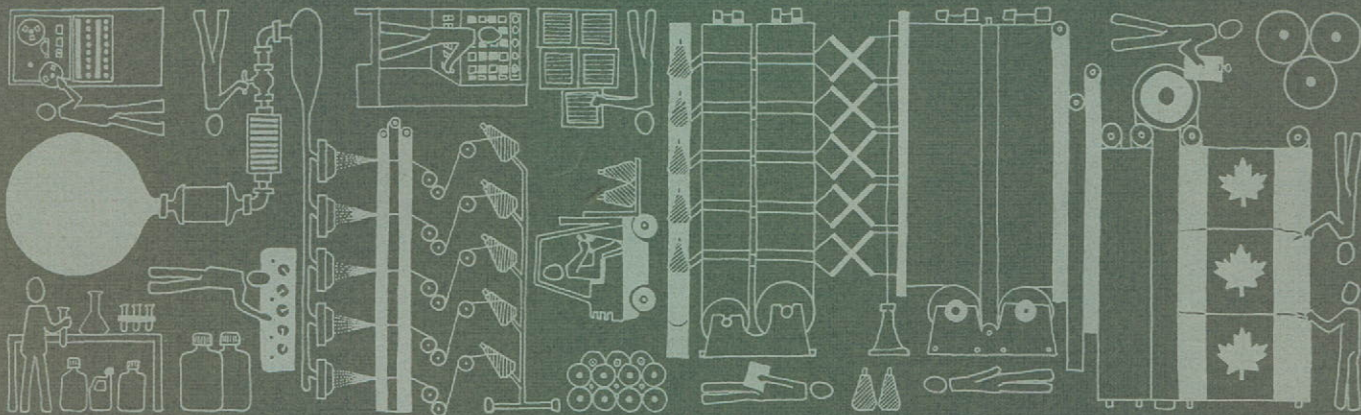




CELANESE

Celanese Canada Inc.
Annual Report 1979



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Corporate Objectives

To manage and operate our businesses in order to generate sufficient profit and profit growth such that our:

- *Shareholders* will receive a reasonable return on their investment,
- *Employees* will have the opportunities for just compensation, job security and the individual rights for advancement through achievement,
- *Customers*, world-wide, will receive the benefits of our investments in improved technology, productivity and quality,
- *Social Responsibility*, as a Canadian Corporation, can be conducted in a manner which directly contributes to the continuing improvement of our social environment.

Profit, when viewed with the proper balance among these Corporate goals, is clearly the motivating force of any enterprise.

Contents/Annual Report 1979

- 1 Financial Highlights
- 2 To Our Shareholders
- 13 Financial Review
- 15 Principles Reflected in Consolidated Financial Statements
- 16 Consolidated Statements of Income and Retained Income
- 17 Consolidated Balance Sheet
- 18 Consolidated Statement of Changes in Financial Position
- 19 Notes to Consolidated Financial Statements
- 21 Auditors' Report to Shareholders
- 22 Directors, Committees of the Board, Officers
- 24 Ten-Year Statistical Summary

Date and Place of Annual Meeting

The Annual Meeting of Shareholders will be held in the Salon l'Été of Le Quatre Saisons hotel, 1050 Sherbrooke Street West, Montreal, at 10:00 a.m. on May 1, 1980.

The Corporation was first incorporated in 1926 under the name of Canadian Celanese Limited. The Corporation has been continued under the Canada Business Corporations Act under the name of Celanese Canada Inc. pursuant to a certificate of continuance issued on May 31, 1978.

Pour obtenir la version française de ce rapport, il suffit d'écrire au Directeur, services juridiques et secrétaire, Celanese Canada Inc., 800 ouest, boulevard Dorchester, Montréal, Québec H3C 3K8

Year

(millions of dollars except share amounts)

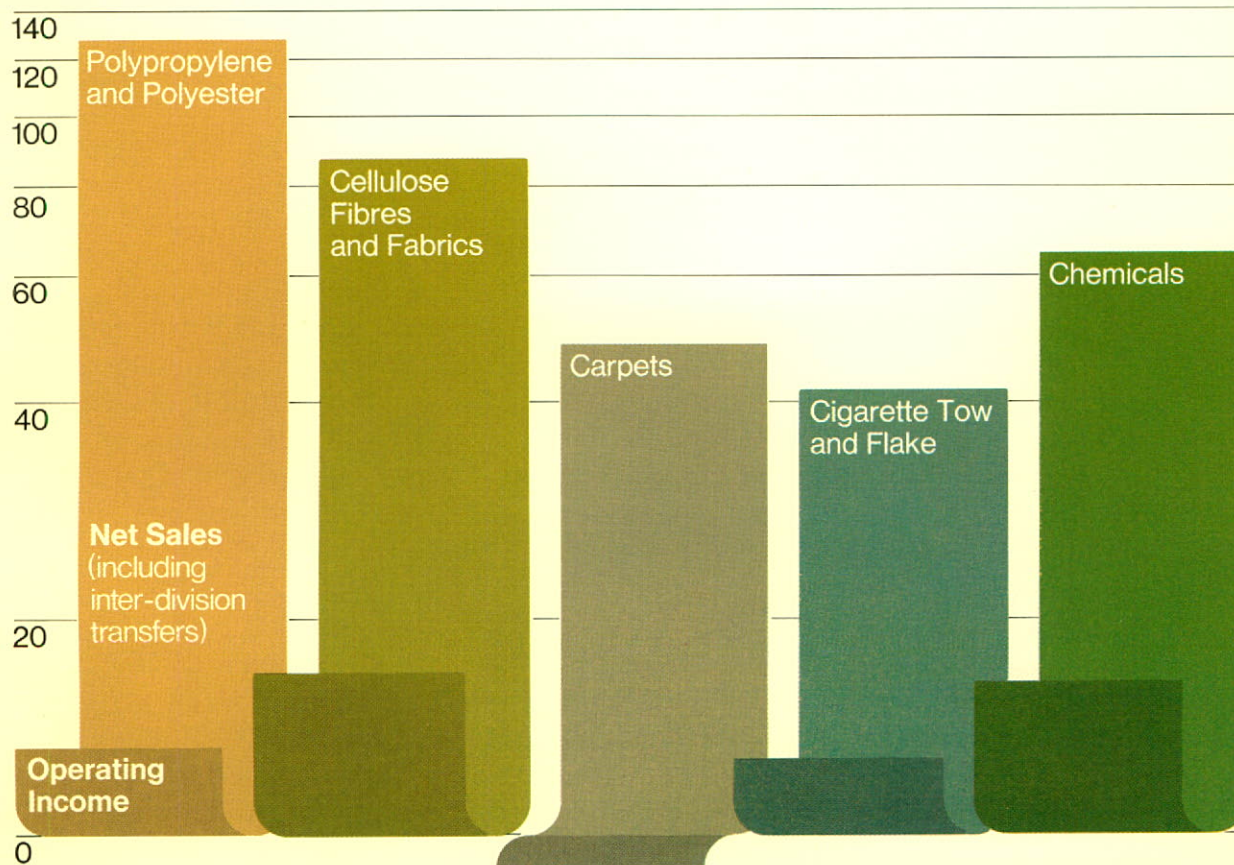
	1979	1978
Net Sales	\$353.6	\$290.7
Income before goodwill write-off	21.2	7.1
Net Income after goodwill write-off	18.2	7.1
Working Capital	78.6	68.2
Depreciation	21.6	25.7
Capital Expenditures	24.4	18.2
Per Common Share: Income before extraordinary items	\$ 1.44	\$ 0.43
Net Income after extraordinary items	1.30	0.47
Shareholders' Equity	6.67	5.57

Quarters

(millions of dollars except share amounts)

Quarter	Net Sales		Net Income		Net Income Per Common Share	
	1979	1978	1979	1978	1979	1978
1st	\$ 85.3	\$ 65.1	\$ 4.9	\$ 0.4	\$0.35	\$0.02
2nd	89.6	75.1	6.4	1.2	0.46	0.08
3rd	79.6	67.1	4.4	1.9	0.31	0.12
4th Before goodwill write-off	99.1	83.4	5.5	3.6	0.41	0.25
Goodwill write-off			(3.0)		(0.23)	
Year	\$353.6	\$290.7	\$18.2	\$7.1	\$1.30	\$0.47

Product Groups



▼ Pierre Côté, Chairman of the Board,
and Richard M. Clarke, President and
Chief Executive Officer.

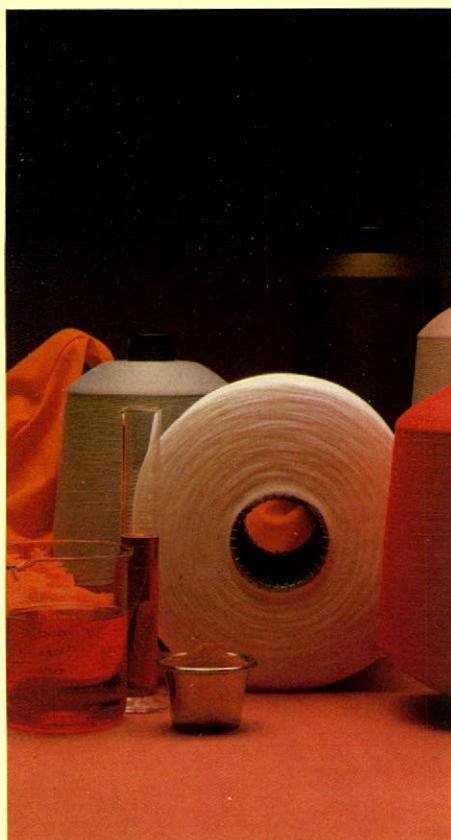


A year ago, our annual report stated:
"The challenge for 1979 will be to continue the turnaround trend of 1978 which produced record total sales with earnings per share up 45 cents over 1977."

We are particularly proud of the way our employees responded to this challenge in each of our major business units. Their efforts achieved the desired improvement trend, resulting in financial and operating results for 1979 that were the highest in the history of our Company.

Net sales increased 22% from the previous year to \$354 million and income, before the \$3 million write-off of all remaining goodwill, was \$22 million, three times higher than 1978 and nearly double the record year of 1974.

As the decade of the 70's came to a close, much concern was (and still is) being expressed in both private and public sectors regarding the future competitiveness, profitability and basic necessity for Canadian manufactured products. Protective trade measures and the lower value of the Canadian dollar seem to be, in the minds of many people, the only reasons for the existence of manufacturing industries in Canada. While both factors have contributed to the recent growth patterns experienced in



► Polyester staple fibre, representing 65% of the total volume produced at Millhaven, established record sales levels in 1979. Polyester staple is used in lightweight fillings for parkas, skiwear, quilted loungewear, comforters, sleeping bags and pillows. Polyester staple fibre is also used in carpeting or blended with cotton for sheets and pillowcases as well as with wool or man-made fibres for the manufacture of apparel fabrics.

◀ Polyester yarns are package dyed at the Cambridge plant in a wide array of colours to meet customer specifications. The Millhaven and Cambridge plants are one of Canada's largest producers of textured filament polyester yarns.



most manufacturing industries, they were not solely responsible for industry development to a competitive world-trading stance. The increased use of advanced technology, aggressive marketing and a keener focus upon and development of personnel talents remain the key to Canadian industrial prosperity and success.

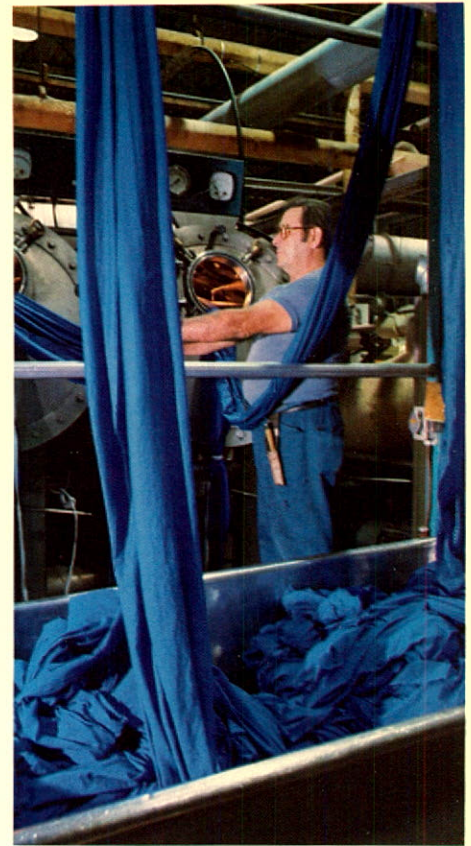
We feel that our 1979 financial results reflect the growing internationally competitive position that many Canadian manufacturers now hold.

The Operations The Corporation's textile-related businesses benefitted from a generally strong demand in domestic markets throughout the year. Productivity improvements and aggressive marketing, coupled with competitive pricing enabled this important business segment to improve profitability levels despite rapid escalations in the cost of raw materials and energy.

In total, the results for our polyester fibres business were very good, supporting the decision taken in 1979 to have Celanese Canada own 100% of Millhaven's common shares. This operational performance was not an easy one to achieve due primarily to the rapid and large cost increases of all raw materials as well as a depressed market demand for textile filament. These conditions



▲The Edmonton plant is the sole Canadian source of cigarette filter tow, acetic acid, acetic anhydride, pentaerythritol, cellulose acetate flake and vinyl acetate monomer — all industrial chemical products.

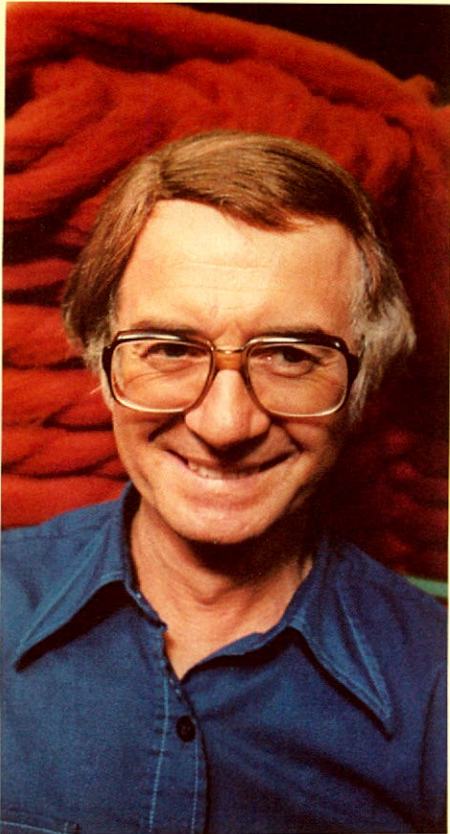


▲The Drummondville Dyehouse is equipped with the most up-to-date computerized jet dyeing machines for processing textured polyester woven fabrics.

continue to exist as we begin 1980. Polyester staple, representing some 65% of the total volume produced at Millhaven, established record sales levels in 1979 and we see no change in this trend for the future. Polyester fibres, of all types, represent a strong and profitable growth area within our textile businesses.

Our family of acetate products; filament yarn, cigarette tow and acetate flake were essentially at capacity operations all year. Approximately 50% of this product group is sold internationally and we see no lessening in demand in world or domestic markets during 1980.

The polypropylene operations at Saint-Jean improved sales and earnings through a strategy which allowed for substitution of traditional fibres by polypropylene fibres primarily in the floor coverings market. The operation, running at capacity during the last half of the year, substantially increased its sales to the export market and fibre and yarn sales for handicraft end-use remained strong. An organizational re-alignment completed in January 1980 will contribute to continued improvement in this product area.



◀The Celanese carpet manufacturing plant at Sorel employs approximately 500 men and women involved in producing a fine selection of residential, commercial and contract carpeting.

▶Markets in which polypropylene filament yarn and staple fibre products from Saint-Jean are consumed include carpets, upholstery and handi-crafts both in Canada and overseas.



The carpet industry in Canada during 1979 was plagued by two ongoing problems: a very low total market growth and a domestic production capacity that still exceeds demand by approximately 50%. Despite these deterrents, we are pleased with the improvement of the Carpets Division's results: net sales were up 12% and the net loss down by almost \$1 million. Increased volume was obtained in both domestic and international markets. The improved results were primarily attained through productivity increases and new marketing-merchandising programs initiated to support the introduction of new styles. For 1980, we will maintain our emphasis on these successful programs started in 1979. Even though we are not predicting any improvements in the general market conditions for the coming year, 1980 will show further progress towards profitability. The serious losses of past years have essentially been corrected and our commitment in 1980 must be to define the profit potential of the investment we now have in the carpet industry.



◀ The Corporation presently supplies markets in Eastern Canada with methanol, the most important of the industrial alcohols, from its plant in Cornwall, Ontario. The Edmonton plant upgrades methanol to formaldehyde and pentaerythritol.



▲ Beaming at Drummondville, followed by sizing, entering or knotting operations at both the Drummondville and Coaticook plants, are essential for the preparation of warp yarns prior to actual weaving.



The Chemicals Division performance was outstanding in 1979: sales increased by 50% to \$65 million and net income of \$8.3 million was up 40% over 1978.

Total production from the Edmonton plant is evenly split between domestic and international markets, both of which were very strong throughout 1979.

The major programs completed in 1979 were the divisional headquarters move to Mississauga, Ontario, where the major activities of the chemical business take place, and the start-up of the \$22 million vinyl acetate monomer (VAM) expansion. The additional VAM capacity will be a strong factor contributing to steady growth in 1980. The second phase of a five-year, \$15 million program to reduce energy consumption by over 30% proceeded favourably.

Finally, positive progress continues towards constructing a world-scale methanol unit at Edmonton by 1982. An application for an industrial development permit was submitted in February, 1980 to the Energy Resources Conservation Board of Alberta.



▲The Carpets Division produces and markets close to three dozen style brands of residential carpeting. The Division's improved sales results were primarily attained through productivity increases and new marketing/merchandising programs initiated to support the introduction of new styles.

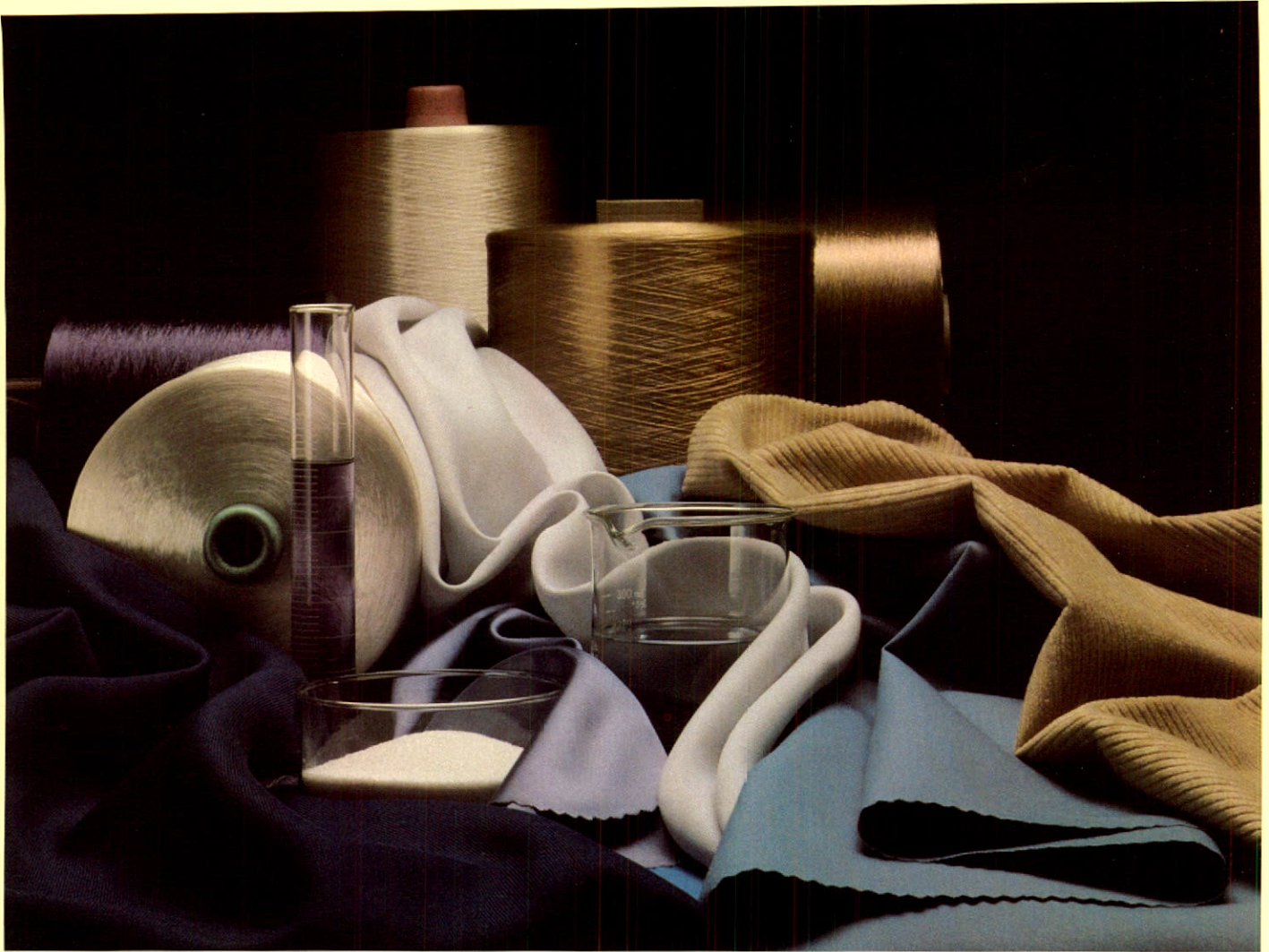


▲The Edmonton plant employees including laborers, pipefitters, electricians, welders, chemists, machinists, safety personnel and other support staff all work to create and maintain a desirable work atmosphere conducive to efficient operations.

Our Edmonton petrochemical complex, the first and one of the largest in Alberta, was started over 25 years ago. Today, we view this long term investment as a major growth opportunity for the next quarter century.

The Fabrics Division, with net income of \$3.7 million in 1979, recorded its first profitable year since 1975. Without question, the magnitude of this turnaround was remarkable and must be credited to each member of the management team and the cooperation received from every employee at the Drummondville and Coaticook plants.

A major program resulting in substantial productivity gains, product rationalization and new style development was a significant contributor to this improved performance. Both domestic and international demand for acetate linings were strong throughout the year, off-setting the impact of a market weakness for textured polyester broadwoven fabrics. This positive change in the earnings potential of our reoriented Fabrics Division is expected to continue in 1980.



▲The Drummondville and Coaticook complex constitutes the largest unit in Canada for acetate filament yarn production as well as for filament broadwoven fabrics. The Fabrics Division's product lines consist of lining fabrics of acetate, triacetate and polyester as well as outerwear woven fabrics such as 100% textured polyester, polyester/acrylic and nylon/cotton product lines.

Industrial Relations The intrinsic quality of the performance by the Corporation in 1979 is due to the strong effort made to better labour-management relations. Improved two-way employee communications have fostered a climate of mutual respect. We consider the maintenance of this climate one of the critical factors in the manufacturing success of our Corporation. The upgrading of working conditions for all employees will continue to be an important element in the effort to maintain and improve the Corporation's performance during the 1980's.

Three renewal collective agreements were negotiated without a man-day of production lost during the year: production employee contracts were signed for 24 months at Cambridge and 36 months at Coaticook and plant management at Sorel negotiated a 36-month agreement. The collective agreement at Edmonton was extended for one year and will remain in force until the spring of 1981. Compensation increases were implemented for non-unionized production, clerical, technical and professional personnel at Saint-Jean, Cornwall and Cambridge. The negotiation calendar for 1980 includes contract renewals at Millhaven.



► Plant Safety and Environmental Health Committees are an integral part of our operations. The Committees provide a two-fold function: to serve as a means of two-way safety communication for all employees, and to provide a means of quick and effective action on safety problems and hazards which can develop within a plant.

◀ As part of an ongoing "Emergency Preparedness" program, which includes radiocommunications both on and off the plant site, Millhaven's Medical Section practise and maintain their resuscitation expertise. Last spring, fifty members of Millhaven plant's volunteer fire brigade qualified as Cardio-Pulmonary Resuscitation technicians.

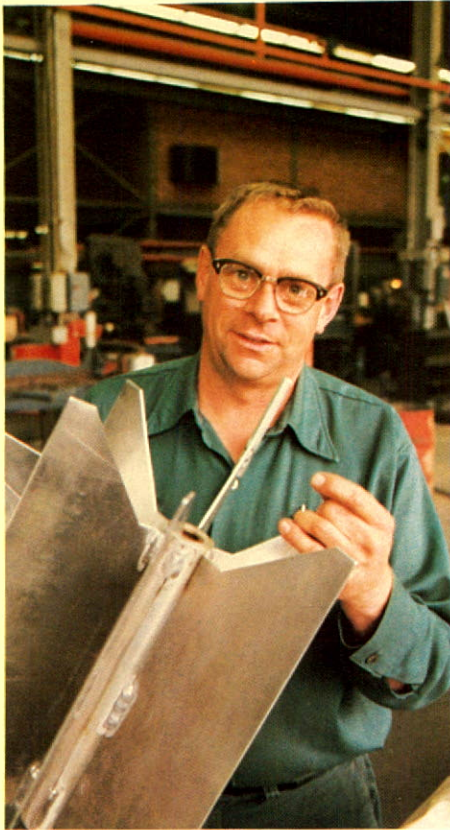


Directors and Management Another element, key to the continued success of Celanese Canada as a Canadian manufacturing company is the quality contribution of our Board of Directors. The breadth of knowledge, experience and management expertise of each Board member is an important asset. Their wisdom and counsel provide a balanced view of the strategic directions for Celanese Canada. It is with sincere appreciation of the integral management role played by the members of the Board that we wish to thank them for their contribution to our success in 1979.

Following the Annual Meeting of Shareholders on April 26, 1979, Mr. Pierre Côté, a director since November 1978, was elected Chairman of the Board. He is also a member of the Executive and Compensation Committees of the Board and replaces Mr. Bernard G. Côté, the previous Chairman and a director since 1975. We wish to thank Mr. Côté for his contribution as an officer and a director over the past several years.

Mr. Charles Perrault, a director since 1970 and a member of the Board's Executive Committee and Salary Committee, did not stand for re-election. We wish to thank Mr. Perrault for his counsel and strong contribution to the Corporation over the past decade.

▼Engineers on site of the new Vinyl Acetate Monomer Unit at the Edmonton plant. The Unit, the only one of its kind in Canada, will be a strong factor contributing to steady growth in 1980.



▲The Millhaven plant work force is made up of a broad spectrum of skilled production workers, tradesmen, and professionals. Through training experience, application and teamwork, these people have established the standards and maintained the quality of products of which Millhaven is well known.



▲Celanese Canada's Edmonton plant has more than 600 responsible men and women in highly skilled roles who transform natural resources into consumer end products.

Mr. Peter H. Conze, a director since 1963 and a member of the Board's Salary Committee also did not stand for re-election. The Board wishes to express its sincere appreciation to Mr. Conze for his administrative expertise and contribution to the Corporation during the past 17 years.

Mr. A. A. Cooksey, Vice-President and Controller, Celanese Corporation, was elected a director of the Corporation as well as a member of the Board's Audit and Pension Committees.

Mr. Donald G. Getty, President, D. Getty Investments Limited, was elected a director following the Annual Meeting.

Mr. Robert A. Longman, Vice-President and General Counsel, Celanese Corporation, was also elected a director at the same meeting.

In May 1979, Mr. André Labonté, who occupied the function of Corporate Secretary, resigned from the Corporation. We wish to take this opportunity to express our appreciation for the past services rendered by him to the Corporation.

In June 1979, Mr. F. R. Tabah was named General Manager, Fabrics Division, replacing Mr. R. R. Fisher who was appointed to a senior management position with Celanese Fibers International



▲Half of the Sorel plant's employees are engaged in a series of operations which are collectively referred to as spinning. Here employees in the opening and blending operation process staple fibres which will eventually be spun into yarn.



▲High-speed, shuttleless, water jet looms at our Coaticook weaving plant produce polyester and acetate fabrics.

Company in New York. We wish Mr. Fisher success and thank him for his outstanding contribution during the last four years.

In October 1979, Mr. Pierre G. Bourgeau joined the Corporation as General Counsel and, in addition, was named Secretary in November.

In November 1979, Mr. J. G. Kenna was appointed a Vice-President and continued as Treasurer and Controller.

In January 1980, Mr. J. H. Birkett, resigned as a director and officer of the Corporation. We wish to express our appreciation for his contribution to the Corporation.

In January 1980, an organizational re-alignment and restructuring was implemented in the Company's textile operations to deal effectively with the business strategies needed for the growth opportunities which have occurred in this important segment of our business. Mr. R. A. Chevrier was appointed Vice-President, Fibres and Fabrics Group. Responding to Mr. Chevrier are Mr. R. J. I. Leggett who was named General Manager, Polypropylene Division in November 1979, Mr. F. R. Tabah, General Manager, Fabrics Division and Dr. P. McConnell, who was named General Manager, Polyester Division.

Outlook Businesses today, and each of us as individuals, are experiencing a time in which rapid changes throughout the world will continue to impact the economic, political and social environments of our activities. It is unfortunate, and we believe unrealistic, that most published economic forecasts predict only negative trends for 1980 as a result of these changes.

Within Celanese Canada, some negative affects are perhaps unavoidable in certain product lines during part of the next 12 months. However, the many improvements noted throughout all of our divisions in 1979 and 1978 provide management with a substantial degree of flexibility to achieve a well-balanced and positive performance level in 1980.

Our textile-related businesses will continue to benefit from our productivity gains as well as the more stable market conditions made possible by the existing GATT and bilateral trade agreements. We also anticipate a favourable report from the current Textile and Clothing Board inquiry into the status of these two industries.

Our chemicals business is well positioned for the 1980's through the successful start-up of our \$22 million vinyl acetate monomer unit and the move to Mississauga of the divisional headquarters. An additional determining factor is the continued progress being made with respect to a world-scale methanol unit at the Edmonton plant site.

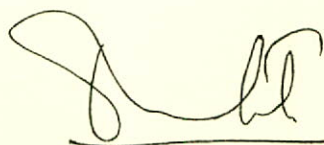
In both chemicals and textiles, major product lines are being aggressively marketed around the world and this effort will continue to be aided by the more stable and reasonable value of the Canadian dollar.

Although it is too early in the year to predict a continuation of record-setting financial performance, we do believe that 1980 will be a good year for our Corporation. We base this outlook on the solid growth established in 1979, the investment plans we have defined and expect to make early in the 1980's and the intrinsic value of Canada as a country in which to conduct business.

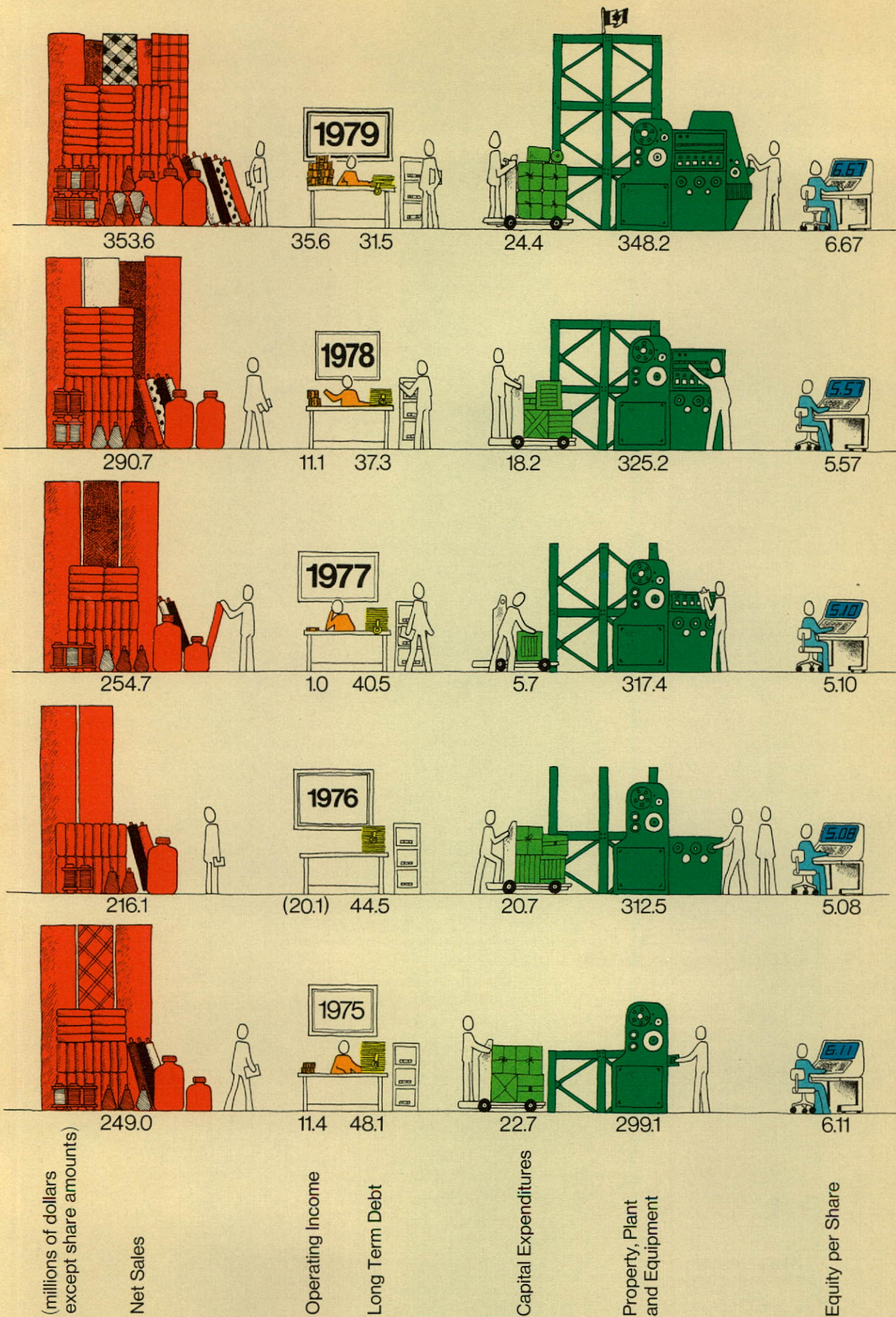
The drastic variations of our Corporation's performance over the last ten years are behind us and, as we begin this new decade, we look forward to the growth of Celanese Canada with sincere optimism.



Richard M. Clarke, President and Chief Executive Officer



Pierre Côté, Chairman



Financial Review

Sales and Earnings Consolidated net sales increased for the third consecutive year to a record level of \$354 million, an increase of \$63 million or 21% over 1978. Export sales of \$76 million were \$13 million higher than the previous year and continued to represent approximately 21% of the total sales. Net income of \$18.2 million, or \$1.30 per common share, after a write-off of remaining goodwill, was the best in the history of the Corporation and compares with a net income of \$7.1 million or 47 cents per share in 1978.

Write-off of Goodwill At December 31, 1979, as a result of a reassessment of the existing goodwill on certain polyester fibre operations, a decision was made to write-off the remaining balance. This reduced net income by \$3.0 million or 23 cents per common share.

Millhaven Fibres Limited During 1979, 50% of the common shares of Millhaven Fibres Limited, owned by Fiber Industries, Inc., a U.S. subsidiary of Celanese Corporation, were exchanged for cumulative redeemable preferred shares of Millhaven Fibres Limited. As a result of this transaction, Celanese Canada Inc. became the owner of 100% of the common shares of Millhaven Fibres Limited. In 1979, the Corporation's net income has been reduced by the share of others in the net income of Millhaven Fibres Limited to the date of the transaction and by dividends payable on the preferred shares to December 31, 1979.

Depreciation At the beginning of 1979, the Corporation re-evaluated the technological and economic lives of its businesses and its assets and adjusted its depreciation rates to be applied in 1979 and thereafter. The reduction in total depreciation charges from \$25.7 million in 1978 to \$21.6 million in 1979 was due mainly to this adjustment. By December 31, 1979, facilities having an aggregate cost of \$59.2 million became fully depreciated.

Capital Expenditures Expenditures were \$24.4 million in 1979 compared to \$18.2 million in 1978. Fifty percent (50%) of the current year's expenditures were on the vinyl acetate monomer production facilities at Edmonton which had a successful start-up in the fourth quarter.

Selling and Administration Expenses The ratio of selling and administration expenses to sales decreased from 7.7% in the previous year to 7.1% in 1979. The current year's research and development expenses include expenses incurred in the ongoing support of the Methanol Feasibility Study.

Financial Position Working capital of \$78 million at the end of 1979 was \$10 million higher than the previous year. Cash and short term investments of \$23 million were up \$6 million. During 1979, the Corporation repaid \$8.3 million of debt and resumed payment of dividends on its common shares. Shareholders' equity increased by \$14.8 million and the ratio of debt to debt plus equity decreased from 28% to 23%.

Results by Product Groups The table below sets out the results by product groups in 1979 compared to the previous year. Each division showed a marked improvement in both sales and income over the previous year. The trends which were established in 1978 continued throughout 1979.

Results by Product Groups			(millions)	
			Net Income	
Net Sales			1979	1978
1979	1978			
\$189.0	\$156.7	Fibres	\$10.3	\$3.2
58.3	45.8	Fabrics	3.7	—
48.3	42.9	Carpets	(1.1)	(2.0)
55.1	43.3	Chemicals	8.3	5.9
2.9	2.0	Miscellaneous	—	—
		Write-off of Goodwill	(3.0)	—
\$353.6	\$290.7	Total	\$18.2	\$7.1

Principles Reflected in Consolidated Financial Statements

at December 31, 1979

Celanese Canada Inc. is incorporated under the Canada Business Corporations Act and its principal business activities include the production and sale of chemical and fibre products, fabrics and carpets. The Corporation's principal subsidiaries, the common shares of which are wholly owned, are Millhaven Fibres Limited and Chemcell SA, Switzerland. Celanese Corporation, New York, owns 56.6% of the common shares of the Corporation.

To facilitate the understanding of data included in the financial statements, the accounting principles and practices followed by Celanese Canada Inc. and its consolidated subsidiaries are set forth below.

These accounting principles conform with those generally followed in Canada.

Inventories: Substantially all inventories have been valued using the last-in, first-out (LIFO) method of determining cost. Other inventories are valued at current cost. Inventory values are not in excess of net realizable value and do not include depreciation of property, plant and equipment.

Property, plant and equipment: Property, plant and equipment are stated at cost. Additions, improvements, renewals and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to income.

Depreciation is generally provided over the estimated useful lives of the depreciable assets, or asset groups, on the straight-line method. Additional depreciation is provided on particular assets or groups of assets if required to recognize the effects of significant technological or market changes.

Generally, assets are grouped and depreciated on a composite basis. Accordingly, when facilities are retired or otherwise disposed of in the normal course of business, the cost is removed from the asset accounts and charged or credited, after the application of the sales or other salvage realization, to the related accumulated depreciation account. Gains or losses on disposals which are not considered to be in the normal course of business are reflected in net income in the year of disposal.

Goodwill: Goodwill is amortized on the straight-line method over its estimated useful life. At December 31, 1979, as a result of a reassessment of the existing goodwill, a decision was made to write-off the remaining balance.

Income taxes: Income for income tax purposes differs from net income reported in the financial statements principally because of tax rules with respect to the timing of allowable depreciation, pension plan contributions and the LIFO method of valuing inventories. The tax effect of these timing differences is recorded as deferred income taxes.

Potential tax savings arising from losses and timing differences are reflected in income only when recovery is reasonably assured.

Federal investment tax credits are accounted for as a reduction in the provision for income taxes in the year in which such credits are claimed for tax purposes.

Foreign exchange: Assets and liabilities in currencies other than Canadian dollars are translated at exchange rates prevailing at the balance sheet date. Income and expenses are accounted for at rates of exchange in effect at dates of transactions. Exchange fluctuations resulting from the translation of long term items are being amortized over the remaining lives of the long term assets or liabilities to which they relate. Exchange fluctuations on current assets and current liabilities are recognized in income in the year in which they occur.

Foreign exchange gains and losses are included in "Dividends, interest and other income".

Consolidated Statement of Income

For the year ended December 31

	(thousands except share amounts)	
	1979	1978
Net sales:		
Fibres	\$188,999	\$156,652
Fabrics	58,290	45,773
Carpets	48,276	42,874
Chemicals	55,086	43,330
Other	2,952	2,037
Total net sales	353,603	290,666
Operating costs:		
Cost of goods sold	289,953	254,848
Selling and administrative	25,105	22,348
Research and development	2,947	2,348
Total operating costs	318,005	279,544
Operating income	35,598	11,122
Interest and debt expense	(2,579)	(2,856)
Dividends, interest and other income	2,940	1,547
Income before income taxes	35,959	9,813
Income taxes (note 7)	13,980	2,606
Income before the undernoted	21,979	7,207
Interest of others in Millhaven Fibres Limited (note 4)	(1,950)	(678)
Income before extraordinary items	20,029	6,529
Utilization of prior years' tax losses of Millhaven Fibres Limited, less interest of others therein	1,182	544
Write-off of remaining goodwill	(3,025)	—
Net Income	\$ 18,186	\$ 7,073
Per common share after preferred dividends:		
Before extraordinary items	\$ 1.44	\$ 0.43
Extraordinary items	(0.14)	0.04
Net Income	\$ 1.30	\$ 0.47
Average common shares outstanding during year	13,373,000	13,372,200

Consolidated Statement of Retained Income

For the year ended December 31

	(thousands)	
	1979	1978
Retained income at beginning of year	\$ 26,066	\$ 19,784
Net Income	18,186	7,073
	44,252	26,857
Dividends:		
Preferred shares — \$1.75 series	691	691
Preferred shares — \$1.00 series	100	100
Common shares	2,661	—
Total dividends	3,452	791
Retained income at end of year	\$40,800	\$ 26,066

The accompanying notes and the information presented on pages 19-21 are integral parts of these financial statements.

Consolidated Balance Sheet

As at December 31

	(thousands)	
	1979	1978
Assets		
Current assets:		
Cash and short term investments	\$ 23,230	\$ 17,044
Receivables, less allowance for doubtful accounts	60,144	49,647
Inventories (note 1)	47,184	40,240
Deferred income taxes	9,063	6,117
Other current assets	1,698	2,233
Total current assets	141,319	115,281
Investments and advances, at cost	1,210	1,019
Property, plant and equipment, at cost (note 2)	348,199	325,161
Accumulated depreciation	279,610	259,131
Net property, plant and equipment	68,589	66,030
Deferred income taxes	—	1,137
Goodwill and other assets, less amortization	1,145	4,888
Total assets	\$212,263	\$188,355
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 44,404	\$ 36,277
Income taxes	13,790	6,850
Long term debt due within one year, less amount held by trustees	4,550	3,948
Total current liabilities	62,744	47,075
Long term debt (note 3)	31,549	37,340
Deferred income taxes	773	—
Interest of others in Millhaven Fibres Limited (note 4)	15,500	17,038
Shareholders' equity:		
Capital stock (note 5):		
Preferred	12,363	12,363
Common	48,534	48,473
Retained income	40,800	26,066
Total shareholders' equity	101,697	86,902
Total liabilities and shareholders' equity	\$212,263	\$188,355

The accompanying notes and the information presented on pages 19-21 are integral parts of these financial statements.

On behalf of the Board:

Stanley E. Nixon, Director
Richard M. Clarke, Director

Consolidated Statement of Changes in Financial Position

For the year ended December 31

	(thousands)	
	1979	1978
Funds from operations:		
Income before extraordinary items	\$20,029	\$ 6,529
Depreciation and amortization (note 9)	22,458	26,597
Deferred income taxes	1,910	(2,256)
Interest of others in Millhaven Fibres Limited, net of preferred dividends of \$698,000 (1978 – nil)	1,252	678
Gain on disposal of property, plant and equipment	(468)	(315)
Working capital from operations	45,181	31,233
Extraordinary credit, including interest of others therein	1,442	1,087
Additions to property, plant and equipment	(24,359)	(18,222)
Change in – accounts receivable	(10,497)	(4,542)
– inventories	(6,944)	(754)
– deferred income taxes, current	(2,946)	(707)
– accounts payable and accrued liabilities	8,127	7,359
– other current assets	535	(902)
– income taxes payable	6,940	379
Proceeds on disposal of property, plant and equipment	646	391
Net funds from operations	18,125	15,322
Financial transactions:		
Dividends: Common	(2,661)	—
Preferred	(791)	(791)
Repayment of long term debt including current portion	(5,307)	(4,571)
Repayment of debt to other shareholder of Millhaven Fibres Limited	(3,050)	—
Investments	(191)	—
Issue of common shares	61	—
Total financial transactions	(11,939)	(5,362)
Net change in cash and short term investments	6,186	9,960
Cash and short term investments:		
at beginning of year	17,044	7,084
at end of year	\$23,230	\$ 17,044

The accompanying notes and the information presented on pages 19-21 are integral parts of these financial statements.

Notes to Consolidated Financial Statements

(1) Inventories:

Inventories at December 31 were:

	(thousands)	
	1979	1978
Raw materials	\$ 6,511	\$ 5,792
Work in process	8,564	8,399
Finished goods	24,126	19,930
Stores and supplies	7,983	6,119
Total	\$ 47,184	\$ 40,240

If inventories had been valued using the lower of average costs and net realizable values, total inventories would have been \$15,490,000 higher at December 31, 1979 and \$12,220,000 higher at December 31, 1978.

(2) Property, plant and equipment:

Assets at cost included in property, plant and equipment at December 31 and the approximate average depreciation rates for the years were:

	(thousands)			
	1979		1978	
Machinery and equipment	\$218,460	6.2%	\$235,751	8.5%
Buildings and improvements	57,320	8.8%	66,819	8.3%
Depreciable assets	275,780	6.8%	302,570	8.5%
Fully depreciated facilities	68,034		8,815	
Land	957		982	
Construction in progress	3,428		12,794	
Total	\$348,199		\$325,161	

Expenditures for maintenance and repairs **\$ 20,912** \$ 19,668

In 1979, facilities having an aggregate cost of \$59.2 million became fully depreciated. The Corporation has re-evaluated the technological and economic lives of its businesses and its assets and adjusted its depreciation rates applicable to 1979 and thereafter.

(3) Long term debt and related restrictions:

Exclusive of amounts due currently, long term debt at December 31 was:

	Due	(millions)	
		1979	1978
Celanese Canada Inc.:			
7% sinking fund debentures Series A	3/80	\$ —	\$ 1.5
5¾% sinking fund debentures Series B (US \$13.7)	11/85	16.0	18.1
6½% sinking fund debentures Series C	2/86	7.8	8.7
Millhaven Fibres Limited:			
7½% first mortgage bonds Series A	12/86	7.7	9.0
Total		\$31.5	\$37.3

Maturities and sinking fund requirements through 1984, less amounts purchased, in millions of dollars are:

1980	1981	1982	1983	1984
\$4.6	\$3.4	\$3.9	\$3.9	\$3.9

Sinking fund debentures are secured by floating charges on assets. Trust deeds securing the debentures contain certain restrictions and covenants related to the payment of dividends on the common shares, the most restrictive of which would have the effect of limiting the amount of retained income available for dividends on common shares to approximately \$16,000,000 at December 31, 1979. First mortgage bonds are secured by specific and floating charges on assets.

Notes to Consolidated Financial Statements (Continued)**(4) Interest of others in Millhaven Fibres Limited:**

During 1979, 50% of the common shares of Millhaven Fibres Limited, owned by interests other than the Corporation, were exchanged for 144,150 cumulative redeemable preferred shares of Millhaven Fibres Limited. These preferred shares are entitled to a cumulative quarterly dividend of \$2.42 per share and are redeemable at \$107.527 per share. As a result of this transaction, the Corporation became the owner of 100% of the common shares of Millhaven Fibres Limited.

In 1979, the Corporation's net income has been reduced by the share of others in the net income of Millhaven Fibres Limited to the date of the transaction and by dividends payable on the preferred shares to December 31, 1979.

(5) Capital Stock:

	Issued and outstanding at December 31,			
	1979		1978	
	shares	\$ in thousands	shares	\$ in thousands
Cumulative redeemable preferred shares, without par value, authorized				
594,500 shares:				
— \$1.75 series	395,000	9,875	395,000	9,875
— \$1.00 series	99,500	2,488	99,500	2,488
Common shares:				
Balance at beginning of year	13,372,200	48,473	13,372,200	48,473
Issued under employees' share purchase plan	12,278	61	—	—
Balance at end of year	13,384,478	48,534	13,372,200	48,473

The preferred shares, \$1.75 series, and preferred shares, \$1.00 series, are subject to redemption in whole at any time, or in part from time to time, as the Board of Directors may determine, at the price of \$40 and \$26 respectively per share, plus accrued dividends.

(6) Common Stock Options:

At December 31, 1979, a total of 34,670 unissued common shares were reserved for issue upon the exercise of stock options granted. These options, including 23,335 common shares under option of officers, some of whom are also directors, expire at various dates to May 25, 1983 and are exercisable only with the consent of the Compensation Committee of the Corporation's Board of Directors at prices ranging from \$2.70 to \$4.02 per share. The optionee may, without consent, purchase a lesser number of shares based on the market growth of the optioned shares at a nominal price.

The potential dilution of net income per share from the exercise of options is not material.

(7) Income taxes:

Taxes on income have been reduced by \$893,000 (1978 — \$399,300) resulting from the application of federal investment tax credits and by a further \$412,000 (1978 — \$410,000) attributable to the 3% inventory allowance.

(8) Pension plans:

The Corporation and its subsidiaries offer pension plans to employees. The contributions made by the companies and their employees are deposited with trustees or insurance companies according to the terms of the plans.

An unfunded actuarial liability of \$2,757,000 was determined as of January 1, 1979, which amount is being amortized within the time limits imposed by government regulations pertaining to pension plans.

Charges against income for pension costs aggregated \$2,554,000 in 1979 and \$2,200,000 in 1978.

(9) Statutory and other information:

	(thousands)	
	1979	1978
Depreciation (note 2)	\$21,622	\$25,708
Amortization of — goodwill	432	432
— debt expense	42	47
— foreign exchange loss on long term debt	362	410
Depreciation and amortization	22,458	26,597
Interest on long term debt	2,468	2,808
Accounts receivable from affiliates	3,255	2,273
Accounts payable to affiliates	2,854	2,533

(10) Commitments:

(a) At December 31, 1979, there were contractual obligations outstanding of approximately \$1,245,000 for acquisition of plant and equipment.

(b) The Corporation leases certain office premises, data processing and other equipment, warehouse and terminal facilities. Minimum annual rentals (excluding taxes, insurance and other expenses payable under certain leases) amount to approximately \$2,760,000. The most significant leases extend over various periods up to 1989 and it is expected that in the normal course of operations, most will be extended or replaced. The Corporation has no material leases which should be treated as capital leases.

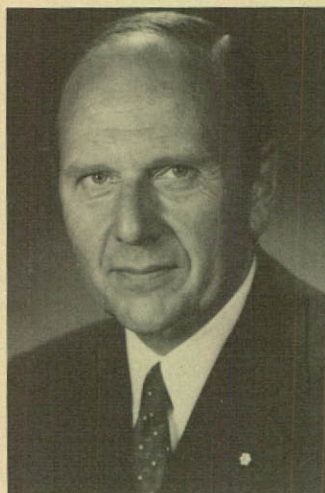
Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Celanese Canada Inc. and its subsidiary companies as at December 31, 1979 and the consolidated statements of income, retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1979 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Cie
Chartered Accountants

Montreal, Canada
January 22, 1980



Pierre Côté
Chairman of the Board,
Celanese Canada Inc.;



Marcel Bélanger
President,
Gagnon et Bélanger Inc.,
Management Consultants;



Richard M. Clarke
President and
Chief Executive Officer,
Celanese Canada Inc.;



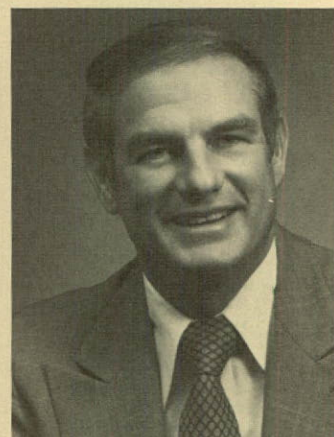
Robert W. Campbell
Chairman,
Chief Executive Officer
and a Director, PanCanadian
Petroleum Limited;



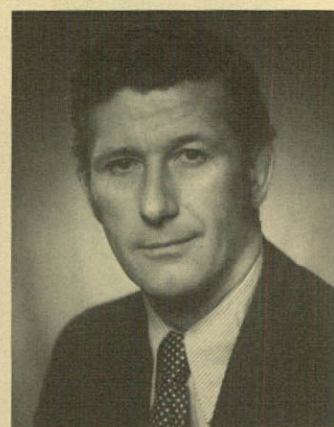
Arthur A. Cooksey
Vice-President and Controller
Celanese Corporation;



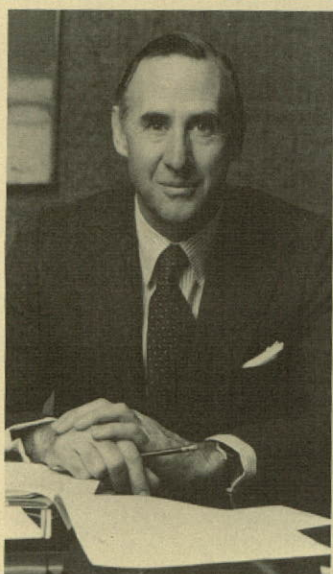
Allan R. Dragone
Executive Vice-President
and a Director, Celanese
Corporation; Chairman,
Fiber Industries, Inc.;



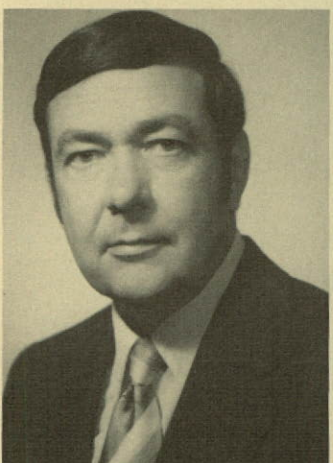
Donald R. Getty
President,
D. Getty Investments Ltd.;



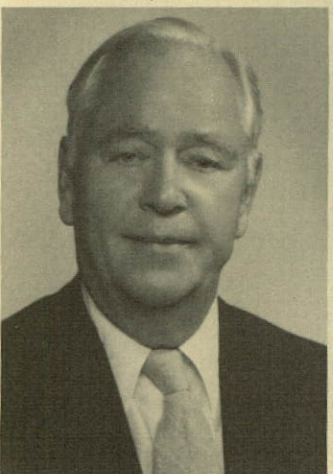
Robert A. Longman
Vice-President -
General Counsel,
Celanese Corporation



John D. Macomber
President,
Chief Executive Officer
and a Director,
Celanese Corporation;



Robert L. Mitchell
Executive Vice-President
and a Director,
Celanese Corporation;



Stanley E. Nixon
Corporate Director;



Robert C. Schroeder
Senior Vice-President,
Administration, Celanese
Fibers Group;
Vice-President,
Celanese Corporation;



W. I. M. Turner, Jr.
President, Chief Executive
Officer and a Director,
Consolidated-Bathurst Inc.;
Chairman, Executive
Committee, British North-
American Committee; Trustee,
The Conference Board;



Adam H. Zimmerman
Executive Vice-President
and a Director, Noranda Mines
Limited; Chairman, Fraser
Inc. and Northwood Mills
Limited; President, Northwood
Pulp & Timber Limited.

Committees of the Board

Executive Committee

Richard M. Clarke, Pierre Côté,
Allan R. Dragone, Robert C. Schroeder,
W. I. M. Turner, Jr.

Audit Committee

Marcel Bélanger, Arthur A. Cooksey,
Stanley E. Nixon

Compensation Committee

Pierre Côté, Robert C. Schroeder,
W. I. M. Turner, Jr.

Pension Committee

Marcel Bélanger, Arthur A. Cooksey,
Richard M. Clarke

Nominating Committee

Marcel Bélanger, Robert C. Schroeder,
W. I. M. Turner, Jr.

Officers

Richard M. Clarke

President and Chief Executive Officer

Émile J. Carrière

Vice-President, Personnel

R. A. Chevrier

Vice-President, Fibres and Fabrics
Group

Neil Martin

Vice-President and General Manager,
Chemicals Division

W. L. McIntosh

Vice-President, Finance

J. G. Kenna

Vice-President, Treasurer and
Controller

Pierre G. Bourgeau

General Counsel and Secretary

R. J. I. Leggett

General Manager, Polypropylene
Division

Dr. P. McConnell

General Manager, Polyester Division

Fred R. Tabah

General Manager, Fabrics Division

Kjell Thunem

General Manager, Carpets Division

Ten-Year Statistical Summary

For the year ended December 31

	(millions of dollars except share amounts)									
	1979	1978	1977	1976	1975	1974 ⁽³⁾	1973	1972 ⁽²⁾	1971 ⁽¹⁾	1970
Operations										
Net sales	353.6	290.7	254.7	216.1	249.0	250.4	220.7	168.0	131.8	110.1
Operating income	35.6	11.1	1.0	(20.1)	11.4	24.3	21.7	2.3	9.2	3.6
Income (loss) before taxes	36.0	9.8	(1.8)	(22.0)	10.4	24.4	18.1	(2.6)	6.1	0.5
Provision for taxes	14.0	2.6	(1.9)	(8.6)	3.3	9.5	7.3	(1.4)	2.4	(0.6)
Interest of others										
in Millhaven Fibres Limited	(2.0)	(0.7)	1.0	3.1	0.5	(2.1)	(2.6)	0.7	(0.3)	—
Extraordinary items, net of taxes	(1.8)	0.6	—	—	—	—	1.2	(3.9)	—	(29.4)
Net income (loss)	18.2	7.1	1.1	(10.3)	7.6	12.8	9.4	(4.4)	3.4	(28.3)
Dividends — common	2.7	—	—	2.7	5.3	4.0	—	—	—	1.3
— preferred	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Capital expenditures	24.4	18.2	5.7	20.7	22.7	9.4	6.1	13.0	9.6	16.2
Depreciation and depletion	21.6	25.7	25.7	24.1	22.6	21.2	19.1	15.6	11.0	9.7
Per Common Share										
Income before extraordinary items	1.44	0.43	0.02	(0.83)	0.51	0.90	0.56	(0.09)	0.20	0.02
Net income (loss)	1.30	0.47	0.02	(0.83)	0.51	0.90	0.65	(0.39)	0.20	(2.19)
Dividends	0.20	—	—	0.20	0.40	0.30	—	—	—	0.10
Equity	6.67	5.57	5.10	5.08	6.11	5.99	5.39	4.76	5.15	4.76
Balance Sheet Data										
Current assets	141.3	115.3	98.4	84.0	110.2	118.8	98.3	75.9	68.3	60.2
Property, plant and equipment — total	348.2	325.2	317.4	312.5	299.1	280.1	272.8	288.1	271.4	240.2
— net	68.6	66.0	73.6	93.7	97.2	97.2	109.8	131.9	130.3	97.0
Total assets	212.3	188.4	177.2	183.4	213.3	222.4	214.8	218.2	207.1	174.3
Current liabilities	62.7	47.1	39.1	36.8	40.5	45.2	39.0	48.6	28.1	29.6
Long term debt	31.5	37.3	40.5	44.5	48.1	51.8	57.4	64.3	68.1	56.7
Deferred income taxes	0.8	(1.1)	1.1	4.9	10.6	12.4	14.3	10.7	13.9	9.9
Total shareholders' equity	101.7	86.9	80.6	80.3	94.0	92.5	84.4	75.4	80.6	77.9
Financial Ratios										
Operating income as a percent of sales — %	10.1	3.8	0.4	—	4.6	9.7	9.8	1.4	7.0	3.3
Return on common equity — %	21.2	8.8	0.4	—	8.5	15.8	11.0	—	4.3	—
Common dividend payout — %	15	—	—	—	78	33	—	—	—	—
Debt to total capitalization — %	23	28	31	32	29	30	34	40	39	40
Current ratio	2.3	2.4	2.5	2.3	2.7	2.6	2.5	1.6	2.4	2.0
Number of employees (year-end)	4,428	4,598	4,692	4,653	6,146	5,423	6,457	6,472	5,656	4,839

(1) Millhaven Fibres Limited consolidated

(2) Galtex Co. Limited consolidated

(3) LIFO inventory accounting adopted

Stock Exchanges

The common and preferred shares of Celanese Canada Inc. are listed on the Montreal, Toronto and Vancouver Stock Exchanges.

Transfer Agents

Montreal Trust Company
Edmonton, Montreal, Toronto,
Vancouver, for common and
preferred shares
Bradford Trust Company, New York,
for common shares only

Registrars

The Royal Trust Company
Edmonton, Montreal, Toronto,
Vancouver, for common and
preferred shares
The Chase Manhattan Bank, New
York, for common shares only

Head Office

800 Dorchester Boulevard West
Montreal, Quebec H3C 3K8

Valuation Day

For Canadian capital gains tax purposes the Valuation Day value of Celanese Canada Inc. securities on December 22, 1971, as established by the Department of National Revenue were the following:

Debentures:

7% due March 1, 1980 \$96.50
6½% due February 1, 1986 \$86.50

Preferred Shares:

\$1.75 Series \$19.75
\$1.00 Series \$12.50
Common Shares: \$ 4.35

Number of Shareholders

(December 31, 1979)
Common Shares 9,559
Preferred Shares
\$1.75 Series 1,384
Preferred Shares
\$1.00 Series 525

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Celanese Canada Inc.
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Celanese Canada Inc.

Head Office — Montreal, Quebec (514) 878-1581

Fibres & Fabrics Group

Divisional Office — Montreal, Quebec (514) 878-1581

Plants

Drummondville, Quebec (819) 478-1451
Coaticook, Quebec (819) 849-2734
Saint-Jean, Quebec (514) 348-3881
Millhaven, Ontario (613) 389-2210
Cambridge, Ontario (519) 621-6450

Sales Offices

Vancouver, British Columbia (604) 943-1525
Winnipeg, Manitoba (204) 943-5564
Toronto, Ontario (416) 869-1116

Carpets Division

Divisional Office —
Pointe Claire, Quebec (514) 694-5550

Plant

Sorel, Quebec (514) 743-3346

Sales Offices & Warehouses

Malton, Ontario (416) 671-3604
Malton, Ontario (416) 677-9330
Pointe Claire, Quebec (514) 697-8480
Winnipeg, Manitoba (204) 632-0901
Dartmouth, Nova Scotia (902) 469-3575
Sainte-Foy, Quebec (418) 651-8727
Calgary, Alberta (403) 287-2036
Edmonton, Alberta (403) 452-8280
Burnaby, British Columbia (604) 420-1101

Chemicals Division

Divisional Office —
Mississauga, Ontario (416) 276-9333

Plants

Edmonton, Alberta (403) 477-0511
Cornwall, Ontario (613) 933-5822

Sales Offices

Mississauga, Ontario (416) 276-9272
Montreal, Quebec (514) 878-1581
Edmonton, Alberta (403) 477-0546

Plastics Division

Sales Offices

Montreal, Quebec (514) 878-1087
Toronto, Ontario (416) 291-8167

