Celanese Canada Inc.

Annual Report 1980

CELANESE

Stability in earnings and operational performance is a fundamental prerequisite to growth. Through critical self-analysis and the adoption of various corrective programmes over the past three years, the Corporation has assured itself of such stability.

Growth, emanating from massive capital investments, to be instituted in the early 80s, is similarly well-founded in the recognition given us by our customers, employees and shareholders. It is with them that we expect to share in the profitable growth potential that now lies before Celanese Canada.

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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 11:00 a.m. on May 12, 1981. 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 Chef du contentieux et secrétaire, Celanese Canada Inc., 800 ouest, boulevard Dorchester, Montréal, Québec H3C 3K8

1979-1980

Year	**1980**	1979
(millions except share amounts)		
Net sales	**$391.6**	$353.6
Income before goodwill write-off	**22.0**	21.2
Net income	**22.0**	18.2
Working capital	**74.0**	78.6
Depreciation	**19.1**	21.6
Capital expenditures	**15.9**	24.4
Per common share:		
Income before extraordinary items	**$ 1.58**	$ 1.44
Net income	**1.58**	1.30
Shareholders' equity	**7.86**	6.67

Quarters

(millions except share amounts)

	Net sales		Net income		Net income per common share	
Quarter	**1980**	1979	**1980**	1979	**1980**	1979
1st	**$ 99.2**	$ 85.3	**$ 5.2**	$ 4.9	**$0.37**	$0.35
2nd	**100.4**	89.6	**5.5**	6.4	**0.40**	0.46
3rd	**89.6**	79.6	**3.4**	4.4	**0.24**	0.31
4th before goodwill write-off	**102.4**	99.1	**7.9**	5.5	**0.57**	0.41
Goodwill write-off			**—**	(3.0)	**—**	(0.23)
Year	**$391.6**	$353.6	**$22.0**	$18.2	**$1.58**	$1.30

(millions of dollars except share amounts)

1977	1976	1975	1974 (3)	1973	1972 (2)	1971 (1)
254.7	216.1	249.0	250.4	220.7	168.0	131.8
1.0	(20.1)	11.4	24.3	21.7	2.3	9.2
(1.8)	(22.0)	10.4	24.4	18.1	(2.6)	6.1
(1.9)	(8.6)	3.3	9.5	7.3	(1.4)	2.4
1.0	3.1	0.5	(2.1)	(2.6)	0.7	(0.3)
—	—	—	—	1.2	(3.9)	—
1.1	(10.3)	7.6	12.8	9.4	(4.4)	3.4
—	2.7	5.3	4.0	—	—	—
0.8	0.8	0.8	0.8	0.8	0.8	0.8
5.7	20.7	22.7	9.4	6.1	13.0	9.6
25.7	24.1	22.6	21.2	19.1	15.6	11.0
0.02	(0.83)	0.51	0.90	0.56	(0.09)	0.20
0.02	(0.83)	0.51	0.90	0.65	(0.39)	0.20
—	0.20	0.40	0.30	—	—	—
5.10	5.08	6.11	5.99	5.39	4.76	5.15
98.4	84.0	110.2	118.8	98.3	75.9	68.3
317.4	312.5	299.1	280.1	272.8	288.1	271.4
73.6	93.7	97.2	97.2	109.8	131.9	130.3
177.2	183.4	213.3	222.4	214.8	218.2	207.1
39.1	36.8	40.5	45.2	39.0	48.6	28.1
40.5	44.5	48.1	51.8	57.4	64.3	68.1
1.1	4.9	10.6	12.4	14.3	10.7	13.9
80.6	80.3	94.0	92.5	84.4	75.4	80.6
0.4	—	4.6	9.7	9.8	1.4	7.0
0.4	—	8.5	15.8	11.0	—	4.3
—	—	78	33	—	—	—
31	32	29	30	34	40	39
2.5	2.3	2.7	2.6	2.5	1.6	2.4
4,692	4,653	6,146	5,423	6,457	6,472	5,656

Financial Highlights

1971-1980

Ten-Year Statistical Summary

For the years ended December 31

	1980	1979	1978
Operations			
Net sales	**391.6**	353.6	290.7
Operating income (loss)	**37.2**	35.6	11.1
Income (loss) before taxes	**38.0**	36.0	9.8
Provision for taxes	**14.6**	14.0	2.6
Interest of others in Millhaven Fibres Limited	**(1.4)**	(2.0)	(0.7)
Extraordinary items, net of taxes	**—**	(1.8)	0.6
Net income (loss)	**22.0**	18.2	7.1
Dividends — common	**5.3**	2.7	—
— preferred	**0.8**	0.8	0.8
Capital expenditures	**15.9**	24.4	18.2
Depreciation and depletion	**19.1**	21.6	25.7
Per common share			
Income before extraordinary items	**1.58**	1.44	0.43
Net income (loss)	**1.58**	1.30	0.47
Dividends	**0.40**	0.20	—
Equity	**7.86**	6.67	5.57
Balance sheet data			
Current assets	**130.4**	141.3	115.3
Property, plant and equipment — total	**354.8**	348.2	325.2
— net	**65.3**	68.6	66.0
Total assets	**224.1**	212.3	188.4
Current liabilities	**56.4**	62.7	47.1
Long term debt	**28.3**	31.5	37.3
Deferred income taxes	**6.3**	0.8	(1.1)
Total shareholders' equity	**117.7**	101.7	86.9
Financial ratios			
Operating income as a percent of sales — %	**9.5**	10.1	3.8
Return on common equity — %	**21.8**	21.2	8.8
Common dividend payout — %	**25**	15	—
Debt to total capitalization — %	**18**	23	28
Current ratio	**2.3**	2.3	2.4
Number of employees (year-end)	**4,243**	4,428	4,598

(1) Millhaven Fibres Limited consolidated
(2) Galtex Co. Limited consolidated
(3) LIFO inventory accounting adopted

To Our Shareholders

Richard M. Clarke, President and Chief Executive Officer

1980 was an outstanding year for Celanese Canada, marked by significant progress in all areas of activity. In that we are particularly proud of the strength and determination of our management teams, we have structured this Annual Report to allow for an increased focus upon the Corporation's executives and their perceptions of the issues relevant to their mandated area of control.

We have spent considerable effort over the past year in explanations of the Corporation's restructuring and rationalization. Our audiences have expressed their awareness and appreciation of not only the force behind the new business attitudes in evidence at Celanese, but also the public commitments we undertook during the year: the maintenance of our earnings per share level above $1.00, and successive strengthening of each of our previously stated corporate objectives. As is apparent in study of this report, we have satisfied these commitments, thus establishing a degree of confidence in the Company's future profile which allowed the market value of our common shares to double in almost twelve months.

Similar definition of 1981 is somewhat more difficult as we are in the early but very positive stages of developing new growth trends. We are no longer "just textiles and chemicals" but have become a leading producer of primary products used by a diverse downstream customer group in all parts of the world. We are not "just part of a multi-national corporation" but a strong Canadian company, determined to take full advantage of the implied benefits of Canada's intrinsic values. There is a historical contradiction in the latter statement, in that world-market presence requires the strength of multi-nationals, be they Canadian or foreign.

Canadians have long been perceived as followers, riding the waves and troughs of international economies. This perception, and in some instances the managerial attitudes which foster it, must change; otherwise, severe curtailment of the country's industrial development will continue. We adamantly believe that we alone hold the final responsibility in the definition of our route to success. The structure of the global economy is changing at such a rate that, to remain competitive, we must seize every advantage Canada offers, take risks and make commitments which are strategically acceptable, if we are to sustain our very enviable standards.

Celanese Canada has, to this end, begun an accelerated infusion of capital into its varying business units. Over the next few years, we anticipate an overall investment of between $500 and $700 million to assure ourselves of high productivity levels, the latest technology and a strengthened position on international markets. Some of this investment will go to our Fibres and Fabrics Group, as we foresee increasingly competitive strengths emanating from this business during the latter part of the decade. National controversy over this fact must be rapidly dispelled for it is a fallacy to believe that the less developed textile producing nations will satisfy our needs indefinitely.

In addition to the major capital expansion programme under way in our Chemicals Division, areas of diversification are being categorically defined. We intend to move into businesses with inherent strengths, such as superior technological capabilities or major specific market positions, rather than those which sustain only quantitative production facilities. Such a diversification would complement our present strategies of maintaining leadership through either technology, capacity or market share in each of our current business units. However, fundamental to such plans is the establishment of a human resource bank, capable of rapid skill evolution. Great attention is therefore being placed on the development of a committed and enthusiastic work-force, through a concentrated melding of society's newly accepted norms, the Corporation's changing needs and the employees' aspirations.

Celanese Canada's sales and earnings forecasts for 1981 remain tied to the prevailing economic performance of Canadian manufacturing. Present indications suggest very slow growth until late in the year. While there is little that we can do to change the immediate impact of these macro-economic projections, we are confident of our ability to sustain profitable operations and avoid the previously extreme consequences of recessionary strains. Our platform of "Stability and Growth" through the 80s will be validated and our concentration on duly rewarding our shareholders, employees and customers will remain foremost in the Corporation's directional development.

Richard M. Clarke

Richard M. Clarke, President and Chief Executive Officer

Pierre Côté, Chairman

Pierre Côté
Chairman of the Board

Corporate Objectives

By providing four key corporate objectives in our 1979 Annual Report, we intended to establish a basis for the measurement of Celanese Canada's progress in areas beyond those reflected in the normal financial statements. The Corporation's achievements in 1980, when measured thus, point to an increased commitment to and awareness of the effective use of its profit growth such that our:

1

shareholders will continue to receive a reasonable return on their investment;

In 1980, our quarterly dividend on common shares was increased from 5 cents to 10 cents and the market value of these shares more than doubled, rising from \$5.00 to a high of \$10⅝. Through an active communication programme with the investment communities of Montreal and Toronto, we were able to expand the profile of our management team and allow them to detail the specific economic developments within their mandate of control. Our quarterly reports were revised in such a manner as to present our shareholders with a more intimate appraisal of not only our product lines but also the change in attitude of our management philosophy, in the belief that being given the privilege to have investment funds of this sort at our disposal, we must return more than bottom-line figures to sustain public commitment.

2

employees will have the opportunities for just compensation, job security and the individual rights for advancement through achievement;

1980 witnessed the completion of several major business strategies by senior management. With directional clarity established through intensive reinvestments, many of Celanese Canada's employees are becoming subject to the impact of the Corporation's determined growth efforts. Operational stability, resulting in job security, has been decidedly reinforced and expanded use of the employees' talents is evident throughout the organization. Several key additions to the employee benefit package were also implemented during 1980: the dental plan, which provides employees and their families with maximum coverage as allowed by the regulatory body; the employees' share purchase plan, giving all employees the opportunity to purchase the Corporation's common shares through a payroll deduction scheme; a major revision and upgrading of the Corporation's health care and pension plan; and a much broadened human resource monitoring system which will provide the Corporation with ready access to each employee's personal career aspirations.

3

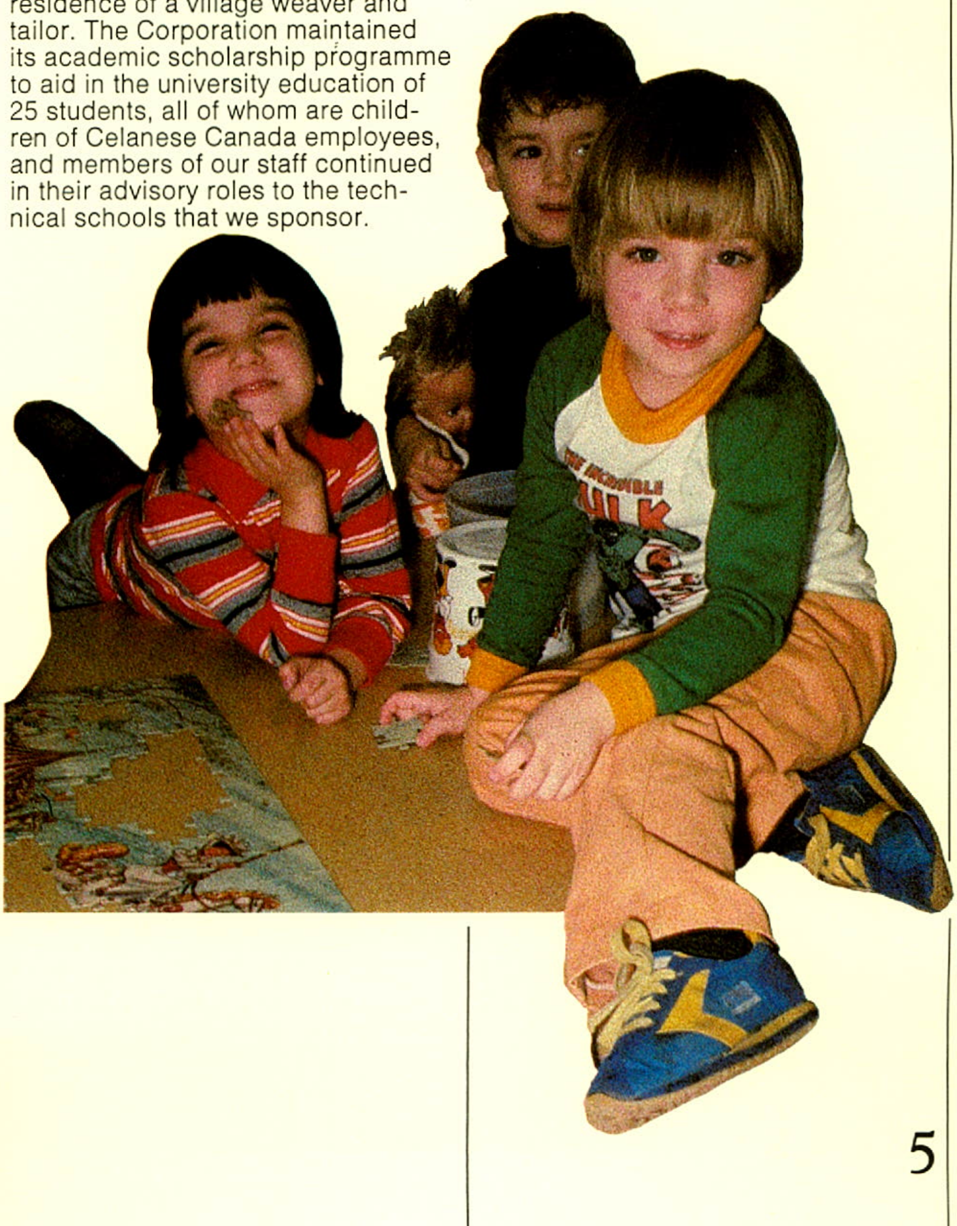
customers, world-wide, will receive the benefits of our investments in improved technology, productivity and quality;

Modernization and expansion projects, being key to this objective, have been actively pursued during 1980. High-speed looms were purchased for the Drummondville fabric operation; additional capacity on the polyester staple line was installed at Millhaven; new production facilities to manufacture methanol are currently under way in Edmonton and expansion of the polypropylene line is under study. On-going productivity improvements and energy conservation measures further assure our customers of cost-effective product lines.

4

social responsibility, as a Canadian corporation, can be conducted in a manner which directly contributes to the continuing improvement of our social environment.

This objective embraces much more than the fact that our corporate income taxes in 1980 totalled $14.6 million. The Corporate Contributions Committee donated $150,000 over the course of the year to a variety of programmes, the largest of which was to aid in the construction of a new wing at one of the hospitals in Montreal. Celanese Canada also initiated a special project, the first of its kind in Quebec, wherein it provided the physical facilities for a day-care center located at the Drummondville plant site. Another significant donation was made to the Village d'Antan for the restoration of an historic home, once the residence of a village weaver and tailor. The Corporation maintained its academic scholarship programme to aid in the university education of 25 students, all of whom are children of Celanese Canada employees, and members of our staff continued in their advisory roles to the technical schools that we sponsor.



Roger J. Short, Executive Vice-President, Operations

Management

In April 1980, Mr. Donald D. Epp joined Celanese Canada as Vice-President and Controller. Mr. Walter L. McIntosh, Vice-President, Finance was appointed Senior Vice-President in December and Mr. Epp then moved to fill the position of Vice-President, Finance. Mr. Roger J. Short joined the Corporation in October as Executive Vice-President, Operations.

The Corporation expresses its gratitude to Mr. Adam Zimmerman and Mr. John D. Macomber, recently retired members of the Board of Directors, for their greatly appreciated contributions and service to Celanese Canada over the past years. Mr. Macomber had served on several of the Board's committees during his eight year tenure with the Corporation and the international perspective he lent to the Board was of utmost value to the establishment of Celanese Canada as a world trader. Dr. Thomas H.B. Symons, Dr. Richard O. Steele and Mr. Laurent Beaudoin have been elected to the Board of Directors in 1980 and the Corporation is most pleased to welcome them to these positions. Their wide-ranging interests and expertise will further stabilize the Corporation's ability to meet the needs of its employees, customers and shareholders as it enters a period of determined growth.

Officers

Bourgeau, Pierre G., General Counsel and Secretary
Carrière, Emile J., Vice-President, *Personnel*
Chevrier, Raymond A., Vice-President, *Fibres and Fabrics Group*
Clarke, Richard M., President and Chief Executive Officer
Epp, Donald D., Vice-President, *Finance*
Kenna, J. G., Vice-President and Treasurer
Martin, Neil, Vice-President and General Manager, *Chemicals Division*
McIntosh, Walter L., Senior Vice-President
Short, Roger J., Executive Vice-President, *Operations*

Directors
Laurent Beaudoin, Chairman and Chief Executive Officer, Bombardier Inc. and Bombardier Limited; President, Bombardier-Rotax G.m.b.H.; President, Entreprises de J.-Armand Bombardier;
Marcel Bélanger, President, Gagnon et Bélanger Inc., Management Consultants;
Robert W. Campbell, Chairman, Chief Executive Officer and a Director, PanCanadian Petroleum Limited;
Richard M. Clarke, President and Chief Executive Officer, Celanese Canada Inc.;
Arthur A. Cooksey, Vice President and Controller, Celanese Corporation;
Pierre Côté, Chairman of the Board, Celanese Canada Inc.;
Allan R. Dragone, President and Chief Operating Officer, Celanese Corporation;
Donald R. Getty, President, D. Getty Investments Ltd.; Chairman & Chief Executive, Nortek Energy Corp.;
Robert A. Longman, Vice President — General Counsel, Celanese Corporation;
Robert L. Mitchell, Vice Chairman, Celanese Corporation;
Stanley E. Nixon, Corporate Director;
Robert C. Schroeder, Corporate Vice President, Celanese Corporation; President, Celanese Fibers Group;
Richard O. Steele, Vice President, Celanese Corporation; Executive Vice President, Operations, Celanese International Company;
Thomas H.B. Symons, Vanier Professor, Trent University; Chairman of the Commission on Canadian Studies; Vice President of the Social Sciences and Humanities Research Council of Canada;
William I.M. Turner, Jr., President, Chief Executive Officer and a Director, Consolidated-Bathurst Inc.;

Executive Committee:
Richard M. Clarke, Pierre Côté, Richard O. Steele, Robert C. Schroeder, William I.M. Turner, Jr.
Audit Committee:
Marcel Bélanger, Arthur A. Cooksey, Stanley E. Nixon.
Compensation Committee:
Pierre Côté, Richard O. Steele, William I.M. Turner, Jr.
Nominating Committee:
Pierre Côté, Robert C. Schroeder, William I.M. Turner, Jr.
Pension Committee:
Marcel Bélanger, Richard M. Clarke, Robert A. Longman.

Pierre G. Bourgeau
General Counsel and Secretary

Personnel

Emile J. Carrière
Vice-President, Personnel

"Celanese Canada remains acutely aware of projected shortages of selected skills within the manufacturing sector over the next decade. Internal maintenance of an environment conducive to pride in one's work and an understanding of the singular importance each job holds to the Corporation's stability and growth is fundamental to the Personnel group's policy development."

Émile J. Carrière
Vice-President, Personnel

During 1980, the Corporation successfully pursued an active communication programme between all levels of management, in which the more senior group detailed the growth options available to each of the operating units over the next few years. Employees were encouraged to voice their opinions on policy decisions and the resulting dialogue not only heightened awareness of the wisdom of each strategy, but also strengthened the very important personal interaction so necessary within the organization. Similarly, a revised performance appraisal review system allows both the superior and subordinate to express their concerns over the job functions, the maintenance of quality therein, and their sensitivity to career aspirations. To date, there have been strong indications that on-going dialogue of this nature is highly valued by all levels of management.

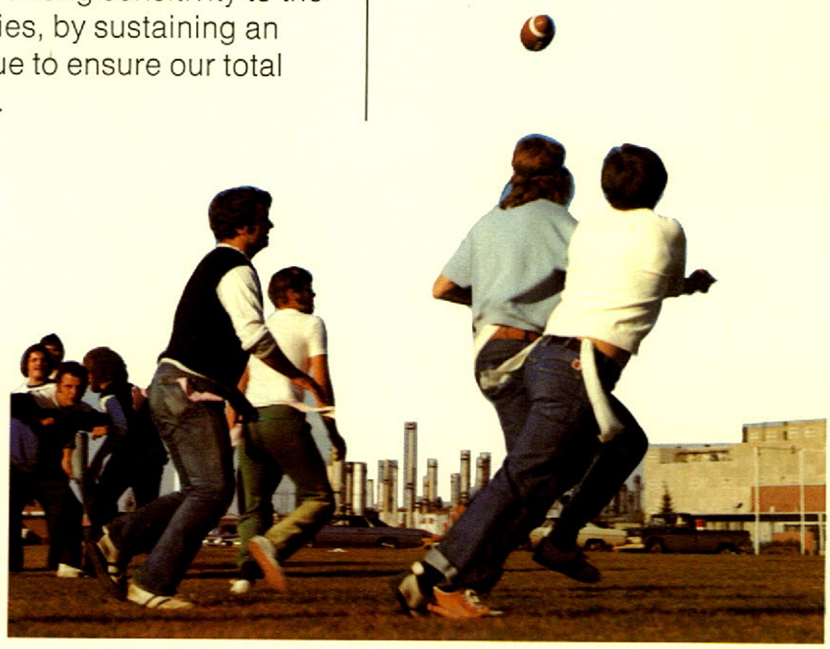
The Corporation instituted a bold re-emphasis on the quality of the work place through the establishment of the Health and Safety Affairs Department. In concert with all of the operating units, the department is responsible for the coordination, development and implementation of policies with regard to employee safety and plant protection, hygiene and health monitoring. While such programmes have been in existence for many years, the Corporation's efforts will now be directed in a more flexible and complete manner.

We also witnessed another year of successful interchange with our unionized groups of employees. Three renewal collective agreements were negotiated without time loss during the year; two agreements were signed for 24 months at the Millhaven plant and a 36-month agreement was arrived at with the clerical employees at Sorel. A significant indication of management and labour's understanding of mutual growth requirements was evidenced in the signing of an interim agreement on the seven-day utilization of new weaving equipment presently being installed at the Drummondville plant. The negotiation calendar for 1981 includes six contracts, at the Edmonton, Sorel and Drummondville plants. We anticipate that with continued, sound interaction between labour and management, productivity can be improved and income losses avoided.

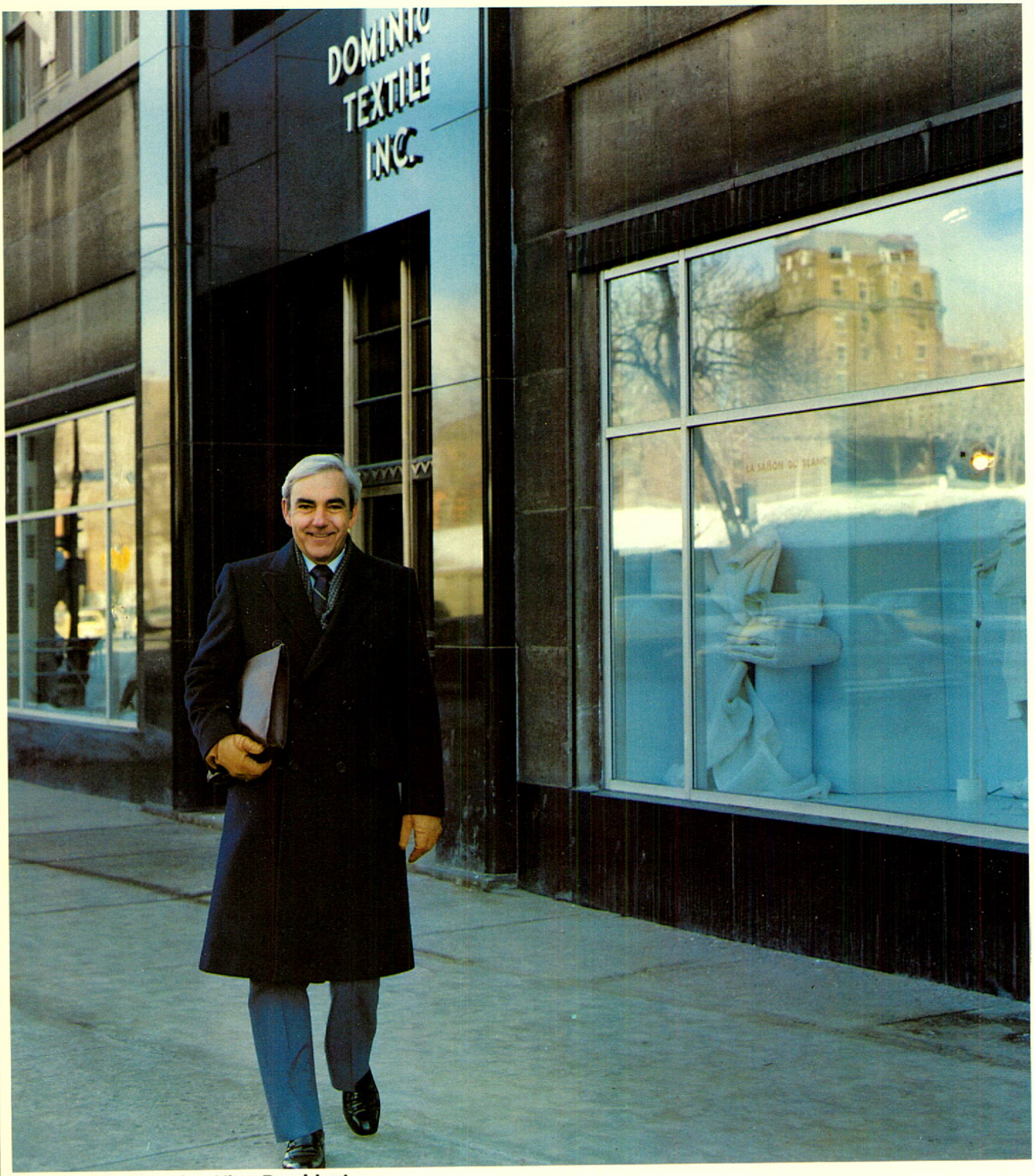
The Corporation continued to expand its employee benefit packages during 1980. A new dental assistance plan was approved by the Board of Directors and implemented over the course of the year. Extensive improvements to the Pension and Group Insurance plans were approved for implementation in early 1981. In an attempt to lessen the inflationary burdens upon

our pensioner group, an upward adjustment to the retired employee benefits was made. Finally, a number of employee-related policies were upgraded, such as the employee locational transfer policy, all of which were in line with our planned updating schedule.

Projected shortages of selected skills in the 1980s make us acutely aware of the need to closely monitor our strategic development plans with those of our human resources development. Management will continue to focus more time to better understand this crucial element of our business. Throughout 1981, all concerned will act in order to develop additional policies and systems to achieve high levels of personnel satisfaction, availability, individual growth, productivity gains and creativity. We believe that with this continued focus upon the improvement of our employees' working environment and the strong sensitivity to the fulfillment of their employment opportunities, by sustaining an honest and open dialogue, we will continue to ensure our total work-force of a stable and growing future.



Fibres and Fabrics



Raymond A. Chevrier, Vice-President, Fibres and Fabrics Group

"The management team of the Fibres and Fabrics Group have successfully consolidated and rationalized their operations over the past three years, as witnessed in the stabilized earnings, the very apparent increase in customer satisfaction, a productivity improvement notably superior to that of the general manufacturing sector and a most encouraging appraisal of our growth potential by the federal government's Textile and Clothing Board. The Group's major reinvestment programme, currently underway, adds great impetus to the realization of Celanese Canada as a leading international textile producer."

Raymond A. Chevrier
Vice-President,
Fibres and Fabrics Group

"Polypropylene is a speciality fibres business offering to Celanese Canada expansion opportunities in diverse domestic and export end-use markets."

Robert J.I. Leggett
General Manager, Polypropylene Division

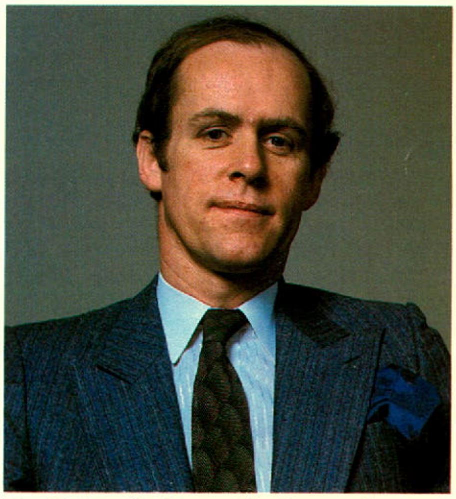
During 1980, the Polypropylene Division achieved record levels of sales and operating income, despite the generally unfavourable economic climate. The Saint-Jean plant operated at full capacity as shipments of polypropylene filament yarn and staple fibre increased substantially to the carpet and handicraft yarn markets. The volume gains, combined with price increases which offset escalation of raw material and operating costs, resulted in a 30% sales increase over last year and an operating cash flow improvement of almost 50%. Continued market growth is expected due to the excellent performance characteristics of this fibre in a widening variety of end uses and its cost-competitive ability to displace nylon and acrylic. Further improvements in return on investment are possible through efficiency modernization and capacity expansion programmes. Plans have been formulated for such future reinvestments and will be reviewed by the Board of Directors in early 1981.

"Polyester remains unchallenged as the world's leading growth fibre through the end of the century."

Dr. Peter McConnell
General Manager, Polyester Division

The Millhaven polyester production unit's 1980 earnings fell below those of 1979 due in large part to the impact of the recessionary slowdown on the textile and industrial filament markets. A decision has been made to permanently close the 270 employee Cambridge, Ontario polyester yarn texturing and dyeing plant in May 1981. The production from this plant will now be more effectively consolidated on the Millhaven plant's modern

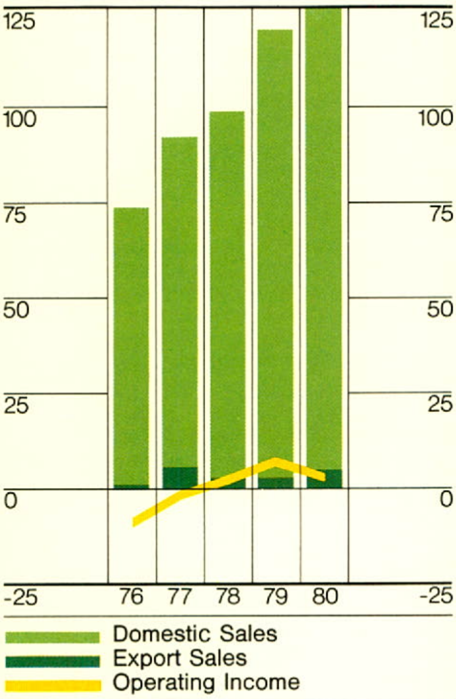
Robert J.I. Leggett, General Manager, Polypropylene Division



Dr. Peter McConnell, General Manager, Polyester Division

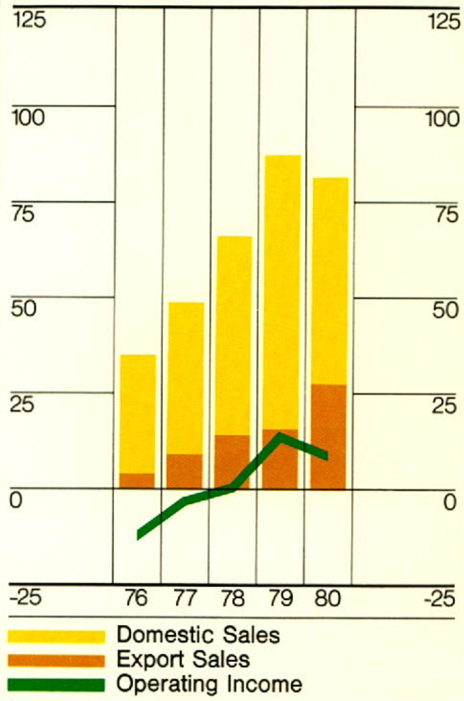
Fred R. Tabah, General Manager, Cellulosic Fibres and Fabrics Division

Polyester and Polypropylene
Total Sales and Operating Income
Five-Year Review - $MM



texturing machinery. Present projections for market recovery in both textile and industrial yarn product lines is slated for the second half of 1981. Polyester staple fibre experienced continued growth; the 15 to 20% production capacity increase installed during the first quarter 1980 was immediately absorbed by the domestic market. In light of the continued strong growth of polyester staple markets and the major gains in productivity achieved in this unit over the past four years, additional capacity expansions are now under consideration by the Corporation.

Cellulosic Fibres and Fabrics
Total Sales and Operating Income
Five-Year Review - $MM



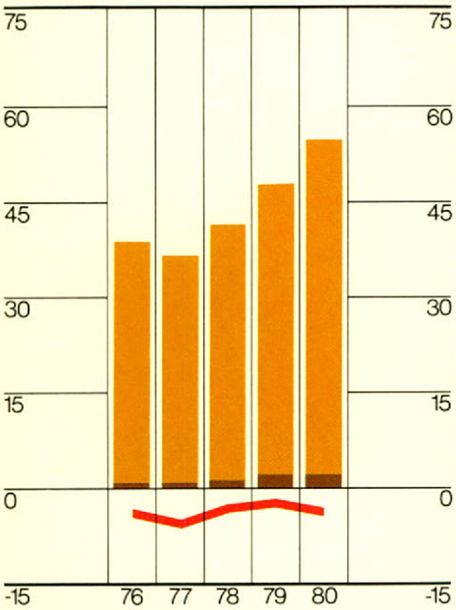
"The experience gained by the Cellulosic Fibres and Fabrics Division in serving our domestic markets for the past 55 years has provided us with a base from which very promising international growth opportunities can be realized."

Fred R. Tabah
General Manager,
Cellulosic Fibres and Fabrics Division

The Cellulosic Fibres and Fabrics Division at Drummondville and Coaticook, Quebec operated at reduced domestic sales levels during the year of 1980, as a result of a decline in the garment industry. International sales, however, showed considerable strength, consuming 35% of the Division's total volume. We are optimistic with regard to further marketing inroads internationally, particularly as the quality of our product lines is gaining wide recognition. The Division was directly approached by the People's Republic of China early in the year and, judging by the satisfaction expressed in the goods delivered, we are confident of considerable future sales volumes in that market. Polyester fashion fabrics are recording strong customer interest which is projected to continue throughout the new year, despite the generally lagging sales volume foreseen in the first half of 1981. Emphasis will remain therefore on inventory controls and productivity improvements, the most significant of which will be generated through the modernization investments of $12 million in new weaving machinery, to be operational by mid-1981. We will then be in a position to fully capitalize on our strengths as a highly cost-competitive world-scale supplier of quality textile products.

Carpets

Carpets
Total Sales and Operating Income
Five-Year Review - $MM



Domestic Sales
Export Sales
Operating Income

"Although the domestic carpet industry is faced with on-going difficulties, the Celanese Carpets Division has instituted such radical efficiency measures that a positive earnings performance is now attainable."

Kjell Thunem
General Manager, Carpets Division

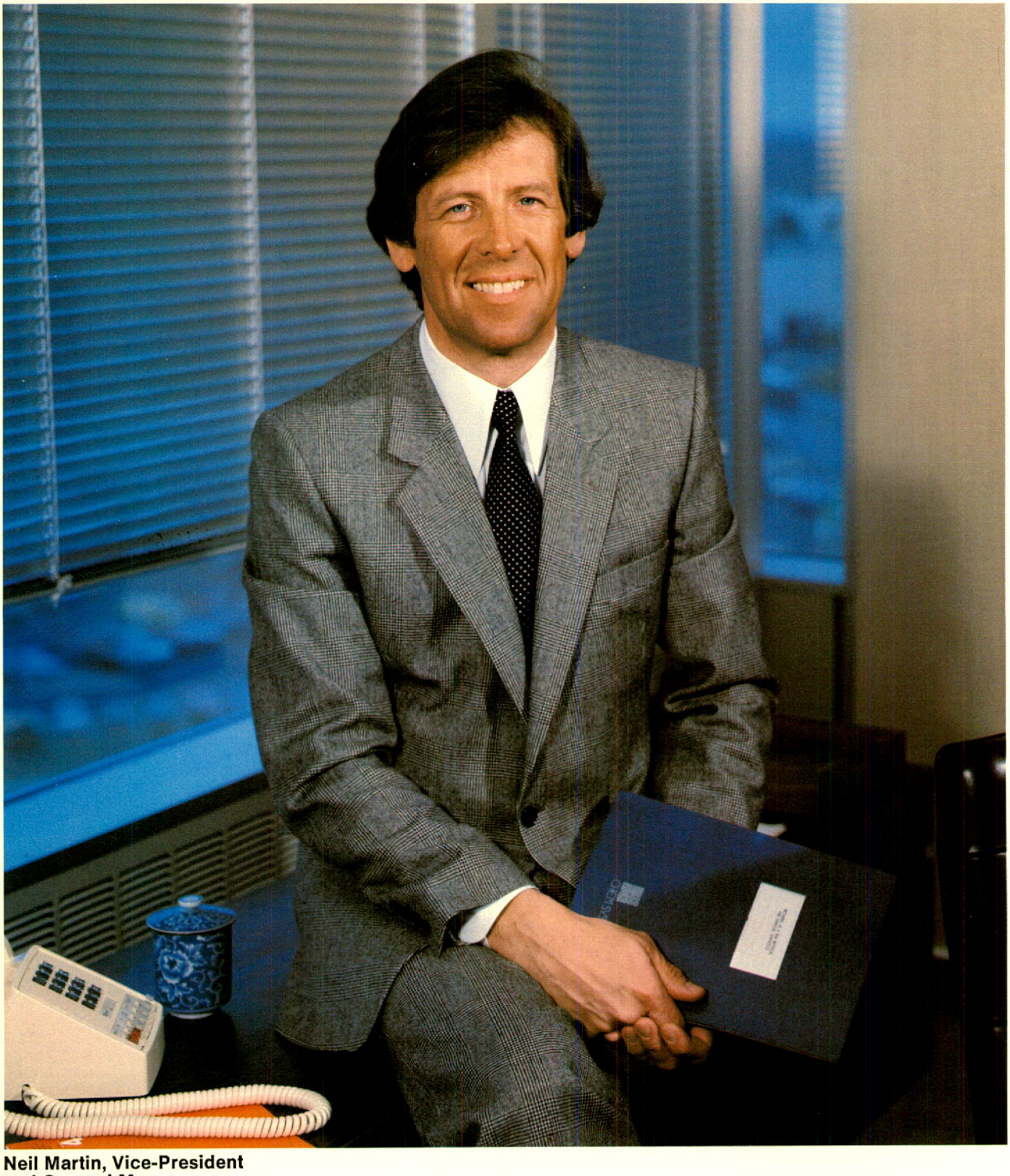
Kjell Thunem
General Manager, Carpets Division

The Canadian carpet market remained depressed throughout 1980. Domestic shipments fell by approximately 17% from 1979 levels and a few mills were forced into closure. Export markets showed increasing resistance to penetration as 1980 progressed, implementing restrictive tariff structures to protect domestic industries and reduce the effects of rapidly escalating raw material costs and decreased consumer expenditures on home furnishing items.

The Celanese Carpets Division was able to counter most of the negative effects of these pressures by strict cost controls and major cost reduction efforts in its manufacturing operation. Aggressive pass-through of raw material costs and further rationalization of the product lines enabled the Division to outperform the overall industry and provided a slight improvement in operating levels compared to 1979, before extraordinary items. The fourth quarter's performance provided positive operating income and the break-even target was exceeded, however, due to a federal government sales tax assessment, we were forced to set aside a reserve of $2.1 million, thus depressing the earnings most significantly. We are actively objecting to this assessment as we feel that it will be very detrimental to the domestic carpet industry.

A major contributor to our modest recovery in the fourth quarter was our contract carpeting business. There is anticipated growth in this area, in both the domestic and international markets. We entered the rug business in late 1979 and expect to gain a considerable share of that market as the economy stabilizes. We will continue with strict controls over operating costs and inventory levels and, given our new-found strength of the fourth quarter, project a positive earnings position at the close of 1981.

Chemicals



Neil Martin, Vice-President and General Manager, Chemicals Division

"While most petrochemical companies are ethylene dependent, Celanese Canada's chemical unit is a methyl alchohol based operation. Our second- and third-stage derivatives are either methanol or acetic acid based. The new methanol unit will not only give further strength to our methyl derivatives, but offer an opportunity to swing acetic acid manufacture over to the exciting new methanol carbonylation technology for even greater cost competitiveness within our acetyl derivative chain."

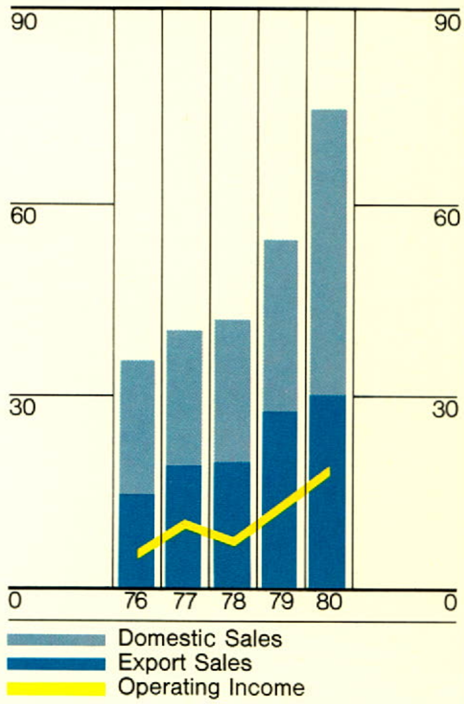
Neil Martin
Vice-President and General Manager, Chemicals Division

The profitability of the Celanese Canada Chemicals and Industrial Products Divisions has grown progressively throughout the 70s. Prior to 1973, logistics and proximity to tidal waters were the dominant economic factors in profitable petrochemical production. Maintenance of adequate margins today necessitates proximity to raw materials and sufficient operation flexibility to adapt to the most cost-effective energy sources. The Clover Bar, Alberta plant has the competitive advantage of both of these characteristics, and is currently reaping the benefits of an extensive energy conservation investment programme begun several years ago. Such maintenance-of-business expenditures are critical to the Divisions' overall stability. However, to remain a leader in the petrochemical business, world-scale plants and technology are prerequisites and are the base for our future. The first of these new installations, vinyl acetate monomer, came on-stream in late 1979 and has sustained capacity operations since that date. We have begun construction on our second world-scale unit which will be the largest producer of methanol in Canada. To date, we are on schedule to begin production in mid-1982. Several other world-scale facilities are presently under study and will be presented to our Board of Directors for approval in the mid-80s.

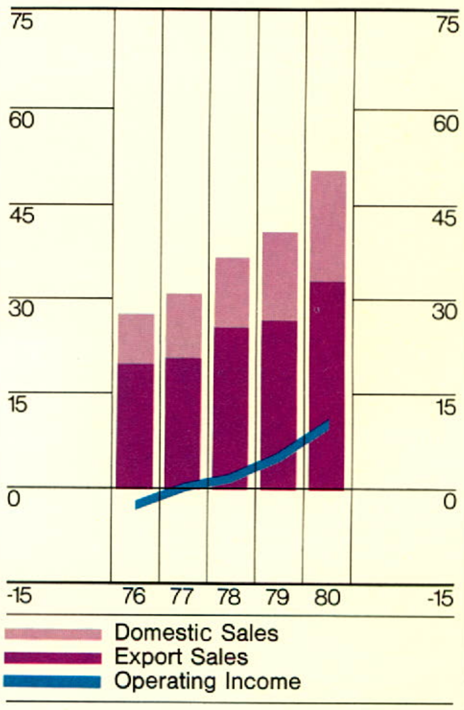
The Industrial Products Division ran at capacity levels throughout the year, aided largely by its highly cost-competitive position within the industry and its entrance into new cigarette filter tow markets in South East Asia. Cellulose acetate flake markets weakened somewhat in the second half of the year as a result of a softness experienced in world cellulose fibre markets. While further competition can be expected in the year ahead, the industrial products operations, which are second- and third-stage hydrocarbon derivatives, will benefit from both the Alberta cost-base structure and our recent investments in efficiency improvements.

Despite sharp downturns in the European and North American markets, beginning in the second quarter of the year, the Chemicals Division's sales remained firm until the close of the third quarter, when the reduced demand for resin and adhesives by construction and related industries began to take effect. However, the unit's broad international market coverage allows us great flexibility, permitting us to maintain product volumes in a fully sold-out position. Overall, domestic markets held up reasonably well and in view of the anticipated increase in demand for our products internationally, the outlook for 1981 is favourable.

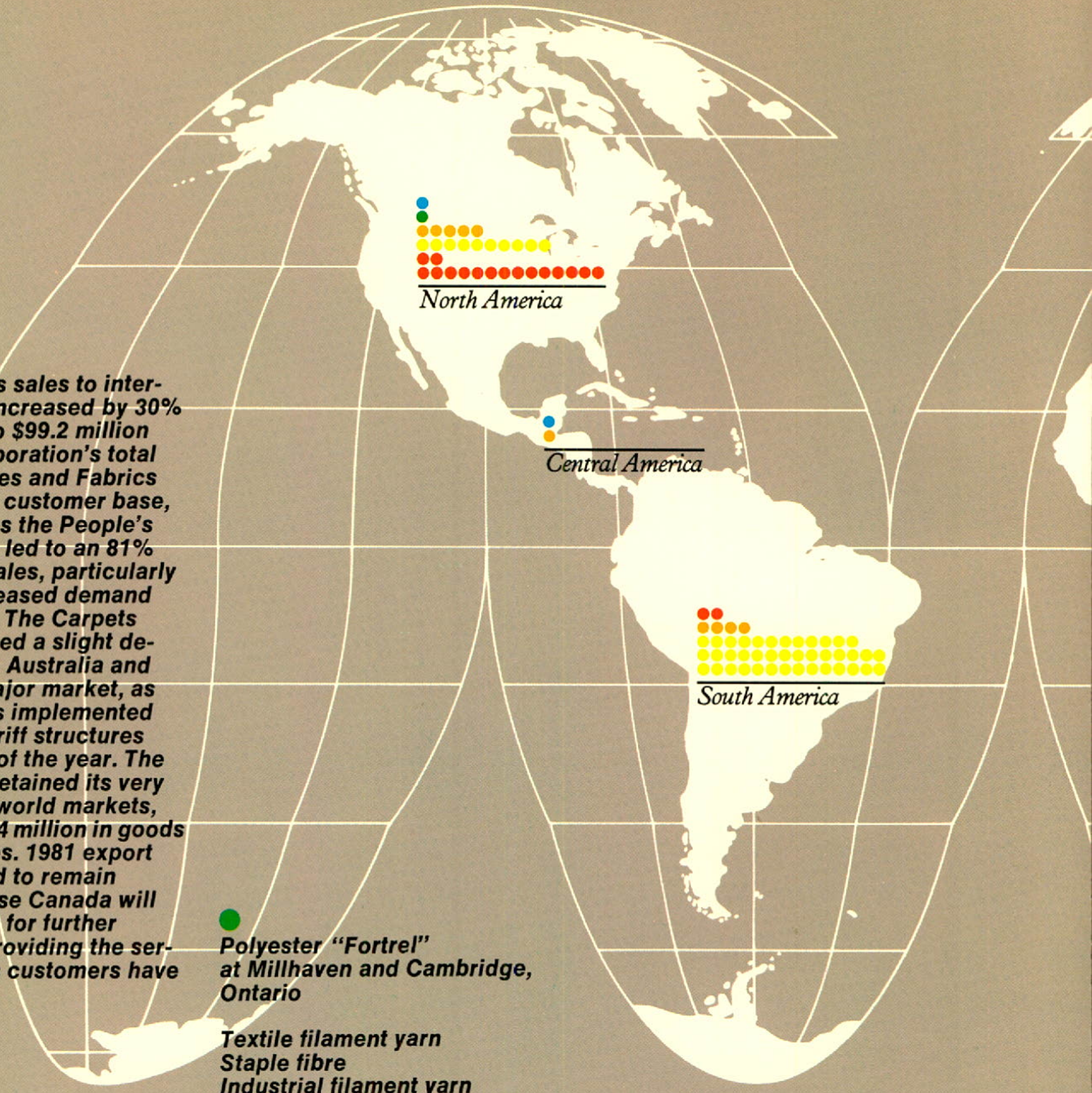
Chemical Products
Total Sales and Operating Income
Five-Year Review - $MM



Industrial Products
Total Sales and Operating Income
Five-Year Review - $MM



Celanese Canada Exports to World Markets



Celanese Canada's sales to international markets increased by 30% over 1979 levels, to $99.2 million or 25% of the Corporation's total net sales. The Fibres and Fabrics Group's expanded customer base, which now includes the People's Republic of China, led to an 81% growth in export sales, particularly evident in the increased demand for polyester fibre. The Carpets Division experienced a slight decline in its sales to Australia and New Zealand, a major market, as those governments implemented more restrictive tariff structures during the course of the year. The Chemicals group retained its very broad position on world markets, shipping nearly $64 million in goods to over 40 countries. 1981 export sales are projected to remain strong and Celanese Canada will continue to search for further expansion while providing the service and quality its customers have come to rely upon.

Cellulosic Fibres and Fabrics at Drummondville and Coaticook, Quebec

Acetate yarn
Acetate fabrics
Triacetate fabrics
Polyester fabrics

Principal End Uses:
Acetate fabrics, wearing apparel and home furnishings.

Polyester "Fortrel" at Millhaven and Cambridge, Ontario

Textile filament yarn
Staple fibre
Industrial filament yarn

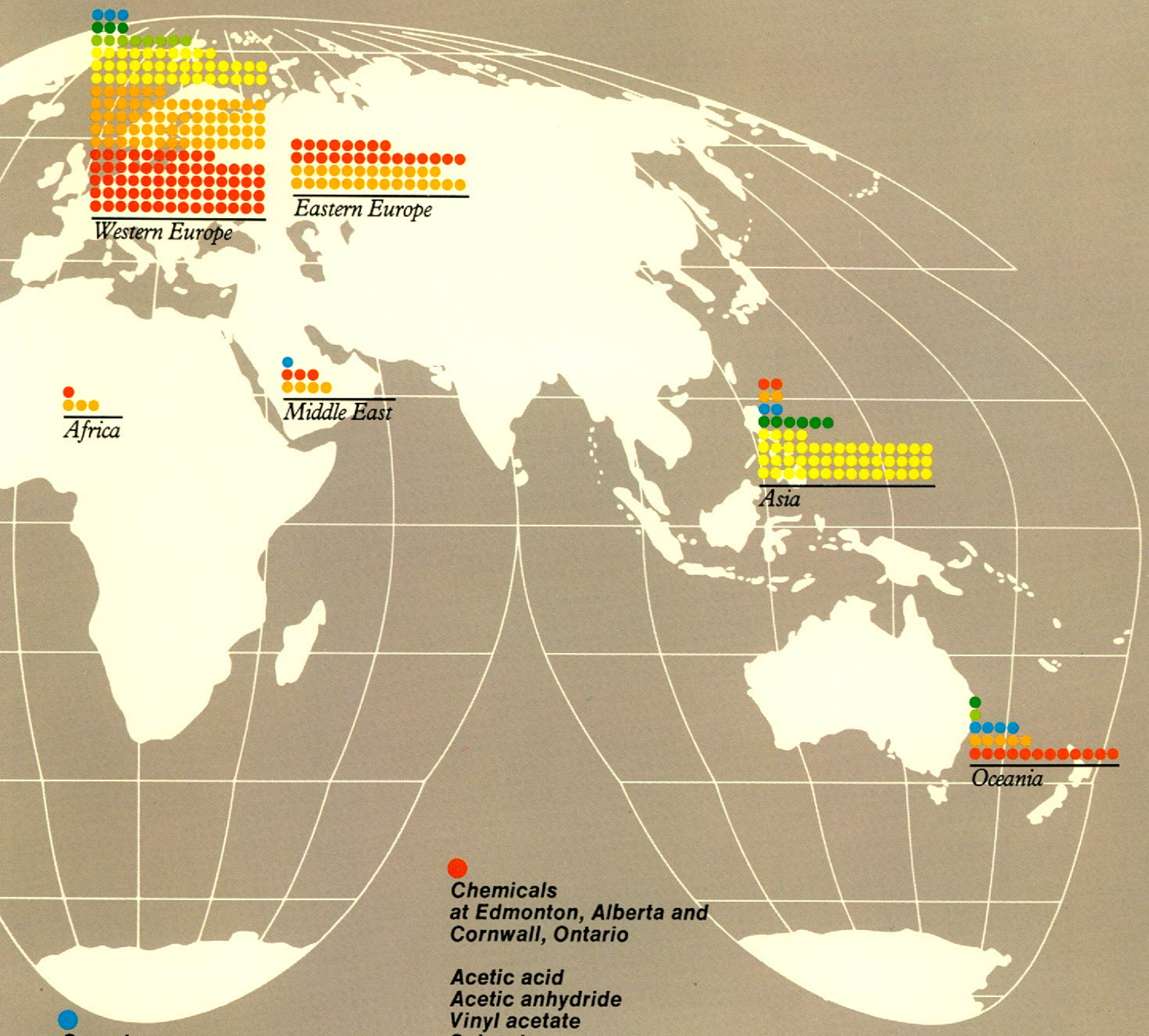
Principal End Uses:
Wearing apparel, home furnishings, fibrefill (in outerwear, pillows and sleeping bags), carpets, industrial coated fabrics, non-woven fabrics, sewing thread, automotive tires, seat belts, conveyor belts and hoses.

Polypropylene at Saint-Jean, Quebec

Filament yarn
Bulked continuous filament yarn
Staple fibre

Principal End Uses:
Upholstery, carpets, handicraft yarn and industrial applications.

● = *approximately $250,000*



Carpets at Sorel, Quebec

"Propylon" carpets
Polypropylene carpets
Acrylic carpets
Nylon carpets
"Fortron" carpets
"Fortrel" polyester carpets

Principal End Uses:
Residential and contract carpeting.

Chemicals at Edmonton, Alberta and Cornwall, Ontario

Acetic acid
Acetic anhydride
Vinyl acetate
Solvents
Methanol
Formaldehyde
Pentaerythritol

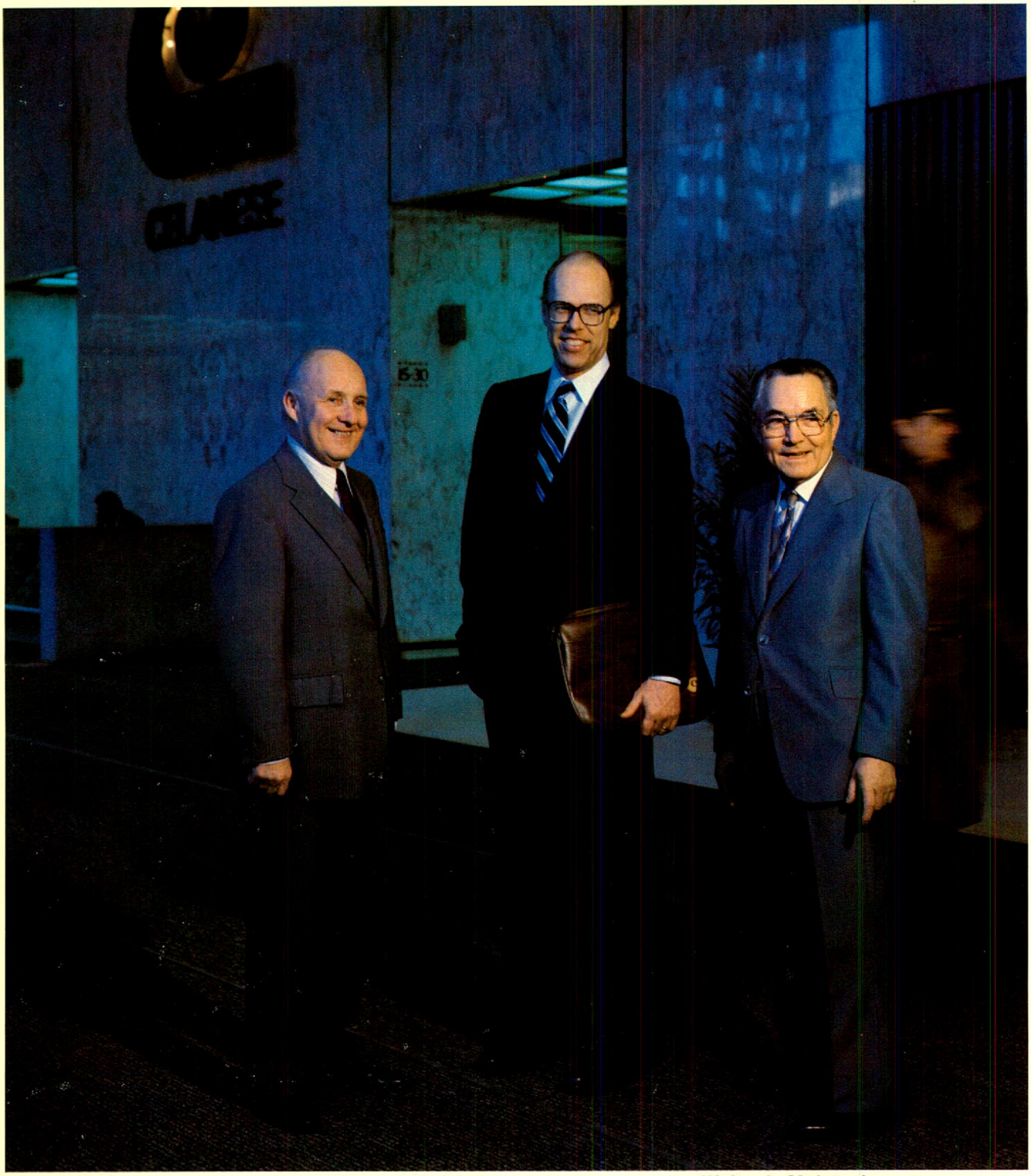
Principal End Uses:
Resins, synthetic fibres, fine chemicals, pharmaceuticals, water-based paints, adhesives, paper and textile finishes, vinyl and nitrocellulose lacquer formulations, de-icing solutions, plastics, explosives, synthetic lubricants and general chemical synthesis.

Industrial Products at Edmonton, Alberta

Cellulose acetate flake
Acetate tow

Principal End Uses:
Textile and filter products, lacquer and specialty coatings and cigarette filters.

Finance



Joseph G. Kenna
Vice-President and Treasurer

Donald D. Epp
Vice-President, Finance

Walter L. McIntosh
Senior Vice-President

"Celanese Canada has experienced considerable earnings volatility in the past. But, during the last three years, significant strategic and management changes have lead to sustained earnings growth, balance sheet strength, ambitious investment plans, and interesting diversification options."

Donald D. Epp
Vice-President, Finance

Financial Review

Sales and Earnings Consolidated net sales established record levels for the fourth consecutive year increasing $38 million over 1979, with a major portion of the growth taking place in export markets where sales were up by 25% to $99 million. Net income was $22 million or $1.58 per common share, 11% over 1979, the best year previously experienced by the Corporation.

Depreciation Rates of depreciation applied to specific groups and classes of assets continued unchanged from 1979 but, because additional facilities became fully depreciated during 1979 and 1980, depreciation expense was reduced to $19.1 million in 1980 from $21.6 million in 1979.

Capital Expenditures Expenditures were $15.9 million in 1980 compared to $24.4 million in 1979. Energy saving projects and textile equipment modernization made up the major portion of the expenditures.

Financial Position Working capital of $74 million at the end of 1980 was $4 million lower than the previous year. During the year the Corporation invested $27 million in a partnership formed with Celanese Corporation, New York, to construct and operate a methanol facility near Edmonton, Alberta. Largely as a result of this investment, cash and short term investments of $6 million were down $17 million. Shareholders' equity increased by $16 million and the ratio of debt to debt plus equity decreased from 23% to 19%.

Results by Product Groups The tables at right set out the results by divisional product groups in 1980 compared to the previous year.

Income was adversely affected by the low level of activity in the textile apparel and industrial markets in Canada and overseas which prevented full recovery of raw material and other cost increases. Increased penetration of export markets provided a partial replacement for the weaker domestic business.

Carpet sales were increased despite the depressed condition of the economy but lower earnings resulted from the provision for a federal sales tax assessment applicable to the current and prior years. This assessment is being contested by the Company.

Chemicals and Industrial Products sales and earnings improved substantially in both domestic and export markets. The cost effectiveness of the Alberta plants and improved operating efficiencies provided an excellent competitive position, and the diverse requirements of the international markets being served provided the opportunity to maintain a fully sold-out position.

Results by Product Groups
Net Sales
(millions)

	1980	1979
Polyester and Polypropylene	**$135.0**	$128.6
Cellulosic Fibres & Fabrics	**80.9**	87.1
Carpets	**55.4**	48.3
Industrial Products	**51.1**	41.5
Chemicals	**88.4**	64.7
Transfers Between Groups	**(19.2)**	(16.6)
Total	**$391.6**	$353.6

Results by Product Groups
Net Income
(millions)

	1980	1979
Polyester and Polypropylene	**$ 0.8**	$ 2.9
Cellulosic Fibres & Fabrics	**5.8**	7.9
Carpets	**(2.2)**	(1.1)
Industrial Products	**6.4**	3.2
Chemicals	**11.2**	8.3
Write-off of Goodwill	**—**	(3.0)
Total	**$22.0**	$18.2

Management Responsibility for Financial Reports

Management has prepared and is responsible for the consolidated financial statements of Celanese Canada Inc. and subsidiary companies. These statements and other financial information contained in this report have been prepared in accordance with generally accepted accounting principles applied on a consistent basis.

In order to accumulate and prepare the financial statements and other information, the Corporation maintains a system of internal accounting and administrative controls. The system of control begins with a manual that sets out the Corporation's policy with respect to business conduct, including compliance with applicable laws and observance of moral and ethical standards of society.

Accounting controls include a plan of organization, as well as clearly defined methods and written procedures designed to provide reasonable assurance as to the integrity of the financial records and the safeguarding of assets. The system is augmented by the work of the internal audit department, which is responsible for reviewing internal accounting controls and their application at all locations. Recommendations to improve internal control, as well as deviations from established procedures, are reported to management, which implements those recommendations or takes other corrective actions as necessary.

Peat, Marwick, Mitchell & Cie, Chartered Accountants, the external auditors appointed by the shareholders, are responsible for performing an independent examination of the financial statements in accordance with generally accepted auditing standards and for expressing an opinion on the statements. Their report appears on page 33.

The Audit Committee of the Board of Directors reviews the activities of both the internal and external auditors to satisfy itself that both are properly discharging their responsibilities. A more complete report on the Audit Committee follows.

Audit Committee of the Board

The Audit Committee of the Board of Directors, formed in 1971, has three members.

The Committee meets during the year with the Corporation's internal and external auditors and with members of management. Following these meetings, the Committee meets privately with the auditors to ensure a free and open discussion of any subject the Committee or the auditors wish to pursue.

The functions of the Committee include:

- Recommend appointment of the external auditors to the Board of Directors and Shareholders.
- Review scope of the internal and external audits.
- Review the consolidated financial statements of the Corporation and subsidiary companies for the year and recommend approval by the Board of Directors.
- Review external auditors' letters on internal control and accounting procedures and reports of action taken in response thereto.
- Review operations of the Corporation's internal audit staff.
- Review compliance with the Corporation's Policy Guidelines for Business Conduct.
- Review and approve fees of the external auditors for audit and non-audit services.

Principles Reflected in Consolidated Financial Statements

December 31, 1980

Celanese Canada Inc. is incorporated under the Canada Business Corporations Act and its principal business activities include the production and sale of fibres, broadwoven fabrics, carpets, chemicals and industrial products. 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 56.5% of the common shares of the Corporation.

The accompanying financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects to International Accounting Standards.

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.

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.

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, employee compensation costs 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)	
	1980	1979
Net sales	**$391,623**	$353,603
Operating costs:		
Cost of goods sold	**323,194**	289,953
Selling and administrative	**28,661**	25,105
Research and development	**2,573**	2,947
Total operating costs	**354,428**	318,005
Operating income	**37,195**	35,598
Interest and debt expense	**(2,072)**	(2,579)
Dividends, interest and other income	**2,861**	2,940
Income before income taxes	**37,984**	35,959
Income taxes (note 8)	**14,570**	13,980
Income before the undernoted	**23,414**	21,979
Interest of others in Millhaven Fibres Limited (note 5)	**(1,395)**	(1,950)
Income before extraordinary items	**22,019**	20,029
Utilization of prior years' tax losses of Millhaven Fibres Limited, less interest of others therein	**—**	1,182
Write-off of remaining goodwill	**—**	(3,025)
Net income	**$ 22,019**	$ 18,186
Per common share after preferred dividends:		
Before extraordinary items	**$ 1.58**	$ 1.44
Extraordinary items	**—**	(0.14)
Net Income	**$ 1.58**	$ 1.30
Average common shares outstanding during year	**13,387,000**	13,373,000

Consolidated Statement of Retained Income

For the year ended December 31

	(thousands)	
	1980	1979
Retained income at beginning of year	**$ 40,800**	$ 26,066
Net income	**22,019**	18,186
	62,819	44,252
Dividends:		
Preferred shares — $1.75 series	**691**	691
Preferred shares — $1.00 series	**100**	100
Common shares	**5,331**	2,661
Total dividends	**6,122**	3,452
Retained income at end of year	**$ 56,697**	$ 40,800

The accompanying principles, notes, and schedule of segmented information presented on page 25, pages 29 to 32, and pages 34 and 35 are integral parts of these financial statements.

Consolidated Balance Sheet

As at December 31

	(thousands)	
	1980	1979
Assets		
Current assets:		
Cash and short term investments	**$ 6,378**	$ 23,230
Receivables, less allowance for doubtful accounts	**65,025**	60,144
Inventories (note 1)	**46,508**	47,184
Deferred income taxes	**11,983**	9,063
Other current assets	**528**	1,698
Total current assets	**130,422**	141,319
Investments (note 2)	**27,197**	1,210
Property, plant and equipment, at cost (note 3)	**354,796**	348,199
Accumulated depreciation	**289,526**	279,610
Net property, plant and equipment	**65,270**	68,589
Other assets	**1,218**	1,145
Total assets	**$224,107**	$212,263
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank loan	**$ 4,000**	$ —
Accounts payable and accrued liabilities	**42,179**	44,404
Income taxes	**6,953**	13,790
Long term debt due within one year, less amount held by trustees	**3,225**	4,550
Total current liabilities	**56,357**	62,744
Long term debt (note 4)	**28,272**	31,549
Deferred income taxes	**6,267**	773
Interest of others in Millhaven Fibres Limited (note 5)	**15,500**	15,500
Shareholders' equity:		
Capital stock (note 6)	**61,014**	60,897
Retained income	**56,697**	40,800
Total shareholders' equity	**117,711**	101,697
Total liabilities and shareholders' equity	**$224,107**	$212,263

The accompanying principles, notes, and schedule of segmented information presented on page 25, pages 29 to 32, and pages 34 and 35 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)	
	1980	1979
Funds from operations:		
Income before extraordinary items	**$22,019**	$20,029
Depreciation and amortization (note 11)	**19,381**	22,458
Deferred income taxes	**5,494**	1,910
Interest of others in Millhaven Fibres Limited, excluding dividends (note 5)	**—**	1,252
Gain on disposal of property, plant and equipment	**(90)**	(468)
Total funds from operations	**46,804**	45,181
Extraordinary credit, including interest of others therein	**—**	1,442
Additions to property, plant and equipment	**(15,862)**	(24,359)
Change in — accounts receivable	**(4,881)**	(10,497)
— inventories	**676**	(6,944)
— deferred income taxes, current	**(2,920)**	(2,946)
— bank loan	**4,000**	—
— accounts payable and accrued liabilities	**(2,225)**	8,127
— other current assets	**1,170**	535
— income taxes payable	**(6,837)**	6,940
Proceeds on disposal of property, plant and equipment	**201**	646
Net funds from operations	**20,126**	18,125
Financial transactions:		
Dividends: Common	**(5,331)**	(2,661)
Preferred	**(791)**	(791)
Repayment of long term debt including current portion	**(4,986)**	(5,307)
Repayment of debt to other shareholder of Millhaven Fibres Limited	**—**	(3,050)
Investments (note 2)	**(25,987)**	(191)
Issue of common shares	**117**	61
Total financial transactions	**(36,978)**	(11,939)
Increase (decrease) in cash and short term investments	**(16,852)**	6,186
Cash and short term investments:		
at beginning of year	**23,230**	17,044
at end of year	**$ 6,378**	$23,230

The accompanying principles, notes, and schedule of segmented information presented on page 25, pages 29 to 32, and pages 34 and 35 are integral parts of these financial statements.

Notes to Consolidated Financial Statements

December 31, 1980

(1) Inventories:

Inventories at December 31 were:

	(thousands)	
	1980	1979
Raw materials	**$ 5,303**	$ 6,511
Work in process	**10,029**	8,564
Finished goods	**22,799**	24,126
Stores and supplies	**8,377**	7,983
Total	**$ 46,508**	$ 47,184

If inventories had been valued using the lower of average costs and net realizable values, total inventories would have been $22,919,000 higher at December 31, 1980 and $15,490,000 higher at December 31, 1979.

(2) Investments:

During the year the Corporation formed a partnership with Celanese Corporation, New York, to construct and operate a methanol facility near Edmonton, Alberta, at an estimated capital cost of $255,000,000. It is anticipated that operations will begin in 1982. The partnership agreement provides that the partners will share in the equity of the partnership to the extent of their respective contributions and that by the end of 1982 their contributions will be equal. During 1980 the Corporation invested $26,950,000 in the partnership, which amount represents approximately 99% of the total equity of the partnership at December 31, 1980.

Construction costs incurred to December 31, 1980 have been financed by the equity contributions of the partners and accounts payable in the partnership of $13,062,000. These costs, which include principally land preparation, equipment purchases and engineering and other professional services, have been capitalized in the accounts of the partnership and will not be amortized or depreciated until such time as the facility has begun operation.

At December 31, 1980 the partnership had contractual obligations outstanding of approximately $63,600,000 for construction of the facility.

While preliminary approval for the facility has been granted, final government approval is still pending.

Other investments, which are recorded at cost, amount to $247,000 (1979—$1,210,000).

(3) Property, plant and equipment:

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

	(thousands)			
	1980		1979	
Machinery and equipment	**$209,574**	**6.0%**	$218,460	6.2%
Buildings and improvements	**58,974**	**7.5%**	57,320	8.8%
Depreciable assets	**268,548**	**6.8%**	275,780	6.8%
Fully depreciated facilities	**78,510**		68,034	
Land	**952**		957	
Construction in progress	**6,786**		3,428	
Total	**$354,796**		$348,199	
Expenditures for maintenance ana repairs	**$ 22,441**		$ 20,912	

Notes to Consolidated Financial Statements (Continued)

(4) Long term debt and related restrictions:
Exclusive of amounts due currently, long term debt at December 31 was:

	(millions)		
	Due	**1980**	1979
Celanese Canada Inc.:			
5⅜% sinking fund debentures Series B (US $11.8)	11/85	**$14.1**	$16.0
6½% sinking fund debentures Series C	2/86	**6.9**	7.8
Millhaven Fibres Limited:			
7½% first mortgage bonds Series A	12/86	**7.3**	7.7
Total		**$28.3**	$31.5

Maturities and sinking fund requirements through 1985, less amounts purchased, in millions are:

1981	1982	1983	1984	1985
$3.2	$3.8	$4.0	$4.0	$9.0

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 $30,000,000 at December 31, 1980. First mortgage bonds are secured by specific and floating charges on assets.

(5) Interest of others in Millhaven Fibres Limited:
An affiliated company owns all the outstanding cumulative redeemable preferred shares of Millhaven Fibres Limited. The Corporation's net income has been reduced by dividends on the preferred shares for the year ended December 31, 1980.

(6) Capital stock:

	Issued and outstanding at December 31,			
	1980		1979	
	shares	**(thousands)**	shares	(thousands)
Preferred shares:				
Cumulative redeemable, 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
Balance at end of year	**494,500**	**$12,363**	494,500	$12,363
Common shares:				
Balance at beginning of year	**13,384,478**	**$48,534**	13,372,200	$48,473
Issued under employees' share purchase plans	**13,368**	**117**	12,278	61
Balance at end of year	**13,397,846**	**$48,651**	13,384,478	$48,534
Total		**$61,014**		$60,897

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.

(7) Common stock option:

At December 31, 1980, 3,333 unissued common shares were reserved for issue upon the exercise of a stock option granted to an officer in prior years. This option expires on January 28, 1982 and is exercisable only with the consent of the Compensation Committee of the Corporation's Board of Directors at $3.41 per share until July 28, 1981 and at $3.57 per share thereafter. 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 this option is not material.

(8) Income taxes:

Taxes on income have been reduced by $1,608,000 (1979—$893,000) resulting from the application of federal investment tax credits and by a further $700,000 (1979—$412,000) attributable to the 3% inventory allowance.

(9) 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.

During the year, upon the recommendation of the actuaries, the actuarial bases of the pension plans were reviewed and modified to reflect better the profile of the participants in the plans and current economic factors. After giving effect to these modifications, the value of the plans' assets as at January 1, 1980 was determined by the actuaries to exceed the liabilities by $632,000. This surplus and a special contribution of $364,000 were used in 1980 to fund additional benefits granted to existing pensioners.

Charges against income for pension costs aggregated $1,571,000 in 1980 and $2,554,000 in 1979.

In December 1980, the Corporation and its subsidiaries increased the benefits available under the plans to take effect in 1981. It is estimated that an unfunded actuarial liability of $3,228,000 will result from these amendments. This amount will be amortized within the time limits imposed by government regulations pertaining to pension plans.

(10) Related party transactions:

During the year, the Corporation had business transactions with Celanese Corporation, New York and other affiliates. The purchase and sale of materials and finished products were at competitive market prices on normal terms of purchase and sale. Sales of finished products to affiliates form an important part of the Corporation's export business. The terms of the other transactions with related parties are as set out in contractual agreements. It is expected that all these business relationships will continue.

The particulars of these transactions and balances owing from or to these companies for the fiscal year ended December 31 are as follows:

	(thousands)	
	1980	1979
Balances at end of year:		
Accounts receivable from affiliates	**$ 6,135**	$ 3,255
Accounts payable to affiliates	**3,527**	2,854
Transactions during the year:		
Sales of finished products	**$32,225**	$18,134
Purchases of materials and finished goods	**22,306**	27,890
Interest expense	**—**	61
Royalty expense	**951**	910
Technical service fee	**997**	760

Notes to Consolidated Financial Statements (Continued)

(11) Statutory and other information:

(a) The following were included in the determination of the Corporation's net income:

	(thousands)	
	1980	1979
Depreciation	**$19,070**	$21,622
Amortization of — goodwill	**—**	432
— debt expense	**36**	42
— foreign exchange loss on long term debt	**275**	362
Total depreciation and amortization	**$19,381**	$22,458
Interest on long term debt	**$ 2,036**	$ 2,468

(b) During 1980 the Corporation extended its method of accounting for vacation pay on the accrual basis to include all employees. In prior years, vacation pay for salaried employees was accounted for on the paid basis. The resulting additional charge was recorded as a reduction of net income for the year of $1,072,000 after income taxes, or 8 cents per common share.

(c) The Corporation has decided to discontinue operations in 1981 at the Cambridge plant. It is expected that the eventual gain on sale of the plant will approximately equal all costs of discontinuance.

(12) Commitments:

(a) At December 31, 1980, there were contractual obligations outstanding of approximately $8,500,000 for the 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 $3,170,000. 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

Peat, Marwick, Mitchell & Cie

To the Shareholders of Celanese Canada Inc.

We have examined the consolidated balance sheet of Celanese Canada Inc. and its subsidiary companies as at December 31, 1980 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, 1980 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

Peat, Marwick, Mitchell & Cie
Chartered Accountants

Montreal, Canada
January 21, 1981

Segmented Information

For the year ended December 31

(thousands)	Polyester and Polypropylene		Cellulosic Fibres and Fabrics		Carpets	
	1980	1979	**1980**	1979	**1980**	1979
Sales to customers outside the Corporation:						
— domestic	**$120,773**	116,901	**52,852**	70,743	**53,020**	45,798
— export	**5,010**	2,207	**27,899**	15,935	**2,374**	2,478
Inter-segment sales	**9,231**	9,478	**116**	465		
Total net sales	**$135,014**	128,586	**80,867**	87,143	**55,394**	48,276
Operating income	**$ 6,132**	9,620	**11,392**	14,900	**(824)**	(475)
Income before undernoted items (1)	**$ 767**	1,740	**5,846**	7,908	**(1,580)**	(1,178)
Sales tax assessment (2)					**(650)**	—
Utilization of prior years' tax losses	**—**	1,182				
Write-off of remaining goodwill	**—**	(3,025)				
Net income	**$ 767**	(103)	**5,846**	7,908	**(2,230)**	(1,178)
Total assets	**$ 52,154**	56,936	**32,201**	25,979	**30,336**	33,210
Capital expenditures	**$ 3,474**	3,967	**6,396**	1,676	**733**	787
Depreciation	**$ 7,406**	7,400	**3,193**	5,378	**3,100**	3,100

The Corporation operates primarily in the above industries. Inter-segment sales are accounted for at prices comparable to open market prices for similar products.

Industrial Products		Chemicals		Corporate and Other		Inter-segment Transactions		Consolidated	
1980	1979	**1980**	1979	**1980**	1979	**1980**	1979	**1980**	1979
17,872	14,112	**45,862**	26,907	**2,046**	2,952			**292,425**	277,413
33,215	27,390	**30,700**	28,180					**99,198**	76,190
		11,839	9,658			**(21,186)**	(19,601)		
51,087	41,502	**88,401**	64,745	**2,046**	2,952	**(21,186)**	(19,601)	**391,623**	353,603
11,411	6,214	**20,679**	14,372	**(10,415)**	(9,033)			**38,375**	35,598
6,420	3,211	**11,216**	8,348					**22,669**	20,029
								(650)	—
								—	1,182
								—	(3,025)
6,420	3,211	**11,216**	8,348					**22,019**	18,186
15,508	14,654	**54,567**	48,857	**41,320**	34,133	**(1,979)**	(1,506)	**224,107**	212,263
1,297	2,290	**3,693**	15,408	**269**	231			**15,862**	24,359
1,037	2,250	**3,864**	3,096	**470**	398			**19,070**	21,622

Note (1)
Income before undernoted items reflects the allocation of general corporate expenses, including interest and debt expense, dividends, and interest and other income to each segment on the basis of relative net assets.

Note (2)
The federal sales tax authorities have assessed additional taxes against the carpet operations of the Corporation. While the amount of the proposed assessment has been provided for, the Corporation is contesting this matter as it believes the assessment is not well founded. The portion of the assessment, after the applicable income taxes, which relates to transactions of 1978 and 1979 has reduced the 1980 net income of the carpet operations by $650,000.

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

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, 1980)	
Common Shares	8,648
Preferred Shares $1.75 Series	1,322
Preferred Shares $1.00 Series	485

Annual Report 1980
Celanese Canada Inc.
Legal Deposit 2nd quarter 1981
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Celanese Canada Inc.
Head Office:
Montreal, Quebec
(514) 871-5511

Fibres & Fabrics Group
Divisional Office:
Montreal, Quebec
(514) 871-5511

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) 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) 871-5583
Edmonton, Alberta	(403) 477-0546

Plastics Division

Sales Offices

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

Hébert et associés