PONTIAC REFINING CORP.
(a wholly-owned subsidiary of Celanese Corporation)

Accountants' Report

Financial Statements - December 31, 1968

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
1400 ONE MAIN PLACE
DALLAS, TEXAS 75250

The Board of Directors
Pontiac Refining Corp.:

We have examined the balance sheet of Pontiac Refining Corp., a wholly-owned subsidiary of Celanese Corporation, as of December 31, 1968 and the related statement of income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained income present fairly the financial position of Pontiac Refining Corp. at December 31, 1968 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

January 24, 1969

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Statement of Income and Retained Income

Year ended December 31, 1968
with figures for seven months ended December 31, 1967

	1968	Seven months ended December 31, 1967
	(Thousands of dollars except per share amounts)	
Sales	$ 88,644	47,936
Operating costs:		
Costs excluding items listed below	81,473	44,275
Selling and administrative	451	227
Depreciation	455	295
Total operating costs	82,379	44,797
Operating income	6,265	3,139
Other income	106	11
Operating and other income	6,371	3,150
Provision for income taxes (note 3)	3,268	1,581
Net income	3,103	1,569
Retained income at beginning of year	11,817	11,248
	14,920	12,817
Cash dividend	2,679	1,000
Retained income at end of year	$ 12,241	11,817
Net income per common share	$ 15,515	7,845

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 1968

(1) Inventories

Inventories of refined products ($2,242,000) and supplies ($1,240,000) at December 31, 1968 are stated at the lower of cost (average) or market. Inventories of crude oil ($1,268,000) at December 31, 1968 are stated at the lower of cost (first-in, first-out) or market.

(2) Property, plant and equipment

Allowances for depreciation of property, plant and equipment are provided on the straight-line method over an estimated useful life of 10 years, except for transportation equipment which has an estimated useful life of 4 years. The major classes of property, plant and equipment are as follows:

	Assets, at cost	
	1968	1967
	(Thousands of dollars)	
Plant, lines and dock facilities	$ 26,198	25,762
Land and rights-of-way	716	716
Transportation equipment	124	120
Other	396	311
	$ 27,434	26,909

(3) Income taxes

The Company will join with its parent in the filing of a consolidated Federal income tax return for 1968. The policy of the Company is to accrue its share of the income taxes payable and to make periodic remittances to Celanese Corporation.

The policy of the Company is to take the investment tax credit into income as a reduction in the provision for income taxes over the estimated useful lives of the related assets.

Deferred Federal income taxes arise from accelerated depreciation used for tax purposes, partially offset by provision for refinery turnarounds taken for financial purposes. The provision for income taxes is as follows:

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Notes to Financial Statements, Continued

(3) Income taxes, cont.

	1968	Seven months ended December 31, 1967
	(Thousands of dollars)	
Current	$ 3,360	1,446
Deferred	(92)	135
	$ 3,268	1,581

(4) Sales and crude supply contracts

Substantially all the Company's production of refined products is sold to one customer under the terms of a contract expiring in 1972. Quantities of refined products to be delivered to that customer reduce substantially in the last year of the contract. The Company purchases its supply of crude products under the terms of various contracts expiring in 1972 and 1977.

(5) Retirement plans

The Company has retirement plans covering substantially all employees. Charges to operations under the plans amounted to $243,000 for 1968 and $99,000 for the seven-month period ended December 31, 1967, including amortization of prior service costs over periods ranging from 10 to 15 years. The Company's policy is to fund costs accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.