CELANESE CORP

FORM 10-Q
(Quarterly Report)

Filed 08/02/06 for the Period Ending 06/30/06

Address	222 W. LAS COLINAS BLVD., SUITE 900N IRVING, TX, 75039-5421
Telephone	972-443-4000
CIK	0001306830
Symbol	CE
SIC Code	2820 - Plastic Material, Synthetic Resin/Rubber, Cellulos (No Glass)
Industry	Commodity Chemicals
Sector	Basic Materials
Fiscal Year	12/31

CELANESE CORP

FORM 10-Q
(Quarterly Report)

Filed 8/2/2006 For Period Ending 6/30/2006

Address	1601 W. LBJ FREEWAY
	DALLAS, Texas 75234
Telephone	972-443-4000
CIK	0001306830
Industry	Chemical Manufacturing
Sector	Basic Materials
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2006

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

001-32410
(Commission File Number)

CELANESE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**98-0420726** *(I.R.S. Employer Identification No.)*
1601 West LBJ Freeway, Dallas, TX *(Address of Principal Executive Offices)*	**75234-6034** *(Zip Code)*

(972) 443-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated filer ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The number of outstanding shares of the registrant's Series A common stock, $0.0001 par value, as of July 21, 2006 was 158,611,031.

CELANESE CORPORATION

Form 10-Q
For the Quarterly Period Ended June 30, 2006

TABLE OF CONTENTS

		Page
	Part I Financial Information	
Item 1.	Financial Statements	
	a) Unaudited Consolidated Statements of Operations for the three months ended June 30, 2006 and 2005 and the six months ended June 30, 2006 and 2005	2
	b) Unaudited Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005	3
	c) Unaudited Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2006	4
	d) Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2006 and 2005	5
	e) Notes to the Unaudited Interim Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	59
Item 4.	Controls and Procedures	59
	Part II Other Information	
Item 1.	Legal Proceedings	61
Item 1A.	Risk Factors	61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	62
Item 3.	Defaults Upon Senior Securities	62
Item 4.	Submission of Matters to a Vote of Security Holders	63
Item 5.	Other Information	63
Item 6.	Exhibits	63
Signatures		65
Certifications		

EX-10.28: NON-QUALIFIED STOCK OPTION AGREEMENT
EX-12: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
EX-31.1: CERTIFICATION
EX-31.2: CERTIFICATION
EX-32.1: CERTIFICATION
EX-32.2: CERTIFICATION

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions, except for share and per share data)			
Net sales	1,674	1,506	3,326	2,984
Cost of sales	(1,326)	(1,165)	(2,611)	(2,271)
Gross profit	348	341	715	713
Selling, general and administrative expenses	(153)	(135)	(305)	(294)
Research and development expenses	(18)	(23)	(36)	(46)
Special (charges) gains:				
Insurance recoveries associated with plumbing cases	2	4	3	4
Restructuring, impairment and other special (charges) gains	(14)	(31)	(15)	(69)
Foreign exchange gain (loss), net	(1)	(1)	(1)	2
Loss on disposition of assets, net	(1)	(3)	(1)	(2)
Operating profit	163	152	360	308
Equity in net earnings of affiliates	18	12	39	27
Interest expense	(73)	(68)	(144)	(244)
Interest income	9	9	17	24
Other income, net	29	18	35	21
Earnings from continuing operations before tax and minority interests	146	123	307	136
Income tax provision	(42)	(43)	(87)	(51)
Earnings from continuing operations before minority interests	104	80	220	85
Minority interests	(1)	(13)	(1)	(38)
Earnings from continuing operations	103	67	219	47
Earnings from operation of discontinued operations	—	—	1	10
Net earnings	103	67	220	57
Cumulative declared preferred stock dividend	(2)	(2)	(5)	(4)
Net earnings available to common shareholders	101	65	215	53
Earnings per common share — basic:				
Continuing operations	0.64	0.41	1.35	0.28
Discontinued operations	—	—	0.01	0.07
Net earnings available to common shareholders	0.64	0.41	1.36	0.35
Earnings per common share — diluted:				
Continuing operations	0.60	0.39	1.28	0.28
Discontinued operations	—	—	—	0.07
Net earnings available to common shareholders	0.60	0.39	1.28	0.35
Weighted average shares — basic:	158,562,161	158,530,397	158,562,161	150,182,788
Weighted average shares — diluted:	172,066,546	170,530,397	171,974,477	162,273,928

See the accompanying notes to the unaudited interim consolidated financial statements

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	354	390
Restricted cash	44	—
Receivables:		
Trade receivables, net	997	919
Other receivables	556	481
Inventories	655	661
Deferred income taxes	31	37
Other assets	73	91
Total current assets	2,710	2,579
Investments	815	775
Property, plant and equipment, net of accumulated depreciation of $550 million and $444 million as of June 30, 2006 and December 31, 2005, respectively	2,082	2,040
Deferred income taxes	125	139
Other assets	442	482
Goodwill	906	949
Intangible assets, net	488	481
Total assets	7,568	7,445
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current installments of long-term debt — third party and affiliates	174	155
Trade payables — third party and affiliates	744	811
Other current liabilities	701	787
Deferred income taxes	24	36
Income taxes payable	255	224
Total current liabilities	1,898	2,013
Long-term debt	3,320	3,282
Deferred income taxes	300	285
Benefit obligations	1,110	1,126
Other liabilities	454	440
Minority interests	68	64
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized and 9,600,000 issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	—	—
Series A common stock, $0.0001 par value, 400,000,000 shares authorized and 158,577,161 issued and outstanding as of June 30, 2006 and 158,562,161 issued and outstanding as of December 31, 2005	—	—
Series B common stock, $0.0001 par value, 100,000,000 shares authorized 0 shares issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	—	—
Additional paid-in capital	348	337
Retained earnings	226	24
Accumulated other comprehensive income (loss), net	(156)	(126)
Total shareholders' equity	418	235
Total liabilities and shareholders' equity	7,568	7,445

See the accompanying notes to the unaudited interim consolidated financial statements.

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Preferred Stock Number of Shares	Preferred Stock Par Value	Series A Common Stock Number of Shares	Series A Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Total Shareholders' Equity
	(In $ millions, except share amounts)							
Balance at December 31, 2005	9,600,000	—	158,562,161	—	337	24	(126)	235
Issuance of shares related to stock option exercises	—	—	15,000	—	—	—	—	—
Comprehensive income (loss), net of tax:								
Net earnings	—	—	—	—	—	220	—	220
Other comprehensive income (loss):								
Unrealized gain on securities	—	—	—	—	—	—	(3)	(3)
Unrealized gain on derivative contracts	—	—	—	—	—	—	4	4
Additional minimum pension liability	—	—	—	—	—	—	(2)	(2)
Foreign currency translation	—	—	—	—	—	—	(29)	(29)
Other comprehensive income (loss)	—	—	—	—	—	—	(30)	(30)
Comprehensive income	—	—	—	—	—	—	—	190
Indemnification of demerger liability	—	—	—	—	2	—	—	2
Common stock dividends	—	—	—	—	—	(13)	—	(13)
Preferred stock dividends	—	—	—	—	—	(5)	—	(5)
Stock-based compensation	—	—	—	—	9	—	—	9
Balance at June 30, 2006	9,600,000	—	158,577,161	—	348	226	(156)	418

See the accompanying notes to the unaudited interim consolidated financial statements.

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(In $ millions)	
Operating activities:		
Net earnings	220	57
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Special (charges) gains, net of amounts used	(23)	4
Stock-based compensation	10	—
Depreciation	103	100
Amortization of intangibles and other assets	40	30
Amortization of deferred financing fees	5	35
Accretion of senior discount notes	19	19
Premium paid on early redemption of debt	—	74
Guaranteed annual payment	(4)	—
Change in equity of affiliates	(3)	19
Deferred income taxes	10	(18)
Loss on disposition of assets, net	—	2
Minority interests	1	38
Operating cash provided by discontinued operations	—	27
Changes in operating assets and liabilities:		
Trade receivables, net	(41)	(133)
Other receivables	(69)	53
Prepaid expenses	19	(21)
Inventories	21	13
Trade payables — third party and affiliates	(88)	(27)
Benefit obligations and other liabilities	(117)	(117)
Income taxes payable	19	42
Other, net	22	(7)
Net cash provided by operating activities	144	190
Investing activities:		
Capital expenditures on property, plant and equipment	(115)	(86)
Acquisition of CAG, net of cash acquired	—	(6)
Fees associated with acquisitions	—	(10)
Acquisition of Vinamul, net of cash reimbursed	—	(208)
Proceeds from sale of assets	—	14
Net proceeds from disposal of discontinued operations	—	75
Proceeds from sale of marketable securities	40	141
Purchases of marketable securities	(24)	(59)
Increase in restricted cash	(42)	—
Other, net	—	1
Net cash used in investing activities	(141)	(138)
Financing activities:		
Redemption of senior subordinated notes, including related premium	—	(572)
Repayment of floating rate term loan, including related premium	—	(354)
Borrowings under term loan facility	—	1,135
Proceeds from issuance of Series A common stock, net	—	752
Proceeds from issuance of preferred stock, net	—	233
Proceeds from issuance of discounted common stock	—	12
Redemption of senior discount notes, including related premium	—	(207)
Distribution to Series B shareholders	—	(804)
Short-term borrowings (repayments), net	(24)	(26)
Proceeds from long-term debt	7	9
Payments of long-term debt	(16)	—
Fees associated with financings	—	(7)
Dividend payments on preferred stock	(5)	(3)
Dividend payments on common stock	(13)	—
Net cash provided by (used in) financing activities	(51)	168
Exchange rate effects on cash	12	(99)
Net increase (decrease) in cash and cash equivalents	(36)	121
Cash and cash equivalents at beginning of period	390	838
Cash and cash equivalents at end of period	354	959

See the accompanying notes to the unaudited interim consolidated financial statements.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Company and Basis of Presentation

Description of the Company

Celanese Corporation and its subsidiaries (collectively the "Company") is a global hybrid chemical company. The Company's business involves processing chemical raw materials, such as ethylene and propylene, and natural products, including natural gas and wood pulp, into value-added chemicals and chemical-based products.

Basis of Presentation

In this Quarterly Report on Form 10-Q, the term "Celanese" refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries. The term "BCP Crystal" refers to the Company's subsidiary BCP Crystal US Holdings Corp., a Delaware corporation, and not its subsidiaries. The term "Purchaser" refers to the Company's 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 Shareholders" 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. The terms "Sponsor" and "Advisor" refer to certain affiliates of The Blackstone Group.

As used in this document, the term "CAG" refers to (i) prior to the Organizational Restructuring (as defined below), Celanese AG and Celanese Americas Corporation ("CAC"), their consolidated subsidiaries, their non-consolidated subsidiaries, ventures and other investments, and (ii) following the Organizational Restructuring, Celanese AG, its consolidated subsidiaries, its non-consolidated subsidiaries, ventures and other investments, except that with respect to shareholder and similar matters where the context indicates, "CAG" refers to Celanese AG.

The unaudited interim consolidated financial statements as of and for the three and six months ended June 30, 2006 and the unaudited interim consolidated financial statements for the three and six months ended June 30, 2005 contained in this Quarterly Report (collectively, the "Unaudited Interim Consolidated Financial Statements") were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for all periods presented. The Unaudited Interim Consolidated Financial Statements and other financial information included in this Quarterly Report, unless otherwise specified, have been presented to separately show the effects of discontinued operations.

In the opinion of management, the unaudited accompanying consolidated balance sheets and related interim consolidated statements of operations, cash flows, and shareholders' equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with U.S. GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission ("SEC"). These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the Celanese Corporation and Subsidiaries consolidated financial statements as of and for the year ended December 31, 2005, as filed with the SEC on Form 10-K.

Operating results for the three and six months ended June 30, 2006 and 2005 are not necessarily indicative of the results to be expected for the entire year.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and allocated charges during the reporting period. The more significant estimates pertain to purchase price allocations, impairments of intangible assets and other long-lived assets, restructuring costs and other special (charges) gains, income taxes, pension and other postretirement benefits, asset retirement obligations, environmental liabilities and loss contingencies, among others. Actual results could differ from those estimates.

Restricted Cash

At June 30, 2006, the Company has $44 million of restricted cash. The restricted cash is not available for use by the Company in its operations but rather serves to provide security that the Company will fulfill certain of its obligations. The cash is held in custody by a bank and is restricted as to withdrawal or use but will be released and paid back to the Company upon the completion of certain future events.

Reclassifications

The Company has reclassified certain prior period amounts to conform to the current period's presentation. The reclassifications had no effect on the unaudited consolidated statements of operations or shareholders' equity as previously reported.

2. Acquisition of Celanese AG

On April 6, 2004, the Purchaser, an indirect wholly owned subsidiary of the Company, acquired approximately 84% of the ordinary shares of Celanese AG, excluding treasury shares ("CAG Shares"), pursuant to a voluntary tender offer commenced in February 2004. The CAG 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 $69 million (the "Acquisition"). In August 2005, the Company acquired additional CAG shares pursuant to either i) the mandatory offer (See Note 3) commenced in September 2004 that will remain open until two months following the final resolution of the minority shareholder award proceedings *(Spruchverfahren)* pending in German courts or ii) the purchase of CAG shares as described below. On November 3, 2005, the Company's Board of Directors approved commencement of the process for effecting a Squeeze-Out (as defined below) of the remaining shareholders. As of June 30, 2006 and December 31, 2005, the Purchaser's ownership percentage was approximately 98%, respectively.

Acquisition of Additional CAG Shares

On August 24, 2005, the Purchaser acquired 5.9 million, or approximately 12%, of the outstanding CAG shares from two shareholders for €302 million ($369 million). The Company also paid to such shareholders €12 million ($15 million) in consideration for the settlement of certain claims and for such shareholders agreeing to, among other things, (1) accept the shareholders' resolutions passed at the extraordinary general meeting of CAG held on July 30 and 31, 2004 and the annual general meeting of CAG held on May 19 and 20, 2005, (2) acknowledge the legal effectiveness of the domination and profit and loss transfer agreement, (3) irrevocably withdraw and abandon all actions, applications and appeals each brought or joined in legal proceedings related to, among other things, challenging the effectiveness of the domination and profit and loss agreement and amount of fair cash compensation offered by the Purchaser in the mandatory offer required by Section 305(1) of the German Stock Corporation Act, (4) refrain from acquiring any CAG shares or any other investment in CAG, and (5) refrain from taking any future legal action with respect to shareholder resolutions or corporate actions of CAG. The Purchaser paid aggregate consideration of €314 million ($384 million) for the additional CAG shares using available cash.

The Purchaser also made a limited offer to purchase from all other shareholders any remaining outstanding CAG shares for €51 per share (plus interest on €41.92 per share) against waiver of the shareholders' rights to participate in an increase of the offer consideration as a result of the pending award proceedings. In addition, all shareholders who tendered their shares pursuant to the September 2004 mandatory offer of €41.92 per share, were entitled to claim the difference between the increased offer and the mandatory offer. The limited offer period ran from August 30, 2005 through September 29, 2005, inclusive. For shareholders who did not accept the limited offer on or prior to the September 29, 2005 expiration date, the terms of the original mandatory offer continue to apply.

The mandatory offer will remain open for two months following final resolution of the award proceedings *(Spruchverfahren)* by the German courts.

Pro Forma Information

The following pro forma information for the three and six months ended June 30, 2005 was prepared as if the subsequent acquisition of additional CAG shares during 2005 had occurred as of the beginning of such period:

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
	(In $ millions)	
Net sales	1,506	2,984
Operating profit	150	304
Net earnings	78	89

Pro forma adjustments include adjustments for (1) purchase accounting, including (i) the application of purchase accounting to pension and other postretirement obligations (ii) the application of purchase accounting to property, plant and equipment and identifiable intangible assets, (2) adjustments for items directly related to the transaction, including (i) the impact of the additional pension contribution, (ii) fees incurred by the Company related to the acquisition, and (iii) adjustments to interest expense to reflect the Company's new capital structure and (3) corresponding adjustments to income tax expense.

The pro forma information is not necessarily indicative of the results that would have occurred had the acquisition occurred as of the beginning of the period presented, nor is it necessarily indicative of future results.

Squeeze-Out

Because the Company owns shares representing more than 95% of the registered ordinary share capital (excluding treasury shares) of CAG, the Company exercised its right, as permitted under German law, to the transfer of the shares owned by the outstanding minority shareholders of CAG in exchange for fair cash compensation (the "Squeeze-Out"). The Squeeze-Out was approved by the affirmative vote of the majority of the votes cast at CAG's annual general meeting in May 2006 and will become effective upon its registration in the commercial register. If the Company is successful in effecting the Squeeze-Out, the Company must pay the then remaining minority shareholders of CAG fair cash compensation, in exchange for their shares. The amount of the fair cash compensation under the Squeeze-Out has been set at €66.99 per share. This price could increase if the amount of fair cash compensation is successfully challenged in court. The total amount of funds necessary to purchase the outstanding shares under the current offer of €66.99 per share is approximately €62 million.

Minority shareholders can challenge the Squeeze-Out resolution passed by the shareholders of CAG by filing actions with the court to have such resolution set aside. While such actions will only be successful if the resolution were 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 actions prove to be successful, the actions could prevent the implementation of the Squeeze-Out. Accordingly, there can be no assurance that the Squeeze-Out can be implemented timely or at all.

3. Domination Agreement and Organizational Restructuring

Domination Agreement

On October 1, 2004, a domination and profit and loss transfer agreement (the "Domination Agreement") between CAG and the Purchaser became operative. When the Domination Agreement became operative, the

Purchaser became obligated to offer to acquire all outstanding CAG shares from the minority shareholders of CAG in return for payment of fair cash compensation. The amount of this fair cash compensation had been determined to be €41.92 per share, plus interest, in accordance with applicable German law. The Purchaser may elect, or be required, to pay a purchase price in excess of €41.92 to acquire the remaining outstanding CAG shares. Any minority shareholder who elects not to sell its shares to the Purchaser will, until the above Squeeze-Out becomes effective, be entitled to remain a shareholder of CAG and to receive from the Purchaser a gross guaranteed fixed annual payment on its shares of €3.27 per CAG 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 would be €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 per share. For the three and six months ended June 30, 2006, a charge of €1 million ($1 million) and €2 million ($2 million), respectively, was recorded in Other income (expense), net for the anticipated guaranteed payment. For the three and six months ended June 30, 2005, a charge of €5 million ($7 million) and €12 million ($15 million), respectively, was recorded in Other income (expense), net for the anticipated guaranteed payment. Substantially all of the charge recorded during the three and six months ended June 30, 2005 was reversed during the three months ended September 30, 2005 as a result of the additional CAG shares purchased by the Company (See Note 2).

On June 1, 2006, the guaranteed dividend (*Ausgleichszahlung*) for the fiscal year ended on September 30, 2005, which amounted to €3 million ($3 million), was paid. In addition, pursuant to a settlement agreement entered into with plaintiff shareholders in March 2006, the Purchaser paid €1 million ($1 million) on June 30, 2006, the guaranteed dividend (*Ausgleichszahlung*) for the fiscal year ending on September 30, 2006, to those shareholders who signed a letter waiving any further rights with respect to such guaranteed dividend (*Ausgleichszahlung*) that ordinarily would become due and payable after next year's annual general meeting. The remaining liability at June 30, 2006 to be paid in 2007 for CAG's 2006 fiscal year is €2 million ($2 million).

Beginning October 1, 2004, under the terms of the Domination Agreement, the Purchaser, as the dominating entity, among other things, is required to compensate CAG for any statutory annual loss incurred by CAG, the dominated entity, on a non-consolidated basis, at the end of the fiscal year when the loss was incurred. This obligation to compensate CAG for annual losses will apply during the entire term of the Domination Agreement. The Purchaser was not obligated to compensate CAG for the period October 1, 2004 to September 30, 2005 because CAG did not incur a loss during this period.

There is no assurance that the Domination Agreement will remain operative in its current form. If the Domination Agreement ceases to be operative, the Company will not be able to directly give instructions to the CAG board of management. The Domination Agreement cannot be terminated by the Purchaser in the ordinary course of business until September 30, 2009. However, irrespective of whether a domination agreement is in place between the Purchaser and CAG, under German law, CAG is effectively controlled by the Company because of the Purchaser's more than 95% ownership of the outstanding CAG shares. The Company does have the ability, through a variety of means, to utilize its controlling rights to, among other things, (1) cause a domination agreement to become operative; (2) use its ability, through its more than 95% voting power at any shareholders' meetings of CAG, to elect the shareholder representatives on the supervisory board and to thereby effectively control the appointment and removal of the members of the CAG board of management; and (3) effect all decisions that a majority shareholder who owns more than 95% is permitted to make under German law. The controlling rights of the Company constitute a controlling financial interest for accounting purposes and result in the Company being required to consolidate CAG as of the date of acquisition. In addition, as long as the Domination Agreement remains effective, the Purchaser is entitled to give instructions directly to the management board of CAG, including, but not limited to, instructions that are disadvantageous to CAG, as long as such disadvantageous instructions benefit the Purchaser or the companies affiliated with either the Purchaser or CAG.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Domination Agreement is subject to legal challenges instituted by dissenting shareholders. During August 2004, ten actions were brought by minority shareholders against CAG in the Frankfurt District Court *(Landgericht)* , all of which were consolidated in September 2004. Several minority shareholders joined these proceedings via a third party intervention in support of the plaintiffs. The Company joined the proceedings via a third party intervention in support of CAG. Among other things, these actions request the court to set aside shareholder resolutions passed at the extraordinary general meeting held on July 30 and 31, 2004 based on allegations that include the alleged violation of procedural requirements and information rights of the shareholders. On March 6, 2006, the Purchaser and CAG signed a settlement agreement settling the ten minority shareholder actions (See Note 14).

Twenty-seven minority shareholders filed lawsuits in May and June of 2005 in the Frankfurt District Court *(Landgericht)* contesting the shareholder resolutions passed at the annual general meeting held May 19-20, 2005, which confirmed the resolutions passed at the July 30-31, 2004 extraordinary general meeting approving the Domination Agreement and a change in CAG's fiscal year. In conjunction with the Purchaser's acquisition of 5.9 million ordinary shares of CAG from two shareholders in August 2005, two of those lawsuits were withdrawn. In February 2006, the Frankfurt District Court *(Landgericht)* ruled to dismiss all challenges contesting the confirmatory resolutions and upheld only the challenge regarding the ratification *(Entlastung)* of the acts of the members of the board of management and the supervisory board. CAG appealed the decision with respect to the ratification. Three appeals by plaintiff shareholders regarding the decision on the confirmatory resolutions are also pending.

The Domination Agreement is further challenged in four Null and Void actions (*Nichtigkeitsklagen*) pending in the Frankfurt District Court (*Landgericht*). These actions are seeking to have the shareholders' resolution approving the Domination Agreement declared null and void based on an alleged violation of formal requirements relating to the invitation for the shareholders' meeting.

If legal challenges of the Domination Agreement by dissenting shareholders of CAG are successful, some or all actions taken under the Domination Agreement, including the transfer of CAC (see *Organizational Restructuring* below for discussion regarding CAC's transfer) may be required to be reversed and the Company may be required to compensate CAG for damages caused by such actions, which could have a material impact on the Company's financial position, results of operations and cash flows.

Holders of CAG shares can still accept the Purchaser's mandatory offer under the Domination Agreement to acquire their shares at €41.92 per share. Shareholders who elect not to do so will remain shareholders of CAG until the effectiveness of the Squeeze-Out with an entitlement under the Domination Agreement to the above described guaranteed fixed annual payment. Upon effectiveness of the Squeeze-Out, their shares will be transferred to the Purchaser against payment of €66.99 per share. In case of shareholder lawsuits against the shareholders' resolution approving the Squeeze-Out, there can be no assurance as to whether and when the Squeeze-Out will become effective.

The amounts of the fair cash compensation and of the guaranteed fixed annual payment offered under the Domination Agreement are under court review in special award proceedings (*Spruchverfahren* , see Note 14). As a result of these proceedings, either amount could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. Minority shareholders may initiate such proceedings also with respect to the Squeeze-Out compensation. In this case, shareholders who cease to be shareholders of CAG due to the Squeeze-Out are entitled, pursuant to a settlement agreement between the Purchaser and minority shareholders, to claim for their shares the higher of the compensation amounts determined by the court in these different proceedings. Payments they already received as compensation for their shares will be offset so that the minority shareholders who cease to be shareholders of CAG due to the Squeeze-Out are not entitled to more than the higher of the amount set in the two court proceedings.

Organizational Restructuring

In October 2004, Celanese and certain of its subsidiaries completed an organizational restructuring (the "Organizational 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 CAG, to Celanese Caylux Holdings Luxembourg S.C.A., formerly BCP Caylux Holdings Luxembourg S.C.A ("Celanese Caylux"), which resulted in Celanese Caylux owning 100% of the equity of CAC and indirectly, all of its assets, including subsidiary stock. This transfer was affected by CAG selling all outstanding shares in CAC for a €291 million note. This note eliminates in consolidation.

Following the transfer of CAC to Celanese Caylux, (1) Celanese Holdings contributed substantially all of its assets and liabilities (including all outstanding capital stock of Celanese Caylux) to BCP Crystal in exchange for all outstanding capital stock of BCP Crystal and (2) BCP Crystal assumed certain obligations of Celanese Caylux, including all rights and obligations of Celanese Caylux under the senior credit facilities, the floating rate term loan and the senior subordinated notes. BCP Crystal, at its discretion, may subsequently cause the liquidation of Celanese Caylux.

As a result of these transactions, BCP Crystal holds 100% of CAC's equity and, indirectly, all equity owned by CAC and its subsidiaries. In addition, BCP Crystal holds, indirectly, all of the CAG shares held by the Purchaser and all of the wholly owned subsidiaries of the Company that guarantee Celanese Caylux's obligations under the senior credit facilities to guarantee the senior subordinated notes issued on June 8, 2004 and July 1, 2004 (See Note 10) on an unsecured senior subordinated basis.

4. Initial Public Offering and Concurrent Financings

In January 2005, the Company completed an initial public offering of 50,000,000 shares of Series A common stock and received net proceeds of $752 million after deducting underwriters' discounts and offering expenses of $48 million. Concurrently, the Company received net proceeds of $233 million from the offering of its convertible perpetual preferred stock. A portion of the proceeds of the share offerings were used to redeem $188 million of senior discount notes and $521 million of senior subordinated notes, excluding early redemption premiums of $19 million and $51 million, respectively.

Subsequent to the closing of the initial public offering, the Company borrowed an additional $1,135 million under the amended and restated senior credit facilities, a portion of which was used to repay a $350 million floating rate term loan, which excludes a $4 million early redemption premium, and $200 million of which was used as the primary financing for the February 2005 acquisition of the Vinamul business (See Note 10). Additionally, the amended and restated senior credit facilities included a $242 million delayed draw term loan, which expired unutilized in July 2005.

On March 9, 2005, the Company issued a 7,500,000 Series A common stock dividend to the Original Shareholders (See Note 13) of its Series B common stock.

On April 7, 2005, the Company used the remaining proceeds of the initial public offering and concurrent financings to pay a special cash dividend declared on March 8, 2005 to holders of the Company's Series B common stock of $804 million. Upon payment of the $804 million dividend, all of the outstanding shares of Series B common stock converted automatically to shares of Series A common stock.

5. Accounting Changes and New Accounting Pronouncements

Accounting Changes

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151("SFAS No. 151"), *Inventory Costs, an amendment of ARB No. 43, Chapter 4* , which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material and requires that such items be recognized as current-period charges regardless of whether they meet the "so abnormal" criterion outlined in ARB No. 43. SFAS No. 151 also introduces the concept of "normal capacity" and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. Unallocated overheads must be recognized as an expense in the period incurred. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company adopted SFAS No. 151 effective January 1, 2006. The adoption of SFAS No. 151 did not have a material impact on the Company's financial position, results of operations or cash flows.

In December 2004, the FASB revised SFAS No. 123, *Accounting for Stock-Based Compensation*, which requires that the cost from all share-based payment transactions be recognized in the financial statements. SFAS No. 123(R), *Share Based Payment,* ("SFAS No. 123(R)") requires companies to measure all employee stock-based compensation awards using a fair-value method and record such expense in their consolidated financial statements. The adoption of SFAS No. 123(R) requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. Prior to January 1, 2006, the Company accounted for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and related interpretations. Under APB 25, no compensation expense was recognized for stock option grants if the exercise price of the Company's stock option grants was at or above the fair market value of the underlying stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified-prospective transition method. Under this transition method, compensation cost recognized in the first and second quarter of 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value used for pro forma disclosures under the provisions of SFAS No. 123 and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated. See Note 16 for additional information related to the impact of the adoption of SFAS No. 123(R).

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* ("SFAS No. 153"). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. The statement was effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company adopted SFAS No. 153 effective January 1, 2006. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"). SFAS No. 155 amends FASB Statement No. 133 and FASB Statement No. 140, and improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and provides a means to simplify the accounting for these instruments. Specifically, SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is required to adopt the provisions of SFAS No. 155, as applicable, beginning in fiscal year 2007. Management does not believe the adoption of SFAS No. 155 will have a material impact on the Company's financial position, results of operations or cash flows.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that the Company recognize in its financial statements, the impact of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company is required to adopt the provisions of FIN 48, as applicable, beginning in fiscal year 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. Management is currently evaluating the impact of adopting FIN 48 on the Company's financial position, results of operations and cash flows.

6. Acquisitions, Divestitures and Ventures

Acquisitions

In July 2005, the Company acquired Acetex Corporation ("Acetex") for $270 million, plus direct acquisition costs of $16 million and assumed Acetex's $247 million of debt, which is net of cash acquired of $54 million. Acetex has two primary businesses — its Acetyls business and its Specialty Polymers and Films business. The Acetyls business is operated in Europe and the Polymers and Film businesses are operated in North America. The Company acquired Acetex using existing cash. Pro forma financial information has not been provided as the acquisition did not have a material impact on the Company's results of operations. The net sales and operating profit of the Acetex business included in the Company's results of operations were $146 million and $8 million, respectively, for the three months ended June 30, 2006. The net sales and operating profit of the Acetex business included in the Company's results of operations were $279 million and $12 million, respectively, for the six months ended June 30, 2006.

The following table presents the allocation of Acetex acquisition costs, to the assets acquired and liabilities assumed, based on fair value:

	Acetex (In $ millions)
Cash	54
Inventories	80
Property, plant, and equipment	263
Goodwill	174
Intangible assets	76
Debt	(316)
Pensions liabilities	(28)
Other current assets/liabilities	(17)
Net assets acquired	286

Divestitures

In July 2005, in connection with the Vinamul acquisition in February 2005, the Company sold its emulsions powders business to Imperial Chemicals Industries PLC ("ICI") for approximately $25 million. This transaction included a supply agreement whereby the Company supplies product to ICI for a period of up to fifteen years. In connection with the sale, the Company reduced goodwill related to the acquisition of Vinamul by $6 million. Closing of the transaction occurred in September 2005.

During the fourth quarter of 2005, the Company discontinued its filament operations (see the Company's 2005 Annual Report on Form 10-K for details). As a result of this action, the earnings (loss) from operations related to the filament operations are reflected as a component of discontinued operations in the consolidated statement of operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.*

The following table summarizes the results of the discontinued operations for the periods presented in the quarterly financial statements:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Net sales	—	11	—	42
Cost of sales	—	(10)	—	(29)
Gross profit	—	1	—	13
Operating profit	—	—	—	10
Gain on disposal of discontinued operations	1	—	2	—
Tax expense from operation of discontinued operations	(1)	—	(1)	—
Earnings from discontinued operations	—	—	1	10

7. Receivables, net

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
Trade receivables	1,012	935
Reinsurance receivables	146	117
Other	410	364
Subtotal	1,568	1,416
Allowance for doubtful accounts — third party and affiliates	(15)	(16)
Net receivables	1,553	1,400

8. Inventories

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
Finished goods	479	504
Work-in-process	30	27
Raw materials and supplies	146	130
Total inventories	655	661

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Goodwill and Intangible Assets

Goodwill

	Chemical Products	Acetate Products	Ticona	Performance Products	Other	Total
			(In $ millions)			
As of December 31, 2005	380	188	285	79	17	949
Acquisition of Acetex	13	—	—	—	(5)	8
Acquisition of CAG (1)	(10)	(5)	(5)	—	—	(20)
Exchange rate changes	(22)	2	(16)	5	—	(31)
As of June 30, 2006	361	185	264	84	12	906

(1) The adjustments recorded during the six months ended June 30, 2006 consist primarily of the reversals of certain pre-acquisition tax valuation allowances.

In connection with the acquisition of Acetex (See Note 6), the Company has allocated the purchase price to assets acquired and liabilities assumed based on fair value. The excess of the purchase price over the amounts allocated to assets and liabilities is included in Goodwill, and is $170 million at June 30, 2006. The Company finalized the purchase accounting for this transaction during the quarter ended June 30, 2006.

Other Intangible Assets

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
Trademarks and tradenames	81	73
Customer related intangible assets	516	474
Developed technology	12	12
Covenants not to compete	11	11
Total intangible assets, gross	620	570
Less: accumulated amortization	(132)	(89)
Total intangible assets, net	488	481

Aggregate amortization expense charged against earnings for intangible assets with finite lives during the three months ended June 30, 2006 and 2005 totaled $18 million and $12 million, respectively. Aggregate amortization expense charged against earnings for intangible assets with finite lives during the six months ended June 30, 2006 and 2005 totaled $35 million and $24 million, respectively.

10. Debt

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
Short-term borrowings and current installments of long-term debt — third party and affiliates		
Current installments of long-term debt	30	20
Short-term borrowings, principally comprised of amounts due to affiliates	144	135
Total short-term borrowings and current installments of long-term debt — third party and affiliates	174	155
Long-term debt		
Senior Credit Facilities: Term Loan facility	1,718	1,708
Senior Subordinated Notes 9.625%, due 2014	800	800
Senior Subordinated Notes 10.375%, due 2014	165	153
Senior Discount Notes 10.5%, due 2014	322	306
Senior Discount Notes 10%, due 2014	77	73
Term notes 7.125%, due 2009	14	14
Pollution control and industrial revenue bonds, interest rates ranging from 5.2% to 6.7%, due at various dates through 2030	191	191
Obligations under capital leases and other secured borrowings due at various dates through 2018	26	28
Other borrowings	37	29
Subtotal	3,350	3,302
Less: Current installments of long-term debt	30	20
Total long-term debt	3,320	3,282

The $600 million revolving credit facility provides for the availability of letters of credit in U.S. dollars and euros and for borrowings on same-day notice. As of June 30, 2006, there was $0 million borrowed under the revolving credit facility and $68 million of letters of credit had been issued under the revolving credit facility; accordingly, $532 million remained available for borrowing.

The Company has a $228 million credit-linked revolving facility available for the issuance of letters of credit, which matures in 2009. As of June 30, 2006, there were $215 million of letters of credit issued under the credit-linked revolving facility and $13 million was available for borrowing.

On July 11, 2006, management decided to pay down approximately $100 million of the Senior Term Loan facility and such amount was paid on July 14, 2006. The Company also expensed approximately $1 million of unamortized deferred financing costs in July 2006 related to this pay down.

The Company was in compliance with all of the financial covenants related to its debt agreements as of June 30, 2006.

Interest expense

The components of interest expense are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Accelerated amortization of deferred financing costs on early redemption and prepayment of debt	—	—	—	28
Premium paid on early redemption of debt	—	—	—	74
Interest expense	73	68	144	142
Total interest expense	73	68	144	244

11. Other Current Liabilities

	As of June 30, 2006	As of December 31, 2005
	(In $ millions)	
Accrued salaries and benefits	145	159
Environmental liabilities	28	25
Accrued restructuring	39	45
Insurance liabilities	113	141
Accrued sorbates	141	129
Other	235	288
Total other current liabilities	701	787

12. Benefit Obligations

The components of net periodic benefit costs recognized are as follows:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Components of net periodic benefit cost				
Service cost	10	10	—	—
Interest cost	45	45	5	6
Expected return on plan assets	(52)	(49)	—	—
Recognized actuarial loss	1	—	—	—
Curtailment (gain)/loss	1	—	(1)	—
Net periodic benefit cost	5	6	4	6

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Pension Benefits		Postretirement Benefits	
	Six Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Components of net periodic benefit cost				
Service cost	20	20	1	1
Interest cost	91	90	10	12
Expected return on plan assets	(103)	(98)	—	—
Recognized actuarial loss	1	—	—	—
Settlement loss	—	—	—	(1)
Curtailment (gain)/loss	1	—	(1)	—
Net periodic benefit cost	10	12	10	12

The Company previously disclosed in its consolidated financial statements as of and for the year ended December 31, 2005 that it expected to contribute $39 million to its defined benefit pension plans in 2006. As of June 30, 2006, $21 million of contributions have been made.

The Company previously disclosed in its consolidated financial statements as of and for the year ended December 31, 2005 that it expected to make benefit payments of $39 million under the provisions of its other postretirement benefit plans in 2006. As of June 30, 2006, $23 million of benefit payments have been made.

Contributions to the defined contribution plans are based on specified percentages of employee contributions and aggregated $5 million and $7 million for the six months ended June 30, 2006 and 2005, respectively.

13. Shareholders' Equity

See table below for share activity:

	Preferred Stock	Series A Common Stock
	(Number of shares)	
Balance as of December 31, 2005	9,600,000	158,562,161
Issuance of common stock related to the exercise of stock options	—	15,000
Balance as of June 30, 2006	9,600,000	158,577,161

As a result of the offering in January 2005, the Company has $240 million aggregate liquidation preference of outstanding preferred stock. Holders of the preferred stock are entitled to receive, when, as and if declared by the Company's Board of Directors, out of funds legally available therefore, cash dividends at the rate of 4.25% per annum of liquidation preference, payable quarterly in arrears commencing on May 1, 2005. Dividends on the preferred stock are cumulative from the most recent payment date. Accumulated but unpaid dividends accumulate at an annual rate of 4.25%. The preferred stock is convertible, at the option of the holder, at any time into approximately 1.25 shares of Series A common stock, subject to adjustments, per $25.00 liquidation preference of preferred stock and upon conversion will be recorded in Shareholders' equity.

On May 9, 2006, the Company registered shares of its Series A common stock, shares of its preferred stock and depository shares pursuant to the Company's new universal shelf registration statement on Form S-3, filed with the SEC on May 9, 2006. On May 9, 2006, 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. sold 35,000,000 shares of Series A common stock through a public secondary offering and granted to the underwriter an over-allotment option to purchase up to an additional 5,250,000 shares of the Company's Series A common stock. The underwriter did not exercise the over-allotment option. The Company did not receive any of the proceeds from the offering. The transaction closed on May 15, 2006. The Company incurred approximately $2 million of fees related to this transaction.

On March 8, 2005, the Company declared a special cash dividend to holders of the Company's Series B common stock of $804 million, which was paid on April 7, 2005. Upon payment of the $804 million dividend, all of the outstanding shares of Series B common stock converted automatically to shares of Series A common stock.

On March 9, 2005, the Company issued 7,500,000 shares of Series A common stock in the form of a stock dividend to the Original Shareholders of its Series B common stock.

During the six months ended June 30, 2006, the Company declared and paid cash dividends to holders of its Series A common shares of $13 million.

During the six months ended June 30, 2006, the Company declared and paid cash dividends on its 4.25% convertible preferred stock amounting to approximately $5 million.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) totaled $(30) million and $(11) million, respectively, for the six months ended June 30, 2006 and 2005. These amounts were net of tax expense (benefit) of $0 million and $2 million, respectively, for the six months ended June 30, 2006 and 2005.

14. Commitments and Contingencies

The Company is involved in a number of legal proceedings, lawsuits and claims incidental to the normal conduct of business, relating to such matters as product liability, antitrust, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, management believes, based on the advice of legal counsel, that adequate provisions have been made and that the ultimate outcome will not have a material adverse effect on the financial position of the Company, but may have a material adverse effect on the results of operations or cash flows in any given accounting period.

The following disclosure should be read in conjunction with the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2005.

Plumbing Actions

CNA Holdings, Inc. ("CNA Holdings"), a U.S. subsidiary of Celanese, which included the U.S. business now conducted by the Ticona segment, along with Shell Oil Company ("Shell"), E.I. DuPont de Nemours and Company ("DuPont") and others, has been a defendant in a series of lawsuits, including a number of class actions, 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. Based on, among other things, the findings of outside experts and the successful use of Ticona's acetal copolymer in similar applications, CNA Holdings does not believe Ticona's acetal copolymer was defective or caused the plumbing systems to fail. In many cases CNA Holdings' exposure may be limited by invocation of the statute of limitations since CNA Holdings ceased selling the resin for use in the plumbing systems in site built homes during 1986 and in manufactured homes during 1990.

CNA Holdings has been named a defendant in ten putative class actions, as well as a defendant in other non-class actions filed in ten states, the U.S. Virgin Islands and Canada. In these actions, the plaintiffs typically have sought recovery for alleged property damages and, in some cases, additional damages under the Texas Deceptive Trade Practices Act or similar type statutes. Damage amounts have not been specified.

In November 1995, CNA Holdings, DuPont and Shell entered into national class action settlements, which have been approved by the courts. The settlements call for the replacement of plumbing systems of claimants who have had qualifying leaks, as well as reimbursements for certain leak damage. Furthermore, the three companies had agreed to fund these replacements and reimbursements up to $950 million. As of June 30, 2006, the aggregate funding is $1,092 million due to additional contributions and funding commitments made primarily by other parties. There are additional pending lawsuits in approximately ten jurisdictions, not covered by this settlement; however, these cases do not involve (either individually or in the aggregate) a large number of homes, and management does not expect the obligations arising from these lawsuits to have a material adverse effect on the Company.

In 1995, CNA Holdings and Shell settled the claims relating to individuals in Texas owning a total of 110,000 property units, who are represented by a Texas law firm, for an amount that will not exceed $170 million. These claimants are also eligible for a replumb of their homes in accordance with terms similar to those of the national class action settlement. CNA Holdings' and Shell's contributions under this settlement were subject to allocation as determined by binding arbitration.

In addition, a lawsuit filed in November 1989 in Delaware Chancery Court, between CNA Holdings and various of its insurance companies relating to all claims incurred and to be incurred for the product liability exposure led to a partial declaratory judgment in CNA Holdings' favor. As a result, settlements have been reached with a majority of CNA Holdings' insurers specifying their responsibility for these claims.

CNA Holdings has accrued its best estimate of its share of the plumbing actions. At both June 30, 2006 and December 31, 2005, the Company has remaining accruals of $68 million for this matter, of which $6 million is included in current liabilities. Management believes that the plumbing actions are adequately provided for in the Company's financial statements and that they will not have a material adverse effect on our financial position. However, if the Company were to incur an additional charge for this matter, such a charge would not be expected to have a material adverse effect on our financial position, but may have a material adverse effect on our results of operations or cash flows in any given accounting period. The Company continuously monitors this matter and assesses the adequacy of this reserve.

The Company has reached settlements with CNA Holdings' insurers specifying their responsibility for these claims; as a result, the Company has recorded receivables relating to the anticipated recoveries from certain third party insurance carriers. These receivables are based on the probability of collection, an opinion of external counsel, the settlement agreements with the Company's insurance carriers whose coverage level exceeds the receivables and the status of current discussions with other insurance carriers. At June 30, 2006 and December 31, 2005, the Company has $23 million and $22 million, respectively, of receivables related to a settlement with an insurance carrier.

In February 2005, CNA Holdings reached a settlement agreement through mediation with another insurer, pursuant to which the insurer paid CNA Holdings $44 million in exchange for the release of certain claims against the policy with the insurer. This amount was recorded as a reduction of Goodwill as of December 31, 2004 and was received during 2005.

Sorbates Antitrust Actions

In May 2002, the European Commission informed Hoechst of its intent to investigate officially the sorbates industry. In early January 2003, the European Commission served Hoechst, Nutrinova, Inc., a U.S. subsidiary of Nutrinova Nutrition Specialties & Food Ingredients GmbH, previously a wholly owned subsidiary of Hoechst, and a number of competitors with a statement of objections alleging unlawful, anticompetitive behavior affecting the European sorbates market. In October 2003, the European Commission ruled that Hoechst, Chisso Corporation, Daicel Chemical Industries Ltd., The Nippon Synthetic Chemical Industry Co. Ltd. and Ueno Fine Chemicals

Industry Ltd. operated a cartel in the European sorbates market between 1979 and 1996. The European Commission imposed a total fine of €138 million, of which €99 million was assessed against Hoechst. The case against Nutrinova was closed. The fine against Hoechst is based on the European Commission's finding that Hoechst does not qualify under the leniency policy, is a repeat violator and, together with Daicel, was a co-conspirator. In Hoechst's favor, the European Commission gave a discount for cooperating in the investigation. Hoechst appealed the European Commission's decision in December 2003, and that appeal is still pending.

In addition, several civil antitrust actions by sorbates customers, seeking monetary damages and other relief for alleged conduct involving the sorbates industry, have been filed in U.S. state and federal courts naming Hoechst, Nutrinova, and our other subsidiaries, as well as other sorbates manufacturers, as defendants. Many of these actions have been settled and dismissed by the court. One private action, *Kerr v. Eastman Chemical Co. et al* ., previously pending in the Superior Court of New Jersey, Law Division, Gloucester County, was dismissed for failure to prosecute. The plaintiff alleged violations of the New Jersey Antitrust Act and the New Jersey Consumer Fraud Act and sought unspecified damages. The only other private action previously pending, *Freeman v. Daicel et al* ., had been dismissed. The plaintiffs lost their appeal to the Supreme Court of Tennessee in August 2005 and have since filed a motion for leave.

In July 2001, Hoechst and Nutrinova entered into an agreement with the Attorneys General of 33 states, pursuant to which the statutes of limitations were tolled pending the states' investigations. This agreement expired in July 2003. Since October 2002, the Attorneys General for New York, Illinois, Ohio, Nevada, Utah and Idaho filed suit on behalf of indirect purchasers in their respective states. The Utah, Nevada and Idaho actions have been dismissed as to Hoechst, Nutrinova and the Company. A motion for reconsideration is pending in Nevada. The Ohio and Illinois actions have been settled and the Idaho action was dismissed in February 2005. In January 2005, Hoechst, Nutrinova, and other subsidiaries, as well as other sorbates manufacturers, entered into a settlement agreement with the Attorneys General of Connecticut, Florida, Hawaii, Maryland, South Carolina, Oregon and Washington before these states filed suit. Pursuant to the terms of the settlement agreement, the defendants agreed to refrain from engaging in anticompetitive conduct with respect to the sale or distribution of sorbates and pay approximately $1 million to the states in satisfaction of all released claims. The New York action, *New York v. Daicel Chemical Industries Ltd., et al.* which was pending in the New York State Supreme Court, New York County was dismissed in August 2005; however, it is still subject to appeal.

Based on the advice of external counsel and a review of the existing facts and circumstances relating to the sorbates matter, including the status of government investigations, as well as civil claims filed and settled, the Company has remaining accruals of $141 million. This amount is included in current liabilities at June 30, 2006 for the estimated loss related to this matter. At December 31, 2005, the accrual was $129 million. The change in the accrual amounts is primarily due to fluctuations in the currency exchange rate between the U.S. dollar and the euro. 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 (in excess of amounts already accrued), including any that may result from the above noted governmental proceedings, as of June 30, 2006 is between $0 and $9 million. The estimated range of such possible future losses is management's best estimate based on the advice of external counsel taking into consideration potential fines and claims, both civil and criminal, that may be imposed or made in other jurisdictions.

Pursuant to the Demerger Agreement with Hoechst, Celanese AG was assigned the obligation related to the sorbates matter. However, Hoechst agreed to indemnify Celanese AG for 80% of any costs Celanese may incur relative to this matter. Accordingly, Celanese AG has recognized a receivable from Hoechst and a corresponding contribution of capital, net of tax, from this indemnification. As of June 30, 2006 and December 31, 2005, the Company has receivables, recorded within other current assets, relating to the sorbates indemnification from Hoechst totaling $113 million and $103 million, respectively. The Company believes that any resulting liabilities, net of amounts recoverable from Hoechst, will not, in the aggregate, have a material adverse effect on its financial position, but may have a material adverse effect on the results of operations or cash flows in any given period.

Shareholder Litigation

A number of minority shareholders of CAG have filed lawsuits in the Frankfurt District Court *(Landgericht)* that, among other things, request the court to set aside shareholder resolutions passed at the extraordinary general meeting held on July 30 and 31, 2004, as well as the confirmatory resolutions passed at the annual general meeting held on May 19 and 20, 2005. Ten complaints were filed in connection with the 2004 extraordinary general meeting and twenty-seven contesting resolutions that were passed at the 2005 ordinary general meeting. On March 6, 2006, the Purchaser and CAG signed a settlement agreement settling the ten actions regarding the 2004 extraordinary general meeting (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the plaintiffs agreed to withdraw the actions to which they are a party and to recognize the validity of the Domination Agreement in exchange for the Purchaser to pay at least €51.00 per share as cash consideration to each shareholder who will cease to be a shareholder in the context of the Squeeze-Out. The Purchaser further agreed to make early payment of the guaranteed annual payment *(Ausgleich)* pursuant to the Domination Agreement for the financial year 2005/2006, ending on September 30, 2006. Such guaranteed annual payment normally would have come due following the annual general meeting in 2007; however, pursuant to the Settlement Agreement, it had to be made on the first banking day following CAG's annual general meeting that took place on May 30, 2006. To receive the early compensation payment, the respective minority shareholder had to declare that (i) their claim for payment of compensation for the financial year 2005/2006 pursuant to the Domination Agreement is settled by such early payment and that (ii) in this respect, they indemnify the Purchaser against compensation claims by any legal successors to their shares.

Of the twenty-seven lawsuits *(Anfechtungs — und Nichtigkeitsklagen)* contesting the shareholder resolutions passed at the annual general meeting held May 19-20, 2005, two were withdrawn in conjunction with the Purchaser's acquisition of 5.9 million CAG shares from two shareholders in August 2005 and another ten have been withdrawn pursuant to the Settlement Agreement (See Note 2). In February 2006, the Frankfurt District Court *(Landgericht)* ruled to dismiss all challenges contesting the confirmatory resolutions and upheld only the challenge regarding the ratification (*Enlastung*) of the acts of the members of the board of management and the supervisory board. CAG appealed the decision with respect to the ratification. Three appeals by plaintiff shareholders regarding the decision on the confirmatory resolutions are also pending.

CAG is also a defendant in four actions filed in the Frankfurt District Court *(Landgericht)* requesting that the court declare some or all of the shareholder resolutions passed at the extraordinary general meeting on July 30 and 31, 2004 null and void *(Nichtigkeitsklage)* , based on allegations that certain formal requirements necessary in connection with the invitation to the extraordinary general meeting had been violated. The Frankfurt District Court *(Landgericht)* has suspended the proceedings regarding the resolutions passed at the July 30-31, 2004 extraordinary general meeting described above as long as the lawsuits contesting the confirmatory resolutions are pending.

On August 2, 2004, two minority shareholders instituted public register proceedings with each of the Königstein Local Court *(Amtsgericht)* and the Frankfurt District Court *(Landgericht)* , both with a view to have the registration of the Domination Agreement in the Commercial Register deleted *(Amtslöschungsverfahren).* These actions are based on an alleged violation of procedural requirements at the extraordinary general meeting held July 30 and 31, 2004, an alleged undercapitalization of the Purchaser and its related entities as of the time of the tender offer, and an alleged misuse of discretion by the competent court with respect to the registration of the Domination Agreement in the Commercial Register. In April 2005, the court of appeals rejected the demand by one shareholder for injunctive relief, and in June 2005 the Frankfurt District Court *(Landgericht)* ruled that it does not have jurisdiction over this matter. The claims filed in the Königstein Local Court *(Amtsgericht)* have been withdrawn.

In February 2005, a minority shareholder of CAG also brought a lawsuit against the Purchaser, as well as a former member of CAG's board of management and a former member of CAG's supervisory board, in the Frankfurt District Court *(Landgericht).* Among other things, this action seeks to unwind the tender of the plaintiff's shares in the Tender Offer and seeks compensation for damages suffered as a consequence of tendering shares in the Tender Offer. The court ruled against the plaintiff in this matter in June 2005. The plaintiff appealed this decision with respect to the Purchaser and the former member of the CAG board of management; however, the appeal has been withdrawn pursuant to the Settlement Agreement.

Based upon the information available as of August 2, 2006, the outcome of the foregoing proceedings cannot be predicted with certainty.

The amounts of the fair cash compensation *(Abfindung)* and of the guaranteed fixed annual payment *(Ausgleich)* offered under the Domination Agreement may be increased in special award proceedings *(Spruchverfahren)* initiated by minority shareholders, which may further reduce the funds the Purchaser can otherwise make available to the Company. As of March 30, 2005, several minority shareholders of CAG had initiated special award proceedings 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. As a result of these proceedings, the amount of the fair cash consideration and the guaranteed fixed annual payment offered under the Domination Agreement could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. The court dismissed all of these proceedings in March 2005 on the grounds of inadmissibility. Thirty-three plaintiffs appealed the dismissal, and in January 2006, twenty-three of these appeals were granted by the court. They were remanded back to the court of first instance, where the valuation will be further reviewed.

Guarantees

The Company has agreed to guarantee or indemnify third parties for environmental and other liabilities pursuant to a variety of agreements, including asset and business divestiture agreements, leases, settlement agreements, and various agreements with affiliated companies. Although many of these obligations contain monetary and/or time limitations, others do not provide such limitations.

The Company has accrued for all probable and reasonably estimable losses associated with all known matters or claims that have been brought to its attention.

These known obligations include the following:

Demerger Obligations

The Company has obligations to indemnify Hoechst for various liabilities under the Demerger Agreement as follows:

- The Company agreed to indemnify Hoechst for environmental liabilities associated with contamination arising under 19 divestiture agreements entered into by Hoechst prior to the demerger, 2 of which have been settled.

The Company's obligation to indemnify Hoechst is subject to the following thresholds:

- The Company will indemnify Hoechst against those liabilities up to €250 million;

- Hoechst will bear those liabilities exceeding €250 million, however the Company will reimburse Hoechst for one-third of those liabilities for amounts that exceed €750 million in the aggregate.

The aggregate maximum amount of environmental indemnifications under the remaining divestiture agreements that provide for monetary limits is €750 million. Three of the divested agreements do not provide for monetary limits.

Based on the estimate of the probability of loss under this indemnification, the Company has reserves of $31 million and $33 million as of June 30, 2006 and December 31, 2005, respectively, for this contingency. Where the Company is unable to reasonably determine the probability of loss or estimate such loss under an indemnification, the Company has not recognized any related liabilities.

The Company has also undertaken in the Demerger Agreement to indemnify Hoechst to the extent that Hoechst is required to discharge liabilities, including tax liabilities, associated with businesses that were included in the demerger where such liabilities were not demerged, due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. The Company has not provided for any reserves associated with this indemnification. The Company has not made any payments to Hoechst during the three and six months ended June 30, 2006 and 2005, respectively, in connection with this indemnification.

Divestiture Obligations

The Company and its predecessor companies agreed to indemnify third party purchasers of former businesses and assets for various pre-closing conditions, as well as for breaches of representations, warranties and covenants. Such liabilities also include environmental liability, product liability, antitrust and other liabilities. These indemnifications and guarantees represent standard contractual terms associated with typical divestiture agreements and, other than environmental liabilities, the Company does not believe that they expose the Company to any significant risk.

The Company has divested in the aggregate over 20 businesses, investments and facilities, through agreements containing indemnifications or guarantees to the purchasers. Many of the obligations contain monetary and/or time limitations, ranging from one year to thirty years. The aggregate amount of guarantees provided for under these agreements is approximately $2.9 billion as of June 30, 2006. Other agreements do not provide for any monetary or time limitations.

Based on historical claims experience and its knowledge of the sites and businesses involved, the Company believes that it is adequately reserved for these matters. As of June 30, 2006 and December 31, 2005, the Company has reserves in the aggregate of $51 million and $54 million, respectively, for all such environmental matters.

Plumbing Insurance Indemnifications

CAG entered into agreements with insurance companies related to product liability settlements associated with Celcon ® plumbing claims. These agreements, except those with insolvent insurance companies, require the Company to indemnify and/or defend these insurance companies in the event that third parties seek additional monies for matters released in these agreements. The indemnifications in these agreements do not provide for time limitations.

In certain of the agreements, CAG received a fixed settlement amount. The indemnities under these agreements generally are limited to, but in some cases are greater than, the amount received in settlement from the insurance company. The maximum exposure under these indemnifications is $95 million. Other settlement agreements have no stated limits.

There are other agreements whereby the settling insurer agreed to pay a fixed percentage of claims that relate to that insurer's policies. The Company has provided indemnifications to the insurers for amounts paid in excess of the settlement percentage. These indemnifications do not provide for monetary or time limitations.

The Company has reserves associated with these product liability claims. See *Plumbing Actions* above.

Other Obligations

- The Company is secondarily liable under a lease agreement pursuant to which the Company 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 July 1, 2006 to April 30, 2012 is estimated to be approximately $45 million.
- The Company has agreed to indemnify various insurance carriers, for amounts not in excess of the settlements received, from claims made against these carriers subsequent to the settlement. The aggregate amount of guarantees under these settlements is approximately $10 million, which is unlimited in term.

As indemnification obligations often depend on the occurrence of unpredictable future events, the future costs associated with them cannot be determined at this time. However, if the Company were to incur additional charges for these matters, such charges may have a material adverse effect on the financial position, results of operations or cash flows of the Company in any given accounting period.

Other Matters

During the three months ended June 20, 2006, the Company entered into two fifteen year take or pay contracts with an annual commitment of approximately $6 million.

As of June 30, 2006, Celanese Ltd. and/or CNA Holdings, Inc., both U.S. subsidiaries of the Company, are defendants in approximately 650 asbestos cases. During the three months ended June 30, 2006, 18 new cases were filed against the Company and 26 cases were resolved. Because many of these cases involve numerous plaintiffs, the Company is subject to claims significantly in excess of the number of actual cases. The Company has reserves for defense costs related to claims arising from these matters. The Company believes that there is not significant exposure related to these matters.

Under the transaction and monitoring fee agreement/sponsor services agreement, the Company has agreed to indemnify the Advisor, as defined below, and its affiliates and their respective partners, members, directors, officers, employees, agents and representatives for any and all losses relating to services contemplated by these agreements and the engagement of the Advisor pursuant to, and the performance by the Advisor or the services contemplated by, these agreements. The Company has also agreed under the transaction and monitoring fee agreement/sponsor services agreement to reimburse the Advisor and its affiliates for their expenses incurred in connection with the services provided under these agreements or in connection with their ownership or subsequent sale of Celanese Corporation stock (See Notes 13 and 19).

From time to time, certain of the Company's foreign subsidiaries have made sales of acetate, sweeteners and polymer products to customers in countries that are or have previously been subject to sanctions and embargoes imposed by the U.S. government. These countries include Cuba, Iran, Sudan and Syria, four countries currently identified by the U.S. State Department as terrorist-sponsoring states and other countries that previously have been identified by the U.S. State Department as terrorist-sponsoring states, or countries to which sales have been regulated in connection with other foreign policy concerns. In September 2005, the Company began an investigation of these transactions and initially identified approximately $10 million of sales by its foreign subsidiaries to the above-referenced countries. The Company now believes that approximately $5 million of these sales were in violation of U.S. law or regulation. The violations uncovered by the investigation include approximately $180,000 of sales of emulsions to Cuba by two of the Company's foreign subsidiaries. Sales to Cuba are violations of the

U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, regulations. In addition, the Company determined that its sales office in Turkey sold polymer products to companies in Iran and Syria, including indirectly selling product through other companies located in non-embargoed countries. Certain of these transactions involved an intentional violation of the Company's policies and federal regulations by employees of a subsidiary in Turkey. If OFAC or the Department of Commerce's Bureau of Industry and Security determine that the Company violated U.S. export control laws, the Company could be subject to civil penalties of $11,000 — $65,000 per violation, and criminal penalties could range up to the greater of $1 million per violation, or five times the value of the goods sold. If such violations occurred, the U.S. Government could deny the Company export privileges.

The Company has voluntarily disclosed these matters to the U.S. Treasury Department and the U.S. Department of Commerce. The Company has taken corrective actions, including dismissal of responsible individuals, directives to senior business leaders prohibiting such sales, enhancement of the business conduct policy training in the area of export control, as well as modifications to its accounting systems that are intended to prevent the initiation of sales to countries that are subject to the U.S. Treasury Department or the U.S. Department of Commerce restrictions. The Company, in conjunction with outside counsel, has concluded an internal investigation of the facts and circumstances surrounding the illegal export issues. As a result of this investigation, the Company has terminated an employee and liquidated its subsidiary in Turkey. The Company has communicated the results of its investigation to the federal authorities responsible for these matters. The ultimate resolution of this matter is subject to a final ruling or settlement with the government. Accordingly, the Company cannot estimate the potential sanctions or fines relating to this matter. As of June 30, 2006, management believes that it has taken the necessary actions to remediate this matter, which it had previously identified as a significant deficiency.

15. Special (Charges) Gains

The components of special (charges) gains are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Employee termination benefits	(9)	(6)	(11)	(8)
Plant/office closures	(2)	(1)	—	(2)
Total restructuring	(11)	(7)	(11)	(10)
Asset impairments	—	(24)	—	(24)
Insurance recoveries associated with plumbing cases	2	4	3	4
Other	(3)	—	(4)	(35)
Total special (charges) gains	(12)	(27)	(12)	(65)

In connection with the completion of the initial public offering in January 2005, the parties amended and restated the transaction and monitoring fee agreement to terminate the monitoring services and all obligations to pay future monitoring fees and paid Blackstone Management Partners (the "Advisor") $35 million, which is included in other special (charges) gains in the table above.

Asset impairments primarily relate to the Company's decision to divest its Cyclo-olefin Copolymer ("COC") business.

The components of the June 30, 2006 and December 31, 2005 restructuring reserves are as follows:

	Employee Termination Benefits	Plant/Office Closures	Total
	(In $ millions)		
Restructuring reserve at December 31, 2005	51	14	65
Restructuring additions	11	—	11
Cash uses	(20)	(2)	(22)
Currency translation adjustments	(1)	—	(1)
Other	2	—	2
Restructuring reserve at June 30, 2006	43	12	55

16. Stock-based and Other Management Compensation Plans

In December 2004, the Company approved a deferred compensation plan for executive officers and key employees, a stock incentive plan for executive officers, key employees and directors, as well as other management incentive programs.

These plans allow for the issuance or delivery of up to 16,250,000 shares of the Company's Series A common stock through a discounted share program and stock options.

Deferred compensation

The deferred compensation plan has an aggregate maximum amount payable of $192 million. The initial component of the deferred compensation plan vested in 2004 and was paid in the first quarter of 2005. The remaining aggregate maximum amount payable of $163 million (of which $13 million has been accrued at June 30, 2006) is subject to downward adjustment if the price of the Company's 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 three of the four Original Shareholders of at least 90% of their equity interest in the Company with at least a 25% cash internal rate of return on their equity interest. During the three and six months ended June 30, 2006, the Company recorded compensation expense of $10 million and $13 million, respectively, related to the accelerated vesting of certain participants in the plan. During the three and six months ended June 30, 2005, the Company did not record any compensation expense associated with this plan.

Long-term incentive plan

Effective January 1, 2004, the Company adopted a long-term incentive plan (the "LTIP Plan") which covers certain members of management and other key employees of the Company. The LTIP Plan is a three-year cash based plan in which awards will be based on annual and three-year cumulative targets (as defined in the LTIP Plan). Payouts to employees could be considerably increased if the annual and three-year cumulative targets are significantly exceeded. As of June 30, 2006, management believes that these targets will be significantly exceeded. Payout under the LTIP Plan will occur following the end of year three of the LTIP Plan and will be payable in the first quarter of 2007. During the three and six months ended June 30, 2006, the Company recorded expense of $5 million and $10 million, respectively, related to the LTIP Plan. During the three and six months ended June 30, 2005, the Company recorded expense of $1 million and $2 million, respectively, related to the LTIP Plan.

Stock-based compensation

The Company has a stock-based compensation plan that makes awards of stock options to certain employees. Prior to January 1, 2006, the Company accounted for awards granted under this plan using the intrinsic value method of expense recognition, which follows the recognition and measurement principles of APB 25 and related interpretations. Compensation cost, if any, was recorded based on the excess of the quoted market price at grant date over the amount an employee must pay to acquire the stock. Under the provisions of APB 25, there was no compensation expense resulting from the issuance of the stock options as the exercise price was equivalent to the fair market value at the date of grant.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R). The Company has elected the modified prospective transition method as permitted by SFAS No. 123(R) and, accordingly, prior periods have not been restated to reflect the impact of SFAS No. 123(R). Under this transition method, compensation cost recognized for the three and six months ended June 30, 2006 includes: (i) compensation cost for all stock-based payments granted prior to, but not yet vested as of, January 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123 and previously presented in the pro forma footnote disclosures), and (ii) compensation cost for all stock-based payments granted subsequent to January 1, 2006 (based on the grant-date fair value estimated in accordance with the new provisions of SFAS No. 123(R)).

It is the Company's policy to grant options with an exercise price equal to the price of the Company's Series A common stock on the grant date. The options issued have a ten-year term with vesting terms pursuant to a schedule, with all vesting to occur no later than the 8th anniversary of the date of the grant. Accelerated vesting depends on meeting specified performance targets. The estimated value of the Company's stock-based awards less expected forfeitures is amortized over the awards' respective vesting period on the applicable graded or straight-line basis, subject to acceleration as discussed above. As a result of adopting SFAS No. 123(R), the Company's net earnings for the three and six months ended June 30, 2006, was $3 million (net of tax of $2 million) and $6 million (net of tax of $3 million), respectively, lower than it would have been if the Company had continued to account for share-based compensation under APB 25.

The Company's actual and pro forma stock-based compensation expense for the three and six months ended June 30, 2006 and 2005, respectively, are presented below:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions)			
Included in reported Operating earnings				
Selling, general and administrative	5	—	9	—
Incremental pro forma				
Selling, general and administrative	—	4	—	6
Actual/pro forma stock-based employee compensation expense	5	4	9	6

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing method. The weighted average assumptions used in the model are outlined in the following table:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Risk free interest rate	4.9%	4.2%	4.9%	4.0%
Estimated life in years	7.0	7.8	7.0	7.5
Dividend yield	0.8%	1.0%	0.8%	0.8%
Volatility	30.3%	28.0%	30.3%	26.1%
Expected annual forfeiture rate	5.6%	0.5%	5.6%	0.5%

The computation of the expected volatility assumption used in the Black-Scholes calculations for new grants is based on historical volatilities and volatilities of peer companies. When establishing the expected life assumptions, the Company reviews annual historical employee exercise behavior of option grants with similar vesting periods and the expected life assumptions of peer companies. The Company utilized the review of peer companies based on its own lack of extensive history.

A summary of changes in stock options outstanding during the six months ended June 30, 2006 is presented below:

	Six Months Ended June 30, 2006			
	Number of Options (In millions)	Weighted-Average Grant Price in $	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (In $ millions)
Outstanding at beginning of period	12	16.15	9	38
Granted	2	20.99	9	—
Exercised	—	17.83	9	—
Forfeited	(1)	16.19	9	2
Outstanding at end of period	13	16.77	9	48
Exercisable and expected to exercise in the future at June 30, 2006	7	16.88	9	26
Options exercisable at end of period	5	16.07	9	24

At June 30, 2006, the Company had approximately $34 million of total unrecognized compensation expense, net of the estimated forfeitures, related to stock options to be recognized over the remaining vesting periods of the options. Cash received from stock option exercises was less that $1 million during the three and six months ended June 30, 2006.

Prior Period Pro Forma Presentations

Under the modified prospective transition method, results for prior periods have not been restated to reflect the effects of implementing SFAS No. 123(R). The following pro forma information, as required by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123* , is presented for comparative purposes and illustrates the pro forma effect on Net earnings and Earnings per common share for each period presented as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation prior to January 1, 2006:

	Three Months Ended June 30, 2005			Six Months Ended June 30, 2005		
	Net Earnings	Basic Earnings Per Common Share	Diluted Earnings Per Common Share	Net Earnings	Basic Earnings Per Common Share	Diluted Earnings Per Common Share
	(In $ millions, except per share information)					
Net earnings available to common shareholders, as reported	65	0.41	0.39	53	0.35	0.35
Add: stock-based employee compensation expense included in reported net earnings, net of the related tax effects	—	—	—	—	—	—
Less: stock-based compensation under SFAS No. 123, net of the related tax effects	(3)	(0.02)	(0.02)	(4)	(0.02)	(0.02)
Pro forma net earnings available to common shareholders	62	0.39	0.37	49	0.33	0.33

17. Income Taxes

Income taxes for the three and six months ended June 30, 2006 and 2005 are recorded based on the estimated annual effective tax rate. As of June 30, 2006, the estimated annualized tax rate is 29%, which is less than the combination of the statutory federal rate and state income tax rates in the U.S. The estimated annual effective tax rate for 2006 reflects earnings in low tax jurisdictions, a partial benefit for reversal of valuation allowance on 2006 projected U.S. income, and tax expense in certain non-U.S. jurisdictions. The U.S. net deferred tax asset is subject to a full valuation allowance, including $475 million that was recorded as a component of goodwill at the Acquisition. Reversals of that valuation allowance resulting from positive earnings or a change in judgment regarding the realizabilty of the net deferred tax asset are primarily reflected as a reduction of goodwill. Therefore, the effective tax rate reflects only a partial benefit for reversal of valuation allowance of approximately $3 million for the six months ended June 30, 2006.

For the three months ended June 30, 2006 and 2005, the Company recorded tax expense of $42 million and $43 million, respectively, which resulted in a tax rate of 29% and 35%, respectively. For the six months ended June 30, 2006 and 2005, the Company recorded tax expense of $87 million and $51 million, respectively, which resulted in a tax rate of 28% and 38%, respectively. The effective tax rate in 2005 was significantly affected by the non-recognition of tax benefits associated with acquisition related expenses.

On May 17, 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), which among other things, provided for a new temporary exception to certain U.S. taxed foreign passive income inclusion rules for 2006 to 2008. This change reduced the expected amount of foreign income taxed currently in the U.S.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. Business Segments

	Chemical Products	Ticona	Acetate Products	Performance Products	Total Segments	Other Activities	Eliminations	Consolidated
				(In $ millions)				
As of and for the three months ended June 30, 2006								
Sales to external customers	1,152	230	176	48	1,606	68	—	1,674
Inter-segment revenues	42	—	—	—	42	—	(42)	—
Operating profit	141	38	29	16	224	(61)	—	163
Earnings (loss) from continuing operations before tax and minority interests	157	53	50	17	277	(131)	—	146
Depreciation and amortization	41	16	5	4	66	7	—	73
Capital expenditures	43	6	21	—	70	1	—	71
Total assets	3,380	740	1,629	368	6,117	1,451	—	7,568
As of and for the three months ended June 30, 2005								
Sales to external customers	1,056	223	172	47	1,498	8	—	1,506
Inter-segment revenues	29	—	—	—	29	—	(29)	—
Operating profit	155	5	10	15	185	(33)	—	152
Earnings (loss) from continuing operations before tax and minority interests	149	22	12	14	197	(74)	—	123
Depreciation and amortization	39	14	9	3	65	2	—	67
Capital expenditures	26	9	9	1	45	1	—	46
Total assets(1)	3,280	1,583	691	342	5,896	1,549	—	7,445
As of and for the six months ended June 30, 2006								
Sales to external customers	2,296	461	343	97	3,197	129	—	3,326
Inter-segment revenues	67	—	—	—	67	—	(67)	—
Operating profit	303	79	52	33	467	(107)	—	360
Earnings (loss) from continuing operations before tax and minority interests	328	109	73	32	542	(235)	—	307
Depreciation and amortization	79	32	12	8	131	12	—	143
Capital expenditures	65	11	37	—	113	2	—	115
Total assets	3,380	740	1,629	368	6,117	1,451	—	7,568
As of and for the six months ended June 30, 2005								
Sales to external customers	2,071	462	337	94	2,964	20	—	2,984
Inter-segment revenues	58	—	—	—	58	—	(58)	—
Operating profit	332	44	20	28	424	(116)	—	308
Earnings (loss) from continuing operations before tax and minority interests	342	73	22	26	463	(327)	—	136
Depreciation and amortization	73	29	18	6	126	4	—	130
Capital expenditures	44	23	14	3	84	2	—	86
Total assets(1)	3,280	1,583	691	342	5,896	1,549	—	7,445

(1) Due to purchase accounting related to the acquisition of CAG not being finalized as of June 30, 2005, these amounts represent the balances as of December 31, 2005.

19. Transactions and Relationships with Affiliates and Related Parties

Upon closing of the Acquisition, the Company entered into a transaction and monitoring fee agreement with the Advisor, an affiliate of the Blackstone Group (the "Sponsor"). Under the agreement, the Advisor agreed to provide monitoring services to the Company for a 12 year period. Also, the Advisor may receive additional compensation for providing investment banking or other advisory services provided to the Company by the Advisor or any of its affiliates, and may be reimbursed for certain expenses, in connection with any specific acquisition, divestiture, refinancing, recapitalization, or similar transaction. In connection with the completion of the initial public offering, the parties amended and restated the transaction and monitoring fee agreement to terminate the monitoring services and all obligations to pay future monitoring fees and paid the Advisor $35 million. The Company also paid $10 million to the Advisor for the 2005 monitoring fee. The transaction based agreement remains in effect.

For the six months ended June 30, 2005, in connection with the acquisition of Vinamul, the Company paid the Advisor a fee of $2 million, which was included in the computation of the purchase price for the acquisition. In connection with the acquisition of Acetex, the Company paid the Advisor an initial fee of $1 million.

For the three and six months ended June 30, 2006, the Company did not make any payments to the Advisor.

20. Consolidating Guarantor Financial Information

The following unaudited consolidating financial statements are presented in the provided form because: (i) Crystal U.S. Holdings 3 LLC and Crystal U.S. Sub 3 Corp (the "Issuers") are wholly owned subsidiaries of Celanese Corporation (the "Parent Guarantor"); (ii) the guarantee is considered to be full and unconditional, that is, if the Issuers fail to make a scheduled payment, the Parent Guarantor is obligated to make the scheduled payment immediately and, if they do not, any holder of notes may immediately bring suit directly against the Parent Guarantor for payment of all amounts due and payable.

Separate financial statements and other disclosures concerning the Parent Guarantor are not presented because management does not believe that such information is material to investors.

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION

	Three Months Ended June 30, 2006				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
Net sales	—	—	1,674	—	1,674
Cost of sales	—	—	(1,326)	—	(1,326)
Gross profit	—	—	348	—	348
Selling, general and administrative expenses	(1)	—	(152)	—	(153)
Research and development expenses	—	—	(18)	—	(18)
Special (charges) gains:					
Insurance recoveries associated with plumbing cases	—	—	2	—	2
Restructuring, impairment and other special (charges) gains	—	—	(14)	—	(14)
Foreign exchange gain, net	—	—	(1)	—	(1)
Loss on disposition of assets, net	—	—	(1)	—	(1)
Operating profit (loss)	(1)	—	164	—	163
Equity in net earnings of affiliates	107	113	18	(220)	18
Interest expense	—	(10)	(63)	—	(73)
Interest income	—	—	9	—	9
Other income (expense), net	(3)	—	32	—	29
Earnings from continuing operations before tax and minority interests	103	103	160	(220)	146
Income tax benefit (provision)	—	4	(46)	—	(42)
Earnings from continuing operations before minority interests	103	107	114	(220)	104
Minority interests	—	—	(1)	—	(1)
Earnings from continuing operations	103	107	113	(220)	103
Earnings from operation of discontinued operations	—	—	—	—	—
Net earnings	103	107	113	(220)	103

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION

	Three Months Ended June 30, 2005				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
			(In $ millions)		
Net sales	—	—	1,506	—	1,506
Cost of sales	—	—	(1,165)	—	(1,165)
Gross profit	—	—	341	—	341
Selling, general and administrative expenses	(2)	—	(133)	—	(135)
Research and development expenses	—	—	(23)	—	(23)
Special (charges) gains:					
Insurance recoveries associated with plumbing cases	—	—	4	—	4
Restructuring, impairment and other special (charges) gains	—	—	(31)	—	(31)
Foreign exchange gain (loss), net	—	—	(1)	—	(1)
Gain on disposition of assets, net	—	—	(3)	—	(3)
Operating profit (loss)	(2)	—	154	—	152
Equity in net earnings of affiliates	68	80	12	(148)	12
Interest expense	—	(9)	(59)	—	(68)
Interest income	1	—	8	—	9
Other income (expense), net	—	—	18	—	18
Earnings from continuing operations before tax and minority interests	67	71	133	(148)	123
Income tax benefit (provision)	—	(3)	(40)	—	(43)
Earnings from continuing operations before minority interests	67	68	93	(148)	80
Minority interests	—	—	(13)	—	(13)
Earnings from continuing operations	67	68	80	(148)	67
Earnings from operation of discontinued operations	—	—	—	—	—
Net earnings	67	68	80	(148)	67

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION

	Six Months Ended June 30, 2006				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
Net sales	—	—	3,326	—	3,326
Cost of sales	—	—	(2,611)	—	(2,611)
Gross profit	—	—	715	—	715
Selling, general and administrative expenses	(5)	—	(300)	—	(305)
Research and development expenses	—	—	(36)	—	(36)
Special (charges) gains:					
Insurance recoveries associated with plumbing cases	—	—	3	—	3
Restructuring, impairment and other special (charges) gains	—	—	(15)	—	(15)
Foreign exchange gain, net	—	—	(1)	—	(1)
Loss on disposition of assets, net	—	—	(1)	—	(1)
Operating profit (loss)	(5)	—	365	—	360
Equity in net earnings of affiliates	228	240	39	(468)	39
Interest expense	—	(20)	(124)	—	(144)
Interest income	—	—	17	—	17
Other income (expense), net	(3)	—	38	—	35
Earnings from continuing operations before tax and minority interests	220	220	335	(468)	307
Income tax benefit (provision)	—	8	(95)	—	(87)
Earnings from continuing operations before minority interests	220	228	240	(468)	220
Minority interests	—	—	(1)	—	(1)
Earnings from continuing operations	220	228	239	(468)	219
Earnings from operation of discontinued operations	—	—	1	—	1
Net earnings	220	228	240	(468)	220

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION

	Six Months Ended June 30, 2005				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
Net sales	—	—	2,984	—	2,984
Cost of sales	—	—	(2,271)	—	(2,271)
Gross profit	—	—	713	—	713
Selling, general and administrative expenses	(5)	—	(289)	—	(294)
Research and development expenses	—	—	(46)	—	(46)
Special (charges) gains:					
Insurance recoveries associated with plumbing cases	—	—	4	—	4
Restructuring, impairment and other special (charges) gains	—	—	(69)	—	(69)
Foreign exchange gain, net	—	—	2	—	2
Loss on disposition of assets, net	—	—	(2)	—	(2)
Operating profit (loss)	(5)	—	313	—	308
Equity in net earnings of affiliates	56	95	27	(151)	27
Interest expense	—	(45)	(199)	—	(244)
Interest income	6	—	18	—	24
Other income (expense), net	—	—	21	—	21
Earnings from continuing operations before tax and minority interests	57	50	180	(151)	136
Income tax benefit (provision)	—	6	(57)	—	(51)
Earnings from continuing operations before minority interests	57	56	123	(151)	85
Minority interests	—	—	(38)	—	(38)
Earnings from continuing operations	57	56	85	(151)	47
Earnings from operation of discontinued operations	—	—	10	—	10
Net earnings	57	56	95	(151)	57

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING BALANCE SHEET INFORMATION

	As of June 30, 2006				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	1	—	353	—	354
Restricted cash	—	—	44	—	44
Receivables:					
Trade receivables, net	—	—	997	—	997
Other receivables	1	—	569	(14)	556
Inventories	—	—	655	—	655
Deferred income taxes	—	—	31	—	31
Other assets	—	—	73	—	73
Total current assets	2	—	2,722	(14)	2,710
Investments	429	813	815	(1,242)	815
Property, plant and equipment, net	—	—	2,082	—	2,082
Deferred income taxes	—	8	117	—	125
Other assets	—	8	434	—	442
Goodwill	—	—	906	—	906
Intangible assets, net	—	—	488	—	488
Total assets	431	829	7,564	(1,256)	7,568
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings and current installments of long-term debt — third party and affiliates	—	—	174	—	174
Trade payables — third party and affiliates	—	—	744	—	744
Other current liabilities	13	1	701	(14)	701
Deferred income taxes	—	—	24	—	24
Income taxes payable	—	—	255	—	255
Total current liabilities	13	1	1,898	(14)	1,898
Long-term debt	—	399	2,921	—	3,320
Deferred income taxes	—	—	300	—	300
Benefit obligations	—	—	1,110	—	1,110
Other liabilities	—	—	454	—	454
Minority interests	—	—	68	—	68
Commitments and contingencies					
Shareholders' equity	418	429	813	(1,242)	418
Total liabilities and shareholders' equity	431	829	7,564	(1,256)	7,568

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONSOLIDATING BALANCE SHEET INFORMATION

	As of December 31, 2005				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	1	—	389	—	390
Receivables:					
Trade receivables, net	—	—	919	—	919
Other receivables	—	—	486	(5)	481
Inventories	—	—	661	—	661
Deferred income taxes	—	—	37	—	37
Other assets	—	—	91	—	91
Total current assets	1	—	2,583	(5)	2,579
Investments	238	610	775	(848)	775
Property, plant and equipment, net	—	—	2,040	—	2,040
Deferred income taxes	—	—	139	—	139
Other assets	—	8	474	—	482
Goodwill	—	—	949	—	949
Intangible assets, net	—	—	481	—	481
Total assets	239	618	7,441	(853)	7,445
LIABILITIES AND SHAREHOLDERS’ EQUITY					
Current liabilities:					
Short-term borrowings and current installments of long-term debt — third party and affiliates	—	—	155	—	155
Trade payables — third party and affiliates	—	—	811	—	811
Other current liabilities	4	1	787	(5)	787
Deferred income taxes	—	—	36	—	36
Income taxes payable	—	—	224	—	224
Total current liabilities	4	1	2,013	(5)	2,013
Long-term debt	—	379	2,903	—	3,282
Deferred income taxes	—	—	285	—	285
Benefit obligations	—	—	1,126	—	1,126
Other liabilities	—	—	440	—	440
Minority interests	—	—	64	—	64
Commitments and contingencies					
Shareholders’ equity	235	238	610	(848)	235
Total liabilities and shareholders’ equity	239	618	7,441	(853)	7,445

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

	Six Months Ended June 30, 2006				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
			(In $ millions)		
Net cash provided by (used in) operating activities	—	—	144	—	144
Investing activities from continuing operations:					
Capital expenditures on property, plant and equipment	—	—	(115)	—	(115)
Proceeds from sale of marketable securities	—	—	40	—	40
Purchases of marketable securities	—	—	(24)	—	(24)
Increase in restricted cash	—	—	(42)	—	(42)
Net cash provided by (used in) investing activities	—	—	(141)	—	(141)
Financing activities from continuing operations:					
Short-term borrowings (repayments), net	—	—	(24)	—	(24)
Proceeds from long-term debt	—	—	7	—	7
Payments of long-term debt	—	—	(16)	—	(16)
Dividends from subsidiary	18	18	—	(36)	—
Dividends to parent	—	(18)	(18)	36	—
Dividend payments on preferred stock	(5)	—	—	—	(5)
Dividend payments on common stock	(13)	—	—	—	(13)
Net cash provided by (used in) financing activities	—	—	(51)	—	(51)
Exchange rate effects on cash	—	—	12	—	12
Net increase in cash and cash equivalents	—	—	(36)	—	(36)
Cash and cash equivalents at beginning of period	1	—	389	—	390
Cash and cash equivalents at end of period	1	—	353	—	354

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

UNAUDITED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION

	Six Months Ended June 30, 2005				
	Parent Guarantor	Issuer	Non-Guarantors	Eliminations	Consolidated
	(In $ millions)				
Net cash provided by (used in) operating activities	9	—	181	—	190
Investing activities from continuing operations:					
Capital expenditures on property, plant and equipment	—	—	(86)	—	(86)
Investments in subsidiaries, net	(198)	9	—	189	—
Acquisition of CAG, net of cash acquired	—	—	(6)	—	(6)
Fees associated with acquisitions	—	—	(10)	—	(10)
Acquisition of Vinamul, net of cash reimbursed	—	—	(208)	—	(208)
Proceeds from sale of assets	—	—	14	—	14
Net proceeds from disposal of discontinued operations	—	—	75	—	75
Proceeds from sale of marketable securities	—	—	141	—	141
Purchases of marketable securities	—	—	(59)	—	(59)
Other, net	—	—	1	—	1
Net cash provided by (used in) investing activities	(198)	9	(138)	189	(138)
Financing activities from continuing operations:					
Redemption of senior subordinated notes, including related premium	—	—	(572)	—	(572)
Repayment of floating rate term loan, including related premium	—	—	(354)	—	(354)
Contribution from Parent	—	779	572	(1,351)	—
Proceeds from issuance of Series A common stock, net	752	—	—	—	752
Proceeds from issuance of preferred stock, net	233	—	—	—	233
Proceeds from issuance of discounted common stock	12	—	—	—	12
Redemption of senior discount notes, including related premium	—	(207)	—	—	(207)
Distribution to Series B shareholders	(804)	(581)	(581)	1,162	(804)
Borrowings under term loan facilities	—	—	1,135	—	1,135
Short-term borrowings (repayments), net	—	—	(26)	—	(26)
Proceeds from long-term debt	—	—	9	—	9
Fees associated with financing	—	—	(7)	—	(7)
Dividend payments on preferred stock	(3)	—	—	—	(3)
Net cash provided by (used in) financing activities	190	(9)	176	(189)	168
Exchange rate effects on cash	—	—	(99)	—	(99)
Net increase in cash and cash equivalents	1	—	120	—	121
Cash and cash equivalents at beginning of period	—	—	838	—	838
Cash and cash equivalents at end of period	1	—	958	—	959

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

21. Earnings Per Share

	Three Months Ended June 30, 2006			Three Months Ended June 30, 2005		
	Continuing Operations	Discontinued Operations	Net Earnings	Continuing Operations	Discontinued Operations	Net Earnings
	(In $ millions, except for share and per share data)					
Net earnings	103	—	103	67	—	67
Less: cumulative declared preferred stock dividends	(2)	—	(2)	(2)	—	(2)
Earnings available to common shareholders	101	—	101	65	—	65
Basic earnings per common share	0.64	—	0.64	0.41	—	0.41
Diluted earnings per common share	0.60	—	0.60	0.39	—	0.39
Weighted-average shares — basic	158,562,161	158,562,161	158,562,161	158,530,397	158,530,397	158,530,397
Dilutive stock options	1,498,489	1,498,489	1,498,489	—	—	—
Assumed conversion of preferred stock	12,005,896	12,005,896	12,005,896	12,000,000	12,000,000	12,000,000
Weighted-average shares — diluted	172,066,546	172,066,546	172,066,546	170,530,397	170,530,397	170,530,397

	Six Months Ended June 30, 2006			Six Months Ended June 30, 2005		
	Continuing Operations	Discontinued Operations	Net Earnings	Continuing Operations	Discontinued Operations	Net Earnings
	(In $ millions, except for share and per share data)					
Net earnings	219	1	220	47	10	57
Less: cumulative declared preferred stock dividends	(5)	—	(5)	(4)	—	(4)
Earnings available to common shareholders	214	1	215	43	10	53
Basic earnings per common share	1.35	0.01	1.36	0.28	0.07	0.35
Diluted earnings per common share	1.28	—	1.28	0.28	0.07	0.35
Weighted-average shares — basic	158,562,161	158,562,161	158,562,161	150,182,788	150,182,788	150,182,788
Dilutive stock options	1,406,420	1,406,420	1,406,420	91,140	91,140	91,140
Assumed conversion of preferred stock	12,005,896	12,005,896	12,005,896	12,000,000	12,000,000	12,000,000
Weighted-average shares — diluted	171,974,477	171,974,477	171,974,477	162,273,928	162,273,928	162,273,928

Basic earnings per common share is based on the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is based on the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the period adjusted to give effect to common stock equivalents, if dilutive.

On December 31, 2004, the capital structure of the Company consisted of 650,494 shares of Series B common stock, par value $0.01 per share. In January 2005, the Company amended its certificate of incorporation and increased its authorized common stock to 500,000,000 shares and the Company effected a 152.772947 for 1 stock split for the outstanding shares of the Series B common stock. Upon payment of the special cash dividend (See Note 13), all of the outstanding shares of Series B common stock converted automatically to shares of Series A common stock. Accordingly, basic and diluted shares for the three and six months ended June 30, 2005 have been calculated based on the weighted average shares outstanding, adjusted for the stock split.

22. Change in Control

As a result of the Sponsor's sale of 35,000,000 shares of the Company's Series A common stock in May 2006, affiliates of the Sponsor control less than a majority of the voting power of the Company's outstanding common stock. As a result, the Company no longer will be a "controlled company" within the meaning of the New York Stock Exchange rules and, thus, is required to have a board of directors comprised of a majority of independent directors and nominating and compensation committees composed entirely of independent directors. However, the Company will be permitted to phase in these corporate governance requirements prior to May 15, 2007.

Under the New York Stock Exchange rules, the Compensation Committee and Nominating and Corporate Governance Committee each will be required to have a majority of independent directors by August 15, 2006 and be comprised entirely of independent directors by May 15, 2007. In addition, the Company's Board of Directors will be required to be comprised of a majority of independent directors by May 15, 2007. On July 24, 2006, the Company announced that Martin G. McGuinn and John K. Wulff have been nominated for election to the Celanese Board of Directors. The election will be held at a Special Meeting of Shareholders on August 14, 2006. Assuming the election of Messrs. Wulff and McGuinn, they, along with other independent directors, will be appointed to the Compensation Committee and the Nominating and Corporate Governance Committee, which will result in such committees being populated by a majority of independent directors. In addition, assuming the election of Messrs. McGuinn and Wulff, the Board of Directors will be populated by a majority of independent directors.

23. Subsequent Events

On July 5, 2006, the Company declared a cash dividend on its 4.25% convertible perpetual preferred stock amounting to approximately $3 million and a cash dividend of $0.04 per share on its Series A common stock amounting to approximately $6 million. Both cash dividends are for the period May 1, 2006 to July 31, 2006 and were paid on August 1, 2006 to holders of record as of July 15, 2006.

On July 11, 2006, management decided to pay down approximately $100 million of the Senior Term Loan facility and such amount was paid on July 14, 2006. The Company also expensed approximately $1 million of unamortized deferred financing costs in July 2006 related to this pay down.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

In this Quarterly Report on Form 10-Q, the term "Celanese" refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries. The terms the "Company," "we," "our," and "us," refer to Celanese and its subsidiaries on a consolidated basis. The term "BCP Crystal" refers to our subsidiary, BCP Crystal US Holdings Corp., a Delaware corporation, 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 Shareholders" 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. The terms "Sponsor" and "Advisor" refer to certain affiliates of The Blackstone Group.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Factors That May Affect Future Results and Financial Condition" below. The following discussion should be read in conjunction with the 2005 Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 31, 2006 and the Unaudited Interim Consolidated Financial Statements and notes thereto included elsewhere in this Form 10-Q. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Change in Ownership

Pursuant to a voluntary tender offer commenced in February 2004, the Purchaser, an indirect wholly owned subsidiary of the Company, on April 6, 2004 acquired approximately 84% of the ordinary shares of Celanese AG ("CAG"), excluding treasury shares, (the "CAG Shares") for a purchase price of $1,693 million, including direct acquisition costs of $69 million (the "Acquisition"). During the year ended December 31, 2005 and the nine months ended December 31, 2004, the Purchaser acquired additional CAG shares for $473 million and $33 million, respectively, including direct acquisition costs of $4 million and less than $1 million, respectively.

As of June 30, 2006 and December 31, 2005, our ownership interest in CAG was approximately 98%. On November 3, 2005, our Board of Directors approved commencement of the process for effecting a Squeeze-Out, as defined below, of the remaining shareholders.

Squeeze-Out

Because we own shares representing more than 95% of the registered ordinary share capital (excluding treasury shares) of CAG, we exercised our right, as permitted under German law, to the transfer of the shares owned by the outstanding minority shareholders of CAG in exchange for fair cash compensation (the "Squeeze-Out"). The Squeeze-Out was approved by the affirmative vote of the majority of the votes cast at CAG's annual general meeting in May 2006 and will become effective upon its registration in the commercial register. If we are successful in effecting the Squeeze-Out, we must pay the then remaining minority shareholders of CAG fair cash compensation, in exchange for their shares. The amount of the fair cash compensation under the Squeeze-Out has been set at €66.99 per share. This price could increase if the amount of fair cash compensation is successfully challenged in court.

Minority shareholders can challenge the Squeeze-Out resolution passed by the shareholders of CAG by filing actions with the court to have such resolution set aside. While such actions would only be successful if the resolution were 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 actions prove to be successful, the actions could prevent the implementation of the Squeeze-Out. Accordingly, there can be no assurance that the Squeeze-Out can be implemented timely or at all.

Overview

We are a global hybrid producer of value-added industrial chemicals and have the first or second market positions worldwide in products comprising the majority of our sales. We are the world's largest producer of acetyl products, including acetic acid and vinyl acetate monomer ("VAM"), polyacetal products ("POM"), as well as 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. 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. In addition, we have a significant portfolio of strategic investments, including a number of ventures in North America, Europe and Asia. In aggregate, these strategic investments enjoy significant sales, earnings and cash flow. We have entered into these strategic investments in order to gain access to local markets, minimize costs and accelerate growth in areas we believe have significant future business potential.

We operate principally through four business segments: Chemical Products, Technical Polymers Ticona ("Ticona"), Acetate Products and Performance Products. For further detail on the business segments, see below "Summary by Business Segment" in the "Results of Operations" section of MD&A.

Financial Reporting Changes

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share Based Payment* ("123(R)"), effective for a company's first fiscal year beginning after June 15, 2005. SFAS No. 123(R) supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"). SFAS No. 123(R) requires all stock-based compensation, including grants of stock options, to be recognized in the consolidated statement of earnings.

During the first quarter of 2006, we adopted SFAS No. 123(R). As a result, our net earnings for the three and six months ended June 30, 2006 was $3 million and $6 million, respectively, lower than if we had continued to account for share-based compensation under APB No. 25 and related interpretations. For additional details, see Note 16 to the unaudited interim notes to consolidated financial statements.

Results of Operations

Financial Highlights

	Three Months Ended				Six Months Ended			
	June 30, 2006	% of Net Sales	June 30, 2005	% of Net Sales	June 30, 2006	% of Net Sales	June 30, 2005	% of Net Sales
	(Unaudited) (In $ millions)							
Statement of Operations Data:								
Net sales	1,674	100.0%	1,506	100.0%	3,326	100.0%	2,984	100.0%
Gross profit	348	20.8%	341	22.6%	715	21.5%	713	23.9%
Special (charges) gains	(12)	(0.7)%	(27)	(1.8)%	(12)	(0.4)%	(65)	(2.2)%
Operating profit	163	9.7%	152	10.1%	360	10.8%	308	10.3%
Equity in net earnings of affiliates	18	1.1%	12	0.8%	39	1.2%	27	0.9%
Earnings from continuing operations before tax and minority interests	146	8.7%	123	8.2%	307	9.2%	136	4.6%
Earnings from continuing operations	103	6.2%	67	4.4%	219	6.6%	47	1.6%
Earnings from discontinued operations	—	—	—	—	1	0.0%	10	0.3%
Net earnings	103	6.2%	67	4.4%	220	6.6%	57	1.9%
Depreciation and amortization	73	4.4%	67	4.4%	143	4.3%	130	4.4%

	As of June 30, 2006	As of December 31, 2005
	(In $ millions) (Unaudited)	
Balance Sheet Data:		
Short-term borrowings and current installments of long-term debt — third party and affiliates	174	155
Plus: Long-term debt	3,320	3,282
Total debt	3,494	3,437

Summary of Consolidated Results for the Three and Six Months Ended June 30, 2006 compared to the Three and Six Months Ended June 30, 2005

Net Sales

Net sales for the three and six months ended June 30, 2006 increased 11% for both periods primarily due to the addition of net sales from Acetex of $146 million and $279 million for the three and six months ended June 30, 2006, respectively. Acetex was acquired in July 2005. An overall increase in pricing of 3%, driven by higher raw material and energy costs, contributed to the improvement in net sales for the six months ended June 30, 2006. The increase in net sales during the three months ended June 30, 2006 was driven primarily by increased volumes from our Ticona and Performance Products business segments. These increases resulted from increased market penetration from Ticona's POM products, an improved business environment in Europe and continued growth in new and existing applications from our Sunett ® sweetener. Overall, volumes were flat during the six months ended June 30, 2006.

Gross Profit

Gross profit decreased to 20.8% and 21.5% of net sales for the three and six months ended June 30, 2006, respectively, from 22.6% and 23.9% of net sales for the same periods in 2005. The decreases are primarily due to higher raw material and energy costs. Downstream products experienced margin recovery while price increases in basic products could not offset the increases in raw material costs. Downstream products are products driven by innovation and are typically priced based on their value to their customers rather than on supply and demand characteristics in the market. In addition, Ticona experienced a decline in average pricing due to a larger mix of sales from lower priced products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 13% and 3% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. The increase for the three months and six months ended June 30, 2006 is due to the addition of costs from the Acetex business, executive severance and legal costs associated with the Squeeze-Out of $13 million and $23 million, respectively, stock-based compensation expense of $4 million and $9 million, respectively, resulting from our adoption of SFAS No. 123(R) and $5 million and $10 million related to our long-term incentive plan. These increases are partially offset by ongoing cost savings initiatives from the Ticona and Acetate Products segments and lower costs due to the divestiture of the Cyclo-olefin Copolymer (“COC”) business.

Special (Charges) Gains

The components of special (charges) gains for the three and six months ended June 30, 2006 and 2005 were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(Unaudited) (In $ millions)			
Employee termination benefits	(9)	(6)	(11)	(8)
Plant/office closures	(2)	(1)	—	(2)
Total restructuring	(11)	(7)	(11)	(10)
Asset impairments	—	(24)	—	(24)
Insurance recoveries associated with plumbing cases	2	4	3	4
Other	(3)	—	(4)	(35)
Total special (charges) gains	(12)	(27)	(12)	(65)

Special (charges) gains decreased by $15 million and $53 million for the three and six months ended June 30, 2006 compared to the same periods in 2005. The decreases are due to the absence of asset impairment charges of $24 million recorded in the second quarter of 2005 related to the divestiture of our COC business. Also contributing to the decrease for the six months ended June 30, 2006 is the absence of $35 million related to the termination of advisor monitoring services recorded in 2005.

Operating Profit

Operating profit increased 7% and 17% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. This is principally driven by higher pricing, productivity improvements and lower special charges. The three and six months ended June 30, 2006 included operating profit from Acetex of $8 million and $12 million, respectively, which were not included in the same periods in 2005.

Equity in Net Earnings of Affiliates

Equity in net earnings of affiliates increased 50% and 44% for the three and six months ended June 30, 2006 compared to the same periods in 2005. The increases are primarily due to improved performance from our Asian investments. Cash distributions received from equity affiliates increased by $9 million for the three months ended June 30, 2006 and decreased by $10 million for the six months ended June 30, 2006. The change is due to the timing of dividend receipts from Ticona’s high performance products ventures and Chemical Products’ methanol venture.

Interest Expense

Interest expense decreased 41% for the six months ended June 30, 2006 compared to the same period in 2005 and was relatively flat for the three months ended June 30, 2006 compared to the same period in 2005. The decrease for the six month period is primarily due to recording $28 million in 2005 related to accelerated amortization of deferred financing costs and $74 million in 2005 related to early redemption premiums associated with the partial redemption of the senior subordinated notes, senior discount notes and floating rate term loan.

Other Income (Expense), Net

Other income (expense), net increased 61% and 67% for the three and six months ended June 30, 2006 compared the same periods in 2005. The increases are primarily due to a decrease of $6 million and $13 million for the three and six months ended June 30, 2006, respectively, related to lower anticipated guaranteed payments to CAG minority shareholders due to our increased ownership in CAG. In addition, dividend income related to investments accounted for under the cost method increased by $32 million and $25 million for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. This is primarily driven by the timing of dividend receipts and higher dividends from our investments in recently expanded China ventures.

Income Taxes

Income taxes are recorded based on the estimated annual effective tax rate. As of June 30, 2006, the estimated annualized tax rate is 29%, which is less than the combination of the statutory federal rate and state income tax rates in the U.S. The estimated annual effective tax rate for 2006 reflects earnings in low tax jurisdictions, a partial benefit for reversal of valuation allowance on 2006 projected U.S. income, and tax expense in certain non-U.S. jurisdictions. The U.S. net deferred tax asset is subject to a full valuation allowance, including $475 million that was recorded as a component of goodwill at the Acquisition. Reversal of that valuation allowance resulting from positive earnings or a change in judgment regarding the realizability of the net deferred tax asset are primarily reflected as a reduction of goodwill. Therefore, the effective tax rate reflects only a partial benefit for reversal of valuation allowance of approximately $3 million for the six months ended June 30, 2006.

For the three and six months ended June 30, 2006, we recorded tax expense of $42 million and $87 million, respectively, which resulted in a tax rate of 29% and 28%, respectively. For the three and six months ended June 30, 2005, we recorded tax expense of $43 million and $51 million, respectively, which resulted in a tax rate of 35% and 38% , respectively The effective tax rate in 2005 was significantly affected by the non-recognition of tax benefits associated with acquisition related expenses.

Earnings from Discontinued Operations

Earnings from discontinued operations primarily relates to Acetate Products’ filament business, which was discontinued during the fourth quarter of 2005. As a result, revenues and expenses related to the filament business line are reflected as a component of discontinued operations.

Selected Data by Business Segment

	Three Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005	Change in $	June 30, 2006	June 30, 2005	Change in $
	(In $ millions) (Unaudited)					
Net Sales						
Chemical Products	1,194	1,085	109	2,363	2,129	234
Technical Polymers Ticona	230	223	7	461	462	(1)
Acetate Products	176	172	4	343	337	6
Performance Products	48	47	1	97	94	3
Other Activities	68	8	60	129	20	109
Inter-segment Eliminations	(42)	(29)	(13)	(67)	(58)	(9)
Total Net Sales	1,674	1,506	168	3,326	2,984	342
Special (Charges) Gains						
Chemical Products	(8)	(3)	(5)	(7)	(4)	(3)
Technical Polymers Ticona	2	(20)	22	4	(21)	25
Acetate Products	—	—	—	—	(1)	1
Performance Products	—	—	—	—	—	—
Other Activities	(6)	(4)	(2)	(9)	(39)	30
Total Special Charges	(12)	(27)	15	(12)	(65)	53
Operating Profit (Loss)						
Chemical Products	141	155	(14)	303	332	(29)
Technical Polymers Ticona	38	5	33	79	44	35
Acetate Products	29	10	19	52	20	32
Performance Products	16	15	1	33	28	5
Other Activities	(61)	(33)	(28)	(107)	(116)	9
Total Operating Profit	163	152	11	360	308	52
Earnings (Loss) from Continuing Operations Before Tax and Minority Interests						
Chemical Products	157	149	8	328	342	(14)
Technical Polymers Ticona	53	22	31	109	73	36
Acetate Products	50	12	38	73	22	51
Performance Products	17	14	3	32	26	6
Other Activities	(131)	(74)	(57)	(235)	(327)	92
Total Earnings from Continuing Operations Before Tax and Minority Interests	146	123	23	307	136	171
Depreciation & Amortization						
Chemical Products	41	39	2	79	73	6
Technical Polymers Ticona	16	14	2	32	29	3
Acetate Products	5	9	(4)	12	18	(6)
Performance Products	4	3	1	8	6	2
Other Activities	7	2	5	12	4	8
Total Depreciation & Amortization	73	67	6	143	130	13

Factors Affecting Second Quarter 2006 Segment Net Sales Compared to Second Quarter 2005

The charts below set forth the percentage increase (decrease) in net sales from the 2005 period attributable to each of the factors indicated in each of our business segments.

	Volume	Price	Currency	Other	Total
			(In percentages)		
Chemical Products	1	1	1	7(a)	10
Technical Polymers Ticona	7	(2)	0	(2)(b)	3
Acetate Products	(5)	7	0	0	2
Performance Products	13	(11)	0	0	2
Total Company	**2**	**0**	**0**	**9(c)**	**11**

(a) Includes net sales from the Acetex business, excluding AT Plastics

(b) Includes loss of sales related to the COC divestiture

(c) Includes the effects of AT Plastics and the captive insurance companies

Factors Affecting Six Months Ended 2006 Segment Net Sales Compared to Six Months Ended 2005

	Volume	Price	Currency	Other	Total
			(In percentages)		
Chemical Products	0	4	(1)	8(a)	11
Technical Polymers Ticona	4	0	(2)	(2)(b)	0
Acetate Products	(5)	7	0	0	2
Performance Products	18	(11)	(4)	0	3
Total Company	**0**	**3**	**(1)**	**9(c)**	**11**

(a) Includes net sales from the Acetex business, excluding AT Plastics

(b) Includes loss of sales related to the COC divestiture

(c) Includes the effects of AT Plastics and the captive insurance companies

Summary by Business Segment for the Three and Six Months Ended June 30, 2006 compared to the Three and Six Months Ended June 30, 2005

Chemical Products

	Three Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005	Change in $	June 30, 2006	June 30, 2005	Change in $
			(In $ millions) (Unaudited)			
Net sales	1,194	1,085	109	2,363	2,129	234
Net sales variance:						
Volume	1%			0%		
Price	1%			4%		
Currency	1%			(1)%		
Other	7%			8%		
Operating profit	141	155	(14)	303	332	(29)
Operating margin	11.8%	14.3%		12.8%	15.6%	
Special (charges) gains	(8)	(3)	(5)	(7)	(4)	(3)
Earnings from continuing operations before tax and minority interests	157	149	8	328	342	(14)
Depreciation and amortization	41	39	2	79	73	6

Our Chemical Products segment produces and supplies acetyl products, including acetic acid, acetate esters, VAM, polyvinyl alcohol and emulsions. 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.

Chemical Products' net sales increased 10% and 11% for the three and six months ended June 30, 2006 compared to the same periods in 2005. The increases are primarily due to the inclusion of net sales from Acetex (excluding AT Plastics) during 2006 of $83 million and $161 million for the three and six months ended June 30, 2006, respectively. In addition, pricing increased for most products driven by higher raw material costs, particularly ethylene and natural gas. Acetic acid pricing declined in the second quarter of 2006 compared to record levels in the same period in 2005 driven by competitor outages. The competitor outages created a supply shortage, which resulted in price increases during the first six months of 2005. Overall, volumes increased 1% for the three months ended June 30, 2006 and were flat for the six months ended June 30, 2006 primarily due to modest increases in commodity chemicals, partially offset by lower emulsions sales in Europe.

Operating profit decreased 9% for the three and six months ended June 30, 2006 compared to the same period in 2005. The decreases are principally driven by higher raw material and energy costs. Downstream products experienced margin recovery while price increases in basic products did not offset the increases in raw material costs. Acetex (excluding AT Plastics) partially offset the decrease with operating profits of $10 million and $15 million for the three and six months ended June 30, 2006, respectively.

Earnings from continuing operations before tax and minority interests increased 5% for the three months ended June 30, 2006 and decreased 4% for the six months ended June 30, 2006 compared to the same period in 2005. The increase during the three months ended June 30, 2006 is primarily due to higher dividends from our cost investments and increased equity in net earnings from affiliates. The decrease for the six months ended June 30, 2006 is primarily due to decreased operating profit.

Technical Polymers Ticona

	Three Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005	Change in $	June 30, 2006	June 30, 2005	Change in $
			(In $ millions) (Unaudited)			
Net sales	230	223	7	461	462	(1)
Net sales variance:						
Volume	7%			4%		
Price	(2)%			0%		
Currency	0%			(2)%		
Other	(2)%			(2)%		
Operating profit	38	5	33	79	44	35
Operating margin	16.5%	2.2%		17.1%	9.5%	
Special (charges) gains	2	(20)	22	4	(21)	25
Earnings from continuing operations before tax and minority interests	53	22	31	109	73	36
Depreciation and amortization	16	14	2	32	29	3

Our Ticona segment develops, produces and supplies a broad portfolio of high performance technical polymers for application in automotive and electronics products and in other consumer and industrial applications, often replacing metal or glass. The primary products of Ticona are POM, PBT and GUR, an ultra-high molecular weight polyethylene. POM and PBT 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.

Ticona's net sales increased 3% for the three months ended June 30, 2006 and was flat for the six months ended June 30, 2006 compared to the same periods in 2005. The increase for the quarter is driven by 7% higher volumes, partially offset by 2% lower pricing and 2% reduced net sales due to the divestiture of the COC business in December 2005. Volumes increased in all business lines, particularly in POM, due to increased market penetration and a stronger business environment in Europe. Ticona experienced a decline in average pricing driven by a larger mix of sales from lower priced products. Improved volumes for the six months ended June 30, 2006 of 4% were offset by negative currency effects of 2% and the absence of sales from the COC business. During the three and six months ended June 30, 2005, COC recorded approximately $4 million and $10 million, respectively, in net sales.

Operating profit increased significantly for the three and six months ended June 30, 2006 compared to the same periods in 2005, as improved net sales more than offset higher raw material and energy costs. Also contributing to the increases are positive effects from the exit of the COC business (including a reduction in special charges due to the 2005 asset impairment charge of $24 million), productivity improvements and lower spending due to an organizational redesign. During the three and six months ended June 30, 2005, COC recorded approximately $32 million and $35 million, respectively, in operating loss, which includes asset impairments.

Earnings from continuing operations before tax and minority interests increased 141% and 49% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. The increases are primarily due to the increases in operating profit. Equity in net earnings of affiliates remained flat for the three and six months ended June 30, 2006 compared to the same periods in 2005.

Acetate Products

	Three Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005	Change in $	June 30, 2006	June 30, 2005	Change in $
			(In $ millions) (Unaudited)			
Net sales	176	172	4	343	337	6
Net sales variance:						
Volume	(5)%			(5)%		
Price	7%			7%		
Currency	0%			0%		
Other	0%			0%		
Operating profit	29	10	19	52	20	32
Operating margin	16.5%	5.8%		15.2%	5.9%	
Special (charges) gains	—	—	—	—	(1)	1
Earnings from continuing operations before tax and minority interests	50	12	38	73	22	51
Depreciation and amortization	5	9	(4)	12	18	(6)

Our Acetate Products segment primarily produces and supplies acetate tow, which is used in the production of filter products. We also produce acetate flake which is processed into acetate fiber in the form of a tow band.

Acetate Products' net sales increased 2% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005 as higher prices more than offset lower volumes. The lower volumes were a result of shutting down our Canadian tow plant which was partially offset by an increase in flake volumes to our recently expanded China tow ventures.

Operating profit increased 190% and 160% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. Higher pricing and savings from restructuring and productivity improvements more than offset lower overall sales volumes and higher raw material and energy costs. In addition, depreciation and amortization decreased $4 million and $6 million for the three and six months ended June 30, 2006, respectively, primarily due to a charge in 2005 related to additions to asset retirement obligations.

Earnings from continuing operations before tax and minority interests benefited from the higher operating profits in addition to higher dividends from our recently expanded China ventures.

Performance Products

	Three Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005	Change in $	June 30, 2006	June 30, 2005	Change in $
			(In $ millions) (Unaudited)			
Net sales	48	47	1	97	94	3
Net sales variance:						
Volume	13%			18%		
Price	(11)%			(11)%		
Currency	0%			(4)%		
Other	0%			0%		
Operating profit	16	15	1	33	28	5
Operating margin	33.3%	31.9%		34.0%	29.8%	
Special (charges) gains	—	—	—	—	—	—
Earnings from continuing operations before tax and minority interests	17	14	3	32	26	6
Depreciation and amortization	4	3	1	8	6	2

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

Performance Products' net sales increased 2% and 3% for the three and six months ended June 30, 2006, respectively, compared to the same periods in 2005. A 13% and 18% improvement in volumes for the three and six months ended June 30, 2006, respectively, were partially offset by 11% in lower pricing for both periods. Volumes increased from the Sunett sweetener for both the three and six months ended June 30, 2006. The Sweetener business showed strong volume growth due to pipeline fill at our customers associated with new product launches, as well as stronger demand driven by the warm season in Europe and North America. Volume growth is expected to come down to more normal single digit rates in the second half of 2006. Pricing for Sunett declined for both periods due to lower unit selling prices associated with higher volumes to our major customers. Pricing for Sorbates decreased marginally during the second quarter of 2006, although worldwide overcapacity still prevailed in the industry.

Earnings from continuing operations before tax and minority interests increased for the three and six months ended June 30, 2006 primarily due to the improved operating profit.

Other Activities

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

Net sales for Other Activities increased significantly to $68 million and $129 million for the three and six months ended June 30, 2006, respectively, from $8 million and $20 million, respectively, for the same periods in 2005. The increases are primarily due to the addition of $63 million and $118 million in net sales from the AT Plastics business for the three and six months ended June 30, 2006, respectively. The increases are partially offset by a $2 million and $8 million decrease in net sales for the three and six months ended June 30, 2006, respectively, resulting from the sale of PBI and the Vectran product lines during the second quarter of 2005.

The operating loss for Other Activities increased by $28 million for the three months ended June 30, 2006 and decreased by $9 million for the six months ended June 30, 2006 compared to the same periods in 2005. The increase for the quarter is largely due to executive severance and legal costs associated with the Squeeze-Out of $13 million, stock-based compensation expense of $4 million resulting from our adoption of SFAS No. 123(R) and $5 million related to our long-term incentive plan. The decrease for the six months ended June 30, 2006 is largely due to the absence of $35 million related to the termination of advisor monitoring services recorded during the first quarter of 2005 and a $5 million accrual reversal related to a potential venture. This decrease is partially offset by executive severance and legal costs associated with the Squeeze-Out of $23 million, stock-based compensation expense of $9 million resulting from our adoption of SFAS No. 123(R) and $10 million related to our long-term incentive plan.

Loss from continuing operations before tax and minority interests increased by $57 million for the three months ended June 30, 2006 and decreased by $92 million for the six months ended June 30, 2006 compared to the same periods in 2005. The increase for the quarter is primarily due to the increases previously discussed above within this segment and an increase in interest expense as a result of adverse changes in currency translation rates on euro denominated debt. The decrease for the six months ended June 30, 2006 is primarily due to the decrease in operating losses previously discussed above within this segment and a decrease in interest expense of $100 million. The decrease in interest expense is primarily due to recording $28 million in 2005 related to accelerated amortization of deferred financing costs and $74 million in 2005 related to early redemption premiums associated with the partial redemption of the senior subordinated notes, senior discount notes and floating rate term loan recorded in 2005.

Liquidity and Capital Resources

Our primary source of liquidity will continue to be cash generated from operations, available cash and cash equivalents and funds from our portfolio of strategic investments. In addition, we have availability under our amended and restated credit facilities to assist, if required, in meeting our working capital needs and other contractual obligations. We believe we will have available resources to meet our liquidity requirements for the remainder of the year, 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. There can be no assurance, however, that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our revolving credit facilities.

Cash Flows

Cash and cash equivalents at June 30, 2006 were $354 million, which was a decrease of $36 million from December 31, 2005. See below for details on the change in cash and cash equivalents from December 31, 2005.

Net Cash Provided by Operating Activities

Cash flow from operating activities decreased to a cash inflow of $144 million for the six months June 30, 2006 compared to a cash inflow of $190 million for the same period in 2005. The decrease is due to a $37 million increase in cash used by our operating assets and liabilities driven by higher trade and other receivables and lower trade payables. The change in receivables is due to higher net sales and the decrease in trade payables is due to the timing of payments.

Net Cash Used in Investing Activities

Net cash from investing activities resulted in a cash outflow of $141 million for the six months ended June 30, 2006 compared to a cash outflow of $138 million for the same period in 2005. The increase in cash outflow is due to a $29 million increase in capital expenditures, a $42 million increase in restricted cash in 2006, $75 million in net proceeds received in 2005 for the disposal of discontinued operations and a $66 million decrease in net proceeds from the sale and purchase of marketable securities, partially offset by acquisition related costs of $224 million in 2005.

Our capital expenditures were $115 million and $86 million for the six months ended June 30, 2006 and 2005, respectively. Capital expenditures were primarily related to major replacements of equipment, capacity expansions, major investments to reduce future operating costs, and environmental and health and safety initiatives. Capital expenditures in 2006 and 2005 included costs for the expansion of our Nanjing, China site into an integrated chemical complex. Capital expenditures are expected to be approximately $250 million for 2006.

Net Cash (Used in)/Provided by Financing Activities

Net cash from financing activities decreased to a cash outflow of $51 million for the six months ended June 30, 2006 compared to a cash inflow of $168 million for the same period in 2005. The cash inflow in 2005 primarily relates to the following major financing activities:

- Borrowings under the term loan facility of $1,135 million.
- Distribution to Series B shareholders of $804 million.
- Redemption and related premiums of the senior subordinated notes of $572 million and senior discount notes of $207 million.
- Proceeds from the issuances of common stock of $752 million, net and preferred stock of $233 million, net.
- Repayment of floating rate term loan, including related premium, of $354 million.

Liquidity

Our contractual obligations, commitments and debt service requirements over the next several years are significant and are substantially higher than historical amounts. As stated above, our primary source of liquidity will continue to be cash generated from operations, available cash and cash equivalents and funds from our portfolio of strategic investments. In addition, we have availability under our amended and restated credit facilities to assist, if required, in meeting our working capital needs and other contractual obligations.

Debt and Capital

In 2005, we issued 9,600,000 share of liquidation preference preferred stock for proceeds of $240 million. 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% per annum (or $1.06 per share), payable quarterly in arrears, which commenced on May 1, 2005. Dividends on the preferred stock are cumulative from the date of initial issuance. As of June 30, 2006, the dividend is expected to result in an annual payment of approximately $10 million. Unpaid declared dividends accumulate at an annual rate of 4.25%. 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 approximately 1.25 shares of our Series A common stock per $25.00 liquidation preference of the preferred stock. During the six months ended June 30, 2006, we paid $5 million in dividends on our preferred stock. On July 5, 2006 we declared a $3 million cash dividend on our convertible preferred stock which was paid on August 1, 2006.

In July 2005, our Board of Directors adopted a policy of declaring, subject to legally available funds, a quarterly cash dividend on each share of our Series A common stock at an annual rate initially equal to approximately 1% of the $16.00 initial public offering price per share of our Series A common stock (or $0.16 per share) unless our Board of Directors in its sole discretion determines otherwise. During the six months ended June 30, 2006, we paid $13 million in aggregate dividends on our Series A common stock and on July 5, 2006 we declared a $6 million cash dividend which was paid on August 1, 2006. Based upon the number of outstanding shares as of June 30, 2006, the anticipated annual cash dividend payment is approximately $25 million. However, there is no assurance that sufficient cash will be available to pay such dividend.

On May 9, 2006, we registered shares of our Series A common stock, shares of our preferred stock and depository shares pursuant to our new universal shelf registration statement on Form S-3, filed with the SEC on May 9, 2006. On May 9, 2006, 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. sold 35,000,000 shares of Series A common stock through a public secondary offering and granted to the underwriter an over-allotment option to purchase up to an additional 5,250,000 shares of our Series A common stock. The underwriter did not exercise the over-allotment option. We did not receive any of the proceeds from the offering. The transaction closed on May 15, 2006. The Company incurred approximately $2 million of fees related to this transaction.

As of June 30, 2006, we had total debt of $3,494 million compared to $3,437 million as of December 31, 2005. We were in compliance with all of the financial covenants related to our debt agreements as of June 30, 2006.

Contractual Debt Obligations. The following table sets forth our fixed contractual debt obligations as of June 30, 2006:

Fixed Contractual Debt Obligations	Total	Remaining 2006	2007-2008	2009-2010	2011 and Thereafter
			(In $ millions)		
Term Loan Facilities	1,718	9	35	35	1,639
Interest Payments on Debt(4)	1,911	122	480	519	790
Senior Subordinated Notes(1)	962	—	—	—	962
Senior Discount Notes(2)	554	—	—	—	554
Other Debt(3)	414	146	19	39	210
Total Fixed Contractual Debt Obligations	5,559	277	534	593	4,155

(1) Does not include $3 million of premium.

(2) Reflects the accreted value of the notes at maturity of $155 million.

(3) Does not include a $2 million reduction due to purchase accounting.

(4) For future interest expenses, we assumed no change in variable rates. (See Note 10 for the applicable interest rates).

Senior Credit Facilities. As of June 30, 2006, the senior credit facilities of $2,546 million consist of a term loan facility of $1,718 million, a revolving credit facility of $600 million and a credit-linked revolving facility of $228 million.

Term loan facility — Subsequent to the consummation of the initial public offering in January 2005, we entered into amended and restated senior credit facilities which increased the term loan facility. The terms of the amended and restated senior credit facilities are substantially similar to the terms of our immediately previous senior credit facilities. As of June 30, 2006, the term loan facility had a balance of $1,718 million, which matures in 2011. On July 11, 2006, management decided to pay down approximately $100 million of the Senior Term Loan facility and such amount was paid on July 14, 2006. The Company also expensed approximately $1 million of unamortized deferred financing costs in July 2006 related to this pay down.

Revolving credit facility — The revolving credit facility, through a syndication of banks, provides for borrowings up to $600 million, including the availability of letters of credit in U.S. dollars and euros and for borrowings on same-day notice. As of June 30, 2006, there were no borrowings under the revolving credit facility; however, $68 million of letters of credit had been issued under the facility; accordingly, $532 million remained available for borrowing.

Credit-linked revolving facility — The $228 million credit-linked facility matures in 2009 and provides borrowing capacity for the issuance of letters of credit. As of June 30, 2006, $215 million of letters of credit had been issued under the facility and $13 million was available for borrowing.

Substantially all of the assets of Celanese Holdings LLC (“Celanese Holdings”), the direct parent of BCP Crystal, and subject to certain exceptions, substantially all of its existing and future U.S. subsidiaries, referred to as U.S. Guarantors, secure these senior credit facilities.

During the three months ended June 30, 2006, we entered into two fifteen year take or pay contracts with an annual commitment of approximately $6 million.

Deferred compensation

In December 2004, we approved a deferred compensation plan for our executive officers and key employees. The deferred compensation plan has an aggregate maximum amount payable of $192 million. The initial component of the deferred compensation plan vested in 2004 and was paid in the first quarter of 2005. The remaining aggregate maximum amount payable of $163 million (of which $13 million has been accrued at June 30, 2006 related to the accelerated vesting of certain participants in the plan) 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 three of the four Original Shareholders of at least 90% of their equity interest in the Company with at least a 25% cash internal rate of return on their equity interest. Should the payout be triggered we will fund the payable with either existing cash, or borrowings from the revolving credit facility, or a combination thereof. Upon the occurrence of the triggering events mentioned in this paragraph, the amount vested and payable under the plan for 2005 would be approximately $50 million.

Domination Agreement and Squeeze-Out

The domination and profit and loss transfer agreement (the "Domination Agreement") was approved at the CAG extraordinary shareholders' meeting on July 31, 2004. The Domination Agreement between CAG and the Purchaser became effective on October 1, 2004. See further details in our 2005 Annual Report on Form 10-K which was filed with the SEC on March 31, 2006.

On May 30, 2006, we announced that the fair cash compensation in relation to the transfer of shares held by the minority shareholders is set at €66.99 per share. The total amount of funds necessary to purchase such outstanding shares under the current offer of €66.99 per share is approximately €62 million.

As a result of the award proceedings, the amount of the fair cash consideration and the guaranteed fixed annual payment offered under the Domination Agreement could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation, could claim higher amounts. Any minority shareholder who elects not to sell their shares to the Purchaser will be entitled to remain a shareholder of CAG and to receive from the Purchaser a gross guaranteed fixed annual payment on their shares of €3.27 per CAG 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 CAG 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 per CAG share.

On June 1, 2006, the guaranteed dividend (*Ausgleichszahlung)* for the fiscal year ended on September 30, 2005, which amounted to €3 million ($3 million), was paid. In addition, pursuant to a settlement agreement entered into with plaintiff shareholders in March 2006, the Purchaser paid €1 million ($1 million) on June 30, 2006, the guaranteed dividend *(Ausgleichszahlung)* for the fiscal year ending on September 30, 2006, to those shareholders who signed a letter waiving any further rights with respect to such guaranteed dividend *(Ausgleichszahlung)* that ordinarily would become due after next year's annual general meeting. The remaining liability at June 30, 2006 to be paid in 2007 for CAG's 2006 fiscal year is €2 million ($2 million).

While the Domination Agreement is operative, the Purchaser is required to compensate CAG for any statutory annual loss incurred by CAG, the dominated entity, at the end of its fiscal year when the loss was incurred. If the Purchaser were obligated to make cash payments to CAG to cover an annual loss, the Purchaser may not have sufficient funds to pay interest when due and, unless the Purchaser is able to obtain funds from a source other than annual profits of CAG, the Purchaser may not be able to satisfy its obligation to fund such shortfall. The Purchaser was not obligated to compensate CAG for the period October 1, 2004 to September 30, 2005 because CAG did not incur a loss during this period. The Domination Agreement cannot be terminated by the Purchaser in the ordinary course of business until September 30, 2009.

Our subsidiaries, Celanese Caylux Holdings Luxembourg S.C.A., formerly BCP Caylux Holdings Luxembourg S.C.A ("Celanese Caylux") 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 CAG shares from the minority shareholders in return for payment of fair cash consideration and to compensate CAG for any statutory annual loss incurred by CAG during the term of the Domination Agreement. In addition, the Company expects to guarantee all obligations of the Purchaser under, or in connection with, the Domination Agreement, including the repayment of all existing and future intercompany indebtedness of the Company's subsidiaries to CAG. Further, under the terms of the Company's guarantee, in certain limited circumstances CAG may be entitled to require the immediate repayment of some or all of the intercompany indebtedness owed by the Company's subsidiaries to CAG. If the Company, Celanese Caylux and/or BCP Crystal are obligated to make payments under such guarantees to the Purchaser, CAG and/or the minority shareholders, as the case may be, or if the intercompany indebtedness owed to CAG is accelerated, we may not have sufficient funds for payments on our indebtedness when due or to make funds available to the Company.

Off-Balance Sheet Arrangements

We have not entered into any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires management to apply accounting principles generally accepted in the United States of America to our specific circumstances and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We describe our significant accounting policies in Note 4, Summary of Accounting Policies, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K as of and for the year ended December 31, 2005. We discuss our critical accounting policies and estimates in MD&A in our Annual Report on Form 10-K as of and for the year ended December 31, 2005.

There have been no material revisions to the critical accounting policies as filed in our Annual Report on Form 10-K as of and for the year ended December 31, 2005 with the SEC on March 31, 2006.

Recent Accounting Pronouncements

See Note 5 to the Unaudited Interim Consolidated Financial Statements included in this Form 10-Q for discussion of new accounting pronouncements.

Factors That May Affect Future Results And Financial Condition

Because of the following factors, as well as other factors affecting our operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, 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 and construction 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, 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 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 venture activities;
- inability to successfully integrate current and future acquisitions;
- pending or future challenges to the Domination Agreement; and
- various other factors, both referenced and not referenced in this document.

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 Quarterly Report 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.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk for our Company has not changed significantly from the foreign exchange, interest rate, and commodity risks disclosed in Item 7A of our Annual Report on Form 10-K as of and for the year ended December 31, 2005.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Celanese Corporation ("Celanese") maintains a system of disclosure controls and procedures for financial reporting to give reasonable assurance that information required to be disclosed in Celanese's reports submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of June 30, 2006, Celanese's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, conducted an evaluation of the effectiveness of Celanese's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in Celanese's internal control over financial reporting that occurred during the second quarter 2006 that has materially affected Celanese's internal control over financial reporting.

In September 2005, we identified a significant deficiency in internal controls relating to sales to countries and other parties that are or have previously been subject to sanctions and embargoes imposed by the U.S. government. This significant deficiency was identified as a result of an internal investigation that was initiated in connection with the SEC review of a registration statement. We have taken corrective actions which include a directive to senior business leaders stating that they are prohibited from selling products into certain countries subject to these trade restrictions, accounting systems modifications that restrict the initiation of purchase orders and shipment of products to these countries, and the enhancement of the business conduct policy training in the area of export control.

The Company, in conjunction with outside counsel, has concluded an internal investigation of the facts and circumstances surrounding the illegal export issues. As a result of this investigation, the Company has terminated an employee and liquidated our subsidiary in Turkey. We have communicated the results of our investigation to the federal authorities responsible for these matters.

As of June 30, 2006, we believe that we have taken the necessary actions to remediate this significant deficiency.

Beginning with the fiscal year ending December 31, 2006, Section 404 of the Sarbanes-Oxley Act ("Section 404") will require us to include an internal control report of management with our Annual Report on Form 10-K. The internal control report must contain (1) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for us, (2) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting, (3) management's assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not our internal control over financial reporting is effective, and (4) a statement that our independent auditors have issued an attestation report on management's assessment of our internal control over financial reporting.

In connection therewith, we are currently performing the system and process evaluation and testing required (and any necessary remediation) in an effort to comply with the management certification and auditor attestation requirements of Section 404. 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. As we are still in the evaluation process, we may identify other conditions that may result in significant deficiencies or material weaknesses in the future.

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 or our independent auditors are not able to certify as to the effectiveness of our internal control over financial reporting, 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.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in a number of legal proceedings, lawsuits and claims incidental to the normal conduct of our business, relating to such matters as product liability, antitrust, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, management believes that adequate provisions have been made and that the ultimate outcomes will not have a material adverse effect on our financial position, but may have a material adverse effect on the results of operations or cash flows in any given accounting period. See also Note 14 to the Unaudited Interim Consolidated Financial Statements.

Plumbing Actions

No material developments regarding this matter, previously reported in the Annual Report on Form 10-K as of and for the year ended December 31, 2005, occurred during the six months ended June 30, 2006. For a summary of the history and current status of these matters, see Note 14 to the Unaudited Interim Consolidated Financial Statements.

Sorbates Antitrust Actions

No material developments regarding this matter, previously reported in the Annual Report on Form 10-K as of and for the year ended December 31, 2005, occurred during the six months ended June 30, 2006. For a summary of the history and current status of these matters, see Note 14 to the Unaudited Interim Consolidated Financial Statements.

Shareholder Litigation

On March 6, 2006, the Purchaser and CAG signed a settlement agreement settling the ten actions filed in August 2004 (the “Settlement Agreement”). Pursuant to the Settlement Agreement, the plaintiffs agreed to withdraw the actions to which they are a party and to recognize the validity of the Domination Agreement in exchange for the Purchaser to pay at least €51.00 per share as cash consideration to each shareholder who will cease to be a shareholder in the context of the Squeeze-Out. The Purchaser further agreed to make early payment of the guaranteed annual payment *(Ausgleich)* pursuant to the Domination Agreement for the financial year 2005/2006, ending on September 30, 2006. Such guaranteed annual payment normally would have come due following the annual general meeting in 2007; however, pursuant to the Settlement Agreement, it had to be made on the first banking day following CAG’s annual general meeting that took place on May 30, 2006. To receive the early compensation payment, the respective minority shareholder had to declare that (i) their claim for payment of compensation for the financial year 2005/2006 pursuant to the Domination Agreement is settled by such early payment and that (ii) in this respect, they indemnify the Purchaser against compensation claims by any legal successors to their shares. For a summary of the history and current status of these matters, see Note 14 to the Unaudited Interim Consolidated Financial Statements.

Other Matters

No material developments regarding these matters, previously reported in the Annual Report on Form 10-K as of and for the year ended December 31, 2005, occurred during the six months ended June 30, 2006. For a summary of the history and current status of these matters, see Note 14 to the Unaudited Interim Consolidated Financial Statements.

Item 1A. *Risk Factors*

Except for the following risk factors listed below, there have been no material revisions to the “Risk factors” as filed in our Annual Report on Form 10-K as of and for the year ended December 31, 2005 with the SEC on March 31, 2006.

Because our Sponsor will continue to be able to significantly influence us as long as it holds at least 25% of the total voting power of our Series A common stock, the influence of our public shareholders over significant corporate actions may be limited, and conflicts of interest between our Sponsor and us or you could arise in the future.

As a result of our Sponsor's sale of 35,000,000 shares of our Series A common stock in May 2006, our Sponsor beneficially owns (or have a right to acquire) approximately 31.6% of our outstanding Series A common stock. Under the terms of the stockholders' agreement between us and certain of the Original Shareholders that are affiliates of the Sponsor, such Original Shareholders are also 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 Series A common stock. 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. See "Certain Relationships and Related Party Transactions — Shareholders' Agreement" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which is incorporated by reference herein. As a result, our Sponsor, through its control over the composition of our board of directors and its control of a significant percentage of the voting power of our Series A common stock, will continue to have significant influence or 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 believe that any such transaction is in their own best interests. For example, our Sponsor effectively could cause us to make acquisitions that increase our indebtedness or to 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, it will continue to be able to significantly influence or effectively control our decisions.

The disposition by the Original Blackstone Shareholders of at least 90% of their equity interest will satisfy a vesting condition under our deferred compensation plan.

In December 2004, we approved, among other incentive and retention programs, a deferred compensation plan for executive officers and key employees. The programs were intended to align management performance with the creation of shareholder value. The deferred compensation plan has an aggregate maximum amount payable of $192 million over five years ending in 2009. The initial component of the deferred compensation plan vested in 2004 and was paid in the first quarter of 2005. The remaining aggregate maximum amount payable of $163 million (of which $13 million has been accrued at June 30, 2006 related to the accelerated vesting of certain participants in the plan) is subject to downward adjustment if the price of our Series A common stock falls below the January 2005 initial public offering price of $16.00 and vests as follows: (i) a portion (ranging from 26% to 37%, depending on the participant) will vest annually over the next four years based on continued employment with us and the occurrence of a sale or other disposition by the Original Blackstone Shareholders of at least 90% of its equity interest in us, in which the Original Blackstone Shareholders receive at least a 25% cash internal rate of return on their equity interest (a "Qualifying Sale") and (ii) the balance of the remaining amount payable will vest annually based on the achievement of specified performance criteria, including meeting annual earnings and cash flow targets, and the occurrence of a Qualifying Sale. The Original Blackstone Shareholders have an equity interest of approximately 31.6%. At this point, it is likely that a disposition by the Original Blackstone Shareholders of at least 90% of their equity interest will be a Qualifying Sale. Upon the occurrence of a Qualifying Sale, the amount vested and payable under the plan for 2005 would be approximately $50 million.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Submission of Matters to a Vote of Security Holders*

We held our annual meeting of shareholders on May 2, 2006. During this meeting, our shareholders were asked to consider and vote upon two proposals: 1) to elect four Class II Directors to our Board of Directors to serve for a term which expires at the annual meeting of shareholders in 2009 or until their successors are duly elected and qualified, and 2) to ratify the appointment of our independent registered public accounting firm. James A. Quella and Daniel S. Sanders continue to serve as Class I Directors whose term expires at the annual meeting of shareholders in 2008 and Chinh E. Chu, Benjamin J. Jenkins and David N. Weidman continue to serve as Class III Directors whose terms expire at the annual meeting of shareholders in 2007, or until their successors are duly elected and qualified.

On the record date of March 6, 2006, there were 158,562,161 shares of Class A Common Stock issued and outstanding and entitled to be voted at the annual meeting, if represented. There were no "broker non-votes". For each proposal, the results of the shareholder voting were as follows:

	Votes For	Votes Withheld
1. Election of the director nominees to serve in Class II, for a term which expires at the Annual Meeting of Shareholders in 2009, or until their successors are duly elected and qualified, as follows:		
David F. Hoffmeister	148,791,723	1,055,006
James E. Barlett	148,912,050	934,679
Anjan Mukherjee	135,295,313	14,551,416
Paul H. O'Neill	139,065,474	10,781,255

	Votes For	Votes Against	Abstain
2. Ratification of appointment of KPMG LLP as our independent registered public accounting firm	149,797,115	43,540	6,074

Item 5. *Other Information*

None.

Item 6. *Exhibits*

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32410) filed with the SEC on January 28, 2005).
3.2	Amended and Restated By-laws of Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-4 (File No. 333-124049-01) filed with the SEC on April 13, 2005).
3.3	Certificate of Designations of Convertible Perpetual Preferred Stock (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-32410) filed with the SEC on January 28, 2005).
4.1	Form of certificate of Series A common stock (incorporated by reference to Exhibit 4.1 to Amendment No. 6 to the Registrant's Registration Statement on Form S-1 (File No. 333-120187) (the "Form S-1") filed with the SEC on January 19, 2005).
4.2	Form of certificate of Convertible Perpetual Preferred Stock (incorporated by reference to Exhibit 4.2 to Amendment No. 5 to the Form S-1 filed with the SEC on January 13, 2005).
4.3	Third Amended and Restated Shareholders' Agreement, dated as of October 31, 2005, among Celanese Corporation, 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. (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement filed on Form S-1 (File No. 333-127902) filed with the SEC on November 1, 2005).

Exhibit Number	Description
4.4	Amended and Restated Registration Rights Agreement, dated as of January 26, 2005, among Blackstone Capital Partners (Cayman) Ltd. 1, Blackstone Capital Partners (Cayman) Ltd. 2, Blackstone Capital Partners (Cayman) Ltd. 3, BA Capital Investors Sidecar Fund, L.P. and Celanese Corporation (incorporated by reference to Exhibit 10.2 to the Form 8-K (File No. 001-32410) filed with the SEC on January 28, 2005).
4.5	Amendment No. 1 to the Third Amended and Restated Shareholders' Agreement, dated November 14, 2005, by and among Celanese Corporation, 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. (incorporated by reference to Current Report on Form 8-K, filed with the SEC on November 18, 2005).
4.6	Amendment No. 2, dated March 30, 2006, to the Third Amended and Restated Shareholders' Agreement, dated as of October 31, 2005, as amended (the "Agreement"), by and among Celanese Corporation, Blackstone Capital Partners (Cayman) Ltd. 1 ("BCP 1"), Blackstone Capital Partners (Cayman) Ltd. 2 ("BCP 2"), Blackstone Capital Partners (Cayman) Ltd. 3 ("BCP 3" and, together with BCP 1 and BCP 2 and their respective successors and permitted assigns, the "Blackstone Entities") and BA Capital Investors Sidecar Fund, L.P., a Cayman Islands limited partnership ("BACI") (incorporated by reference to Exhibit 4.6 to the Form 10-K filed with the SEC on March 31, 2006).
10.28	Non-qualified Stock Option Agreement, dated May 16, 2006, between Celanese Corporation and non-employee director David F. Hoffmeister (filed herewith).
10.29	Separation Agreement, dated June 30, 2006, between Celanese Corporation, Celanese AG and Celanese Corporation Executive Vice President and Chief Administrative Officer, Andreas Pohlmann (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-32410) filed with the SEC on June 30, 2006).
12	Computation of ratio of earnings to fixed charges (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

PLEASE NOTE: It is inappropriate for readers to assume the accuracy of, or rely upon any covenants, representations or warranties that may be contained in agreements or other documents filed as Exhibits to, or incorporated by reference in, this Quarterly Report. Any such covenants, representations or warranties may have been qualified or superseded by disclosures contained in separate schedules or exhibits not filed with or incorporated by reference in this Quarterly Report, may reflect the parties' negotiated risk allocation in the particular transaction, may be qualified by materiality standards that differ from those applicable for securities law purposes, and may not be true as of the date of this Quarterly Report or any other date and may be subject to waivers by any or all of the parties. Where exhibits and schedules to agreements filed or incorporated by reference as Exhibits hereto are not included in these exhibits, such exhibits and schedules to agreements are not included or incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELANESE CORPORATION

By: /s/ David N. Weidman

Name: David N. Weidman
Title: Chief Executive Officer,
President and Director

Date: August 2, 2006

By: /s/ John J. Gallagher III

Name: John J. Gallagher III
Title: Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 2, 2006

Exhibit 10.28

CELANESE CORPORATION
2004 STOCK INCENTIVE PLAN

NONQUALIFIED STOCK OPTION AGREEMENT
(Non-Employee Director)

THIS AGREEMENT, is made effective as of May 16, 2006 (the “Date of Grant”), between Celanese Corporation (the “Company”) and the individual named as a participant on the signature page hereto (the “Participant”).

R E C I T A L S:

WHEREAS, the Company has adopted the Plan (as defined below), the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Compensation Committee (the “Committee”) has determined that it would be in the best interests of the Company and its stockholders to grant the Option provided for herein to the Participant pursuant to the Plan and the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Definitions** . Whenever the following terms are used in this Agreement, they shall have the meanings set forth below. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(a) **Cause** : Any of the following events: (i) the Participant’s willful failure to perform Participant’s duties to the Company (other than as a result of total or partial incapacity due to physical or mental illness) for a period of 30 days following written notice by the Company to the Participant of such failure, (ii) commission of (x) a felony (other than traffic-related) under the laws of the United States or any state thereof or any similar criminal act in a jurisdiction outside the United States or (y) a crime involving moral turpitude, (iii) Participant’s willful malfeasance or willful misconduct which is demonstrably injurious to the Company, (iv) any act of fraud by the Participant or (v) the Participant’s breach of the provisions of any confidentiality, noncompetition or nonsolicitation to which the Participant is subject.

(b) **Disability** : The Participant becomes physically or mentally incapacitated and is therefore unable for a period of six consecutive months or for an aggregate of nine months in any 24 consecutive month period to perform Participant’s duties.

(c) **Expiration Date** : The tenth anniversary of the Date of Grant.

(d) **Plan** : The Celanese Corporation 2004 Stock Incentive Plan, as from time to time amended.

(e) **Vested Portion** : At any time, the portion of the Option which has become vested, as described in Section 3 of this Agreement.

2. **Grant of Option.** The Company hereby grants to the Participant the right and option to purchase, on the terms and conditions hereinafter set forth, 25,000 Shares of the Company (the " **Option** "), subject to adjustment as set forth in the Plan. The exercise price of the Shares subject to the Option shall be $21.02 per Share (the " **Option Price** "), subject to adjustment as set forth in the Plan. The Option is intended to be a nonqualified stock option and is not intended to be treated as an ISO that complies with Section 422 of the Code. The Option Price is no less than the Fair Market Value of the Shares on the Date of the Grant.

3. **Vesting of the Option** .

(a) In General . Subject to the Participant's continued Employment with the Company and its Affiliates, the Option shall vest and become exercisable with respect to twenty-five percent (25%) of the Shares subject to the Option on each of the first, second, third and fourth anniversaries of the Date of the Grant.

(b) Change in Control . Notwithstanding the foregoing, upon a Change in Control, the Option shall, to the extent not previously cancelled or expired, immediately become 100% vested and exercisable.

(c) Termination of Employment . If the Participant's Employment with the Company and its Affiliates terminates for any reason, the Option, to the extent not then vested and exercisable, shall be immediately canceled by the Company without consideration; provided , however , that if the Participant's Employment terminates due to the Participant's death or Disability, to the extent not previously cancelled or expired, the Option shall immediately become vested and exercisable as to the Shares subject to the Option that would have otherwise vested and become exercisable in the calendar year in which such termination of Employment occurs.

4. **Exercise of Option.**

(a) Period of Exercise . Subject to the provisions of the Plan and this Agreement, the Participant may exercise all or any part of the Vested Portion of the Option at any time prior to the Expiration Date. Notwithstanding the foregoing, if the Participant's Employment terminates prior to the Expiration Date, the Vested Portion of the Option shall remain exercisable for the period set forth below:

(i) Termination due to Death or Disability, Termination by the Company without Cause or Termination by the Participant . If the Participant's Employment with the Company and its Affiliates is terminated (a) due to the Participant's death or Disability, (b) by the Company without Cause or (c) by the Participant, the Participant may exercise the Vested Portion of the Option for a period ending on the earlier of (A) one year following the date of such termination and (B) the Expiration Date; and

(ii) Termination by the Company for Cause . If the Participant's Employment with the Company and its Affiliates is terminated by the Company for Cause, the Vested Portion of the Option shall immediately terminate in full and cease to be exercisable.

(b) Method of Exercise .

(i) Subject to Section 4(a) of this Agreement, the Vested Portion of an Option may be exercised by delivering to the Company at its principal office written notice of intent to so exercise; provided that the Option may be exercised with respect to whole Shares only. Such notice shall specify the number of Shares for which the Option is being exercised and, other than as described in clause (C) of the following sentence, shall be accompanied by payment in full of the aggregate Option Price in respect of such Shares. Payment of the aggregate Option Price may be made (A) in cash, or its equivalent (e.g., a check), (B) by transferring to the Company Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided that such Shares have been held by the Participant for at least the minimum period, if any, required by the Company’s accountants to avoid an adverse accounting impact on the Company under generally accepted accounting principles, (C) if there is a public market for the Shares at the time of payment, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and deliver promptly to the Company an amount equal to the aggregate Option Price or (D) such other method as approved by the Committee. No Participant shall have any rights to dividends or other rights of a stockholder with respect to the Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares or otherwise completed the exercise transaction as described in the preceding sentence and, if applicable, has satisfied any other conditions imposed pursuant to this Agreement.

(ii) Notwithstanding any other provision of the Plan or this Agreement to the contrary, absent an available exemption to registration or qualification, the Option may not be exercised prior to the completion of any registration or qualification of the Option or the Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any governmental body or national securities exchange that the Committee shall in its sole reasonable discretion determine to be necessary or advisable.

(iii) Upon the Company’s determination that the Option has been validly exercised as to any of the Shares, the Company shall issue certificates in the Participant’s name for such Shares. However, the Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates to the Participant, any loss by the Participant of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

(iv) In the event of the Participant’s death, the Vested Portion of the Option shall remain vested and exercisable by the Participant’s executor or administrator, or the person or persons to whom the Participant’s rights under this Agreement shall pass by will or by the laws of descent and distribution as the case may be, to the extent set forth in Section 4(a) of this Agreement. Any heir or legatee of the Participant shall take rights herein granted subject to the terms and conditions hereof.

5. **No Right to Continued Employment** . Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any relationship to, the Company or any Affiliate. Further, the Company or its Affiliate may at any time terminate the Participant or discontinue any relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. **Legend on Certificates** . The certificates representing the Shares purchased by exercise of the Option shall be subject to such stop transfer orders and other restrictions as the Committee may deem reasonably advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, any applicable federal or state laws and the Company's Certificate of Incorporation and Bylaws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

7. **Transferability** . Unless otherwise determined by the Committee, the Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. During the Participant's lifetime, the Option is exercisable only by the Participant.

8. **Withholding** . The Participant may be required to pay to the Company or its Affiliate and the Company or its Affiliate shall have the right and is hereby authorized to withhold from any payment due or transfer made under the Option or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of the Option, its exercise, or any payment or transfer under the Option or under the Plan and to take such action as may be necessary in the option of the Company to satisfy all obligations for the payment of such taxes.

9. **Securities Laws** . Upon the acquisition of any Shares pursuant to the exercise of the Option, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

10. **Notices** . Any notice under this Agreement shall be addressed to the Company in care of its General Counsel, addressed to the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. **Governing Law** . This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of laws provisions thereof.

12. **Option Subject to Plan** . By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option and the Shares received upon exercise of the Option are subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. **Signature in Counterparts** . This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

CELANESE CORPORATION

By David N. Weidman

David N. Weidman
President and Chief Executive Officer

PARTICIPANT

/s/ David F. Hoffmeister

David F. Hoffmeister

Exhibit 12

CELANESE CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(In $ millions, except ratio of earnings to combined fixed charges)			
Earnings:				
Earnings from continuing operations before tax and minority interest	146	123	307	136
Less:				
Equity in net earnings of affiliates	(18)	(12)	(39)	(27)
Plus:				
Income distributions from equity investments	19	10	36	46
Amortization of capitalized interest	1	2	2	3
Total fixed charges	87	84	172	277
Total earnings as defined before combined fixed charges	235	207	478	435
Fixed charges:				
Interest expense	73	68	144	244
Capitalized interest	2	1	3	2
Estimated interest portion of rent expense	9	6	18	12
Cumulative undeclared and declared preferred stock dividends	2	2	5	4
Guaranteed payment to minority shareholders	1	7	2	15
Total combined fixed charges	87	84	172	277
Ratio of earnings to combined fixed charges	2.7	2.5	2.8	1.6

Exhibit 31.1

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David N. Weidman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Celanese Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) [*Reserved*]

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2006

/s/ David N. Weidman
David N. Weidman
Chief Executive Officer, President and Director

Exhibit 31.2

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John J. Gallagher III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Celanese Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) [*Reserved*]

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2006

/s/ John J. Gallagher III
John J. Gallagher III
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Celanese Corporation (the "Company") on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Weidman, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2006

/s/ David N. Weidman
David N. Weidman
Chief Executive Officer, President and Director

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Celanese Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John J. Gallagher III, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2006

/s/ John J. Gallagher III

John J. Gallagher III
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)