Celanese CORP
Form 424B4
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Registration Nos. 333-120187 and 333-122180

PROSPECTUS

9,600,000 Shares

Celanese Corporation

4.25% CONVERTIBLE PERPETUAL PREFERRED STOCK
(liquidation preference $25.00 per share)

Celanese Corporation is offering 9,600,000 shares of its convertible perpetual preferred stock. We intend to use the net proceeds from the sale of the shares being sold by us in this offering to pay a dividend to holders of our Series B common stock.

Cash dividends on the preferred stock are payable, when, as and if declared by our board of directors, out of funds legally available therefor, at the rate of 4.25% per annum of the liquidation preference, quarterly in arrears, commencing May 1, 2005. Dividends on the preferred stock will be cumulative from the date of issuance. Accumulated but unpaid dividends cumulate at the annual rate of 4.25%.

Each share of preferred stock will have a liquidation preference of $25.00 and will be convertible, at any time, into shares of our Series A common stock at a conversion rate of 1.25 shares of Series A common stock for each share of preferred stock, subject to specified adjustments. In addition, if a holder elects to convert its shares of preferred stock in connection with the occurrence of a designated event that is also a fundamental change, the holder will be entitled to receive additional shares of Series A common stock upon conversion in certain circumstances.

Beginning February 1, 2010, we may redeem shares of the preferred stock, by paying cash, shares of our Series A common stock or a combination thereof in an amount equal to the liquidation preference, plus an amount equal to any accumulated and unpaid dividends to the redemption date, but only if the closing sale price of our Series A common stock has exceeded 130% of the conversion price for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date we give the notice of redemption. Upon a designated event, as defined herein, holders may, subject to legally available funds, require us to redeem any or all of their shares of preferred stock at the liquidation preference, plus an amount equal to any accumulated and unpaid dividends to the date of redemption, which we may pay in either cash, shares of our Series A common stock or any combination thereof at our option. Holders will have no other right to require us to redeem the preferred stock at any time. For a more detailed description of the preferred stock, see "Description of the Preferred Stock" beginning on page 214.

This offering of preferred stock is being made concurrently with the initial public offering of our Series A common stock pursuant to a separate prospectus. This offering is contingent upon the concurrent offering of our Series A common stock. Prior to this offering there has been no public market for the preferred stock or our Series A common stock. Our Series A common stock has been approved for listing on the New York Stock Exchange under the symbol "CE." The initial public offering price of our Series A common stock is $16.00. The preferred stock has been approved for listing on the New York Stock Exchange under the symbol "CE_Pr." We expect trading of the preferred stock on the New York Stock Exchange to commence on or about January 25, 2005.

Investing in the preferred stock involves risks. See "Risk Factors" beginning on page 21.

PRICE $25 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Celanese Corporation
Per Share	$25.00	$0.75	$24.25
Total	$ 240,000,000	$ 7,200,000	$ 232,800,000

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The representatives expect to deliver the shares to purchasers on January 26, 2005.

Morgan Stanley

Deutsche Bank Securities

Goldman, Sachs & Co.

Lehman Brothers

UBS Investment Bank

January 20, 2005

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You should rely only on the information contained in this prospectus. None of the Issuer nor its subsidiaries has authorized anyone to provide you with information different from that contained in this prospectus. The prospectus may be used only for the purposes for which it has been published and no person has been authorized to give any information not contained in this prospectus. If you receive any other information, you should not rely on it. The Issuer is not making an offer of these securities in any state where the offer is not permitted.

Until February 14, 2005 (25 days after the date of this prospectus), all dealers that buy, sell or trade our stock, whether or not participating in this offer, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

BASIS OF PRESENTATION

In this prospectus, the term "the Issuer" refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries and the terms "we," "our" and "us" refer to the Issuer and its subsidiaries on a consolidated basis. The term "BCP Crystal" refers to our subsidiary BCP Crystal US Holdings Corp., and not its subsidiaries. The term "Purchaser" refers to our subsidiary, Celanese Europe Holding GmbH & Co. KG, formerly known as BCP Crystal Acquisition GmbH & Co. KG, a German limited partnership (*Kommanditgesellschaft, KG*), and not its subsidiaries, except where otherwise indicated. The term "Original Stockholders" refers, collectively, to Blackstone Capital Partners (Cayman) Ltd. 1, Blackstone Capital Partners (Cayman) Ltd. 2, Blackstone Capital Partners (Cayman) Ltd. 3 and BA Capital Investors Sidecar Fund, L.P. Unless we specifically state otherwise, references to "pro forma" give effect, in the manner described under "Unaudited Pro Forma Financial Information" and the notes thereto, to (i) the Transactions and the Recent Restructuring (each as defined in this prospectus) and (ii) the offering of our Series A common stock, the offering of our convertible perpetual preferred stock (the "preferred stock"), the entering into of the new senior credit facilities (except for the $242 million delayed draw portion of the approximately $442 million acquisition facility under the new senior credit facilities (the "Acquisition Facility") that we expect to borrow to fund the Acetex and Vinamul Polymers acquisitions), and the use of proceeds therefrom (collectively, the "Concurrent Financings").

As of the date of this prospectus, we have one class of common stock, all of which is held by the Original Stockholders. Shortly before completion of this offering, we intend to complete a recapitalization in which we will create two series of common stock. The recapitalization, which may occur through a merger between us and a newly created wholly-owned subsidiary of ours, a share exchange by the Original Stockholders or by other means, will result in the creation of Series A common stock and Series B common stock. The shares sold in the initial public offering of our common stock will be Series A common stock. The Original Stockholders will exchange the shares of common stock that they currently hold for an equivalent number of shares of Series B common stock, which will enable them to receive dividends (the "special Series B common stock dividends") as described under "Description of Capital Stock Authorized Capitalization Common Stock Dividend Rights." The amounts of the cash special Series B common stock dividends in this prospectus are based on an initial public offering price of $16.00 per share of Series A common stock. Except for the special Series B common stock dividends which we expect to pay to the holders of outstanding shares of Series B common stock in April 2005 (or earlier in the case of the portion of the dividend payable in shares of Series A common stock), the convertibility of Series B common stock into Series A common stock and the right of the Series B common stock to consent to any changes to our governing documents that would adversely affect the Series B common stock, shares of Series A common stock and shares of Series B common stock will be identical, including with respect to voting rights. The Series B common stock will automatically convert into Series A common stock upon payment of the special Series B common stock dividends and may also be converted into Series A common stock at any time at the option of the holder. As used in this prospectus, the term "common stock," when used in reference to our capital structure before completion of this offering, means our existing single class of common stock, and when used in reference to our capital structure following completion of this offering, means, collectively, the Series A common stock and the Series B common stock, unless otherwise specified.

Pursuant to a voluntary tender offer commenced in February 2004, the Purchaser, an indirect wholly-owned subsidiary of the Issuer, in April 2004 acquired approximately 84% of the ordinary shares of Celanese AG (the "Celanese Shares") outstanding. All references in this prospectus to the outstanding ordinary shares of Celanese AG exclude treasury shares. As of September 30, 2004, the Issuer's indirect ownership of approximately 84% of the outstanding Celanese Shares would equate to approximately 76% of the issued Celanese Shares (including treasury shares). Pursuant to a mandatory offer commenced in September 2004 and continuing as of the date of this prospectus, the Purchaser acquired additional Celanese Shares. As a result of these acquisitions, partially offset by the issuance of additional shares of Celanese AG as a result of the exercise of options issued under the Celanese AG stock option plan, as of the date of this prospectus, we own approximately 84% of the outstanding Celanese Shares.

The Issuer is a recently-formed company which does not have, apart from the financing of the Transactions (as defined in this prospectus), any independent external operations other than through the indirect ownership of the Celanese businesses. The Issuer's unaudited consolidated financial statements as of and for the six months ended September 30, 2004 and the unaudited consolidated financial statements of Celanese AG for the three months ended March 31, 2004 and the nine months ended September 30, 2003 (together, the "Interim Consolidated Financial Statements"), are included elsewhere in this prospectus. For accounting purposes, the Issuer and its consolidated subsidiaries are referred to as the "Successor." See notes 2 and 4 to the Interim Consolidated Financial Statements for additional information on the basis of presentation and accounting policies of the Successor.

Celanese AG is incorporated as a stock corporation (*Aktiengesellschaft, AG*) organized under the laws of the Federal Republic of Germany. As used in this prospectus, the term "Celanese" refers to Celanese AG and Celanese Americas Corporation, their consolidated subsidiaries, their non-consolidated subsidiaries, joint ventures and other investments, except that with respect to shareholder and similar matters where the context indicates, "Celanese" refers to Celanese AG. For accounting purposes, "Celanese" or "Predecessor" refers to Celanese AG and its majority owned subsidiaries over which Celanese AG exercises control, as well as special purpose entities which are variable interest entities where Celanese is deemed the primary beneficiary. See note 3 to the consolidated financial statements of Celanese as of December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001 contained in this prospectus (the "Celanese Consolidated Financial Statements").

The Celanese Consolidated Financial Statements included in this prospectus were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for all periods presented. The Celanese Consolidated Financial Statements reflect, for the periods indicated, the financial condition, results of operations and cash flows of the businesses transferred to Celanese from Hoechst Aktiengesellschaft, also referred to as "Hoechst" in this prospectus, in a demerger that became effective on October 22, 1999, adjusted for acquisitions and divestitures. The Celanese Consolidated Financial Statements and other financial information included in this prospectus, unless otherwise specified, have been presented to separately show the effects of discontinued operations.

Celanese AG is a foreign private issuer and previously filed its consolidated financial statements as of December 31, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2003 on Form 20-F. In accordance with German law, the reporting currency of the Celanese AG consolidated financial statements is the euro. As a result of the Purchaser's acquisition of voting control of Celanese, the financial statements of Celanese contained in this prospectus are reported in U.S. dollars to be consistent with our reporting requirements. For Celanese AG's reporting requirements, the euro continues to be the reporting currency.

In the preparation of other information included in this prospectus, euro amounts have been translated into U.S. dollars at the applicable historical rate in effect on the date of the relevant event/period. For purposes of pro forma and prospective information, euro amounts have been translated into U.S. dollars using the rate in effect on September 30, 2004. Our inclusion of this information is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes industry data and forecasts that the Issuer has prepared based, in part, upon industry data and forecasts obtained from industry publications and surveys and internal company surveys. Third-party industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. In this prospectus, the terms "SRI Handbook," "CMAI Methanol Analysis," "Nexant Chem Study 2003," "Nexant Chem Study 2002" and "Tecnon Orbichem Survey" refer to the SRI *International Chemical Economics Handbook*, *CMAI 2002-2003 World Methanol Analysis,* Nexant Chem Systems *September 2003 PERP Acetic Acid Study*, Nexant Chem Systems *February 2002 Vinyl Acetate Study* and Tecnon Orbichem *Acetic Acid and Vinyl Acetate World Survey* September 2003 report, respectively. The statements regarding Celanese's market position in this prospectus are based on information derived from the SRI Handbook, CMAI Methanol Analysis, Tecnon Orbichem Survey, Nexant Chem Study 2002 and Nexant Chem Study 2003.

AO Plus , BuyTiconaDirect , CelActiv , Celanex®, Celcon®, Celstran®, Celvolit®, Compel®, GUR®, Hoecat®, Hostaform®, Impet®, Impet-HI®, Mowilith®, Nutrinova® DHA, Riteflex®, Sunett®, Topas®, Vandar®, VAntage , Vectra®, Vectran® and certain other products and services named in this prospectus are registered trademarks and service marks of Celanese. Fortron® is a registered trademark of Fortron Industries, a joint venture of Celanese.

PROSPECTUS SUMMARY

This summary highlights selected information in this prospectus, but it may not contain all of the information that you should consider before deciding to invest in our stock. You should read this entire prospectus carefully, including the "Risk Factors" section and the financial statements, which are included elsewhere in this prospectus.

See "Market and Industry Data and Forecasts" on page iv for the sources of our leadership statements below.

CELANESE CORPORATION

We are an integrated global producer of value-added industrial chemicals and have #1 or #2 market positions worldwide in products comprising the majority of our sales. We are also the world's largest producer of acetyl products, including acetic acid, vinyl acetate monomer (VAM) and polyacetals (POM) and a leading global producer of high-performance engineered polymers used in consumer and industrial products and designed to meet highly technical customer requirements. Our operations are located in North America, Europe and Asia, including substantial joint ventures in China. We believe we are one of the lowest-cost producers of key building block chemicals in the acetyls chain, such as acetic acid and VAM, due to our economies of scale, operating efficiencies and proprietary production technologies.

We have a large and diverse global customer base consisting principally of major companies in a broad array of industries. In 2003, 39% of our net sales were to customers located in North America, 40% to customers in Europe and 21% to customers in Asia, Australia and the rest of the world.

Segment Overview

We operate through four business segments: Chemical Products, Technical Polymers Ticona, Acetate Products and Performance Products. The table below illustrates each segment's net sales to external customers for the year ended December 31, 2003, as well as each segment's major products and end use markets.

	Chemical Products	Technical Polymers Ticona	Acetate Products(2)	Performance Products
2003 Net Sales(1)	$2,968 million	$762 million	$655 million	$169 million
Major Products	Acetic acid Vinyl acetate monomer (VAM) Polyvinyl alcohol (PVOH) Emulsions Acetic anhydride Acetate esters Carboxylic acids Methanol	Polyacetal (POM) UHMW-PE (GUR) Liquid crystal polymers (Vectra) Polyphenylene sulfide Fortron)	Acetate tow Acetate filament	Sunett sweetener Sorbates
Major End-Use Markets	Paints Coatings Adhesives Lubricants Detergents	Fuel system components Conveyor belts Electronics Seat belt mechanisms	Filter products Textiles	Beverages Confections Baked goods Dairy products

(1) 2003 net sales of $4,603 million also include $49 million in net sales from Other Activities. 2003 net sales of Chemical Products excludes $97 million in inter-segment sales.

(2) In October 2004, we announced our plans to discontinue filament production by mid 2005 and to consolidate our flake and tow production at three sites instead of the current five.

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Chemical Products

Our Chemical Products segment produces and supplies acetyl products, including acetic acid, acetate esters, vinyl acetate monomer, polyvinyl alcohol, and emulsions. We are a leading global producer of acetic acid, the world's largest producer of vinyl acetate monomer and the largest North American producer of methanol, the major raw material used for the production of acetic acid. We are also the largest polyvinyl alcohol producer in North America.

Technical Polymers Ticona

Our Technical Polymers Ticona segment develops, produces and supplies a broad portfolio of high performance technical polymers for use in automotive and electronics products and in other consumer and industrial applications, often replacing metal or glass. Together with our 45%-owned joint venture Polyplastics Co.Ltd ("Polyplastics"), our 50%-owned joint venture Korea Engineering Plastics Company Ltd., and Fortron Industries, our 50-50 joint venture with Kureha Chemicals Industry of Japan, we are a leading participant in the global technical polymers business.

Acetate Products

Our Acetate Products segment primarily produces and supplies acetate tow, which is used in the production of filter products and acetate filament, which is used in the apparel and home furnishing industries. We are one of the world's leading producers of acetate tow and acetate filament, including production by our joint ventures in China. In October 2004, we announced plans to consolidate our acetate flake and tow manufacturing by early 2007 and to exit the acetate filament business by mid-2005. This restructuring is being implemented to increase efficiency, reduce over-capacities in certain manufacturing areas and to focus on products and markets that provide long-term value.

Performance Products

The Performance Products segment operates under the trade name of Nutrinova and produces and sells a high intensity sweetener and food protection ingredients, such as sorbates, for the food, beverage and pharmaceuticals industries.

Competitive Strengths

We have benefited from a number of competitive strengths, including the following:

Leading Market Positions. We have #1 or #2 market positions globally in products that make up a majority of our sales according to SRI Handbook and Tecnon Orbichem Survey. Our leadership positions are based on our large share of global production capacity, operating efficiencies, proprietary technology and competitive cost structures in our major products.

Proprietary Production Technology and Operating Expertise. Our production of acetyl products employs industry leading proprietary and licensed technologies, including our proprietary AO Plus acid-optimization technology for the production of acetic acid and VAntage vinyl acetate monomer technology.

Low Cost Producer. Our competitive cost structures are based on economies of scale, vertical integration, technical know-how and the use of advanced technologies.

Global Reach. We operate 24 production facilities (excluding our joint ventures) throughout the world, with major operations in North America, Europe and Asia. Joint ventures owned by us and our partners operate nine additional facilities. Our infrastructure of manufacturing plants, terminals, and sales offices provides us with a competitive advantage in anticipating and meeting the needs of our global and local customers in well-established and growing markets, while our geographic diversity reduces the potential impact of volatility in any individual country or region.

International Strategic Investments. Our strategic investments, including our joint ventures, have enabled us to gain access, minimize costs and accelerate growth in new markets, while also generating significant cash flow and earnings.

Diversified Products and End-Use Markets. We offer our customers a broad range of products in a wide variety of end-use markets. This product diversity and exposure help us reduce the potential impact of volatility in any individual market segment.

Business Strategies

We are focused on increasing operating cash flows, profitability, return on investment and shareholder value, which we believe can be achieved through the following business strategies:

Maintain Cost Advantage and Productivity Leadership. We continually seek to reduce our production and raw material costs. Our advanced process control projects (APC) generate savings in energy and raw materials while increasing yields in production units. Energy and raw materials savings resulting from APC projects were approximately $10 million in 2003 and $14 million in the nine months ended September 30, 2004. We intend to continue using best practices to reduce costs and increase equipment reliability in maintenance and project engineering.

Focused Business Investment. We intend to continue investing strategically in growth areas, including new production capacity, to extend our global market leadership position. We expect to continue to benefit from our investments and capacity expansion that enable us to meet increases in global demand.

Maximize Cash Flow and Reduce Debt. Despite a difficult operating environment over the past several years, we have generated a significant amount of operating cash flow. We believe there are opportunities to further improve our operating cash flow through increasing productivity, receiving cash dividends from our joint ventures and pursuing additional cost reduction efforts. We believe in a focused capital expenditure plan that is dedicated to attractive investment projects. We intend to use our free cash flow to reduce indebtedness and selectively expand our businesses. The operating cash flow generated in the nine months ended September 30, 2004 was $2 million. The cash flow generation from operations was affected by the one-time payment of a $95 million obligation to a third party, $59 million associated with the exercising of stock appreciation rights and pension contributions totaling $157 million and higher interest expense due to increased debt levels. As of September 30, 2004, we had total debt of $3,100 million and cash and cash equivalents of $819 million. On a pro forma basis as of September 30, 2004 after giving effect to the Transactions, the Recent Restructuring and the Concurrent Financings, our total debt would have been $3,217 million and cash and cash equivalents would have been $646 million (excluding $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition). See "Capitalization" for additional information.

Deliver Value-Added Solutions. We continually develop new products and industry leading production technologies that solve our customers' problems. We believe that our customers value our expertise, and we will continue to work with them to enhance the quality of their products.

Enhance Value of Portfolio. We will continue to further optimize our business portfolio through divestitures, acquisitions and strategic investments that enable us to focus on businesses in which we can achieve market, cost and technology leadership over the long term. In addition, we intend to continue to expand our product mix into higher value-added products.

THE TRANSACTIONS

As used in this prospectus, the term "Transactions" means, collectively, the Tender Offer, the Original Financing, the Refinancing and the Senior Discount Notes Offering described under "The Transactions" elsewhere in this prospectus.

Pursuant to the Tender Offer, in April 2004 the Purchaser, an indirect wholly owned subsidiary of the Issuer, acquired, at a price of €32.50 per share, a total of 41,588,227 Celanese Shares, representing approximately 84% of the Celanese Shares outstanding as of September 30, 2004. Pursuant to a mandatory offer commenced in September 2004 and continuing as of the date of this prospectus, the Purchaser acquired additional Celanese Shares. As a result of these acquisitions, partially offset by the issuance of additional shares of Celanese AG as a result of the exercise of options issued under the Celanese AG stock option plan, as of the date of this prospectus, we own approximately 84% of the outstanding Celanese Shares. The Purchaser may from time to time purchase or be required to purchase any or all of the outstanding Celanese Shares not owned by it in market transactions or otherwise. Examples of instances in which the Purchaser may be required to purchase additional Celanese shares include the ongoing mandatory offer relating to the domination and profit and loss transfer agreement entered into by the Purchaser and Celanese AG, or additional mandatory offers required by actions that the Purchaser or its affiliates may take in the future, such as a possible delisting of the Celanese Shares from the Frankfurt Stock Exchange, a possible squeeze-out of the minority shareholders of Celanese AG or a possible conversion of Celanese AG into a different legal form. The Purchaser's decision to pursue subsequent voluntary purchases will depend on, among other factors, the then-prevailing market prices and any negotiated terms with minority shareholders. See "The Transactions Post-Tender Offer Events."

RECENT RESTRUCTURING

We recently completed an internal restructuring of certain of our operations. See "The Recent Restructuring."

RECENT DEVELOPMENTS

Acetate Restructuring. In October 2004, we announced plans to implement a strategic restructuring of our acetate business to increase the efficiency, reduce overcapacity in certain areas and to focus on products and markets that provide long-term value. As part of this restructuring, we plan to discontinue acetate filament production by mid-2005 and to consolidate our acetate flake and tow operations at three locations, instead of five. The restructuring resulted in $50 million of asset impairment charges recorded as a special charge and $12 million in charges to depreciation for related asset retirement obligations for the six months ended September 30, 2004. In addition, we expect to record severance liabilities relating to restructuring plans contemplated at the time of the acquisition of Celanese AG of approximately $40 million in the fourth quarter of 2004, with a corresponding increase in goodwill. Sales of acetate filament were $118 million in 2003.

Acetex Acquisition. On October 27, 2004 we agreed to acquire Acetex Corporation, a Canadian corporation, for approximately $261 million and the assumption by us of debt owed by Acetex, valued at approximately $231 million. Acetex has two primary businesses: the Acetyls Business and the Specialty Polymers and Films Business. The Acetyls business produces acetic acid, polyvinyl alcohol and vinyl acetate monomer. The Specialty Polymers and Films Business produces specialty polymers (used in the manufacture of a variety of plastics products, including packaging and laminating products, auto parts, adhesives and medical products) as well as products for the agricultural, horticultural and construction industries. Acetex will be operated as part of our chemicals business. Closing of the acquisition is conditioned upon regulatory approvals and other customary conditions. We expect to finance this acquisition through borrowings under the new senior credit facilities.

Vinamul Polymers Acquisition. On November 23, 2004, we agreed to acquire Vinamul Polymers, the North American and European emulsion polymer business of National Starch and Chemical Company, for $208 million. National Starch and Chemical Company is a subsidiary of Imperial Chemical Industries PLC. The Vinamul Polymers product line includes vinyl acetate-ethylene copolymers, vinyl acetate homopolymers and copolymers, and acrylic and vinyl acrylic emulsions. Vinamul Polymers operates manufacturing facilities in the United States, Canada, the United Kingdom and The Netherlands. As part of the agreement, National Starch and Chemical Company will continue to supply Vinamul Polymers with starch, dextrin and other specialty ingredients following the acquisition. We will supply the Vinamul Polymers business with vinyl acetate monomer and polyvinyl alcohols. We expect to finance this acquisition through borrowings under the new senior credit facilities.

Proposed Dispositions. In December 2004, we approved a plan to dispose of the Cyclo-olefin Copolymer ("COC") business included within the Technical Polymers Ticona segment and our interest in Pemeas GmbH, the fuel cell joint venture included in Other Activities. As a result of this decision, we expect to record an impairment loss in the three months ended December 31, 2004, the amount of which has not yet been determined. The revenues and the operating loss for COC were $7 million and $(35) million for the year ended December 31, 2003, $1 million and $(9) million for the three months ended March 31, 2004 and $4 million and $(18) million for the six months ended September 30, 2004, respectively. The revenues for the fuel cell business were not material for any period presented. The operating loss for the fuel cell business was $(12) million for the year ended December 31, 2003, $(2) million for the three months ended March 31, 2004 and $(5) million for the six months ended September 30, 2004. As of September 30, 2004, the estimated total assets and total liabilities of COC were approximately $66 million and $66 million, respectively, and the estimated total assets and total liabilities of Pemeas GmbH were $27 million and $2 million, respectively.

Stock Incentive Plan, Deferred Compensation Plan and Bonuses. In December 2004, we adopted a stock incentive plan and a deferred compensation plan to assist us in recruiting, retaining and motivating key employees, directors and consultants. Prior to the consummation of this offering, we will also pay bonuses of $2 million, in the aggregate, to certain members of management. In addition, three of our named executive officers will be eligible to receive retention bonuses totaling approximately $12.8 million in the aggregate, fifty percent of which will be paid prior to the consummation of the offering.

Under the Stock Incentive Plan, we expect to grant options with the exercise price equal to the initial public offering price of the Series A common stock. In addition, we expect to sell 1,797,386 shares of our Series A common stock at $7.20 per share under our Stock Incentive Plan. In connection with such issuance, we expect to record a compensation expense equal to the difference between the issue price and the initial public offering price times the number of shares issued below the initial public offering price, in the aggregate amount of approximately $16 million.

The aggregate maximum amount payable under the deferred compensation plan is $192 million. The initial component of the deferred compensation plan totaling an aggregate of approximately $27 million vested in the fourth quarter of 2004 and was paid in the first quarter of 2005. We expect to record a charge in the fourth quarter of 2004 for the first $27 million of the deferred compensation plan.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations Future Charges and Cash Receipts and Payments" and "Management Stock Incentive Plan," " Deferred Compensation Plan" and " Bonus".

Internal Controls. We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, it may have a significant and adverse effect on our business and reputation. In addition to, and separate from, our evaluation of internal controls under Section 404, in 2004 we identified certain significant deficiencies in our internal controls in the computation of certain accounting adjustments. The identification of any significant deficiencies in the future could affect our ability to ensure timely and reliable financial reports. If we discover other deficiencies and are unable to correct such deficiencies in internal controls in a timely manner, our ability to record, process, summarize and report financial information within the time periods specified in the rules and forms of the SEC will be adversely affected. See "Risk Factors Our internal controls over financial reporting may not be effective and our independent auditors may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation" and " We have in the past identified significant deficiencies in our internal controls, and the identification of any significant deficiencies in the future could affect our ability to ensure timely and reliable financial reports."

Our principal executive offices are located at 1601 West LBJ Freeway, Dallas, TX 75234-6034 and our main telephone number is +1-972-443-4000.

THE OFFERING

Issuer	Celanese Corporation
Securities offered	9,600,000 shares of 4.25% Convertible Perpetual Preferred Stock, par value $0.01 per share.
Liquidation preference	$25.00 per share of preferred stock.
Dividends	Holders of preferred stock are entitled to receive, when, as and if, declared by our board of directors, out of funds legally available therefor, cash dividends at the rate of 4.25% per annum of the liquidation preference, payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year commencing May 1, 2005. Dividends on the preferred stock will be cumulative from the date of initial issuance. Accumulated but unpaid dividends cumulate at the annual rate of 4.25%.
	For so long as the preferred stock remains outstanding, (1) we will not declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any junior stock or parity stock and (2) neither we, nor any of our subsidiaries, will, subject to certain exceptions, redeem, purchase or otherwise acquire for consideration junior stock or parity stock through a sinking fund or otherwise, in each case unless we have paid or set apart funds for the payment of all accumulated and unpaid dividends with respect to the shares of preferred stock and any parity stock for all preceding dividend periods and except for the special Series B common stock dividends. See "Description of the Preferred Stock Dividends."
Use of Proceeds	We expect to receive approximately $233 million in net proceeds from this offering, after deducting the underwriters' discount and our estimated offering expenses. This offering is being made concurrently with the initial public offering of our Series A common stock pursuant to a separate prospectus. We intend to use the net proceeds from this offering, together with borrowings under our amended and restated senior credit facilities (the "new senior credit facilities") that our subsidiaries expect to enter into prior to the consummation of this offering and any net proceeds from the offering of our Series A common stock remaining after repayment of certain indebtedness of our subsidiaries as described under "Use of Proceeds" to pay a dividend to holders of our Series B common stock. The existing loans under our existing credit facilities will remain outstanding under the new senior credit facilities. Blackstone Capital Partners (Cayman) Ltd. 1, Blackstone Capital Partners (Cayman) Ltd. 2, Blackstone Capital Partners (Cayman) Ltd. 3 and BA Capital Investors Sidecar Fund, L.P. (collectively, the "Original Stockholders"), will be the only holders of our Series B common stock immediately prior to the consummation of this offering. See "Use of Proceeds."

Conversion	The preferred stock is convertible, at the option of the holder, at any time into shares of our Series A common stock at a conversion rate of 1.25 shares of our Series A common stock per $25.00 liquidation preference of preferred stock, which is equal to an initial conversion price of $20.00 per share of Series A common stock. The conversion rate may be adjusted for certain reasons, but will not be adjusted for accumulated and unpaid dividends. Upon conversion, holders will not receive any cash payment representing accumulated dividends, if any. Instead, accumulated dividends, if any, will be deemed paid by the Series A common stock received by holders on conversion.
	In addition, if a holder elects to convert its shares of preferred stock in connection with the occurrence of a designated event that is also a fundamental change, the holder will be entitled to receive additional shares of common stock upon conversion in certain circumstances as described under "Description of the Preferred Stock Make Whole Payment Upon the Occurrence of a Designated Event That Is Also a Fundamental Change."
Optional redemption	We may not redeem any shares of preferred stock at any time before February 1, 2010. On or after February 1, 2010, we may redeem some or all of the preferred stock at a redemption price equal to 100% of the liquidation preference, plus an amount equal to any accumulated but unpaid dividends, to the redemption date, but only if the closing sale price of our Series A common stock for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date we give the redemption notice exceeds 130% of the conversion price of the preferred stock on that day. We may also redeem the preferred stock at any time after February 1, 2010 if the total number of shares of the preferred stock outstanding on any quarterly dividend payment date is less than 15% of the total number of shares of the preferred stock outstanding immediately following this offering. We may elect to pay the redemption price in cash, Series A common stock or combination thereof at our option. If we elect to pay all or a portion of the redemption price in shares of Series A common stock, the shares of Series A common stock will be valued at a discount of 2.5% below the average of the closing sale prices for the ten trading days ending on the fifth trading day prior to the redemption date. The terms of our debt instruments currently materially limit our ability to redeem shares of preferred stock.

	If full cumulative dividends on the preferred stock have not been paid, the preferred stock may not be redeemed and we may not purchase or acquire any shares of preferred stock otherwise than with junior stock or pursuant to a purchase or exchange offer made on the same terms to all holders of preferred stock. The preferred stock is not subject to any mandatory redemption (other than in connection with a designated event) or sinking fund provision.
Designated event	If a designated event (as described under "Description of the Preferred Stock Designated Event Requires Us to Redeem Shares of Preferred Stock at the Option of the Holder") occurs, each holder of shares of preferred stock will, subject to legally available funds, have the right to require us to redeem any or all of its shares at a redemption price equal to 100% of the liquidation preference, plus an amount equal to any accumulated and unpaid dividends to, but excluding, the date of redemption. We may choose to pay the redemption price in cash, shares of Series A common stock, or a combination thereof at our option. If we elect to pay all or a portion of the redemption price in shares of Series A common stock, the shares of Series A common stock will be valued at a discount of 2.5% below the average of the closing sale prices for the ten consecutive trading days ending on the fifth trading day prior to the redemption date. However, in no event will we be required to deliver more than 240,000,000 shares of Series A common stock in satisfaction of the redemption price (subject to adjustment). Our ability to redeem all or a portion of the preferred stock for cash is subject to our obligation to repay or repurchase any outstanding debt that may be required to be repaid or repurchased in connection with a designated event and to any contractual restrictions contained in the terms of any indebtedness that we have at that time. If a designated event occurs at a time when we are prohibited from redeeming shares of preferred stock for cash, we could seek the consent of our lenders to redeem the preferred stock or attempt to refinance this debt. If, following a designated event, we elect but are prohibited from paying the redemption price of the preferred stock in cash under the terms of our debt instruments, but are not prohibited under applicable law from paying such redemption price in our shares of Series A common stock, we will pay the redemption price of the preferred stock in our shares of Series A common stock.

Voting rights	Holders of preferred stock will not have any voting rights except as set forth below, as specifically provided for in our amended and restated certificate of incorporation or as otherwise from time to time required by law. Whenever (1) dividends on the preferred stock or any other class or series of stock ranking on a parity with the preferred stock with respect to the payment of dividends are in arrears for dividend periods, whether or not consecutive, containing in the aggregate a number of days equivalent to six calendar quarters, or (2) we fail to pay the redemption price on the date shares of preferred stock are called for redemption (whether the redemption is pursuant to the optional redemption provisions or the redemption is in connection with a designated event) then, immediately prior to the next annual meeting of shareholders, the total number of directors constituting the entire board will automatically be increased by two and, in each case, the holders of preferred stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of such directors at the next annual meeting of stockholders and at each subsequent meeting until all dividends accumulated or the redemption price on the preferred stock have been fully paid or set apart for payment. Directors elected by the holders of the preferred stock shall not be divided into the classes of the board of directors and the term of office of all directors elected by the holders of preferred stock will terminate immediately upon the termination of the rights of the holder of preferred stock to vote for directors and upon such termination the total number of directors constituting the entire board will automatically be reduced by two. Holders of shares of preferred stock will have one vote for each share of preferred stock held.

Ranking	The preferred stock will be, with respect to dividend rights and rights upon liquidation, winding up or dissolution: junior to all our existing and future debt obligations; junior to each other class or series of our capital stock other than (1) our common stock and any other class or series of our capital stock the terms of which provide that such class or series will rank junior to the preferred stock and (2) any other class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the preferred stock; on a parity with any class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the preferred stock; senior to our common stock and any other class or series of our capital stock the terms of which provide that such class or series will rank junior to the preferred stock; and effectively junior to all of our subsidiaries' (1) existing and future liabilities and (2) capital stock held by others.
Absence of a public market for the preferred stock	The shares of preferred stock are new securities for which there is currently no public market. We cannot assure you that any active or liquid market will develop for the preferred stock. See "Underwriters."
Concurrent offerings	In addition to the preferred stock, we are concurrently offering shares of our Series A common stock in the initial public offering pursuant to a separate prospectus. This offering is contingent upon the concurrent offering of our Series A common stock.
NYSE symbol	Our Series A common stock and the preferred stock have been approved for listing on the New York Stock Exchange under the symbol "CE" and "CE_Pr", respectively.

For further information regarding the preferred stock, including, among other things, more complete descriptions of our dividend obligations, the conversion of the preferred stock, and the anti-dilution adjustments and voting rights applicable to the preferred stock, please see "Description of the Preferred Stock" beginning on page 214 of this prospectus.

Unless we specifically state otherwise, all information in this prospectus:

- assumes no exercise by the underwriters of their over-allotment option to purchase additional shares of our Series A common stock;
- gives effect to
  - the 152.772947 for one stock split we expect to effect prior to the consummation of the offering; and
  - our issuance of 1,797,386 shares of our Series A common stock under our stock incentive plan to certain of our executive officers, key employees and directors at a price of $7.20 per share;
- excludes
  - 11,252,972 shares of Series A common stock reserved for issuance upon exercise of options to be granted to certain of our executive officers, key employees and directors upon consummation of this offering, with an exercise price equal to the price to public per share in this offering; and
  - 2,957,280 additional shares of Series A common stock reserved for issuance in connection with our equity incentive plans;
  - 12,000,000 shares of Series A common stock reserved for issuance upon conversion of our preferred stock; and
- does not reflect our pending acquisitions of Acetex and Vinamul Polymers or the indebtedness we expect to incur in connection with those acquisitions.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth our consolidated ratio of earnings to combined fixed charges and preferred dividends for each of the periods indicated.

For purposes of calculating the ratio of earnings to combined fixed charges and preferred dividends, earnings represent earnings (loss) from continuing operations before income taxes and minority interests, less income from equity method investments and capitalized interest, plus income distributions from equity method investments, amortization of capitalized interest and fixed charges. Fixed charges include interest expense (including amortization of deferred financing fees), capitalized interest, the portion of operating rental expense which management believes is representative of the interest component of rent expense and the amount of pretax earnings required to cover preferred dividends. In April 2004, we issued 200,000 shares of Series A Cumulative Exchangeable Preferred Shares due 2016 for gross proceeds of $200 million with a dividend rate of 13%. These preferred shares were redeemed on July 1, 2004. As these preferred shares were mandatorily redeemable, they were recorded as a liability, and we recorded interest expense of $6 million for the six months ended September 30, 2004 associated with these preferred shares. Therefore, the historical ratio of earnings to combined fixed charges and preferred dividends is the same as the ratio of earnings to fixed charges in all periods.

	Predecessor							Successor		
	Year ended December 31,					Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Pro Forma Year Ended December 31, 2003	Pro Forma Nine Months Ended September 30, 2004
	1999	2000	2001	2002	2003					
Ratio of earnings to combined fixed charges and preferred dividends(1)		2.8x		3.6x	3.4x	4.2x	6.2x		1.0x	

(1) Earnings were insufficient to cover fixed charges by $639 million for the year ended December 31, 1999, $403 million for the year ended December 31, 2001, $146 million for the six months ended September 30, 2004 and $15 million for the pro forma nine months ended September 30, 2004.

RISK FACTORS

An investment in our preferred stock involves risks. You should carefully consider all the information in this prospectus prior to investing in our preferred stock. In particular, we urge you to consider carefully the factors set forth under the heading "Risk Factors."

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The balance sheet data shown below for 2002 and 2003, and the statements of operations and cash flow data for 2001, 2002 and 2003, all of which are set forth below, are derived from the audited Celanese Consolidated Financial Statements included elsewhere in this prospectus and should be read in conjunction with those financial statements and the notes thereto. The balance sheet data for 2001 are unaudited and have been derived from, and translated into U.S. dollars based on, Celanese's historical euro audited financial statements.

The summary historical financial data for the nine months ended September 30, 2003 and the three months ended March 31, 2004 have been derived from the unaudited consolidated financial statements of Celanese, which have been prepared on a basis consistent with the audited consolidated financial statements of Celanese as of and for the year ended December 31, 2003. The summary historical financial data as of and for the six months ended September 30, 2004 have been derived from our unaudited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period. The unaudited consolidated financial information as of September 30, 2004 and for the three months ended March 31, 2004, six months ended September 30, 2004 and the nine months ended September 30, 2003 is included elsewhere in this prospectus.

The following summary unaudited pro forma financial data have been prepared to give pro forma effect to the Transactions, the Recent Restructuring and the Concurrent Financings, as if they had occurred on January 1, 2003, in the case of our unaudited pro forma statements of operations data, and on September 30, 2004, in the case of our unaudited pro forma balance sheet data. The pro forma financial data are for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions, the Recent Restructuring, and the Concurrent Financings actually been consummated on the dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. You should read the following data in conjunction with "The Transactions," "The Recent Restructuring," "Unaudited Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Celanese Consolidated Financial Statements and the Interim Consolidated Financial Statements included elsewhere in this prospectus.

As of September 30, 2004, the Purchaser, an indirect wholly owned subsidiary of the Issuer, owned approximately 84% of the Celanese Shares then outstanding. The Issuer is a recently-formed company which, apart from the financing of the Transactions, does not have any independent external operations other than through the indirect ownership of Celanese's business. Accordingly, financial and other information of Celanese is presented in this prospectus. This prospectus presents the financial information relating to Celanese under the caption "Predecessor" and the information relating to us under the caption "Successor." See "The Transactions."

	Predecessor					Successor		
				Unaudited		Unaudited		
	Celanese						Pro Forma[1]	
	Year Ended December 31,							
	2001	2002	2003	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions, except shares and per share data)							
Statement of Operations Data:								
Net sales	$ 3,970	$ 3,836	$ 4,603	$ 3,448	$ 1,243	$ 2,494	$ 4,603	$ 3,737
Cost of sales	(3,409)	(3,171)	(3,883)	(2,881)	(1,002)	(2,063)	(3,818)	(2,979)
Selling, general and administrative expenses	(489)	(446)	(510)	(384)	(137)	(278)	(522)	(414)
Research and development expenses	(74)	(65)	(89)	(66)	(23)	(45)	(88)	(67)
Special charges[2]:								
Insurance recoveries associated with plumbing cases	28		107	106		1	107	1
Sorbates antitrust matters			(95)	(95)			(95)	
Restructuring, impairment and other special charges, net	(444)	5	(17)	(2)	(28)	(59)	(17)	(66)
Foreign exchange gain (loss)	1	3	(4)	(3)		(2)	(4)	(2)
Gain (loss) on disposition of assets		11	6	5	(1)	2	6	1
Operating profit (loss)	(417)	173	118	128	52	50	172	211
Equity in net earnings of affiliates	12	21	35	29	12	35	35	47
Interest expense	(72)	(55)	(49)	(36)	(6)	(228)	(243)	(188)
Interest and other income (expense), net[3]	58	45	99	85	22	8	99	30
Income tax benefit (provision)	106	(61)	(60)	(68)	(25)	(58)	(60)	(104)
Minority interests						(2)	(6)	(17)
Earnings (loss) from continuing operations	(313)	123	143	138	55	(195)	$ (3)	$ (21)
Earnings (loss) from discontinued operations, net of income tax	(52)	27	6	(7)	23	(1)		
Cumulative effect of changes in accounting principles, net of income tax		18	(1)	(1)				

	Predecessor					Successor		
Net earnings (loss)	$ (365)	$ 168	$ 148	$ 130	$ 78	$ (196)		
Earnings (loss) per common share basic[4]:								
Continuing operations	$ (6.22)	$ 2.44	$ 2.89	$ 2.79	$ 1.12	$ (1.96)	$ (0.06)	$ (0.14)
Discontinued operations	$ (1.03)	$ 0.54	$ 0.12	$ (0.14)	$ 0.46	$ (0.01)		
Cumulative effect of change in accounting principle		$ 0.36	$ (0.02)	$ (0.02)				
Net earnings (loss)	$ (7.25)	$ 3.34	$ 2.99	$ 2.63	$ 1.58	$ (1.97)		
Weighted average shares basic[4]:								
Series A							109,484,886	109,484,886
Series B						99,377,885	99,377,885	99,377,885
Combined	50,331,847	50,329,346	49,445,958	49,487,911	49,321,468	99,377,885	208,862,771	208,862,771

Earnings (loss) per common share diluted(4):								
Continuing operations	$ (6.22)	$ 2.44	$ 2.89	$ 2.79	$ 1.11	$ (1.96)	$ (0.06)	$ (0.14)
Discontinued operations	$ (1.03)	$ 0.54	$ 0.12	$ (0.14)	$ 0.46	$ (0.01)		
Cumulative effect of change in accounting principle		$ 0.36	$ (0.02)	$ (0.02)				
Net earnings (loss)	$ (7.25)	$ 3.34	$ 2.99	$ 2.63	$ 1.57	$ (1.97)		
Weighted average shares diluted(4):								
Series A							109,484,886	109,484,886
Series B						99,377,885	99,377,885	99,377,885
Combined	50,331,847	50,329,346	49,457,145	49,487,911	49,712,421	99,377,885	208,862,771	208,862,771
Other Financial Data:								
EBITDA (unaudited)(5)	$ (42)	$ 468	$ 502	$ 420	$ 153	$ 226	$ 550	$ 473
Unusual items included in EBITDA (unaudited)(6)	440	16	113	32	37	117	113	133
Other non-cash charges (income) included in EBITDA (unaudited)(7)	21	97	24	17	13	37	(4)	5
Depreciation and amortization	326	247	294	213	72	150	294	222
Capital expenditures	191	203	211	133	44	106	211	150
Cash distributions from cost and equity method investments (unaudited)	69	139	83	54	30	44	83	74
Dividends paid per share(8)	$ 0.35		$ 0.48					
Statement of Cash Flows Data:								
Net cash provided by (used in) continuing operations:								
Operating activities	$ 462	$ 363	$ 401	$ 231	$ (107)	$ 109		
Investing activities	(105)	(139)	(275)	(178)	96	(1,724)		
Financing activities	(337)	(150)	(108)	(135)	(43)	2,448		
Balance Sheet Data (at the end of the period) (2001 unaudited):								
Trade working capital(9)	$ 499	$ 599	$ 641		$ 715	$ 808		$ 808
Total assets	6,232	6,417	6,814		6,613	7,066		6,900
Total debt	775	644	637		587	3,100		3,217
Mandatorily redeemable preferred								

stock[10]						
Shareholders' equity (deficit)	1,954	2,096	2,582	2,622	(53)	(14)

(1) We owned approximately 84% of the Celanese Shares outstanding as of September 30, 2004 and the pro forma information presented above assumes that we do not acquire any additional Celanese Shares. Assuming the Purchaser were to pay the fair cash compensation offer price required by the domination and profit and loss transfer agreement (the "Domination Agreement") of €41.92, plus interest, per share for all remaining Celanese Shares, earnings from continuing operations and EBITDA would each be higher by the amount of minority interest expense.

(2) Special charges include impairment charges, provisions for restructuring, which include costs associated with employee termination benefits and plant and office closures, certain insurance recoveries and other expenses and income incurred outside the normal course of ongoing operations. See note 25 to the Celanese Consolidated Financial Statements and note 14 to the Interim Consolidated Financial Statements.

(3) Interest and other income (expense), net, includes interest income, dividends from cost basis investments and other non-operating income (expense).

(4) Earnings (loss) per share for the Predecessor periods has been calculated by dividing net earnings (loss) by the historical weighted average shares outstanding of the Predecessor. As the capital structure of the Predecessor and Successor are substantially different, the reported earnings (loss) per share are not comparable.

Pro forma basic earnings (loss) per common share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Earnings (loss) available to common stockholders is computed by deducting preferred stock dividends from net earnings (loss). Pro forma diluted earnings (loss) per common share is computed by dividing earnings (loss) available to common stockholders by the sum of weighted average common shares outstanding plus dilutive common shares for the period.

After the completion of this offering, we will have two series of common stock Series A common stock and Series B common stock. The shares sold in the initial public offering will be Series A common stock and the Original Stockholders will hold shares of Series B common stock, which will enable the Original Stockholders to receive the special Series B common stock dividends, including (1) a cash dividend of $803 million and (2) a stock dividend, assuming the 7,500,000 shares under the underwriters over-allotment option are not sold. Except for the special Series B common stock dividends, both series of our common stock will share equally in future earnings and losses and have identical economic characteristics. Further, the Series B common stock will automatically convert into Series A common stock upon payment of the special Series B common stock dividends (anticipated to be in April 2005). Accordingly, for the preparation of our earnings per share calculation, we have combined the total Series A and Series B weighted average common shares outstanding and presented it as a single class of stock.

Successor earnings (loss) per share is calculated as follows:

	Successor		
	Six Months Ended September 30, 2004	**Pro forma Year Ended December 31, 2003**	**Pro forma Nine Months Ended Sept 30, 2004**
	(In millions, except per share amounts)		
Earnings (loss) from continuing operations	$ (195)	$ (3)	$ (21)
Less: Preferred dividends at a 4.25% dividend rate		(10)	(8)
Earnings (loss) from continuing operations allocable to common stockholders	(195)	(13)	(29)
(Loss) from discontinued operations, net of tax	(1)		
Net earnings (loss) allocable to common stockholders	$ (196)	$ (13)	$ (29)
Basic and diluted earnings (loss) from continuing operations per Series A and Series B common share[(a)]	$ (1.96)	$ (0.06)	$ (0.14)
Basic and diluted net earnings (loss) per Series A and Series B common share	$ (1.97)		
Basic and diluted weighted average common shares outstanding[(b)]:			
Series A		109,484,886	109,484,886
Series B	99,377,885	99,377,885	99,377,885
Combined	99,377,885	208,862,771	208,862,771

	Successor	
Antidilutive shares[c]:		
Series A employee stock options	11,252,972	11,252,972
Preferred stock	12,000,000	12,000,000

(a) Represents earnings (loss) allocable to common stockholders divided by the combined total of Class A and Class B weighted average common shares outstanding. Earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average shares outstanding after giving effect to the 152.772947 for one stock split.

(b) Unaudited pro forma basic and diluted earnings (loss) per share have been calculated in accordance with the SEC rules for initial public offerings. These rules require that the weighted average share calculation give retroactive effect to any changes in our capital structure as well as the number of shares whose sale proceeds will be used to repay any debt or pay dividends as reflected in the pro forma adjustments. Therefore, pro forma weighted average shares for purposes of the unaudited pro forma basic net earnings (loss) per share calculation has been adjusted as follows:

Shares outstanding	650,494
Stock split	152.772947
Series B common shares	99,377,885
Shares of Series A common stock issued pursuant to the offering of Series A common stock	50,000,000
Shares issued to certain executive officers, key employees and directors	1,797,386
Additional shares of Series A common stock in connection with the underwriters' over-allotment option	7,500,000
Series A common shares	59,297,386
Shares required to generate proceeds to replace capital being withdrawn (at an initial public offering price of $16.00)	50,187,500
Total Series A shares for earnings (loss) per share	109,484,886
Total Series A and Series B for earnings (loss) per share	208,862,771

(c)

For the pro forma year ended December 31, 2003 and the pro forma nine months ended September 30, 2004, shares issuable upon the exercise of employee stock options and conversion of preferred stock which would have an antidilutive effect have been excluded from the computation of pro forma diluted net earnings (loss) per share.

(5)

EBITDA, a performance measure used by management, is defined as earnings (loss) from continuing operations, plus interest expense net of interest income, income taxes and depreciation and amortization, as shown in the table below. EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. See "Special Note Regarding Non-GAAP Financial Measures." EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net earnings as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies.

Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The amounts shown for EBITDA as presented in this prospectus differ from the amounts calculated under the definition of EBITDA used in our debt instruments. The definition of EBITDA used in our debt instruments is further adjusted for certain cash and non-cash charges and is used to determine compliance with financial covenants and our ability to engage in certain activities such as incurring additional debt and making certain payments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Covenants."

EBITDA is calculated and reconciled to net earnings (loss) as follows (unaudited):

	Predecessor					Successor		
	Celanese						Pro Forma	
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	2001	2002	2003					
	(in millions)							
Net earnings (loss)	$ (365)	$ 168	$ 148	$ 130	$ 78	$ (196)	$ (3)	$ (21)

	Predecessor					Successor		
(Earnings) loss from discontinued operations	52	(27)	(6)	7	(23)	1		
Cumulative effect of changes in accounting principles		(18)	1	1				
Interest expense	72	55	49	36	6	228	243	188
Interest income	(21)	(18)	(44)	(35)	(5)	(15)	(44)	(20)
Income tax (benefit) provision	(106)	61	60	68	25	58	60	104
Depreciation and amortization	326	247	294	213	72	150	294	222
EBITDA	$ (42)	$ 468	$ 502	$ 420	$ 153	$ 226	$ 550	$ 473

(6)

EBITDA, as defined above, was (increased) reduced by the following unusual items, each of which is further discussed below (unaudited):

	Predecessor					Successor		
	Celanese						Pro Forma	
	Year Ended December 31,							
	2001	2002	2003	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)							
Stock appreciation rights (income) expense [(a)]	$ 10	$ 3	$ 59	$ 41	$	$ 1	$ 59	$ 1
Special charges [(b)]	416	(5)	5	(9)	28	58	5	65
Other restructuring charges [(c)]			26	8	10	13	26	23
Other (income) expense [(d)]	9	12	5	(17)	(3)	31	5	28
Other unusual items [(e)]	5	6	18	9	2	14	18	16
	$ 440	$ 16	$ 113	$ 32	$ 37	$ 117	$ 113	$ 133

(a)

Represents the expense associated with stock appreciation rights that will not be incurred subsequent to the Transactions as it is expected that the plan will be replaced with other management equity arrangements that will not result in a cash cost to Celanese.

(b)

Represents provisions for restructuring, asset impairment, transaction costs and other unusual expenses and income incurred outside the ordinary course of business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c)

Represents the portion of restructuring charges (consisting of employee termination benefits) that were not included in special charges.

(d)

Represents other non-operating (income) expense (other than dividends). See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(e)

Represents primarily the expense associated with executive contract terminations, transaction costs not included in special charges, and rent expense paid to a variable interest entity that has been consolidated since the first quarter of 2004.

The unusual items listed above exclude adjustments to reserves, principally environmental reserves and loss reserves at the captive insurance entities, made in the ordinary course of business resulting from changes in estimates based on favorable trends in environmental remediation and actuarial revaluations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(7) EBITDA, as defined above, was also (increased) reduced by the following other non-cash items, each of which is further discussed below (unaudited):

	Predecessor					Successor		
	Celanese						Pro Forma	
	Year Ended December 31,							
	2001	2002	2003	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)							
Amortization included in pension and OPEB expense (a)	$ 10	$ 15	$ 28	$ 19	$ 8	$ 2	$	$
Adjustment to equity earnings (b)	11	79	(12)	(8)	4	(15)	(12)	(11)
Other non-cash charges (income) (c)		3	8	6	1		2	
Purchase accounting for inventories (d)						49		
Minority interests (e)						1	6	16
	$ 21	$ 97	$ 24	$ 17	$ 13	$ 37	$ (4)	$ 5

(a) Represents the portion of pension and other postretirement ("OPEB") expense resulting from amortization of unrecognized actuarial losses, prior service costs and transition obligations. In addition, we expect Celanese's future pension expense to be reduced as a result of the pre-funding of $463 million of pension contributions in connection with the Transactions. Assuming an annual long-term rate of return on plan assets of 7.93%, Celanese's annual pension expense would decrease by an additional $37 million. See "Unaudited Pro Forma Financial Information."

(b) Represents the adjustment to reflect earnings of investments accounted for under the equity method on a cash basis.

(c) Relates primarily to non-cash expense associated with stock option plans.

(d) Represents the one-time charge to cost of sales resulting from purchase accounting for inventories.

(e) Represents minority interest expense relating to the approximately 16% of the Celanese Shares outstanding at September 30, 2004 that we did not own, net of actual dividends paid during the period. See note (7).

(8) In the nine months ended September 30, 2004, Celanese AG declared and paid a dividend of €0.12 ($0.14) per share for the year ended December 31, 2003. See "The Transactions" for information on future dividends that may be required under German law to be paid to Celanese AG's minority shareholders.

(9) Trade working capital is defined as trade accounts receivable from third parties and affiliates net of allowance for doubtful accounts, plus inventories, less trade accounts payable to third parties and affiliates. For the calculation of trade working capital, see note (8) to "Selected Historical Financial Data."

(10) Our mandatorily redeemable preferred stock was repaid with the proceeds of the offering of the senior subordinated notes that occurred on July 1, 2004.

RISK FACTORS

An investment in our stock involves risks. You should carefully consider the risks described below, together with the other information in this prospectus, before deciding to purchase any stock.

Risks Related to the Acquisition of Celanese

If the Domination Agreement ceases to be operative, the Issuer's managerial control over Celanese AG is limited.

As of the date of this prospectus, we own 100% of the outstanding shares of Celanese Americas Corporation ("CAC") and approximately 84% of the outstanding shares of Celanese AG. Our access to cash flows of, and our control of, Celanese AG is subject to the continuing effectiveness of the Domination Agreement. See "The Transactions Post-Tender Offer Events Domination and Profit and Loss Transfer Agreement."

The Domination Agreement is subject to legal challenges instituted by dissenting shareholders. Minority shareholders have filed nine actions against Celanese AG in the Frankfurt District Court (*Landgericht*), seeking, among other things, to set aside the shareholder resolutions passed at the extraordinary general meeting held on July 30 and 31, 2004 based, among other things, on the alleged violation of procedural requirements and information rights of the shareholders, to declare the Domination Agreement and the change in the fiscal year void and to prohibit Celanese AG from performing its obligations under the Domination Agreement. Pursuant to German law, the time period for the filing of such challenges has expired. Further, several additional minority shareholders have joined the proceedings via third party intervention in support of the plaintiffs. The Purchaser has joined the proceedings via third party intervention in support of Celanese AG. In addition, a German court could revoke the registration of the Domination Agreement in the commercial register. On August 2, 2004, two minority shareholders instituted public register proceedings with the Königstein Local Court (*Amtsgericht*) and the Frankfurt District Court, both with a view to have the registration of the Domination Agreement in the Commercial Register deleted (*Amtslöschungsverfahren*). See "Business Legal Proceedings."

If the Domination Agreement ceases to be operative, the Purchaser's ability, and thus our ability to control the board of management decisions of Celanese AG, will be significantly limited by German law. As a result, we may not be able to ensure that our strategy for the operation of our business can be fully implemented. In addition, our access to the operating cash flow of Celanese AG in order to fund payment requirements on our indebtedness will be limited, which could have a material adverse effect on the value of our stock.

If the Domination Agreement ceases to be operative, certain actions taken under the Domination Agreement might have to be reversed.

If legal challenges of the Domination Agreement by dissenting shareholders of Celanese AG are successful, some or all actions taken under the Domination Agreement, including the Recent Restructuring, may be required to be reversed and the Purchaser may be required to compensate Celanese AG for damages caused by such actions. Any such event could have a material adverse effect on our ability to make payments on our indebtedness and on the value of our stock.

Minority shareholders may interfere with Celanese AG's future actions, which may prevent us from causing Celanese AG to take actions which may have beneficial effects for our shareholders.

The Purchaser currently owns approximately 84% of the Celanese Shares. Shareholders unrelated to us hold the remainder of the outstanding Celanese Shares. German law provides certain rights to minority shareholders, which could have the effect of delaying, or interfering with, corporate actions (including those requiring shareholder approval), such as the potential application for revocation of admission of the Celanese Shares to the Frankfurt Stock Exchange, the squeeze-out and the potential conversion of Celanese AG from its current legal form of a stock corporation into a limited partnership

(*Kommanditgesellschaft, KG*) or a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) in accordance with the provisions of the German Transformation Act (*Umwandlungsgesetz, UmwG*). Minority shareholders may be able to delay or prevent the implementation of Celanese AG's corporate actions irrespective of the size of their shareholding. Any challenge by minority shareholders to the validity of a corporate action may be subject to judicial resolution that may substantially delay or hinder the implementation of such action. Such delays of, or interferences with, corporate actions as well as related litigation may limit our access to Celanese AG's cash flows and make it difficult or impossible for us to take or implement corporate actions which may be desirable in view of our operating or financial requirements, including actions which may have beneficial effects for our shareholders.

Celanese AG's board of management may refuse to comply with instructions given by the Purchaser pursuant to the Domination Agreement, which may prevent us from causing Celanese AG to take actions which may have beneficial effects for our shareholders.

Under the Domination Agreement, the Purchaser is entitled to give instructions directly to the board of management of Celanese AG, including, but not limited to, instructions that are disadvantageous to Celanese AG, as long as such disadvantageous instructions benefit the Purchaser or the companies affiliated with either the Purchaser or Celanese AG. Celanese AG's board of management is required to comply with any such instruction, unless, at the time when such instruction is given, (i) it is, in the opinion of the board of management of Celanese AG, obviously not in the interests of the Purchaser or the companies affiliated with either the Purchaser or Celanese AG, (ii) in the event of a disadvantageous instruction, the negative consequences to Celanese AG are disproportionate to the benefits to the Purchaser or the companies affiliated with either the Purchaser or Celanese AG, (iii) compliance with the instruction would violate legal or statutory restrictions, (iv) compliance with the instruction would endanger the existence of Celanese AG or (v) it is doubtful whether the Purchaser will be able to fully compensate Celanese AG, as required by the Domination Agreement, for its annual loss (*Jahresfehlbetrag*) incurred during the fiscal year in which such instruction is given. The board of management of Celanese AG remains ultimately responsible for making the executive decisions for Celanese AG and the Purchaser, despite the Domination Agreement, is not entitled to act on behalf of, and has no power to legally bind, Celanese AG. The Celanese AG board of management may delay the implementation of, or refuse to implement, any of the Purchaser's instructions despite its general obligation to follow such instructions (with the exceptions mentioned above). Such delays of, or interferences with, compliance with the Purchaser's instructions by the board of management of Celanese AG may make it difficult or impossible for the Purchaser to implement corporate actions which may be desirable in view of our operating or financial requirements, including actions which may have beneficial effects for our shareholders.

The Purchaser will be required to ensure that Celanese AG pays a guaranteed fixed annual payment to the minority shareholders of Celanese AG, which may reduce the funds the Purchaser can otherwise make available to us.

As long as the Purchaser does not own 100% of the outstanding Celanese Shares, the Domination Agreement requires, among other things, the Purchaser to ensure that Celanese AG makes a gross guaranteed fixed annual payment (*Ausgleich*) to minority shareholders of €3.27 per Celanese share less certain corporate taxes in lieu of any future dividend. Taking into account the circumstances and the tax rates at the time of the entering into of the Domination Agreement, the net guaranteed fixed annual payment is €2.89 per share for a full fiscal year. As of December 6, 2004, there were approximately 7.9 million Celanese Shares held by minority shareholders. The net guaranteed fixed annual payment may, depending on applicable corporate tax rates, in the future be higher, lower or the same as €2.89. The amount of this guaranteed fixed annual payment was calculated in accordance with applicable German law. The amount of the payment is currently under review in special award proceedings (*Spruchverfahren*). See "Business Legal Proceedings." Such guaranteed fixed annual payments will be required regardless of whether the actual distributable profits per share of Celanese AG are higher, equal to, or lower than the amount of the guaranteed fixed annual payment per share. The guaranteed fixed annual payment will be payable for so long as there are minority shareholders of Celanese AG and the Domination Agreement remains in place. No dividends for the period after effectiveness of the Domination Agreement, other than the guaranteed fixed annual payment effectively paid by the Purchaser, are expected to be paid by Celanese AG. These requirements may reduce the funds the Purchaser can make available to the Issuer and its subsidiaries and, accordingly, diminish our ability to make payments, on our respective indebtedness. See "The Transactions Post-Tender Offer Events Domination and Profit and Loss Transfer Agreement."

The amounts of the fair cash compensation and of the guaranteed fixed annual payment offered under the Domination Agreement may be increased, which may further reduce the funds the Purchaser can otherwise make available to us.

As of the date of this prospectus, several minority shareholders of Celanese AG have initiated special award proceedings (*Spruchverfahren*) seeking the court's review of the amounts of the fair cash compensation (*Abfindung*) and of the guaranteed fixed annual payment (*Ausgleich*) offered under the Domination Agreement. So far, pleadings by several minority shareholders have been served on the Purchaser. As a result of these proceedings, the amounts of the fair cash compensation (*Abfindung*) and of the guaranteed fixed annual payment (*Ausgleich*) could be increased by the court. Any such increase may be substantial. All minority shareholders including those who have already received the fair cash compensation would be entitled to claim the respective higher amounts. This may reduce the funds the Purchaser can make available to the Issuer and its subsidiaries and, accordingly, diminish our ability to make payments on our indebtedness. See "Business Legal Proceedings."

The Purchaser may be required to compensate Celanese AG for annual losses, which may reduce the funds the Purchaser can otherwise make available to the Issuer.

Under the Domination Agreement, the Purchaser is required, among other things, to compensate Celanese AG for any annual loss incurred, determined in accordance with German accounting requirements, by Celanese AG at the end of the fiscal year in which the loss was incurred. This obligation to compensate Celanese AG for annual losses will apply during the entire term of the Domination Agreement. If Celanese AG incurs losses during any period of the operative term of the Domination Agreement and if such losses lead to an annual loss of Celanese AG at the end of any given fiscal year during the term of the Domination Agreement, the Purchaser will be obligated to make a corresponding cash payment to Celanese AG to the extent that the respective annual loss is not fully compensated for by the dissolution of profit reserves (*Gewinnrücklagen*) accrued at the level of Celanese AG during the term of the Domination Agreement. The Purchaser may be able to reduce or avoid cash payments to Celanese AG by off-setting against such loss compensation claims by Celanese AG any valuable counterclaims against Celanese AG that the Purchaser may have. If the Purchaser was obligated to make cash payments to Celanese AG to cover an annual loss, we may not have sufficient funds to make payments on our indebtedness when due and, unless the Purchaser is able to obtain funds from a source other than annual profits of Celanese AG, the Purchaser may not be able to satisfy its obligation to fund such shortfall. See "The Transactions Post-Tender Offer Events Domination and Profit and Loss Transfer Agreement."

Two of our subsidiaries have agreed to guarantee the Purchaser's obligation under the Domination Agreement, which may diminish our ability to make payments on our indebtedness.

Our subsidiaries, BCP Caylux Holdings Luxembourg S.C.A. and BCP Crystal, have each agreed to provide the Purchaser with financing to strengthen the Purchaser's ability to fulfill its obligations under, or in connection with, the Domination Agreement and to ensure that the Purchaser will perform all of its obligations under, or in connection with, the Domination Agreement when such obligations become due, including, without limitation, the obligations to make a guaranteed fixed annual payment to the outstanding minority shareholders, to offer to acquire all outstanding Celanese Shares from the minority shareholders in return for payment of fair cash consideration and to compensate Celanese AG for any annual loss incurred by Celanese AG during the term of the Domination Agreement. If BCP Caylux Holdings Luxembourg S.C.A. and/or BCP Crystal are obligated to make payments under such guarantees or other security to the Purchaser and/or the minority shareholders, we may not have sufficient funds for payments on our indebtedness when due.

Even if the minority shareholders' challenges to the Domination Agreement are unsuccessful and the Domination Agreement continues to be operative, we may not be able to receive distributions from Celanese AG sufficient to pay our obligations.

Even if the minority shareholders' challenges to the Domination Agreement are unsuccessful and the Domination Agreement continues to be operative, we are limited in the amount of distributions we may receive in any year from Celanese AG. Under German law, the amount of distributions to the Purchaser will be determined based on the amount of unappropriated earnings generated during the term of the Domination Agreement as shown in the unconsolidated annual financial statements of Celanese AG, prepared in accordance with German accounting principles and as adopted and approved by resolutions of the Celanese AG board of management and supervisory board, which financial statements may be different from Celanese's consolidated financial statements under U.S. GAAP. Our share of these earnings, if any, may not be in amounts and at times sufficient to allow us to pay our indebtedness as it becomes due, which could have a material adverse effect on the value of the stock.

We must rely on payments from our subsidiaries to fund payments on our preferred stock and certain of our subsidiaries must rely on payments from their own subsidiaries to fund payments on their indebtedness. Such funds may not be available in certain circumstances.

We must rely on payments from our subsidiaries to fund dividend, redemption and other payments on our preferred stock. In addition, our subsidiaries, BCP Crystal and Crystal US Holdings 3 L.L.C. ("Crystal LLC"), are holding companies and all of their operations are conducted through their subsidiaries. Therefore, they depend on the cash flow of their subsidiaries, including Celanese, to meet their obligations, including obligations of approximately $3.2 billion (after giving effect to the Transactions, the Recent Restructuring and the Concurrent Financings and excluding $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition) of our indebtedness. If the Domination Agreement ceases to be operative, such subsidiaries may be unable to meet their obligations under such indebtedness. Although the Domination Agreement became operative on October 1, 2004, it is subject to legal challenges instituted by dissenting shareholders. In August 2004, minority shareholders filed nine actions against Celanese AG in the Frankfurt District Court (*Landgericht*) seeking, among other things, to set aside the shareholder resolutions passed at the extraordinary general meeting held on July 30 and 31, 2004 based, among other things, on the alleged violation of procedural requirements and information rights of the shareholders, to declare the Domination Agreement and the change in the fiscal year void and to prohibit Celanese AG from performing its obligations under the Domination Agreement. Pursuant to German law, the time period for the filing of such challenges has expired. Further, several additional minority shareholders have joined the proceedings via third party intervention in support of the plaintiffs. The Purchaser has joined the proceedings via third party intervention to support Celanese AG. In addition, a German court could revoke the registration of the Domination Agreement in the commercial register. On August 2, 2004, two minority shareholders instituted public register proceedings with the Königstein Local Court (*Amtsgericht*) and the Frankfurt District Court, both with a view to have the registration of the Domination Agreement in the Commercial Register deleted (*Amtslöschungsverfahren*). See "Business Legal Proceedings."

The ability of our subsidiaries to make distributions to us, BCP Crystal and Crystal LLC by way of dividends, interest, return on investments, or other payments (including loans) or distributions is subject to various restrictions, including restrictions imposed by the senior credit facilities and indentures governing their indebtedness, and the terms of future debt may also limit or prohibit such payments. In addition, the ability of the subsidiaries to make such payments may be limited by relevant provisions of German and other applicable laws.

Our internal controls over financial reporting may not be effective and our independent auditors may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder, which we refer to as Section 404. We are currently performing the system and process evaluation and testing required (and any necessary remediation) in an effort to comply with management certification and auditor attestation requirements of Section 404. The management certification and auditor attestation requirements of Section 404 will initially apply to Celanese Corporation as of December 31, 2005 and Celanese AG as of September 30, 2005. In the course of our ongoing Section 404 evaluation, we have identified areas of internal controls that may need improvement, and plan to design enhanced processes and controls to address these and any other issues that might be identified through this review. Currently, none of the identified areas that need improvement have been categorized as significant deficiencies or material weaknesses, individually or in the aggregate. However, as we are still in the evaluation process, we may identify conditions that may result in significant deficiencies or material weaknesses in the future. In 2004, certain members of our accounting staff identified two significant deficiencies, in addition to, and separate from, our Section 404 evaluation process, and those deficiencies are discussed in detail in the immediately subsequent risk factor.

We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to certify as to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could negatively affect our results.

We expect to incur expenses of an aggregate of approximately $10-15 million in the fourth quarter of 2004 and in 2005 in connection with our compliance with Section 404.

We have in the past identified significant deficiencies in our internal controls, and the identification of any significant deficiencies in the future could affect our ability to ensure timely and reliable financial reports.

In addition to, and separate from, our evaluation of internal controls under Section 404 of the Sarbanes-Oxley Act of 2002 and any areas requiring improvement that we identify as part of that process, we previously identified two significant deficiencies in our internal controls. We do not believe that in the aggregate these significant deficiencies constitute material weaknesses. The Public Company Accounting Oversight Board defines a significant deficiency as a control deficiency, or a combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

In 2004, we identified two significant deficiencies in internal controls in the computation of certain accounting adjustments. The first was identified during the quarter ended June 30, 2004 by members of our corporate financial reporting group and related to the qualifications and ability of certain accounting managers to initially calculate the change from the LIFO (last-in, first-out) method of accounting for inventories to FIFO (first-in, first-out) and the resulting failure of such employees to correctly make such calculations. The second was identified during the quarter ended June 30, 2004 by one of our financial accounting managers and related to an omitted employee benefit accrual due to the failure to provide the applicable employment contracts to the actuary prior to the cut-off date for the December 31, 2003 pension valuation. Corrective actions taken by us included an internal audit review, the development of enhanced guidelines, the termination and reassignment of responsible persons and an elevation of the issues to the Supervisory Board of Celanese AG. The significant deficiencies noted were identified and corrected in the quarter ended September 30, 2004 and thus did not exist as of September 30, 2004.

We are in the process of implementing changes to strengthen our internal controls. In addition, while we have taken actions to address these deficiencies, additional measures may be necessary and these measures along with other measures we expect to take to improve our internal controls may not be sufficient to address the issues identified by us or ensure that our internal controls are effective. If we are unable to correct deficiencies in internal controls in a timely manner, our ability to record, process, summarize and report financial information within the time periods specified in the rules and forms of the SEC will be adversely affected. This failure could materially and adversely impact our business, our financial condition and the market value of our securities.

We expect to record significant fourth quarter charges and may have changes related to purchase accounting that could adversely affect our fourth quarter 2004 results.

Although we have not completed the financial statements for the fourth quarter of 2004, we expect to incur certain significant charges in the fourth quarter in addition to those that are more fully described under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including (all figures are based on preliminary estimates):

- Effect of the compensation plans approved in December 2004

- A currently undetermined impairment loss related to our decision to dispose of our Cyclo-olefin Copolymer business included within the Technical Polymers Ticona segment and our interest in a fuel cell joint venture included in Other Activities

- A currently undetermined amount of restructuring charges recorded by our European Oxo GmbH, Celanese's oxo chemicals joint venture, which we expect to negatively impact our equity in net earnings of affiliates

Our results in the fourth quarter of 2004 could also be affected by other adjustments we may record that would impact our goodwill as well as our current and deferred provision for taxes. In particular,

- We may make further adjustments to the preliminary allocations of the purchase price of Celanese during the fourth quarter of 2004

- In connection with the acquisition of Celanese, we began formulating a plan to exit or restructure certain activities. As we finalize our plans to exit or restructure activities, we may record additional liabilities for, among other things, severance and severance related costs, which could result in increases to recorded goodwill as well as charges to earnings. We expect to record severance liabilities of approximately $40 million in the fourth quarter of 2004 related to the planned consolidation of tow production and the termination of filament production in our Acetate Products segment

- We are in the process of finalizing the accounting for the transfer of CAC net assets, which occurred in the fourth quarter of 2004, including the allocation of historical goodwill between CAC and Celanese AG, which will be done on a relative fair value basis. Accordingly, the related adjustment to minority interest has not been finalized

We are in the process of obtaining our final valuation reports related to our benefit plans, which may result in an adjustment to our additional minimum liability, a component of other comprehensive income and shareholders' equity, the amount of which is not yet determinable.

The foregoing is not intended to be a complete list of the charges and other items that could have an effect on our results of operations for the fourth quarter of 2004. We may identify additional adjustments in connection with the preparation of our financial statements for the fourth quarter of 2004. These additional adjustments may have a material adverse effect on our results of operations for the three and nine months ended December 31, 2004.

Risks Related to Our Indebtedness

Our high level of indebtedness could diminish our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or the chemicals industry and prevent us from meeting obligations under our indebtedness.

We are highly leveraged. On a pro forma basis as of September 30, 2004 after giving effect to the Transactions, the Recent Restructuring and the Concurrent Financings, our total debt would have been approximately $3.2 billion (excluding $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition). See "Capitalization" for additional information.

Our substantial debt could have important consequences for you, including:

- making it more difficult for us to make payments on our debt;
- increasing vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on indebtedness, therefore reducing our ability to use Celanese's cash flow to fund operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including the floating rate term loan and borrowings under the senior credit facilities, are at variable rates of interest;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who have less debt.

Despite our current high leverage, we and our subsidiaries may be able to incur substantially more debt. This could further exacerbate the risks of our high leverage.

We may be able to incur substantial additional indebtedness in the future. The terms of our existing debt do not fully prohibit us from doing so. The revolving credit facilities provide commitments of up to $608 million. As of December 31, 2004, there were no outstanding borrowings under the revolving credit facilities and availability of $402 million (taking into account letters of credit issued under the revolving credit facilities). In addition, upon the occurrence of certain events, we may request an increase to the existing term loan facility in an amount not to exceed $175 million in the aggregate, subject to receipt of commitments by existing term loan lenders or other financial institutions reasonably acceptable to the administrative agent. We also expect to incur an additional $442 million of indebtedness under our new senior credit facilities to finance the acquisitions of Acetex and Vinamul Polymers and to increase commitments under our revolving credit facilities to $828 million under our new senior credit facilities. See "Summary Recent Developments." If new debt is added to our current debt levels, the related risks that we now face could intensify.

We may not be able to generate sufficient cash to service our indebtedness, and may be forced to take other actions to satisfy obligations under our indebtedness, which may not be successful.

Our ability to satisfy our cash needs depends on cash on hand, receipt of additional capital, including possible additional borrowings, and receipt of cash from our subsidiaries by way of distributions, advances or cash payments. On a pro forma basis at September 30, 2004, giving pro forma effect to the Concurrent Financings, we had approximately $3.2 billion of total indebtedness (excluding $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition). Debt service requirements, excluding our Acquisition Facility, consist of principal repayments aggregating $260 million in the next five years and $3,176 million thereafter (including $221 million of accreted value on the senior discount notes) and annual cash interest payments of approximately $185 million in each of the next five years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Contractual Obligations."

Our ability to make scheduled payments on or to refinance our debt obligations depends on the financial condition and operating performance of our subsidiaries, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets (including the Celanese Shares), seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The senior credit facilities and the indentures governing our indebtedness restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Restrictive covenants in our debt instruments may limit our ability to engage in certain transactions and may diminish our ability to make payments on our indebtedness.

The senior credit facilities, the floating rate term loan and the indentures governing our indebtedness contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of Crystal LLC, BCP Crystal and their restricted subsidiaries to, among other things, incur additional indebtedness or issue preferred stock, pay dividends on or make other distributions on or repurchase their capital stock or make other restricted payments, make investments, and sell certain assets.

In addition, the senior credit facilities contain covenants that require Celanese Holdings LLC ("Celanese Holdings") to maintain specified financial ratios and satisfy other financial condition tests. Celanese Holdings' ability to meet those financial ratios and tests can be affected by events beyond its control, and it may not be able to meet those tests at all. A breach of any of these covenants could result in a default under the senior credit facilities. Upon the occurrence of an event of default under the senior credit facilities, the lenders could elect to declare all amounts outstanding under the senior credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If Celanese Holdings were unable to repay those amounts, the lenders under the senior credit facilities could proceed against the collateral granted to them to secure that indebtedness. Celanese Holdings has pledged a significant portion of its assets as collateral under the senior credit facilities. If the lenders under the senior credit facilities accelerate the repayment of borrowings, Celanese Holdings may not have sufficient assets to repay the senior credit facilities and its other indebtedness, which could have a material adverse effect on the value of our stock.

The terms of the senior credit facilities prohibit BCP Crystal and its subsidiaries from paying dividends or otherwise transferring their assets to us.

Our operations are conducted through our subsidiaries and our ability to pay dividends is dependent on the earnings and the distribution of funds from our subsidiaries. However, the terms of the senior credit facilities prohibit BCP Crystal and its subsidiaries from paying dividends or otherwise transferring their assets to us. Accordingly, under the terms of the senior credit facilities, BCP Crystal and its subsidiaries may not make dividends to us to enable us to pay dividends on our stock.

Risks Related to Our Business

We are an international company and are exposed to general economic, political and regulatory conditions and risks in the countries in which we have significant operations.

We operate in the global market and have customers in many countries. We have major facilities located in North America, Europe and Asia, including facilities in Germany, China, Japan, Korea and Saudi Arabia operated through joint ventures. Our principal customers are similarly global in scope, and the prices of our most significant products are typically world market prices. Consequently, our business and financial results are affected directly and indirectly by world economic, political and regulatory conditions.

Conditions such as the uncertainties associated with war, terrorist activities, epidemics, pandemics or political instability in any of the countries in which we operate could affect us by causing delays or losses in the supply or delivery of raw materials and products as well as increased security costs, insurance premiums and other expenses. These conditions could also result in or lengthen economic recession in the United States, Europe, Asia or elsewhere. Moreover, changes in laws or regulations, such as unexpected changes in regulatory requirements (including import or export licensing requirements), or changes in the reporting requirements of United States, German or European Union governmental agencies, could increase the cost of doing business in these regions. Any of these conditions may have an effect on our business and financial results as a whole and may result in volatile current and future prices for our securities, including the stock.

Cyclicality in the industrial chemicals industry has in the past and may in the future result in reduced operating margins or in operating losses.

Consumption of the basic chemicals that we manufacture, in particular those in acetyl products, such as methanol, formaldehyde, acetic acid and vinyl acetate monomer, has increased significantly over the past 30 years. Despite this growth in consumption, producers have experienced alternating periods of inadequate capacity and excess capacity for these products. Periods of inadequate capacity, including some due to raw material shortages, have usually resulted in increased selling prices and operating margins. This has often been followed by periods of capacity additions, which have resulted in declining capacity utilization rates, selling prices and operating margins.

We expect that these cyclical trends in selling prices and operating margins relating to capacity shortfalls and additions will likely persist in the future, principally due to the continuing combined impact of five factors:

- Significant capacity additions, whether through plant expansion or construction, can take two to three years to come on stream and are therefore necessarily based upon estimates of future demand.

- When demand is rising, competition to build new capacity may be heightened because new capacity tends to be more profitable, with a lower marginal cost of production. This tends to amplify upswings in capacity.

- When demand is falling, the high fixed cost structure of the capital-intensive chemicals industry leads producers to compete aggressively on price in order to maximize capacity utilization.

As competition in these products is focused on price, being a low-cost producer is critical to profitability. This favors the construction of larger plants, which maximize economies of scale, but which also lead to major increases in capacity that can outstrip current growth in demand.

Cyclical trends in general business and economic activity produce swings in demand for chemicals.

We believe that the basic chemicals industry, particularly in the commodity chemicals manufactured by our Chemical Products segment, is currently characterized by overcapacity, and that there may be further capacity additions in the next few years.

The length and depth of product and industry business cycles of our markets, particularly in the automotive, electrical, construction and textile industries, may result in reduced operating margins or in operating losses.

Some of the markets in which our customers participate, such as the automotive, electrical, construction and textile industries, are cyclical in nature, thus posing a risk to us which is beyond our control. These markets are highly competitive, to a large extent driven by end-use markets, and may experience overcapacity, all of which may affect demand for and pricing of our products.

We are subject to risks associated with the increased volatility in raw materials prices and the availability of key raw materials.

We purchase significant amounts of natural gas, ethylene, butane, and propylene from third parties for use in our production of basic chemicals in the Chemical Products segment, principally methanol, formaldehyde, acetic acid, vinyl acetate monomer, as well as oxo products. We use a portion of our output of these chemicals, in turn, as inputs in the production of further products in all our segments. We also purchase significant amounts of cellulose or wood pulp for use in our production of cellulose acetate in the Acetate Products segment. We purchase significant amounts of natural gas, electricity, coal and fuel oil to supply the energy required in our production processes.

Prices of natural gas, oil and other hydrocarbons have increased dramatically in 2004. To the extent this trend continues and we are unable to pass through these price increases to our customers, our operating profit and results of operations may be less favorable than expected.

We are exposed to any volatility in the prices of our raw materials and energy. Although we have agreements providing for the supply of natural gas, ethylene, propylene, wood pulp, electricity, coal and fuel oil, the contractual prices for these raw materials and energy vary with market conditions and may be highly volatile. Factors which have caused volatility in our raw material prices in the past and which may do so in the future include:

- Shortages of raw materials due to increasing demand, e.g., from growing uses or new uses;
- Capacity constraints, e.g., due to construction delays, strike action or involuntary shutdowns;
- The general level of business and economic activity; and
- The direct or indirect effect of governmental regulation.

We strive to improve profit margins of many of our products through price increases when warranted and accepted by the market; however, our operating margins may decrease if we cannot pass on increased raw material prices to customers, or we may not be able to capture the benefit of raw material price declines if raw material prices fall to levels below those at which we are committed to purchase under forward purchase contracts. Even in periods during which raw material prices decline, we may suffer decreasing operating profit margins if raw material price reductions occur at a slower rate than decreases in the selling prices of our products.

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply/demand fundamentals change. We manage our exposure through the use of derivative instruments and forward purchase contracts for commodity price hedging, entering into long-term supply agreements, and multi-year purchasing and sales agreements. Our policy, for the majority of our natural gas and butane requirements, allows entering into supply agreements and forward purchase or cash-settled swap contracts, generally for up to 24 months. During the first nine months of 2004, we did not enter into any forward contracts for our butane requirements and, for natural gas, had positions covering about 35% of our North American Chemical Products segment requirements primarily as a result of forward contracts entered into in 2003. In the future, we may modify our practice of purchasing a portion of our commodity requirements forward, and consider utilizing a variety of other raw material hedging instruments in addition to forward purchase contracts in accordance with changes in market conditions. As these forward contracts expire, we may be exposed to future price fluctuations if the forward purchase contracts are not replaced, or if we elect to replace them, we may have to do so at higher costs. Although we seek to offset increases in raw material prices with corresponding increases in the prices of our products, we may not be able to do so, and there may be periods when such product price increases lag behind raw material cost increases.

We have a policy of maintaining, when available, multiple sources of supply for raw materials. However, some of our individual plants may have single sources of supply for some of their raw materials, such as carbon monoxide and acetaldehyde. We may not be able to obtain sufficient raw materials due to unforeseen developments that would cause an interruption in supply. Even if we have multiple sources of supply for a raw material, these sources may not make up for the loss of a major supplier. Nor can there be any guarantee that profitability will not be affected should we be required to qualify additional sources of supply in the event of the loss of a sole or a major supplier.

Failure to develop new products and production technologies or to implement productivity and cost reduction initiatives successfully may harm our competitive position.

Our operating results, especially in our Performance Products and Technical Polymers Ticona segments, depend significantly on the development of commercially viable new products, product grades and applications, as well as production technologies. If we are unsuccessful in developing new products, applications and production processes in the future, our competitive position and operating results will be negatively affected. Likewise, we have undertaken and are continuing to undertake initiatives in all segments to improve productivity and performance and to generate cost savings. These initiatives may not be completed or beneficial or the estimated cost savings from such activities may not be realized.

Frankfurt airport expansion could require us to reduce production capacity of, limit expansion potential of, or incur relocation costs for our Kelsterbach plant which would lead to significant additional costs.

The Frankfurt airport's expansion plans include the construction of an additional runway. One of the three sites under consideration, the northwest option, would be located in close proximity to our Kelsterbach production plant. The construction of this particular runway could have a negative effect on the plant's current production capacity and future development. While the government of the state of Hesse and the owner of the Frankfurt airport promote the expansion of the northwest option, it is uncertain whether this option is in accordance with applicable laws. Although the government of the state of Hesse expects the plan approval for the airport expansion in 2007 and the start of operations in 2009-2010, neither the final outcome of this matter nor its timing can be predicted at this time.

Environmental regulations and other obligations relating to environmental matters could subject us to liability for fines, clean-ups and other damages, require us to incur significant costs to modify our operations and increase our manufacturing and delivery costs.

Costs related to our compliance with environmental laws concerning, and potential obligations with respect to, contaminated sites may have a significant negative impact on our operating results. These include obligations related to sites currently or formerly owned or operated by us, or where waste from our operations was disposed. We also have obligations related to the indemnity agreement contained in the demerger and transfer agreement between Celanese and Hoechst, also referred to as the demerger agreement, for environmental matters arising out of certain divestitures that took place prior to the demerger. Our accruals for environmental remediation obligations, $147 million as of September 30, 2004, may be insufficient if the assumptions underlying those accruals prove incorrect or if we are held responsible for currently undiscovered contamination. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Environmental Liabilities," notes 23 and 24 to the Celanese Consolidated Financial Statements and note 13 to the Interim Consolidated Financial Statements.

Our operations are subject to extensive international, national, state, local, and other supranational laws and regulations that govern environmental and health and safety matters. We incur substantial capital and other costs to comply with these requirements. If we violate them, we can be held liable for substantial fines and other sanctions, including limitations on our operations as a result of changes to or revocations of environmental permits involved. Stricter environmental, safety and health laws, regulations and enforcement policies could result in substantial costs and liabilities to us or limitations on our operations and could subject our handling, manufacture, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than at present. Consequently, compliance with these laws could result in significant capital expenditures as well as other costs and liabilities and our business and operating results may be less favorable than expected. Due to new air regulations in the United States, management expects that there will be a temporary increase in compliance costs that will total approximately $30 million to $45 million through 2007. For example, the Miscellaneous Organic National Emissions Standards for Hazardous Air Pollutants (NESHAP) regulations, and various approaches to regulating boilers and incinerators, including the NESHAPs for Industrial/Commercial/Institutional Boilers and Process Heaters, will impose additional requirements on our operations. Although some of these rules have been finalized, a significant portion of the NESHAPs for Industrial/Commercial/Institutional Boilers and Process Heaters regulation that provides for a low risk alternative method of compliance for hydrogen chloride emissions has been challenged in federal court. We cannot predict the outcome of this challenge, which could, if successful, increase our costs by, according to our estimates, approximately $50 million above the $30 to $45 million noted above through 2007 to comply with this regulation. As another example, a recent European Union directive requires a trading system for carbon dioxide emissions to be in place by January 1, 2005. Accordingly, an Emission Trading System has been introduced by German and Belgian legislation, coming into effect at the beginning of 2005. This legislation will affect our power plants at the Kelsterbach and Oberhausen sites in Germany and the Lanaken site in Belgium, as well as power plants operated by InfraServ entities on sites at which we operate. We and the InfraServ entities may be required to purchase carbon dioxide credits, which could result in increased operating costs, or may be required to develop additional cost-effective methods to reduce carbon dioxide emissions further, which could result in increased capital expenditures.

We are also involved in several claims, lawsuits and administrative proceedings relating to environmental matters. An adverse outcome in any of them may negatively affect our earnings and cash flows in a particular reporting period.

Changes in environmental, health and safety regulatory requirements could lead to a decrease in demand for our products.

New or revised governmental regulations relating to health, safety and the environment may also affect demand for our products.

Pursuant to the European Union regulation on Risk Assessment of Existing Chemicals, the European Chemicals Bureau of the European Commission has been conducting risk assessments on approximately 140 major chemicals. Some of the chemicals initially being evaluated include vinyl acetate monomer or VAM, which we produce. These risk assessments entail a multi-stage process to determine to what extent the European Commission should classify the chemical as a carcinogen and, if so, whether this classification and related labeling requirements should apply only to finished products that contain specified threshold concentrations of a particular chemical. In the case of VAM, we currently do not expect a final ruling until mid-2005. We and other VAM producers are participating in this process with detailed scientific analyses supporting the industry's position that VAM is not a probable human carcinogen and that labeling of final products should not be required. If labeling is required, then it should depend on relatively high parts per million of residual VAM in these end products. We cannot predict the outcome or effect of any final ruling.

Several recent studies have investigated possible links between formaldehyde exposure and various end points including leukemia. The International Agency for Research on Cancer or IARC recently reclassified formaldehyde from Group 2A (probable human carcinogen) to Group 1 (known human carcinogen) based on studies linking formaldehyde exposure to nasopharyngeal cancer, a rare cancer in humans. IARC also concluded that there is insufficient evidence for a causal association between leukemia and occupational exposure to formaldehyde, although it also characterized evidence for such an association as strong. The results of IARC's review will be examined by government agencies with responsibility for setting worker and environmental exposure standards and labeling requirements. We are a producer of formaldehyde and plastics derived from formaldehyde. We are participating together with other producers and users in the evaluations of these findings. We cannot predict the final effect of IARC's reclassification.

Other recent initiatives will potentially require toxicological testing and risk assessments of a wide variety of chemicals, including chemicals used or produced by us. These initiatives include the Voluntary Children's Chemical Evaluation Program and High Production Volume Chemical Initiative in the United States, as well as various European Commission programs, such as the new European Environment and Health Strategy, commonly known as SCALE, as well as the Proposal for the Registration, Evaluation, Authorization and Restriction of Chemicals or REACH. REACH, which the European Commission proposed in October 2003, will establish a system to register and evaluate chemicals manufactured in, or imported to, the European Union. Depending on the final ruling, additional testing, documentation and risk assessments will occur for the chemical industry. This will affect European producers of chemicals as well as all chemical companies worldwide that export to member states of the European Union. The final ruling has not yet been decided.

The above-mentioned assessments in the United States and Europe may result in heightened concerns about the chemicals involved and in additional requirements being placed on the production, handling, labeling or use of the subject chemicals. Such concerns and additional requirements could increase the cost incurred by our customers to use our chemical products and otherwise limit the use of these products, which could lead to a decrease in demand for these products.

Our production facilities handle the processing of some volatile and hazardous materials that subject it to operating risks that could have a negative effect on its operating results.

Our operations are subject to operating risks associated with chemical manufacturing, including the related storage and transportation of raw materials, products and wastes. These hazards include, among other things:

- pipeline and storage tank leaks and ruptures;
- explosions and fires; and
- discharges or releases of toxic or hazardous substances.

These operating risks can cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected facilities and the imposition of civil or criminal penalties. The occurrence of any of these events may disrupt production and have a negative effect on the productivity and profitability of a particular manufacturing facility and our operating results and cash flows.

We maintain property, business interruption and casualty insurance which we believe is in accordance with customary industry practices, but we cannot predict whether this insurance will be adequate to fully cover all potential hazards incidental to our business. We have established two captive insurance subsidiaries (Captives) that provide a portion of the total insurance coverage to us for certain of our lower tier property and casualty risks. They additionally provide coverage to third parties for their higher tier risk programs. If there were concurrent claims made on all policies issued by the

Captives, sufficient capital may not be available for them to satisfy all claims against all such policies. As of September 30, 2004, the net retained concurrent aggregate risk of all policies written by the Captives, after reinsuring higher tier risks with third party insurance companies, net of established reserves, amounted to approximately $516 million. This amount of exposure is further offset by the underlying equity of the Captives amounting to approximately $370 million at September 30, 2004.

Our significant non-U.S. operations expose us to global exchange rate fluctuations that could impact our profitability.

We are exposed to market risk through commercial and financial operations. Our market risk consists principally of exposure to fluctuations in currency exchange and interest rates.

As we conduct a significant portion of our operations outside the United States, fluctuations in currencies of other countries, especially the euro, may materially affect our operating results. For example, changes in currency exchange rates may affect:

- The relative prices at which we and our competitors sell products in the same market; and

- The cost of items required in our operations.

We use financial instruments to hedge our exposure to foreign currency fluctuations. More than 90% of outstanding foreign currency contracts are used to hedge the foreign currency denominated intercompany net receivables. The net notional amounts under such foreign currency contracts outstanding at September 30, 2004 were $951 million. The hedging activity of foreign currency denominated intercompany net receivables resulted in a cash inflow of approximately $15 million for the nine months ended September 30, 2004. These positive effects may not be indicative of future effects.

A substantial portion of our net sales is denominated in currencies other than the U.S. dollar. In our consolidated financial statements, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, at a constant level of business, our reported international sales, earnings, assets and liabilities will be reduced because the local currency will translate into fewer U.S. dollars. We estimate that the translation effects of changes in the value of other currencies against the U.S. dollar increased net sales by approximately 4% for the nine months ended September 30, 2004, 7% for the year ended December 31, 2003 and increased net sales by approximately 2% in 2002. We estimate that the translation effects of changes in the value of other currencies against the U.S. dollar had minimal impact on total assets for the nine months ended September 30, 2004 and increased total assets by approximately 5% in 2003.

In addition to currency translation risks, we incur a currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a currency different from the operating subsidiary's functional currency. Given the volatility of exchange rates, we may not be able to manage our currency transaction and/or translation risks effectively, or volatility in currency exchange rates may expose our financial condition or results of operations to a significant additional risk. Since a portion of our indebtedness is and will be denominated in currencies other than U.S. dollars, a weakening of the U.S. dollar could make it more difficult for us to repay our indebtedness.

Significant changes in pension fund investment performance or assumptions relating to pension costs may have a material effect on the valuation of pension obligations, the funded status of pension plans, and our pension cost.

Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. A change in the discount rate would result in a significant increase or decrease in the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Similarly, changes in the expected return on plan assets can result in significant changes in the net periodic pension cost of the following fiscal years. As of December 31, 2003, our underfunded position related to our defined benefit pension plans was $879 million. During 2004, we voluntarily contributed approximately $457 million to the plans. In 2004, no funding is statutorily required for any of our sponsored plans.

We have preliminarily recorded a significant amount of goodwill and other identifiable intangible assets, and we may never realize the full value of our intangible assets.

In connection with the Transactions, we have recorded a significant amount of goodwill and other identifiable intangible assets. Goodwill and other net identifiable intangible assets were approximately $934 million as of September 30, 2004, or 13% of our total assets based on preliminary purchase accounting. Goodwill and net identifiable intangible assets are recorded at fair value on the date of acquisition and, in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, will be reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services sold by our business, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of a significant portion of goodwill or other identifiable intangible assets would have an adverse effect on our financial condition and results of operations.

Celanese may be required to make payments to Hoechst.

Under its 1999 demerger agreement with Hoechst, Celanese agreed to indemnify Hoechst for environmental liabilities that Hoechst may incur with respect to Celanese's German production sites, which were transferred from Hoechst to Celanese in connection with the demerger. Celanese also has an obligation to indemnify Hoechst against liabilities for environmental damages or contamination arising under certain divestiture agreements entered into by Hoechst prior to the demerger. As the indemnification obligations depend on the occurrence of unpredictable future events, the costs associated with them are not yet determinable and may materially affect operating results.

Celanese's obligation to indemnify Hoechst against liabilities for environmental contamination in connection with the divestiture agreements is subject to the following thresholds (translated into U.S. dollars using the September 30, 2004 exchange rate):

- Celanese will indemnify Hoechst for the total amount of these liabilities up to €250 million (approximately $310 million);
- Hoechst will bear the full amount of those liabilities between €250 million (approximately $310 million) and €750 million (approximately $930 million); and
- Celanese will indemnify Hoechst for one third of those liabilities for amounts exceeding €750 million (approximately $930 million).

Celanese has made payments through September 30, 2004 of $37 million for environmental contamination liabilities in connection with the divestiture agreements, and may be required to make additional payments in the future. As of September 30, 2004, we have reserves of approximately $47 million for this contingency, and may be required to record additional reserves in the future.

Also, Celanese has undertaken in the demerger agreement to indemnify Hoechst to the extent that Hoechst is required to discharge liabilities, including tax liabilities, in relation to assets included in the demerger, where such liabilities have not been demerged due to transfer or other restrictions. Celanese has not made any payments to Hoechst in 2004 and did not make any payments in either 2003 or 2002 in connection with this indemnity.

Under the demerger agreement, Celanese will also be responsible, directly or indirectly, for all of Hoechst's obligations to past employees of businesses that were demerged to Celanese. Under the demerger agreement, Hoechst agreed to indemnify Celanese from liabilities (other than liabilities for environmental contamination) stemming from the agreements governing the divestiture of Hoechst's polyester businesses, which were demerged to Celanese, insofar as such liabilities relate to the European part of that business. Hoechst has also agreed to bear 80 percent of the financial obligations arising in connection with the government investigation and litigation associated with the sorbates industry for price fixing described in "Business Legal Proceedings Sorbates Antitrust Actions" and note 23 to the Celanese Consolidated Financial Statements and note 13 to the Interim Consolidated Financial Statements, and Celanese has agreed to bear the remaining 20 percent.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly and affect our operating results.

Certain of our borrowings, primarily borrowings under the senior credit facilities, are at variable rates of interest and expose us to interest rate risk. If interest rates increase, which we expect to occur, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness would decrease. On a pro forma basis as of September 30, 2004, we had $1,656 million of variable rate debt. A 1% increase in interest rates would increase annual interest expense by approximately $17 million.

We may enter into interest rate swap agreements to reduce the exposure of interest rate risk inherent in our debt portfolio. We have, in the past, used swaps for hedging purposes only.

Because our Sponsor controls us and will continue to control us after this offering, the influence of our public shareholders over significant corporate actions will be limited, and conflicts of interest between our Sponsor and us or you could arise in the future.

After the consummation of this offering, our Sponsor (as defined in this prospectus) will beneficially own approximately 58.0% of our outstanding common stock and will own approximately 62.4% of our outstanding common stock if the underwriters' over-allotment option is not exercised. As a result, our Sponsor, through its control over the composition of our board of directors and its control of the majority of the voting power of our common stock, has effective control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of equityholders regardless of whether or not other equityholders or noteholders believe that any such transactions are in their own best interests. For example, our Sponsor effectively could cause us to make acquisitions that increase our indebtedness or sell revenue-generating assets. Additionally, our Sponsor is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsor may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as our Sponsor continues to own a significant amount of our equity, even if such amount is less than 50%, it will continue to be able to significantly influence or effectively control our decisions. Under the amended and restated shareholders' agreement between us and the Original Stockholders which are affiliates of the Sponsor, such Original Stockholders will be entitled to designate all nominees for election to our board of directors for so long as they hold at least 25% of the total voting power of our common stock. See "Certain Relationships and Related Party Transactions New Arrangements Shareholders' Agreement." Thereafter, although our Sponsor will not have an explicit contractual right to do so, it may still nominate directors in its capacity as a stockholder.

Our amended and restated certificate of incorporation will renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities.

Our amended and restated certificate of incorporation will provide that none of the Original Stockholders (including the Sponsor) or their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates will have any duty to refrain from (i) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (ii) otherwise competing with us. In addition, in the event that any of the Original Stockholders (including the Sponsor) or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates and for us or our affiliates, such Original Stockholder or non-employee director will have no duty to communicate or offer such transaction or business opportunity to us and may take any such opportunity for themselves or offer it to another person or entity.

We are a "controlled company" within the meaning of The New York Stock Exchange rules and, as a result, are exempt from certain corporate governance requirements.

Upon completion of this offering, our Sponsor will continue to control a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by another company is a "controlled company" and need not comply with certain requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (4) the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees. Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors nor will our nominating and compensation committees consist entirely of independent directors. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Our future success will depend in part on our ability to protect our intellectual property rights, and our inability to enforce these rights could reduce our ability to maintain our market position and our margins.

We attach great importance to patents, trademarks, copyrights and product designs in order to protect our investment in research and development, manufacturing and marketing. Our policy is to seek the widest possible protection for significant product and process developments in its major markets. Patents may cover products, processes, intermediate products and product uses. Protection for individual products extends for varying periods in accordance with the date of patent application filing and the legal life of patents in the various countries. The protection afforded, which may also vary from country to country, depends upon the type of patent and its scope of coverage. Our continued growth strategy may bring us to regions of the world where intellectual property protection may be limited and difficult to enforce. We are currently pursuing a number of matters relating to the infringement of our acetic acid patents. If these efforts are unsuccessful, our revenues, results of operations and cash flows in the Chemical Products segment may be adversely affected. Some of our earlier acetic acid patents will expire in 2007; other patents covering acetic acid are presently pending.

As patents expire, the products and processes described and claimed in those patents become generally available for use by the public. Our European and U.S. patents for making Sunett, an important product in our Performance Products segment, expire in 2005, which will reduce our ability to realize revenues from making Sunett due to increased competition and potential limitations and will result in our results of operations and cash flows relating to the product being less favorable than today.

We also seek to register trademarks extensively as a means of protecting the brand names of our products, which brand names become more important once the corresponding patents have expired. If we are not successful in protecting our trademark rights, our revenues, results of operations and cash flows may be adversely affected.

Risks Related to the Offering

The preferred stock ranks junior to all of our liabilities and will not limit our ability to incur future indebtedness that will rank senior to the preferred stock.

The preferred stock ranks junior to all of our liabilities. In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the preferred stock, including the redemption of your shares of preferred stock for cash or shares upon a designated event, only after all of our indebtedness and other liabilities have been paid. In addition, the preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and any capital stock of our subsidiaries held by others. The rights of holders of the preferred stock to participate in the distribution of assets of our subsidiaries will rank junior to the prior claims of that subsidiary's creditors and any such other equity holders. As of September 30, 2004, we had approximately $6,717 million of total liabilities (including debt of our subsidiaries, and excluding intercompany indebtedness, minority interests and $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition). Consequently, if we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay amounts due on any or all of the preferred stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the preferred stock, and the terms of the preferred stock will not limit the amount of such debt or other obligations that we may incur.

We may not be able to pay the redemption price of the preferred stock upon a designated event. We may be prevented from paying dividends on shares of the preferred stock.

In the event of a designated event, you will, subject to legally available funds, have the right to require us to redeem all of your shares of the preferred stock. We may pay the redemption price in cash, shares of our Series A common stock, or a combination thereof at our option. However, we may not have sufficient cash to redeem your shares of preferred stock upon a designated event or may in certain circumstances be unable to pay the redemption price in cash and may be legally prohibited from paying the redemption price in shares of our Series A common stock.

Under the terms of our current debt instruments, we are prohibited from paying the redemption price of the preferred stock in cash and the terms of our current debt instruments could prohibit the payment of dividends on the preferred stock in the future. Even if the terms of the instruments governing our indebtedness allow us to redeem the preferred stock in cash or pay cash dividends, we can only make such payments from legally available funds, as determined by our board of directors, and such funds may not be available to redeem your shares of preferred stock or pay cash dividends.

In addition, because we are a holding company, our ability to redeem the preferred stock for cash or to pay dividends on the preferred stock may be limited by restrictions on our ability to obtain funds for such redemption through dividends from our subsidiaries.

The make-whole amount payable upon the occurrence of a fundamental change may not adequately compensate you for the lost option time value of your shares of preferred stock as a result of such fundamental change and may not be enforceable.

If a fundamental change occurs at any time prior to February 1, 2015 we may under certain circumstances increase the conversion rate for the shares of preferred stock converted in connection with that event. The amount of such increase to the conversion rate, if any, will be based on the average of last reported sale prices of our Series A common stock over the five trading day period ending on the trading day immediately preceding the effective date of the transaction constituting the triggering transaction. A description of how the make-whole amount will be determined is described under "Description of the Preferred Stock Make Whole Amount Payment Upon Occurrence of a Fundamental Change." While the make-whole amount is designed to compensate you for the lost option time value of your shares of preferred stock as a result of a fundamental change, the make-whole amount is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if the market price per share of our Series A common stock at the time of the fundamental change is less than $16 or more than $115 (subject to adjustment) we will not be required to pay such make-whole amounts. Furthermore, our obligation to pay the make-whole amount could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Our ability to issue preferred stock in the future could adversely affect the rights of holders of the preferred stock and our Series A common stock.

Our board of directors is authorized to issue additional series of shares of preferred stock without any action on the part of our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of shares of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over our Series A common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue cumulative preferred stock in the future that has preference over our Series A common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our Series A common stock, the market price of our Series A common stock could decrease, adversely affecting the value of our preferred stock. We are also authorized to issue, without stockholder approval, securities convertible into either Series A common stock or preferred stock and securities that rank on a parity with the preferred stock as to the payment of dividends and distributions of assets upon liquidation.

Future sales of our shares could depress the market price of our Series A common stock.

The market price of our Series A common stock could decline as a result of sales of a large number of shares of Series A common stock in the market after the offering or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We, our executive officers and directors and the Original Stockholders have agreed with the underwriters not to sell, dispose of or hedge any shares of our Series A common stock or securities convertible into or exchangeable for shares of our Series A common stock, subject to specified exceptions, during the period from the date of this prospectus continuing through the date that is 180 days after the date of this prospectus, except with the prior written consent of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc.

After this offering, we anticipate having 158,675,271 shares of common stock outstanding (consisting of 59,297,386 shares of Series A common stock and 99,377,885 shares of Series B common stock). Of those shares, the 50,000,000 shares of Series A common stock we are offering concurrently with this offering (excluding shares issuable under the underwriters' over-allotment option) will be freely tradeable. The 108,675,271 shares (consisting of 9,297,386 shares of Series A common stock and 99,377,885 shares of Series B common stock) will be eligible for resale from time to time after the expiration of the 180-day lock-up period, subject to contractual and Securities Act restrictions. None of those shares may be currently resold under Rule 144(k) without regard to volume limitations and approximately 108,675,271 shares may be sold subject to the volume, manner of sale, holding period and other conditions of Rule 144. After the expiration of the 180-day lock-up period, the Original Stockholders, which collectively beneficially own 106,877,885 shares (consisting of 7,500,000 shares of Series A common stock assuming no exercise of the underwriters' over allotment option to purchase additional shares of Series A common stock and 99,377,885 shares of Series B common stock which will automatically convert to Series A common stock after the payment of the special Series B common stock dividend and may also be converted into Series A common stock at any time at the option of the holder), will have the ability to cause us to register the resale of their shares.

If you convert, you will experience immediate dilution.

You may, at any time, convert your shares of preferred stock into our Series A common stock. If you convert your shares of preferred stock into shares of Series A common stock, you will experience immediate dilution because the per share conversion price of the preferred stock immediately after this offering will be higher than the net tangible book value per share of the outstanding Series A common stock. In addition, you will also experience dilution when and if we issue additional shares of Series A common stock, which we may be required to issue pursuant to options, warrants, our stock option plan or other employee or director compensation plans.

The price of our Series A common stock, and therefore of the preferred stock, may fluctuate significantly, which may make it difficult for you to resell the preferred stock, or Series A common stock issuable upon conversion of the preferred stock, when you want or at prices you find attractive.

We expect the price of our Series A common stock on the New York Stock Exchange to fluctuate significantly. Because the preferred stock is convertible into our Series A common stock, volatility or depressed prices for our Series A common stock could have a similar effect on the trading price of the preferred stock. Holders who have received Series A common stock upon conversion will also be subject to the risk of volatility and depressed prices.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our Series A common stock.

The trading price for the preferred stock will be directly affected by the trading prices for our Series A common stock, which is impossible to predict.

The trading prices for the shares of preferred stock in the secondary market will be directly affected by the trading prices of our Series A common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of the Series A common stock or interest rates will rise or fall. Trading prices of the Series A common stock will be influenced by our operating results and prospects and by economic, financial and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of Series A common stock by us in the market after the offering of the preferred stock, or the perception that such sales could occur, could affect the price of our Series A common stock, and thus the price of our preferred stock.

The price of our Series A common stock could be affected by possible sales of our Series A common stock by investors who view the preferred stock as a more attractive means of equity participation in us and by hedging or arbitrage activity that may develop involving our Series A common stock. The arbitrage could, in turn, affect the trading prices of the preferred stock.

Holders of the shares of preferred stock will have no rights as a common stockholder until they acquire upon conversion our Series A common stock.

Until you acquire shares of our Series A common stock upon conversion, you will have no rights with respect to our Series A common stock, including voting rights (except as required by applicable state law or our amended and restated certificate of incorporation), rights to respond to tender offers and rights to receive any dividends or other distributions on our Series A common stock. Upon conversion, you will be entitled to exercise the rights of a holder of Series A common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the Series A common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our Series A common stock.

Our preferred stock has never been publicly traded and an active trading market for such stock may not develop.

Prior to this offering, there has been no public market for the shares of preferred stock and an active trading market may not develop, or, if developed, may not be maintained. Also, the underwriters have advised us that they intend to facilitate secondary market trading by making a market in the shares of preferred stock. However, the underwriters are not obligated to make a market in the shares of preferred stock and may discontinue market making activities at any time.

Provisions in our amended and restated certificate of incorporation and bylaws, as well as any shareholders' rights plan, may discourage a takeover attempt.

Provisions contained in our amended and restated certificate of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. Provisions of our amended and restated certificate of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. For example, our amended and restated certificate of incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our shareholders. Thus, our board of directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our Series A common stock. These rights may have the effect of delaying or deterring a change of control of our company. In addition, a change of control of our company may be delayed or deterred as a result of our having three classes of directors (each class elected for a three year term) or as a result of any shareholders' rights plan that our board of directors may adopt following the consummation of this offering. In addition, we would be required to issue additional shares of our Series A common stock to holders of the preferred stock who convert following a fundamental change. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our Series A common stock. See "Description of Capital Stock."

In certain circumstances you may be deemed to have received a taxable dividend without the receipt of any cash.

If the conversion rate is adjusted (including, without limitation, an adjustment in respect of taxable dividends to holders of our common stock), you may be deemed to have received a taxable dividend subject to United States federal income tax without the receipt of any cash. If you are a non-U.S. holder (as defined in "Certain United States Federal Income and Estate Tax Consequences"), such deemed dividend may be subject to United States federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. See "Certain United States Federal Income and Estate Tax Consequences."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, us. These statements include, but are not limited to, statements about our strategies, plans, objectives, expectations, intentions, expenditures, and assumptions and other statements contained in this prospectus that are not historical facts. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "plan" and "project" and similar expressions, as they relate to us are intended to identify forward-looking statements. These statements reflect our current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among other things:

- changes in general economic, business, political and regulatory conditions in the countries or regions in which we operate;
- the length and depth of product and industry business cycles particularly in the automotive, electrical, electronics, construction and textile industries;
- changes in the price and availability of raw materials, particularly changes in the demand for, supply of, and market prices of fuel oil, natural gas, coal, wood pulp, electricity and petrochemicals such as ethylene, propylene and butane, including changes in production quotas in OPEC countries and the deregulation of the natural gas transmission industry in Europe;
- the ability to pass increases in raw material prices on to customers or otherwise improve margins through price increases;
- the ability to maintain plant utilization rates and to implement planned capacity additions and expansions;
- the ability to reduce production costs and improve productivity by implementing technological improvements to existing plants;
- the existence of temporary industry surplus production capacity resulting from the integration and start-up of new world-scale plants;
- increased price competition and the introduction of competing products by other companies;
- the ability to develop, introduce and market innovative products, product grades and applications, particularly in the Technical Polymers Ticona and Performance Products segments of our business;
- changes in the degree of patent and other legal protection afforded to our products;
- compliance costs and potential disruption or interruption of production due to accidents or other unforeseen events or delays in construction of facilities;
- potential liability for remedial actions under existing or future environmental regulations;
- potential liability resulting from pending or future litigation, or from changes in the laws, regulations or policies of governments or other governmental activities in the countries in which we operate;

changes in currency exchange rates and interest rates;

- changes in the composition or restructuring of us or our subsidiaries and the successful completion of acquisitions, divestitures and joint venture activities;

- pending or future challenges to the Domination Agreement and continuing access to the cash flows of Celanese AG; and

- various other factors, both referenced and not referenced in this prospectus.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this prospectus as anticipated, believed, estimated, expected, intended, planned or projected. We neither intend nor assume any obligation to update these forward-looking statements, which speak only as of their dates.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. From time to time we disclose non-GAAP financial measures, primarily EBITDA, as defined below. The non-GAAP financial measures described in this prospectus should not be viewed in isolation and are not a substitute for GAAP measures of earnings and cash flows.

EBITDA

EBITDA is defined as earnings (loss) from continuing operations, plus interest expense net of interest income, income taxes and depreciation and amortization.

Management uses EBITDA as a basis for measuring performance:

- Our management and the board of directors use EBITDA to compare our performance to others in the industry and across different industries and in assessing the value of the business.

- Our management and the board of directors use EBITDA multiples as one criterion in valuing potential acquisitions.

Management believes EBITDA is helpful in highlighting trends on an overall basis and in the business segments because EBITDA excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which the company operates and capital investments. In addition, EBITDA provides more comparability between the historical results of Celanese AG and our results which reflect purchase accounting and the new capital structure.

Limitations

EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. An investor or potential investor may find any one or all of these items important in evaluating performance, results of operations, financial position and liquidity. Some of these limitations are:

- EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;

- EBITDA does not reflect cash tax payment requirements;

- EBITDA does not reflect cash expenditures, future requirements for capital expenditures or contractual commitments;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;

- EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and

- Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as comparative measures.

Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Management also uses other metrics to evaluate capital structure, tax planning and capital investment decisions. For example, management uses credit ratings and net debt ratios to evaluate capital structure, effective tax rate by jurisdiction to evaluate tax planning, and payback period and internal rate of return to evaluate capital investments. Management also uses trade working capital to evaluate its investment in receivables and inventory, net of payables.

EBITDA is also presented because management believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of issuers. Management believes that EBITDA provides useful information for comparing companies in the same industry and across different industries. For example:

Interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary in significance between companies.

The tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business, with the result that their effective tax rates and tax expense can vary considerably.

Companies differ in the age and method of acquisition of productive assets, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated, units of production), which can result in considerable variability in depreciation and amortization expense between companies.

Investors or potential investors should not rely on EBITDA as a substitute for any GAAP financial measure. In addition, calculations of EBITDA contained in this prospectus may or may not be consistent with that of other companies. We strongly urge investors or potential investors to review the reconciliations of EBITDA contained in this prospectus, including the related explanations, the limitations of these exclusions described above and the other financial information contained in this prospectus. We also strongly urge investors or potential investors not to rely on any single financial measure to evaluate our business.

THE TRANSACTIONS

As used in this prospectus, the term "Transactions" means, collectively, the Tender Offer, the Original Financing, the Refinancing and the Senior Discount Notes Offering described below. Our current ownership structure is summarized under "The Recent Restructuring."

The Tender Offer and the Original Financing

Pursuant to the Tender Offer, in April 2004 the Purchaser, an indirect wholly owned subsidiary of the Issuer, acquired, at a price of €32.50 per share, a total of 41,588,227 Celanese Shares, representing approximately 84% of the Celanese Shares outstanding on that date.

In addition, as a part of the Tender Offer, the Purchaser agreed to refinance certain existing debt of Celanese, pre-fund certain pension obligations of Celanese, pre-fund certain contingencies and certain obligations linked to the value of the Celanese Shares, such as the payment of fair cash compensation under the Domination Agreement for the remaining Celanese Shares, and payment obligations related to outstanding stock appreciation rights, stock options and interest payments, provide additional funds for working capital and other general corporate purposes, and pay related fees and expenses. The sources and uses of funds used in connection with the Tender Offer and the Original Financing are set forth in the table below. See "Description of Indebtedness" for a description of the senior credit facilities.

Sources			Uses		
(in millions)			(in millions)		
Revolving Credit Facilities[1]	$		Aggregate Tender Offer Price[5]	$	1,624
Term Loan Facility		608	Pension Contribution[6]		463
Senior Subordinated Bridge Loan Facilities[2]		1,565	Refinancing of Existing Debt[7]		175
Mandatorily Redeemable Preferred Shares[3]		200	Available Cash[8]		555
Cash Equity Investments[4]		650	Estimated Fees and Expenses		206
Total Sources	$	3,023	Total Uses	$	3,023

(1) The revolving credit facilities provide for borrowings of up to $608 million. No amounts thereunder were borrowed in connection with the Tender Offer and the Original Financing.

(2) Represents $814 million of the Senior Subordinated Bridge B and $751 million of the Senior Subordinated Bridge C Loan variable rate borrowings (which includes the U.S. dollar equivalent of a €450 million tranche). The senior subordinated bridge loan facilities were originally due in 2014, subject to certain conditions.

(3) Represents $200 million of the Issuer's mandatorily redeemable preferred shares. The mandatorily redeemable preferred shares were redeemed on July 1, 2004. See " The Refinancing."

(4) Consisted of cash equity contributions of $650 million from the Original Stockholders.

(5) Represents the U.S. dollar equivalent of the total amount of consideration at €32.50 per ordinary share for approximately 84% of the then-outstanding Celanese Shares.

(6) Represents the amount to pre-fund certain of Celanese's pension obligations.

(7) Represents the amount of variable rate loans of Celanese repaid subsequent to the Tender Offer.

(8)

Represents cash available to purchase remaining outstanding Celanese Shares, to pay certain contingencies and obligations of Celanese linked to the value of the Celanese Shares, to repay additional existing indebtedness, to pay interest on the senior subordinated notes and to make loans to Celanese and its subsidiaries for working capital and general corporate purposes.

The Refinancing

BCP Caylux Holdings Luxembourg S.C.A. used the proceeds from its offerings of $1,225 million and €200 million principal amount of the senior subordinated notes in June and July 2004, together with available cash and borrowings under a $350 million senior secured floating rate term loan to repay its two senior subordinated bridge loan facilities, plus accrued interest, to redeem the mandatorily redeemable preferred shares and to pay related fees and expenses. See "Description of Indebtedness" for a description of the senior subordinated notes and the floating rate term loan.

Sources (in millions)			Uses (in millions)		
Senior Subordinated Notes(1)	$	1,475	Refinancing of Senior Subordinated Bridge Loan Facilities(2)	$	1,594
Floating Rate Term Loan		350	Redemption of the Mandatorily Redeemable Preferred Shares		227
Available Cash		47	Estimated Fees and Expenses		51
Total Sources	$	1,872	Total Uses	$	1,872

(1) Includes the U.S. dollar equivalent of the euro notes.

(2) Represents $814 million of the Senior Subordinated Bridge B and $751 million of Senior Subordinated Bridge C Loan variable rate borrowings, plus accrued interest on the senior subordinated bridge loan facilities.

Senior Discount Notes Offering

In September 2004, Crystal US Holdings 3 L.L.C. ("Crystal LLC") and Crystal US Sub 3 Corp., a subsidiary of Crystal LLC, issued $853 million aggregate principal amount at maturity of their Senior Discount Notes due 2014. The issuers of the senior discount notes used the net proceeds of $500 million from the offering to make a return of capital distribution to the Issuer, which in turn made a distribution to the Original Stockholders, and to pay fees and expenses. Until October 1, 2009, interest on the senior discount notes will accrue in the form of an increase in the accreted value of such notes. See "Description of Indebtedness Senior Discount Notes due 2014."

Post-Tender Offer Events

After the completion of the Tender Offer and the Original Financing, we or our affiliates entered into or intend to pursue some or all of the following:

Delisting. The Celanese Shares were delisted from the New York Stock Exchange (the "NYSE") on June 2, 2004. Celanese AG may also apply to revoke the admission of the Celanese Shares to the Frankfurt Stock Exchange, which would require, among other things, a resolution at the shareholders' meeting of Celanese AG with the majority of the votes cast in favor of such resolution. If the Celanese Shares were to be delisted from both the NYSE and from the Frankfurt Stock Exchange, the Purchaser or Celanese AG would have to offer the then outstanding minority shareholders of Celanese AG fair cash compensation in exchange for their Celanese Shares determined as described below.

Domination and Profit and Loss Transfer Agreement. On June 22, 2004, the Purchaser entered into a domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) with Celanese AG (the "Domination Agreement"), pursuant to which Celanese AG agreed to submit itself to the direction of, and to transfer its entire profits to, the Purchaser and the Purchaser agreed to compensate Celanese AG for any annual losses (*Jahresfehlbetrag*) incurred during the term of the Domination Agreement. The Domination Agreement and a related change to Celanese AG's fiscal year were submitted to a shareholder vote and approved at an extraordinary general meeting held on July 30-31, 2004. The Domination Agreement was registered in the commercial register on August 2, 2004 and became operative on October 1, 2004. The Domination Agreement is subject to legal challenges instituted by dissenting shareholders. Minority shareholders have filed nine actions against Celanese AG in the Frankfurt District Court (*Landgericht*), seeking, among other things, to set aside the shareholder resolutions passed at the extraordinary general meeting held on July 30 and 31, 2004 based, among other things, on the alleged violation of procedural requirements and information rights of the shareholders, to declare the Domination Agreement and the change in the fiscal year void and

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to prohibit Celanese AG from performing its obligations under the Domination Agreement. In addition, a German court could revoke the registration of the Domination Agreement in the commercial register. On August 2, 2004, two minority shareholders instituted public register proceedings with the Königstein Local Court (*Amtsgericht*) and the Frankfurt District Court, both with a view to have the registration of the Domination Agreement in the Commercial Register deleted (*Amtslöschungsverfahren*). See "Business Legal Proceedings."

Pursuant to the Domination Agreement, the entire annual statutory profits of Celanese AG, if any, less any loss carried forward from the previous fiscal year, less any amount to be allocated to the statutory capital reserve (*gesetzliche Rücklage*) and less any amount to be allocated to other profit reserves (*andere Gewinnrücklagen*) upon approval by the Purchaser, will be transferred to the Purchaser. If, however, during any fiscal year during the operative term of the Domination Agreement, Celanese AG incurs an annual loss (*Jahresfehlbetrag*), the Purchaser would have to pay to Celanese AG an amount equal to such loss to the extent that the respective annual loss is not fully compensated for by dissolving other profit reserves (*andere Gewinnrücklagen*) accrued at Celanese AG since the date on which the Domination Agreement became operative (*Verlustausgleichspflicht*). Such payment obligation would accrue at the end of any fiscal year of Celanese AG in which an annual loss was incurred and such accrual would be independent from the adoption of the financial statements. In the event that profits of Celanese AG (including distributable profit reserves accrued and carried forward during the term of the Domination Agreement) or valuable counterclaims by the Purchaser against Celanese AG, which can be off-set against loss compensation claims by Celanese AG, are not sufficient to cover such annual loss, the Purchaser will be required to compensate Celanese AG for any such shortfall by making a cash payment equal to the amount of such shortfall. In such event, the Purchaser may not have sufficient funds to distribute to us for payment of our obligations and, unless the Purchaser is able to obtain funds from a source other than annual profits of Celanese AG, the Purchaser may not be able to satisfy its obligation to fund such shortfall. BCP Caylux Holdings Luxembourg S.C.A. and BCP Crystal have each agreed to provide the Purchaser with financing to further strengthen the Purchaser's ability to be in a position at all times to fulfill all of its obligations when they become due under, or in connection with, the Domination Agreement and to ensure that the Purchaser will perform all of its obligations under, or in connection with, the Domination Agreement when such obligations become due, including, without limitation, the obligations to pay a guaranteed fixed annual payment to the outstanding minority shareholders of Celanese AG, to offer to acquire all outstanding Celanese Shares from the minority shareholders in return for payment of fair cash consideration and to compensate Celanese AG for any annual loss incurred by Celanese AG during the term of the Domination Agreement. If BCP Caylux Holdings Luxembourg S.C.A. and/or BCP Crystal are obligated to make payments under such guarantees or other security to the Purchaser and/or the minority shareholders, we may not have sufficient funds to make payments on our debt or to make funds available to the Issuer.

As a consequence of entering into the Domination Agreement, § 305(1) of the German Stock Corporation Act (*Aktiengesetz*) requires that, upon the Domination Agreement becoming operative, the Purchaser must at the request of each remaining minority shareholder of Celanese AG, acquire such shareholders' registered ordinary shares of Celanese AG in exchange for payment of "fair cash compensation" (*angemessene Barabfindung*). As required under § 305(3) sentence 3 of the German Stock Corporation Act, the Purchaser will pay to all minority shareholders who tender into such offer and whose shares are paid for after the day following the date the Domination Agreement becomes operative, interest on the offer price from such day until the day preceding the date of settlement at a rate of 2% per annum plus the base rate (as defined in § 247 of the German Civil Code (*BGB*)) per annum prevailing from time to time, as reduced by any guaranteed dividend payments. The mandatory offer required pursuant to § 305(1) of the German Stock Corporation Act is not a voluntary public takeover offer or any other offer under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs-und Übernahmegesetz*) or a takeover or tender offer under any other applicable German law. However, it may be considered a tender offer under applicable laws of the United States of America. Therefore, in order to comply with applicable U.S. securities laws, the Purchaser commenced an offer on September 2, 2004, which is continuing as of the date of this prospectus. The terms of this offer are set forth in the offer document, dated September 2, 2004, which was filed with the SEC under cover of Schedule TO on the same day. As of December 6, 2004, pursuant to this offer the Purchaser had acquired over 615,000 Celanese Shares. On December 29, 2004, the closing price of the Celanese Shares on the Frankfurt Stock Exchange was €45.20. At the fair cash compensation offer price of €41.92 per share required by the Domination Agreement for all Celanese Shares outstanding as of September 30, 2004 not already owned by the Purchaser, the total amount of funds necessary to purchase such remaining outstanding Celanese Shares would be €348 million, plus accrued interest from October 2, 2004. The Purchaser expects to use a significant portion of its available cash to pay for any of the remaining outstanding Celanese Shares that it may acquire. In addition, if Celanese AG delists the Celanese Shares from the Frankfurt Stock Exchange, the Purchaser effects a squeeze-out or Celanese AG is converted into a limited partnership or a limited liability company, as described below, the Purchaser and/or Celanese AG must in each case make another offer to the then remaining minority shareholders of Celanese AG of fair cash compensation in exchange for their Celanese Shares or, in the case of a conversion, in exchange for their equity interest in the entity that results from the conversion. The €41.92 per share fair cash compensation, plus interest, required to be offered to minority shareholders in connection with the Domination Agreement is greater than the Tender Offer price. The amount of fair cash compensation is currently under review in special award proceedings (*Spruchverfahren*). The amount of fair cash compensation per share to be offered upon the occurrence of any other such event may be equal to, higher or lower than, the Tender Offer price or the fair cash compensation of €41.92, plus interest, offered pursuant to the Domination Agreement.

Any minority shareholder who elects not to sell its shares to the Purchaser will be entitled to remain a shareholder of Celanese AG and to receive a gross guaranteed fixed annual payment on its shares (*Ausgleich*) of €3.27 per Celanese Share less certain corporate taxes in lieu of any future dividend. Taking into account the circumstances and the tax rates at the time of entering into the Domination Agreement, the net guaranteed fixed annual payment is €2.89 per share for a full fiscal year. The net guaranteed fixed annual payment may, depending on applicable corporate tax rates, in the future be higher, lower or the same as €2.89 in lieu of any future dividends determined as described below under " Determination of the Amount to be Paid to the Minority Shareholders."

As described in "Risk Factors," due to legal challenges, there is no assurance that the Domination Agreement will remain operative in its current form. If the Domination Agreement ceases to be operative, the Purchaser cannot directly give instructions to the Celanese AG board of management. However, irrespective of whether a domination agreement is in place between the Purchaser and Celanese AG, under German law Celanese AG is effectively controlled by the Purchaser because of the Purchaser's 84% ownership of the Celanese Shares. The Purchaser has the ability, through a variety of means, to utilize its controlling rights to, among other things, (1) ultimately cause a domination agreement to become operative; (2) use its ability, through its 84% voting power at any shareholders' meetings of Celanese AG, to elect the shareholder representatives on the supervisory board and to thereby effectively control the appointment and removal of the members of the Celanese AG board of management; and (3) effect all decisions that a majority shareholder is permitted to make under German law. The controlling rights of the Purchaser constitute a controlling financial interest for accounting purposes and result in the Purchaser being required to consolidate Celanese AG as of the date of acquisition.

Change in Fiscal Year. At the extraordinary general meeting on July 30 and 31, 2004, Celanese AG shareholders also approved a change of Celanese AG's fiscal year and a corresponding change of Celanese AG's statutes in order to take advantage of the consolidated tax filing status. Therefore, from September 30, 2004 onwards, Celanese AG's fiscal year will begin on October 1 and end on September 30 of the following year. A short fiscal year ran from January 1, 2004 to September 30, 2004. The Issuer's fiscal year runs from January 1 to December 31.

Subsequent Purchases of Celanese Shares. The Purchaser may from time to time purchase or be required to purchase any or all of the outstanding Celanese Shares not owned by it in market transactions or otherwise. Examples of instances in which the Purchaser may be required to purchase additional Celanese Shares include the ongoing mandatory offer relating to the domination and profit and loss transfer agreement entered into by the Purchaser and Celanese AG, or additional mandatory offers required by actions that the Purchaser or its affiliates may take in the future, such as a possible delisting of the Celanese Shares from the Frankfurt Stock Exchange, a possible squeeze-out of the minority shareholders of Celanese AG or a possible conversion of Celanese AG into a different legal form. The Purchaser's decision to pursue subsequent voluntary purchases will depend on, among other factors, the then-prevailing market prices and any negotiated terms with minority shareholders. If the Purchaser purchases Celanese Shares in an individually negotiated purchase not over the stock exchange, and before the first anniversary of the publication of the final results of the Tender Offer for consideration higher than the Tender Offer price, it will be required to make additional compensating payments to sellers of Celanese Shares in the Tender Offer.

Squeeze-out and Conversion. If the Purchaser acquires Celanese Shares representing 95% or more of the registered ordinary share capital (excluding treasury shares) of Celanese AG, the Purchaser intends to require, as permitted under German law, the transfer to the Purchaser of the Celanese Shares owned by the then-outstanding minority shareholders of Celanese AG in exchange for fair cash compensation (the "Squeeze-out"), determined as described below under " Determination of the Amount to be Paid to the Minority Shareholders." As an alternative to the Squeeze-out, the Purchaser might also consider converting Celanese AG from its current legal form of a stock corporation (*Aktiengesellschaft, AG*) into either a limited partnership (*Kommanditgesellschaft, KG*) or a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) in accordance with the provisions of the German Transformation Act (*Umwandlungsgesetz, UmwG*). Such conversion would be subject to approval by the affirmative vote of at least 75% of the share capital of Celanese AG. The conversion would allow the Purchaser to take advantage of a more efficient governance structure as legal requirements applicable to GmbHs and KGs are in many respects less onerous than those applicable to AGs. As a result of such conversion, the Celanese Shares will be automatically delisted from the Frankfurt Stock Exchange. However, if the Purchaser completely delists the Celanese Shares from the Frankfurt Stock Exchange, effects a squeeze-out or converts Celanese AG into a limited partnership or a limited liability company, the Purchaser and/or Celanese AG must in each case offer the then remaining minority shareholders of Celanese AG fair cash compensation, as described below, in exchange for their Celanese Shares or, in the case of a conversion, in exchange for their equity interest in the entity that results from the conversion. The amount of the fair cash compensation per share may be equal to, higher or lower than the Tender Offer price or the fair cash compensation offered pursuant to the Domination Agreement.

Determination of the Amount to be Paid to the Minority Shareholders. The amount to be paid to the minority shareholders as fair cash compensation in exchange for their Celanese Shares in connection with the Domination Agreement becoming operative, the delisting from the Frankfurt Stock Exchange, or a squeeze-out or, in the case of a conversion, in exchange for their equity interest in the entity resulting from such conversion, has been (in the case of the amount payable in connection with the Domination Agreement) or will be (in each other case) determined on the basis of the fair value of the enterprise of Celanese AG, determined by Celanese AG and/or the Purchaser in accordance with applicable German legal requirements, as of the date of the applicable resolution of Celanese AG's shareholders' meeting, and, except in the case of a delisting from the Frankfurt Stock Exchange, examined by one or more duly qualified auditors chosen and appointed by the court. The amount of the guaranteed fixed annual payment in connection with the Domination Agreement becoming effective to minority shareholders who elect not to sell their Celanese Shares to the Purchaser but to remain a shareholder of Celanese AG was determined by the Purchaser and Celanese AG in accordance with applicable German law, on the basis of the hypothetical projected earnings of Celanese AG assuming a full distribution of profits. The gross guaranteed fixed annual payment of €3.27 per share may be equal to, higher or lower than the actual otherwise distributable profits per share of Celanese AG. The €41.92 per share fair cash compensation, plus interest, offered to minority shareholders in connection with the Domination Agreement is greater than the Tender Offer price. The amount of cash compensation per share to be offered to minority shareholders in connection with any delisting from the Frankfurt Stock Exchange, Squeeze-out or conversion, as applicable, may be equal to, higher or lower than, the Tender Offer price or the fair cash compensation of €41.92, plus interest, offered pursuant to the Domination Agreement. Furthermore, each of the guaranteed fixed annual payment and the fair cash compensation is subject to review by the court in award proceedings (*Spruchverfahren*) which have been instituted by several dissenting shareholders. If as a result of such award proceedings, the court increases the amount of the guaranteed fixed annual payment and/or the fair cash consideration, or if such increase is agreed between the parties in a court settlement, payments already made to minority shareholders pursuant to the offer required by the Domination Agreement would have to be increased accordingly with retroactive effect.

Dividend. At the annual shareholders' meeting on June 15, 2004, Celanese AG shareholders approved payment of a dividend on the Celanese Shares for the fiscal year ended December 31, 2003 of €0.12 per share. The Purchaser expects that no dividend on the Celanese Shares for the fiscal year ended September 30, 2004 will be paid to Celanese AG's shareholders. As part of the preparation of the financial statements for the fiscal year ended September 30, 2004, Celanese AG conducted a valuation of its assets, which resulted in a further non-cash impairment charge to the value of CAC as of September 30, 2004. The size of this charge will prevent Celanese AG from declaring a dividend to its shareholders for the short fiscal year 2004. Any minority shareholder of Celanese AG who elects not to sell its shares to the Purchaser in connection with the offer to the minority shareholders will be entitled to remain a shareholder of Celanese AG and to receive the guaranteed fixed annual payment on its shares, in lieu of any future dividends. The amount of the guaranteed fixed annual payment to be paid to any minority shareholder who elects to retain its Celanese Shares was based on an analysis of the fair enterprise value of Celanese as of the date of the relevant shareholders' meeting assuming a full distribution of profits. The gross guaranteed fixed annual payment is €3.27 per Celanese Share less certain corporate taxes. See " Domination and Profit and Loss Transfer Agreement."

Recapitalization. As of the date of this prospectus, we have one class of common stock, all of which is held by the Original Stockholders. Shortly before completion of this offering, we intend to complete a recapitalization in which we will create two series of common stock. The recapitalization, which may occur through a merger between us and a newly created wholly owned subsidiary of ours, a share exchange by the Original Stockholders or by other means, will result in the creation of Series A common stock and Series B common stock. The shares sold in the initial public offering of our common stock will be Series A common stock. The Original Stockholders will exchange the shares of common stock that they currently hold for an equivalent number of shares of Series B common stock, which will enable them to receive dividends as described under "Description of Capital Stock Authorized Capitalization Common Stock Dividend Rights." Except for the special Series B common stock dividends which we expect to pay to the holders of outstanding shares of Series B common stock in April 2005 (or earlier in the case of the portion of the dividend payable in shares of Series A common stock), the convertibility of Series B common stock into Series A common stock and the right of the Series B common stock to consent to other changes to our governing documents that would adversely affect the Series B common stock, shares of Series A common stock and shares of Series B common stock will be identical, including with respect to voting rights. The Series B common stock will automatically convert into Series A common stock upon payment of the special Series B common stock dividends, and may also be converted into Series A common stock at any time at the option of the holder. As used in this prospectus, the term "common stock", when used in reference to our capital structure before completion of this offering, means our existing single class of common stock, and when used in reference to our capital structure following completion of this offering, means, collectively, the Series A common stock and Series B common stock, unless otherwise specified.

Any delisting from the Frankfurt Stock Exchange, squeeze-out or conversion would require approval by the shareholders of Celanese AG. While it is to be expected that in each case, the Purchaser will have the requisite majority in such meeting to assure approval of such measures, minority shareholders, irrespective of the size of their shareholding, may, within one month from the date of any such shareholder resolution, file an action with the court to have such resolution set aside. While such action would only be successful if the resolution was passed in violation of applicable laws and cannot be based on the unfairness of the amount to be paid to the minority shareholders, a shareholder action may substantially delay the implementation of the challenged shareholder resolution pending final resolution of the action. If such action proved to be successful, the action could prevent the implementation of a delisting, Squeeze-out or conversion. Accordingly, there can be no assurance that any of the steps described above can be implemented timely or at all.

The Sponsor The Blackstone Group

Following the consummation of the offering of our Series A common stock, certain affiliates of The Blackstone Group ("Blackstone" or the "Sponsor") will beneficially own approximately 58.0% of our outstanding common stock and will own approximately 62.4% of our outstanding common stock if the underwriters' over-allotment option is not exercised. Blackstone is a leading investment and advisory firm founded in 1985, with offices in New York, London, Boston and Atlanta. Blackstone manages one of the largest institutional private equity fund ever raised, a \$6.5 billion fund raised in 2002. Since it began private equity investing in 1987, Blackstone has raised more than \$14 billion in five funds and has invested in more than 87 companies. In addition to private equity investments, Blackstone's core businesses include real estate investments, corporate debt investments, asset management, corporate advisory services, and restructuring and reorganization advisory services.

THE RECENT RESTRUCTURING

In October November 2004, we completed an internal restructuring pursuant to which the Purchaser effected, by giving a corresponding instruction under the Domination Agreement, the transfer of all of the shares of CAC from Celanese Holding GmbH, a wholly owned subsidiary of Celanese AG, to BCP Caylux Holdings Luxembourg S.C.A. ("BCP Caylux") which resulted in BCP Caylux owning 100% of the equity of CAC and, indirectly, all of its assets, including subsidiary stock.

Following the transfer of CAC to BCP Caylux, (1) BCP Crystal Holdings Ltd. 2 contributed substantially all of its assets and liabilities (including all outstanding capital stock of BCP Caylux) to BCP Crystal, in exchange for all of the outstanding capital stock of BCP Crystal; (2) BCP Crystal assumed substantially all obligations of BCP Caylux, including all rights and obligations of BCP Caylux under the senior credit facilities, the floating rate term loan and the senior subordinated notes; (3) BCP Caylux transferred certain assets, including its equity ownership interest in CAC, to BCP Crystal; (4) BCP Crystal Holdings Ltd. 2 was reorganized as a Delaware limited liability company and changed its name to Celanese Holdings LLC (such reorganized entity, "Celanese Holdings"); and (5) Blackstone Crystal Holdings Capital Partners (Cayman) IV Ltd. was reorganized as a Delaware corporation and changed its name to Celanese Corporation. BCP Crystal, at its discretion, may subsequently cause the liquidation of BCP Caylux.

As a result of these transactions, BCP Crystal holds 100% of CAC's equity and, indirectly, all equity owned by CAC in its subsidiaries. In addition, BCP Crystal holds, indirectly, all of the Celanese Shares held by the Purchaser.

Corporate Structure

The charts below summarize our ownership structure immediately before completion of the Recent Restructuring and our current ownership structure.

Pre-Restructuring Structure

Footnotes on page 56

Current Structure

Footnotes on following page

(1)

In September 2004, Crystal US Holdings 3 L.L.C. ("Crystal LLC") and Crystal US Sub 3 Corp., a subsidiary of Crystal LLC, issued and sold $853 million aggregate principal amount at maturity of their Senior Discount Notes due 2014. Until October 1, 2009, interest on the senior discount notes will accrue in the form of an increase in the accreted value of such notes. We expect to use approximately $207 million of the net proceeds from the offering of our Series A common stock and the offering of our preferred stock to redeem a portion of the senior discount notes. See "Description of Indebtedness Senior Discount Notes due 2014."

(2)

The senior credit facilities provide financing of up to approximately $1.2 billion, consisting of (1) a $611 million term loan facility with a maturity of seven years; (2) a $228 million credit-linked revolving facility with a maturity of five years; and (3) a $380 million revolving credit facility with a maturity of five years. Celanese Americas Corporation ("CAC") may borrow under both revolving credit facilities. We expect to increase the commitments under the revolving credit facilities to $828 million under our new senior credit facilities. The outstanding term loans will remain outstanding under the new senior credit facilities. See "Description of Indebtedness Senior Credit Facilities."

(3)

In June 2004, BCP Caylux borrowed $350 million under a floating rate term loan due 2014. We expect to use borrowings under the new senior credit facilities, together with any remaining proceeds from the offering of our Series A common stock to repay all amounts outstanding under the floating rate term loan. See "Description of Indebtedness Floating Rate Term Loan."

(4)

In June and July 2004, BCP Caylux issued and sold $1,225 million aggregate principal amount of its $9\frac{5}{8}$% U.S. Dollar-denominated Senior Subordinated Notes due 2014 and €200 million principal amount of its $10\frac{3}{8}$% Euro-denominated Senior Subordinated Notes due 2014. We expect to use approximately $566 million of the net proceeds from the offering of our Series A common stock and the offering of our preferred stock to redeem a portion of the senior subordinated notes. See "Description of Indebtedness Senior Subordinated Notes due 2014."

USE OF PROCEEDS

We estimate that the net proceeds from the offering of our Series A common stock, after deducting underwriting discounts and estimated offering expenses, will be approximately $757 million. We estimate that the net proceeds from the offering of our preferred stock, after deducting underwriting discounts and estimated offering expenses, will be approximately $233 million.

We intend to contribute $773 million of the net proceeds from the offering of our Series A common stock and the offering of our preferred stock to our subsidiary, Crystal LLC, which will use approximately $207 million of such net proceeds to redeem a portion of its senior discount notes. Crystal LLC will contribute the remaining proceeds to its subsidiary, Celanese Holdings, which in turn will contribute it to its subsidiary, BCP Crystal. BCP Crystal will use such proceeds to redeem a portion of its senior subordinated notes. BCP Crystal will use borrowings of approximately $945 million under the new senior credit facilities that it expects to enter into prior to the consummation of the Series A common stock offering to repay the amounts outstanding under the floating rate term loan and to pay a $586 million dividend to Celanese Holdings, which in turn will distribute this amount to Crystal LLC. Crystal LLC will distribute this amount up to us and we will use it, together with the remaining net proceeds from the offering of our Series A common stock and the net proceeds from the offering of our preferred stock, to pay a dividend of $803 million to the holders of our Series B common stock. The loans under our existing senior credit facilities will remain outstanding under the new senior credit facilities. The Original Stockholders will be the only holders of our Series B common stock immediately prior to the consummation of this offering. The expected sources and uses of funds used in connection with the Concurrent Financings (assuming a January 2005 closing unless otherwise specified) are set forth in the table below. The actual amounts may vary depending on the time of the closing of this offering.

Sources (in millions)			Uses (in millions)		
Series A Common Stock	$	800	Partial Redemption of Senior Discount Notes[2]	$	207
Preferred Stock		240	Partial Redemption of Senior Subordinated Notes[3]		566
New Senior Credit Facilities[1]		945	Repayment of Floating Rate Term Loan		350
			Dividend to Holders of Our Series B Common Stock		803
			Estimated Fees and Expenses[4]		59
Total Sources	$	1,985	Total Uses	$	1,985

(1) Sources shown exclude the $442 million Acquisition Facility that we expect to borrow to fund the Acetex and Vinamul Polymers acquisitions, and which will include a delayed draw portion of up to $242 million. Prior to the consummation of the Series A common stock offering, we expect to amend and restate our existing senior credit facilities. We expect the terms of the new senior credit facilities to be substantially similar to the terms of our existing senior credit facilities described below under "Description of Indebtedness Senior Credit Facilities."

(2) Represents redemption of approximately $37 million of Series A senior discount notes and approximately $151 million of Series B senior discount notes ($180 million of combined accreted value at September 30, 2004) and $19 million of premium based on the amounts required at the expected redemption date (in February 2005).

(3) Represents redemption of $516 million of senior subordinated notes and $50 million of premium.

(4) Represents estimated underwriting discounts and fees, bank fees and other fees and expenses. The excess, if any, of actual amounts over the estimates will be funded with available cash.

We intend to use the net proceeds from any shares of our Series A common stock sold pursuant to the underwriters' over-allotment option to pay an additional cash dividend to the holders of our Series B common stock.

Approximately $217 million, or 22% ($331 million, or 30%, if the underwriters exercise their over-allotment option in full), of the combined net proceeds from the offering of our Series A common stock and the offering of our preferred stock will be used to pay a portion of the $803 million (or $917 million, if the underwriters exercise their over-allotment option in full) special Series B common stock dividends, in each case based on an initial public offering price of $16.00 per share of Series A common stock. In addition, $586 million of the proceeds from additional borrowings under the new senior credit facilities will be used to fund the remaining portion of the special Series B common stock dividends such that approximately $803 million, or 40% ($917 million, or 44%, if the underwriters exercise their over-allotment option in full) of the combined proceeds from this offering and the other Concurrent Financings will be paid to the Original Stockholders.

The interest rate and maturity of indebtedness that we intend to discharge using the net proceeds from the Concurrent Financings, as well as the use of proceeds from such indebtedness, are described below:

Senior Discount Notes. In September 2004, our subsidiaries Crystal US 3 Holdings L.L.C. and Crystal US Sub 3 Corp., issued $853 million aggregate principal amount at maturity ($513 million in gross proceeds) of their Senior Discount Notes due 2014 consisting of $163 million aggregate principal amount at maturity of its 10% Series A Senior Discount Notes and $690 million aggregate principal amount at maturity of their $10^1/_2$% Series B Senior Discount Notes. Prior to October 1, 2009, interest will accrue on the senior discount notes in the form of an increase in their accreted value. Cash interest payments will be due and payable beginning on April 1, 2010.

Senior Subordinated Notes. In June and July 2004, BCP Caylux issued $1,225 million aggregate principal amount of $9^5/_8$% U.S. Dollar-denominated senior subordinated notes and €200 million principal amount of $10^3/_8$% Euro-denominated senior subordinated notes. The senior subordinated notes mature on June 15, 2014.

Senior Credit Facilities. In April 2004, BCP Caylux entered into senior credit facilities with a syndicate of banks and other financial institutions led by Deutsche Bank AG New York Branch, as administrative agent, Morgan Stanley Senior Funding, Inc., as global coordinator, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers, ABN AMRO Bank N.V., Bank of America, N.A. and General Electric Capital Corporation, as documentation agents, and Bayerische Hypo-und Vereinsbank AG, Mizuho Corporate Bank, Ltd., The Bank of Nova Scotia, KfW and Commerzbank AG, New York and Cayman Branches, as senior managing agents. The senior credit facilities provide financing of approximately $1.2 billion. The senior credit facilities consist of (1) a term loan facility in the aggregate amount of $456 million and €125 million with a maturity of seven years; (2) a $228 million credit-linked revolving facility with a maturity of five years; and (3) a $380 million revolving credit facility with a maturity of five years.

We expect to increase the commitments under the revolving credit facilities to $828 million under our new senior credit facilities. In addition, upon the occurrence of certain events, BCP Crystal may request, prior to April 6, 2005, an increase to the existing term loan facility in an amount not to exceed $175 million in the aggregate, subject to receipt of commitments by existing term loan lenders or other financial institutions reasonably acceptable to the administrative agent.

The borrowings under the senior credit facilities bear interest at a rate equal to an applicable margin plus, at BCP Crystal's option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Deutsche Bank AG New York Branch and (2) the federal funds rate plus 1/2 of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The applicable margin for borrowings under the credit-linked revolving facility and the revolving credit facility is 1.50% with respect to base rate borrowings and 2.50% with respect to LIBOR borrowings (in each case subject to a step-down based on a performance test). The applicable margin for borrowings under the term loan facility is 1.50% with respect to base rate borrowings and 2.50% with respect to LIBOR borrowings (in each case subject to a step-down based on a performance test). In addition to paying interest, BCP Crystal is required to pay certain fees.

Floating Rate Term Loan. In June 2004, BCP Caylux entered into a $350 million floating rate term loan with Deutsche Bank AG New York Branch, as administrative agent, Morgan Stanley Senior Funding, Inc., as global coordinator, and Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as joint lead arrangers. BCP Crystal is the borrower under the floating rate term loan. The floating rate term loan has a maturity of seven and one-half years and provides for no amortization of principal. The borrowings under the floating rate term loan bear interest at a rate equal to an applicable margin plus, at BCP Crystal's option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Deutsche Bank AG New York Branch and (2) the federal funds rate plus $^1/_2$ of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The applicable margin for borrowings is (a) prior to completion of the Recent Restructuring, 3.25% with respect to base rate borrowings and 4.25% with respect to LIBOR borrowings and (b) after completion of the Recent Restructuring, 2.50% with respect to base rate borrowings and 3.50% with respect to LIBOR borrowings.

Use of Proceeds From Indebtedness Being Discharged. The Purchaser used the borrowings under the existing senior credit facilities, together with the borrowings under the senior subordinated bridge loan facilities, and the cash equity investment by the Original Shareholders (which included the proceeds from the issuance of the mandatorily redeemable preferred shares) to acquire Celanese Shares in connection with the Tender Offer, to refinance certain existing debt of Celanese, pre-fund certain pension obligations of Celanese, pre-fund certain contingencies and certain obligations linked to the value of the Celanese Shares, such as the payment of fair cash compensation under the Domination Agreement for the remaining Celanese Shares, and payment obligations related to outstanding stock appreciation rights, stock options and interest payments, provide additional funds for working capital and other general corporate purposes, and pay related fees and expenses.

BCP Caylux used the proceeds from the offering of the senior subordinated notes, together with available cash and borrowings under the floating rate term loan to repay its two senior subordinated bridge loan facilities, plus accrued interest, to redeem the mandatorily redeemable preferred shares and to pay related fees and expenses. The issuers of the senior discount notes used the net proceeds from the offering to make a return of capital distribution to the Issuer, which in turn made a distribution to the Original Stockholders, and to pay fees and expenses.

See "The Transactions" and "Description of Indebtedness."

DIVIDEND POLICY

We intend to declare and pay the following special Series B common stock dividends to holders of our Series B common stock, which will be required by our amended and restated certificate of incorporation we expect to adopt in connection with our recapitalization:

- The first dividend will be a cash dividend of $803 million, which we will pay to the holders of our Series B common stock from the borrowings under the new senior credit facilities following consummation of this offering, any net proceeds from the offering of our Series A common stock remaining after the repayment of certain indebtedness of our subsidiaries described under "Use of Proceeds" above, and the net proceeds from the offering of our preferred stock.

- The second dividend will be a cash dividend up to $114 million, pursuant to which we will pay to the holders of our Series B common stock all of the proceeds we receive from any shares of our Series A common stock sold pursuant to the underwriters' over-allotment option.

- The third dividend will be a stock dividend, pursuant to which we will dividend to the holders of our Series B common stock shortly after the expiration of the underwriters' over-allotment option (assuming that option is not exercised in full) the number of shares of our Series A common stock equal to 7,500,000 (which is the number of additional shares the underwriters have an option to purchase) minus the actual number of shares of our Series A common stock the underwriters purchase from us pursuant to that option.

The Original Stockholders will be the only holders of our Series B common stock immediately prior to the consummation of the offering of our Series A common stock. We expect to declare and pay the cash dividends described above in April 2005 and the stock dividend described above shortly after the expiration of the underwriters' over-allotment option (assuming that option is not exercised in full). Under the terms of our amended and restated certificate of incorporation, we will be obligated to take all actions required or permitted under applicable Delaware law to permit the payment of the special Series B common stock dividends and to declare and pay these dividends to the extent there are funds legally available therefor.

Upon the completion of the Series A common stock offering, our board of directors currently intends to adopt a policy of declaring, subject to legally available funds, a quarterly cash dividend on each share of our common stock at an annual rate initially equal to approximately 0.75% of the price per share in the initial public offering of our Series A common stock unless our board of directors in its sole discretion determines otherwise, commencing the second quarter of 2005. However, there is no assurance that sufficient cash will be available to pay such dividend.

Our board of directors may at any time modify or revoke our dividend policy on our Series A common stock.

Upon the completion of the offering of the preferred stock, we will be required, under the terms of the preferred stock, to pay scheduled quarterly dividends, subject to legally available funds. For so long as the preferred stock remains outstanding, (1) we will not declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any junior stock or parity stock and (2) neither we, nor any of our subsidiaries, will, subject to certain exceptions, redeem, purchase or otherwise acquire for consideration junior stock or parity stock through a sinking fund or otherwise, in each case unless we have paid or set apart funds for the payment of all accumulated and unpaid dividends with respect to the shares of preferred stock and any parity stock for all preceding dividend periods and except for the special Series B common stock dividends.

The amounts available to us to pay cash dividends will be restricted by our subsidiaries' debt agreements. Under the terms of the senior credit facilities, neither BCP Crystal nor its subsidiaries may pay dividends or otherwise transfer their assets to us. However, we expect that the terms of the new senior credit facilities will permit the dividends described above. The indentures governing the senior subordinated notes and the senior discount notes also limit, but do not prohibit, the ability of BCP Crystal, Crystal LLC and their respective subsidiaries to pay dividends. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

Under the Domination Agreement, any minority shareholder of Celanese AG who elects not to sell its shares to the Purchaser will be entitled to remain a shareholder of Celanese AG and to receive a gross guaranteed fixed annual payment on their shares (*Ausgleich*) of €3.27 per Celanese Share less certain corporate taxes to be paid by Celanese AG in lieu of any future dividend. See "The Transactions Post-Tender Offer Events Domination and Profit and Loss Transfer Agreement."

Under Delaware law, our board of directors may declare dividends only to the extent of our "surplus" (which is defined as total assets at fair market value minus total liabilities, minus statutory capital), or if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal years. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value. The value of our capital may be adjusted from time to time by our board of directors but in no event will be less than the aggregate par value of our issued stock. Our board of directors may base this determination on our financial statements, a fair valuation of our assets or another reasonable method. Our board of directors will seek to assure itself that the statutory requirements will be met before actually declaring dividends. In future periods, our board of directors may seek opinions from outside valuation firms to the effect that our solvency or assets are sufficient to allow payment of dividends, and such opinions may not be forthcoming. If we sought and were not able to obtain such an opinion, we likely would not be able to pay dividends. In addition, pursuant to the terms of our preferred stock, we are prohibited from paying a dividend on our common stock (except for the special Series B common stock dividends) unless all payments due and payable under the preferred stock have been made.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2004 (1) on an actual basis, (2) on an as adjusted basis to reflect the Transactions and the Recent Restructuring and (3) on a further adjusted basis to reflect:

- the recapitalization and the creation of two series of common stock;
- the sale of approximately 50,000,000 shares of our Series A common stock in the offering of our common stock at an initial public offering price of $16.00, after deducting underwriting discounts and estimated offering expenses;
- the sale of approximately $240 million aggregate liquidation preference of our preferred stock;
- borrowings under the new senior credit facility;
- the application of the net proceeds as described in "Use of Proceeds;"
- the 152.772947 for one stock split to be effected prior to the consummation of this offering; and
- the issuance of 1,797,386 shares to executive officers, key employees and directors at an assumed price of $7.20 per share.

The data in the column entitled "As Further Adjusted for the Acquisition Facility" reflects $200 million of borrowings under our Acquisition Facility that we expect to draw at closing to pre-fund our proposed acquisition of Vinamul Polymers. You should read the information in this table in conjunction with our financial statements and the notes to those statements appearing elsewhere in this prospectus and "Selected Historical Financial Data," "Unaudited Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of September 30, 2004			
	Actual	**As Adjusted for the Transactions and Recent Restructuring[1]**	**As Further Adjusted for the Concurrent Financings**	**As Further Adjusted for the Acquisition Facility**
	(in millions except share data)			
Cash and cash equivalents[1]	$ 819	$ 681	$ 646	$ 846
Total debt:				
Senior credit facilities[2]:				
Revolving credit facilities	$	$	$	$
Term loan facility	391	611	1,556	1,556
Acquisition facility				200
Floating rate term loan	350	350		
Senior subordinated notes[3]	1,479	1,479	961	961
Senior discount notes	513	513	333	333
Assumed debt	367	367	367	367
Total debt	3,100	3,320	3,217	3,417
Minority interest[4]	402	402	402	402
Shareholders' equity:				

	As of September 30, 2004			
Preferred stock, par value $0.01 per share, aggregate liquidation preference $240 million, 5,000,000 shares authorized, actual and as adjusted; 100,000,000 shares authorized as further adjusted; no shares outstanding actual and as adjusted; 9,600,000 shares issued and outstanding as further adjusted				
Common stock, par value $0.0001 per share, 5,000,000 shares authorized, actual and as adjusted, 500,000,000 shares authorized as further adjusted; 650,494 shares issued and outstanding, actual and as adjusted, 59,297,386 shares of Series A common stock and 99,377,885 shares of Series B common stock issued and outstanding as further adjusted				
Additional paid-in capital	143	143	322	322
Accumulated deficit	(196)	(196)	(336)	(336)
Accumulated other comprehensive earnings (loss)				
Total shareholders' equity (deficit)	(53)	(53)	(14)	(14)
Total capitalization	$ 3,449	$ 3,669	$ 3,605	$ 3,805

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(1) Represents cash available to purchase remaining outstanding Celanese Shares, including any options on Celanese Shares that are exercised, to repay additional existing indebtedness, to pay interest on the notes and to make loans to Celanese and its subsidiaries for working capital and general corporate purposes. Prior to the consummation of the offering, we expect to receive $13 million from the sale of shares to management and we expect to pay (1) a $10 million monitoring fee for 2005, (2) an initial deferred compensation payment of $27 million, and (3) $8 million of retention and other executive bonuses. These amounts are not reflected as adjustments to cash and cash equivalents. See "Certain Relationships and Related Party Transactions New Arrangements Transaction and Monitoring Fee Agreement/Sponsor Services Agreement" and "Management Stock Incentive Plan", " Deferred Compensation Plan" and " Bonus".

(2) The revolving credit facilities provide for borrowings of up to $608 million. We expect to increase the commitments under the revolving credit facilities to $828 million under our new senior credit facilities. As of December 29, 2004, no amounts have been borrowed and $402 million was available for borrowings under the revolving credit facilities (taking into account letters of credit issued under the revolving credit facilities). On an as adjusted basis for the offering, represents $622 million of available borrowings under our new senior credit facility of which no amounts are planned to be drawn in connection with the offering (this amount excludes the Acquisition Facility that we expect to borrow to fund the Acetex and Vinamul Polymers acquisitions).

(3) Includes the U.S. dollar equivalent of the euro-denominated notes and, on an actual and as adjusted basis, $6 million premium on the $225 million aggregate principal amount of the notes issued July 1, 2004, and on a further adjusted basis, $4 million premium on the remaining notes after the use of proceeds from the offering as $2 million of the premium will be written-off on a further adjusted basis.

(4) As of September 30, 2004, we owned approximately 84% of the Celanese Shares then outstanding. While we intend to acquire the remaining outstanding shares, there is no assurance that we will be able to do so. If we acquire more shares, our consolidated balance sheet will reflect lower cash and minority interests and our statements of operations will reflect lower minority interest expense for the percentage of the Celanese Shares that we acquire. For purposes of this pro forma financial information, we have assumed that we do not acquire any of the remaining outstanding Celanese shares beyond the approximately 84% of the outstanding Celanese Shares that we already own. See "Unaudited Pro Forma Financial Information."

DILUTION

Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in the offering of shares of our Series A common stock will exceed the net tangible book value per share of common stock after the offering. The net tangible book value per share presented below is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities as of September 30, 2004, divided by the number of shares of our common stock that would have been held by the Original Stockholders had (1) the 152.772947 for one common stock split we expect to effect prior to the consummation of this offering been made and (2) the stock dividend of 7,500,000 shares of our Series A common stock that we expect to issue to the holders of our Series B common stock after the expiration of the underwriters' over-allotment option, assuming no exercise of that option, been made as of September 30, 2004. As of September 30, 2004, we had a net tangible book deficit of $987 million, or ($9.23) per share on the basis described above. On a pro forma basis, after giving effect to:

- the sale of 50,000,000 shares of Series A common stock in the offering of shares of our common stock at an initial public offering price of $16.00 per share, after deducting underwriting discounts and estimated offering expenses;
- the sale of approximately $240 million aggregate liquidation preference of our preferred stock;
- the payment of the $803 million dividend to the holders of our Series B common stock;
- the effect of the other pro forma adjustments described under "Unaudited Pro Forma Financial Information"; and
- the issuance of 1,797,386 shares to certain of our executive officers, key employees and directors at $7.20 per share.

Our pro forma net tangible book value as of September 30, 2004 would have been a deficit of $1,200 million (excluding $240 million of preferred stock and including $13 million proceeds from the issuance of 1,797,386 shares to certain of our executive officers, key employees and directors), or ($7.56) per share of common stock. This represents an immediate increase in net tangible book value per share of common stock of $1.67 per share to the Original Stockholders and an immediate dilution in net tangible book value of $23.56 per share to new investors.

The following table illustrates this dilution on a per share basis:

Initial public offering price per share of Series A common stock		$ 16.00
Net tangible book deficit per share at September 30, 2004	$ (9.23)	
Increase in net tangible book value per share attributable to new investors in our common stock	1.67	
Pro forma net tangible book deficit per share after the offering		(7.56)
Dilution per share to new investors in the Series A common stock		$ 23.56

We will reduce the number of shares of Series A common stock that we will issue to the holders of our Series B common stock in the stock dividend described in clause (2) above by the number of shares sold to the underwriters pursuant to their option to purchase additional shares of Series A common stock. We will also pay the holders of our Series B common stock a cash dividend equal to all net proceeds we receive from any such sale to the underwriters. As a result, our pro forma net tangible book value will not be affected by the underwriters' exercise of their over-allotment option in respect of the Series A common stock.

The following table summarizes, on the same pro forma basis as of September 30, 2004, the total number of shares of common stock purchased from us (including shares that will be issued to the Original Stockholders immediately prior to the consummation of the offering and the stock dividend described in clause (2) above), the total consideration paid to us and the average price per share paid by Original Stockholders and by new investors purchasing shares in this offering:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Original Stockholders[1]	106,877,885	67%	$ 641,000,000	44%	$ 6.00
Certain Officers	1,797,386	1%	12,941,181	1%	7.20
New investors	50,000,000	32%	800,000,000	55%	16.00
Total	158,675,271	100%	$ 1,453,941,181	100%	$ 9.16

(1) Total consideration and average price per share paid by the Original Stockholders do not give effect to the $500 million distribution made to the Original Stockholders in September 2004 using proceeds from the senior discount notes offering and the $803 million dividend we intend to distribute to the Original Stockholders in connection with the Concurrent Financings. If the table were adjusted to give effect to these payments, the Original Stockholders' total consideration for its shares would be $(662) million, with an average share price of $(6.19) which means that the Original Stockholders, in the aggregate, will have received $662 million more than they originally invested.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the audited and unaudited consolidated financial statements and other unaudited financial information of Celanese and us appearing elsewhere in this prospectus as adjusted to illustrate the estimated pro forma effects of the Transactions and the Recent Restructuring (including the preliminary application of purchase accounting) and the Concurrent Financings. We are a recently-formed company which does not have, apart from financing the Transactions and the Concurrent Financings, any independent external operations other than through the indirect ownership of the Celanese businesses. As of September 30, 2004, we indirectly owned approximately 84% of the Celanese Shares then outstanding. While we intend to acquire the remaining outstanding shares, there is no assurance that we will be able to do so. If we do acquire more shares, our balance sheet will reflect lower cash and minority interests and our statements of operations will reflect lower minority interest expense for the percentage of Celanese Shares that we acquire. For purposes of this unaudited pro forma financial information, we have assumed that we acquire only approximately 84% of the Celanese Shares outstanding as of September 30, 2004. See note (h) to the pro forma balance sheet. The unaudited pro forma financial information should be read in conjunction with the consolidated financial statements of Celanese and of the Issuer and other financial information appearing elsewhere in this prospectus, including "Basis of Presentation," "The Transactions," "The Recent Restructuring," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The unaudited pro forma balance sheet gives effect to the Recent Restructuring and the Concurrent Financings as if they had occurred on September 30, 2004. The unaudited pro forma statements of operations data give effect to the Transactions, the Recent Restructuring and the Concurrent Financings, as if they had occurred on January 1, 2003.

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. However, as of the date of this prospectus, we have not completed the valuation studies necessary to finalize the fair values of the assets acquired and the liabilities assumed and the related allocation of purchase price, nor have we identified all of the adjustments that may be necessary to conform Celanese's historical accounting policies to ours.

The unaudited pro forma financial information does not reflect any adjustments for the (1) Acetate Restructuring, (2) proposed acquisitions of Acetex and Vinamul Polymers and related financings (3) the potential future dispositions of COC and our interest in Pemeas GmbH or (4) the stock incentive plan, deferred compensation plan and bonuses, each as described under "Summary Recent Developments" above, except that the supplemental pro forma balance sheet reflects $200 million of borrowings under our Acquisition Facility that we expect to draw at closing to pre-fund our proposed acquisition of Vinamul Polymers.

The unaudited pro forma statements of operations data do not reflect certain one-time charges that we recorded or will record following the closing of the Transactions and the Concurrent Financings. These one-time charges include (1) an approximately $50 million non-cash charge for the manufacturing profit added to inventory under purchase accounting, (2) the $71 million of one-time costs related to the replacement of a portion of the Original Financing which was charged to expense in the six months ended September 30, 2004, (3) $18 million write-off of deferred financing fees and $21 million of prepayment premium associated with the July 2004 redemption of our mandatorily redeemable preferred stock described in "The Transactions" section above, (4) $27 million write-off of deferred financing fees, net of $2 million of premium, and $73 million of prepayment premium associated with the redemption of a portion of our senior discount notes and senior subordinated notes, repayment of our existing floating rate term loan and senior credit facilities with a portion of the proceeds of the Concurrent Financings and (5) $35 million one-time charge related to the termination of the monitoring services by the Advisor.

The unaudited pro forma financial information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that we would have reported had the Transactions been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial position.

UNAUDITED PRO FORMA BALANCE SHEET
AS OF SEPTEMBER 30, 2004

	Historical	Transactions and Recent Restructuring Adjustments	Concurrent Financings Adjustments	Pro Forma[h]	Supplemental Pro Forma[e]
			(In millions)		
Assets					
Cash and cash equivalents	$ 819	$ (138)[a]	$ (35)[c]	$ 646	$ 846
Trade receivables, net third party and affiliates	826			826	826
Other receivables	575			575	575
Inventories	565			565	565
Deferred income taxes	67			67	67
Other assets	20		(5)[c]	15	15
Assets of discontinued operations	5			5	5
Total current assets	2,877	(138)	(40)	2,699	2,899
Investments	555			555	555
Property, plant and equipment, net	1,948			1,948	1,948
Deferred income taxes	72	17 [b]		89	89
Other assets	680	(6)[b]	(24)[d]	650	650
Intangible assets, net	934	25 [b]		959	959
Total assets	$ 7,066	$ (102)	$ (64)	$ 6,900	$ 7,100
Liabilities and Shareholders' Equity					
Short-term borrowings and current installments of long-term debt third party and affiliates	$ 127	$ 2 [a]	$ 10 [e]	$ 139	$ 141
Trade payables third party and affiliates	583			583	583
Other current liabilities	798			798	798
Deferred income taxes	21			21	21
Income taxes payable	201			201	201
Liabilities of discontinued operations	12			12	12
Total current liabilities	1,742	2	10	1,754	1,756
Long-term debt	981	218 [a]	585 [e]	1,784	1,982
Senior subordinated notes	1,479		(518)[f]	961	961
Senior discount notes	513		(180)[f]	333	333
Deferred income taxes	244			244	244
Benefit obligations	1,280	(322)[a][b]		958	958
Other liabilities	478			478	478
Total liabilities	6,717	(102)	(103)	6,512	6,712
Minority interests	402			402	402
Commitment and contingencies [i]					
Total shareholders' equity (deficit)	(53)		39 [g]	(14)	(14)
	$ 7,066	$ (102)	$ (64)	$ 6,900	$ 7,100

	Historical	Transactions and Recent Restructuring Adjustments	Concurrent Financings Adjustments	Pro Forma(h)	Supplemental Pro Forma(e)
Total liabilities and shareholders' equity (deficit)					

See accompanying notes to unaudited pro forma balance sheet.

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET

Transactions and Recent Restructuring Adjustments

(a)

Adjustments to cash consist of the following

	(in millions)
Additional term loan borrowing[1]	$ 220
Additional pension contribution[2]	(358)
	$ (138)

(1)

Represents additional borrowing (including $2 million reflected in current) under the term loan facility designated to finance pension contributions and repay Celanese debt. As of September 30, 2004, we had $611 million of term loan availability, including the U.S. dollar equivalent of €125 million and had drawn $391 million.

(2)

As of September 30, 2004, Celanese had contributed $105 million and held an additional $54 million in cash for future contributions to a trust out of the total $463 million expected to be contributed to Celanese pension plans in connection with the acquisition of the Celanese shares. In October 2004, Celanese contributed approximately $300 million to its U.S. pension plans.

(b)

The valuation of assets acquired and liabilities assumed in an acquisition of less than 100% of the outstanding shares of the acquired business is based on a pro rata allocation of the fair values of the assets acquired and liabilities assumed and the historical carrying amounts of the assets acquired and liabilities assumed of the acquired entity. For purposes of preparing the pro forma financial information, we have prepared preliminary ranges of value and estimated useful lives for property, plant and equipment and intangible assets on a consolidated basis. However, we have not yet been able to finalize the inputs and assumptions used at an individual legal entity basis, and therefore amounts have not been included below for CAC. We expect to finalize the allocation in the fourth quarter of 2004 at which time property, plant and equipment and intangible assets for CAC will be adjusted with a corresponding adjustment to goodwill. This adjustment reflects the remaining approximate 16% adjustment to the fair value of the assets and liabilities of CAC as a result of the Recent Restructuring that occurred on October 5, 2004, as follows:

	(in millions)
Increase in employee benefits and other liabilities	$ (36)
Increase in deferred tax assets	17
Decrease in other assets	(6)
Increase in excess of purchase price over current book value of net assets	25
	$

We are in the process of finalizing the accounting for the transfer of CAC net assets including the allocation of historical goodwill between CAC and Celanese AG, which will be done on a relative fair value basis. Accordingly, the minority interest amount has not been finalized.

Concurrent Financings Adjustments

(c)
In connection with this offering, Blackstone Management Partners IV L.L.C. (the "Advisor"), an affiliate of the Sponsor has advised us that they intend to terminate the monitoring services provided to us by the Advisor under the Transaction and Monitoring Fee Agreement/Sponsor Services Agreement. We expect to pay a termination fee of $35 million, which we intend to fund

through available cash. See "Certain Relationships and Related Party Transactions New Arrangements Transaction and Monitoring Fee Agreement/Sponsor Services Agreement." The unaudited pro forma balance sheet reflects the elimination of $5 million of prepaid expenses associated with the prepaid monitoring fee as of September 30, 2004 and a $35 million reduction of cash. In addition, in January 2005, an annual $10 million monitoring fee will be paid to the Advisor. The pro forma financial information does not reflect this payment as upon termination of the agreement this prepaid asset will be written off as a one-time charge to the income statement.

(d) Reflects the write-off of $29 million of deferred financing costs associated with the debt repaid net of the capitalization of $5 million of deferred financing costs associated with our new senior credit facilities.

(e) Reflects the borrowings of an incremental $945 million under our new senior credit facilities and the repayment of $350 million of our floating rate term loan. The supplemental pro forma balance sheet includes $200 million of incremental borrowings under our $442 million Acquisition Facility that we expected to draw at closing to pre-fund our proposed acquisition of Vinamul Polymers.

(f) Reflects the redemption of a portion of our senior discount notes and senior subordinated notes from the proceeds of the offering of our Series A common stock and the $2 million write-off of premium.

(g) Reflects the changes to shareholders' equity from the proceeds from the Concurrent Financings and the dividend to the holders of our Series B common stock as follows:

	(in millions)
Gross proceeds from the offering of Series A common stock	$ 800
Gross proceeds from the offering of new preferred stock[1]	240
Estimated fees and expenses of the offering	(58)
Dividend to the holders of our Series B common stock	(803)
Retained earnings (deficit)[2]	(140)
	$ 39

(1) Reflects the gross proceeds of $240 million from the offering of our preferred stock. The preferred stock will be convertible into common shares at any time. See "Description of the Preferred Stock."

(2) Includes $73 million of premium on the redemption of a portion of the senior discount notes and the senior subordinated notes and the retirement of our floating rate term loan. In addition, we will write off $29 million of deferred financing fees and $2 million of premium associated with the refinancings. Also includes $5 million related to the write-off of the prepaid monitoring fee and a $35 million charge to terminate the monitoring services under the agreement. See note (c).

(h) The pro forma balance sheet data assumes that we acquired only approximately 84% of the Celanese shares outstanding as of September 30, 2004. The following supplemental pro forma balance sheet data provides information assuming that we acquire 100% of the Celanese Shares. As of September 30, 2004, we indirectly owned approximately 84% of the Celanese Shares outstanding on that date. In connection with the Domination Agreement, we have offered to acquire the remaining approximately 16% or approximately 8.3 million outstanding Celanese Shares at €41.92 per share, for aggregate consideration of $432 million plus interest. If we acquire these shares, cash and minority interest will decrease and the assets acquired and liabilities assumed will be adjusted to full fair value, as follows:

	(in millions)
Cash paid to acquire minority shares	$ (432)
Increase in excess of purchase price over current book value of net assets	66
Increase in employee benefits and other liabilities	(1)
Reduction of minority interests	367
	$

(i)

See note 13 to the Interim Consolidated Financial Statements for a description of commitments and contingencies.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

	Predecessor	Successor			
	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Transactions and Recent Restructuring Adjustments	Concurrent Financings Adjustments	Pro Forma
	(in millions, except per share data)				
Statement of Operations Data:					
Net sales	$ 1,243	$ 2,494	$	$	$ 3,737
Cost of sales	(1,002)	(2,063)	86 (a)		(2,979)
Selling, general and administrative expenses	(137)	(278)	(7)(a)	8 (e)	(414)
Research and development expenses	(23)	(45)	1 (a)		(67)
Special charges:					
Insurance recoveries associated with plumbing cases		1			1
Other special charges, net	(28)	(59)	21 (a)		(66)
Foreign exchange gain (loss)		(2)			(2)
Gain (loss) on disposition of assets	(1)	2			1
Operating profit	52	50	101	8	211
Equity in net earnings of affiliates	12	35			47
Interest expense	(6)	(228)	15 (b)	31 (f)	(188)
Interest and other income, net	22	8			30
Earnings (loss) from continuing operations before tax and minority interests	80	(135)	116	39	100
Income tax (provision) benefit	(25)	(58)	(21)(c)	(g)	(104)
Minority interests		(2)	(15)(d)		(17)
Earnings (loss) from continuing operations before nonrecurring charges directly attributable to the transactions(h)	$ 55	$ (195)	$ 80	$ 39	$ (21)
Basic Earnings (Loss) Per Common Share Data(i):					
Earnings (loss) from continuing operations per share	$ 1.12	$ (1.96)			$ (0.14)
Weighted average shares:					
Series A					109,484,886
Series B					99,377,885
Combined	49,321,468	99,377,885			208,862,771

	Predecessor	Successor	
Diluted Earnings (Loss) Per Common Share Data(i):			
Earnings (loss) from continuing operations per share	$ 1.11	$ (1.96)	$ (0.14)
Weighted average shares:			
Series A			109,484,886
Series B			99,377,885
Combined	49,712,421	99,377,885	208,862,771

See accompanying notes to unaudited pro forma statement of operations data.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA
FOR THE YEAR ENDED DECEMBER 31, 2003

	Predecessor Historical	Transactions and Recent Restructurings Adjustments	Concurrent Financings Adjustments	Pro Forma
		(in millions)		
Statement of Operations Data:				
Net sales	$ 4,603	$	$	$ 4,603
Cost of sales	(3,883)	65 (a)		(3,818)
Selling, general and administrative expenses	(510)	(22)(a)	10 (e)	(522)
Research and development expenses	(89)	1 (a)		(88)
Special charges:				
Insurance recoveries associated with plumbing cases	107			107
Sorbates antitrust matters	(95)			(95)
Other special charges, net	(17)			(17)
Foreign exchange gain (loss)	(4)			(4)
Gain (loss) on disposition of assets	6			6
Operating profit (loss)	118	44	10	172
Equity in net earnings of affiliates	35			35
Interest expense	(49)	(233)(b)	39(f)	(243)
Interest and other income, net	99			99
Earnings (loss) from continuing operations before tax and minority interest	203	(189)	49	63
Income tax (provision) benefit	(60)	(c)	(g)	(60)
Minority interests		(6)(d)		(6)
Earnings (loss) from continuing operations before nonrecurring charges directly attributable to the transactions(h)	$ 143	$ (195)	$ 49	$ (3)
Basic Earnings (Loss) Per Common Share Data(i):				
Earnings (loss) from continuing operations per share	$ 2.89			$ (0.06)
Weighted average shares:				
Series A				109,484,886
Series B				99,377,885
Combined	49,445,958			208,862,771
Diluted Earnings (Loss) Per Common Share Data(i):				
Earnings (loss) from continuing operations per share	$ 2.89			$ (0.06)

	Predecessor Historical	Transactions and Recent Restructurings Adjustments	Concurrent Financings Adjustments	Pro Forma
Weighted average shares:				
Series A				109,484,886
Series B				99,377,885
Combined	49,457,145			208,862,771

See accompanying notes to unaudited pro forma statement of operations data.

NOTES TO UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA

(a)

Reflects the adjustments to operating expenses as follows:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Purchase accounting for pensions / OPEB[(1)]	$ 11	$ 10
Impact of additional pension contribution[(2)]	37	23
Manufacturing profit included in cost of sales[(3)]		49
Depreciation and amortization[(4)]		
Investment banking fees[(5)]		18
Stock option expense[(6)]	6	1
Acquisition reserves[(7)]		3
Advisor monitoring fee[(8)]	(10)	(3)
Total	$ 44	$ 101

(1)

Reflects the estimated decrease to pension and OPEB expense resulting from the application of purchase accounting based primarily on actuarial valuations as of April 1, 2004.

(2)

Reflects the estimated decrease to pension expense resulting from pre-funding $463 million of pension contributions in connection with the Transactions using an assumed average long-term rate of return on plan assets of 7.93%.

(3)

Reflects the elimination of the incremental cost of sales recorded in the nine months ended September 30, 2004 arising from the preliminary estimate of manufacturing profit added to inventory under purchase accounting.

(4)

Reflects the net impact of the estimated annual $44 million decrease to depreciation ($40 million recorded in cost of sales and $4 million recorded in selling, general, and administrative expenses) and the annual $44 million increase to amortization of intangible assets, recorded in selling, general and administrative expenses. We expect to finalize our fair value adjustments for property, plant and equipment and intangible assets in the fourth quarter of 2004. See notes 3, 7 and 8 to the Interim Consolidated Financial Statements.

(5)

Reflects the elimination of investment banking fees incurred by Celanese that were directly related to the Tender Offer.

(6)

Reflects the adjustment required to account for outstanding stock options in accordance with APB 25 in conformity with the Issuer's accounting policies. Celanese historically accounted for its stock options under FAS 123.

(7)

Reflects the adjustment of acquisition reserves related to CAC from approximately 84% to 100% of fair value as a result of the Recent Restructuring that occurred in October November, 2004.

(8)

Reflects the $10 million per annum fee to be paid to Blackstone Management Partners IV L.L.C., an affiliate of the Sponsor. See "Certain Relationships and Related Party Transactions."

These adjustments are allocated as follows:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Cost of sales	$ 65	$ 86
Selling, general and administrative expenses	(22)	(7)
Research and development expenses	1	1
Other special charges, net		21
	$ 44	$ 101

(b)

Represents pro forma interest expense resulting from our and our subsidiaries' existing capital structure using an assumed LIBOR rate of 1.59% as follows:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Revolving credit facilities(1)	$	$
Term loan(2)	25	19
Floating rate term loan(3)	18	13
Senior subordinated notes dollar tranche(4)	118	89
Senior subordinated notes euro tranche(5)	26	20
Assumed debt(6)	19	17
Commitment and facility fees(7)	9	6
Total cash interest expense	215	164
Senior discount notes(8)	55	45
Amortization of capitalized debt issuance costs(9)	13	10
Amortization of premium on notes(10)	(1)	
Total pro forma interest expense	282	219
Less historical interest expense	(49)	(234)
Net adjustment to interest expense	$ 233	$ (15)

(1)

Reflects pro forma interest expense on the existing revolving credit facilities at an assumed interest rate of LIBOR plus 2.50%. The revolving credit facilities have been undrawn since closing.

(2)

Reflects pro forma interest expense on the term loan at an assumed interest rate of LIBOR plus 2.50%.

(3)

Reflects pro forma interest expense on the floating rate term loan at an assumed interest rate of LIBOR plus 3.50%.

(4)
Reflects pro forma interest expense on the dollar notes at a fixed interest rate of 9.625%.

(5)
Reflects pro forma interest expense on the euro notes at a fixed interest rate of 10.375%.

(6)
Reflects historical cash interest expense on $367 million of assumed debt and other obligations of Celanese that is not required to be refinanced as a result of the acquisition and related financing. Celanese may elect to refinance additional assumed debt.

(7)
Reflects commitment fees of 0.75% on an assumed $380 million undrawn balance under the revolving credit facility and facility fees of 2.50% on an assumed $228 million undrawn balance under the credit linked revolving credit facility.

(8)
Reflects pro forma non-cash interest expense on the senior discount notes at a weighted average fixed interest rate of 10.4%. Interest on the notes accrues semi-annually. Because interest on the notes prior to October 1, 2009 accrues as an accretion of original issue discount and compounds semi-annually and this pro forma presentation assumes that the offering had occurred on January 1, 2003, interest expense is higher for the nine months ended September 30, 2004 than it would be in the first nine months after the notes are issued.

(9)
Reflects non-cash amortization of capitalized debt issuance costs. These costs are amortized over the term of the related facility (five years for the revolving credit facilities, seven years for the term loan, seven and one half years for the floating rate term loan and ten years for the senior subordinated notes and the senior discount notes).

(10)
Reflects non-cash amortization of the $6 million premium that was received in excess of the aggregate principal amount of the $225 million notes issued on July 1, 2004.

Interest Rate Sensitivity

A 1/8% change in interest rates would have the following effect on pro forma interest expense:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Term loan	$ 0.8	$ 0.6
Floating rate term loan	0.4	0.3
Total	$ 1.2	$ 0.9

(c)
Reflects the tax effect of the pro forma adjustments calculated at a 40% statutory rate on non-U.S. items. The U.S. portion of the pro forma adjustments (including interest expense) does not reflect any tax effects as a result of a 100% valuation allowance on the net U.S. deferred tax assets. See note 15 to the Interim Consolidated Financial Statements.

(d)
Reflects minority interest in the earnings of Celanese assuming we do not acquire more than the approximately 84% of the Celanese Shares outstanding as of September 30, 2004 that we already own. If we do acquire more shares, minority interest expense will be lower for the percentage of Celanese Shares that we acquire. See note (h) to the pro forma balance sheet.

Concurrent Financings Adjustments

(e)
Reflects the impact of the termination of monitoring services (see note (c) to the Unaudited Pro forma Balance Sheet).

(f) Reflects the reduction in interest expense as a result of the repayment of our floating rate term loan and the redemption of a portion of the senior subordinated and senior discount notes with the proceeds of the Concurrent Financings using an assumed LIBOR rate of 2.50% as follows:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Revolving credit facilities[1]	$	$
Term loan[2]	79	59
Senior subordinated notes dollar tranche[3]	77	58
Senior subordinated notes euro tranche[4]	17	13
Assumed debt[5]	19	17
Commitment and facility fees[6]	8	6
Total cash interest expense	200	153
Senior discount notes[7]	34	28
Amortization of capitalized debt issuance costs[8]	9	7
Amortization of premium on notes[9]		
Total pro forma interest expense	243	188
Less pro forma interest expense for the Transactions (note (b))	(282)	(219)
Net adjustment to interest expense	$ (39)	$ (31)

(1) Reflects pro forma interest expense on our revolving credit facilities at an assumed interest rate of LIBOR plus 2.25%. We do not plan to draw on the revolving credit facilities at closing.

(2) Reflects pro forma interest expense on the term loan at an assumed interest rate of LIBOR plus 2.50%.

(3) Reflects pro forma interest expense on the remaining dollar notes after the offering at a fixed interest rate of 9.625%.

(4) Reflects pro forma interest expense on the remaining euro notes after the offering at a fixed interest rate of 10.375%.

(5) Reflects historical cash interest expense on $367 million of assumed debt and other obligations of Celanese that is not required to be refinanced as a result of the acquisition and related financings. Celanese may elect to refinance additional assumed debt.

(6) Reflects commitment fees of 0.50% on an assumed $600 million undrawn balance under the revolving credit facility, 1.0% on the assumed $442 million delayed draw term loan and 0.50% on an assumed $230 million undrawn balance under the credit-linked revolving credit facility.

(7) Reflects pro forma non-cash interest expense on the remaining senior discount notes after the use of proceeds from the offering, at a fixed interest rate of 10.0%. Interest on the notes accrues semi-annually. Because interest on the notes prior to October 1, 2009 accrues as an accretion of original issue discount and compounds semi-annually and this pro forma

presentation assumes that the offering had occurred on January 1, 2003, interest expense is higher for the nine months ended September 30, 2004 than it would be in the first nine months after the notes are issued.

(8) Reflects non-cash amortization of capitalized debt issuance costs. These costs are amortized over the term of the related facility (five years for the revolving credit facilities, seven years for the term loan, seven and ten years for the senior subordinated notes and the senior discount notes).

(9) Reflects non-cash amortization of the remaining $4 million premium after the use of proceeds from the offering, that was received in excess of the aggregate principal amount of the $225 million notes issued on July 1, 2004.

Interest Rate Sensitivity

A 1/8% change in interest rates would have the following effect on pro forma interest expense:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(in millions)	
Term Loan	$ 1.9	$ 1.4

(g)
Reflects the tax effect of the pro forma adjustments calculated at a 40% statutory rate on non-U.S. items. The U.S. portion of the pro forma adjustments (including interest expense) does not reflect any tax effects as a result of a 100% valuation allowance on the net U.S. deferred tax assets. See note 15 to the Interim Consolidated Financial Statements.

(h)
The pro forma statement of operations data does not reflect (1) a $49 million ($29 million after tax) one-time non-cash charge to cost of sales that was incurred as the inventory (to which capitalized manufacturing profit was added under purchase accounting) was sold in the first quarter after closing of the Transactions, (2) the $71 million accelerated write-off of the deferred financing costs associated with the senior subordinated bridge loan facilities repaid with the proceeds from the senior subordinated notes, (3) the $21 million of redemption premium and $18 million write-off of deferred financing costs associated with the repayment of the mandatorily redeemable preferred stock, (4) $73 million of redemption premium, and $27 million accelerated write-off of deferred financing fees, net of $2 million of premium, associated with the senior discount notes and senior subordinated notes redeemed with the proceeds of the offering of our Series A common stock, the repayment of our floating rate term loan, and (5) $5 million write-off of prepaid expense and a $35 million one-time charge to terminate the monitoring services of the Advisor.

The pro forma statement of operations data also does not reflect any adjustments for the recently announced restructuring of our acetate filament business, the pending acquisitions of Acetex or Vinamul Polymers or the possible future disposition of the COC and Pemeas GmbH (our fuel cell joint venture). The revenues and the operating loss for COC were $7 million and ($35) million for the year ended December 31, 2003 and $5 million and ($27) million for the nine months ended September 30, 2004, respectively. The revenues for the fuel cell business were not material for any period presented. The operating loss for our fuel cell business for the year ended December 31, 2003 and nine months ended September 30, 2004 was approximately ($12) million and ($7) million, respectively. As of September 30, 2004, the estimated total assets and total liabilities of COC were approximately $66 million and $66 million, respectively, and the estimated total assets and total liabilities of Pemeas GmbH were $27 million and $2 million, respectively. See "Recent Developments."

(i)
Pro forma basic earnings (loss) per common share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Earnings (loss) available to common stockholders is computed by deducting preferred stock dividends from net earnings (loss). Pro forma diluted earnings per common share is computed by dividing earnings (loss) available to common stockholders by the sum of weighted average common shares outstanding plus dilutive common shares for the period.

After the completion of this offering, we will have two series of common stock Series A common stock and Series B common stock. The shares sold in the initial public offering will be Series A common stock and the Original Stockholders will hold shares of Series B common stock, which will enable the Original Stockholders to receive the special Series B common stock dividends, including (1) a cash dividend of $803 million and (2) a stock dividend, assuming the 7,500,000 shares under the underwriters over-allotment option are not sold. Except for the special Series B common stock dividends, both series of our common stock will share equally in future earnings and losses and have identical economic characteristics. Further, the Series B common stock will automatically convert into Series A common stock upon payment of the special Series B common stock dividends (anticipated to be in April 2005). Accordingly, for the preparation of our earnings per share calculation, we have combined the total Series A and Series B weighted average common shares outstanding.

Successor pro forma earnings (loss) per share is calculated as follows:

	Pro forma Year Ended December 31, 2003	Pro forma Nine Months Ended Sept 30, 2004
	(In millions, except share and per share amounts)	
Earnings (loss) from continuing operations	$ (3)	$ (21)
Less: Preferred dividends at a 4.25% dividend rate	(10)	(8)
Earnings (loss) from continuing operations allocable to common stockholders	$ (13)	$ (29)
Basic and diluted net earnings (loss) per Series A and Series B common share(1)	$ (0.06)	$ (0.14)
Basic and diluted weighted average common shares outstanding(2)		
Series A	109,484,886	109,484,886
Series B	99,377,885	99,377,885
Combined	208,862,771	208,862,771
Antidilutive shares(3)		
Series A employee stock options	11,252,972	11,252,972
Preferred stock	12,000,000	12,000,000

(1) Represents earnings (loss) allocable to common stockholders divided by the combined total Series A and Series B weighted average common shares outstanding.

(2) Unaudited pro forma basic and diluted earnings (loss) per share have been calculated in accordance with the SEC rules for initial public offerings. These rules require that the weighted average share calculation give retroactive effect to any changes in our capital structure as well as the number of shares whose sale proceeds will be used to repay any debt or pay dividends as reflected in the pro forma adjustments. Therefore, pro forma weighted average shares for purposes of the unaudited pro forma basic earnings (loss) per share calculation have been adjusted as follows:

Shares outstanding	650,494
Stock split	152.772947
Series B common shares	99,377,885

Shares issued in the offering of Series A common stock	50,000,000
Shares issued to certain executive officers, key employees and directors	1,797,386
Additional shares in connection with the underwriters' over-allotment option	7,500,000
Series A common shares	59,297,386
Shares required to generate proceeds to replace capital being withdrawn (at an initial public offering price of $16.00)	50,187,500
Total Series A shares for earnings (loss) per share	109,484,886
Total Series A and Series B for earnings (loss) per share	208,862,771

(3) For the year ended December 31, 2003 and the pro forma nine months ended September 30, 2004, shares issuable upon the exercise of employee stock options and conversion of preferred stock which would have an antidilutive effect have been excluded from the computation of pro forma diluted net earnings (loss) per share.

SELECTED HISTORICAL FINANCIAL DATA

The balance sheet data shown below for 2002 and 2003, and the statements of operations and cash flow data for 2001, 2002 and 2003, all of which are set forth below, are derived from the Celanese Consolidated Financial Statements included elsewhere in this prospectus and should be read in conjunction with those financial statements and the notes thereto. The statement of operations data for 1999 and 2000 and the balance sheet data for 1999 through 2001, all of which are set forth below, are unaudited and have been derived from, and translated into U.S. Dollars based on, Celanese's historical euro audited financial statements and the underlying accounting records.

The summary historical financial data for the three months ended March 31, 2004 and the nine months ended September 30, 2003 have been derived from the unaudited consolidated financial statements of Celanese, which have been prepared on a basis consistent with the audited consolidated financial statements of Celanese as of and for the year ended December 31, 2003. The summary historical financial data as of and for the six months ended September 30, 2004 have been derived from our unaudited consolidated financial information. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period. The unaudited consolidated financial statements as of September 30, 2004 and for the three months ended March 31, 2004, the six months ended September 30, 2004 and for the nine months ended September 30, 2003 is included elsewhere in this prospectus. This prospectus presents the financial information relating to Celanese under the caption "Predecessor" and the information relating to the Issuer under the caption "Successor."

As of the date of this prospectus, the Purchaser, an indirect wholly owned subsidiary of the Issuer, owns approximately 84% of the outstanding Celanese Shares. The Issuer is a recently formed company which, apart from the financing of the Transactions, does not have any independent external operations other than through the indirect ownership of the Celanese businesses. Accordingly, financial and other information of Celanese is presented in this prospectus for periods through March 31, 2004 and our financial and other information is presented as of and for the six months ended September 30, 2004.

	Predecessor							Successor
	Year Ended December 31,					Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004
	1999[1]	2000	2001	2002	2003			
	(unaudited)					(unaudited)	(unaudited)	(unaudited)
	(in millions, except for share and per share data)							
Statement of Operations Data:								
Net sales	$ 3,957	$ 4,120	$ 3,970	$ 3,836	$ 4,603	$ 3,448	$ 1,243	$ 2,494
Cost of sales	(3,276)	(3,403)	(3,409)	(3,171)	(3,883)	(2,881)	(1,002)	(2,063)
Selling, general and administrative expenses	(579)	(497)	(489)	(446)	(510)	(384)	(137)	(278)
Research and development expenses	(68)	(75)	(74)	(65)	(89)	(66)	(23)	(45)
Special charges[2]:								
Insurance recoveries associated with plumbing cases	(140)	18	28		107	106		1
Sorbates antitrust matters	(79)				(95)	(95)		
Restructuring, impairment and other special charges, net	(353)	(36)	(444)	5	(17)	(2)	(28)	(59)
Foreign exchange gain (loss)	(13)	5	1	3	(4)	(3)		(2)
Gain (loss) on disposition of assets	3	1		11	6	5	(1)	2
Operating profit (loss)	(548)	133	(417)	173	118	128	52	50
Equity in net earnings of affiliates	7	18	12	21	35	29	12	35
Interest expense	(115)	(68)	(72)	(55)	(49)	(36)	(6)	(228)
Interest and other income (expense), net[3]	9	102	58	45	99	85	22	8
Income tax benefit (provision)	95	(100)	106	(61)	(60)	(68)	(25)	(58)
Minority interests	7							(2)
Earnings (loss) from continuing operations	(545)	85	(313)	123	143	138	55	(195)
Earnings (loss) from discontinued operations	321	1	(52)	27	6	(7)	23	(1)
Cumulative effect of changes in accounting principles, net of income tax				18	(1)	(1)		
Net earnings (loss)	$ (224)	$ 86	$ (365)	$ 168	$ 148	$ 130	$ 78	$ (196)
Earnings per share[4]								
Earnings (loss) per common share basic:								
Continuing operations	$ (9.75)	$ 1.59	$ (6.22)	$ 2.44	$ 2.89	$ 2.79	$ 1.12	$ (1.96)
	$ 5.74	$ 0.02	$ (1.03)	$ 0.54	$ 0.12	$ (0.14)	$ 0.46	$ (0.01)

	Predecessor							Successor
Discontinued operations								
Cumulative effect of change in accounting principle				$ 0.36	$ (0.02)	$ (0.02)		
Net earnings (loss)	$ (4.01)	$ 1.61	$ (7.25)	$ 3.34	$ 2.99	$ 2.63	$ 1.58	$ (1.97)
Weighted average shares basic	55,915,369	53,293,128	50,331,847	50,329,346	49,445,958	49,487,911	49,321,468	99,377,885
Earnings (loss) per common share diluted(4):								
Continuing operations	$ (9.75)	$ 1.59	$ (6.22)	$ 2.44	$ 2.89	$ 2.79	$ 1.11	$ (1.96)
Discontinued operations	$ 5.74	$ 0.02	$ (1.03)	$ 0.54	$ 0.12	$ (0.14)	$ 0.46	$ (0.01)
Cumulative effect of change in accounting principle				$ 0.36	$ (0.02)	$ (0.02)		
Net earnings (loss)	$ (4.01)	$ 1.61	$ (7.25)	$ 3.34	$ 2.99	$ 2.63	$ 1.57	$ (1.97)
Weighted average shares diluted(4):	55,915,369	53,293,128	50,331,847	50,329,346	49,457,145	49,487,911	49,712,421	99,377,885

	Predecessor							Successor
	Year Ended December 31,					Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004
	1999[1]	2000	2001	2002	2003			
	(unaudited)					(unaudited)	(unaudited)	(unaudited)
	(in millions, except for share and per share data)							
Other Financial Data:								
EBITDA (unaudited)[5]	N/A	N/A	$ (42)	$ 468	$ 502	$ 420	$ 153	$ 226
Unusual items included in EBITDA (unaudited)[6]	N/A	N/A	440	16	113	32	37	117
Other non-cash charges (income) included in EBITDA (unaudited)[7]	N/A	N/A	21	97	24	17	13	37
Depreciation and amortization	306	308	326	247	294	213	72	150
Capital expenditures	254	185	191	203	211	133	44	106
Dividends paid per share[8]		$ 0.10	$ 0.35		$ 0.48			
Statement of Cash Flows Data:								
Net cash provided by (used in) continuing operations:								
Operating activities	N/A	N/A	$ 462	$ 363	$ 401	$ 231	$ (107)	$ 109
Investing activities	N/A	N/A	(105)	(139)	(275)	(178)	96	(1,724)
Financing activities	N/A	N/A	(337)	(150)	(108)	(135)	(43)	2,448
Balance Sheet Data (at the end of period) (1999, 2000, and 2001 unaudited):								
Trade working capital[9]	$ N/A	$ N/A	$ 499	$ 599	$ 641		$ 715	$ 808
Total assets	7,821	7,138	6,232	6,417	6,814		6,613	7,066
Total debt	952	1,084	775	644	637		587	3,100
Mandatorily redeemable preferred stock[10]								
Shareholders' equity	2,875	2,671	1,954	2,096	2,582		2,622	(53)

(1)

The consolidated financial statements of Celanese for the period prior to the effective date of the demerger from Hoechst assume that Celanese had existed as a separate legal entity with four business segments, Chemical Products, Acetate Products, Technical Polymers Ticona and Performance Products, as well as the other businesses and activities of Hoechst transferred to Celanese in the demerger. The financial results of Celanese in 1999 prior to the effective date of the demerger have been carved out from the consolidated financial statements of Hoechst using the historical results of operations and assets and liabilities of these businesses and activities and reflect the accounting policies adopted by Hoechst in the preparation of its financial statements and thus do not necessarily reflect the accounting policies which Celanese might have adopted had it been an independent company during that period.

(2)

Special charges include impairment charges, provisions for restructuring, which include costs associated with employee termination benefits and plant and office closures certain insurance recoveries, and other expenses and income incurred outside the normal course of ongoing operations. See note 25 to the Celanese Consolidated Financial Statements and note 14 to the Interim Consolidated Financial Statements.

(3)

Interest and other income, net, includes interest income, dividends from cost basis investments and other non-operating income (expense).

(4)

Successor earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average shares outstanding after giving effect to the 152.772947 for one stock split. Earnings (loss) per share for the Predecessor periods has been calculated by dividing net earnings (loss) by the historical weighted average shares outstanding of the Predecessor. As the capital structure of the Predecessor and Successor are different, the reported earnings (loss) per share are not comparable.

(5)

EBITDA, a measure used by management to measure performance, is defined as earnings (loss) from continuing operations, plus interest expense net of interest income, income taxes and depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently

used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. See "Special Note Regarding Non-GAAP Financial Measures." EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net earnings as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies.
Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The amounts shown for EBITDA as presented in this prospectus differ from the amounts calculated under the definition of EBITDA used in our debt instruments. The definition of EBITDA used in our debt instruments is further adjusted for certain cash and non-cash charges and is used to determine compliance with financial covenants and our ability to engage in certain activities such as incurring additional debt and making certain payments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Covenants."

EBITDA is calculated and reconciled to net earnings (loss) in the table below (unaudited):

	Predecessor					Successor
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004
	2001	2002	2003			
	(in millions)					
Net earnings (loss)	$ (365)	$ 168	$ 148	$ 130	$ 78	$ (196)
Earnings (loss) from discontinued operations	52	(27)	(6)	7	(23)	1
Cumulative effect of changes in accounting principles		(18)	1	1		
Interest expense	72	55	49	36	6	228
Interest income	(21)	(18)	(44)	(35)	(5)	(15)
Income tax (benefit) provision	(106)	61	60	68	25	58
Depreciation and amortization	326	247	294	213	72	150
EBITDA	$ (42)	$ 468	$ 502	$ 420	$ 153	$ 226

(6)

EBITDA, as defined above, was (increased) reduced by the following unusual items, each of which is further discussed below (unaudited):

	Predecessor					Successor
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004
	2001	2002	2003			
	(in millions)					
Stock appreciation rights (income) expense[a]	$ 10	$ 3	$ 59	$ 41	$	$ 1
Special charges[b]	416	(5)	5	(9)	28	58
Other restructuring charges[c]			26	8	10	13
Other (income) expenses[d]	9	12	5	(17)	(3)	31
Other unusual items[e]	5	6	18	9	2	14
	$ 440	$ 16	$ 113	$ 32	$ 37	$ 117

(a) Represents the expense associated with stock appreciation rights that will not be incurred subsequent to the Transactions as it is expected that the plan will be replaced with other management equity arrangements that will not result in a cash cost to Celanese.

(b) Represents provisions for restructuring, asset impairments, transaction costs and other unusual expenses and income incurred outside the ordinary course of business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c)

Represents the portion of restructuring charges (consisting of employee termination benefits) that were not included in special charges.

(d)
Represents other non-operating (income) expense (other than dividends). See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(e)
Represents primarily the expense associated with executive contact terminations, transaction costs not included in special charges, and rent expense paid to a variable interest entity that has been consolidated since the first quarter of 2004.

The unusual items listed above exclude adjustments to reserves, principally environmental reserves and loss reserves at the captive insurance entities, made in the ordinary course of business resulting from changes in estimates based on favorable trends in environmental remediation and actuarial revaluations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(7)

EBITDA, as defined above, was also (increased) reduced by the following other non-cash items, each of which is further discussed below (unaudited):

	Predecessor					Successor
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004
	2001	2002	2003			
	(in millions)					
Amortization included in pension and OPEB expense[(a)]	$ 10	$ 15	$ 28	$ 19	$ 8	$ 2
Adjustment to equity earnings[(b)]	11	79	(12)	(8)	4	(15)
Other non-cash charges (income)[(c)]		3	8	6	1	
Purchase accounting for inventories[(d)]						49
Minority interests, net of dividends[(e)]						1
	$ 21	$ 97	$ 24	$ 17	$ 13	$ 37

(a)

Represents the portion of pension and OPEB expense resulting from amortization of unrecognized actuarial losses, prior service costs and transition obligations. In addition, we expect Celanese's future pension expense to be reduced as a result of the pre-funding of $463 million of pension contributions in connection with the Transactions. Assuming an annual long-term rate of return on plan assets of 7.93%, annual pension expense would decrease by an additional $37 million. See "Unaudited Pro Forma Financial Information."

(b)

Represents the adjustment to reflect earnings of investments accounted for under the equity method on a cash basis.

(c)

Relates primarily to non-cash expense associated with stock option plans.

(d)

Represents the one-time charge to cost of sales resulting from purchase accounting for inventories

(e)

Represents minority interest expense relating to the approximately 16% of the Celanese Shares outstanding at September 30, 2004 that we did not own, net of actual dividends paid during the period. See note (7).

(8)

In the six months ended September 30, 2004, Celanese declared and paid a dividend of €0.12 ($0.14) per share for the year ended December 31, 2003. See "The Transactions" for information on future dividends that may be required under German law to be paid by Celanese to its minority shareholders.

(9)

Trade working capital is defined as trade accounts receivable from third parties and affiliates net of allowance for doubtful accounts, plus inventories, less trade accounts payable to third parties and affiliates. Trade working capital is calculated in the table below (unaudited):

Predecessor				Successor
December 31,			March 31, 2004	September 30, 2004
2001	2002	2003		

	Predecessor				Successor
	(in millions)				
Trade receivables, net	$ 536	$ 666	$ 722	$ 798	$ 826
Inventories	483	505	509	516	565
Trade payables	(520)	(572)	(590)	(599)	(583)
	$ 499	$ 599	$ 641	$ 715	$ 808

(10) Our mandatorily redeemable preferred stock was repaid with the proceeds of the offering of the senior subordinated notes that occurred on July 1, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations covers periods prior and subsequent to the Transactions. Accordingly, except for the effect of the pro forma adjustments or unless otherwise noted, the discussion and analysis of historical periods do not reflect the significant impact that the Transactions have had and will have on the Issuer, including increased leverage and liquidity requirements. In addition, the statements in the discussion and analysis regarding industry outlook, expectations regarding the performance of Celanese's business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors." Actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the sections entitled "Risk Factors," "Unaudited Pro Forma Financial Information," "Selected Historical Financial Data" and the Celanese Consolidated Financial Statements and the Interim Consolidated Financial Statements and the notes thereto which were prepared in accordance with U.S. GAAP.

The results as of September 30, 2004 and for the nine months ended September 30, 2003 and the three months ended March 31, 2004 and the six months ended September 30, 2004 have not been audited and should not be taken as an indication of the results of operations to be reported for any subsequent period or for the full fiscal year. The unaudited pro forma results of operations for the nine months ended September 30, 2004 give effect to the Transactions, the Recent Restructuring and the Concurrent Financings (collectively the "pro forma adjustments"), as if they had occurred on January 1, 2003. The unaudited pro forma results of operations should be read in conjunction with "Unaudited Pro Forma Financial Information" appearing elsewhere in this prospectus.

Basis of Presentation

Impact of the Transactions

On April 6, 2004, pursuant to the Tender Offer, the Purchaser, an indirect wholly owned subsidiary of the Issuer, acquired approximately 84% of the Celanese Shares then outstanding. The ordinary shares were acquired at a price of €32.50 per share or an aggregate purchase price of $1,693 million, including direct acquisition costs of approximately $69 million.

In addition, as part of the Tender Offer, the Purchaser agreed to refinance certain existing debt of Celanese, pre-fund pension obligations of Celanese, pre-fund certain contingencies and certain obligations linked to the value of the Celanese Shares, such as the payment of fair cash compensation under the Domination Agreement for the remaining outstanding shares of Celanese and payment obligations related to outstanding stock appreciation rights, stock options and interest payments, provide additional funds for working capital and other general corporate purposes, and pay related fees and expenses.

The funds used in connection with the Transactions were provided by equity investments from the Original Stockholders; term loans of approximately $608 million ($611 million at September 30, 2004 exchange rates) and senior subordinated bridge loan facilities of $1,565 million. The senior subordinated bridge loan facilities have since been refinanced by the senior subordinated notes and the floating rate term loan. As a result of the financing, our interest expense currently is, and will continue to be, higher than it was prior to the Transactions.

We accounted for the acquisition of Celanese using the purchase method of accounting and, accordingly, the acquisition of Celanese resulted in a new basis of accounting. The purchase price was preliminarily allocated based on current estimates of the fair value of the underlying assets acquired and liabilities assumed and we expect to make further adjustments to the preliminary allocations in the fourth quarter of 2004. The assets acquired and liabilities assumed are reflected at fair value for the approximately 84% portion acquired and at historical basis for the remaining approximate 16%. The excess of the total purchase price over the estimated fair value of the net assets acquired at closing has been allocated to goodwill, and this indefinite lived asset is subject to annual impairment review. Goodwill in the transaction, based on the preliminary allocation of the purchase price, totaled $528 million. (see note 3 in the Interim Consolidated Financial Statements).

In conjunction with the acquisition, we began formulating a plan to exit or restructure certain activities. We have not completed this analysis, but have recorded initial liabilities as of September 30, 2004 of $17 million, primarily for employee severance and related costs in connection with a preliminary plan as well as approving the continuation of all existing Celanese restructuring and exit plans. As we finalize our plans to exit or restructure activities, we may record additional liabilities for, among other things, severance and severance related costs, which would also increase the goodwill recorded.

Successor

Successor Represents the Issuer's unaudited consolidated financial position as of September 30, 2004 and its unaudited consolidated results of operations and cash flows for the six months ended September 30, 2004. These consolidated financial statements reflect the preliminary application of purchase accounting, described above, relating to the Transactions.

Predecessor

Predecessor Represents Celanese's audited consolidated financial position as of December 31, 2003 and 2002, and the consolidated results of its operations and cash flows for each of the years in the three-year period ended December 31, 2003 and the unaudited consolidated results of its operations and cash flows for the three months ended March 31, 2004 and the nine months ended September 30, 2003. These consolidated financial statements relate to periods prior to the Transactions and present Celanese's historical basis of accounting without the application of purchase accounting related to the acquisition of Celanese.

In the fourth quarter of 2003, Celanese realigned its business segments to reflect a change of how Celanese manages the business and assesses performance. This change resulted from recent transactions, including divestitures and the formation of a joint venture. A new segment, Chemical Products, has been introduced and consists primarily of the former Acetyl Products and Chemical Intermediates segments. In addition, legacy pension and other postretirement benefit costs associated with previously divested Hoechst businesses are reflected as part of Other Activities. Historically, these costs were allocated to the business segments. Prior year amounts have been reclassified to conform to the current year presentation.

Future Charges and Cash Receipts and Payments

Although we have not completed the financial statements for the fourth quarter of 2004, we expect to incur certain significant charges in the fourth quarter (or the first quarter of 2005), including (all figures are based on preliminary estimates):

- A $27 million charge related to our new deferred compensation plan adopted in December 2004

- A $16 million charge related to the issuance of Series A common stock under a new stock incentive plan that we adopted in December 2004

- An $8 million charge for retention and other executive bonuses

- A currently undetermined impairment loss related to our decision to dispose of our Cyclo-olefin Copolymer business included within the Technical Polymers Ticona segment and our interest in a fuel cell joint venture included in Other Activities

A currently undetermined amount of restructuring charges recorded by our European Oxo GmbH, Celanese's oxo chemicals joint venture which we expect to negatively impact our equity in net earnings of affiliates

Our results in the fourth quarter of 2004 could also be affected by other adjustments we may record that would impact our goodwill as well as our current and deferred provision for taxes. In particular,

We may make further adjustments to the preliminary allocations of the purchase price of Celanese during the fourth quarter of 2004

In connection with the acquisition of Celanese, we began formulating a plan to exit or restructure certain activities. As we finalize our plans to exit or restructure activities, we may record additional liabilities for, among other things, severance and severance related costs, which could result in increases to recorded goodwill as well as charges to earnings. We expect to record severance liabilities of approximately $40 million in the fourth quarter of 2004 related to the planned consolidation of tow production and the termination of filament production in our Acetate Products segment

We are in the process of finalizing the accounting for the transfer of CAC net assets, which occurred in the fourth quarter of 2004, including the allocation of historical goodwill between CAC and Celanese AG, which will be done on a relative fair value basis. Accordingly, the related adjustment to minority interest has not been finalized

We are in the process of obtaining our final valuation reports related to our benefit plans, which may result in an adjustment to our additional minimum liability, a component of other comprehensive income and shareholders' equity, the amount of which is not yet determinable.

The foregoing is not intended to be a complete list of the charges and other items that could have an effect on our results of operations for the fourth quarter of 2004. We may identify additional adjustments in connection with the preparation of our financial statements for the fourth quarter of 2004. These additional adjustments may have a material adverse effect on our results of operations for the three and nine months ended December 31, 2004.

Prior to the consummation of the offering, we expect to receive $13 million from the sale of shares to certain of our executive officers, key employees and directors and we expect to pay (1) a $10 million monitoring fee for 2005, (2) a $35 million fee for the termination of the monitoring services, (3) an initial deferred compensation payment of $27 million, and (4) $8 million of retention and other executive bonuses. See "Certain Relationships and Related Party Transactions New Arrangements Transaction and Monitoring Fee Agreement / Sponsor Services Agreement" and "Management Stock Incentive Plan", " Deferred Compensation Plan" and " Bonus".

In December 2004, we adopted a stock incentive plan designed to assist the company in recruiting and retaining key employees, directors or consultants and a deferred compensation plan for certain of our executive officers and key employees. See "Management Stock Incentive Plan" and "Management Deferred Compensation Plan." Under the Stock Incentive Plan, we expect to grant options with the exercise price equal to the initial public offering price of the Series A common stock. In addition, we expect to sell shares of our Series A common stock for a price below the initial public offering price of the Series A common stock under our Stock Incentive Plan. In connection with such issuance, we expect to record a compensation expense equal to the difference between the issue price and the initial public offering price times the number of shares issued below the initial public offering price, in the aggregate amount of approximately $16 million.

The aggregate maximum amount payable under the deferred compensation plan is $192 million (based on an initial public offering price of $16.00 per share of Series A common stock). The initial component of the deferred compensation plan totaling an aggregate of approximately $27 million vested in the fourth quarter of 2004 and was paid in the first quarter of 2005. The remaining aggregate maximum amount payable of $165 million is subject to downward adjustment if the price of our Series A common stock falls below the initial public offering price and vests subject to both (1) continued employment or the achievement of certain performance criteria and (2) the disposition by the Sponsor of at least 90% of its equity interest in us with at least a 25% cash internal rate of return on their equity interest. See "Management Deferred Compensation Plan."

We expect to record a charge in the fourth quarter of 2004 for the first $27 million of the deferred compensation plan. We have not recorded any liabilities or accrued any expenses related to the remaining unvested portion of this deferred compensation amount. Instead, a one-time charge will be taken at the time both vesting criteria are met. We may pay less than the aggregate maximum amount if our share price falls below the initial public offering price and if the participants in the deferred compensation plan do not remain employed when vesting conditions are met.

We expect to incur expenses of an aggregate of approximately $10-15 million in the fourth quarter of 2004 and in 2005 in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder.

Major Events In 2004

During the second quarter of 2004, Celanese changed its inventory valuation method of accounting for its U.S. subsidiaries from last-in first-out ("LIFO") to first-in first-out ("FIFO"). This change will more closely represent the physical flow of goods resulting in ending inventory which will better represent the current cost of the inventory and the costs in income will more closely match the flow of goods. The FIFO method is now used to determine cost for all inventories of Celanese except for stores and supplies, which are generally valued using the average cost method. Information throughout this prospectus has been restated for all periods presented to reflect this change.

In response to greater demand for Ticona's technical polymers, Celanese announced two projects to expand manufacturing capacity. Ticona plans to increase production of polyacetal in North America by about 20%, raising total capacity to 102,000 tons per year at our Bishop, Texas, facility by the end of 2004. Fortron Industries, a joint venture of Ticona and Kureha Chemicals Industries, plans to increase the capacity of its Fortron polyphenylene sulfide plant in Wilmington, North Carolina, by 25% by the end of 2005.

In October-November 2004, we completed an organizational restructuring. See "The Recent Restructuring."

In October 2004, we announced plans to consolidate our acetate tow production by 2007 and to discontinue the production of acetate filament by mid-2005. The restructuring is being implemented to increase efficiency, reduce overcapacity and to focus on products and markets that provide long-term value.

In October 2004 we agreed to acquire Acetex Corporation, a Canadian corporation, for approximately $261 million and the assumption by us of debt owed by Acetex, valued at approximately $231 million. Acetex has two primary businesses: the Acetyls Business and the Specialty Polymers and Films Business. The Acetyls business produces acetic acid, polyvinyl alcohol and vinyl acetate monomer. The Specialty Polymers and Films Business produces specialty polymers (used in the manufacture of a variety of plastics products, including packaging and laminating products, auto parts, adhesives and medical products) as well as products for the agricultural, horticultural and construction industries. Acetex will be operated as part of our chemicals business. Closing of the acquisition is conditioned upon regulatory approvals and other customary conditions. We expect to finance this acquisition through borrowings under the new senior credit facilities.

In November 2004, we announced our plans to purchase Vinamul Polymers, the North American and European emulsion polymer business of National Starch and Chemical Company ("NSC"), for $208 million, subject to regulatory approvals and other customary conditions. NSC is a subsidiary of

Imperial Chemical Industries PLC ("ICI"). Emulsion polymers enhance the performance of adhesives, paints and coatings, textiles, paper, building products and other goods. The acquisition is expected to be financed through an amendment and expansion of the senior credit facilities.

In December 2004, we approved a plan to dispose of the Cyclo-olefin Copolymer ("COC") business included within the Technical Polymers Ticona segment and our interest in Pemeas GmbH, the fuel cell joint venture included in Other Activities. As a result of this decision, we expect to record an impairment loss in the three month period ended December 31, 2004, the amount of which has not yet been determined. The operating loss for COC was $(35) million for the year ended December 31, 2003, $(9) million for the three months ended March 31, 2004 and $(18) million for the six months ended September 30, 2004. The operating loss for the fuel cell business was $(12) million for the year ended December 31, 2003, $(2) million for the three months ended March 31, 2004 and $(5) million for the six months ended September 30, 2004.

Major Events In 2003

In 2003, Celanese took major steps to enhance the value of its businesses, invest in new production capacity in growth areas, reduce costs and increase productivity.

Optimizing the Portfolio

- Agreed to sell its acrylates business to The Dow Chemical Company ("Dow") as part of its strategy to focus on core businesses; transaction completed in February 2004
- Completed the joint venture of its European oxo businesses with Degussa AG ("Degussa")
- Sold its nylon business to BASF AG ("BASF").

Investing in Growth Areas

- Received governmental approval and began preparations to build a world-scale acetic acid plant in China, the world's fastest growing market for acetic acid and its derivatives
- Announced agreement with China National Tobacco Corporation to double capacities of three acetate tow plants in China, in which Celanese owns a 30% share
- Brought on stream the Estech GmbH joint venture plant to produce neopolyol esters at Oberhausen, Germany, to supply the growing specialty lubricants markets in Europe, Africa and the Middle East
- Announced plans to expand its GUR ultra high molecular weight polyethylene plant in Oberhausen, Germany, by 10,000 tons, increasing our total worldwide capacity by 17% in the second half of 2004
- Broke ground with Asian partners for a new investment in a polyacetal plant in China, the world's highest growth market for engineering plastics.

Reducing Costs and Increasing Productivity

- Agreed to source methanol from Southern Chemical Corporation in 2005 under a multi-year contract expected to reduce significantly overall exposure to U.S. Gulf Coast natural gas volatility
- Initiated measures to redesign Ticona's organization, reduce costs and increase productivity

Achieved significant cost savings from completion of Focus and Forward restructuring programs

Intensified use of Six Sigma and other productivity tools throughout the organization to reduce costs and generate additional revenue

Began implementation of a company-wide SAP platform to reduce administrative costs by eliminating complexity in information systems and to provide for ongoing improvement in business processes and service

Completed a new, more efficient plant for synthesis gas, a primary raw material used at the Oberhausen, Germany site.

Major Events In 2002

Enhancing the Value of Celanese's Portfolio

Acquisition of the European emulsions and global emulsion powders businesses from Clariant AG, Switzerland

Divestiture of Trespaphan, the oriented polypropylene ("OPP") film business

Formation of a 50/50 European joint venture with Hatco Corporation, U.S. for production and marketing of neopolyol esters, a basic raw material for synthetic lubricants.

Continuing Internal Growth Activities

Start-up of a new 30,000 ton per year GUR ultra-high molecular weight polyethylene plant in Bishop, Texas

Completion of capacity expansion for Vectra liquid crystal polymers in Shelby, North Carolina

Opening of the world's first pilot plant for high temperature membrane electrode assemblies for fuel cells in Frankfurt, Germany

Announcement to construct with Asian partners a world-scale 60,000 ton per annum polyacetal plant in China.

Additional Highlights:

Cost savings of an estimated $95 million achieved in 2002 associated with the Focus and Forward restructuring programs, initiated in 2001

Agreement with BOC p.l.c., United Kingdom to supply carbon monoxide that feeds the acetic acid production facility at the Clear Lake, Texas site in a move to decrease costs and improve efficiency

Divestiture of global allylamines and U.S. alkylamines business with production sites in Portsmouth, Virginia and Bucks, Alabama

Initiation in December 2002 of a buy back of up to 1,031,941 shares

Expensing of stock options commenced in July 2002 at a total estimated cost of €10 million ($10 million), of which approximately $3 million was recognized in 2002

Agreement with Degussa, Germany to establish a 50/50 joint venture for the European oxo chemicals business

Appointment of Dr. Andreas Pohlmann as chief administrative officer to Celanese's board of management, responsible for Performance Products and Celanese Ventures, and as director of personnel. He succeeds Prof. Ernst Schadow, who retired in October 2002.

Financial Highlights

	Predecessor					Successor	Pro forma
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004
	2001	2002	2003				
				(unaudited)		(unaudited)	
	(in millions)						
Statement of Operations Data:							
Net sales	$ 3,970	$ 3,836	$ 4,603	$ 3,448	$ 1,243	$ 2,494	$ 3,737
Cost of sales	(3,409)	(3,171)	(3,883)	(2,881)	(1,002)	(2,063)	(2,979)
Special charges	(416)	5	(5)	9	(28)	(58)	(65)
Operating profit (loss)	(417)	173	118	128	52	50	211
Earnings (loss) from continuing operations before tax and minority interests	(419)	184	203	206	80	(135)	100
Earnings (loss) from continuing operations	(313)	123	143	138	55	(195)	(21)
Earnings (loss) from discontinued operations	(52)	27	6	(7)	23	(1)	
Cumulative effect of changes in accounting principles		18	(1)	(1)			
Net earnings (loss)	(365)	168	148	130	78	(196)	

	Predecessor			Successor
	As of December 31,			As of September 30, 2004
	2001	2002	2003	
	(unaudited)			(unaudited)
	(in millions)			
Other Balance Sheet Data:				
Short-term borrowings and current installments of long-term debt third party and affiliates	$ 235	$ 204	$ 148	$ 127
Plus: Long-term debt	540	440	489	2,973
Total debt	775	644	637	3,100
Less: Cash and cash equivalents	43	124	148	819
Net debt	$ 732	$ 520	$ 489	$ 2,281

	Predecessor					Successor	Pro forma
	Year Ended December 31,			Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004
	2001	2002	2003				
				(unaudited)		(unaudited)	
	(in millions, except percentages)						
Other Data:							

	Predecessor					Successor	Pro forma
Depreciation and amortization	$ 326	$ 247	$ 294	$ 213	$ 72	$ 150	$ 222
Operating margin[1]	(10.5)%	4.5%	2.6%	3.7%	4.2%	2.0%	5.6%
Earnings (loss) from continuing operations before tax and minority interest as a percentage of net sales	(10.6)%	4.8%	4.4%	6.0%	6.4%	(5.4)%	2.7%

(1) Defined as operating profit (loss) divided by net sales.

Short period discussions on an actual basis For the Three Months Ended March 31, 2004 and the Six Months Ended September 30, 2004

As a result of the Transactions, our actual results of operations for the six months ended September 30, 2004 are reported on a different basis after applying the purchase method of accounting and thus are not comparable to previous periods of the Predecessor, which were based on Celanese's historical cost. The following is a discussion of the results of operations of the Predecessor for the three months ended March 31, 2004 and of the Successor for the six months ended September 30, 2004 on an actual basis.

Three months ended March 31, 2004

For the three months ended March 31, 2004, the Predecessor generated net sales of $1,243 million, with cost of sales of $1,002 million or 80.6% of net sales. Selling, general and administrative expenses were $137 million or 11.0% of net sales. Research and development expenses were $23 million or 1.9% of net sales. Special charges were $28 million, comprised primarily of expenses for advisory services related to the Tender Offer. Operating profit was $52 million or 4.2% of net sales, which included amortization of intangible assets of $2 million and depreciation of $69 million. Income tax expense was $25 million with net earnings of $78 million.

Six months ended September 30, 2004

For the six months ended September 30, 2004, the Successor generated net sales of $2,494 million, with cost of sales of $2,063 million or 82.7% of net sales. Selling, general and administrative expenses were $278 million or 11.1% of net sales. Research and development expenses were $45 million or 1.8% of net sales. Special charges were $58 million, which largely represented asset impairments for the Acetate Products' restructuring. Operating profit was $50 million or 2.0% of net sales and included amortization of intangible assets of $13 million and depreciation of $133 million. Interest expense was $228 million and income tax expense was $58 million. Net loss for the period was $196 million. Included in cost of sales for the six months ended September 30, 2004 is a $49 million non-cash charge for the manufacturing profit added to inventory under purchase accounting which was charged to cost of sales as the inventory was sold in the first quarter after closing. Included in interest expense was the accelerated amortization of $89 million of deferred financing costs resulting from the refinancing of the senior subordinated bridge loan facilities and the redemption of the mandatorily redeemable preferred stock. In addition, included in interest expense was a loss of $21 million on the early redemption of the mandatorily redeemable preferred stock.

Overview Pro Forma Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

All business segments experienced strong volume growth in the first nine months of 2004. The Chemical Products segment benefited from stronger overall demand and a competitor outage in Europe, while the Technical Polymers Ticona segment grew on new commercial applications and stronger demand from the automotive, electrical/electronics, household goods, and medical markets. The performance of Ticona's affiliates also reflected improved business conditions. The overall economic environment, however, remained challenging due to higher raw material and energy costs, as well as some weaker pricing in the Ticona and Performance Products segments compared to the same period last year.

Pro forma net sales in the first nine months of 2004 rose 8% to $3,737 million compared to net sales as reported for the same period in 2003 mainly on higher volumes in all business segments and favorable currency effects, which were partially offset by changes in the composition of the Chemical Products segment and slightly lower pricing.

Pro forma operating profit increased by 65% to $211 million compared to the same period last year. Pro forma operating profit benefited from volume increases and $40 million of lower expense for stock appreciation rights, which were partially offset by increased raw material and energy costs, higher special charges and slightly lower pricing. For the first nine months of 2004, pro forma operating profit included lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments. The lower net periodic pension and post-retirement benefit costs were primarily driven by the effects of fair value adjustments associated with the pension and OPEB liabilities resulting from the application of purchase accounting and the pre-funding of pension contributions in connection with the pro forma adjustments.

Pro forma earnings from continuing operations before tax and minority interests decreased to $100 million from earnings as reported of $206 million in the same period last year mainly due to an increase in pro forma interest expense of $152 million resulting from the higher debt levels and interest rates associated with the pro forma adjustments, which was partially offset by higher operating profit of $83 million.

Investments in affiliates continued to perform well and contribute to profitability. Pro forma equity in net earnings of affiliates rose by 62% to $47 million in the first nine months of 2004 compared to the same period last year. European Oxo GmbH, Celanese's oxo chemicals joint venture is expected to record significant restructuring charges in the fourth quarter of 2004. Accordingly, we expect this will negatively impact our equity in net earnings of affiliates. Dividends from investments accounted for under the cost method increased to $38 million compared to $33 million in the same period in the prior year.

Overview 2003 Compared with 2002

In a global business environment characterized by higher raw material and energy costs and modest growth, Celanese achieved full year 2003 net earnings of $148 million compared to net earnings of $168 million for 2002. Earnings from continuing operations increased to $143 million in 2003 compared to $123 million in 2002. Earnings from continuing operations excludes the results of the nylon and the majority of the acrylates businesses, which were divested on December 31, 2003 and February 1, 2004, respectively, and are included in earnings (loss) from discontinued operations. Net sales increased to $4.6 billion in 2003 from $3.8 billion in 2002 due to price and volume increases and favorable currency movements.

Earnings from continuing operations before tax and minority interests increased to $203 million in 2003 compared to $184 million in 2002. This increase was primarily due to higher pricing, particularly in the Chemical Products segment, increased volumes in all segments, cost reductions, productivity improvements and favorable currency movements. Additional favorable adjustments included greater earnings from affiliates, mainly in Asia, increased interest and income from insurance companies and the demutualization of an insurance provider, as well as the addition of the emulsions business acquired at the end of 2002. Also affecting earnings from continuing operations before tax and minority interests was income of $107 million from insurance recoveries and $95 million of expense associated with antitrust matters in the Sorbates industry as discussed below in "Summary of Consolidated Results 2003 Compared with 2002 Special Charges." These increases were mainly offset by higher costs for raw materials and energy and increased expense for stock appreciation rights.

Significant items affecting earnings from continuing operations before tax and minority interests from 2002 to 2003 were approximately:

(in millions)		
Pricing and volume improvements	$	240
Higher costs for raw materials and energy, net of cost reductions and productivity improvements		(180)
Interest and other income from plumbing insurance recoveries		127
Earnings from affiliates		14
Sorbates antitrust matters		(95)
Stock appreciation rights expense		(56)

Although Celanese recorded special charges of only $5 million, special charges significantly affected the operating results of the Technical Polymers Ticona and Performance Products segments in 2003. Ticona's operating profit benefited from income of $107 million from insurance recoveries related to the plumbing cases. The insurance recoveries more than offset special charges related to Ticona's organizational redesign efforts and the closing of a facility in the United Kingdom. The operating profit of the Performance Products' segment was burdened by $95 million in special charges relating to a European Commission decision to fine Hoechst €99 million ($115 million) for antitrust matters in the sorbates industry that occurred prior to the demerger.

Segment net sales in 2003 increased 21% compared to 2002 due to the inclusion of the emulsions business acquired at year-end 2002 (+8%), favorable currency effects (+5%) and higher pricing (+5%) and volumes (+4%). These increases were partly offset by the transfer of the European oxo business to a joint venture in the fourth quarter 2003 (-1%). Operating profit declined by 32% to $118 million in 2003 compared to $173 million in 2002. This decline reflected increased raw material and energy costs, as well as higher expense for stock appreciation rights and special charges discussed below. These factors outweighed increased pricing in the Chemical Products and Acetate Products segments, higher volumes in all segments, particularly in Technical Polymers Ticona and Performance Products, cost reductions, productivity improvements, increased income from the captive insurance companies and the addition of the emulsions business.

In the Chemical Products segment, the contribution from the emulsions business, favorable currency movements and cost reductions were outweighed by higher energy costs and an increase in stock appreciation rights expense. Overall in 2003, increased selling prices offset higher raw material costs, although pricing outpaced raw material costs in the first half of the year and lagged in the second half. In Acetate Products, increased pricing and volumes as well as productivity gains only partially offset higher raw material and energy prices. Increased demand led to volume improvements in the Ticona segment on the development of new applications and entry into new markets, partially offset by organizational redesign costs. Volume increases for Performance Products' Sunett sweetener were offset by lower pricing for Sunett and sorbates.

Celanese reduced its net debt by 6% to $489 million as of December 31, 2003 compared to $520 million as of December 31, 2002. The decrease primarily represents the net repayment of $68 million of debt offset by the addition of $38 million of debt related to the consolidation of a variable interest entity under FIN 46. Trade working capital increased to $641 million at December 31, 2003 from $599 million at December 31, 2002. This increase is primarily related to favorable foreign currency effects as lower payables more than the offset the reduction in inventory resulting from the high levels at the end of 2002, resulting from advance purchases of wood pulp in the Acetate Products segment, a key raw material, caused by the shutdown of a major supplier. Operating cash flow benefited by $180 million relating to the effects of hedging of currency exposure on intercompany funding of operations in U.S. dollars, compared to approximately $95 million in 2002. Benefit obligations decreased by $106 million to $1,165 million in 2003 from $1,271 million primarily due to an increase in the fair value of plan assets, contributions, payments and a plan amendment related to the U.S. postretirement medical plan. These factors were partially offset by the effects of a decrease in the discount rate.

In 2003, Celanese took major steps to concentrate on its core businesses. In September, Celanese reached an agreement to sell its acrylates business to Dow. The transaction was completed on February 1, 2004. On October 1, European Oxo GmbH, Celanese's oxo chemicals joint venture with Degussa, began operations. The joint venture is expected to enable the businesses to compete more effectively in an oversupplied industry.

Celanese streamlined its manufacturing operations and administrative functions, mainly in the Chemical Products and Ticona segments, and, as a result, recorded termination benefit expenses of $26 million in cost of sales, primarily in the fourth quarter 2003. Celanese also continued its use of Six Sigma, a powerful tool to increase efficiency and generate additional revenue.

During 2003, Ticona started a redesign of its operations. These efforts resulted in special charges of $12 million related to termination benefit expenses.

Overview 2002 Compared with 2001

In a global business environment characterized by slow and uneven growth, net earnings increased significantly to $168 million in 2002 from a loss of $365 million in the prior year. The increase reflected lower special charges, lower raw material and energy costs, lower amortization expense due to the adoption of SFAS No. 142, savings from restructuring and operational excellence initiatives, improved capacity utilization rates in the Chemical Products segment, and an increase in demand in the Technical Polymers Ticona segment. Additionally, net earnings benefited from a cumulative effect of changes in accounting principles of $18 million, net of income tax, and positive effects from earnings from discontinued operations of $27 million. These effects were partially offset by lower pricing in most segments. Operating cash flow remained strong, though below the prior year's level, as trade working capital increased slightly compared to year-end 2001. 2002 capital expenditures were at similar levels to the previous year.

Segment sales declined 3% as higher volumes (+2%) and favorable currency effects (+2%) could not offset lower pricing (-7%). Volumes increased in Ticona, on modest demand improvement from the automotive and other end-use industries, especially in Europe. In Performance Products, volumes of Nutrinova's high intensity sweetener, Sunett, continued to grow. In Chemical Products, increased demand and temporarily tight supply conditions during the second half of 2002 led to improved capacity utilization rates. Although overall selling prices were lower year on year in the Chemical Products segment, acetyl pricing rose steadily. Profitability in the Acetate Products segment declined as lower volumes in all products, mainly in filament, offset higher tow pricing and cost savings from restructuring efforts.

Celanese reduced its net debt by 29% from $732 million as of December 31, 2001 to $520 million as of December 31, 2002. The reduction was due to debt repayment resulting from a continuing high level of cash from operations and net proceeds of $106 million for the net assets of divested businesses and the receipt of $80 million for the repayment of borrowings from a divested business, combined with the effects of currency movements of approximately $190 million. Operating cash flow declined from $462 million in 2001 to $363 million in 2002, as 2001 operating cash flow reflected the benefits of a substantial reduction in trade working capital compared to 2000. Trade working capital in 2002 increased slightly compared to year-end 2001 levels.

Celanese had capital expenditures of $203 million in 2002, compared to $191 million in 2001. Major projects included the completion of a new 30,000 tons per year plant to produce GUR ultra-high molecular weight polyethylene in Bishop, Texas. The plant began supplying customers in the fourth quarter of 2002. Celanese also completed the 6,000 tons per year expansion of capacity for Vectra liquid crystal polymers in Shelby, North Carolina. In addition, Celanese began construction in 2002 of a new plant for synthesis gas, an important raw material for the production of oxo and specialty chemicals, at its Oberhausen, Germany site.

The Focus and Forward restructuring initiatives, started in 2001, generated estimated savings of approximately $95 million in 2002. In connection with these restructuring programs, most of the approximate 1,500 positions identified had been eliminated by December 31, 2002. Celanese's company-wide operational excellence efforts, including Six Sigma, continued to contribute to profitability.

In 2002, Celanese made further progress in enhancing the value of its portfolio. Celanese acquired the European emulsions and worldwide emulsion powders businesses of Clariant AG, Switzerland in December 2002 valued at $154 million, including the assumption of related liabilities. Net of purchase price adjustments of $2 million and the assumption of liabilities of $21 million, Celanese paid $131 million of cash for the net assets of the business in 2002. In 2003, the purchase price adjustments related to the acquisition were finalized, which resulted in Celanese making an additional payment of $7 million. The acquisition of the emulsion businesses extends Celanese's acetyls value chain into higher value businesses. Additionally, Celanese divested the Trespaphan OPP films business of the Performance Products segment in December 2002 for $214 million, which included $115 million in cash, the repayment of $80 million in intercompany debt that Trespaphan owed Celanese and a purchase price adjustment for liabilities assumed by the buyer of $19 million.

Celanese took a major step to address performance issues within the former Chemical Intermediates segment in 2002. Celanese signed an agreement with Degussa, Germany to form a 50/50 joint venture for their European oxo activities. In addition, Celanese divested its global allylamines and U.S. alkylamines business at the end of 2002.

Selected Data by Business Segment Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

	Predecessor		Successor	Pro forma	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Nine Months Change in %
	(in millions, except percentages, unaudited)				
Net Sales					
Chemical Products	$ 2,299	$ 818	$ 1,648	$ 2,466	7
Acetate Products	479	172	349	521	9
Technical Polymers Ticona	574	227	433	660	15
Performance Products	130	44	92	136	5
Segment Total	$ 3,482	$ 1,261	$ 2,522	$ 3,783	9
Other Activities	36	11	31	42	17
Intersegment Eliminations	(70)	(29)	(59)	(88)	26
Total Net Sales	$ 3,448	$ 1,243	$ 2,494	$ 3,737	8

	Predecessor		Successor	Pro forma	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Nine Months Change in %
	(in millions, except percentages, unaudited)				
Special Charges					
Chemical Products	$ 1	$ (1)	$ (4)	$ (3)	>100
Acetate Products			(50)	(50)	n.m.
Technical Polymers Ticona					
Plumbing insurance recoveries	106		1	1	(99)
Restructuring, impairment and other special charges, net	(3)	(1)	(5)	(5)	67
Performance Products					
Sorbates antitrust matters	(95)				(100)
Segment Total	9	(2)	(58)	(57)	>100
Other Activities		(26)		(8)	n.m.
Total Special Charges	$ 9	$ (28)	$ (58)	$ (65)	>100
Operating Profit (Loss)					
Chemical Products	$ 123	$ 65	$ 119	$ 220	79
Acetate Products	10	9	(29)	(6)	(100)
Technical Polymers Ticona	134	31	26	81	(40)
Performance Products	(55)	11	14	32	>100
Segment Total	212	116	130	327	54
Other Activities	(84)	(64)	(80)	(116)	38
Total Operating Profit	$ 128	$ 52	$ 50	$ 211	65
Earnings (Loss) from Continuing Operations Before Tax and Minority Interests					
Chemical Products	$ 147	$ 72	$ 134	$ 242	65
Acetate Products	15	9	(25)	(2)	>100
Technical Polymers Ticona	176	45	55	124	(30)
Performance Products	(55)	11	12	30	>100
Segment Total	283	137	176	394	39
Other Activities	(77)	(57)	(311)	(294)	>100
Total Earnings (Loss) from Continuing Operations Before Tax and Minority Interests	$ 206	$ 80	$ (135)	$ 100	(49)

Stock Appreciation Rights

	Predecessor		Successor		
Chemical Products	(10)	$		$	>100
Acetate Products	$ (3)		$		>100
Technical Polymers Ticona	(9)		(1)	(1)	(89)
Performance Products	(1)				>100
Segment Total	(23)		(1)	(1)	>(96)
Other Activities	(18)				>100
Total Stock Appreciation Rights	$ (41)	$	$ (1)	$ (1)	>(98)

	Predecessor		Successor	Pro forma	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Nine Months Change in %
	(in millions, except percentages, unaudited)				
Depreciation and Amortization					
Chemical Products	$ 116	$ 39	$ 77	$ 108	(7)%
Acetate Products	43	13	30	42	(2)
Technical Polymers Ticona	43	16	34	54	26
Performance Products	6	2	5	$ 12	100
Segment Total	208	70	146	216	4
Other Activities	5	2	4	6	20
Total Depreciation and Amortization	$ 213	$ 72	$ 150	$ 222	4%

Factors Affecting Pro forma Nine Months Ended September 30, 2004 Segment Sales

	Volume	Price	Currency	Other	Total
Chemical Products	6%	3%	4%	(6)%	7%
Acetate Products	8	1			9
Technical Polymers Ticona	15	(5)	5		15
Performance Products	12	(15)	8		5
Segment Total	8%	(1)%	4%	(4)%	9%

Summary by Business Segment Pro forma Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

Chemical Products

	Predecessor		Successor	Pro forma	Nine Months	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Change in $	Change in %
	(in millions, except percentages, unaudited)					
Net sales	$ 2,299	$ 818	$ 1,648	$ 2,466	167	7%
Net sales variance:						
Volume				6%		
Price				3%		
Currency				4%		
Other				(6)%		
Operating profit	123	65	119	220	97	79%
Operating margin	5.4%	7.9%	7.2%	8.9%		
Special charges	1	(1)	(4)	(3)	(4)	>100%

	Predecessor		Successor	Pro forma		
Earnings (loss) from continuing operations before tax and minority interests	147	72	134	242	95	65%
Depreciation and amortization	116	39	77	108	(8)	(7)%

Chemical Products' pro forma net sales increased by 7% to $2,466 million compared to the same period last year as increased volumes (+6%), favorable currency movements (+4%) and higher pricing (+3%) were partially offset by changes in the composition of the segment (-6%).

The changes in the composition of the segment result from the transfer of the European oxo business into a joint venture in the fourth quarter of 2003 (-4%) and a change in the structure of the business under which certain acrylates products, which were formerly sold into the merchant market, are now being sold under a contract manufacturing agreement (-2%). Only the margin realized under the contract manufacturing agreement is reported in net sales.

Volumes rose for major chemical products, particularly vinyl acetate monomer, which increased due to stronger overall demand and a competitor outage. Volumes also increased for polyvinyl alcohol in North America and Europe, and emulsions in Europe. Pricing increased for most acetyl and acetyl derivative products, particularly vinyl acetate monomer in all regions, following rising costs for raw materials, particularly ethylene.

Pro forma operating profit increased by 79% to $220 million compared to operating profit as reported for the same period in 2003. Higher volumes, higher selling prices, lower stock appreciation rights expense and the absence of a loss from the European oxo business more than offset increased raw material costs and higher special charges associated with productivity initiatives. Pro forma operating profit for the first nine months of 2004 included lower net depreciation and amortization expense resulting from the preliminary purchase price allocation and lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments.

Acetate Products

	Predecessor		Successor	Pro forma	Nine Months	
	Nine Months Ended September 30, 2003	**Three Months Ended March 31, 2004**	**Six Months Ended September 30, 2004**	**Nine Months Ended September 30, 2004**	**Change in $**	**Change in %**
	(in millions, except percentages, unaudited)					
Net sales	$ 479	$ 172	$ 349	$ 521	$ 42	9%
Net sales variance:						
Volume				8%		
Price				1%		
Operating profit	10	9	(29)	(6)	(16)	>100%
Operating margin	2.1%	5.2%	(8.3)%	(1.2)%		
Special charges			(50)	(50)	(50)	100%
Earnings (loss) from continuing operations before tax and minority interests	15	9	(25)	(2)	(17)	>100%
Depreciation and amortization	43	13	30	42	(1)	(2)%

Acetate Products' pro forma net sales in the first nine months of 2004 increased by 9% to $521 million compared to the same period last year due to higher volumes (+8%) and slightly higher pricing (+1).

Volumes grew on higher tow demand in Asia, which was partly offset by lower filament sales, primarily in Mexico. Average pricing increased for both tow and filament.

Pro forma operating profit declined to a loss of $6 million in the first nine months of 2004 from an operating profit as reported of $10 million in the same period last year reflecting special charges of $50 million for asset impairments associated with the planned consolidation of tow production and the termination of filament production around mid-2005. In addition, we recorded $8 million of depreciation expense in the first nine months of 2004 for asset retirement obligations associated with the restructuring. The Company expects to record severance liabilities of approximately $40 milllion in the fourth quarter of 2004, with a corresponding increase in goodwill. Higher volumes, savings from productivity gains, increased pricing and lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments.

Technical Polymers Ticona

	Predecessor		Successor	Pro forma	Nine Months	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Change in $	Change in %
	(in millions, except percentages, unaudited)					
Net sales	$ 574	$ 227	$ 433	$ 660	$ 86	15 %
Net sales variance:						
Volume				15 %		
Price				(5)%		
Currency				5 %		
Operating profit	134	31	26	81	(53)	(40)%
Operating margin	23.3%	13.7%	6.0%	12.3 %		
Special charges:						
Insurance recoveries associated with plumbing cases	106		1	1	(105)	(99)%
Restructuring, impairment and other special charges, net	(3)	(1)	(5)	(5)	(2)	67%
Earnings (loss) from continuing operations before tax and minority interests	176	45	55	124	(52)	(30)%
Depreciation and amortization	43	16	34	54	11	26 %

Pro forma net sales for Ticona in the first nine months of 2004 increased by 15% to $660 million compared to the same period last year. Strong volume increases (+15%) and favorable currency effects (+5%) were partly offset by a decline in pricing (-5%).

Volumes increased in most business lines, particularly in polyacetal, Vectra liquid crystal polymers and GUR ultra high molecular weight polyethylene. Polyacetal volumes grew on stronger sales in the medical and automotive industries in North America while European sales benefited from greater demand for uses in consumer products and the commercialization of new applications. Volumes for Vectra rose in North America and Europe due to new commercial applications, such as in household goods, and stronger sales to the electrical/electronics industry. GUR volumes grew as a result of increased sales for new specialty applications. Overall pricing declined due to changes in product mix and ongoing competitive pricing pressure from Asian exports of polyacetal into North America and Europe.

Pro forma operating profit in the first nine months of 2004 decreased to $81 million from $134 million of operating profit as reported in the prior year as insurance recoveries relating to the plumbing cases decreased significantly to $1 million in 2004 compared to $106 million in the same period last year. Pro forma operating profit in the first nine months of 2004 benefited from higher volumes, the favorable effects from a build-up of inventory in anticipation of a plant maintenance turnaround and lower average production costs for Vectra. These factors were partly offset by lower pricing and higher hydrocarbon-based raw material costs. Pro forma operating profit for the first nine months of 2004 included higher net depreciation and amortization expense resulting from the preliminary purchase price allocation which was offset by lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments.

Pro forma earnings from continuing operations before tax and minority interests decreased to $124 million from $176 million as reported in the same period in 2003. This decrease resulted primarily from the lower operating profit and interest income relating to insurance recoveries, which was partly offset by improved equity earnings from Asian and U.S. affiliates due to increased sales volumes.

Performance Products

	Predecessor		Successor	Pro forma	Nine Months	
	Nine Months Ended September 30, 2003	Three Months Ended March 31, 2004	Six Months Ended September 30, 2004	Nine Months Ended September 30, 2004	Change in $	Change in %
	(in millions except percentages, unaudited)					
Net sales	$ 130	$ 44	$ 92	$ 136	$ 6	5%
Net sales variance:						
Volume				12%		
Price				(15)%		
Currency				8%		
Operating profit (loss)	(55)	11	14	32	87	>100%
Operating margin	(42.3)%	25.0%	15.2%	23.5%		
Special charges Sorbates antitrust matters	(95)				95	(100)%
Earnings (loss) from continuing operations before tax and minority interests	(55)	11	12	30	85	>100%
Depreciation and amortization	6	2	5	12	6	100%

Pro forma net sales for the Performance Products segment, which consists of the Nutrinova food ingredients business, increased by 5% to $136 million compared to the same period last year as increased volumes (+12%) and favorable currency effects (+8%), resulting from the significant appreciation of the euro versus the U.S. dollar, offset price decreases (-15%).

Increased volumes for Sunett sweetener reflected strong growth from new and existing applications in the U.S. and European beverage and confectionary markets. Pricing for Sunett declined on lower unit selling prices associated with higher volumes to major customers and the anticipated expiration of the primary European and U.S. production patents in 2005.

Pricing for sorbates, which had been under pressure from Asian producers, began to stabilize, although worldwide overcapacity still prevailed in the industry.

Pro forma operating profit increased to $32 million compared to an operating loss of $55 million as reported in the same period last year, which included special charges of $95 million related to antitrust actions in the sorbates industry. Pro forma operating profit in 2004 benefited from strong volumes for Sunett and favorable currency movements. For the first nine months of 2004, pro forma operating profit included higher net pro forma depreciation and amortization expense resulting from the pro forma adjustments.

Other Activities

Other Activities primarily consists of corporate center costs, including financing and certain administrative activities, and certain other operating entities, including the captive insurance companies.

Pro forma net sales for Other Activities increased by 17% to $42 million compared to the same period last year, primarily due to higher third party revenue by the captive insurance companies.

Pro forma operating loss increased to $116 million compared to an operating loss of $84 million as reported for the same period last year. This increase was primarily due to special charges of $8 million mainly related to costs associated with severance and organization redesign projects. The operating loss in the first nine months in 2003 included $18 million in expense for stock appreciation rights.

Pro forma earnings from continuing operations before tax and minority interests increased to a loss of $294 million from a loss of $77 million as reported in the same period last year. This increase is primarily due to higher pro forma interest expense resulting from the higher pro forma debt levels and interest rates associated with the pro forma adjustments. Also contributing to this decrease were higher operating losses and the absence of $18 million of income from the demutualization of an insurance provider.

Selected Data by Business Segment Annual Results

	Year Ended December 31,					
	2001		2002		2003	
	$	% of Segments[1]	$	% of Segments[1]	$	% of Segments[1]
	(in millions, except percentages)					
Net Sales[2]						
Chemical Products	$ 2,522	63%	$ 2,419	63%	$ 3,065	66%
Acetate Products	682	17	632	16	655	14
Technical Polymers Ticona	632	16	656	17	762	16
Performance Products	142	4	151	4	169	4
Segment Total	3,978	100%	3,858	100%	4,651	100%
Other Activities	75		52		49	
Intersegment Eliminations	(83)		(74)		(97)	
Total Net Sales	$ 3,970		$ 3,836		$ 4,603	

Special Charges(2)						
Chemical Products	$ (377)	91%	$ 2	(50)%	$ 1	(14)%
Acetate Products	(44)	11				
Technical Polymers Ticona						
Plumbing actions	28	(7)			107	n.m.
Other activities	(20)	5	(6)	n.m.	(20)	n.m.
Performance Products						
Sorbates antitrust matters					(95)	n.m.
Segment Total	$ (413)	100%	(4)	100%	(7)	100%
Other Activities	(3)		9		2	
Total Special Charges	$ (416)		$ 5		$ (5)	
Operating Profit (Loss)(2)						
Chemical Products	$ (358)	102%	$ 152	61%	$ 138	60%
Acetate Products	(27)	8	31	12	13	6
Technical Polymers Ticona	(4)	1	23	9	122	53
Performance Products	39	(11)	45	18	(44)	(19)
Segment Total	(350)	100%	251	100%	229	100%
Other Activities	(67)		(78)		(111)	
Total Operating Profit (Loss)	$ (417)		$ 173		$ 118	
Earnings (Loss) from Continuing Operations Before Tax And Minority Interests(2)						
Chemical Products	$ (328)	107%	$ 165	57%	$ 182	57%
Acetate Products	(15)	5	43	15	17	5
Technical Polymers Ticona	(2)	1	35	12	167	52
Performance Products	39	(13)	45	16	(44)	(14)
Segment Total	(306)	100%	288	100%	322	100%
Other Activities	(113)		(104)		(119)	
Total Earnings (Loss) from Continuing Operations Before Tax and Minority Interests	$ (419)		$ 184		$ 203	

Depreciation and Amortization[2]										
Chemical Products	$	185	57%	$	130	54%	$	157	55%	
Acetate Products		65	20		53	22		66	23	
Technical Polymers Ticona		67	21		52	21		57	20	
Performance Products		6	2		7	3		7	2	
Segment Total		323	100%		242	100%		287	100%	
Other Activities		3			5			7		
Total Net Sales	$	326		$	247		$	294		

(1)
The percentages in this column represent the percentage contribution of each segment to the total of all segments.

(2)
Derived from the accompanying audited Celanese Consolidated Financial Statements.

n.m.
= not meaningful

Summary by Business Segment 2003 Compared with 2002

Chemical Products

	Year Ended December 31,						
		2002		**2003**		**Change in $**	**Change in %**
	(in millions, except percentages)						
Net sales	$	2,419	$	3,065	$	646	27%
Net sales variance:							
Volume				2%			
Price				9%			
Currency				5%			
Other				11%			
Operating profit		152		138		(14)	(9)%
Operating margin		6.3%		4.5%			
Special charges		2		1		(1)	(50)%
Earnings (loss) from continuing operations before tax and minority interests		165		182		17	10%
Depreciation and amortization		130		157		27	21%

Net sales of Chemical Products rose 27% to $3,065 million in 2003 compared to $2,419 million in 2002, due to the full year effect of the emulsions business acquired at year-end 2002 (+12%), higher selling prices (+9%), favorable currency effects (+5%) as well as increased volumes (+2%). These increases were partly offset by the transfer of the European oxo business to a joint venture in the fourth quarter 2003 (-1%).

Compared to 2002, selling prices in 2003 increased for major products, including acetic acid and vinyl acetate monomer, following the substantial rise in raw material costs, particularly natural gas, ethylene, and propylene. Volumes rose for acetic acid, particularly in Asia, as volumes were comparably higher due, in part, to an interruption in production in 2002. Vinyl acetate monomer volumes were higher in most regions, partly due to competitor outages, while volumes declined for polyvinyl alcohol in Asia and specialties mainly in Europe due to competitive pricing.

Chemical Products had income from special charges of $1 million in 2003 and $2 million in 2002. The income recorded in 2003 and 2002 relate to favorable adjustments to previously recorded restructuring reserves that more than offset employee severance costs related to production facility closures.

Operating profit decreased to $138 million in 2003 from $152 million in 2002. The contribution from the emulsions business, favorable currency movements and cost reductions were outweighed by higher energy costs and an increase in stock appreciation rights expense of $13 million. Termination benefit expenses of $14 million were recorded in cost of sales, primarily in the fourth quarter of 2003, related to the streamlining of manufacturing operations and administrative functions. Overall in 2003, increased selling prices offset higher raw material costs, although pricing outpaced raw material costs in the first half of the year and lagged in the second half.

Operating profit as a percentage of sales declined to 4.5% in 2003 compared to 6.3% in 2002.

Earnings (loss) from continuing operations before tax and minority interests increased to $182 million in 2003 compared to $165 million in 2002. This increase resulted from higher dividends from the Saudi Arabian investment, primarily due to higher methanol pricing partially offset by lower operating profit.

Acetate Products

	Year Ended December 31,			
	2002	2003	Change in $	Change in %
	(in millions, except percentages)			
Net sales	$ 632	$ 655	$ 23	4%
Net sales variance:				
Volume		2%		
Price		2%		
Operating profit	31	13	(18)	(58)%
Operating margin	4.9%	2.0%		
Special charges				
Earnings (loss) from continuing operations before tax and minority interests	43	17	(26)	(60)%
Depreciation and amortization	53	66	13	25%

Net sales for the Acetate Products segment increased by 4% to $655 million in 2003 from $632 million in 2002 largely due to higher pricing (+2%) and higher volumes (+2%).

Average pricing rose in 2003 as higher tow prices offset slightly lower filament prices. Volumes grew as higher demand for filament and flake more than offset slightly lower tow volumes, primarily in Europe and Africa. Despite a long-term trend of declining global demand for filament, volumes improved mainly due to higher demand from the U.S. fashion industry. Volumes of acetate flake, a primary raw material in acetate filament and tow production, also increased due to higher opportunistic sales in the merchant market.

The Acetate Products segment recorded an operating profit of $13 million in 2003, compared to $31 million in 2002 as higher pricing and volumes, as well as productivity gains, only partially offset higher raw material and energy prices. The segment also incurred costs for transitioning to new wood pulp suppliers as a primary supplier closed its U.S. facility in 2003. In accordance with SFAS No. 143, the Acetate Products segment recorded a charge of $8 million, included within depreciation expense, as the result of a worldwide assessment of our acetate production capacity. That assessment concluded that it was probable that certain facilities would be closed in the latter half of the decade. In October 2004, we announced plans to consolidate flake and tow production by early 2007 and to discontinue production of filament by mid-2005. This decision resulted in impairment charges in the quarter ended September 30, 2004 and is expected to result in significant severance costs in the quarter ended December 31, 2004.

Operating profit as a percentage of sales declined to 2.0% in 2003 compared to 4.9% in 2002.

Earnings (loss) from continuing operations before tax and minority interests declined to $17 million in 2003 compared to $43 million in 2002. This decline resulted from lower operating profit and lower dividend income from investments in China, where earnings are being reinvested for capacity expansions.

Technical Polymers Ticona

	Year Ended December 31,			
	2002	**2003**	**Change in $**	**Change in %**
		in millions, except percentages		
Net sales	$ 656	$ 762	$ 106	16%
Net sales variance:				
Volume		11		
Price		(3)%		
Currency		8%		
Operating profit	23	122	99	>100%
Operating margin	3.5%	16.0%		
Special charges	(6)	87	93	>100%
Earnings (loss) from continuing operations before tax and minority interests	35	167	132	>100%
Depreciation and amortization	52	57	5	10%

Net sales for Ticona increased by 16% to $762 million in 2003 from $656 million in 2002 as higher volumes (+11%) and favorable currency movements (+8%) were partly offset by lower selling prices (-3%).

Volumes increased in most business lines, particularly in polyacetal and GUR ultra high molecular weight polyethylene. The global volume growth in polyacetals resulted from sales to new customers and end-uses. Volumes for GUR increased as the result of the commercialization of new applications in North America and Europe, as well as the exit of a major competitor in North America. Pricing declined on a higher percentage of sales from lower priced products and increased competitive pressure from Asian imports of polyacetal into North America.

Ticona recorded income from special charges of $87 million in 2003 compared to expense of $6 million in 2002. The income in 2003 primarily resulted from insurance recoveries of $107 million associated with the plumbing cases, which was partially offset by restructuring charges for organizational redesign costs of $12 million and the closure of the Telford, UK, compounding facility of $8 million. The 2002 expense resulted from restructuring costs associated with the consolidation of manufacturing operations in Europe and the United States.

Operating profit increased to $122 million in 2003 versus $23 million in 2002. Income from insurance recoveries, higher volumes, and reduced spending more than offset higher raw material and energy costs, lower pricing, and higher expense associated with stock appreciation rights of $13 million. Ticona continued to incur significant market development costs for cyclo-olefin copolymers in 2003.

Termination benefit expenses of $9 million were recorded in cost of sales, primarily in the fourth quarter 2003, related to the streamlining of manufacturing operations and administrative functions.

Operating profit as a percentage of sales increased from 3.5% in 2002 to 16.0% in 2003, which included the favorable effects of $107 million of income associated with the plumbing cases.

Earnings (loss) from continuing operations before tax and minority interests increased to $167 million in 2003 compared to $35 million in 2002. This increase resulted from higher operating profit and higher equity earnings from Polyplastics, due to growth in the Chinese and Taiwanese economies in 2003, as well as interest income from insurance recoveries.

Performance Products

	Year Ended December 31,			
	2002	2003	Change in $	Change in %
	(in millions, except percentages)			
Net sales	$ 151	$ 169	$ 18	12%
Net sales variance:				
Volume		6%		
Price		(11)%		
Currency		17%		
Operating profit	45	(44)	(89)	>100%
Operating margin	29.8%	(26.0)%		
Special charges		(95)	(95)	
Earnings (loss) from continuing operations before tax and minority interests	45	(44)	(89)	>100%
Depreciation and amortization	7	7		0%

Net sales for the Performance Products segment, which consists of the Nutrinova food ingredients business, increased by 12% to $169 million in 2003 from $151 million in 2002 due to favorable currency movements (+17%) and increased volumes (+6%), partially offset by price decreases (-11%).

Pricing for Sunett sweetener declined primarily as a result of lower unit selling prices associated with higher volumes to major customers and the anticipated expiration of the European and U.S. production patents in 2005. Increased Sunett volumes reflected strong growth from new applications in the U.S. and European beverage and confectionary markets. In sorbates, pricing and volume pressure from Asian producers intensified during 2003 due to worldwide overcapacity.

Performance Products recorded special charges of $95 million in 2003, related to a decision by the European Commission on antitrust matters in the sorbates industry.

Operating profit and earnings (loss) from continuing operations before tax and minority interests declined from $45 million in 2002 to a loss of $44 million in 2003, due to special charges and lower pricing. This decline was slightly offset by favorable currency movements, higher Sunett volumes, cost reductions and increased productivity.

Other Activities

Net sales for Other Activities decreased by 6% to $49 million in 2003 from $52 million in 2002, primarily reflecting slightly lower third party sales by the captive insurance companies.

Other Activities recorded $2 million of income in special charges in 2003 compared to $9 million of income in 2002. The $2 million represented higher than expected collections of a note receivable. The $9 million of income in 2002 related to a reduction in environmental reserves due to a settlement of obligations associated with former Hoechst entities.

The operating loss of Other Activities increased to $111 million in 2003 compared to $78 million in 2002. This increase was primarily the result of higher expense for stock appreciation rights of $27 million and lower income from special charges, offset by $17 million of increased income from the captive insurance companies mainly due to a reduction in loss reserves resulting from expired policies and actuarial revaluations.

Earnings (loss) from continuing operations before tax and minority interests increased to a loss of $119 million in 2003 compared to a loss of $104 million in 2002. This decline resulted from higher operating losses partially offset by lower interest expense and higher interest and other income, net. Lower interest expense is primarily due to lower interest rates and currency translation effects as well as lower average debt levels. Higher interest and other income, net resulted primarily from income of $18 million from the demutualization of an insurance provider and the gain on sale of investments of $4 million, partially offset by expense of $14 million related to the unfavorable currency effects on the unhedged position of intercompany net receivables denominated in U.S. dollars.

Summary by Business Segment 2002 Compared with 2001

Chemical Products

	Year Ended December 31,			
	2001	2002	Change in $	Change in %
	(in millions, except percentages)			
Net sales	$ 2,522	$ 2,419	$ (103)	(4)%
Net sales variance:				
Volume		4%		
Price		(10)%		
Currency		2%		
Operating profit	(358)	152	510	>100%
Operating margin	(14.2)%	6.3%		0%
Special charges	(377)	2	379	>100%
Earnings (loss) from continuing operations before tax and minority interests	(328)	165	493	>100%
Depreciation and amortization	185	130	(55)	(30)%

Net sales for Chemical Products decreased (-4%) to $2,419 million in 2002 from $2,522 million in 2001 primarily due to lower pricing (-10%), partially offset by higher volumes (+4%) and favorable currency effects (+2%). Selling prices for major products decreased in 2002, following the decline in raw material costs, particularly natural gas, ethylene, and propylene. Although overall selling prices were lower, acetyl pricing rose steadily throughout 2002, as a result of higher demand, temporarily tight supply conditions and a sequential quarterly increase in raw material costs. Increased demand as well as temporary supply-demand imbalances resulted in higher volumes for vinyl acetate monomer in the United States and Asia, and for acetic acid and polyvinyl alcohol, primarily in Asia.

Chemical Products recorded income of $2 million of special charges in 2002 compared to expense of $377 million in 2001. Special charges in 2002 include employee severance costs associated with cost savings initiatives at production sites, offset by favorable adjustments to restructuring reserves recorded in 2001, due to lower than expected severance and other closure costs. The 2001 special charges resulted from the impairment of goodwill and fixed assets, as well as from 2001 restructuring initiatives.

Of the $377 million in special charges in 2001, $218 million related to goodwill impairments, $123 million to 2001 restructuring initiatives, and $54 million to fixed asset impairments. These charges were offset by a $13 million favorable adjustment to prior year restructuring activities and in recoveries of $5 million from third party site partners. The $218 million goodwill impairment resulted primarily from the deterioration in the outlook of the acrylates and oxo products businesses. The $123 million in restructuring initiatives included $70 million for the shutdown of the acetic acid, pentaerythritol, and vinyl acetate monomer units in Edmonton, Alberta, and $53 million relating primarily to employee severance costs at plant and administrative sites as well as closure costs associated with a research and development center in the United States. The closure of the research and development center resulted from the decision to relocate these functions to production sites. The $54 million fixed asset impairment was associated with the reassessment in the expected long-term value of the acetyl derivatives and polyol business lines.

Operating profit for Chemical Products of $152 million in 2002 improved from an operating loss of $358 million. This improvement was primarily due to lower special charges. Operating profit also benefited from productivity improvements and cost savings from restructuring initiatives. Acetyl and acetyl derivative and polyol business lines benefited from higher sales volumes and selling prices increasing at a greater rate than raw material costs. Lower amortization expense of $45 million resulting from the adoption of SFAS No. 142 also had a positive effect in 2002. Operating profit in 2001 benefited from a $34 million non-recurring compensation payment associated with operational problems experienced by the carbon monoxide supplier to Celanese's Singapore facility from July 2000 through May 2001. The carbon monoxide supplier experienced operational difficulties in the third quarter 2002, which were corrected during the fourth quarter and had minimal impact on full year 2002 operating results due to insurance recoveries.

At the end of 2002, Celanese completed the acquisition of the European emulsions businesses of Clariant. Beginning in 2003, the businesses were integrated into the Chemical Products segment.

Acetate Products

	Year Ended December 31,			
	2001	**2002**	**Change in $**	**Change in %**
	(in millions, except percentages)			
Net sales	$ 682	$ 632	$ (50)	$ (7)%
Net sales variance:				
Volume		(7)%		
Operating profit	(27)	31	58	>100%
Operating margin	(4.0)%	4.9%		0%
Special charges	(44)		44	>100%
Earnings (loss) from continuing operations before tax and minority interests	(15)	43	58	>100%
Depreciation and amortization	65	53	(12)	-18%

Net sales for the Acetate Products segment decreased by 7% to $632 million in 2002 from $682 million in 2001 due to lower sales volumes in 2002. Average pricing for acetate was stable in 2002 as higher tow prices offset lower filament pricing. Volumes declined mainly due to lower demand for acetate filament from the U.S. and European textile industries and ongoing fiber substitution. Volumes of acetate flake, a primary raw material in acetate filament and tow production, also decreased due to lower merchant sales. Tow volumes were slightly lower in 2002 mainly due to reduced volumes in North America and Europe, partially offset by improvements in other regions.

The Acetate Products segment recorded no special charges in 2002 compared to $44 million in 2001. The charges in 2001 resulted from the costs associated with the closure of acetate filament operations in Rock Hill, South Carolina and Lanaken, Belgium as well as costs incurred for with the relocation of filament operations within the United States. Additional special charges were incurred in connection with employee severance costs associated with a production facility in Mexico.

The Acetate Products segment recorded an operating profit of $31 million in 2002, compared to an operating loss of $27 million in 2001. Operating profit in 2002 benefited from the absence of special charges and a $9 million decrease in amortization expense resulting from the implementation of SFAS No. 142. Cost reductions from the Forward program and other productivity initiatives partially offset the effects of lower sales volumes.

Technical Polymers Ticona

	Year Ended December 31,			
	2001	2002	Change in $	Change in %
	(in millions, except percentages)			
Net sales	$ 632	$ 656	$ 24	4%
Net sales variance:				
Volume		5%		
Price		(3)%		
Currency		2%		
Operating profit	(4)	23	27	>100%
Operating margin	(0.6)%	3.5%		0%
Special charges	8	(6)	(14)	>100%
Earnings (loss) from continuing operations before tax and minority interests	(2)	35	37	>100%
Depreciation and amortization	67	52	(15)	(22)%

Net sales for the Ticona segment increased by 4% to $656 million in 2002 from $632 million in 2001 as the result of higher volumes (+5%) and favorable currency movements (+2%), which were offset by lower selling prices (-3%). Volumes increased mainly in polyacetal, reflecting some improvement in demand from the automotive and other end-use industries, especially in Europe. Volumes also improved in ultra-high molecular weight polyethylene, but declined or were flat in other product lines. Average selling prices declined for most product lines, primarily polyacetal. Polyacetal standard-grade pricing was reduced in response to competitive pressure, mainly from Asian suppliers.

In special charges, the Ticona segment had expense of $6 million in 2002 compared to income of $8 million in 2001. The 2002 expense resulted from restructuring costs associated with the consolidation of manufacturing operations in Europe and the United States. The favorable adjustment in 2001 was primarily due to higher than expected insurance reimbursements associated with the plumbing cases, which were largely offset by restructuring expenses for employee severance costs in the United States and Europe. These 2001 restructuring initiatives were taken to streamline administrative and operational functions under Celanese's Forward initiative.

The Ticona segment recorded an operating profit of $23 million in 2002 compared to an operating loss of $4 million in 2001. The major factors contributing to the earnings improvement were reduced raw material costs and increased sales volumes. Operating results in 2002 also benefited from $20 million of lower amortization expense due to the adoption of SFAS No. 142. These improvements were partially offset by costs for maintenance shutdowns and startup costs related to expansions, as well as the higher special charges noted above. The Ticona segment continued to incur market development costs for cyclo-olefin copolymers in 2002.

Performance Products

	Year Ended December 31,			
	2001	2002	Change in $	Change in %
	(in millions, except percentages)			
Net sales	$ 142	$ 151	$ 9	6%
Net sales variance:				
Volume		10%		
Price		(8)%		
Currency		4%		
Other				
Operating profit	39	45	6	15%
Operating margin	27.5%	29.8%		
Special charges				
Earnings (loss) from continuing operations before tax and minority interests	39	45	6	15%
Depreciation and amortization	6	7	1	17%

Net sales for the Performance Products segment, which consists of the Nutrinova food ingredients business, increased by 6% to $151 million in 2002 from $142 million in 2001 due to increased volumes (+10%) as well as favorable currency movements (+4%), which were largely offset by price decreases (-8%). Increased volumes reflected strong growth of the high intensity sweetener Sunett from new applications in the beverage and confectionary industries in the United States and Europe. Overall pricing declined, mainly in connection with higher Sunett volumes to major customers. In sorbates, pricing pressure from Asian competitors intensified in 2002, mainly in the fourth quarter, due to worldwide overcapacity.

Operating profit for the Performance Products segment of $45 million in 2002 improved from $39 million in 2001. The increase is mainly a result of higher volumes from new applications in Sunett, increased yields from manufacturing efficiencies and cost reductions, which were mostly offset by lower pricing as noted above.

Other Activities

Net sales for Other Activities decreased by 31% to $52 million in 2002 from $75 million in 2001. This decline was primarily due to the divestiture of an InfraServ subsidiary during the first quarter of 2002 and the expiration of a number of service contracts and licensing fees at Celanese Ventures GmbH.

Other Activities recorded $9 million of income in special charges in 2002 compared to a charge of $3 million in 2001. The $9 million income in 2002 relates to a reduction in environmental reserves due to a settlement of obligations associated with former Hoechst entities. The $3 million expense in 2001 primarily consisted of corporate employee severance costs, which were partially offset by a $3 million favorable adjustment related to a net reduction in reserves associated with settlements of environmental indemnification and other obligations associated with former Hoechst entities.

The operating loss of Other Activities increased to $78 million in 2002 from $67 million in 2001. This was primarily due to an adjustment to loss reserves at the captive insurance companies and the reduction of revenues from Celanese Ventures. This decrease was partially offset by a gain of $9 million on the sale of an InfraServ subsidiary and an increase in income related to adjustments in special charges.

Summary of Consolidated Results Pro Forma Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

Net Sales

For the first nine months of 2004, pro forma net sales increased to $3,737 million compared to $3,448 million as reported for the same period in 2003. Volume increases in all segments and favorable currency effects resulting mainly from the stronger euro versus the U.S. dollar were partially offset by reductions due to changes in the composition of our Chemical Products segment and slightly lower pricing, primarily in the Ticona and Performance Products segments.

Cost of Sales

Pro forma cost of sales increased by $98 million to $2,979 million for the first nine months of 2004 versus the comparable period last year. Higher raw material costs and unfavorable currency effects were partially offset by decreases due to changes in the composition of our Chemical Products segment. Pro forma cost of sales for the first nine months of 2004 also included lower depreciation expense resulting from the preliminary purchase price allocation and lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments.

Selling, General and Administrative Expenses

Pro forma selling, general and administrative expense increased by $30 million to $414 million for the first nine months of 2004 compared to the same period last year. This increase was primarily due to organizational redesign costs and unfavorable currency movements as well as higher amortization expense resulting from the preliminary purchase price allocation, which were partially offset by $37 million of lower stock appreciation rights expense and lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments.

Special Charges

Pro forma special charges increased to expense of $65 million for the first nine months of 2004 from income of $9 million as reported in the same period last year. Pro forma special charges in the first nine months of 2004 largely represented asset impairments for the Acetate Products restructuring, while special charges for the same period in 2003 resulted mainly from income of $106 million from insurance recoveries, which were largely offset by expenses of $95 million associated with antitrust matters in the sorbates industry.

Operating Profit

Pro forma operating profit increased by 65% to $211 million compared to the same period last year. Pro forma operating profit for the first nine months of 2004 benefited from volume increases and $40 million of lower expense for stock appreciation rights, which were offset by higher raw material costs, higher special charges and slightly lower pricing. For the first nine months of 2004, pro forma operating profit also included lower net periodic pension and post-retirement benefit costs resulting from the pro forma adjustments. The lower net periodic pension and post-retirement benefit costs were primarily driven by the effects of fair value adjustments associated with the pension and OPEB liabilities resulting from the application of purchase accounting and the pre-funding of pension contributions in connection with the pro forma adjustments.

Equity in Net Earnings of Affiliates

Pro forma equity in net earnings of affiliates rose by $18 million to $47 million in the first nine months of 2004 compared to the same period last year. This increase primarily represents improved equity earnings from Asian and U.S. affiliates, due to increased sales volumes. Cash distributions received from equity affiliates were $36 million in the first nine months of 2004 compared to $21 million in the same period of 2003. European Oxo GmbH, Celanese's oxo chemicals joint venture is expected to record significant restructuring charges in the fourth quarter of 2004. Accordingly, we expect this will negatively impact our equity in net earnings of affiliates.

Interest Expense

Pro forma interest expense increased to $188 million for the first nine months of 2004 from $36 million as reported for the same period last year, primarily due to higher debt levels and interest rates associated with the pro forma adjustments.

Interest Income

For the first nine months of 2004, pro forma interest income decreased by $15 million to $20 million compared to the same period in the prior year, primarily due to significantly lower interest income associated with insurance recoveries.

Other Income (Expense), Net

Pro forma other income (expense), net decreased by $40 million to $10 million compared to the same period last year. This decrease is primarily due to unfavorable foreign currency exchange effects on cash and cash equivalents and the absence of $18 million in income from the demutualization of an insurance provider. Dividend income from investments in the first nine months of 2004 accounted for under the cost method increased to $38 million compared to $33 million in the same period in the prior year.

Income Taxes

We recorded pro forma income tax expense of $104 million for the first nine months of 2004, which is primarily due to the non-recognition of certain tax benefits from losses and valuation allowances applied against certain deferred tax assets and the tax effects of the pro forma adjustments. For the same period in 2003, we recognized $68 million of expense based on a projected annual effective tax rate of 33%.

Minority Interests

For the first nine months of 2004, pro forma minority interests increased to $17 million from $0 million as reported in the same period in the prior year. This increase primarily relates to the minority interests in the earnings of Celanese.

Summary of Consolidated Results 2003 Compared with 2002

Net Sales

Net sales increased by $767 million to $4,603 million in 2003 as compared to $3,836 million in 2002 due primarily to the full year effect of the emulsions business acquired at year-end 2002, favorable currency movements resulting from the strengthening of the euro versus the U.S. dollar as well as higher selling prices and volumes. Overall, all segments had an increase in net sales.

Cost of Sales

Cost of sales increased by 22% to $3,883 million in 2003 compared with $3,171 million in 2002. Cost of sales as a percentage of net sales also increased to 84% in 2003 from 83% in 2002, reflecting significantly higher raw material and energy costs, partly offset by increased selling prices primarily in the Chemical Products segment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 14% to $510 million in 2003 from $446 million in 2002 primarily due to a $51 million increase in expenses for stock appreciation rights, unfavorable currency effects as well as the inclusion of the emulsions business. This increase was partially offset by cost reduction efforts.

Research and Development Expenses

Research and development expenses increased by 37% to $89 million in 2003 from $65 million in 2002. This increase resulted primarily from currency movements, the inclusion of the emulsions business and expiration of cost sharing arrangements at Celanese Ventures during 2002. Research and development expenses as a percentage of sales increased to 1.9% for 2003 from 1.7% in 2002.

Special Charges

Special charges include provisions for restructuring and other expenses and income incurred outside the normal course of ongoing operations. Restructuring provisions represent costs related to severance and other benefit programs related to major activities undertaken to redesign Celanese's operations, as well as costs incurred in connection with a decision to exit non-strategic businesses and the related closure of facilities. These measures are based on formal management decisions, establishment of agreements with the employees' representatives or individual agreements with the affected employees as well as the public announcement of the restructuring plan.

The components of special charges for 2003, 2002 and 2001 were as follows:

	2003	2002	2001
		(in millions)	
Employee termination benefits	$ 18	$ 8	$ 112
Plant/office closures	7	6	93
Restructuring adjustments	(6)	(10)	(17)
Total Restructuring	19	4	188
Sorbates antitrust matters	95		
Plumbing actions	(107)		(28)
Asset impairments			261
Third-party reimbursements of restructuring charges		(1)	(7)
Other	(2)	(8)	2
Total Special Charges	$ 5	$ (5)	$ 416

In 2003, Celanese recorded expenses of $5 million in special charges, which consisted of $25 million of restructuring charges, $6 million of income from favorable adjustments to restructuring reserves that were recorded previously, and $14 million of income from other special charges. The $25 million of additions to the restructuring reserve included employee severance costs of $18 million and plant and office closure costs of $7 million. Within other special charges there was income of $107 million related to insurance recoveries associated with the plumbing cases, partially offset by $95 million of expenses for antitrust matters in the sorbates industry, primarily related to a decision by the European Commission.

In 2003, the Chemical Products segment recorded employee severance charges of $4 million, which primarily related to the shutdown of an obsolete synthesis gas unit in Germany.

Ticona started a redesign of its operations. Approximately 160 positions are expected to be reduced by 2005, as a result of the redesign. These plans included a decision to sell the Summit, New Jersey site and to relocate administrative and research and development activities to the existing Ticona site in Florence, Kentucky in 2004. As a result of this decision, Celanese recorded termination benefit expenses of $5 million in 2003. In addition to the relocation in the United States, Ticona has streamlined its operations in Germany, primarily through offering employees early retirement benefits under an existing employee benefit arrangement. As a result of this arrangement, Ticona recorded a charge of $7 million in 2003. Additional severance costs to be recorded in special charges, related to the redesign, are expected to be approximately $1 million per quarter in 2004.

In addition, Ticona ceased its manufacturing operations in Telford, United Kingdom during 2003, based on a 2002 restructuring initiative to concentrate its European manufacturing operations in Germany. As a result, Ticona recorded contract termination costs and asset impairments totaling $7 million and employee severance costs of $1 million in 2003. The total costs of the Telford shutdown through 2003 are $12 million.

The $6 million of income from favorable adjustments of previously recorded restructuring reserves consisted of a $1 million adjustment to the 2002 reserves, a $4 million adjustment to the 2001 reserves and a $1 million adjustment to the 1999 reserves. The adjustment to the 2002 reserve related to lower than expected costs related to the demolition of the GUR Bayport facility. The adjustment to the 2001 reserve was primarily due to the lower than expected decommissioning costs of the Mexican production facility. The adjustment to the 1999 reserve was due to lower than expected payments related to the closure of a former administrative facility in the United States.

In 2002, Celanese recorded income from special charges of $5 million, which consisted of $14 million of restructuring charges, $10 million of income from favorable adjustments to previously recorded restructuring reserves, $1 million of income from reimbursements from third party site partners related to prior year initiatives, and $8 million of income from other special charges. The $14 million of restructuring charges included employee severance costs of $8 million and plant and office closure costs of $6 million.

Project Focus, initiated in early 2001, set goals to reduce trade working capital, limit capital expenditures and improve earnings before interest, taxes, depreciation and amortization from programs to increase efficiency. Project Forward was announced in August 2001 and initiated additional restructuring and other measures to reduce costs and increase profitability. During 2002, Celanese recorded employee severance charges of $8 million, of which $3 million related to adjustments to the 2001 forward initiatives and $4 million for streamlining efforts of production facilities in Germany and the United States, and $1 million for employee severance costs in the polyvinyl alcohol business.

Ticona recorded asset impairments of $4 million in 2002 related to a decision in 2002 to shutdown operations in Telford, United Kingdom in 2003. In addition, with the construction of a new and expanded GUR plant in Bishop, Texas, the GUR operations in Bayport, Texas, were transferred to a new facility. Decommissioning and demolition costs associated with the Bayport shutdown were $2 million.

The $10 million of favorable adjustments of previously recorded restructuring reserves consisted of an $8 million adjustment to the 2001 reserves and a $2 million adjustment to the 2000 reserves. The 2001 adjustment was primarily due to lower than expected personnel and closure costs associated with the streamlining of chemical facilities in the United States, Canada, and Germany. The 2000 adjustment was due to lower than expected demolition costs for the Chemical Products production facility in Knapsack, Germany. The other special charges income of $8 million related to a reduction in reserves associated with settlements of environmental indemnification obligations associated with former Hoechst entities.

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) decreased to a loss of $4 million in 2003 from a gain of $3 million in 2002. This change is primarily attributable to the strengthening of the Mexican peso and Canadian dollar against the U.S. dollar.

Operating Profit

Operating profit declined to $118 million in 2003 compared to $173 million in 2002. The favorable effects of higher selling prices primarily in the Chemical Products segment, favorable currency movements, cost reductions, and income from insurance recoveries of $107 million in the Ticona segment, were offset by expenses of $95 million in the Performance Products segment related to antitrust matters, $12 million of organizational redesign costs at Ticona, increased stock appreciation rights expense as well as higher raw material and energy costs in most segments. Stock appreciation rights expense for 2003 was $59 million compared to $3 million in 2002. Celanese streamlined its manufacturing operations, mainly in the Chemical Products and Ticona segments and, as a result, recorded termination benefit expenses, in cost of sales, of $26 million, primarily in the fourth quarter of 2003.

Equity in Net Earnings of Affiliates

Equity in net earnings of affiliates increased to $35 million in 2003 from $21 million in 2002. This increase was mainly attributable to an increase in the earnings from Polyplastics, an investment held by the Ticona segment, partly due to growth in the Chinese and Taiwanese economies in 2003. Cash distributions from equity affiliates were $23 million in 2003 compared to $100 million in 2002.

Interest Expense

Interest expense decreased by 11% to $49 million in 2003 from $55 million in 2002. This decrease is primarily related to currency translation effects and lower interest rates as well as lower average debt levels.

Interest and Other Income, Net

Interest and other income, net increased to $99 million in 2003 from $45 million in 2002, mainly due to interest of $20 million on insurance recoveries in the Ticona segment and other income of $18 million resulting from the demutualization of an insurance provider. These increases were partially offset by expense of $14 million related to the unfavorable currency effects on the unhedged position of intercompany net receivables denominated in U.S. dollars. Investments accounted for under the cost method contributed dividend income of $60 million and $39 million in 2003 and 2002, respectively. The increase in 2003 primarily resulted from higher dividends from the Saudi Arabian investment on higher methanol pricing, which were slightly offset by lower dividend income from the Acetate Products investments in China, where earnings are being reinvested for capacity expansions. Interest income increased to $44 million in 2003 from $18 million in 2002, mainly due to the interest of $20 million on insurance recoveries in the Ticona segment.

Income Taxes

Celanese recognized income tax expense of $60 million in 2003 compared to $61 million in 2002.

The effective tax rate for Celanese in 2003 was 30 percent compared to 33 percent in 2002. In comparison to the German statutory rate, the 2003 effective tax rate was favorably affected by unrepatriated low-taxed earnings, favorable settlement of prior year (1996) taxes in the U.S., equity earnings from Polyplastics Co. Ltd., which are excluded from U.S. taxable income and utilization of a U.S. capital loss carryforward that had been subject to a valuation allowance. The effective tax rate was unfavorably affected in 2003 by dividend distributions from subsidiaries and writedowns of certain German corporate and trade tax benefits related to prior years.

In comparison to the German statutory rate, the effective tax rate in 2002 was favorably affected by the utilization of certain net operating loss carryforwards in Germany, the release of certain valuation allowances on prior years' deferred tax assets, unrepatriated low-taxed earnings and a lower effective minimum tax burden in Mexico. The effective tax rate was unfavorably affected in 2002 by distributions of taxable dividends from certain equity investments and the reversal of a tax-deductible writedown in 2000 of a German investment.

Discontinued Operations for the Years Ended December 31, 2003, 2002 and 2001

In September 2003, Celanese and Dow reached an agreement for Dow to purchase the acrylates business of Celanese. This transaction was completed in February 2004. Dow acquired Celanese's acrylates business line, including inventory, intellectual property and technology for crude acrylic acid, glacial acrylic acid, ethyl acrylate, butyl acrylate, methyl acrylate and 2-ethylhexyl acrylate, as well as acrylates production assets at the Clear Lake, Texas facility. In related agreements, Celanese will provide certain contract manufacturing services to Dow, and Dow will supply acrylates to Celanese for use in its emulsions production. The sale price, subject to purchase price adjustments, was $149 million. Simultaneously with the sale, Celanese repaid an unrelated obligation of $95 million to Dow. The acrylates business was part of Celanese's former Chemical Intermediates segment. As a result of this transaction, the assets, liabilities, revenues and expenses related to the acrylates product lines at the Clear Lake, Texas facility are reflected as a component of discontinued operations in the Celanese Consolidated Financial Statements in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

In December 2003, the Ticona segment completed the sale of its nylon business line to BASF. Ticona received cash proceeds of $10 million and recorded a gain of $3 million.

In 2003, Celanese recorded $1 million in losses from operations of discontinued operations related to the acrylates and nylon business divestitures. In 2003, Celanese also recorded adjustments related to prior year discontinued operations representing a gain of $4 million.

In December 2002, Celanese completed the sale of Trespaphan, its global oriented polypropylene ("OPP") film business, to a consortium consisting of Dor-Moplefan Group and Bain Capital, Inc. for a value of $214 million. Net of the purchase price adjustments of $19 million and the repayment of $80 million in intercompany debt that Trespaphan owed Celanese, Celanese received net proceeds of $115 million. Trespaphan was formerly part of Celanese's Performance Products segment.

During 2002, Celanese sold its global allylamines and U.S. alkylamines businesses to U.S. Amines Ltd. These businesses were part of Celanese's former Chemical Intermediates segment.

In 2002, Celanese received net proceeds of $106 million and recorded a pre-tax gain of $14 million on the disposal of discontinued operations relating to these divestitures. Pre-tax earnings from operations of discontinued operations in 2002 were $1 million. Celanese recognized a tax benefit of $40 million for discontinued operations, which includes a tax benefit associated with a tax deductible writedown of the tax basis for Trespaphan's subsidiary in Germany relating to tax years ended December 31, 2001 and 2000. Since this tax benefit related to an entity solely engaged in a business designated as discontinued operations, this tax benefit has been correspondingly included in earnings (loss) from discontinued operations.

In 2001, Celanese completed the sale of NADIR Filtration GmbH, formerly Celgard GmbH, and received minimal proceeds from this sale and recorded a $2 million pre-tax gain on disposal of discontinued operations. Celanese recorded an additional pre-tax gain in 2001 of $11 million on disposal of discontinued operations related to a business divested in 2000. Additionally, Celanese recognized a tax expense of $5 million for discontinued operations.

The following table summarizes the results of the discontinued operations for the years ended December 31, 2003, 2002 and 2001.

	Net Sales			Operating Profit (Loss)		
	2003	2002	2001	2003	2002	2001
	(in millions)					
Discontinued operations of Chemical Products	$ 236	$ 246	$ 300	$ (1)	$ (52)	$ (81)
Discontinued operations of Performance Products		257	252		10	(5)
Discontinued operations of Ticona	45	57	60		(1)	(3)
Total discontinued operations	$ 281	$ 560	$ 612	$ (1)	$ (43)	$ (89)

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Cumulative Effect of Changes in Accounting Principles

Celanese recorded $1 million in a cumulative effect of changes in accounting principles, net of tax, on January 1, 2003, related to the adoption of SFAS 143. Celanese recognized transition amounts for existing asset retirement obligation liabilities, associated capitalized costs and accumulated depreciation. The ongoing expense on an annual basis resulting from the initial adoption of SFAS No. 143 is not material.

In 2002, Celanese recorded income of $18 million for the cumulative effect of two changes in accounting principles, net of tax of $5 million. The adoption of SFAS No. 142, Goodwill and Other Intangible Assets, in 2002 resulted in income of $9 million ($0.18 per share), as it required unamortized negative goodwill (excess of fair value over cost) on the balance sheet to be written off immediately and classified as a cumulative effect of change in accounting principle in the consolidated statement of operations. Additionally, in 2002 Celanese changed the actuarial measurement date for its U.S. pension and other postretirement benefit plans from September 30 to December 31. As this change was accounted for as a change in accounting principle, a cumulative effect adjustment of income of $9 million ($0.18 per share), net of taxes of $5 million, was recorded in 2002.

Net Earnings

As a result of the factors mentioned above, the net earnings of Celanese decreased by $20 million to net earnings of $148 million in 2003 compared to $168 million in 2002.

Summary of Consolidated Results 2002 Compared with 2001

Net Sales

Net sales decreased by 3% to $3,836 million in 2002 as compared to $3,970 million in 2001 primarily as a result of lower selling prices despite improved volumes in most segments and favorable currency movements. Decreases in the Chemical Products and Acetate Products segments were only slightly offset by an increase in the Ticona and Performance Products segments.

Cost of Sales

Cost of sales decreased by 7% to $3,171 million in 2002 compared with $3,409 million in 2001. Cost of sales as a percentage of net sales decreased to 83% in 2002 from 86% in 2001, reflecting lower raw material and energy costs, primarily in the Chemical Products and Ticona segments, and cost reductions from productivity and restructuring initiatives.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 9% to $446 million in 2002 from $489 million in 2001 driven largely by a $69 million decline in amortization expense resulting from the implementation of SFAS No. 142. Excluding the effects of this amortization expense, selling, general and administrative expenses as a percentage of sales were relatively flat. Selling, general and administrative expenses were affected by lower third party commission income earned by a purchasing subsidiary of Celanese, and increased selling efforts by the Ticona segment, offset by favorable currency fluctuations and benefits from cost reduction efforts. In 2002 and 2001, Celanese had favorable adjustments of $15 million and $11 million, respectively, relating to reduction in environmental reserves due to favorable trends in environmental remediation.

Research and Development Expenses

Research and development expenses decreased by 12% to $65 million in 2002 from $74 million in 2001. The reduction resulted primarily from Celanese's strategy to concentrate the research and development efforts at production sites within most businesses. Research and development expenses as a percentage of sales decreased to 1.7% in 2002 from 1.9% in 2001.

Special Charges

In 2002, Celanese recorded income from special charges of $5 million, which consisted of $14 million of restructuring charges, $10 million of income from favorable adjustments to previously recorded restructuring reserves, $1 million of income from reimbursements from third party site partners related to prior year initiatives and $8 million of income from other special charges. The $14 million of restructuring charges included employee severance costs of $8 million and plant and office closure costs of $6 million.

Project Focus, initiated in early 2001, set goals to reduce trade working capital, limit capital expenditures and improve earnings before interest, taxes, depreciation and amortization from programs to increase efficiency. Project Forward was announced in August 2001 and initiated additional restructuring and other measures to reduce costs and increase profitability. During 2002, Celanese recorded employee severance charges of $8 million, of which $3 million related to adjustments to the 2001 Forward initiatives and $4 million for streamlining efforts of production facilities in Germany and the United States, and $1 million for employee severance costs in the polyvinyl alcohol business.

Ticona recorded asset impairments of $4 million in 2002 related to a decision in 2002 to shutdown operations in Telford, United Kingdom in 2003. In addition, with the construction of a new and expanded GUR plant in Bishop, Texas, the GUR operations in Bayport, Texas were transferred to a new facility. Decommissioning and demolition costs associated with the Bayport closure were $2 million.

The $10 million of favorable adjustments of previously recorded restructuring reserves consisted of an $8 million adjustment to the 2001 reserves and a $2 million adjustment to the 2000 reserves. The 2001 adjustment was primarily due to lower than expected personnel and closure costs associated with the streamlining of chemical facilities in the United States, Canada, and Germany. The 2000 adjustment was due to lower than expected demolition costs for the Chemical Products production facility in Knapsack, Germany. The other special charges income of $8 million related to a reduction in reserves associated with settlements of environmental indemnification obligations associated with former Hoechst entities.

In 2001, Celanese recorded special charges of $416 million, which consisted of $205 million of restructuring charges. These charges were reduced by $7 million of income from reimbursements from third party site partners and forfeited pension plan assets, $17 million of favorable adjustments to restructuring reserves recorded in 2001 and 2000 and $235 million of other special charges.

The $205 million of additions to the restructuring reserve included employee severance costs primarily of $112 million and plant and office closure costs of $93 million. Employee severance costs consisted primarily of $34 million for the streamlining of chemical production and administrative positions in the United States, Germany and Singapore, $25 million for administrative and production positions at Ticona in the United States and Germany, and $20 million for the restructuring of production and administrative positions in Mexico. In addition, other related severance costs consisted of $7 million for the closure of the acetic acid, pentaerythritol and vinyl acetate monomer units and the elimination of administrative positions in Edmonton, $6 million for the elimination of corporate administrative positions, $5 million resulting from the closure of a chemical research and development center in the United States, $5 million for the shutdown of acetate filament production at Lanaken, Belgium, and $10 million for the shutdown of acetate filament production at Rock Hill, South Carolina.

The $93 million of additions to the restructuring reserve related to plant and office closures consisting mainly of $66 million for fixed asset impairments, the cancellation of supply contracts, and other required decommissioning and environmental closure costs relating to the closure of the acetic acid, pentaerythritol and vinyl acetate monomer units in Edmonton. Also included in plant and office closure costs were $10 million for fixed asset impairments, contract cancellation and other costs associated with the closure of the chemical research and development center in the United States, $4 million of fixed asset impairments and other closure costs related to the closure of a chemical distribution terminal in the United States, $7 million for fixed asset impairments and shutdown costs at the acetate filament facility in Lanaken, $5 million for equipment shutdown and other decommissioning costs for the acetate filament production facility at Rock Hill and $1 million associated with the cancellation of a lease associated with the closure of an administrative facility in Germany.

The $17 million of favorable adjustments of previous year restructuring reserves consisted of a $13 million adjustment to the 2000 reserves and a $4 million adjustment to the 1999 reserves. The entire 2000 adjustment was due to lower than expected demolition and decommissioning costs for the Chemical Products production facility in Knapsack, Germany. This adjustment resulted from a third party site partner assuming ownership of an existing facility and its obligations. Of the 1999 adjustment, $2 million related to the reversal of a reserve for closure costs for a parcel of land in Celaya, Mexico, that Celanese donated to the Mexican government, which assumed the remaining liabilities. The 1999 adjustment also included $2 million relating to less than anticipated severance costs for Ticona employees in Germany.

The other special charges of $235 million consisted of goodwill impairments of $218 million and fixed asset impairments of $27 million, related to the former Chemical Intermediates segment, $16 million of fixed asset impairments related to the former Acetyl Products segment and $5 million for the relocation of acetate filament production assets associated with restructuring initiatives. Also included in other special charges was $28 million of income from the receipt of higher than expected insurance reimbursements linked to the plumbing cases and $3 million of income related to a net reduction in reserves associated with settlements of environmental indemnification and other obligations associated with former Hoechst entities.

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) increased to $3 million in 2002 from $1 million in 2001. This change is primarily attributable to the weakening of the Mexican peso against the U.S. dollar as well as the weakening of the U.S. dollar against the euro.

Operating Profit (Loss)

An operating profit of $173 million was generated in 2002 compared to a loss of $417 million in 2001 primarily due to a decrease in special charges from $416 million in 2001 to income of $5 million in 2002. Also contributing to the profit improvement were lower raw material and energy costs in most segments, cost reductions throughout Celanese and improved volumes. Lower amortization expense of $69 million resulting from the adoption of SFAS No. 142 also had a positive effect in 2002. The profit increase was partially offset by the unfavorable effect of lower selling prices.

Equity in Net Earnings of Affiliates

Equity in net earnings of affiliates increased to $21 million in 2002 from $12 million in 2001. This increase was partially attributable to an increase in the earnings of Korea Engineering Plastics Co. Ltd. Lower goodwill amortization expense of $5 million due to the adoption of SFAS No. 142 also had a positive effect on 2002 results. Cash distributions from equity affiliates were $100 million in 2002 compared to $23 million in 2001.

Interest Expense

Interest expense decreased by 24% to $55 million in 2002 from $72 million in 2001, as a result of lower average financial debt and lower interest rates.

Interest and Other Income, Net

Interest and other income, net decreased to $45 million in 2002 from $58 million in 2001, mainly due to lower dividend income from Celanese's investments, primarily from Celanese's methanol joint venture in Saudi Arabia, writedown of investments and lower interest income, partially offset by higher transaction gains on foreign currency financing. Additionally, in 2001, Celanese received gross proceeds of $9 million and recorded a gain of $5 million relating to the sale of its ownership interests in InfraServ GmbH & Co. Münchsmünster KG, Hoechst Service Gastronomie GmbH, and Covion Organic Semiconducters GmbH. Investments accounted for under the cost method contributed dividend income of $39 million and $46 million in 2002 and 2001, respectively.

Income Taxes

In 2002, Celanese recognized income tax expense of $61 million as compared to an income tax benefit of $106 million in 2001. Celanese also recognized in 2002 a $40 million German tax benefit relating to a tax deductible writedown of its investment in Trespaphan GmbH. This tax benefit is attributable to a discontinued business and is therefore reported as part of discontinued operations and is not included in the 2002 income tax provision.

The effective tax rate for Celanese in 2002 was 33 percent compared to 25 percent in 2001. In comparison to the German statutory rate, the Celanese effective tax rate in 2002 was favorably affected by the utilization of certain net operating loss carryforwards in Germany, the release of certain valuation allowances on prior years' deferred tax assets, unrepatriated low-taxed earnings and a lower effective minimum tax burden in Mexico. The effective tax rate was unfavorably affected in 2002 by distributions of taxable dividends from certain equity investments and the reversal of a tax-deductible writedown in 2000 of a German investment.

In 2001, Celanese recognized an income tax benefit of $106 million and reported an effective tax rate of 25 percent. In comparison to the German statutory rate, the effective tax rate in 2001 was favorably affected by the full recognition of previously reserved deferred tax assets of a subsidiary in Germany, the utilization of net operating loss carryforwards, offset by non-deductible goodwill amortization and impairment charges.

Cumulative Effect of Changes in Accounting Principles

Celanese recorded income of $18 million for the cumulative effect of two changes in accounting principles, net of tax of $5 million, in 2002. The adoption of SFAS No. 142 in 2002 resulted in income of $9 million ($0.18 per share), as it required unamortized negative goodwill (excess of fair value over cost) on the balance sheet to be written off immediately and classified as a cumulative effect of change in accounting principle in the consolidated statement of operations. Additionally, in 2002 Celanese changed the actuarial measurement date for its U.S. pension and other postretirement benefit plans from September 30 to December 31. As this change was accounted for as a change in accounting principle, a cumulative effect adjustment of income $9 million ($0.18 per share), net of taxes of $5 million, was recorded in 2002.

Net Earnings (Loss)

As a result of the factors mentioned above, the net earnings (loss) of Celanese increased to net earnings of $168 million in 2002 from a net loss of $365 million in 2001.

Liquidity and Capital Resources

Cash Flows Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

Net Cash Used in/Provided by Operating Activities. Cash flow from operating activities decreased to a cash inflow of $2 million for the first nine months of 2004 compared to a cash inflow of $231 million for the same period in 2003. This decrease primarily resulted from the payment of a $95 million obligation to a third party in the first quarter of 2004, as well as payments of $59 million associated with the exercising of stock appreciation rights in the first nine months of 2004. Additionally, pension contributions increased by $53 million to $157 million compared to the same period last year. These factors were partly offset by a decline in payments associated with income taxes, bonuses and restructuring as well as lower cash consumed through changes in inventory and trade payables. The hedging of foreign currency net receivables, primarily intercompany, resulted in a $15 million cash inflow in 2004 compared to a $132 million cash inflow in 2003. Unfavorable foreign currency effects on the euro versus the U.S. dollar on cash and cash equivalents increased to $15 million for the first nine months of 2004.

Net Cash Provided by/Used in Investing Activities. Net cash from investing activities decreased to a cash outflow of $1,628 million for the first nine months of 2004 compared to a cash outflow of $178 million for the same period in 2003. The increased cash outflow primarily resulted from the acquisition of Celanese. Capital expenditures on property, plant and equipment increased to $150 million for the first nine months of 2004 compared to $133 million in the same period in the prior year. The increase was driven by higher expenditures within the Ticona segment for an expansion of the polyacetal plant in Bishop, Texas, and the construction of a research and development and administrative building in Florence, Kentucky.

Net Cash Used in Financing Activities. Net cash from financing activities increased to a cash inflow of $2,405 million in the first nine months of 2004 compared to a cash outflow of $135 million for the same period in 2003. The increased cash inflow primarily reflects higher net proceeds from borrowings in connection with the Transactions, partially offset by a $500 million dividend to the Original Stockholders. Refer to the Liquidity section below for additional information.

Cash Flows Annual Results

Net Cash Provided by Operating Activities. Net cash provided by operating activities was $401 million, $363 million, and $462 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Net cash provided by operating activities increased by $38 million to $401 million in 2003 as compared to 2002 primarily due to insurance recoveries of $120 million, plus interest, offset by higher net taxes paid of $143 million and lower dividends from equity investments of $41 million. In addition, higher contributions were made to Celanese's U.S. qualified defined benefit pension plan of $130 million in 2003 compared to $100 million in 2002. The hedging activity of foreign currency denominated intercompany net receivables served to partially offset unfavorable currency effects on net earnings of $155 million and resulted in a $180 million cash inflow in 2003 compared to $95 million in 2002 due to the timing of settlements of these contracts.

The decrease in net cash provided by operating activities of $99 million in 2002 as compared to 2001 is primarily due to changes in cash generated by trade working capital. In 2002, trade working capital increased slightly due to an increase in trade receivables resulting from higher sales in the fourth quarter of 2002 as compared to the fourth quarter in 2001, which was partially offset by lower inventory and increased trade accounts payable. In 2001, cash generated by trade working capital improvements related to the Project Focus initiatives was $265 million. Partially offsetting this trade working capital effect was a reduction in the cash outflow for special charges of $27 million, a lower pension contribution to Celanese's U.S. qualified defined benefit pension plan of $100 million in 2002 compared to $142 million in 2001 and an increase in dividends from equity investments of $46 million.

Net Cash Used in Investing Activities. Net cash used in investing activities was $275 million, $139 million and $105 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The increase in cash outflows of $136 million in 2003 compared to 2002 is mainly due to lower proceeds from disposal of discontinued operations of $196 million and the receipt of $39 million in returns of capital from investments in non-consolidated InfraServ companies in 2002. This increase in cash outflow for 2003 was partially offset by a $131 million cash outflow for the 2002 purchase of the net assets of the emulsions businesses. Additionally, net cash outflows increased by $41 million related to higher net purchases of marketable securities.

Capital expenditures increased by $8 million to $211 million in 2003, primarily due to foreign currency effects. Spending in 2003 primarily related to the completion of a production facility for synthesis gas, a primary raw material at the Oberhausen site in Germany, major replacements of equipment, capacity expansions, major investments to reduce future operating costs, environmental, health and safety initiatives and the integration of a company-wide SAP platform. The spending in 2002 included the start of construction of the synthesis gas production facility at the Oberhausen site. In addition, major projects included the completion of the new GUR plant at the Bishop, Texas, facility and the capacity expansion for Vectra at Shelby, North Carolina. The Vectra expansion was built to supply the projected long-term demand of the telecommunications industry and to develop and grow emerging markets.

The increase in cash outflows of $34 million in 2002 compared to 2001 is mainly due to a $131 million cash outflow for the fourth quarter purchase of the net assets of the emulsions businesses. Additionally, a net outflow of $22 million for the purchase of marketable securities in 2002 compared to a net inflow of $45 million on the sale of marketable securities in 2001 and an outflow of $25 million related to a long-term raw material supply contract increased the cash used compared to the prior year. Partially offsetting these effects were $206 million in proceeds from the disposal of discontinued operations in 2002 as compared to $34 million in 2001 and $39 million in distributions from investments in InfraServ companies.

Capital expenditures on property, plant and equipment increased by $12 million to $203 million in 2002, compared to $191 million in 2001. The spending in 2002 included the start of construction on a new production facility for synthesis gas, a primary raw material at the Oberhausen site in Germany. In addition, major projects included the completion of the new GUR plant at the Bishop, Texas, facility and the capacity expansion for Vectra at Shelby, North Carolina. The Vectra expansion was needed to supply the projected long-term demand of the telecommunications industry and to develop and grow emerging markets.

Net Cash Provided By/Used in Financing Activities. Net cash used in financing activities was $108 million, $150 million and $337 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Net cash used in financing activities declined by $42 million to an outflow of $108 million in 2003 compared to 2002. This decrease is primarily related to lower net payments of short-term borrowings of $121 million, offset by net payments of long-term debt in 2003 of $48 million. In addition, in 2003, Celanese paid a cash dividend of $25 million, $0.48 per share, and repurchased 749,848 of its shares, to be held in treasury, for approximately $15 million.

Net cash used in financing activities in 2002 was primarily due to net debt repayments aggregating $144 million. In addition, Celanese repurchased 284,798 of its shares, to be held in treasury, for approximately $6 million.

Net cash used in financing activities amounted to $337 million in 2001. The net cash used in financing activities in 2001 was primarily due to net debt repayments aggregating $319 million. In addition, Celanese paid a cash dividend of $18 million, $0.35 per share, in 2001.

Liquidity

The primary source of liquidity has been cash generated from operations, which included cash inflows from currency hedging activities. Historically, the primary liquidity requirements were for capital expenditures, working capital, pension contributions and investments. Our contractual obligations, commitments and debt service requirements over the next several years are significant and are substantially higher than historical amounts. Our primary source of liquidity will continue to be cash generated from operations as well as existing cash on hand. We have availability under existing credit facilities to assist, if required, in meeting our working capital needs and other contractual obligations.

We expect to amend or refinance the senior credit facilities to fund the Acetex and Vinamul Polymers acquisitions. In addition, we will use the available sources of liquidity noted above to fund the purchase of the remaining outstanding shares of Celanese AG.

We believe we will have available resources to meet both our short-term and long-term liquidity requirements, including debt service. If our cash flow from operations is insufficient to fund our debt service and other obligations, we may be forced to use other means available to us such as to increase our borrowings under our lines of credit, reduce or delay capital expenditures, seek additional capital or seek to restructure or refinance our indebtedness.

As of September 30, 2004, we had total debt of $3,100 million and cash and cash equivalents of $819 million. In connection with the acquisition of Celanese, we incurred a substantial amount of debt. We entered into senior subordinated bridge loans and issued $200 million of mandatorily redeemable preferred shares, both of which were subsequently refinanced by the senior subordinated notes and the floating rate term loan. Additionally, we issued senior discount notes and additional senior subordinated notes as well as entered into senior credit facilities.

Also in connection with the acquisition, we agreed to pre-fund $463 million of certain pension obligations, which is expected to eliminate the need for future funding for seven to ten years. As of September 30, 2004, $105 million was pre-funded and we segregated $54 million of cash to be used exclusively for the pre-funding of non-qualified pension obligations. In October 2004, we pre-funded an additional $300 million.

Celanese cancelled its existing committed commercial paper backup facilities and revolving credit lines. We are also renegotiating our $120 million trade receivable securitization program, which is currently not available.

During 2004, we repaid approximately $235 million of Celanese's variable rate debt that was scheduled to mature in 2005, 2008 and 2009.

After the closing of the offerings, we will have $240 million aggregate liquidation preference of outstanding preferred stock. Holders of the preferred stock are entitled to receive, when, as and if, declared by our board of directors, out of funds legally available therefor, cash dividends at the rate of 4.25% of liquidation preference per annum, payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year commencing May 1, 2005. Dividends on the preferred stock will be cumulative from the date of initial issuance. The preferred stock will be convertible, at the option of the holder, at any time into shares of our Series A common stock at a conversion rate of 1.25 shares of our Series A common stock per $25.00 liquidation preference of the preferred stock. See "Description of the Preferred Stock."

We were initially capitalized by equity contributions totaling $641 million from the Original Stockholders. On a stand alone basis, the Issuer and Crystal LLC have no material assets other than the stock of their subsidiaries that they own, and no independent external operations of its own apart from the financing. As such, the Issuer and Crystal LLC generally will depend on the cash flow of their subsidiaries to meet their obligations, including their obligations under the new preferred stock, the senior discount notes, senior subordinated notes, and any revolving credit borrowings and guarantees.

Domination Agreement. At the Celanese AG annual shareholders' meeting on June 15, 2004, Celanese AG shareholders approved payment of a dividend on the Celanese Shares for the fiscal year ended December 31, 2003 of €0.12 per share. The Purchaser expects that no dividend will be paid to Celanese AG's shareholders on the Celanese Shares for the fiscal year ended on September 30, 2004. Accordingly, in the near term, the Issuer and BCP Crystal will use existing cash and borrowings from its subsidiaries, subject to various restrictions, including restrictions imposed by the senior credit facilities and indentures and by relevant provisions of German and other applicable laws, to make interest payments. If the Domination Agreement ceases to be operative, the ability of the Issuer and BCP Crystal to meet their obligations will be materially and adversely affected.

In connection with the Domination Agreement becoming operative, we are required to offer cash compensation to minority shareholders to purchase their Celanese Shares for €41.92 per share, plus interest. Any minority shareholder who elects not to sell its shares to the Purchaser will be entitled to remain a shareholder of Celanese AG and to receive a gross guaranteed fixed annual payment on its shares (*Ausgleich*) of €3.27 per Celanese Share less certain corporate taxes in lieu of any future dividend. Taking into account the circumstances and the tax rates at the time of entering into the Domination Agreement, the net guaranteed fixed annual payment is €2.89 per share for a full fiscal year. If the Purchaser acquires all Celanese Shares outstanding as of September 30, 2004, the total amount of funds necessary to purchase such remaining outstanding shares would be €348 million plus accrued interest from October 2, 2004. The Purchaser intends to use a significant portion of its available cash to acquire the remaining outstanding shares.

While the Domination Agreement is operative, the Purchaser will be required to compensate Celanese AG for any future annual loss incurred by Celanese AG at the end of the fiscal year when the loss was incurred. If the Purchaser were obligated to make cash payments to Celanese AG to cover an annual loss, it may not have sufficient funds to distribute to the Issuer to pay interest on the notes when due and, unless the Purchaser is able to obtain funds from a source other than annual profits of Celanese AG, the Purchaser may not be able to satisfy its obligation to fund such shortfall. For further information about the establishment and the consequences of the Domination Agreement, see "Risk Factors The Purchaser may be required to compensate Celanese AG for annual losses, which may reduce the funds the Purchaser can otherwise make available to the Issuer."

Contractual Obligations. The following table sets forth our fixed contractual debt obligations as of September 30, 2004, on a pro forma basis, after giving effect to the Transactions, the Recent

Restructuring and the Concurrent Financings. BCP Crystal's obligations are guaranteed by Celanese Holdings.

Fixed Contractual Debt Obligations[1]	**Total**	**Less Than 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
			(in millions)		
Senior Credit Facilities:					
Term Loans Facility	$ 1,556	$ 16	$ 31	$ 31	$ 1,478
Senior Subordinated Notes[2]	957				957
Senior Discount Notes[3]	554				554
Assumed Debt[4]	369	123	42	17	187
Total Fixed Contractual Debt Obligations	$ 3,436	$ 139	$ 73	$ 48	$ 3,176

(1) Excludes the following: $442 million of our Acquisition Facility, of which $200 million is expected to be drawn at closing to pre-fund the Vinamul Polymers acquisition and cash interest obligations on debt excluding the senior discount notes and any commitment and facility fees, of approximately $190 million in the next year, $370 million in years two to three, $365 million in years four to five and $1,054 million after five years. Interest payments on the term loan facility were calculated using an assumed rate of 5.00% for all periods. No cash interest is payable on the senior discount notes in years one to five and $272 million cash interest is payable after five years.

(2) Does not include $4 million of premium on the $225 million of the senior subordinated notes issued July 1, 2004.

(3) Reflects the accreted value of the notes at maturity.

(4) Does not include $2 million purchase accounting adjustment to assumed debt.

Senior Credit Facilities. The senior credit facilities of $1,219 million consist of a term loan facility, revolving credit facility, and a credit-linked revolving facility. The term loan facility consists of commitments of $456 million and €125 million, both maturing in 2011. As of September 30, 2004, we borrowed $391 million under the term loan facility. The revolving credit facility, through a syndication of banks, provides for borrowings of up to $380 million, including the availability of letters of credit in U.S. dollars and euros and for borrowings on same-day notice. As of September 30, 2004, there were no amounts outstanding under the revolving credit facility which matures in 2009. We expect to increase the commitments under the revolving credit facilities to $828 million under our new senior credit facilities. The $228 million credit-linked revolving facility, which matures in 2009, includes borrowing capacity available for letters of credit. As of September 30, 2004, there were $172 million of letters of credit issued under the credit-linked revolving facility. As of December 31, 2004, $402 million was available for borrowing under the revolving credit facilities (taking into account letters of credit issued under the revolving credit facilities). The senior credit facilities are unconditionally guaranteed by Celanese Holdings and, subject to certain exceptions, by substantially all of its existing and future domestic subsidiaries, referred to as U.S. Guarantors. These facilities are secured by substantially all of the assets of Celanese Holdings and each U.S. Guarantor, subject to certain exceptions. The borrowings under the senior credit facilities bear interest at a rate equal to an applicable margin plus, at Celanese Holdings' option, either a base rate or a LIBOR rate. The applicable margin for borrowing under the base rate option is 1.50% and for the LIBOR option, 2.50% (in each case, subject to a step-down based on a performance test).

BCP Crystal is the borrower under the term loan facility and BCP Crystal and CAC are the borrowers under the revolving credit facilities. The term loan facility amortizes each year in an amount equal to 1% per annum in equal quarterly installments for the first six years and nine months, with the remaining amount payable on the date that is seven years from the date of the closing of the senior credit facilities. The senior credit facilities accrue interest, are subject to prepayment requirements and contain the covenants, defaults and other provisions as set forth under "Description of Indebtedness Senior Credit Facilities."

In connection with the borrowing by BCP Crystal under the term loan portion of the senior credit facilities, BCP Crystal and CAC have entered into an intercompany loan agreement whereby BCP Crystal has agreed to lend the proceeds from any borrowings under its term loan facility to CAC. The intercompany loan agreement contains the same amortization provisions as the senior credit facilities. The interest rate with respect to the loans made under the intercompany loan agreement is the same as the interest rate with respect to the loans under BCP Crystal's term loan facility plus three basis points. BCP Crystal intends to service the indebtedness under its term loan facility with the proceeds of payments made to it by CAC under the intercompany loan agreement. Prior to the consummation of this offering, we expect to enter into the new senior credit facilities with a syndicate of financial institutions. We expect the terms of the new senior credit facilities to be substantially similar to the terms of our existing senior credit facilities. The existing loans under our existing credit facilities will remain outstanding under the new senior credit facilities.

Floating Rate Term Loan. The $350 million floating rate term loan matures in 2011. The borrowings under the floating rate term loan bear interest at a rate equal to an applicable margin plus, at BCP Crystal's option, either a base rate or a LIBOR rate. Prior to the completion of the Recent Restructuring, the applicable margin for borrowings under the base rate option was 3.25% and for the LIBOR option, 4.25%. Subsequent to the completion of the Recent Restructuring, the applicable margin for borrowings under the base rate option is 2.50% and for the LIBOR option, 3.50%. The floating rate term loan accrues interest, is subject to prepayment requirements and contains the covenants, defaults and other provisions as described under "Description of Indebtedness Floating Rate Term Loan." We expect to use borrowings under the new senior credit facilities to repay all amounts outstanding under the floating rate term loan.

Senior Subordinated Notes. The senior subordinated notes consist of $1,225 million of $9^5/_8$% Senior Subordinated Notes due 2014 and €200 million of $10^3/_8$% Senior Subordinated Notes due 2014. From the completion of the Recent Restructuring, all of BCP Crystal's U.S. domestic, wholly owned subsidiaries that guarantee BCP Crystal's obligations under the senior credit facilities guarantee the senior subordinated notes on an unsecured senior subordinated basis. We expect to use approximately $566 million of the net proceeds of the offering of our Series A common stock to redeem a portion of the senior subordinated notes.

Senior Discount Notes. In September 2004, Crystal US Holdings 3 L.L.C. ("Crystal LLC") and Crystal US Sub 3 Corp., a subsidiary of Crystal LLC, issued $853 million aggregate principal amount at maturity of their Senior Discount Notes due 2014 consisting of $163 million principal amount at maturity of their 10% Series A Senior Discount Notes due 2014 and $690 million principal amount at maturity of their $10^1/_2$% Series B Senior Discount Notes due 2014 (collectively, the "senior discount notes"). Until October 1, 2009, interest on the senior discount notes will accrue in the form of an increase in the accreted value of such notes. Cash interest on the senior discount notes will accrue commencing on October 1, 2009 and be payable semiannually in arrears on April 1 and October 1 of each year, commencing April 1, 2010. We expect to use approximately $37 million of the net proceeds of the offering of our Series A common stock to redeem a portion of the Series A senior discount notes and $151 million to redeem a portion of the Series B senior discount notes and $19 million to pay the premium associated with such redemption.

Assumed Debt. As a result of the Transactions, Celanese prepaid, in April 2004, $175 million of debt scheduled to mature in 2005 and 2008 and, in September 2004, prepaid $58 million of additional debt previously scheduled to mature in 2009. The remaining assumed debt of $369 million, which does not include a $2 million reduction under purchase accounting, is primarily made up of fixed rate pollution control and industrial revenue bonds, short-term borrowings from affiliated companies and capital lease obligations. Celanese canceled its revolving credit lines and is renegotiating its $120 million trade receivable securitization program, which is currently not available. Additionally, Celanese no longer has a commercial paper program.

Covenants. The indentures governing the senior subordinated notes and the senior discount notes limit the ability of the issuers of such notes and the ability of their restricted subsidiaries to:

- incur additional indebtedness or issue preferred stock;
- pay dividends on or make other distributions or repurchase the respective issuer's capital stock;
- make investments;
- enter into certain transactions with affiliates;
- limit dividends or other payments by BCP Crystal's restricted subsidiaries to it;
- create liens or other *pari passu* or subordinated indebtedness without securing the respective notes;
- designate subsidiaries as unrestricted subsidiaries; and
- sell certain assets or merge with or into other companies.

Subject to certain exceptions, the indentures governing the senior subordinated notes and the senior discount notes permit the issuers of the notes and their restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

The senior credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of Celanese Holdings and it subsidiaries' ability, to:

- sell assets,
- incur additional indebtedness or issue preferred stock,
- repay other indebtedness (including the notes),
- pay dividends and distributions or repurchase their capital stock,
- create liens on assets,
- make investments, loans guarantees or advances,
- make certain acquisitions,

- engage in mergers or consolidations,
- enter into sale and leaseback transactions,
- engage in certain transactions with affiliates,
- amend certain material agreements governing BCP Crystal's indebtedness,
- change the business conducted by Celanese Holdings and its subsidiaries and
- enter into hedging agreements that restrict dividends from subsidiaries.

In addition, the senior credit facilities require BCP Crystal to maintain the following financial covenants: a maximum total leverage ratio, a maximum bank debt leverage ratio, a minimum interest coverage ratio and maximum capital expenditures limitation.

The floating rate term loan contains restrictive covenants that, subject to certain exceptions, are substantially similar to the covenants under the indenture governing the senior subordinated notes, except for the covenant related to BCP Crystal's ability to create liens on assets, which is substantially similar to the related covenant in the senior credit facilities. In addition, the floating rate term loan requires BCP Crystal to maintain a maximum bank debt leverage ratio and, after completion of the Recent Restructuring, the following financial covenants: a maximum total leverage ratio and a minimum interest coverage ratio.

The breach of covenants in the approximately $1.2 billion senior credit facilities that are tied to ratios based on Adjusted EBITDA could result in a default under the senior credit facilities and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under the indentures governing approximately $2.0 billion of the senior subordinated notes and the senior discount notes. Additionally, under the senior credit facilities, the floating rate term loan and the indentures governing the senior subordinated notes and the senior discount notes, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA. As of September 30, 2004, we were in compliance with all of these covenants.

Covenant levels and ratios for the four quarters ended September 30, 2004 are as follows:

	Covenant Level	September 30, 2004 Ratios
Senior credit facility[1]		
Minimum Adjusted EBITDA to cash interest ratio	1.7x	4.4x
Maximum consolidated net debt to Adjusted EBITDA ratio	5.5x	2.2x
Maximum consolidated net bank debt to Adjusted EBITDA ratio	3.0x	[5]
Floating rate term loan[2]		
Maximum consolidated net bank debt to Adjusted EBITDA ratio	3.5x	[5]
Minimum Adjusted EBITDA to fixed charge ratio required to incur additional debt pursuant to ratio provisions	2.0x	3.6x
Senior subordinated notes indenture[3]		
Minimum Adjusted EBITDA to fixed charge ratio required to incur additional debt pursuant to ratio provisions	2.0x	3.6x
Discount notes indenture[4]		
Minimum Adjusted EBITDA to fixed charge ratio required to incur additional debt pursuant to ratio provisions	2.0x	2.9x

(1) The senior credit facilities require BCP Crystal to maintain an Adjusted EBITDA to cash interest ratio starting at a minimum of 1.7x for the period April 1, 2004 to December 31, 2005, 1.8x for the period January 1, 2006 to December 31, 2006, 1.85x for the period January 1, 2007 to December 31, 2007 and 2.0x thereafter; a consolidated net debt to Adjusted EBITDA ratio starting at a maximum of 5.5x for the period April 1, 2004 to December 31, 2005, 5.25x for the period January 1, 2006 to December 31, 2006, 5.00x for the period January 1, 2007 to December 31, 2007 and 4.75x thereafter; and a consolidated net bank debt to Adjusted EBITDA ratio at a maximum of 3.0x in each case for the most recent four quarter period. Failure to satisfy these ratio requirements would constitute a default under the senior credit facilities. If lenders under the senior credit facilities failed to waive any such default, repayment obligations under the senior credit facilities could be accelerated, which would also constitute a default under the indenture.

(2) The floating rate term loan requires BCP Crystal to maintain a consolidated net bank debt to Adjusted EBITDA ratio at a maximum of 3.5x for the most recent four quarter period. Following completion of the Recent Restructuring, the floating rate term loan also requires BCP Crystal to maintain a minimum Adjusted EBITDA to cash interest ratio and a maximum consolidated net debt to Adjusted EBITDA ratio, in each case at levels that are less restrictive than those under the senior credit facilities. Failure to satisfy any of these ratio requirements would constitute a default under the floating rate term loan. If the lenders under the floating rate term loan failed to waive any such default, the repayment obligations under the floating rate term loan could be accelerated, which would also constitute a default under the indenture.

(3) BCP Crystal's ability to incur additional debt and make certain restricted payments under the senior subordinated note indenture, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charge ratio of at least 2.0 to 1.

(4) Crystal LLC's ability to incur additional debt and make certain restricted payments under the senior discount notes indenture, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charge ratio of at least 2.0 to 1.

(5) Not meaningful as the consolidated net bank debt as of September 30, 2004 was less than zero.

Adjusted EBITDA is used to determine compliance with many of the covenants contained in the indentures governing our outstanding notes and in the senior credit facilities. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items, non-cash items and other adjustments permitted in calculating covenant compliance under our indentures and senior credit facility, as shown in the table below. We believe that the disclosure of the calculation of Adjusted EBITDA provides information that is useful to an investor's understanding of our liquidity and financial flexibility. See "Special Note Regarding Non-GAAP Financial Measures."

Adjusted EBITDA as calculated under our senior credit facilities, the floating rate term loan and the indentures for the senior subordinated notes and the senior discount notes for the four quarters ended September 30, 2004 is as follows:

	Senior Credit Facilities Floating Rate Term Loan Senior Subordinated Notes	Senior Discount Notes
	(unaudited)(in millions)	
Net (loss) of Celanese Corporation	$ (100)	$ (100)
Net loss of entities not included in covenant calculation[1]	51	50
Net loss for covenant purposes	(49)	(50)
Earnings from discontinued operations	(35)	(35)
Cumulative effect of changes in accounting principles		
Interest expense net:		
Interest expense	200	201
Interest income	(30)	(30)
Cash interest income used by captive insurance subsidiaries to fund operations	9	9
Taxes:		
Income tax provision (benefit)	75	75
Franchise taxes	1	1
Depreciation and amortization	303	303
Unusual items:		
Special charges[2]		
Insurance recoveries associated with plumbing cases	(2)	(2)
Sorbates antitrust matters		
Restructuring, impairment and other special charges, net	102	102
Severance and other restructuring charges not included in special charges	41	41
Unusual and non-recurring items[3]	91	91
Other non-cash charges (income):		
Non-cash charges[4]	71	71
Equity in net earnings of affiliates in excess of cash dividends received	(15)	(15)
Excess of cash dividends paid to minority shareholders in subsidiaries over the minority interest income of these subsidiaries	1	1
Other adjustments[5]		
Advisor monitoring fee	5	5
Net gain on sale of assets	(2)	(2)
Pro forma cost savings[6]	35	35
Adjusted EBITDA	$ 801	$ 801

(1)

Includes \$47 million (\$46 million for the senior discount notes) of interest expense, \$3 million of foreign currency expense recorded in other income (expense), net and \$1 million elimination of intercompany interest income.

(2)
Special charges include provisions for restructuring and other expenses and income incurred outside the normal ongoing course of operations. Restructuring provisions represent costs related to severance and other benefit programs related to major activities undertaken to fundamentally redesign the business operations, as well as costs incurred in connection with a decision to exit non-strategic businesses. These measures are based on formal management decisions, establishment of agreements with the employees' representatives or individual agreements with the affected employees, as well as the public announcement of the restructuring plan. The related reserves reflect certain estimates, including those pertaining to separation costs, settlements of contractual obligations and other closure costs. We reassess the reserve requirements to complete each individual plan under existing restructuring programs at the end of each reporting period. Actual experience may be different from these estimates. (See note 25 to the Celanese Consolidated Financial Statements and note 14 to the Interim Consolidated Financial Statements.)

(3)
Consists of the following: $47 million other (income) expense excluding dividend income (which consists of $36 million of foreign currency expense on intercompany loans and swaps; $5 million write-down of investments and $6 million of other miscellaneous non-recurring expenses); $19 million of stock appreciation rights expense; $12 million of employee contract termination expense; $11 million of transaction costs; and $2 million of expense for other miscellaneous non-recurring items.

(4)
Included in the amount above is $49 million of expense relating to our inventory step-up under purchase accounting; $19 million of amortization expense included in net periodic pension and OPEB cost; and $3 million of expense associated with Celanese's stock option plan. Items that were zero for the applicable period but are required to be included per our financing agreements are any reimbursed expenses and any non-cash portion of rent expenses.

(5)
Our financing agreements require us to make other adjustments to net earnings (loss) for net gain on sale of assets and fees paid to the Sponsor. Gain (loss) on extinguishment of debt was zero for the applicable period but are required to be included per our financing agreements.

(6)
Our financing agreements also permit adjustments to net earnings (loss) on a pro forma basis for certain cost savings that we expect to achieve. We expect annual cost savings of approximately $37 million from pension pre-funding ($4 million of which is already reflected in the Issuer's actual results) and approximately $2 million from lower costs associated with publicly listed equity in Germany.

Consolidated net debt is defined as total indebtedness, consisting of borrowed money and the deferred purchase price of property or services plus net cash for receivables financing less unrestricted cash and cash equivalents of our subsidiary Celanese Holdings LLC and its subsidiaries on a consolidated basis. Consolidated net bank debt is defined as consolidated net debt less all other indebtedness (other than capital leases) that is not secured in whole or in part by a first priority lien on the assets of Celanese Holdings LLC and/or its subsidiaries. Consolidated net debt and consolidated net bank debt are calculated as follows as of September 30, 2004:

	(in millions)
Short-term borrowings and current installments of long-term debt third party and affiliates	$ 127
Long-term debt	2,973
Total consolidated debt of Celanese Corporation	3,100
Debt of entities not included in covenant calculation-senior discount notes.	(513)
Less: cash and cash equivalents	(819)
Consolidated net debt	1,768
Senior subordinated notes	(1,479)
Other indebtedness (other than capital leases) not secured by a lien on assets	(323)
Consolidated net bank debt	$ (34)

At September 30, 2004, fixed contractual cash obligations other than debt were as follows:

Fixed Contractual Cash Obligations	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
			(in millions)		
Operating Leases	$ 176	$ 41	$ 63	$ 33	$ 39
Unconditional Purchase Obligations	869	155	161	118	435
Other Contractual Obligations	159	23	136		
Fixed Contractual Cash Obligations	$ 1,204	$ 219	$ 360	$ 151	$ 474

Unconditional Purchase Obligations include take or pay contracts and fixed price forward contracts. Celanese does not expect to incur any material losses under these contractual arrangements. In addition, these contracts may include variable price components.

Other Contractual Obligations primarily includes committed capital spending and fines associated with the U.S. antitrust settlement described in note 23 to the Celanese Consolidated Financial Statements. Included in Other Contractual Obligations is a €99 million fine from the European Commission related to antitrust matters in the sorbates industry, which is pending an appeal. Celanese is indemnified by a third party for 80% of the expenses relating to these matters.

At September 30, 2004, Celanese had contractual guarantees and commitments as follows:

		Expiration per Period			
Contractual Guarantees and Commitments	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
			(in millions)		
Financial Guarantees	$ 57	$ 7	$ 14	$ 15	$ 21
Standby Letters of Credit	178	178			
Contractual Guarantees and Commitments	$ 235	$ 185	$ 14	$ 15	$ 21

Celanese is secondarily liable under a lease agreement pursuant to which Celanese has assigned a direct obligation to a third party. The lease assumed by the third party expires on April 30, 2012. The lease liability for the period from September 30, 2004 to April 30, 2012 is estimated to be approximately $57 million. Standby letters of credit of $178 million at September 30, 2004 are irrevocable obligations of an issuing bank that ensure payment to third parties in the event that certain Celanese subsidiaries fail to perform in accordance with specified contractual obligations. The likelihood is remote that material payments will be required under these agreements. The stand-by letters of credit include $172 million issued under the credit-linked revolving facility.

For additional commitments and contingencies see note 13 to the Interim Consolidated Financial Statements.

Although we cannot predict with certainty the annual spending for these matters, such matters will affect our future cash flows.

Other Obligations	Predecessor 2003 Actual Spending	Predecessor Spending for Three months ended March 31, 2004	Successor Spending for Six months ended September 30, 2004	2004 Remaining Projected Spending
Environmental Matters	$ 80	$ 22	$ 41	$ 21
Pension and Other Benefits	219	48	157	387
Plumbing Actions and Sorbates Litigation(1)	15	3	7	1
Other Obligations	$ 314	$ 73	$ 205	$ 409

(1) Remaining spending in 2004 related to the sorbates litigation cannot be reasonably estimated. Receipts associated with the plumbing actions and sorbates litigation were $10 million and $125 million, plus interest for the nine months ended September 30, 2004 and for the year ended December 31, 2003. Cash receipts of $35 million associated with the plumbing litigation were received from an insurance carrier in the fourth quarter of 2004.

Environmental Matters

In the first nine months of 2004 and in the year ended December 31, 2003, worldwide expenditures, including expenditures for legal compliance, internal environmental initiatives and remediation of active, orphan, divested and U.S. Superfund sites, were $63 million and $80 million, respectively. Environmental reserves for remediation matters were $147 million as of September 30, 2004. (See notes 15 and 17 to the Celanese Consolidated Financial Statements.)

It is anticipated that stringent environmental regulations will continue to be imposed on the chemical industry in general. Although we cannot predict with certainty future environmental expenditures, especially expenditures beyond 2004, due to new air regulations in the U.S., there will be a temporary increase in compliance costs in 2005-2007 which could be significant depending on the outcome of challenges to aspects of those regulations.

Due to its industrial history, Celanese has the obligation to remediate specific areas on its active sites as well as on divested, orphan or U.S. Superfund sites. In addition, as part of the demerger agreement with Hoechst, a specified proportion of the responsibility for environmental liabilities from a number of pre-demerger divestitures was transferred to Celanese. Celanese has provided for such obligations when the event of loss is probable and reasonably estimable. Management believes that the environmental costs will not have a material adverse effect on the financial position, but they may have a material adverse effect on the results of operations or cash flows in any given accounting period. (See note 24 to the Celanese Consolidated Financial Statements.)

Pension and Other Benefits

The funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. In the first nine months of 2004, and for the years ended December 31, 2003 and 2002, pension contributions to the U.S. qualified defined benefit pension plan amounted to $33 million, $130 million and $100 million, respectively. Contributions to the German pension plans for the first nine months of 2004 were $105 million. Also in the first nine months of 2004, and for the years ended December 31, 2003 and 2002, payments to other non-qualified plans totaled $19 million, $24 million and $14 million, respectively.

Spending associated with other benefit plans, primarily retiree medical, defined contribution and long-term disability, amounted to $48 million, $65 million and $61 million in the first nine months of 2004, and for the years ended December 31, 2003 and 2002, respectively. Spending is expected to continue at comparable levels in 2004. (See note 10 to the Interim Consolidated Financial Statements.)

In connection with the acquisition of Celanese AG, we agreed to pre-fund $463 million of certain pension obligations, which is expected to eliminate the need for future funding for seven to ten years. As of September 30, 2004, $105 million was pre-funded and we have segregated $54 million of cash to be used exclusively for the pre-funding of non-qualified pension obligations. In October 2004, we pre-funded an additional $300 million.

Plumbing Actions and Sorbates Litigation

Celanese is involved in a number of legal proceedings and claims incidental to the normal conduct of its business. In the first nine months of 2004 and for the year ended December 31, 2003, there were net cash inflows of approximately zero and $110 million, respectively, in connection with the plumbing actions and sorbates litigation. As of September 30, 2004, there were reserves of $205 million for these matters. In addition, there were receivables from insurance companies and Hoechst in connection with the plumbing and sorbates matters of $170 million as of September 30, 2004.

Although it is impossible at this time to determine with certainty the ultimate outcome of these matters, management believes that adequate provisions have been made and that the ultimate outcome will not have a material adverse effect on our financial position, but could have a material adverse effect on the results of operations or cash flows in any given accounting period. (See note 13 to the Interim Consolidated Financial Statements.)

Capital Expenditures

Capital expenditures were $150 million and $211 million in the first nine months of 2004 and the year ended December 31, 2003, respectively.

These capital expenditures primarily related to the completion of a production facility for synthesis gas, a primary raw material at the Oberhausen site in Germany, major replacements of equipment, capacity expansions, major investments to reduce future operating costs, environmental, health and safety initiatives and the integration of a company-wide SAP platform. Capital expenditures remained below depreciation levels as we continued to make selective capital investments to enhance the market positions of its products.

Capital expenditures were financed principally with cash from operations. We anticipate spending in 2004 to be between 75% and 85% of depreciation expense in 2003.

Restructuring Activities

In connection with the Transactions, we are in the process of formulating a plan to exit or restructure certain activities. We have not completed the analysis, but at September 30, 2004, we have recorded initial purchase accounting liabilities of $17 million, primarily for employee severance and related costs in connection with our preliminary plan to exit or restructure certain activities. In

October 2004, we announced plans to implement a strategic restructuring of our acetate business. The restructuring is expected to result in significant severance payments.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk through commercial and financial operations. Our market risk consists principally of exposure to currency exchange rates, interest rates and commodity prices. The Predecessor has in place policies of hedging against changes in currency exchange rates, interest rates and commodity prices as described below. We intend to adopt the Predecessor's written policies regarding the use of derivative financial instruments. These policies are expected to be similar to those historically maintained by Celanese. These contracts are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities and SFAS No. 148, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. (See note 22 to the Celanese Consolidated Financial Statements.)

Foreign Exchange Risk Management

We and the Predecessor have receivables and payables denominated in currencies other than the functional currencies of the various subsidiaries, which create foreign exchange risk. For the purposes of this prospectus, the Predecessor's reporting currency is the U.S. dollar, the legal reporting currency of Celanese continues to be the euro. With the introduction of the euro on January 1, 1999, the exposure to exchange rate fluctuations is eliminated in relation to the euro zone countries that have adopted the euro as their common currency, leaving the U.S. dollar, the euro, Mexican peso, Japanese yen, British pound sterling, and Canadian dollar as the most significant sources of currency risk. Accordingly, we enter into foreign currency forwards and options to minimize our exposure to foreign currency fluctuations. The foreign currency contracts are designated for recognized assets and liabilities and forecasted transactions. The terms of these contracts are generally under one year. The Predecessor's centralized hedging strategy states that foreign currency denominated receivables or liabilities recorded by the operating entities will be used to hedge the exposure on a consolidated basis. As a result, foreign currency forward contracts relating to this centralized strategy did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. Accordingly, these contracts are accounted for as fair value hedges. Net foreign currency transaction gains or losses are recognized on the underlying transactions, which are offset by losses and gains related to foreign currency forward contracts.

The Predecessor had contracts with net notional amounts totaling approximately $1,136 million, $765 million and $1,002 million at March 31, 2004, December 31, 2003 and 2002, respectively, which were denominated mainly in U.S. dollars, British pound sterling, Japanese yen, and Canadian dollars. During the three months ended March 31, 2004, foreign currency forward contracts, designated as cash flow hedges, resulted in a decrease in total assets of $29 million and a decrease in total liabilities of $1 million. During 2003, the Predecessor's foreign currency forward contracts, designated as fair value hedges, resulted in a decrease in total assets of $8 million and an increase in total liabilities of $1 million. As of March 31, 2004 and December 31, 2003, these contracts hedged a portion (approximately 85% as of March 31, 2004 and December 31, 2003) of dollar denominated intercompany net receivables held by euro denominated entities. Related to the unhedged portion, a net gain of approximately $4 million and a net loss of approximately $14 million from foreign exchange gains or losses was recorded to other income, net and interest and other income, net in the three months ended March 31, 2004 and the year ended December 31, 2003, respectively. During the years ended December 31, 2002 and 2001, the Predecessor hedged all of its dollar denominated intercompany net receivables held by euro denominated entities. Therefore, there was no material net effect from foreign exchange gains or losses in interest and other income, net. Hedging activities related to intercompany net receivables yielded cash flows from operating activities of approximately $180 million, $95 million and $14 million, in 2003, 2002 and 2001, respectively, and approximately $0 million and $73 million for the three months ended March 31, 2004 and 2003, respectively.

In addition to the swap arrangement entered into by BCP Crystal as described below, we had contracts with notional amounts totaling approximately $618 million at September 30, 2004, which were denominated mainly in U.S. dollars, British pound sterling, Japanese yen, and Canadian dollars. During the six months ended September 30, 2004, foreign currency forward contracts, designated as cash flow hedges, resulted in a decrease in total assets of $4 million and a decrease in total liabilities of $2 million. As of September 30, 2004 these contracts hedged a portion (approximately 81%) of dollar denominated intercompany net receivables held by euro denominated entities. Related to the unhedged portion, a net loss of approximately $2 million from foreign exchange gains or losses was recorded to other income, net in the six months ended September 30, 2004. Hedging activities related to intercompany net receivables yielded cash flows from operating activities of approximately $15 million for the six months ended September 30, 2004.

On June 16, 2004, as part of our currency risk management, BCP Crystal entered into a currency swap with certain financial institutions. Under the terms of the swap arrangement, BCP Crystal will pay approximately €13 million in interest and receive approximately $16 million in interest on each June 15 and December 15 (with interest for the first period prorated). Upon maturity of the swap agreement on June 16, 2008, BCP Crystal will pay approximately €276 million and receive $333 million. BCP Crystal has designated the swap as a cash flow hedge of a euro denominated intercompany loan. During the six months ended September 30, 2004, the effects of the swap resulted in an increase in total liabilities and shareholders' equity of $9 million and $1 million net of related income tax of $1 million, respectively.

A substantial portion of our assets, liabilities, revenues and expenses is denominated in currencies other than U.S. dollar, principally the euro. Fluctuations in the value of these currencies against the U.S. dollar, particularly the value of the euro, can have, and in the past have had, a direct and material impact on the business and financial results. For example, a decline in the value of the euro versus the U.S. dollar, results in a decline in the U.S. dollar value of our sales denominated in euros and earnings due to translation effects. Likewise, an increase in the value of the euro versus the U.S. dollar would result in an opposite effect. Celanese estimates that the translation effects of changes in the value of other currencies against the U.S. dollar increased net sales by approximately 4% for the nine months ended September 30, 2004, 7% for the year ended December 31, 2003 and increased net sales by approximately 2% in 2002. The Predecessor estimates that the translation effects of changes in the value of other currencies against the U.S. dollar had minimal impact on total assets for the nine months ended September 30, 2004 and increased total assets by approximately 5% in 2003. Exposure to transactional effects is further reduced by a high degree of overlap between the currencies in which sales are denominated and the currencies in which the raw material and other costs of goods sold are denominated.

Interest Rate Risk Management

The Predecessor entered into interest rate swap agreements to reduce the exposure of interest rate risk inherent in its outstanding debt by locking in borrowing rates to achieve a desired level of fixed/floating rate debt depending on market conditions. The Predecessor had open interest rate swaps with a notional amount of $200 million at March 31, 2004 and December 31, 2003 and $300 million at December 31, 2002. In the second quarter of 2004, we recorded a loss of less than $1 million in other income, net, associated with the early termination of its $200 million interest rate swap. At September 30, 2004, we had no interest rate swap agreements in place. The Predecessor recognized net interest expense from hedging activities relating to interest rate swaps of $2 million and $3 million for the three months ended March 31, 2004 and 2003, respectively. Net interest expense from hedging activities relating to interest rate swaps was recognized in the amounts of $1 million and $5 million for the six months ended September 30, 2004 and 2003, respectively. The Predecessor recognized net interest expense from hedging activities relating to interest rate swaps of $11 million in 2003 and $12 million in 2002. During 2003, the Predecessor's interest rate swaps, designated as cash flow hedges, resulted in a decrease in total assets and total liabilities and an increase in shareholders' equity of $4 million, $14 million and $7 million, net of related income tax of $4 million, respectively. There was no significant gain or loss recorded related to the ineffective portion of the interest rate swaps for the nine months ended September 30, 2004. During 2003, the Predecessor recorded a net gain of $2 million in interest and other income, net, for the ineffective portion of the interest rate swaps. During 2003, the Predecessor recorded a loss of $7 million in interest and other income, net, associated with the early termination of one of its interest rate swaps. During 2002, the Predecessor's interest rate swaps resulted in an increase in total assets and total liabilities and a decrease in shareholders' equity of $4 million, $17 million and $8 million, net of related income tax of $4 million, respectively. Celanese recorded a net loss of $3 million and $5 million in interest and other income, net for the ineffective portion of the interest rate swaps, during the years ended December 31, 2002 and December 31, 2001, respectively.

On a pro forma basis as of September 30, 2004, we had $1,656 million of variable rate debt. A 1% increase in interest rates would increase annual interest expense by approximately $17 million.

Commodity Risk Management

Our and the Predecessor's policy for the majority of our natural gas and butane requirements allows entering into supply agreements and forward purchase or cash-settled swap contracts, generally for up to 24 months. During the first nine months of 2004, there were no forward contracts for our butane requirements and, for natural gas, we had positions covering about 35% of our North American Chemical Products segment requirements primarily as a result of forward contracts entered into in 2003. In the future, we may modify our practice of purchasing a portion of our commodity requirements forward, and consider utilizing a variety of other raw material hedging instruments in addition to forward purchase contracts in accordance with changes in market conditions. The fixed price natural gas forward contracts are principally settled through actual delivery of the physical commodity. The maturities of the cash-settled swap contracts correlate to the actual purchases of the commodity and have the effect of securing predetermined prices for the underlying commodity. Although these contracts are structured to limit our exposure to increases in commodity prices, they can also limit the potential benefit we might have otherwise received from decreases in commodity prices. These cash-settled swap contracts are accounted for as cash flow hedges. Realized gains and losses on these contracts are included in the cost of the commodity upon settlement of the contract. The Predecessor recognized a loss of $1 million and a gain of $1 million from its derivative contracts for the three months ended March 31, 2004 and 2003, respectively. A loss of less than $1 million and $3 million from derivative contracts was recognized for the six months ended September 30, 2004 and 2003, respectively. The Predecessor recognized losses of $3 million and less than $1 million from natural gas and butane contracts in 2003 and 2002, respectively. There was no material impact on the balance sheet at September 30, 2004, March 31, 2004, December 31, 2003 and December 31, 2002. The effective portion of unrealized gains and losses associated with the cash-settled swap contracts are $0 million as of September 30, 2004, March 31, 2004 and December 31, 2003 and $1 million as of December 31, 2002. These amounts are recorded as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are reported in earnings. There were open swaps with a notional amount of $0 million as of September 30, 2004 and March 31, 2004 and $5 million as of December 31, 2003.

Critical Accounting Policies and Estimates

Our management has reviewed these critical accounting policies and estimates and is finalizing its evaluation of our accounting policies and may determine that different policies are preferable in the future. The critical accounting policies adopted by us are as follows:

Our and the Predecessor's consolidated financial statements are based on the selection and application of significant accounting policies. The preparation of these financial statements and application of these policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, we are not currently aware of any reasonably likely events or circumstances that would result in materially different results.

We believe the following accounting polices and estimates are critical to understanding the financial reporting risks present in the current economic environment. These matters, and the judgments and uncertainties affecting them, are also essential to understanding our reported and future operating results. See note 3 to the Celanese Consolidated Financial Statements and note 4 to the Interim Consolidated Financial Statements for a more comprehensive discussion of the significant accounting policies.

Recoverability of Long Lived Assets

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. At September 30, 2004, March 31, 2004 and December 31, 2003, the carrying amount of property, plant and equipment was $1,948 million, $1,649 million and $1,710 million, respectively. As discussed in note 3 to the Celanese Consolidated Financial Statements and note 4 to the Interim Consolidated Financial Statements, we and the Predecessor assess the recoverability of property, plant and equipment to be held and used by a comparison of the carrying amount of an asset or group of assets to the future net undiscounted cash flows expected to be generated by the asset or group of assets. If such assets are considered impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

As a result of the planned consolidation of tow production and the termination of filament production, the Acetate Products segment recorded impairment charges of $50 million associated with plant and equipment in the six months ended September 30, 2004.

We assess the recoverability of the carrying value of our goodwill and other intangible assets with indefinite useful lives at least annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to the fair value as estimated by the future net discounted cash flows expected to be generated by the reporting unit. To the extent that the carrying value of the reporting unit exceeds the fair value of the reporting unit, a second step is performed, wherein the reporting unit's assets and liabilities are fair valued. The implied fair value of goodwill is calculated as the fair value of the reporting unit in excess of the fair value of all non-goodwill assets and liabilities allocated to the reporting unit. To the extent that the reporting unit's carrying value of goodwill exceeds its implied fair value, impairment exists and must be recognized. As of September 30, 2004, the Company had $934 million of goodwill and other intangible assets.

During 2003, the Predecessor performed the annual impairment test of goodwill and determined that there was no impairment. As a result of the tender offer price of €32.50 per share announced on December 16, 2003, which would place an implicit value on Celanese at an amount below book value of the net assets, the Predecessor initiated an impairment analysis in accordance with SFAS No. 142. The impairment analysis was prepared on a reporting unit level and utilized the most recent cash flow, discount rate and growth rate assumptions. Based on the resulting analysis, the Predecessor's management concluded that goodwill was not impaired as of December 31, 2003.

As of March 31, 2004 and September 30, 2004, no significant changes in the underlying business assumptions or circumstances that drive the impairment analysis led Celanese or us to believe goodwill might have been impaired. We will continue to evaluate the need for impairment if changes in circumstances or available information indicate that impairment may have occurred.

A prolonged general economic downturn and, specifically, a continued downturn in the chemical industry as well as other market factors could intensify competitive pricing pressure, create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. Such events, combined with changes in interest rates, could adversely affect estimates of future net cash flows to be generated by our long-lived assets. Consequently, it is possible that future operating results could be materially and adversely affected by additional impairment charges related to the recoverability of long-lived assets.

Restructuring and Special Charges

Special charges include provisions for restructuring and other expenses and income incurred outside the normal ongoing course of operations. Restructuring provisions represent costs related to severance and other benefit programs related to major activities undertaken to fundamentally redesign the business operations as well as costs incurred in connection with a decision to exit non-strategic businesses. These measures are based on formal management decisions, establishment of agreements with the employees' representatives or individual agreements with the affected employees as well as the public announcement of the restructuring plan. The related reserves reflect certain estimates, including those pertaining to separation costs, settlements of contractual obligations and other closure costs. We reassess the reserve requirements to complete each individual plan under existing restructuring programs at the end of each reporting period. Actual experience has been and may continue to be different from these estimates. (See note 25 to the Celanese Consolidated Financial Statements and note 14 to the Interim Consolidated Financial Statements.)

Environmental Liabilities

We manufacture and sell a diverse line of chemical products throughout the world. Accordingly, the businesses' operations are subject to various hazards incidental to the production of industrial chemicals including the use, handling, processing, storage and transportation of hazardous materials. We recognize losses and accrue liabilities relating to environmental matters if available information indicates that it is probable that a liability has been incurred and the amount of loss is reasonably estimated. If the event of loss is neither probable nor reasonably estimable, but is reasonably possible, appropriate disclosure is provided in the notes to its consolidated financial statements if the contingency is material.

Total reserves for environmental liabilities were $147 million, $153 million and $159 million at September 30, 2004, March 31, 2004 and December 31, 2003, respectively. Measurement of environmental reserves is based on the evaluation of currently available information with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites. An environmental reserve related to cleanup of a contaminated site might include, for example, provision for one or more of the following types of costs: site investigation and testing costs, cleanup costs, costs related to soil and water contamination resulting from tank ruptures and post-remediation monitoring costs. These reserves do not take into account any claims or recoveries from insurance. There are no pending insurance claims for any environmental liability that are expected to be material. The measurement of environmental liabilities is based on a range of management's periodic estimate of what it will cost to perform each of the elements of the remediation effort. We use our best estimate within the range to establish our environmental reserves. We utilize third parties to assist in the management and the development of our cost estimates for our sites. Changes to environmental regulations or other factors affecting environmental liabilities are reflected in the consolidated financial statements in the period in which they occur. We accrue for legal fees related to litigation matters when the costs associated with defense can be reasonably estimated and are probable to occur. All other fees are expensed as incurred. (See note 24 to the Celanese Consolidated Financial Statements.)

Asset Retirement Obligations

We, as of September 30, 2004, and the Predecessor, as of March 31, 2004 and December 31, 2003, had reserves for asset retirement obligations of $61 million, $48 million and $47 million, respectively. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The liability is measured at the discounted fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. We have identified but not recognized asset retirement obligations related to substantially all our existing operating facilities. Examples of these types of obligations include demolition, decommissioning, disposal and restoration activities. Legal obligations exist in connection with the retirement of these assets upon closure of the facilities or abandonment of the existing operations. However, operations at these facilities are expected to continue indefinitely and therefore a reasonable estimate of fair value cannot be determined at this time. In the future, we will assess strategies of the businesses acquired and may support decisions that differ from past decisions of the Predecessor's management regarding the continuing operations of existing facilities. Asset retirement obligations will be recorded if these strategies are changed and probabilities of closure are assigned to existing facilities. If certain operating facilities were to close, the related asset retirement obligations could significantly effect our results of operations and cash flows.

In accordance with SFAS No. 143, the Acetate Products segment recorded a charge of $8 million, included within 2003 depreciation expense, related to potential asset retirement obligations, as a result of a worldwide assessment of our acetate production capacity. The assessment concluded that there was a probability that certain facilities would be closed in the latter half of the decade. In October 2004 we announced plans to consolidate flake and tow production by early 2007 and to discontinue production of filament by mid-2005. The restructuring will result in the discontinuance of acetate production at two sites, as such, we recorded a charge of $12 million included within depreciation expense, of which $8 million was recorded by the Acetate Products segment and $4 million by the Chemical Products segment, for the six months ended September 30, 2004.

Realization of Deferred Tax Assets

Total net deferred tax assets (liabilities) were approximately $(126) million, $576 million and $555 million at September 30, 2004, March 31, 2004 and December 31, 2003, respectively. Management regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Such evaluations require significant management judgments. Valuation allowances have been established primarily for U.S. deferred tax assets, German income tax loss carryforwards and Mexican net operating loss carryforwards.

On April 6, 2004, the closing date of the Tender Offer, Celanese had approximately $576 million in net deferred tax assets, of which $531 million were in the U.S., including $173 million arising from U.S. net operating loss (NOL) carryforwards. Under U.S. tax law, the utilization of deferred tax assets related to NOL carryforwards is subject to an annual limitation if there is a more than 50 percentage point change in shareholder ownership. The acceptance of the Tender Offer triggered this limitation (which may be subject to adjustment). As a result of this limitation and the Recent Restructuring, a valuation allowance was established against the deferred tax asset attributable to the U.S. NOL carryforwards at the closing date of the Tender Offer. In addition, as a result of the Recent Restructuring, including the transfer of CAC to BCP Crystal, we determined that it was no longer more likely than not that we would realize our other net U.S. deferred tax assets. Accordingly, we recorded a full valuation allowance on our $294 million of other net pre-acquisition U.S. deferred tax assets (reduced by deferred tax liabilities) with a corresponding increase in goodwill. In addition, the valuation allowance on U.S. deferred assets was increased by $12 million through a charge to tax expense, and $13 million through a reduction in minority interest liability, respectively, during the six months ended September 30, 2004 related to activity subsequent to the closing date of the Tender Offer. Management is currently reviewing the impact of the Tender Offer and whether it will have an impact on other deferred tax assets outside the U.S. The finalization of this assessment could result in adjustments to current and deferred tax assets liabilities.

As a result of the conclusion of an income tax examination for the tax audit period ending December 31, 2000 and the receipt of the final tax and interest assessment, the Company reversed accrued income tax reserves attributable to that period. This resulted in a decrease in income taxes payable and goodwill of $113 million as it was a purchase accounting adjustment.

Benefit Obligations

Pension and other postretirement benefit plans covering substantially all employees who meet eligibility requirements are sponsored by CAC, our subsidiary. With respect to its U.S. qualified defined benefit pension plan, minimum funding requirements are determined by the Employee Retirement Income Security Act. For the periods presented, the Predecessor has not been required to contribute under these minimum funding requirements. However, the Predecessor chose to contribute $130 million, $100 million, and $142 million for the years ended December 31, 2003, 2002 and 2001, respectively, and $33 million and $98 million for the three and nine months ended March 31, 2004 and September 30, 2003, respectively. Benefits are generally based on years of service and/or compensation. Various assumptions are used in the calculation of the actuarial valuation of the employee benefit plans. These assumptions include the weighted average discount rate, rates of increase in compensation levels, expected long-term rates of return on plan assets and increases or trends in health care costs. In addition to the above mentioned assumptions, actuarial consultants use subjective factors such as withdrawal and mortality rates to estimate the projected benefit obligation. The actuarial assumptions used to estimate the projected benefit obligation may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded by us in future periods.

The amounts recognized in our and the Predecessor's consolidated financial statements related to pension and postretirement benefits are determined on an actuarial basis. A significant assumption used in determining pension expense is the expected long-term rate of return on plan assets. At September 30, 2004 we assumed an expected long-term rate of return on plan assets of 8.5% for the U.S. qualified defined benefit pension plan. In 2003, the Predecessor assumed an expected long-term rate of return on plan assets of 9.0% for its U.S. qualified defined benefit pension plan, reflecting the generally expected moderation of long-term rates of return in the financial markets. The U.S. qualified defined benefit plan represents greater than 90 percent and 80 percent of the pension plan assets and liabilities, respectively. On average, the actual return on plan assets over the long-term (15 to 20 years) has substantially exceeded 9.0%. In 2003, the plans experienced market related returns as compared to losses in 2002.

For 2003, the Predecessor's expected long-term rate of return assumption for its U.S. plans remained at 9.0%. A 25 basis point decline in the expected long-term rate of return for the U.S. qualified defined benefit pension plan is expected to increase pension expense by an estimated

$5 million in 2004. Another estimate that affects pension and postretirement benefit expense is the discount rate used in the annual actuarial valuations of pension and postretirement benefit plan obligations. At the end of each year, Management determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the pension and postretirement benefit obligations. The discount rate is generally based on the yield on high-quality corporate fixed-income securities. At September 30, 2004 and at December 31, 2003, the discount rate of the U.S. plans for the Successor and Predecessor, respectively, was 6.00% and 6.25%, respectively. At December 31, 2002 the discount rate was 6.75% for the U.S. plans. At December 31, 2003, a 50 basis point decline in the discount rate for the U.S. pension and postretirement medical plans is estimated to increase pension and postretirement benefit expense in 2004 by approximately $5 million and less than $1 million, respectively, and the liabilities by approximately $130 million and approximately $13 million, respectively.

Additionally, other postretirement benefit plans provide medical and life insurance benefits to retirees who meet minimum age and service requirements. The postretirement benefit cost for 2003 and 2002 was $35 million and $39 million, respectively, and the accrued post-retirement liability was $320 million and $326 million, respectively. The post-retirement benefit cost was $22 million for the nine months ended September 30, 2004 and $25 million for the nine months ended September 30, 2003, and the accrued post-retirement liability was $311 million at September 30, 2004. The key determinants of the accumulated postretirement benefit obligation ("APBO") are the discount rate and the healthcare cost trend rate. The healthcare cost trend rate has a significant effect on the reported amounts of APBO and related expense. For example, as estimated at December 31, 2003, increasing the healthcare cost trend rate by one percentage point in each year would increase the APBO at December 31, 2003, and the 2003 postretirement benefit cost by approximately $1 million and less than $1 million, and decreasing the healthcare cost trend rate by one percentage point in each year would decrease the APBO at December 31, 2003 and the 2003 postretirement benefit cost by approximately $2 million and less than $1 million, respectively. (See Note 18 to the Celanese Consolidated Financial Statements and Note 10 to the Interim Consolidated Financial Statements.)

Accounting for Commitments & Contingencies

We are subject to a number of lawsuits, claims, and investigations, incidental to the normal conduct of our business, relating to and including product liability, patent and intellectual property, commercial, contract, antitrust, and employment matters, which are handled and defended in the ordinary course of business. (See note 23 to the Celanese Consolidated Financial Statements and note 13 to the Interim Consolidated Financial Statements.) Management routinely assesses the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable and reasonably estimable losses. Reasonable estimates involve judgments made by management after considering a broad range of information including: notifications, demands, settlements which have been received from a regulatory authority or private party, available facts, identification of other potentially responsible parties and their ability to contribute, as well as prior experience. A determination of the amount of loss contingency required, if any, is assessed in accordance with SFAS No. 5 "Contingencies and Commitments" and recorded if probable and estimable after careful analysis of each individual matter. The required reserves may change in the future due to new developments in each matter and as additional information becomes available.

CNA Holdings, Inc. ("CNA Holdings"), a U.S. subsidiary of ours and the Predecessor, which includes the U.S. business now conducted by Ticona, along with Shell Chemical Company ("Shell") and E. I. du Pont de Nemours ("DuPont"), among others, have been the defendants in a series of lawsuits, alleging that plastics manufactured by these companies that were utilized in the production of plumbing systems for residential property were defective or caused such plumbing systems to fail. CNA Holdings has accrued its best estimate of its share of the plumbing actions. At September 30, 2004 and December 31, 2003, accruals were $74 million and $76 million, respectively, for this matter, of which $12 million and $14 million, respectively, are included in current liabilities. Management believes that the plumbing actions are adequately provided for in the consolidated financial statements. However, if we were to incur an additional charge for this matter, such a charge would not be expected to have a material adverse effect on the financial position, but may have a material adverse effect on our results of operations or cash flows in any given accounting period. The Predecessor's receivables relating to the anticipated recoveries from third party insurance carriers for this product liability matter are based on the probability of collection on the settlement agreements reached with a majority of the insurance carriers whose coverage level exceeds the receivables and based on the status of current discussions with other insurance carriers. As of September 30, 2004 and December 31, 2003, insurance claims receivables were $65 million and $63 million, respectively. Collectibility could vary depending on the financial status of the insurance carriers. In 2003, the Predecessor recorded income from special charges of $107 million and interest income of $20 million, related to settlements from insurers in excess of the recorded receivable amounts. (See note 23 to the Celanese Consolidated Financial Statements and note 13 to the Interim Consolidated Financial Statements.)

Nutrinova Inc., a U.S. subsidiary of Nutrinova Nutrition Specialties & Food Ingredients GmbH, a wholly-owned subsidiary of ours and the Predecessor, is party to various legal proceedings in the United States, Canada and Europe alleging Nutrinova Inc. engaged in unlawful, anticompetitive behavior which affected the sorbates markets while it was a wholly-owned subsidiary of Hoechst. In accordance with the demerger agreement between Hoechst and Celanese, which became effective October 1999, Celanese, the successor to Hoechst's sorbates business, was assigned the obligation related to these matters. However, Hoechst agreed to indemnify Celanese for 80 percent of payments for such obligations. Expenses related to this matter are recorded gross of any such recoveries from Hoechst while the recoveries from Hoechst, which represents 80 percent of such expenses, are recorded directly to shareholders' equity, net of tax, as a contribution of capital.

Based on a review of the existing facts and circumstances relating to the sorbates matter, including the status of governmental investigations, as well as civil claims filed and settled, we and the Predecessor had remaining accruals of $131 million and $137 million at September 30, 2004 and December 31, 2003, respectively, for the estimated loss relative to this matter. Although the outcome of this matter cannot be predicted with certainty, management's best estimate of the range of possible additional future losses and fines, including any that may result from governmental proceedings, as of September 30, 2004 is between $0 and $9 million. The estimated range of such possible future losses is management's best estimate taking into consideration potential fines and claims, both civil and criminal, that may be imposed or made in other jurisdictions. At September 30, 2004 and December 31, 2003, we and the Predecessor had receivables, recorded within current assets, relating to the sorbates indemnification from Hoechst of $105 million and $110 million, respectively. (See Note 23 to the Celanese Consolidated Financial Statements and note 13 to the Interim Consolidated Financial Statements.)

Captive Insurance Companies

We and the Predecessor consolidate two wholly owned insurance companies (the "Captives"). The Captives are a key component of our global risk management program as well as a form of self-insurance for property, liability and workers' compensation risks. The Captives issue insurance policies to Predecessor subsidiaries to provide consistent coverage amid fluctuating costs in the insurance market and to lower long-term insurance costs by avoiding or reducing commercial carrier overhead and regulatory fees. The Captives issue insurance policies and coordinate claims handling services with third party service providers. They retain risk at levels approved by the Board of

Management and obtain reinsurance coverage from third parties to limit the net risk retained. One of the Captives also insures certain third party risks.

The assets of the Captives consist primarily of marketable securities and reinsurance receivables. Marketable securities values are based on quoted market prices or dealer quotes. The carrying value of the amounts recoverable under the reinsurance agreements approximate fair value due to the short-term nature of these items.

The liabilities recorded by the Captives relate to the estimated risk of loss recorded by the Captives, which is based on management estimates and actuarial valuations, and unearned premiums, which represent the portion of the premiums written applicable to the terms of the policies in force. The establishment of the provision for outstanding losses is based upon known facts and interpretation of circumstances influenced by a variety of factors. In establishing a provision, management considers facts currently known and the current state of laws and litigation where applicable. Liabilities are recognized for known claims when sufficient information has been developed to indicate involvement of a specific policy and management can reasonably estimate their liability. In addition, liabilities have been established to cover additional exposure on both known and unasserted claims. Estimates of the liabilities are reviewed and updated regularly. It is possible that actual results could differ significantly from the recorded liabilities.

The Captives use reinsurance arrangements to reduce their risk of loss. Reinsurance arrangements however do not relieve the Captives from their obligations to policyholders. Failure of the reinsurers to honor their obligations could result in losses to the Captives. The Captives evaluate the financial condition of their reinsurers and monitor concentrations of credit risk to minimize their exposure to significant losses from reinsurer insolvencies and establish allowances for amounts deemed non-collectable.

Premiums written are recognized based on the terms of the policies. Capitalization of the Captives is determined by regulatory guidelines. As of September 30, 2004, the net retained concurrent aggregate risk of all policies written by the Captives, after reinsuring higher tier risks with third party insurance companies, net of established reserves, amounted to approximately $516 million. This amount of exposure is further offset by the underlying equity of the Captives amounting to approximately $370 million at September 30, 2004.

INDUSTRY OVERVIEW

We are a leading player in the basic chemicals and specialty chemicals markets. We compete in four primary markets: Chemical Products, Acetate Products, Technical Polymers Ticona and Performance Products.

Chemical Products

We participate in the basic chemicals market through our sales of acetic acid and vinyl acetate monomer, as well as our significant presence in acetyl derivatives. We also produce higher value-added acetyl based products, such as polyvinyl alcohol and emulsions. The Chemical Products segment consists of six business lines: Acetyls, Acetyl Derivatives and Polyols, Polyvinyl Alcohol, Emulsions, Specialties and other chemical activities.

Acetyls

Acetic acid is a global, mature product that is primarily used for the production of vinyl acetate monomer (VAM) as well as purified terephthalic acid solvent and acetic anhydride. The 2003 global demand was approximately 7.3 million metric tons served by a few, large producers, according to Tecnon and our estimates. Future demand for acetic acid largely depends on manufacturing growth in VAM and purified terephthalic acid, a precursor material for manufacturing polyester, and is expected to grow approximately 3-4% per annum on a global basis. Asia is projected to become an increasingly important player in acetic acid production and currently represents approximately one third of total production capacity. We have begun preparations to build a 600,000 metric ton per year acetic acid plant in Nanjing, China, with production anticipated to begin in late 2006 or early 2007. We are a leading global producer of acetic acid according to the Tecnon Orbichem Survey.

Global demand for VAM in 2003 was estimated to be 4.4 million metric tons and is expected to grow 3-4% per annum, according to Tecnon and our estimates. VAM is used in a variety of adhesives, paints, films, coatings and textiles. We are the world's leading producer of VAM according to the Tecnon Orbichem Survey.

Acetic acid and vinyl acetate monomer, like other commodity products, are characterized by cyclicality in pricing. The principal raw materials in these products are natural gas and ethylene, which are purchased from numerous sources; carbon monoxide, which we purchase under long-term contracts; methanol, which we both manufacture and purchase under short-term contracts; and butane, which we purchase from several suppliers. All these raw materials, except carbon monoxide, are themselves commodities and are available from a wide variety of sources. We intend to purchase most of our North American methanol requirements from Southern Chemical Corporation beginning in 2005 under a multi-year agreement. We will continue to purchase the majority of our ethylene requirements, primarily for the U.S. and Europe, at producer economics under a multi-year agreement.

Our acetic acid and vinyl acetate monomer businesses are global and have several large customers. Generally, we supply these global customers under multi-year contracts. The customers of acetic acid and vinyl acetate monomer produce polymers used in water-based paints, adhesives, paper coatings, film modifiers and textiles.

Other products include acetic anhydride, a raw material used in the production of cellulose acetate, detergents and pharmaceuticals and acetaldehyde, a major feedstock for the production of polyols. Acetaldehyde is also used in other organic compounds such as pyridines, which are used in agricultural products.

Acetyl Derivatives and Polyols

The acetyl derivatives and polyols business line produces a variety of solvents, polyols, formaldehyde and other chemicals, which in turn are used in the manufacture of paints, coatings, adhesives, and other products. Many acetyl derivatives products are derived from our production of acetic acid and oxo alcohols.

Acetyl derivatives and polyols are commodity products characterized by cyclicality in pricing. The principal raw materials used in the acetyl derivatives business line are acetic acid, various alcohols, methanol, acetaldehyde, propylene, ethylene and synthesis gas.

The customers of acetyl derivatives are primarily engaged in the production of paints, coatings and adhesives. The sale of formaldehyde is based on both long and short term agreements. Polyols are sold globally to a wide variety of customers, primarily in the coatings and resins and the specialty products industries. Oxo products are sold into a wide variety of end uses, including plasticizers, acrylates and solvents/ethers. The oxo market is characterized by oversupply and numerous competitors.

Polyvinyl Alcohol

Polyvinyl alcohol ("PVOH") is a performance chemical engineered to satisfy particular customer requirements. Global demand for polyvinyl alcohol is estimated to be 840,000 metric tons, according to Tecnon and our estimates. According to Stanford Research International's December 2003 report on PVOH, we are the largest North American producer of polyvinyl alcohol and the third largest producer in the world.

PVOH is used in adhesives, building products, paper coatings, films and textiles. The primary raw material to produce polyvinyl alcohol is vinyl acetate monomer, and acetic acid is produced as a by-product. Prices vary depending on industry segment and end use application. Products are sold on a global basis, and competition is from all regions of the world. Therefore, regional economies and supply and demand balances affect the level of competition in other regions. Polyvinyl alcohol is sold to a diverse group of regional and multinational customers. The customers of our polyvinyl alcohol business line are primarily engaged in the production of adhesives, paper, films, building products, and textiles.

Emulsions

Emulsions are a key component of water-based quality surface coatings, adhesives, non-woven textiles and other applications. According to Kline & Co., a chemicals industry consultant, based on sales, we held a number two position in emulsions (excluding styrene butadiene resins) in Europe and a number one position in European VAM-based emulsions in 2001. Emulsions are made from vinyl acetate monomer, acrylate esters and styrene. Emulsions and emulsion powders are sold to a diverse group of regional and multinational customers. Customers for emulsions are manufacturers of water-based quality surface coatings, adhesives, and non-woven textiles. Customers for emulsion powders are primarily manufacturers of building products.

Specialties

Our specialties business line produces (i) carboxylic acids used in detergents, synthetic lubricants and plasticizers, (ii) amines used in agrochemicals, herbicides, and in the treatment of rubber and water and (iii) oxo derivatives and special solvents which are used as raw materials for the fragrance and food ingredients industry.

The prices for these products are generally relatively stable due to long-term contracts with customers in industries that are not generally subject to the cyclical trends of commodity chemicals. The primary raw materials for these products are olefins and ammonia, which are purchased from world market suppliers based on international prices. The specialties business line primarily serves global markets in the synthetic lubricant, agrochemical, rubber processing and other specialty chemical areas. Much of the specialties business line involves "one customer, one product" relationships, where the business develops customized products with the customer, but the specialties business line also sells several chemicals which are priced more like commodity chemicals.

Competition

Our principal competitors in the Chemical Products segment include Acetex Corporation, Air Products and Chemicals, Inc., Atofina S.A., BASF, Borden Chemical, Inc., BP p.l.c., Chang Chun Petrochemical Co., Ltd., Daicel, Dow, Eastman Chemical Corporation ("Eastman"), E. I. Du Pont de Nemours and Company ("DuPont"), Methanex Corporation ("Methanex"), Millennium Chemicals Inc. ("Millennium"), Nippon Goshei, Perstorp Inc., Rohm & Haas Company, Showa Denko K.K., and Kuraray Co. Ltd.

Acetate Products

Global demand for cellulose acetate fiber was estimated to be approximately 700,000 tons, with approximately 85% comprising cigarette filter tow and the remaining 15% textile filament, according to our 2003 estimates. While filter tow demand is expected to grow 1% per annum, acetate filament is expected to decline by 4 to 6% per annum. According to the 2002 Stanford Research Institute *International Chemical Economics Handbook*, we are the world's leading producer of acetate fibers, including production through its joint ventures in Asia. In October 2004, we announced our plans to discontinue filament production by mid-2005 and to consolidate our flake and tow production at three sites instead of the current five.

We produce acetate flake by processing wood pulp with acetic anhydride. We purchase wood pulp that is made from reforested trees from major suppliers and produces acetic anhydride internally. The acetate flake is then further processed into acetate fiber in the form of a tow band or filament.

The acetate products business line produces acetate tow, which is used primarily in filter products. The acetate tow market continues to be characterized by stability and slow growth. The acetate filament business line is a supplier to the textile industry. Demand for acetate filament is dependent on fashion trends and the world economy.

Sales in the acetate filter products industry are principally to the major tobacco companies that account for a majority of worldwide cigarette production.

In the acetate filament industry, our sales are made to textile companies that range in size from the largest in the industry to others which are quite small. The textile companies either weave or knit the acetate filament yarns to produce greige fabrics. The greige fabrics are then dyed and finished, either by the greige fabrics manufacturer or by converters who buy the fabrics and contract with dyeing and finishing companies to process the fabrics. The finished fabrics are sold to manufacturers who cut and sew the fabrics into apparel for retail stores.

The textile industry, in particular the apparel portion of the industry, continues to undergo structural changes as production moves from high-wage to low-wage countries. In recent years, this has resulted in a changing customer base for all participants in the textile chain.

Competition

Principal competitors in the Acetate Products segment include Acetate Products Ltd. (Acordis), Daicel, Eastman, Mitsubishi Rayon Company, Limited, Novaceta S.p.a., and Rhodia S.A. ("Rhodia").

Technical Polymers Ticona

Ticona develops, produces and supplies a broad portfolio of high performance technical polymers including polyacetals and ultra-high-molecular-weight polyethylene. Polyacetals are estimated to have a 3-4% annual estimated growth in the U.S. and Western Europe, according to SRI Consulting. Ticona's technical polymers have chemical and physical properties enabling them, among other things, to withstand high temperatures, resist chemical reactions with solvents and resist fracturing or stretching. These products are used in a wide range of performance-demanding applications in the automotive and electronics sectors and in other consumer and industrial goods, often replacing metal or glass.

Ticona's customer base consists primarily of a large number of plastic molders and component suppliers, which are often the primary suppliers to original equipment manufacturers, or OEMs. Ticona works with these molders and component suppliers as well as directly with the OEMs to develop and improve specialized applications and systems.

Prices for most of these products, particularly specialized product grades for targeted applications, generally reflect the value added in complex polymer chemistry, precision formulation and compounding, and the extensive application development services provided. The specialized product lines are not particularly susceptible to cyclical swings in pricing. Polyacetals pricing, mainly in standard grades, is, however, somewhat more price competitive, with many minimum-service providers competing for volume sales.

Polyacetals are used for mechanical parts, in automotive applications including door lock systems, seat belt mechanisms, fuel senders and in electrical, consumer, medical and industrial applications such as razors, shower handsets, medical dosage systems and gears for appliances.

The primary raw material for polyacetals is formaldehyde, which is manufactured from methanol. Ticona currently purchases formaldehyde in the United States from our Chemical Products segment and, in Europe, manufactures formaldehyde from purchased methanol.

Ultra high molecular weight polyethylene, or PE-UHMW, is a type of high density polyethylene (HDPE) specialty material that is very tough and abrasion and impact resistant. It is therefore used in different end-markets from traditional HDPE. It can be found in sheet form, molded into stock shapes, or spun into high-strength fibers. Its most common end uses are compression-molded sheets, porous parts, ram-extruded sheets, profiles, filters and rods. GUR, a form of PE-UHMW, is an engineered material used in heavy-duty automotive and industrial applications such as car battery separator panels and industrial applications, such as flood gates and conveyor belts, as well as in specialty medical and consumer applications, such as porous tips for marker pens, sports equipment, orthopedic devices or in water filtration. The basic raw material for PE-UHMW is ethylene.

Polyesters are used in a wide variety of automotive, electrical and consumer applications, including ignition system parts, radiator grilles, airbags, electrical switches, appliance housings, boat fittings and perfume bottle caps. Raw materials for polyesters vary.

Liquid crystal polymers, or LCPs are used in electrical and electronics applications and for precision parts with thin walls and complex shapes. Fortron, a polyphenylene sulphide, or PPS, product, is used in a wide variety of automotive and other applications, especially those requiring heat and/or chemical resistance, including fuel system parts, radiator pipes and halogen lamp housings, and often replaces metal in these demanding applications. Celstran and Compel are long fiber reinforced thermoplastics, which impart extra strength and stiffness, making them more suitable for larger parts than conventional thermoplastics.

A number of Ticona's polyacetals customers, particularly in the appliance, electrical components, toys and certain sections of the electronics/telecommunications fields, have moved tooling and molding operations to Asia, particularly southern China. To meet the expected increased demand in this region, Ticona, along with Polyplastics, Mitsubishi Gas Chemical Company Inc., and Korea Engineering Plastics agreed on a production joint venture to construct and operate a 60,000 metric ton polyacetals facility in China.

Ticona's principal customers are suppliers to the automotive industries as well as industrial suppliers. These customers primarily produce engineered products, and Ticona works closely with its customers to assist them to develop and improve specialized applications and systems.

Competition

Ticona's principal competitors include BASF, DuPont, General Electric Company DSM NV, and Solvay S.A. Other competitors include Asahi Kasei Corporation, Mitsubishi Plastics, Inc., Bayer AG, Chevron Phillips Chemical Company, L.P., Braskem S.A., Teijin and Toray Industries Inc.

Performance Products

According to SRI Consulting, sales of high-intensity sweeteners represented approximately 11% of the $9.5 billion food additive businesses in the U.S., Western Europe and Japan in 2003. Nutrinova's food ingredients business consists of the production and sale of high intensity sweeteners and food protection ingredients, such as sorbic acids and sorbates, as well as the resale of dietary fiber products worldwide and the resale of other food ingredients in Japan, Australia, Mexico and the United States. Acesulfame-K, marketed under the trademark Sunett, is used in a variety of beverages, confections and dairy products throughout the world. It is a long lasting product independent of temperature and has synergies with other sweeteners, both nutritive and non-nutritive. The primary raw materials for this product are diketene and sulfur trioxide. Sunett pricing for targeted applications reflects the value added in the precision formulations and extensive technical services provided.

Nutrinova's food protection ingredients are used in foods, beverages and personal care products. The primary raw materials for these products are ketene and crotonaldehyde. Sorbates pricing is extremely sensitive to demand and industry capacity and is not necessarily dependent on the prices of raw materials.

Competition

The principal competitors for Nutrinova's Sunett sweetener are Holland Sweetener Company, The Nutrasweet Company, Ajinomoto Co., Inc., Tate & Lyle and several Chinese manufacturers. In sorbates, Nutrinova competes with Nantong AA, Daicel, Cheminova, Yu Yao/Ningbo, Yancheng AmeriPac and other Chinese manufacturers of sorbates.

BUSINESS

Celanese Corporation

We are an integrated global producer of value-added industrial chemicals and have #1 or #2 market positions worldwide in products comprising the majority of our sales. We are also the world's largest producer of acetyl products, including acetic acid, vinyl acetate monomer (VAM) and polyacetals (POM) and a leading global producer of high-performance engineered polymers used in consumer and industrial products and designed to meet highly technical customer requirements. Our operations are located in North America, Europe and Asia, including substantial joint ventures in China. We believe we are one of the lowest-cost producers of key building block chemicals in the acetyls chain, such as acetic acid and VAM, due to our economies of scale, operating efficiencies and proprietary production technologies.

We have a large and diverse global customer base consisting principally of major companies in a broad array of industries. In 2003, 39% of our net sales was to customers located in North America, 40% to customers in Europe and 21% to customers in Asia, Australia and the rest of the world.

Segment Overview

We operate through four business segments: Chemical Products, Technical Polymers Ticona, Acetate Products and Performance Products. The table below illustrates each segment's net sales to external customers for the year ended December 31, 2003, as well as each segment's major products and end use markets.

	Chemical Products	Technical Polymers Ticona	Acetate Products(2)	Performance Products
2003 Net Sales(1)	$2,968 million	$762 million	$655 million	$169 million
Major Products	Acetic acid Vinyl acetate monomer (VAM) Polyvinyl alcohol (PVOH) Emulsions Acetic anhydride Acetate esters Carboxylic acids Methanol	Polyacetal (POM) UHMW-PE (GUR) Liquid crystal polymers (Vectra) Polyphenylene sulfide Fortron)	Acetate tow Acetate filament	Sunett sweetener Sorbates
Major End-Use Markets	Paints Coatings Adhesives Lubricants Detergents	Fuel system components Conveyor belts Electronics Seat belt mechanisms	Filter products Textiles	Beverages Confections Baked goods Dairy products

(1) 2003 net sales of $4,603 million also include $49 million in net sales from Other Activities. 2003 net sales of Chemical Products excludes $97 million in inter-segment sales.

(2) In October 2004, we announced our plans to discontinue filament production by mid-2005 and to consolidate our flake and tow production at three sites, instead of the current five.

Chemical Products

Our Chemical Products segment produces and supplies acetyl products, including acetic acid, acetate esters, vinyl acetate monomer polyvinyl alcohol and emulsions. We are a leading global producer of acetic acid, the world's largest producer of vinyl acetate monomer and the largest North American producer of methanol, the major raw material used for the production of acetic acid. We are also the largest polyvinyl alcohol producer in North America. These products are generally used as building blocks for value-added products or in intermediate chemicals used in the paints, coatings, inks,

adhesives, films, textiles and building products industries. Other chemicals produced in this segment are organic solvents and intermediates for pharmaceutical, agricultural and chemical products. In 2003, sales to external customers of acetyls were $1,297 million, acetyl derivatives and polyols were $871 million and all other business lines combined totaled $800 million.

Technical Polymers Ticona

Our Technical Polymers Ticona segment develops, produces and supplies a broad portfolio of high performance technical polymers for use in automotive and electronics products and in other consumer and industrial applications, often replacing metal or glass. Together with our 45%-owned joint venture Polyplastics, our 50%-owned joint venture Korea Engineering Plastics Company Ltd., and Fortron Industries, our 50-50 joint venture with Kureha Chemicals Industry of Japan, we are a leading participant in the global technical polymers business. The primary products within the Ticona segment are Hostaform/Celcon, our polyacetal, or POM, offerings, and GUR, an ultra-high molecular weight polyethylene. Hostaform and Celcon are used in a broad range of products including automotive components, electronics and appliances. GUR is used in battery separators, conveyor belts, filtration equipment, coatings and medical devices. Sales to external customers in the Technical Polymers Ticona segment totaled $762 million in 2003.

Acetate Products

Our Acetate Products segment primarily produces and supplies acetate tow, which is used in the production of filter products and acetate filament, which is used in the apparel and home furnishing industries. Our acetate products are sold into a diverse set of end market applications, including filter products, fashion apparel, linings and home furnishings. We are one of the world's leading producers of acetate tow and acetate filament, including production by our joint ventures in China. Our Acetate Products segment primarily produces and supplies acetate tow, which is used in the production of filter products, and acetate filament, which is used in the apparel and home furnishing industries. We are one of the world's leading producers of acetate tow and acetate filament, including production by our joint ventures in China. In October 2004, we announced plans to consolidate our acetate flake and tow manufacturing by early 2007 and to exit the acetate filament business by mid-2005. This restructuring is being implemented to increase efficiency, reduce over-capacities in certain manufacturing areas and to focus on products and markets that provide long-term value. Sales to external customers of filter and filament products were $537 million and $118 million, respectively, in 2003.

Performance Products

The Performance Products segment operates under the trade name of Nutrinova and produces and sells a high intensity sweetener and food protection ingredients, such as sorbates, for the food, beverage and pharmaceuticals industries. Sales to external customers of Performance Products were $169 million in 2003.

Competitive Strengths

We have benefited from a number of competitive strengths, including the following:

Leading Market Positions

We have #1 or #2 market positions globally in products that make up a majority of our sales according to SRI Handbook and Tecnon Orbichem Survey. We are a leading global producer of acetic acid and the world's largest producer of vinyl acetate monomer. Ticona and our joint ventures, Polyplastics and KEP, are leading suppliers of polyacetals and other engineering resins in North America, Europe and the Asia/Pacific region. Our leadership positions are based on our large share of global production capacity, operating efficiencies, proprietary technology and competitive cost structures in our major products.

Proprietary Production Technology and Operating Expertise

Our production of acetyl products employs industry leading proprietary and licensed technologies, including our proprietary AO Plus acid-optimization technology for the production of acetic acid and VAntage vinyl acetate monomer technology. AO Plus enables plant capacity to be increased with minimal investment, while VAntage enables significant increases in production efficiencies, lower operating costs and increases in capacity at ten to fifteen percent of the cost of building a new plant.

Low Cost Producer

Our competitive cost structures are based on economies of scale, vertical integration, technical know-how and the use of advanced technologies.

Global Reach

We operate 24 production facilities (excluding our joint ventures) throughout the world, with major operations in North America, Europe and Asia. Joint ventures owned by us and our partners operate nine additional facilities. Our infrastructure of manufacturing plants, terminals, and sales offices provides us with a competitive advantage in anticipating and meeting the needs of our global and local customers in well-established and growing markets, while our geographic diversity reduces the potential impact of volatility in any individual country or region. We have a strong and growing presence in Asia (particularly in China) where joint ventures owned by us and our partners operate nine additional facilities.

International Strategic Investments

Our strategic investments, including our joint ventures, have enabled us to gain access, minimize costs and accelerate growth in new markets, while also generating significant cash flow and earnings. Our joint ventures represent an important component of our growth strategy. During the three fiscal years ended 2003, we received $291 million in dividends and other distributions from our joint ventures.

Diversified Products and End-Use Markets

We offer our customers a broad range of products in a wide variety of end-use markets. For example, the Technical Polymers Ticona business offers customers a broad range of high-quality engineering plastics to meet the needs of customers in numerous end-use markets, such as automotive, electrical/electronics, appliance and medical. The Chemical Products business has leading market positions in an integrated chain of basic and performance-based acetyl products, sold into diverse industrial applications. This product diversity and exposure help us reduce the potential impact of volatility in any individual market segment.

Business Strategies

We are focused on increasing operating cash flows, profitability, return on investment and shareholder value, which we believe can be achieved through the following business strategies:

Maintain Cost Advantage and Productivity Leadership

We continually seek to reduce our production and raw material costs. We announced in July 2003 that we intend to purchase most of our North American internal methanol requirements from Southern Chemical Corporation beginning in 2005 under a multi-year agreement at a lower cost than our present cost for methanol. Our advanced process control (APC) projects generate savings in energy and raw materials while increasing yields in production units. Energy and raw materials savings resulting from APC projects were approximately $10 million in 2003 and $14 million in the nine months ended September 30, 2004. Most significantly, we intend to intensify the implementation of Six Sigma, which has become a pervasive and important tool in both operations and administration for achieving greater productivity and growth. We are also engaged in several projects and process technology improvements focused on energy reduction. For example, by implementing modifications and improvements in the distillation systems at our Calvert City, Kentucky polyvinyl alcohol plant, we were able to achieve a 17% reduction in steam usage. Using less energy-intense technology to more efficiently reduce acetic acid impurities at our Clear Lake Plant has also enabled reductions in steam and electricity usage. We intend to continue using best practices to reduce costs and increase equipment reliability in maintenance and project engineering.

Focused Business Investment

We intend to continue investing strategically in growth areas, including new production capacity, to extend our global market leadership position. Historically, our strong market position has enabled us to initiate capacity growth to take advantage of projected demand growth. For example, we are preparing to build a 600,000 metric ton per year world-scale acetic acid plant in China, the world's fastest growing market for acetic acid and its derivatives. We also increased the capacity of our GUR ultra-high molecular weight polyethylene plant in Germany by 10,000 tons per year in the second half of 2004, which increased Ticona's worldwide capacity by 17%. We expect to continue to benefit from our investments and capacity expansion that enable us to meet increases in global demand.

Maximize Cash Flow and Reduce Debt

Despite a difficult operating environment over the past several years, we have generated a significant amount of operating cash flow. Between January 1, 2001 and December 31, 2003, we generated over $1.2 billion of net cash provided by operating activities which we have used principally to repay debt and make capital and strategic investments. We believe there are opportunities to further improve our operating cash flow through increasing productivity, receiving cash dividends from our joint ventures and pursuing additional cost reduction efforts. We believe in a focused capital expenditure plan that is dedicated to attractive investment projects. We intend to use our free cash flow to reduce indebtedness and selectively expand our businesses. The operating cash flow generated in the nine months ended September 30, 2004 was $2 million. The cash flow generation from operations was affected by the one- time payment of a $95 million obligation to a third party, $59 million associated with the exercising of stock appreciation rights and pension contributions totaling $157 million and higher interest expense due to increased debt levels. As of September 30, 2004, we had total debt of $3,100 million and cash and cash equivalents of $819 million. On a pro forma basis as of September 30, 2004 after giving effect to the Transactions, the Recent Restructuring and the Concurrent Financings, our total debt would have been $3,217 million and cash and cash equivalents would have been $646 million. See "Capitalization" for additional information.

Deliver Value-Added Solutions

We continually develop new products and industry leading production technologies that solve our customers' problems. For example, Ticona has worked closely with fuel system suppliers to develop an acetal copolymer with the chemical and impact resistance necessary to withstand exposure to hot diesel fuels. In our emulsions business, we pioneered a technological solution that leads the industry in product offerings for ecologically friendly emulsions for solvent-free interior paints. We believe that our customers value our expertise, and we will continue to work with them to enhance the quality of their products.

Enhance Value of Portfolio

We will continue to further optimize our business portfolio through divestitures, acquisitions and strategic investments that enable us to focus on businesses in which we can achieve market, cost and technology leadership over the long term. In addition, we intend to continue to expand our product mix into higher value-added products. For example, we have begun construction of a 600,000 metric ton acetic acid plant in China, the world's fastest growing market for acetic acid. The plant is expected to come on stream in late 2006 or early 2007. We also divested non-core businesses, such as acrylates, which we sold to Dow in February 2004, and nylon 6/6, which we sold to BASF in December 2003.

Business Segments

Chemical Products

The Chemical Products segment consists of six business lines: Acetyls, Acetyl Derivatives and Polyols, Polyvinyl Alcohol, Emulsions, Specialties, and other chemical activities. All business lines in this segment mainly conduct business using the "Celanese" trade name, except Polyvinyl Alcohol, which uses the trademark Celvol, and Emulsions, which uses the trademarks Mowilith and Celvolit. The following table lists key products and their major end use markets.

Key Chemical Products	Major End Use Markets
Methanol	Formaldehyde and Acetic Acid
Acetic Acid	Vinyl Acetate Monomer, Acetic Anhydride and Purified Terephthalic Acid or PTA, an Intermediate used in the production of Polyester resins, films and fibers
Acetic Anhydride	Cellulose Acetate and Pharmaceuticals
Vinyl Acetate Monomer	Paints, Adhesives, Paper Coatings, Films and Textiles
Acetate Esters	Coatings, Inks
Oxo Alcohols	Plasticizers, Acrylates, Esters, Solvents and Inks
Polyvinyl Alcohol	Adhesives, Building Products, Paper Coatings, Films and Textiles
Emulsions	Water-Based Quality Surface Coatings, Adhesives, Non-Woven Textiles
Emulsion Powders	Building Products
Carboxylic Acids	Lubricants, Detergents and Specialties
Amines	Agricultural Products and Water Treatments

Business Lines

Acetyls. The acetyls business line produces:

- Acetic acid, used to manufacture vinyl acetate monomer and other acetyl derivatives. We manufacture acetic acid for our own use, as well as for sale to third parties, including producers of purified terephthalic acid, or PTA, and to other participants in the acetyl derivatives business.

- Vinyl acetate monomer, used in a variety of adhesives, paints, films, coatings and textiles. We manufacture vinyl acetate monomer for its own use, as well as for sale to third parties.

- Methanol, principally used internally in the production of acetic acid and formaldehyde. The balance is sold to the merchant market.

- Acetic anhydride, a raw material used in the production of cellulose acetate, detergents and pharmaceuticals.

- Acetaldehyde, a major feedstock for the production of polyols. Acetaldehyde is also used in other organic compounds such as pyridines, which are used in agricultural products.

We are a leading global producer of acetic acid and the world's leading producer of vinyl acetate monomer according to the Tecnon Orbichem Survey. According to data from the CMAI Methanol Analysis, we are the largest producer of methanol in North America.

Acetic acid, methanol, and vinyl acetate monomer, like other commodity products, are characterized by cyclicality in pricing. The principal raw materials in these products are natural gas and ethylene, which we purchase from numerous sources; carbon monoxide, which we purchase under long-term contracts; methanol, which we both manufacture and purchase under short-term contracts; and butane, which we purchase from several suppliers. All these raw materials, except carbon monoxide, are commodities and are available from a wide variety of sources.

Our production of acetyl products employs leading proprietary and licensed technologies, including our proprietary AO Plus acid-optimization technology for the production of acetic acid and VAntage vinyl acetate monomer technology. AO Plus enables plant capacity to be increased with minimal investment, while VAntage enables significant increases in production efficiencies, lower operating costs and increases in capacity at 10 to 15 percent of the cost of building a new plant.

Acetyl Derivatives and Polyols. The acetyl derivatives and polyols business line produces a variety of solvents, polyols, formaldehyde and other chemicals, which in turn are used in the manufacture of paints, coatings, adhesives, and other products.

Many acetyl derivatives products are derived from our production of acetic acid and oxo alcohols. Primary products are:

- Ethyl acetate, an acetate ester that is a solvent used in coatings, inks and adhesives and in the manufacture of photographic films and coated papers;
- Butyl acetate, an acetate ester that is a solvent used in inks, pharmaceuticals and perfume;
- Propyl acetate, an acetate ester that is a solvent used in inks, lacquers and plastics;
- Methyl ethyl ketone, a solvent used in the production of printing inks and magnetic tapes;
- Butyric acid, an intermediate for the production of esters used in artificial flavors;
- Propionic acid, an organic acid used to protect and preserve grain; and
- Formic acid, an organic acid used in textile dyeing and leather tanning.

Polyols and formaldehyde products are derivatives of methanol and are made up of the following products:

- Formaldehyde, primarily used to produce adhesive resins for plywood, particle board, polyacetal engineering resins and a compound used in making polyurethane;
- Polyol products such as pentaerythritol, used in coatings and synthetic lubricants; trimethylolpropane, used in synthetic lubricants; neopentyl glycol, used in powder coatings; and 1,3-butylene glycol, used in flavorings and plasticizers.

Oxo alcohols and intermediates are produced from propylene and ethylene and include:

- Butanol, used as a solvent for lacquers, dopes and thinners, and as an intermediate in the manufacture of chemicals, such as butyl acrylate;
- Propanol, used as an intermediate in the production of amines for agricultural chemicals, and as a solvent for inks, resins, insecticides and waxes;

Synthesis gas, used as an intermediate in the production of oxo alcohols and specialties.

Acetyl derivatives and polyols are commodity products characterized by cyclicality in pricing. The principal raw materials used in the acetyl derivatives business line are acetic acid, various alcohols, methanol, acetaldehyde, propylene, ethylene and synthesis gas. We manufacture many of these raw materials for our own use as well as for sales to third parties, including our competitors in the acetyl derivatives business. We purchase propylene and ethylene from a variety of sources. We manufacture acetaldehyde for our European production, but we purchase all acetaldehyde requirements for our North American operations from third parties. Acetaldehyde is also available from other sources.

Polyvinyl Alcohol. Polyvinyl alcohol is a performance chemical engineered to satisfy particular customer requirements. It is used in adhesives, building products, paper coatings, films and textiles. The primary raw material to produce polyvinyl alcohol is vinyl acetate monomer, while acetic acid is produced as a by-product. Prices vary depending on industry segment and end use application. Products are sold on a global basis, and competition is from all regions of the world. Therefore, regional economies and supply and demand balances affect the level of competition in other regions. According to Stanford Research International's December 2003 report on PVOH, we are the largest North American producer of polyvinyl alcohol and the third largest producer in the world.

Emulsions. We purchased the emulsions business of Clariant AG on December 31, 2002. The products in this business are sold under the Mowilith and Celvolit brands and include conventional emulsions, high-pressure vinyl acetate ethylene emulsions, and powders. Emulsions are made from vinyl acetate monomer, acrylate esters and styrene. Emulsions are a key component of water-based quality surface coatings, adhesives, non-woven textiles and other applications. According to Kline & Co., a chemicals industry consultant, based on sales the business held a number two position in emulsions (excluding SBRs) in Europe and a number one position in European VAM-based emulsions in 2001.