE





1998 Annual Report

At-A-Glance

Specialty Fibres
Products and Principal Applications

COMFOREL® sleep products
Pillows, comforters, mattress pads

COOLMAX® performance fabrics
Athletic and casual apparel, socks, hosiery

DACRON® polyester fibre
Pillows, duvets, sleeping bags, winter clothing

LYCRA® spandex yarn
Intimate apparel, swimwear, activewear, hosiery, socks

NOMEX® aramid fibre
Industrial fire-resistant workwear, protective equipment for firefighters, electrical insulation, hot gas filtration

KEVLAR® aramid fibre
Protective gloves, personal body armour, mechanical rubber goods, sporting goods, other high-performance applications

TYVEK® spunbonded olefin
Air-filtration barrier for building construction, specialty protective garments, printing stock, car covers, medical packaging

Specialty Materials
Products and Principal Applications

KRYTOX® performance lubricants
Automotive, paper corrugation, electronics

ZONYL® fluorosurfactants
Coatings, textiles, carpet and specialty applications

Specialty aramids
Rubber anti-oxidants, textile dyes, pharmaceutical intermediates and animal feed additives

TI-PURE® Titanium dioxide
Paints, vinyl siding, paper industry, plastics

DuPont Safety Resources
Services to enhance safety performance of Canadian industry

TEFLON® coatings
Consumer and commercial cookware, fabric protection

TEFLON® fluoropolymers
Data, aerospace and appliance cable, tapes and chemical processing industries

Fluorochemicals
Refrigeration, air conditioning, specialty applications

REFINE EXTRA®, MUSTER GOLD™, HARMONY TOTAL™, and ULTIMAX® herbicides
Crop protection products for all areas of agriculture

Specialty Polymers and Films
Products and Principal Applications

CYREL® printing plates
Flexographic printing

TERATHANE® PTMEG
Polyurethane cast and sporting goods

BUTACITE® polyvinyl butyral
Automotive glass, architectural glazing

MYLAR® polyester film
Food packaging, graphic arts, electrical insulation

KAPTON® polyimide film
Magnet wire insulation, electronics, aerospace

TEDLAR® polyvinyl fluoride film
Architectural, aerospace, surface decoration

Melinex® polyester
Food packaging, graphic arts, electrical insulation, photographic applications

Kaladex® PEN films
Electrical applications

SURLYN® ionomer resin
Flexible packaging, oil field and mining, sporting goods

NUCREL® ethylene acid copolymer resin
Flexible packaging, film extrusion coating applications

DPE 20 series specialty polyethylene resins
Squeeze tubes and bottles

At-A-Glance

Specialty Fibres
Products and Principal Applications

LYCRA® spandex yarn
Diapers, activewear, intimate apparel

Specialty Materials
Products and Principal Applications

SUVA®-123 fluorochemical
Refrigeration, air conditioning, specialty applications

Specialty Polymers and Films
Products and Principal Applications

BYNEL®
Food and non-food packaging and industrial additives

FUSABOND®
Pipe corrosion protection, tougheners for polymer products and material compatibilization products

Specialty reactive polymers
Packaging, tougheners for polymer products, adhesives for multilayer pipeline coatings

Sclairfilm® polyethylene film
Food packaging, medical applications, paper overwrap

Liquid packaging systems
Pouch packaging of noncarbonated beverages, pasteurized and aseptic foods

DARTEK® nylon film
Food packaging, industrial applications

VEXAR® extruded netting
Produce packaging, tree wrapping, fencing

DuPont Canada

Corporate Profile

DuPont Canada is a diversified industrial company serving customers across Canada and in about 40 other countries. As well as offering the thousands of products and services of the global DuPont company to Canadian customers, we sell products manufactured in Canada to customers here and around the world.

Our business is reported in five segments: Nylon Enterprise (35 per cent of total sales), Performance Coatings and Polymers (23 per cent of sales), Specialty Fibres (10 per cent of sales), Specialty Materials (17 per cent of sales), and Specialty Polymers and Films (15 per cent of sales).

About 77 per cent of the common shares of DuPont Canada are owned by E.I. du Pont de Nemours and Company. The remaining shares are held principally by Canadian investors, including close to 2,000 employee shareholders.

DuPont Canada operates a research and development centre and an engineering centre at Kingston, Ontario; five manufacturing facilities in Ontario (Maitland, Kingston, Whitby, Ajax and Sarnia); and offices in Quebec, Ontario and Alberta. At the end of 1998, DuPont Canada employed 3,271 people.

Visit our Web site at: **www.dupont.ca**

Major Global DuPont Products Marketed in Canada

Nylon Enterprise
Products and Principal Applications

ANTRON® nylon staple
Carpets

CORDURA® nylon
Outerwear, footwear, luggage, sport bags

Nylon apparel yarn
Outerwear, intimate apparel, swimwear, activewear, hosiery, socks

Nylon staple
Contract upholstery, papermaker felts

Performance Coatings and Polymers
Products and Principal Applications

BEXLOY® resins
Automotive body panels

CRASTIN® PBT thermoplastic polyester resin
Electrical/electronic, mechanical components

HYTREL® polyester elastomer
Air bag doors, automotive components, tubing, flexible components

DELRIN® acetal resin
Automotive interior door housings, gears, automotive components

MINLON® mineral reinforced nylon
Exterior automotive body parts, engine components

RYNITE® PET thermoplastic
Electrical/electronic, automotive components

CHROMAPREMIER®
Automotive refinishing system

CHROMALUSION®
Special effects coatings

IMRON® polyurethane enamel
Commercial vehicle coatings

ZYTEL® HTN
Electrical/electronic and automotive components

ZENITE® LCP
Electrical/electronic and automotive components

Products Manufactured and Marketed in Canada

Nylon Enterprise
Products and Principal Applications

Bulked continuous filament nylon
STAINMASTER® *and* ANTRON® *carpets*

DYTEK™ A Amine
Polyamide adhesive and ink resins, epoxy curing agents, polyurethanes, pharmaceuticals

Hexamethylenediamine (HMD)
Nylon products, epoxy curing agents, petroleum additives, polyamide resins, adhesives, inks

Nylon industrial yarn
Air bags, threads, dental floss, aircraft escape slides, personal flotation devices, tires, webbing, cordage

ADI-PURE® adipic acid
Nylon products, polyesters, food additives, plasticizers

Dibasic esters
Paints, coatings, equipment cleaning solvents, plastics, foundry core binder

Nylon textile yarn
Activewear, intimate apparel, outerwear

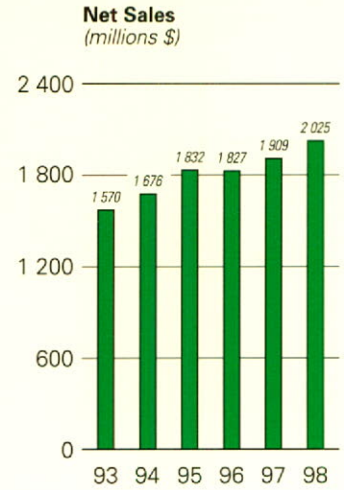
Specialty nylon polymers
Apparel, industrial fibre applications

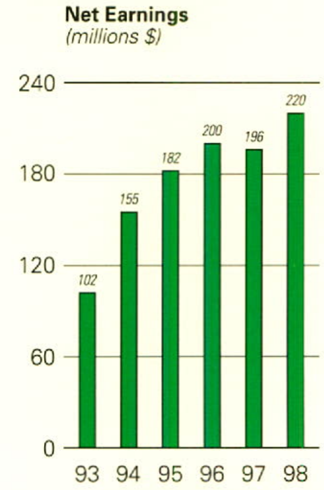
Performance Coatings and Polymers
Products and Principal Applications

ZYTEL® nylon resin
Automotive parts, electrical, sporting goods, furniture, consumer and industrial durables

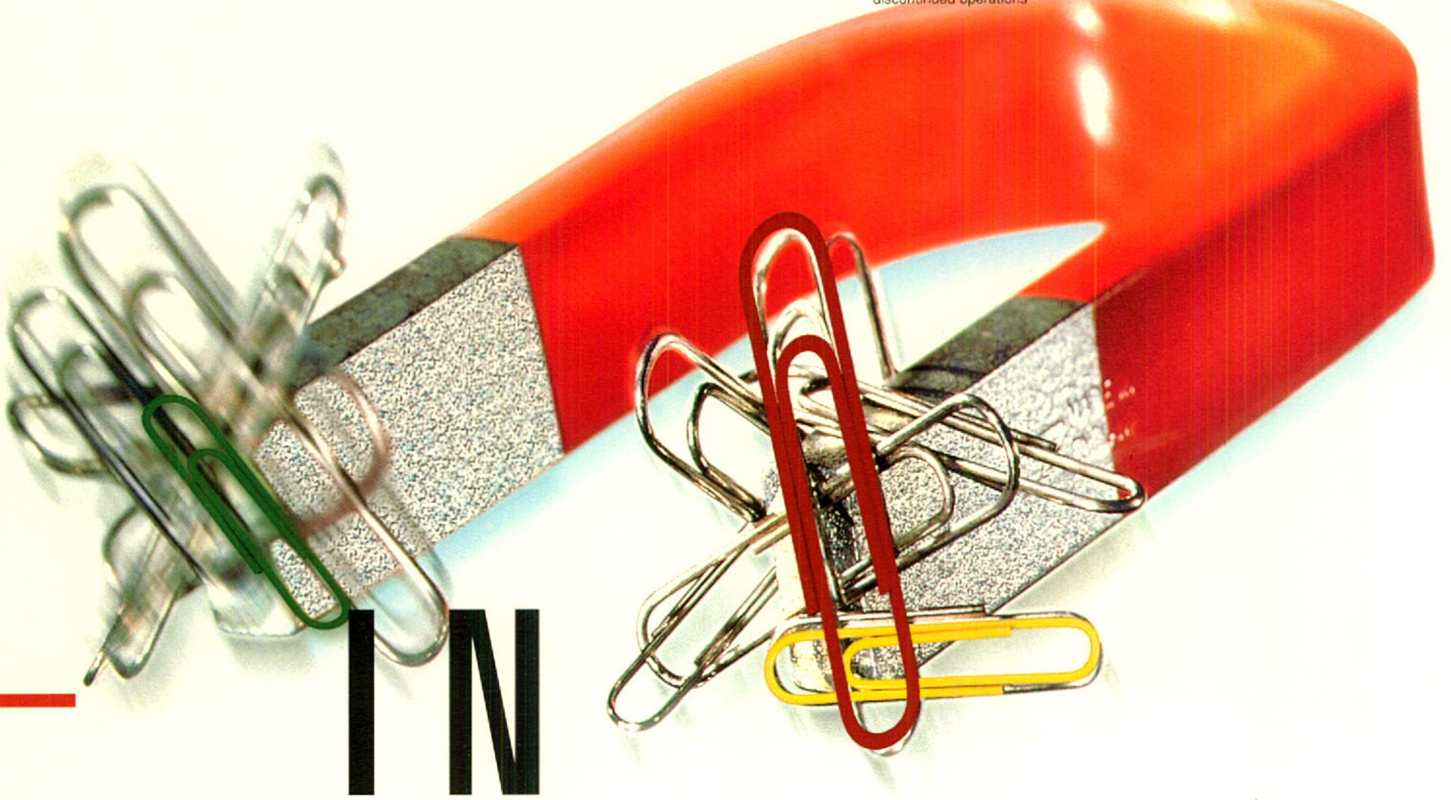
Coatings for automotive Original Equipment Manufacturers (OEM) and sub-assemblers

Automotive refinishing systems including:
CENTARI® acrylic enamel
CHROMAONE® acrylic urethane
DULUX® II enamel
CHROMABASE®/CHROMACLEAR® systems





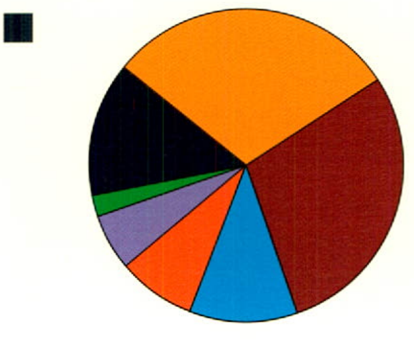
Excluding non-recurring items and discontinued operations



Outside...where markets evolve, where customers flourish, and where communities thrive...that's the starting point for DuPont Canada's growth strategies. More than ever before, we're drawing in the outside world to shape our development. Our goal: rapid, sustainable growth in stakeholder value.

1998 Corporate Sales Profile by Industry

Other	14%
Packaging and Films	3%
Rubber Products	2%
Machinery Industries	2%
Electric and Electronics	1%
Health Care	1%
Construction	1%
Mining and Quarrying	1%
Printing and Publishing	1%
Other	2%



Transportation	30%
Primary Textiles	29%
Plastic Products	11%
Agricultural	8%
Food Industries	6%
Paper and Allied Products	2%

1998 Highlights

Years ended December 31 *(Dollars in millions except per share data)*	**1998**	1997	% Change
Operating Results			
Net sales	**$ 2 025**	$ 1 909	6
Net earnings – continuing operations	**220**	196	12
Net earnings – discontinued operations	**79**	16	378
Net earnings	**299**	212	41
Cash flow from operations	**306**	243	26
Financial Position			
Working capital – conventional	**$ 702**	$ 377	86
– excluding cash resources	**47**	136	(65)
Long-term debt	**–**	–	–
Shareholders' equity	**1 210**	976	24
Total assets	**1 832**	1 505	22
Data Per Common Share			
Net earnings	**$ 3.21**	$ 2.29	40
Dividends declared – regular	**0.64**	0.55	16
– special	**–**	3.00	–
Cash flow from operations	**3.29**	2.62	26
Value at year-end			
Company books	**13.01**	10.50	24
Market (TSE)	**43.00**	35.05	23

Key Ratios	**1998**	1997	1996
Net earnings as a percentage of net sales	**10.9%**	10.2%	10.9%
Return on average common shareholders' equity	**27.3%**	21.7%	19.6%
Current ratio	**2.5**	2.0	2.5
Trade receivables – days sales outstanding	**56**	59	58
Inventories – days sales coverage	**45**	49	54
Debt-to-total capital ratio	**1%**	1%	2%

Record sales revenue from continuing operations of $2 025 million, up 6%

Fifth consecutive year of record earnings from continuing operations, up 12%*

Record net earnings of $299 million, $3.21 per share, up 41%

Generated $413 million in cash and debt-free

Return on equity of 27%

Shareholder return** of 25% compared to a 2% decline in the TSE 300 Total Return Index

New investment of $107 million includes the acquisition of Granirex Inc.

Added polyester resin and films to our sales portfolio from ICI business acquired by DuPont

Commercialized new capacity to produce BCF carpet yarn, DYTEK™ A and modified polymers

* Earnings from continuing operations of $220 million, $2.37 per share, exclude the 1998 Hydrogen Peroxide operations, which were sold in 1998.

** Shareholder return includes reinvestment of dividends and share price appreciation.

1998 was another year of record growth and outstanding financial performance for our company.

DuPont Canada delivered record sales revenue from continuing operations of $2 025 million, up 6 per cent over 1997. Our return on equity of 27 per cent was a record. For the fifth year in a row, our earnings from continuing operations hit record levels, up 12 per cent from last year. Shareholders enjoyed a 25 per cent return on investment in 1998, compared to a loss for the TSE 300. The company also generated $413 million in cash in 1998 and is debt-free.

Underlying our outstanding financial success is each employee's commitment to our business direction to achieve rapid sustainable growth for our shareholders, customers and for the communities in which we operate. Our core values, strong external focus and the ability to generate strong earnings are the instruments we use to achieve growth and satisfy DuPont's stakeholders.

The theme of this year's report – *From the Outside, In* – highlights our strong commitment and focus. We take a holistic approach to the world to better understand society and markets. We see beyond the basic process of "buy and sell." We reach out to our vendors, strategic partners, customers and the community. We develop aggressive, sharply focused business growth initiatives by understanding the values, needs and aspirations of stakeholders, the growth plans of our customers and trends in key Canadian industries.

Our Business Council of senior leaders manages this process inside DuPont Canada with an aim to advance our five major strategies:

- Sustain and benefit from our corporate values;
- Increase our participation in Canadian markets;
- Grow the competitiveness of our world-class manufacturing operations;
- Improve the efficiency and effectiveness of our infrastructure; and
- Develop Canadian entrepreneurial growth opportunities.

DuPont's growth initiatives are grounded in our core values around safety, the environment, ethical behaviour, and care and concern for people. I am delighted to report that in 1998 no employee suffered an injury at work that caused him or her to lose time. We also improved our performance in four of our five major safety metrics.

On the environmental front, we introduced new technology at our Kingston facility to reduce particulate emissions to the atmosphere from our Nylon 6,6 fibre spinning operations. We also continued to improve the operation of the nitrous oxide abatement unit at our Maitland Adipic Acid facility. We significantly advanced our understanding of this new technology and expect to achieve our Year 2000 emissions reductions target.

We believe that a diverse workforce has greater potential for innovation and therefore business advantage. In 1998, we established concrete plans toward this end, and 39 per cent of the people hired were from designated groups. A more diverse organization will better equip us to understand the needs of the world today and tomorrow. We will act upon that knowledge to benefit our business units.

We're also working closely with our customers to develop innovative solutions and generate significant new growth. Blister Guard™ and COOLMAX® athletic socks, protective body armour, aseptic liquid and food packaging, and a polymer automotive air-intake manifold are just a few examples resulting from this increased participation in Canadian markets. Such combined effort will always produce higher-value products.

E.I. du Pont de Nemours and Company is continually adding to its product portfolio. During the year, we became the Canadian distributors of polyester resins and films when the global operation from ICI (Imperial Chemical Industries PLC) was acquired. In 1999, we anticipate marketing the Herberts line of environmentally friendly, solvent-reduced paints and powder coatings when global DuPont completes this acquisition from Hoechst AG.

Dave W. Colcleugh
Chairman, President and
Chief Executive Officer, DuPont Canada

Our manufacturing operations consistently deliver world-class cost and quality. As a result, they earn preferred site status for DuPont investment. We can count a total of 10 product lines that enjoy global mandates and sole supplier status within the DuPont manufacturing network.

Capital investments fuelled our growth in 1998. Investments totalled $85 million and have averaged $107 million over the past five years. As in past years, these investments were designed to both sustain the global competitiveness of existing operations and create new businesses that are, or have the potential to become, globally competitive.

In 1998, we completed construction of a bulked continuous filament (BCF) spinning facility at our Kingston site. Sales increased by 28 per cent in 1998, with product going to customers in Canada and across North America.

Also in 1998, we built a new facility to produce DYTEK™ A, a diamine product used in the production of pharmaceuticals, vitamins and polymers. We supply DuPont's global demand for DYTEK™ A and anticipate substantial growth in 1999.

During the year, we redesigned our infrastructure to be more productive and to improve our effectiveness and efficiency at the customer and supplier interface. We also took steps toward offering selected business services to external customers with the aim of generating new revenue from areas of expertise.

Today, both business and government are concerned about potential systems interruptions as we enter the new millennium. We have been working on the Year 2000 issue since early 1997. Our goal is to maintain the continuity of business and to prevent any safety or environmental incidents. We have targeted June 30, 1999, to complete all critical Year 2000 remediation. We are on schedule to achieve this goal.

DuPont's Entrepreneurial Growth initiative is investing in our future by creating new business opportunities. Our patented plastic heat exchanger, for example, opens unlimited design options for manufacturers of gasoline-powered vehicles. Our aseptic liquid and food packaging systems make fresh food a reality where refrigeration is limited. In December, we announced another significant investment with the acquisition of Granirex Inc., a Quebec manufacturer of decorative and durable engineered-stone products used in flooring and other decorative surface applications. This Canadian acquisition affirms DuPont's intent to remain a global leader in this premium value decorative surface market.

Our corporate culture is one of self-management – in essence, the employees run the company. DuPont's growth and success are a direct result of its people, their skills and their commitment. I'd like to offer my gratitude to the 3,300 DuPont Canada employees who make up the "management team," and to express my admiration for their 1998 accomplishments.

Dave W. Colcleugh

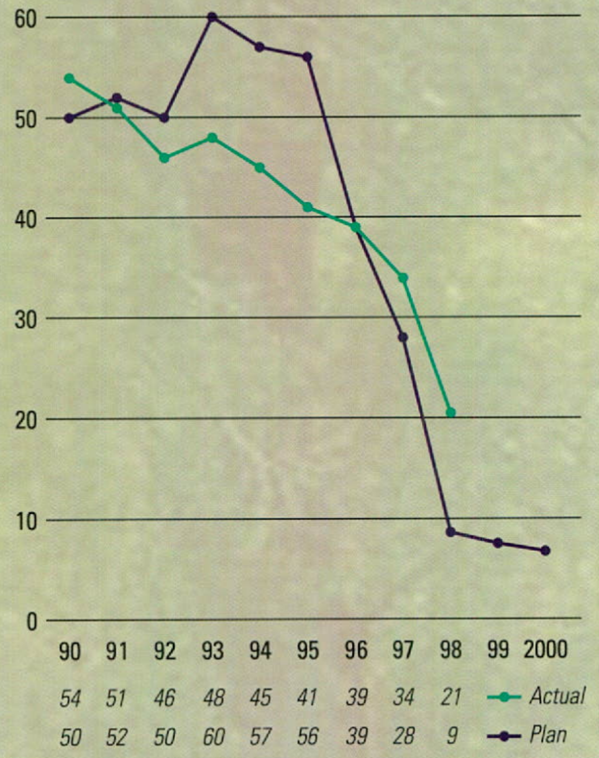
Safety, care and concern for people, and protection of the environment are among DuPont Canada's highest-held values. We demonstrate our commitment to these values both in the normal course of our business and through countless community activities.

Safety Milestones

- Best-ever year for off-the-job safety performance
- Full year without a lost-time injury, for the fourth time in our history
- Canadian Chemical Producers' Association (CCPA) award for safety excellence over a five-year period
- Best on-the-job safety record of large CCPA companies

Total Discharges

(millions kg)



Total waste (emissions, effluents and solids), excluding carbon dioxide, existing on all DuPont Canada sites

Total emissions (excluding carbon dioxide) declined by 56 per cent in 1998. Although this result falls slightly short of our target, we are well on track to achieving our year 2000 goal of reducing total emissions from 54 million kilograms in 1990 to 6.6 million.

Award of Excellence in Industry Conservation

DuPont Canada's Manufacturing Energy Management Team celebrated its 25TH year of operations and was honoured for its outstanding work with an Environment and Energy Award of Excellence in Industry Conservation from Ontario's Ministry of the Environment. The award is presented annually to acknowledge successful leadership and outstanding results achieved by Ontario industrial manufacturing facilities in resource conservation. We established a goal to reduce the unit energy consumption of our manufacturing facilities by 25 per cent between 1990 and 2000. This ambitious goal was achieved in 1994 and we are now working toward a further 15 per cent reduction (from 1995 levels) by 2005.

226-Hectare Gift to the Great Blue Heron

DuPont Canada made its first-ever corporate land donation to the Ontario Parks Legacy 2000 Program in 1998. The property, 550 acres (226 hectares) located in the Hoasic Creek Hardwoods, boasts the largest nesting area in eastern Ontario for great blue herons, and is home to the red shouldered hawk and almost 400 plant species.

PHOTO: Linda J. Nuttall

Outside – As charitable organizations feel the strain of increased demand for their services and decreased financial and human resources, they are increasingly turning to corporations to help them meet societal needs.

IN DuPont, an active community donations program has long been a priority. Our people have also devoted time and expertise, both on and off the job, to community initiatives. In 1998, five DuPont Canada employees – John Hobbs, Hans Koopman, Hugh McKay, Jim McKinnon and Kathryn Parke – were honoured through the global DuPont company for exceptional volunteer service in their various communities. DuPont donated US$1 000 to each of the organizations with which these five community-minded employees worked.

Pictured from left to right are DuPont Canada honorees: Jim McKinnon (Ajax) who works with the local board of trade to make his community a safer place, John Hobbs (Corunna) whose live theatre group donates proceeds to local charities and Hans Koopman (Mississauga) who works with disabled children.

NEW SEGMENTATION

In keeping with newly adopted disclosure requirements, we have changed the way in which we segment our business. This new approach parallels internal reporting processes and is intended to give shareholders more in-depth information about our operations and results (also see Note 13).

Nylon Enterprise

The Nylon Enterprise segment includes nylon yarns, the intermediate chemicals used to produce nylon polymer and the byproducts of this operation. These Canadian-manufactured products are complemented with a full range of offerings manufactured at other global DuPont company facilities. In turn, we market our Canadian-made nylon products to customers around the world.

Millions $	**93**	**94**	**95**	**96**	**97**	**98**
Net segment sales	468	516	573	612	643	715
After-tax operating income	48	58	72	84	87	99
Capital expenditures	52	57	58	45	94	61
As % of Total Company						
Net segment sales	29	31	31	33	34	35
After-tax operating income	44	37	42	43	44	49
Capital expenditures	57	67	47	40	73	71

Performance Coatings and Polymers

The Performance Coatings and Polymers segment supplies automotive finishes from our Ajax, Ontario, site to original equipment manufacturers (OEMs) and refinish body shops, and engineering polymers at our Kingston and Maitland sites, used by custom moulders. We sell global DuPont's full line of automotive coatings, engineering polymers, the elastomeric products of the DuPont Dow joint venture, and the specialty polymers produced by Advanced Polymer Alloys Inc.

Millions $	**93**	**94**	**95**	**96**	**97**	**98**
Net segment sales	251	339	377	400	469	471
After-tax operating income	28	43	49	48	56	50
Capital expenditures	12	7	12	10	10	5
As % of Total Company						
Net segment sales	15	20	21	22	24	23
After-tax operating income	26	28	29	25	28	25
Capital expenditures	13	8	10	9	7	6

Specialty Fibres

Included in the Performance Fibres segment is LYCRA® spandex yarn, manufactured at our Maitland, Ontario, site, and used in applications such as the leg and waistbands of disposable diapers. It also covers global DuPont's full range of other LYCRA® spandex yarns, DACRON® polyester fibres, KEVLAR® and NOMEX® aramid fibres, and TYVEK® spunbonded olefin.

Millions $	**93**	**94**	**95**	**96**	**97**	**98**
Net segment sales	97	131	143	161	193	205
After-tax operating income	5	9	9	12	18	16
Capital expenditures	8	1	2	3	4	4
As % of Total Company						
Net segment sales	6	8	8	9	10	10
After-tax operating income	5	6	5	6	9	8
Capital expenditures	8	2	1	3	3	5

Specialty Materials

DuPont Canada's Specialty Materials segment includes hydrochlorofluorocarbons produced at Maitland. It also includes a number of industrial and performance chemicals, other fluorochemicals, titanium dioxide and agricultural products, sourced from the global DuPont company and supplied to diverse Canadian customers engaged in a broad range of activities.

Millions $	**93**	**94**	**95**	**96**	**97**	**98**
Net segment sales	379	460	507	409	317	345
After-tax operating income	22	26	23	32	13	14
Capital expenditures	5	5	37	41	2	3
As % of Total Company						
Net segment sales	23	27	28	22	17	17
After-tax operating income	20	17	13	16	6	7
Capital expenditures	5	6	30	36	2	3

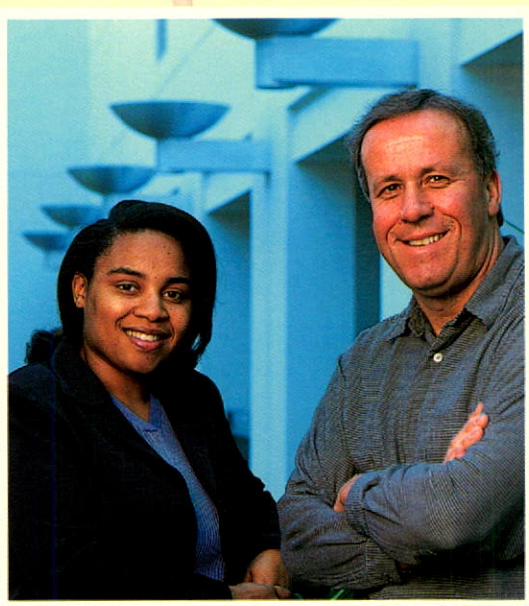
Specialty Polymers and Films

Packaging films, netting and systems for food, liquid and industrial applications are manufactured in the Specialty Polymers and Films segment, which also produces modified polymers for use in packaging and industrial applications. DuPont Canada also sells global DuPont's full range of specialty packaging films and photopolymers to Canadian customers.

Millions $	**93**	**94**	**95**	**96**	**97**	**98**
Net segment sales	425	242	238	254	296	305
After-tax operating income	5	19	18	19	24	25
Capital expenditures	14	7	7	6	13	5
As % of Total Company						
Net segment sales	26	14	13	14	15	15
After-tax operating income	5	12	11	10	12	12
Capital expenditures	15	8	6	5	10	6

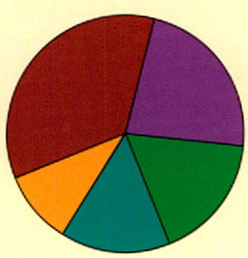
Outside – Customers are calling on their material suppliers to do more than simply fill a request for a product. These days, they expect their suppliers to understand their business and their industry, in order to bring expert solutions, and to deliver customized products using the latest, most efficient on-line technologies.

IN DuPont Canada, our customer order fulfillment and delivery processes have been radically reorganized to better meet the needs of today's sophisticated buyer. Historically, we organized around business units, with dedicated customer service representatives performing a multitude of functions within a single unit. In 1998, it all changed. The customer order fulfillment and delivery process was reworked along industry lines and across business units. Most customers can now place a single call to a knowledgeable representative who can help order all the DuPont materials they need and provide solutions beyond the immediate product offering. This enables DuPont to leverage technology and best practices across the company, and provides us with a deeper insight into industry issues and opportunities to better anticipate and meet our customers' needs.



Kalesha Dyer and Brian Boyd are members of the Customer Order Fulfillment and Delivery team.

1998 Sales by Segment



Nylon Enterprise **35%**

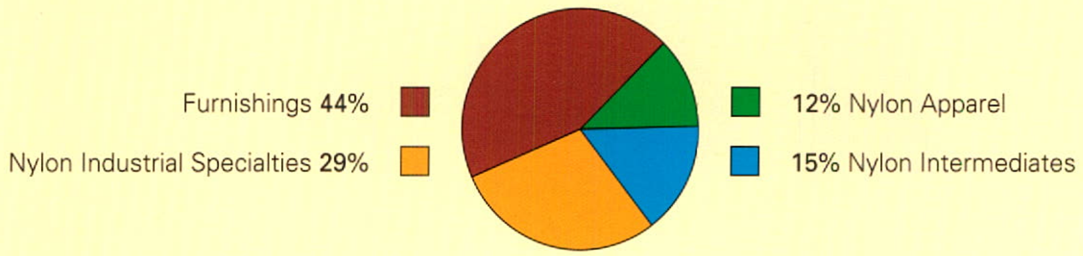
Specialty Polymers and Films **15%**

23% Performance Coatings and Polymers

10% Specialty Fibres

17% Specialty Materials

1998 Segment Sales



MANAGEMENT'S DISCUSSION AND ANALYSIS OF SEGMENT OPERATIONS

Furnishings

DuPont is a leading supplier of nylon yarn to the North American carpet industry, which includes residential, commercial, automotive and rug segments. Core products are Canadian-produced bulked continuous filament (BCF) nylon and imported staple fibre.

Furnishings revenue increased 28 per cent in 1998. In April, we completed construction of a new $58 million BCF carpet yarn spinning facility at our Kingston site. This state-of-the-art facility operated at capacity from start-up. Strong demand across North America supported price increases in both residential and commercial markets. Our product mix improved as consumers showed an increased preference for DuPont's premium branded STAINMASTER® carpets.

During the year, we developed and launched several new carpet yarns for the commercial market and expanded our portfolio of solution-dyed yarn for the critical automotive market. We serve as a global supplier of specialty branded products including automotive solution-dyed yarn and ANTRON® commercial yarn systems, as well as rug and residential STAINMASTER® yarn systems.

Many of these premium offerings, from which we expect continued growth into the future, are manufactured at Kingston.

Nylon Industrial Specialties

This unit produces and markets a wide range of high-strength, durable nylon yarns for both North American and global markets. Our Kingston site is DuPont's primary global source of light- and mid-decitex yarn for automotive air bags and is the global technology excellence centre.

In 1998, revenue grew 1 per cent. Air bag yarn shipment growth levelled off as a result of the General Motors work stoppage and near-complete penetration of driver and passenger side air bags in North America. We continued to modernize our spinning facility to improve yields, productivity and product quality. The emergence of side air bags and restraint curtains, combined with strong new product development capacity, will renew growth and enable us to maintain a leading position in the North American and global automotive safety markets as they further develop in 1999.

Nylon Apparel

The nylon apparel unit in Kingston manufactures both selected textile nylon yarn and polymer. We also offer the full range of global DuPont's textile nylon offerings to Canadian customers.

Total revenue grew 2 per cent in 1998. Our small textile spinning unit employing obsolete technology commenced a planned phase-out. This unit's complete shutdown early in 1999 is part of DuPont's global modernization and upgrading strategy that will allow us to direct polymer to other higher-margin end uses. Domestic shipments of global DuPont textile yarns to Canadian apparel customers rose significantly in 1998 as a result of market share gains, the success of new products, and an aggressive export strategy by several customers. Sales of nylon polymer for spinning yarn began in 1997 and rose sharply in 1998. New polymer types being introduced in early 1999 should further boost shipments.

Nylon Intermediates

Our Nylon Intermediates facility in Maitland, Ontario, manufactures the two essential chemicals for nylon production – adipic acid and hexamethylenediamine (diamine) – as well as several related specialty products. Our Kingston site uses about 60 per cent of this adipic acid and all of the diamine to produce nylon yarn. The remaining adipic acid is sold in domestic and export markets as a food additive, extrusion aid and polymer additive. At Maitland, we also manufacture DYTEK™ A, a chemical used in the manufacture of pharmaceuticals and vitamins, and to modify polymers.

Revenue remained essentially flat in 1998. Increased domestic sales and the January start-up of our new DYTEK™ facility offset reduced revenue from lower adipic acid exports. The project was completed on time and within budget. Upon its completion, we became DuPont's global DYTEK™ A supplier, with excellent growth potential. We are also DuPont's global supplier of high-quality food-grade adipic acid. During the year, we completed an extensive modernization of our adipic acid instrument control system. We brought our nitrous oxide abatement system up to operating standards, reduced aqueous effluents, and significantly improved the operation of our biological treatment facility. Our ISO-9002 quality certification was also extended to cover all manufactured byproducts.

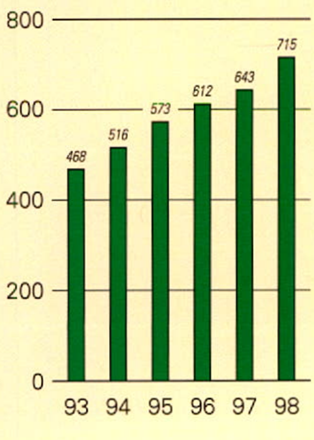
We anticipate increased revenue in 1999 from higher export volume, continued growth in domestic sales, and significantly more DYTEK™ A shipments.

Outside – Time-starved consumers are looking for ways to make their shopping decisions easier. A strong brand simplifies their task. If they recognize a name, they are more likely to trust the product. For products such as DuPont STAINMASTER® carpet – the leader in residential carpet market brand awareness – trends such as this create demand.

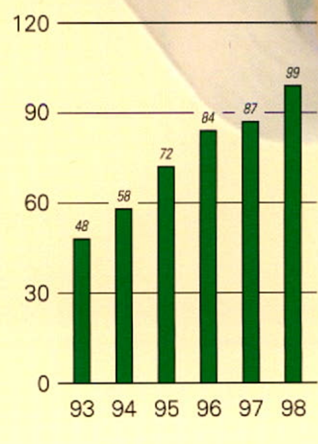
IN DuPont, we are responding to the increased demand for premium branded products by offering more styles of STAINMASTER® carpet than ever before. We have also enhanced product performance with our advanced TEFLON® repel system, and improved the product warranty. In 1998, we completed a $58 million expansion to our carpet yarn spinning facility in Kingston, Ontario, to address growing North American demand for premium products in the residential carpet market, and across commercial, automotive and rug segments as well. Our plant manufactures high-value bulked continuous filament (BCF) fibres for all four market segments, and can produce the entire range of decitex products, including increasingly popular finer grades. Already, we are seeing results, with sales to Canadian mills and exports of manufactured product rising significantly.

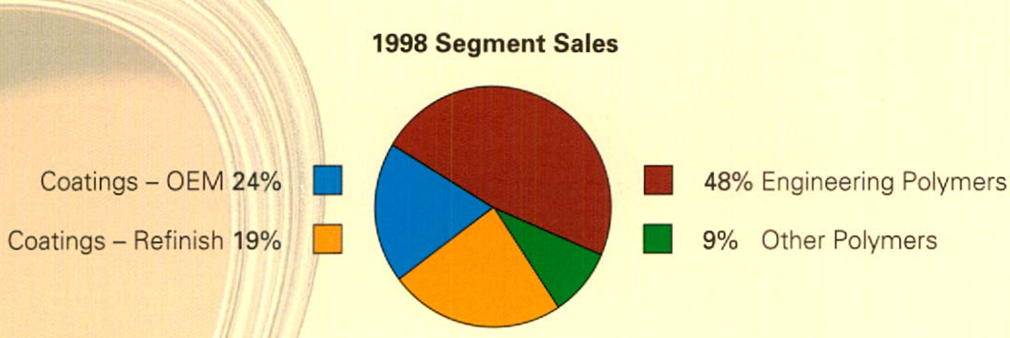
Site manager Glen Wood (left), Doug Baker, Business Director, Nylon Industrial Specialties and Carolyn Hendrick, Spinning Technician celebrate the official opening of the Nylon expansion at our Kingston site.

Segment Net Sales
(millions $)



Segment After-Tax Operating Earnings
(millions $)





MANAGEMENT'S DISCUSSION AND ANALYSIS OF SEGMENT OPERATIONS

Performance Coatings

We manufacture automotive finishes for Canadian new vehicle manufacturers and their suppliers. We also produce primers and topcoat finishes for the Canadian refinish market. Our products are exported, primarily to the United States. We also import some DuPont products for specialty applications by our Canadian customers.

Revenue increased 4 per cent in 1998, despite reduced sales caused by January's ice storm in Eastern Canada and some production interruptions experienced by our OEM customers.

During the year, we introduced two new urethane refinish primers. One primer greatly enhances body shop productivity, and the other offers the superior finish properties valued by the premium automotive refinish market. We also launched our new CHROMAPREMIER® product system, aimed at larger dealership body shops. This sophisticated system reads existing vehicle finishes, makes exact matches, and accurately mixes paint for a perfect refinish. With these developments, we continued our market leadership in Canada and improved the competitive position of DuPont, our distributors and our refinish customers.

Our transportation customers – including manufacturers of trucks, buses and trains – enjoyed significant growth in 1998. Sales to Canadian OEMs surged in the latter part of the year following the return to full operations at General Motors, and as Ford stepped up production of its Windstar minivan.

Our Ajax, Ontario, plant became DuPont's North American manufacturing site for refinish epoxy primers. This new opportunity should deliver higher growth in 1999. The site also achieved QS-9000 certification and made significant improvements in all customer quality audits.

In November, the global DuPont company announced an agreement to acquire Herberts, the automotive and industrial coatings company of Hoechst AG. Herberts' environmentally friendly, solvent-reduced paints and extensive offering of powder coatings will significantly broaden and enhance our product line in Canada, and reinforce our position as the leading Canadian supplier of automotive coatings.

Continued strength of the North American automotive market and the introduction of our new products are expected to sustain this unit's revenue growth in 1999.

Engineering Polymers

ZYTEL® nylon resins, manufactured at our Maitland and Kingston sites, are used in the automotive, electronics, sporting goods, and consumer and industrial durable markets in Canada and around the globe. In addition, we market a comprehensive range of global DuPont's engineering and specialty polymers, such as DELRIN® acetal resin and CRASTIN® PBT thermoplastic polyester resin.

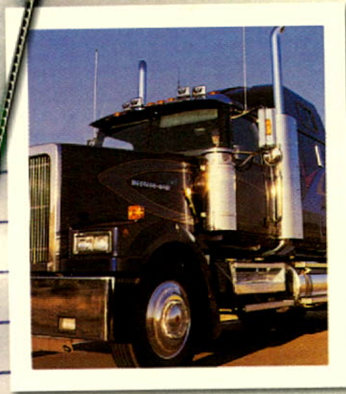
Revenue declined 7 per cent in 1998 due to reduced shipments of virgin ZYTEL® resin to DuPont in the U.S. However, domestic revenue grew by 13 per cent due to our success with Canadian customers. We jointly brought innovative products to market, such as the "lost core" air-intake manifold used in General Motors' light trucks. This product, made with DuPont ZYTEL® nylon, is moulded by Siemens Automotive and assembled by Delphi Automotive Systems.

We continue to develop other innovative, industry-leading technologies, such as our all-polymer heat exchanger. We are building an exciting and integrated portfolio of polymer products for our Canadian customers, and we are positioning ourselves to broaden DuPont Canada's future manufacturing capability.

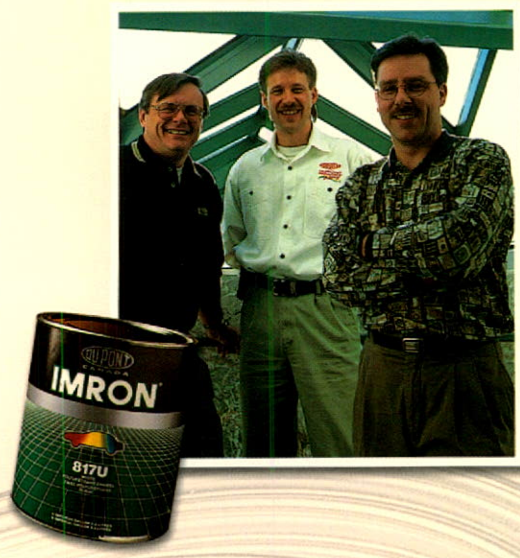
Other Polymers

We offer the full range of high-performance elastomeric materials produced by the DuPont Dow Elastomers joint venture. We also distribute Alcryn® on behalf of Advanced Polymer Alloys Inc.

Sales revenue increased by 36 per cent in 1998 due to increased penetration in the automotive, wire and cable, adhesives and chemical processing, general rubber and construction industries. New catalyst technology will lead to several new and distinctive commercial products in 1999.

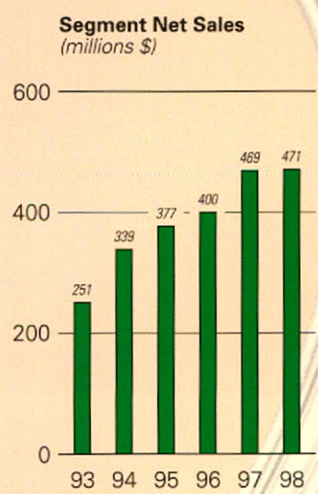


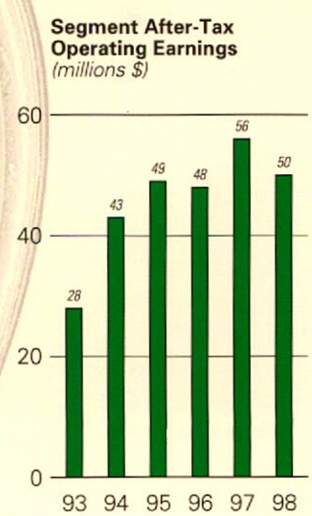
Outside – In the heavy-duty truck and large bus market, Canadian-based Western Star Holdings Limited stands out as a global success story in a world dominated by large U.S. and European manufacturers. Through increased market penetration, acquisitions and capital investments, Western Star has continued to grow its business, while partnering with suppliers who provide the highest value and quality, and the latest in technology.



IN DuPont Canada, our Finishes team was quick to recognize an opportunity to expand its business with this key customer. In a remarkable display of leadership and international co-operation, the team drew on global DuPont resources to put together an innovative paint offering for Western Star Holdings that involved the latest finishes technology for all of its truck and bus manufacturing sites worldwide (Canada, United States, United Kingdom). The offering included environmentally compliant products, in-plant support and after-market follow-up wherever their vehicles are shipped, including export destinations such as Australia and the Middle East. To top it all off, DuPont's proposal offered Western Star significant potential cost savings through increased productivity. In 1997, our team was awarded a five-year global supply agreement with Western Star Holdings. Since that time, all of Western Star's sites have converted to DuPont product and Western Star is indeed realizing the anticipated benefits.

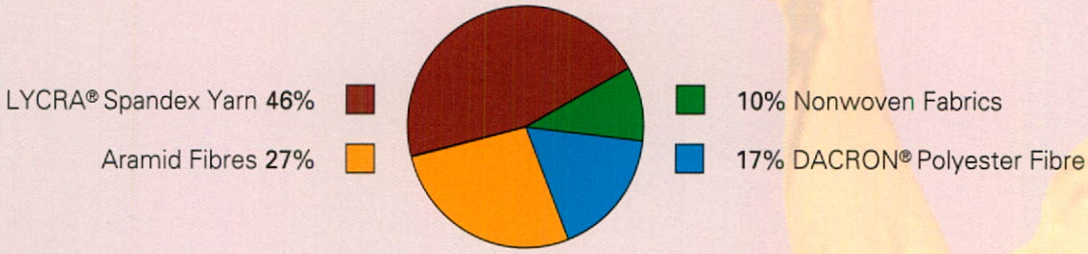
Pictured from left to right are Brian Muise, Dave Demitor and Sean Kirkwood, DuPont employees dedicated to the Western Star business.





SPECIALTY FIBRES

1998 Segment Sales



MANAGEMENT'S DISCUSSION AND ANALYSIS OF SEGMENT OPERATIONS

LYCRA® Spandex Yarn

Our Maitland site manufactures unique LYCRA® spandex yarns for the North American disposable diaper market. We also supply the full range of global DuPont's LYCRA® spandex yarns to Canadian apparel customers.

Total revenue grew 1 per cent in 1998 as increased domestic shipments slightly offset decreased exports. High customer inventories and reduced customer demand lowered first-half shipments of Canadian-made yarn. As the year progressed, however, our Maitland site operated at near capacity rates to meet new buoyant demand from North American customers. While LYCRA® sales in Canada increased, global apparel demand weakened due to the troubled Asian, European and South American economies. Several domestic customers developed unique offerings and generated new sales in both Canada and the United States. DuPont's integrated fibre offering to fabric manufacturers, garment makers, retailers and consumers enabled us to focus our efforts and bring unique apparel solutions that delivered real value to consumers. Blister Guard™ athletic socks, containing a combination of LYCRA®, COOLMAX® and TEFLON®, were an important marketing success.

While we expect global apparel markets to remain soft in early 1999, we anticipate continued firm North American demand for our manufactured products, and continued growth for our Canadian customers.

Aramid Fibres

KEVLAR® aramid fibre is used in life-saving ballistic vests, high-temperature mechanical rubber goods and a variety of protection clothing applications. NOMEX® aramid fibre is used as a hot gas filtration medium, and in inherently flame-resistant protective clothing and high-temperature electrical applications.

KEVLAR® and NOMEX® aramid fibres revenue grew 13 per cent in 1998. KEVLAR® sales were particularly strong as a result of increased shipments to the automotive heavy-duty brake shoe industry, export successes by Canadian ballistic vest manufacturers and new athletic footwear developments. NOMEX® sales were spurred by greater demand for high-temperature automotive hoses and strong electrical paper sales to support increased transformer production. We anticipate continued growth for both products in 1999.

Nonwoven Fabrics

TYVEK® spunbonded olefin fabric is used by our Canadian customers to produce protective clothing, label and print stock, and as HOMEWRAP™ in the construction industry.

Revenue rose 16 per cent in 1998 due to increased share in the graphic arts market and growth by our customers in the limited-wear protective apparel market. HOMEWRAP™ sales increased marginally despite a depressed market in Quebec. All segments are expected to grow in 1999.

DACRON® Polyester Fibre

We sell DACRON® polyester fibre from the global DuPont company to Canadian customers primarily in the apparel and thermal insulation and sleep products markets.

Sales rose 6 per cent amid an extremely competitive global market. Weakened Asian economies resulted in large volumes of commodity grade polyester fibre entering the North American market. We worked closely with customers to introduce many new and innovative products in high-growth premium markets. The team's efforts also helped to increase our presence at the important retail level.

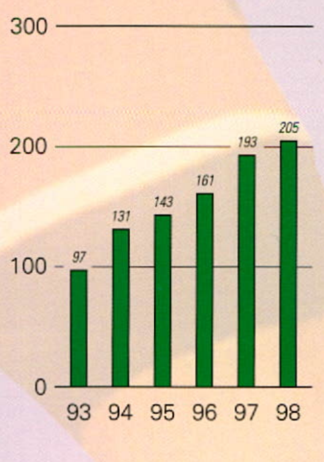
In early 1999 another new development, COOLMAX ALTA™, featuring enhanced fabric appearance will result in new opportunities in apparel markets where moisture management and comfort are paramount.

Outside – As the average age of Canadians rises, more and more people are participating in recreational sports – including running – as a way of having fun and staying fit. At the same time, they want maximum comfort and they want to compete to their fullest potential.

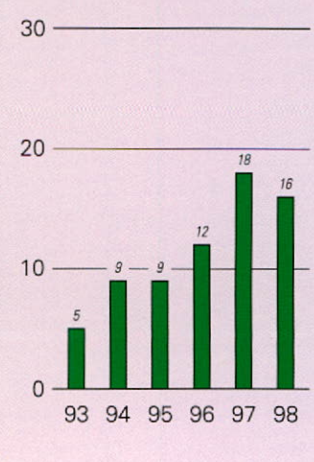
IN DuPont, we are incorporating our cutting-edge technologies – from TEFLON® through to LYCRA® – into sportswear to enhance performance and comfort, and meet the increasingly sophisticated demands of athletes, young and old. In 1998, we introduced the Cheetah sock – the result of a one-year development partnership between Gina Hosiery in Montreal, Quebec, and DuPont Canada. Made of DuPont LYCRA® 3D and COOLMAX® performance fabrics, the sock offers comfort, fit and unparalleled moisture management. To gain rapid feedback and acceptance, DuPont Canada took an unusual step for a materials company. Through the title sponsorship of two high-profile events (the Toronto races of the global Avon and GMC running series) we were able to stimulate consumer awareness by giving socks away to thousands of race participants. The response was phenomenal. The Cheetah sock went from launch to full distribution across Foot Locker Canada stores and other retailers in the space of six months.

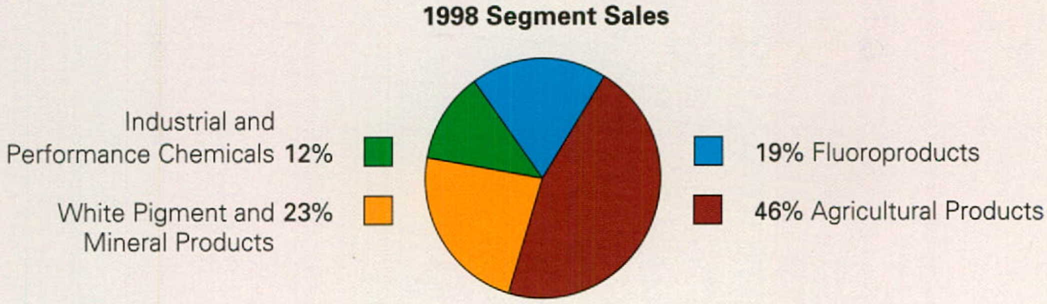
Alan Brookes, Race Director, Circuit du Canada, Canada Running series (left), and John Byrne, Marketing Manager, LYCRA®, at the DuPont Spring Run-Off, High Park, Toronto.

Segment Net Sales
(millions $)



Segment After-Tax Operating Earnings
(millions $)





MANAGEMENT'S DISCUSSION AND ANALYSIS OF SEGMENT OPERATIONS

Industrial and Performance Chemicals

This unit's revenue declined by 9 per cent in 1998 as strong sales of Performance Chemicals were more than offset by reduced shipments of Industrial Chemicals. For example, depressed gold prices significantly reduced sodium cyanide shipments. Similarly, sodium shipments declined with the elimination of a sodium-based compound, which was used as the propellant of choice in automotive air bags. Our Performance Chemical sales – including ZONYL® fluorosurfactants, KRYTOX® performance lubricants and TEFLON® fluoropolymers – increased substantially in 1998 as we targeted high-growth opportunities in the automotive, coatings, and pulp and paper markets. We will continue to focus on these markets to increase revenue in 1999.

White Pigment and Mineral Products

Strong demand from Canadian customers in the abrasive coatings, foundry, plastics and paper markets boosted revenue more than 22 per cent in 1998. Many of our customers successfully increased their exports to the United States. We expect somewhat slower revenue growth next year.

Fluoroproducts

DuPont is a major supplier of fluoroproducts to Canadian industry. At our Maitland site, we manufacture hydrochlorofluorocarbon (HCFC)123, an alternative to chlorofluorocarbon (CFC) refrigerants. We package and market other global DuPont fluorochemicals that are used as refrigerants, propellants and blowing agents. We also market DuPont's TEFLON® fluoropolymers and coatings to Canadian customers.

In 1998, revenue increased 2 per cent. Domestic growth of more than 8 per cent offset a decline in exports of HCFC-123, due to a reduction in demand from existing markets. New end uses as a chemical processing intermediate were brought to market in the second half of 1998, and these are expected to drive revenue higher in 1999. Our unique marketing strategies significantly boosted domestic fluorochemicals sales in the refrigeration after-market and the blowing agent market.

Agricultural Products

The global DuPont company is one of the world's largest manufacturers of products to protect agricultural crops. Our success in Canada is based on our ability to meet the needs of Canada's farmers by applying DuPont's knowledge, technology and products to our unique climate and geography. Contributing to this success is our cereals research farm in Saskatchewan.

In 1998, we achieved another year of record revenue growth, with an 11 per cent sales increase. Substantial gains were made in each of our target markets by introducing unique and leading-edge products that improve farm yields.

MUSTER GOLD™ became the herbicide of choice for the conventional canola market because of its ability to control grass and broadleaf weeds with one application. We responded to customers' needs for convenience and quality with two other new offerings: HARMONY TOTAL™ provides cereal farmers a single offering to control both grass and broadleaf weeds; and ULTIMAX™ provides the same double-barrelled control for corn farmers.

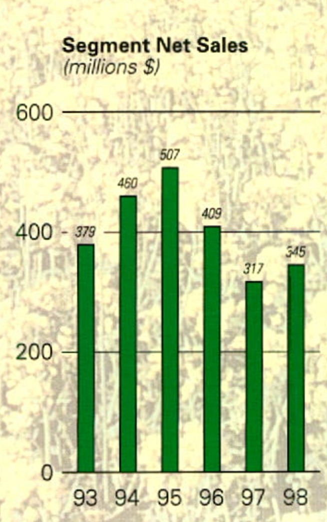
As we enter 1999, Canadian farmers will be faced with many challenges, including a weak global economy. To sustain our growth, we will continue to address their needs, particularly for increased quality yields, by developing more innovative and effective products. For example, we will launch two new herbicides – FREEDOM GOLD™ and RELIANCE™ STS – designed for herbicide-tolerant canola and soybeans, respectively.

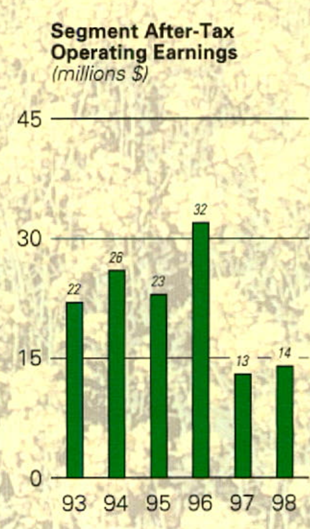
In addition to conventional crop protection offerings, we anticipate participating in global DuPont's life sciences initiative.

Outside – *In the heart of Canada's prairie provinces, cereal and oilseed farmers face unique challenges brought on by a short growing season and variable moisture conditions. At the same time, global economic forces create a constant pressure for Canadian growers to increase yields and boost competitiveness, while maintaining their longstanding reputation for quality.*

IN DuPont, we have built a research facility with the primary purpose of finding solutions to issues facing growers in Western Canada. Our Hanley Research Station, located on a 160-acre farm in southeastern Saskatchewan, is the only DuPont field research facility in the world dedicated to spring cereals (wheat, barley, oats) and canola research. Scientists there conduct field research for new herbicides, develop products for registration in Canada, and carry out numerous other studies related to soil dissipation, rainfastness, spray drift, crop residue and application timing. Our goal is to bring DuPont products to the Canadian marketplace one to two years faster than if initial research were conducted elsewhere, thereby giving domestic growers a much needed competitive edge. This strategy has resulted in such market-leading products as MUSTER® and the more recent MUSTER GOLD™.

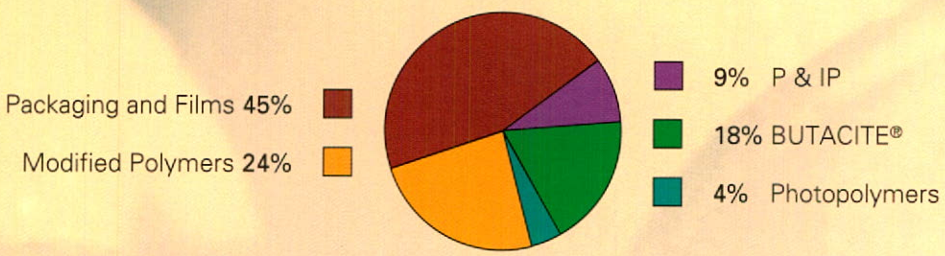
Bob Richards (left), DuPont research scientist, and Bob Wacholtz, Technical Sales Representative, in a canola field at the DuPont Agricultural Research Station, Hanley, Saskatchewan.





SPECIALTY POLYMERS AND FILMS

1998 Segment Sales



MANAGEMENT'S DISCUSSION AND ANALYSIS OF SEGMENT OPERATIONS

Packaging and Films

At our Whitby, Ontario, site, we manufacture Sclairfilm® polyethylene film, DARTEK® nylon film, VEXAR® netting and specialty pouch filling systems for use in the food and industrial packaging markets.

Packaging revenue grew a modest 1 per cent in 1998 as a result of soft demand for Sclairfilm® and increased competition in the Canadian dairy business. Our liquid packaging business in Latin America, on the other hand, grew at double-digit rates. We introduced several new aseptic systems that significantly extend shelf life of dairy products in an unrefrigerated environment. We expect our Latin American business to grow at 20 per cent per year for several years to come. Our aseptic system has been extended to the food service segment in the United States, where several systems are now operating. We expect strong growth from this newly developed market.

Several new Sclairfilm® and liquid packaging products were brought to market in the fourth quarter. These new offerings will further strengthen our leadership position and growth in 1999.

DARTEK® nylon film sales to the industrial market and to food packaging customers in Canada and Europe continued to grow in 1998. Our VEXAR® extruded netting business unit also grew as a result of improved production outputs.

In February 1998, E.I. du Pont de Nemours and Company acquired the polyester resins and films business of Imperial Chemical Industries PLC. In Canada, these products were integrated into our offerings. We also increased our sales of TEDLAR® polyvinyl fluoride film significantly, particularly into the Canadian aerospace industry and for print transfer and signage applications.

With several new products and an improved portfolio, we anticipate continued growth in 1999.

Modified Polymers

At our Sarnia, Ontario, site, sophisticated reactive extrusion technology is used to produce modified polymers. These products are used as adhesives, compatibilizers and tougheners in packaging and industrial applications. Most products are exported to the United States and Europe, with increasing sales to Asia, South America and the Middle East.

Revenue increased 10 per cent in 1998 as new polymer extrusion facilities were brought on-line. Sales of FUSABOND® adhesives declined slightly due to reduced global pipeline investments and weaker markets in Asia Pacific. BYNEL® adhesives sales grew following the introduction of several new products to our manufacturing mix. We also captured significant new BYNEL® business in Europe. During the year, an expansion of our production capacity was announced. This expansion, scheduled to come on-line in 1999, will broaden our line of polymers in order to meet demand from DuPont's global customers.

With new products and our expanded production capacity, we look forward to continued double-digit growth.

BUTACITE® Polyvinyl Butyral

We supply DuPont BUTACITE® products to Canadian manufacturers of automotive and architectural glass. Strong sales to the automotive market were offset by reduced shipments to Canadian glass manufacturers who rationalized North American production.

Packaging and Industrial Products

We market in Canada the full range of global DuPont Packaging and Industrial Polymers. Included in this group are SURLYN® ionomer resin, ELVAX® and ELVANOL®. Sales were higher in 1998 and the same is expected next year.

Photopolymers

This unit supplies the Canadian printing industry with an integrated offering of CYREL® flexographic printing plates, equipment and associated materials.

Revenue was essentially flat in 1998 as lower sales of printing plate-processing equipment were offset by a 22 per cent increase in CYREL® printing plates. In 1999, we look forward to double-digit volume growth.

Granirex

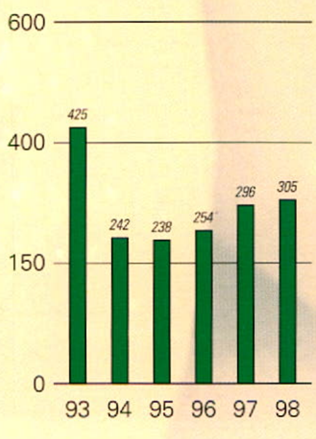
In December, we announced that we were acquiring Granirex Inc., a Quebec-based manufacturer of decorative and durable engineered-stone products used in flooring and other decorative surface applications. The acquisition took the form of a share purchase and Granirex has become a subsidiary of DuPont Canada.

Outside – The market for higher-value packaging alternatives is growing. In Latin America, intense economic pressures drive packagers to look for new technologies. In North America, environmental concerns, cost-reduction goals and consumer demand for high-quality packaging spur the growth.

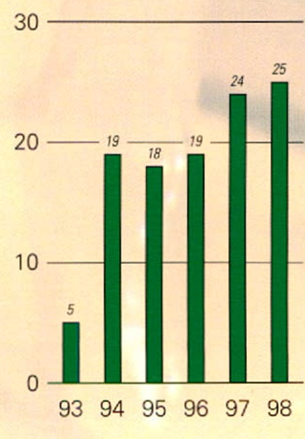
IN DuPont Canada, we have developed liquid packaging systems that have long answered the industry's needs. More recently, our aseptic pouch has been the choice of more and more manufacturers. Aseptically packaged products require no refrigeration, which means that a significant cost component of the distribution chain is eliminated. In Latin America, the pouch enables dairy and juice producers to position their products as a high-quality affordable option, thus giving them access to a broader cross-section of consumers. In North America, we have branched out into other shelf-stable applications in food services and pharmaceuticals. In these industries, the benefits of an attractive, high-quality packaging format, reduced waste, ease of use and cost savings offer significant potential for customers.

Ted Lange (left), senior research technologist, and Bernie Sikkema, research technician, work with the Liquid Packaging team at our Whitby site.

Segment Net Sales
(millions $)



Segment After-Tax Operating Earnings
(millions $)



CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Due to the divestiture of the Hydrogen Peroxide operations in 1998, the operating results are segregated in the financial statements, including the gain on the sale and the net assets relating to the discontinued operations *(see Note 5 – Discontinued Operations).*

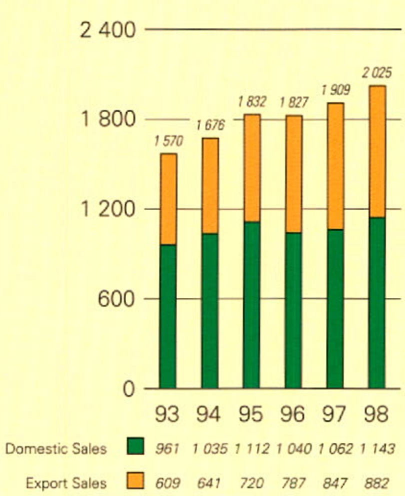
Sales and Other Income: 1998 net sales of $2 025 million increased by 6 per cent or $116 million, compared to $1 909 million in 1997, and again established a sales record for continuing operations. Total domestic sales increased by 8 per cent year over year, as domestic sales of product from global DuPont rose 10 per cent. This increase was offset in part by a 3 per cent decline in domestic sales of Canadian manufactured product. Export sales rose to a new record level of $882 million, a 4 per cent increase from the previous record of $847 million set in 1997. Approximately 91 per cent of 1998 export sales were to DuPont global affiliates. *Nylon Enterprise* sales increased 11 per cent, due almost entirely to higher Furnishings sales (up 28 per cent). The new BCF carpet yarn spinning facility operated at capacity since its second quarter start-up. The *Performance Coatings and Polymers* segment's sales remained essentially flat. A sales decline of 7 per cent in the Engineering Polymers business unit was offset by sales increases in the Performance Coatings and Other Polymers business units, which increased 4 and 36 per cent respectively. The *Specialty Fibres* segment's sales increased 6 per cent, due predominantly to a 13 per cent gain in Aramid Fibres sales. The *Specialty Materials* segment's sales increased by 9 per cent, with this gain due equally to increased sales in Agricultural Products (up 11 per cent) and White Pigment and Mineral Products (up 22 per cent). The *Specialty Polymers and Films* segment's sales increased 3 per cent, due almost entirely to increased sales of Modified Polymers (up 10 per cent). Interest and other income of $24.3 million was up $9.6 million compared to 1997, due largely to the increased size of our investment portfolio.

Expenses: Despite a modest increase in the 1998 sales mix towards the lower margin resale markets, the cost of goods sold and other operating charges were held at 74 per cent of net sales, matching our experience in 1997. Selling, general and administrative expenses of $138.6 million increased by only $1.1 million, or 1 per cent. Depreciation and amortization charges of $57.4 million rose $4.1 million from 1997, due to additional charges for new capital assets. Underlying gross expenditures for research and development increased by $1.6 million in 1998. However, research and development expenses totalling $8.5 million (net of affiliate reimbursements and other credits) were down from $13.4 million in the prior year due to increased affiliate reimbursements *(see Note 3).*

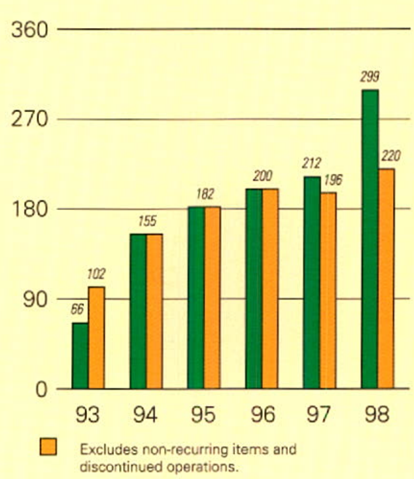
Net earnings from continuing operations of $219.9 million ($2.37 per share) reflected an increase of 12 per cent, or $24.3 million over 1997. Net earnings from the discontinued Hydrogen Peroxide operations contributed a further $78.8 million, consisting of a $78.6 million gain on the sale and $0.2 million net earnings after taxes on the partial year of operations. Total net earnings of $298.8 million ($3.21 per share) represented an increase of 41 per cent from our previous record of $212.1 million ($2.29 per share) set in 1997. This is the fifth consecutive year that the company has surpassed all previous earnings records.

Outlook: Many economists forecast a more challenging business environment in 1999 due to the unsettled nature of the Asian, South American and European economies. To date, the American economy and, to a lesser degree, the Canadian and European economies, have outperformed economists' predictions. While global and domestic uncertainties exist, most of our Canadian customers remain optimistic and are working toward continued growth in 1999. If the American and Canadian economies continue to expand slowly, we expect to achieve modest revenues and earnings growth in 1999.

Net Sales
(millions $)



Net Earnings
(millions $)

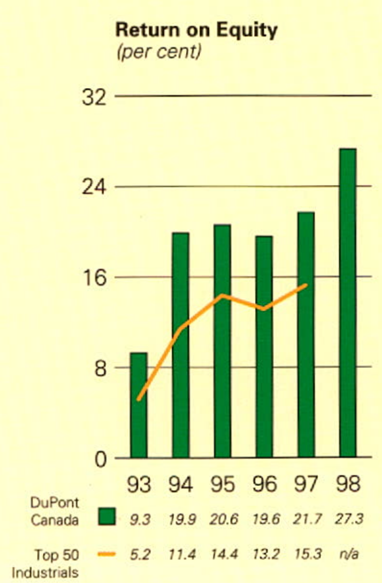


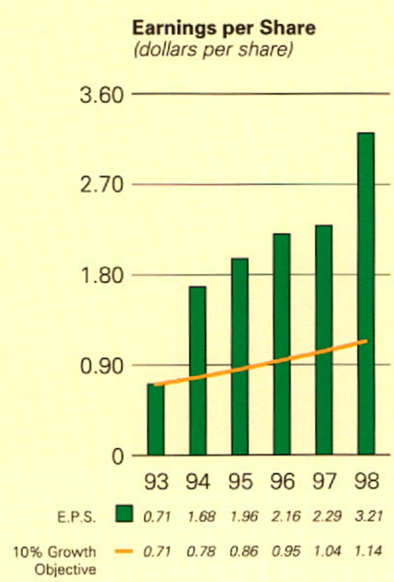
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31

(Dollars in thousands except per common share)		1998		1997
				(as restated – Note 5)
Net Sales	$	**2 025 072**	$	1 909 315
Interest and other income		**24 346**		14 737
		2 049 418		1 924 052
Cost of goods sold and other operating charges		**1 499 691**		1 410 952
Selling, general and administrative expenses		**138 605**		137 476
Depreciation and amortization		**57 414**		53 318
Research and development expenses *(Note 3)*		**8 478**		13 441
		1 704 188		1 615 187
Earnings from Continuing Operations Before Income Taxes		**345 230**		308 865
Income taxes *(Note 4)*				
Current		**118 478**		106 222
Deferred		**6 808**		6 996
		125 286		113 218
Net Earnings from Continuing Operations		**219 944**		195 647
Net Earnings from Discontinued Operations *(Note 5)*		**78 828**		16 480
Net Earnings	$	**298 772**	$	212 127
Net Earnings per Common Share	$	**3.21**	$	2.29
Dividends Declared per Common Share – regular	$	**0.64**	$	0.55
– extraordinary	$	**–**	$	3.00
Retained Earnings at Beginning of Year	$	**873 968**	$	1 000 633
Add: Net earnings		**298 772**		212 127
Less: Dividends declared		**59 555**		330 326
Excess of consideration paid over stated capital of common shares *(Note 10)*		**14 200**		8 466
Retained Earnings at End of Year	$	**1 098 985**	$	873 968

The accompanying Notes form an integral part of these consolidated financial statements.





CONSOLIDATED BALANCE SHEETS

Overview: We ended 1998 with an extremely strong balance sheet. The ratio of current assets to current liabilities climbed to 2.5:1, compared to 2.0:1 at the end of 1997.

Cash and short-term investments increased by $415.6 million during 1998, as we realized positive cash flow of $285.3 million from the discontinued Hydrogen Peroxide operations and an additional $127.8 million from continuing operations. At year-end, our investment portfolio comprised $475 million in demand notes with E.I. du Pont de Nemours and Company and $182 million in cash equivalents with maturities within 90 days. Our total receivables of $346.9 million increased $13.6 million during 1998, which included an increase of $10.1 million in inter-company export receivables and a $3.5 million increase in trade and other receivables. Total customer collections, as measured by days sales outstanding, improved to 56 versus 59 days at the end of 1997. Customer failures in the Performance Coatings and Packaging business units resulted in bad debts totalling $1.5 million during 1998, compared to $6.2 million in 1997. Total inventories increased by $3.6 million, predominantly in raw materials. We ended the year with a 45-day supply of inventory, compared to 49-day supply at the end of 1997.

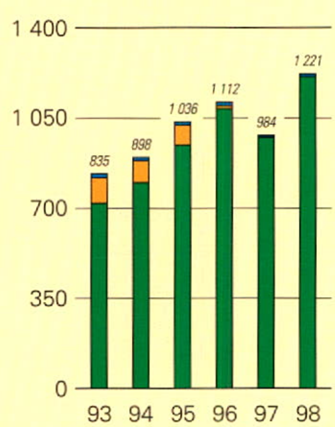
Property, plant and equipment investments increased by $36.0 million during the year *(see Note 7)*. These investments included capital expenditures of $85.5 million and the acquisition of $7.9 million in fixed assets from Granirex Inc. *(see Note 2)*, which were reduced by depreciation charges of $57.4 million. Other assets increased by $20.1 million to $24.2 million *(see Note 8)*, chiefly as a result of $13.6 million of goodwill paid on our acquisition of the common shares of Granirex Inc. and $4.9 million in business partner loans.

Accounts payable increased by $49.6 million *(see Note 6)*. This increase was chiefly comprised of higher year-end trade payables to affiliates of $56.1 million, employee payables of $6.0 million and other payables of $8.4 million. It was offset partly by a reduction in third-party trade payables of $20.9 million. Income taxes payable decreased by $6.5 million, largely related to a 0.4 per cent reduction in the effective income tax rate *(see Note 4)* and the timing of our installment payments. Dividends payable remained unchanged at $14.9 million. There has been no increase in the quarterly dividend rate since the fourth quarter of 1997 and no appreciable change in the number of outstanding common shares. Other long-term obligations decreased by $1.7 million. They consisted of a $4.6 million reduction in pension funding liabilities *(see Note 9)*, offset in part by a $1.2 million net increase to accrued other post-retirement benefit liabilities and a $1.7 million increase in accrued liabilities to employees under the Performance Sharing Program.

Capital stock increased by $8.6 million during 1998 as employees exercised stock options for 195 700 shares at an average option price of $12.04, and elected to purchase a further 173 354 shares at an average issue price of $38.38 in respect of Performance Sharing *(see Note 10)*. It has been our experience that holders almost always exercise their options. To offset the potential dilution, we purchased and cancelled sufficient shares to compensate for the 1 427 250 options outstanding as of year-end. During 1998, we re-purchased 372 500 shares for this purpose at an average purchase price of $39.28 per share.

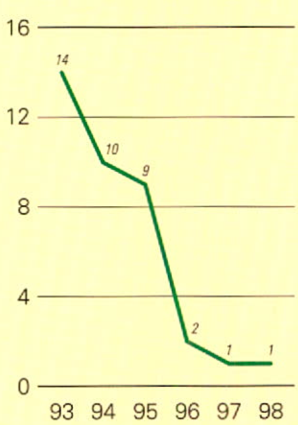
During 1998, retained earnings increased by $225.0 million, reflecting net earnings from continuing and discontinued operations of $298.8 million, offset in part by dividends of $59.6 million and share purchase related charges of $14.2 million. Our return on average common shareholders' equity was 27.3 per cent for 1998, up from 21.7 per cent in the prior year. Over the five-year period ending 1998, we have achieved an average return of 21.8 per cent.

Capital Structure
(millions $)



	93	94	95	96	97	98
Short-Term Debt	15	12	12	13	8	11
Long-Term Debt	99	85	77	12	0	0
Shareholders' Equity	721	801	947	1 087	976	1 210

Debt-to-Total Capital Ratio
(per cent)



CONSOLIDATED BALANCE SHEETS

At December 31

ASSETS *(Dollars in thousands)*	1998	1997 *(as restated – Note 5)*
Current Assets		
Cash and short-term investments *(Note 6)*	**$ 665 244**	$ 249 595
Accounts receivable *(Note 6)*	**346 902**	333 272
Inventories:		
Finished goods and work in process	**123 599**	123 392
Raw materials and supplies	**32 603**	29 246
Prepaid expenses	**8 438**	5 968
Current assets of discontinued operations *(Note 5)*	**3 290**	15 364
	1 180 076	756 837
Property, Plant and Equipment *(Note 7)*	**627 353**	591 330
Other Assets *(Note 8)*	**24 216**	4 117
Non-Current Assets of Discontinued Operations *(Note 5)*	**–**	152 243
	$ 1 831 645	$ 1 504 527

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	**$ 10 922**	$ 8 349
Accounts payable and accrued liabilities *(Note 6)*	**389 110**	339 489
Income taxes	**5 291**	11 796
Dividends	**14 877**	14 877
Current liabilities of discontinued operations *(Note 5)*	**58 193**	5 513
	478 393	380 024
Other Long-Term Obligations		
Other post-retirement benefits	**62 197**	61 004
Other	**17 778**	20 657
	79 975	81 661
Deferred Income Taxes	**63 609**	56 254
Non-Current Liabilities of Discontinued Operations *(Note 5)*	**–**	10 517
Shareholders' Equity		
Capital stock *(Note 10)*	**110 683**	102 103
Retained earnings	**1 098 985**	873 968
	1 209 668	976 071
	$ 1 831 645	$ 1 504 527

The accompanying Notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Overview: Our net cash resources of $654.3 million at the end of 1998 increased $413.1 million during the year. Continuing operations contributed $127.8 million to this change, and the sale of the two Hydrogen Peroxide operations contributed the remaining $285.3 million.

Cash flow from continuing operations of $306.2 million increased $63.0 million over the $243.2 million generated in 1997. Net earnings from continuing operations contributed $219.9 million, up $24.3 million from 1997. Total non-cash charges in the earnings statement amounted to $64.2 million, chiefly from depreciation of $57.4 million and an increase in deferred taxes of $6.8 million. Investment in working capital decreased $23.7 million, as total payables increased $43.5 million – offset in part by increases in total receivables ($11.7 million) and prepaid expenses ($1.9 million), as well as lower taxes payable ($6.5 million). Other long-term obligations decreased $1.7 million, as a result of a $4.6 million decrease in accrued pension liabilities and a $2.9 million increase in other employee benefit plan liabilities.

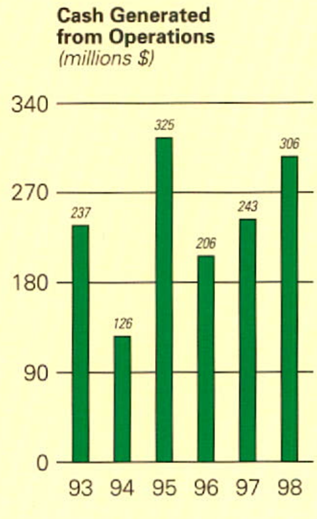
We declared regular quarterly dividends of $59.6 million in 1998, an increase of $8.5 million or 17 per cent over the prior year. As a result of the quarterly dividend rate increase in the fourth quarter of 1997, our annual dividend payout per share increased to 64 cents in 1998 from 55 cents per share in 1997. We monitor the company's regular dividend on a quarterly basis against a goal of achieving sustainable payouts within the range of 15 to 25 per cent of cash flow from operations, excluding the impact of working capital fluctuations and non-recurring items. Supporting this goal, there have been five dividend increases within the last five years. For 1998, the dividend payout equalled 21 per cent of adjusted cash flow from operations.

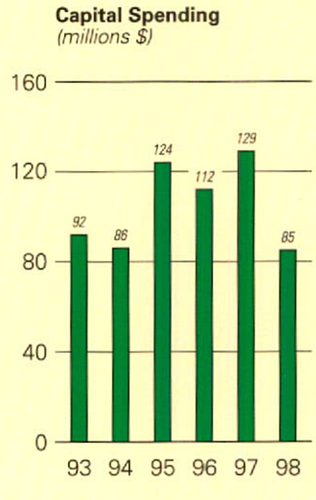
Net investment in property, plants and equipment increased $85.5 million. During 1998, we authorized new capital projects totalling $53.7 million. At year-end, $36.5 million of unexpended project activity was carried forward to 1999 for completion. In December, we completed a share purchase of Granirex Inc. for total cash consideration of $21.3 million *(see Note 2)*. Other investments increased by $6.5 million, due largely to loans to business partners.

During 1998, we issued 195 700 shares of common stock under the Employee Stock Option Plan at an average option price of $12.04 per share. We issued a further 173 354 common shares under the Performance Sharing Program at an average of $38.38 per share for combined proceeds of $9.0 million. To offset the current and anticipated dilution from these employee share-related programs, 372 500 common shares were purchased on the open market at an average per share cost of $39.28, for a total cost of $14.6 million. As of December 31, 1998, we purchased a total of 229 502 shares surplus to current dilution offset requirements, in anticipation of share-related employee plan requirements to be determined in the first quarter of 1999.

Discontinued Operations: The divestiture of the Hydrogen Peroxide operations at Gibbons, Alberta, and Maitland, Ontario, increased cash resources by a total of $285.3 million. This included the recovery of $145.9 million in plant, property and equipment investment, a pre-tax gain on sale of $119.8 million and the recovery of current and other assets valued at $18.4 million. Allowing for the $51.7 million current tax liability to be paid in 1999, this represents a $233.6 million net cash inflow to fund future operations.

Available Funding: We maintain operating lines of credit in excess of $90 million and an authorized commercial paper program of $250 million. During 1998, the Dominion Bond Rating Service (DBRS) confirmed the company's AA (low) bond rating and the R-1 (middle) commercial paper rating. Similarly, the Canadian Bond Rating Service (CBRS) reaffirmed the company's A+ (High) bond rating and the A-1+ commercial paper rating. In light of its current high-surplus cash position, the company does not anticipate any need for debt funding in 1999.





CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31

CASH RESOURCES FROM (USED IN) *(Dollars in thousands)*		**1998**		1997
				(as restated – Note 5)
Operations				
Net earnings from continuing operations	**$**	**219 944**	$	195 647
Non-cash items in earnings statement:				
Depreciation and amortization		**57 414**		53 318
Deferred income taxes		**6 808**		6 996
Net change in working capital excluding cash resources		**23 706**		(23 318)
Change in other long-term obligations		**(1 686)**		10 531
		306 186		243 174
Dividends to Shareholders – regular		**(59 555)**		(51 047)
– extraordinary		**–**		(279 279)
		(59 555)		(330 326)
Investing Activities				
Property, plant and equipment, net		**(85 486)**		(128 911)
Acquisition of a business *(Note 2)*		**(21 265)**		–
Other		**(6 492)**		2 435
		(113 243)		(126 476)
Financing Activities				
Issue of common shares		**9 010**		16 211
Purchase of common shares		**(14 630)**		(8 754)
Reduction in long-term debt, net		**–**		(12 500)
		(5 620)		(5 043)
Change in Cash Resources from Continuing Operations		**127 768**		(218 671)
Cash Resources from Discontinued Operations		**285 308**		35 024
Cash resources at beginning of year		**241 246**		424 893
Cash Resources at End of Year	**$**	**654 322**	$	241 246
Components of Cash Resources at End of Year				
Cash and short-term investments	**$**	**665 244**	$	249 595
Bank indebtedness		**(10 922)**		(8 349)
	$	**654 322**	$	241 246

The accompanying Notes form an integral part of these consolidated financial statements.

Approved by the Board:

Wendy Dobson

Wendy K. Dobson
Chair, Audit Committee

D. Colcleugh

Dave W. Colcleugh
Chairman, President and Chief Executive Officer

RISKS AND UNCERTAINTIES

DuPont Canada's **environmental activities** include ongoing risk assessment programs and compliance with the *Responsible Care®* program sponsored by the Canadian Chemical Producers' Association. The expenses related to environmental initiatives are reflected in business financial results. On the basis of our extensive audit program, management is not aware of any significant potential liabilities; therefore costs have not been accrued for future environmental remediation activities.

The Year 2000 issue arises because many computerized systems use two digits, rather than four, to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Our overriding goal is to maintain continuity of business through the year 2000 and beyond, as well as prevent any safety or environmental incidents. An active Year 2000 program to address this issue has been underway since 1997.

Internal Systems Remediation: The inventory and initial assessment phases of the company's internal systems have been completed, although updates continue to be made based on the availability of new information. The issue is significantly reduced due to the recent conversion of the majority of our commercial applications to Year 2000 compatible SAP technology. Project reporting data indicates that over 50 per cent of the critical and significant internal systems and devices are Year 2000 capable.

Business Partner Year 2000 Program: The company's plant and business operations are highly dependent on a continuous supply of key services from raw material and utility suppliers. DuPont Canada has surveyed its critical suppliers and has classified 13 per cent as high-risk and 27 per cent as requiring further investigation. Alternate sourcing and other contingency plans are being developed for high-risk suppliers to maintain business continuity. In addition, the company is conducting an assessment of its key customers, focusing on their Year 2000 readiness as it affects their operations, environmental impact and supply chain (including their ordering and payment procedures for DuPont products and services). The company is conducting surveys of customers which comprise 80 per cent of the annual revenue. Of those surveyed, 11 per cent have been classified as high-risk and 26 per cent as intermediate risk. Programs are underway to remediate the risk of these customers and to develop contingency plans to assure business continuity.

All expenses related to the Year 2000 remediation program have been included in business financial results. As of December 31, 1998, we estimate that expenditures to become Year 2000 capable have exceeded \$4.5 million: approximately \$3.0 million of information technology costs directed towards becoming Year 2000 capable and management's best estimate of \$1.5 million in costs for specific Year 2000 project team leadership working within each business and functional unit. This does not include the cost of systems projects which address the Year 2000 problem, but which were initiated to accomplish other (non-Year 2000) objectives.

We remain on target to achieve completion of all critical Year 2000 remediation efforts by June 30, 1999.

RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements of DuPont Canada Inc. and its subsidiaries and all information in the annual report are the responsibility of management. Financial information contained elsewhere in the annual report is consistent with that shown in the financial statements.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include some amounts that are based on management's best estimates and judgements.

Management maintains a system of internal control designed to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets. Employees are required to maintain the highest standards of personal and business integrity in their conduct of company affairs. An internal audit unit reviews and evaluates the accounting records and the related system of internal control on an ongoing basis, and reports its findings and recommendations to management and to the Audit Committee.

The Board has established an Audit Committee and appoints a majority of its members from outside directors. This committee reviews the consolidated financial statements with management and the external auditors prior to submission to the Board for approval, as well as the recommendations of the external and internal auditors for improvements in internal controls and the action of management to implement such recommendations.

PricewaterhouseCoopers LLP, Chartered Accountants, are responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards and for expressing an opinion on the statements. Their report follows.

February 12, 1999

Dave W. Colcleugh
Chairman, President and Chief Executive Officer

Richard E. Gies
Vice-President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders, DuPont Canada Inc.:

We have audited the consolidated balance sheets of DuPont Canada Inc. as at December 31, 1998 and 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers L.L.P.
Chartered Accountants
Mississauga, Ontario, February 12, 1999

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998 and 1997

(Dollars in thousands unless otherwise indicated)

Note 1 – Summary of Significant Accounting Policies

Basis of Consolidation – DuPont Canada Inc. is incorporated under the Canada Business Corporations Act. These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of DuPont Canada Inc. and its wholly owned subsidiaries (the company). All dollar figures are reported in Canadian dollars.

Short-Term Investments – Short-term investments are carried at the lower of cost and estimated net realizable value.

Inventories – Inventories are carried at the lower of average cost and net realizable value. The cost of finished goods inventories is based on material, direct labour and other costs relating to product conversion.

Property, Plant and Equipment – Property, plant and equipment are carried at cost. Preproduction expenses related to manufacturing and interest on borrowings incurred in connection with new facilities are charged to expense as incurred.

Depreciation is provided based on the estimated useful life of assets. The straight-line method is used. Buildings are depreciated over 25 years while equipment is depreciated over 15 years. Depreciation is not charged on new assets until they become operative.

Goodwill – Goodwill represents the excess purchase price paid, on the acquisition of a business, over the value assigned to identifiable net assets acquired and is being amortized on a straight-line basis over 15 years.

Patents and Processes – Patents and processes are amortized over their economic life or remaining patent period, which is not more than 15 years.

Other Post-Retirement Benefits – Other post-retirement benefits include medical and life insurance benefits for pensioners and survivors. These benefits are accounted for on an accrual basis. The expected costs of the employees' post-retirement benefits are expensed during the years that the employees render services and an accumulated post-retirement benefit obligation is recognized. The obligation is determined by application of the terms of the plans together with relevant actuarial assumptions.

Foreign Currency Translation – Assets and liabilities denominated in foreign currencies are all monetary and are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Revenues and expenses in foreign currencies are translated to Canadian dollars at rates that approximate the exchange rates at the dates of the transactions. Exchange gains and losses arising on these transactions are included in net earnings for the year.

Research and Development – Research costs are expensed in the period in which they are incurred. Development costs are also expensed unless they are significant and meet generally accepted criteria for deferral. Costs are reduced by government grants, investment tax credits where applicable, and reimbursements from affiliates.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect certain reported amounts. Actual amounts could differ from those estimates.

Financial Instruments – The carrying value of cash and short-term investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes and dividends approximates fair value due to the relatively short-term maturities of these instruments.

The company does not have any significant concentration of credit risk with parties other than with its major shareholder, E.I. du Pont de Nemours and Company.

The company enters into forward contracts to manage its exposure to changes in exchange rates. The contracts provide a hedge against exchange rate fluctuations on U.S. dollar receivables and payables. At December 31, 1998, the company had contracts outstanding to purchase US$22 000 and sell US$4 000. The net unrealized gain on these contracts is not significant at year-end.

Note 2 – Acquisition of a Business

Effective December 29, 1998, the company purchased all outstanding common shares of Granirex Inc. for total cash consideration of $21 265. The excess of the acquisition cost over the fair value of the net assets acquired of $13 634 is included in "Other Assets" on the consolidated balance sheet. The acquisition has been accounted for by the purchase method and the results of operations will not be included in the consolidated statement of earnings until 1999. Details of this transaction are as follows:

Current assets	$	6 370
Property, plant and equipment		7 930
Liabilities assumed		(6 669)
Net assets acquired	$	7 631
Purchase price		21 265
Goodwill	$	13 634

Note 3 – Research and Development Expenses

Research and development expenses include:

		1998		1997
Gross expenditures on research and development	$	31 733	$	30 175
Less: Reimbursements from affiliates		18 144		11 693
Investment tax credits		5 111		5 041
	$	8 478	$	13 441

Note 4 – Income Taxes

The company's effective income tax rate consists of:

	1998	1997
Combined basic Canadian federal and provincial income tax rate	42.9%	43.0%
Increase (decrease) in the income tax rate resulting from:		
Manufacturing and processing allowance	(7.1)	(6.7)
Federal income tax surcharge and large corporation tax	1.1	1.1
Other	(0.6)	(0.7)
Effective income tax rate	36.3%	36.7%

Note 5 – Discontinued Operations

In two separate transactions occurring on March 31, 1998 and December 18, 1998, the company divested of its Hydrogen Peroxide operations for total cash proceeds of $274 201, resulting in a total gain on sale of $78 601, net of applicable taxes of $41 221. The operating results, including the gain on sale, and the assets and liabilities associated with these discontinued operations have been segregated in the financial statements. The comparative amounts for 1997 have also been segregated to conform with the current year's presentation.

The results of the discontinued operations are summarized as follows:

		1998		1997
Net sales	$	35 795	$	88 495
Cost of goods sold and other operating charges		20 486		34 352
Selling, general and administrative expenses		4 532		7 631
Depreciation and amortization		10 416		20 369
Earnings before income taxes		361		26 143
Income taxes		134		9 663
Gain on sale, net of income taxes		78 601		–
Net earnings	$	78 828	$	16 480

Net assets of discontinued operations are summarized as follows:

		1998		1997
Accounts receivable	$	3 290	$	11 992
Inventories		–		2 057
Prepaid expenses		–		1 315
Property, plant and equipment		–		145 940
Other assets		–		6 303
Accounts payable and accrued liabilities		(6 455)		(5 513)
Income taxes		(51 738)		–
Deferred taxes		–		(10 517)
Net assets (liabilities)	$	(54 903)	$	151 577

Note 6 – Transactions with Affiliates

In the normal course of business, the company had transactions with its major shareholder, E.I. du Pont de Nemours and Company, and other affiliates as summarized below. Trade terms with affiliates are generally 90 days.

	1998	1997
Sales	**$ 808 851**	$ 779 188
Purchases – for consumption and resale	**943 282**	892 034
Interest income	**16 941**	–
Demand notes, included in short-term investments	**475 000**	–
Accounts receivable	**213 133**	202 992
Accounts payable and accrued liabilities	**262 278**	206 468
Dividends – regular	**45 353**	38 975
– extraordinary	**–**	212 591
Reimbursement of R&D expenditures	**18 144**	11 693

Note 7 – Property, Plant and Equipment

Property, plant and equipment include the following:

	1998	1997
Buildings and equipment	**$ 1 283 091**	$ 1 149 234
Construction in progress	**41 278**	91 840
Land	**7 911**	8 763
	1 332 280	1 249 837
Less: Accumulated depreciation and amortization	**704 927**	658 507
	$ 627 353	$ 591 330

At December 31, 1998, $36 493 (1997 – $64 451) remained unexpended on authorized capital appropriations.

Note 8 – Other Assets

Other assets include:

	1998	1997
Goodwill *(Note 2)*	**$ 13 634**	$ –
Long-term loans and receivables	**5 911**	2 053
Employee relocation loans, secured	**585**	971
Other	**4 086**	1 093
	$ 24 216	$ 4 117

Note 9 – Pension Costs and Obligations

The company has a non-contributory defined benefit pension plan covering all employees. Benefits are based on length of service and average earnings in the employee's highest paid consecutive 36-month period. Pension costs are funded through payments made to an irrevocable trust fund held by an independent trustee.

Actuarial valuations are prepared regularly to determine the costs of pension benefits and the appropriate amounts of company contribution to the fund. The actuarial method used incorporates management's best-estimate assumptions to determine the present value of accrued pension benefit obligations based on projections of salaries and wages to normal retirement dates. The most significant of these are:

	1998	1997
Discount rate	**8.75%**	8.75%
Wage and salary escalation	**4.0 %**	3.5 %

The long-term wage and salary escalation rate of 5.5 per cent is being phased in over a five-year period starting at 3.5 per cent in 1997 and increasing to 5.5 per cent by 2001.

Pension fund assets are valued using a moving average method that recognizes changes in the market value of the investment portfolio over a four-year period in order to reflect long-term market trends rather than short-term fluctuations.

Note 9 – Pension Costs and Obligations (Cont'd)

The status of the company's pension costs and obligations as at December 31 were as follows:

	1998	1997
Pension fund assets	$ 614 030	$ 562 590
Accrued pension obligations		
– to be funded from pension fund	$ 548 553	$ 535 562
– to be funded from general company resources	$ 26 986	$ 25 084

Determination of pension expense for the year is summarized below:

	1998	1997
Current service costs	$ 10 927	$ 11 057
Interest cost on pension obligations	48 595	47 622
Return on fund assets	(48 512)	(48 088)
Other	(1 676)	(2 277)
Pension expense	$ 9 334	$ 8 314
Accrued pension costs included in "Other Long-Term Obligations" on the consolidated balance sheet	$ 4 647	$ 9 273

Note 10 – Capital Stock

	1998		1997	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Unlimited authorized Class A common shares without nominal or par value:				
January 1	92 982 270	$ 102 103	92 286 853	$ 86 180
Issued during the year for cash:				
– on exercise of options	195 700	2 357	727 400	8 348
– in respect of Performance Sharing	173 354	6 653	242 417	7 862
Treasury shares purchased for cash	(372 500)	(430)	(274 400)	(287)
December 31	92 978 824	$ 110 683	92 982 270	$ 102 103

Pursuant to the employee stock option plan, options to acquire Class A common shares of the company have been granted, and remain outstanding as follows:

Year	Options Granted	Price Per Share	Earliest Exercise Date	Expiry Date	Number of Options Outstanding at December 31, 1998
1998	**163 050**	**$ 38.41**	**1999**	**2008**	**163 050**
1998	**4 700**	**$ 40.75**	**1999**	**2008**	**4 700**
1997	197 050	$ 32.60	1998	2007	196 550
1996	206 200	$ 26.08	1997	2006	199 500
1995	278 200	$ 18.78	1996	2005	200 500
1994	277 500	$ 17.98	1995	2004	189 750
1993	328 800	$ 13.47	1994	2003	142 500
1992	298 200	$ 14.00	1993	2002	110 500
1991	679 200	$ 8.05	1992	2001	174 400
1990	727 050	$ 8.21	1991	2000	37 400
1989	673 950	$ 9.79	1990	1999	8 400

Each option represents the right to purchase one common share of the company at the indicated price during the period shown.

The company's Performance Sharing program is an incentive plan under which participants share in both the risks and rewards of the company's financial performance. A portion of payments under the program may be taken in company shares at the participant's option. Participants are given the option of receiving their dividends in either cash or shares.

The company regularly purchases shares on the open market pursuant to a normal course issuer bid to offset shares that are issued under the employee stock option and performance sharing plans.

Note 11 – Commitments and Contingent Liabilities

The company's future minimum lease payments under operating leases are as follows:

Years ending December 31		
1999	$	5 848
2000		2 885
2001		2 698
2002		1 875
2003		348
	$	13 654

The company has no capital leases.

The company is subject to various lawsuits and claims arising out of the normal course of business. In the opinion of company counsel, any liability resulting from such lawsuits and claims would not materially affect the consolidated financial position of the company.

Note 12 – Uncertainty Due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect a company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Note 13 – Industry Segment Information

The company's strategic business units are organized by product line. These product lines have been aggregated into five principal segments including Nylon Enterprise, Performance Coatings and Polymers, Specialty Fibres, Specialty Materials, and Specialty Polymers and Films. Major products by segment include: Nylon Enterprise (furnishings, nylon industrial specialities, nylon apparel, and nylon intermediates); Performance Coatings and Polymers (performance coatings, engineering polymers and other polymers); Specialty Fibres (LYCRA® spandex yarn, aramid fibres, nonwoven fabrics, DACRON® polyester fibre); Specialty Materials (industrial and performance chemicals, white pigment and mineral products, fluoroproducts and agricultural products); and Specialty Polymers and Films (packaging and films, modified polymers, BUTACITE®, P & IP, photopolymers and Granirex). A significant portion of the company's sales are to its major shareholder, E.I. du Pont de Nemours and Company. These sales are principally in the Nylon segment. Approximately 43% (1997 – 43%) of total sales relate to exports, 89% (1997 – 89%) of which are made to customers in the United States.

The accounting policies of the segments are the same as those described in Note 1 to the consolidated financial statements. Segment sales include intrasegment sales. After-tax operating income does not include charges held at corporate, principally corporate administrative expenses, financing charges and miscellaneous amounts. Total segment assets measures current assets, property, plant and equipment, and other non-current operating assets of the segment.

	Nylon Enterprise	Performance Coatings and Polymers	Specialty Fibres	Specialty Materials	Specialty Polymers and Films	Total[1]
1998						
Total Segment Sales	**$ 715 326**	**$ 470 550**	**$ 204 552**	**$ 344 659**	**$ 305 025**	**$ 2 040 112**
After-Tax Operating Income	**98 505**	**49 667**	**15 650**	**13 647**	**24 769**	**202 238**
Provision for Income Taxes – Current	**57 852**	**29 170**	**9 191**	**8 014**	**14 542**	**118 769**
Segment Assets	**594 235**	**167 475**	**67 695**	**120 901**	**150 067**	**1 100 373**
Capital Expenditures	**60 585**	**5 403**	**4 247**	**2 980**	**5 442**	**78 657**
Depreciation and Amortization	**32 123**	**6 187**	**2 804**	**5 065**	**5 859**	**52 038**
1997						
Total Segment Sales	$ 643 156	$ 468 511	$ 192 824	$ 317 289	$ 296 416	$ 1 918 196
After-Tax Operating Income	86 688	55 854	17 810	12 524	23 984	196 860
Provision for Income Taxes – Current	50 932	32 652	10 465	7 274	14 071	115 394
Segment Assets	529 379	185 721	67 633	123 395	124 925	1 031 053
Capital Expenditures	94 410	9 572	3 993	1 990	12 918	122 883
Depreciation and Amortization	24 719	8 694	2 402	4 911	6 617	47 343

(1) A reconciliation of the totals reported for the operating segments to the applicable line items on the consolidated financial statements follows on page 30.

Note 13 – Industry Segment Information (Cont'd)

	1998	1997
Segment Sales to Total Sales		
Total sales for reportable segments	$ 2 040 112	$ 1 918 196
Elimination of intracompany sales	(15 040)	(8 881)
Reported sales	2 025 072	1 909 315
Sales from discontinued operations	35 795	88 495
Total sales	$ 2 060 867	$ 1 997 810
After-Tax Operating Income (ATOI) to Net Earnings		
ATOI for reportable segments	$ 202 238	$ 196 860
Interest and other income	13 105	9 710
Other corporate	4 601	(10 923)
Net earnings from continuing operations	219 944	195 647
Net earnings from discontinued operations	78 828	16 480
Net earnings	$ 298 772	$ 212 127
Provision for Income Taxes – Current		
Provision for reportable segments	$ 118 769	$ 115 394
Provision held in corporate	(291)	(9 172)
Income taxes for continuing operations – current	$ 118 478	$ 106 222
Segment Assets		
Assets for reportable segments	$ 1 100 373	$ 1 031 053
Cash and short-term investments	665 244	249 595
Corporate assets	62 738	56 272
Assets of discontinued operations	3 290	167 607
Total assets	$ 1 831 645	$ 1 504 527
Capital Expenditures		
Capital expenditures for reportable segments	$ 78 657	$ 122 883
Corporate expenditures	6 829	6 028
Total capital expenditures	$ 85 486	$ 128 911
Depreciation and Amortization		
Depreciation and amortization for reportable segments	$ 52 038	$ 47 343
Corporate depreciation and amortization	5 376	5 975
Total depreciation and amortization	$ 57 414	$ 53 318

SIX-YEAR COMPARISON

Years ended December 31

(Amounts in thousands of dollars except where otherwise noted)	**1998**	1997 (1)	1996	1995	1994	1993
Operating Results						
Net sales	**2 025 072**	1 909 315	1 827 437	1 832 009	1 676 386	1 570 188
Earnings before income taxes	**345 230**	308 865	310 829	289 088	243 804	103 195
Income taxes	**125 286**	113 218	110 817	107 534	88 561	37 563
Earnings from – continuing operations	**219 944**	195 647	–	–	–	–
– discontinued operations	**78 828**	16 480	–	–	–	–
Net earnings	**298 772**	212 127	200 012	181 554	155 243	65 632
Cash flow from operations	**306 186**	243 174	206 384	324 916	126 455	237 062
Financial Position						
Current assets	**1 180 076**	756 837	903 586	951 502	726 462	529 403
Current liabilities	**478 393**	380 024	366 972	535 855	329 638	294 863
Working capital – including cash resources	**701 683**	376 813	536 614	415 647	396 824	234 540
Net property, plant and equipment	**627 353**	591 330	679 100	646 964	597 985	631 875
Accumulated depreciation and amortization	**704 927**	658 507	787 887	749 270	689 311	770 299
Investments and other assets	**24 216**	4 117	14 505	20 407	29 496	59 474
Non-current assets of discontinued operations	–	152 243	–	–	–	–
Total assets	**1 831 645**	1 504 527	1 597 191	1 618 873	1 353 943	1 220 752
Long-term debt	–	–	12 500	12 500	84 534	98 569
Other long-term obligations	**79 975**	81 661	71 130	65 524	66 838	19 812
Deferred income taxes	**63 609**	56 254	59 776	57 599	71 668	86 489
Non-current liabilities of discontinued operations	–	10 517	–	–	–	–
Shareholders' equity	**1 209 668**	976 071	1 086 813	947 395	801 265	721 019
Data Per Common Share* *(in dollars)*						
Average number of common shares outstanding	**93 048 301**	92 793 134	92 429 291	92 473 221	92 568 004	92 518 158
Net earnings	**3.21**	2.29	2.16	1.96	1.68	0.71
Dividends declared – regular	**0.64**	0.55	0.52	0.41	0.32	0.23
– extraordinary	–	3.00	–	–	–	–
Book value *(year-end)*	**13.01**	10.50	11.78	10.24	9.07	7.76
Market value – high	**47.50**	36.00	34.95	24.50	20.13	17.00
– low	**31.50**	29.00	23.88	16.50	14.75	13.17
– year-end	**43.00**	35.05	31.95	24.00	18.75	16.42
Financial Ratios						
Return on average common shareholders' equity (2)	**27.3**	21.7	19.6	20.6	19.9	9.3
Return on capital employed (3)	**25.7**	20.5	17.4	17.4	16.0	7.2
Debt-to-total capital ratio (4)	**1**	1	2	9	10	14
Earnings from continuing operations as a percentage of net sales	**10.9**	10.2	10.9	9.9	9.3	4.2
Current ratio (5)	**2.5**	2.0	2.5	1.8	2.2	1.8
Other						
Expenditures on property, plant and equipment, net	**85 486**	128 911	112 059	123 780	85 568	91 549
Depreciation and amortization	**57 414**	53 318	82 323	77 043	81 753	91 646
Non-recurring items of income *(expense)*	–	–	–	–	–	(56 500)
Average number of employees	**3 271**	3 372	3 520	3 650	3 707	3 997

** Restated to reflect 3-for-1 stock split in 1994.*

(1) Figures for 1997 have been restated to reflect discontinued operations recorded in 1998.

(2) Net earnings less preferred share dividends all as a percentage of average common shareholders' equity.

(3) Net earnings as a percentage of the sum of average total debt, deferred income taxes and shareholders' equity.

(4) Total debt as a percentage of the sum of total debt and shareholders' equity, all at year-end.

(5) Current assets divided by current liabilities, all at year-end.

SHAREHOLDER INFORMATION

Stock Listings
Common Stock (DUP.A)
Valuation Day value $1.6875*
The Montreal Exchange
The Toronto Stock Exchange
*Restated to reflect 2-for-1 stock splits in 1984 and 1987, and the 3-for-1 stock split in 1994.

Auditors
PricewaterhouseCoopers LLP
Mississauga Executive Centre
Suite 1100
1 Robert Speck Parkway
Mississauga, Ontario
L4Z 3M3

Scheduled 1999 Financial Reporting Dates
April 29, July 29, October 28

Anticipated 1999 Dividend Payment Dates
April 30, July 30, October 29

Annual Meeting
The annual meeting of shareholders will be held at 12:00 p.m., May 7, 1999, at the DuPont Corporate Centre, at 7070 Mississauga Road, Mississauga, Ontario.

Shareholder Information
Seymour Trachimovsky
Corporate Secretary
Tel: (905) 821-5444
Fax: (905) 821-5651

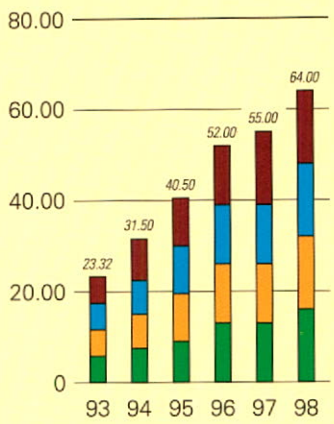
Investor Information
Antonio Pompeo
Treasurer
Tel: (905) 821-5358
Fax: (905) 821-5697

Public Information
Lili Ziobakas
Corporate Communications
Tel: (905) 821-5679
Fax: (905) 821-5653

Correspondence
DuPont Canada Inc.
Box 2200, Streetsville
Mississauga, Ontario
L5M 2H3

Nous serons heureux de vous envoyer, sur demande, l'édition française de ce rapport.
Téléphone : (905) 821-5679
Télécopie : (905) 821-5653

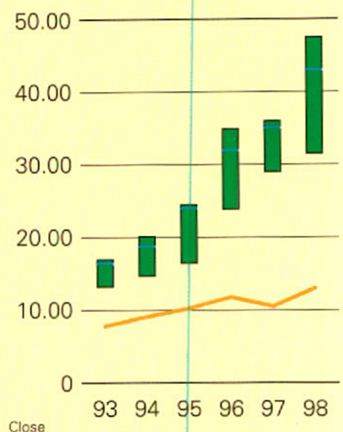
Common Stock Dividend Declarations
(cents per share)



	93	94	95	96	97	98
Fourth Quarter	5.83	9.00	10.50	13.00	16.00	16.00
Third Quarter	5.83	7.50	10.50	13.00	13.00	16.00
Second Quarter	5.83	7.50	10.50	13.00	13.00	16.00
First Quarter	5.83	7.50	9.00	13.00	13.00	16.00

Restated to reflect 3-for-1 stock split in 1994. Excludes extraordinary dividend.

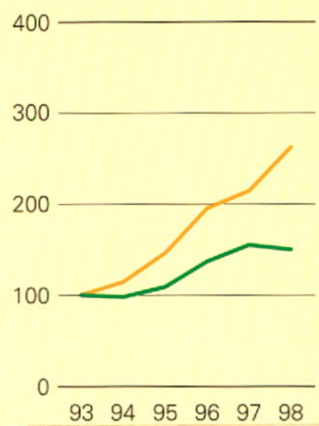
Common Stock Trading Ranges
(dollars per share)



	93	94	95	96	97	98
Close December 31	16.42	18.75	24.00	31.95	35.05	43.00
Book Value December 31	7.76	9.07	10.24	11.78	10.50	13.01

Restated to reflect 3-for-1 stock split in 1994.

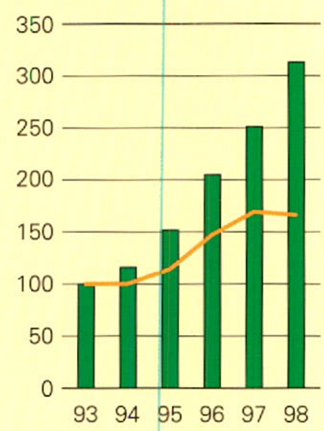
DUP.A Stock Price vs TSE 300 Price Index



	93	94	95	96	97	98
DUP.A	100	114	146	195	214	262
TSE 300 Price Index	100	98	109	137	155	150

Levels set to 100 on December 31, 1993.

Shareholder Cumulative Total Return
(dollars)



	93	94	95	96	97	98
DuPont	100	116	152	205	251	313
TSE 300 Total Return Index	100	100	114	147	169	166

Assumes an investment of $100 on December 31, 1993 and reinvestment of dividends.

Stock Transfer Agent and Registrar
Inquiries regarding change of address, registered shareholdings, share transfers, lost certificates and dividend payments should be directed, as appropriate to:

Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario, Canada M5J 2N1

Tel: (416) 981-9633/1-800-663-9097
Fax: (416) 981-9507

For ongoing, up-to-date information on DuPont Canada results, please see our Web site at www.dupont.ca.

DIRECTORS AND CORPORATE OFFICERS

(as of March 1, 1999)

Directors

Dave W. Colcleugh
Chairman, President and Chief Executive Officer
DuPont Canada Inc.
Director since November 1997

John D. Broyles
Vice President, Human Resources
E.I. du Pont de Nemours and Company
Director since May 1998

Wendy K. Dobson
Professor and Director
Centre for International Business
University of Toronto
Director since November 1989

L. Yves Fortier, C.C., Q.C.
Chairman and Senior Partner
Ogilvy Renault
Director since February 1992

Kurt M. Landgraf
Executive Vice President
E.I. du Pont de Nemours and Company
Chairman, DuPont Europe
Director since December 1996

Stacey J. Mobley
Senior Vice President, External Affairs
E.I. du Pont de Nemours and Company
Director since August 1996

Hon. Gordon F. Osbaldeston, P.C., O.C.
Professor Emeritus
Richard Ivey School of Business
University of Western Ontario
Director since January 1987

Hartley T. Richardson
President
James Richardson & Sons, Ltd.
Director since April 1997

Board Committees

Audit Committee

Wendy K. Dobson, *Chair*
L. Yves Fortier
Stacey J. Mobley
Hon. Gordon F. Osbaldeston
Hartley T. Richardson

This committee has overall responsibility for reviewing financial statements of the corporation, accounting principles used in financial reporting, the adequacy of internal controls and relations with external auditors.

Human Resources and Corporate Governance Committee

Hon. Gordon F. Osbaldeston, *Chair*
John D. Broyles
Wendy K. Dobson
L. Yves Fortier
Hartley T. Richardson

This committee reviews and approves the compensation of executives, reviews management succession planning and compensation and benefits policy and strategy, assesses the performance of the full board and individual directors, proposes new nominees to the board, and develops and monitors the corporation's approach to corporate governance.

The corporation's approach to corporate governance is outlined in our 1999 Management Proxy Circular. For a copy of the Proxy Circular, please contact Seymour Trachimovsky, Corporate Secretary, at (905) 821-5444.

Officers of the Corporation

Dave W. Colcleugh
Chairman, President and Chief Executive Officer

Richard E. Gies
Vice-President and Chief Financial Officer

James R. Barton
Vice-President and Business Director, Performance Coatings

David K. Findlay
Vice-President

K. Peter Hurd
Vice-President, Human Resources and Communications

Antonio Pompeo
Treasurer and Director, Finance

Seymour B. Trachimovsky
General Counsel and Corporate Secretary

Business Directors

Douglas J. Baker
Nylon Industrial Specialties and DACRON®

James R. Barton
Performance Coatings

A.F. (Sandy) Cameron
Marketing

Philip J. Duggan
Business Services

R.F. (Rob) Eadie
White Pigment & Mineral Products and Specialty Chemicals

John R. Elder
Aramids and Nonwovens

James R. Hay
Engineering Polymers

Hosum Li
Agricultural Products

John L. McEwan
Furnishings

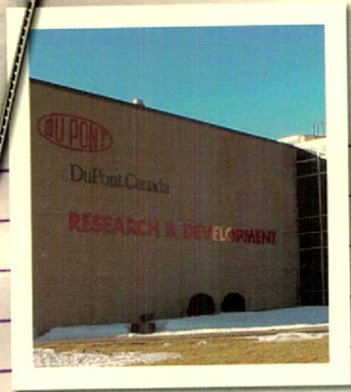
Gloria Pennycook
Fluoroproducts

Gerald R. Peterson
LYCRA®, Nylon Apparel and Polymers

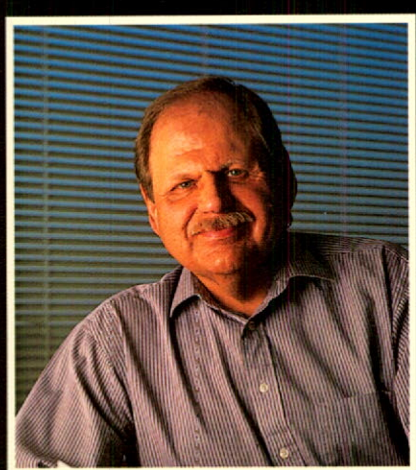
Ash Sahi
Packaging and Sclairfilm®

Bernie Theriault
Nylon Intermediates

DESIGN AND ART DIRECTION: The Works Design Communications Ltd. PRINCIPAL PHOTOGRAPHY: Ron Elmy PREPRESS: Stafford Graphics PRINTING: Quebecor MI&L



Outside – The traditional Canadian research and development (R&D) arms of most polymers-based multinationals have disappeared as companies adopt new means of conducting R&D through centralization, outsourcing and other strategies.



IN DuPont Canada, our research and business development (R&BD) unit has not only survived, but it stands out as a vital part of the global DuPont company's R&D strategy, and as a vibrant member of the Canadian academic and government research community. Under the leadership of Dr. Ron Zelonka, the Canadian unit has adopted a business approach that includes marketing its advantages versus other global research institutions, obtaining ISO 9001 certification, and adopting a strong goal orientation that achieves project objectives on time and on budget. The unit sees itself as a manufacturer of knowledge products. Today, the R&BD unit receives more than 75 per cent of its funding from outside DuPont Canada and is helping promote the competitive edge of Canadian research and development.

Dr. Ron Zelonka was presented a Daedalus Award – DuPont Canada's highest honour – for his exceptional leadership of the DuPont Canada Research and Business Development organization.

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