Celanese CORP
Form 10-K
February 21, 2007

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

OR

o **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)

Securities registered pursuant to Section 12(b) of the Act

Title of Each Class	**Name of Each Exchange on Which Registered**
Series A Common Stock, par value $0.0001 per share	**New York Stock Exchange**
4.25% Convertible Perpetual Preferred Stock, par value $0.01 per share (liquidation preference $25.00 per share)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Act). Yes o No þ

The aggregate market value of the registrant s common stock held by non-affiliates as of June 30, 2006 (the last business day of the registrants most recently completed second fiscal quarter) was $2,191,406,218.

The number of outstanding shares of the registrant s Series A Common Stock, $0.0001 par value, as of February 12, 2007 was 158,668,666.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of registrants Definitive Proxy Statement for 2007 are incorporated by reference into Part III.

CELANESE CORPORATION

Form 10-K
For the Fiscal Year Ended December 31, 2006

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Special Note Regarding Forward-Looking Statements

Certain statements in this Annual Report are forward-looking in nature as defined in the Private Securities Litigation Reform Act of 1995. These statements, and other written and oral forward-looking statements made by the Company from time to time, may relate to, among other things, such matters as planned and expected capacity increases and utilization; anticipated capital spending; environmental matters; legal proceedings; exposure to, and effects of hedging of, raw material and energy costs and foreign currencies; global and regional economic, political, and business conditions; expectations, strategies, and plans for individual assets and products, segments, as well as for the whole Company; cash requirements and uses of available cash; financing plans; pension expenses and funding; anticipated restructuring, divestiture, and consolidation activities; cost reduction and control efforts and targets and integration of acquired businesses. These plans and expectations are based upon certain underlying assumptions, and are in turn based upon internal estimates and analyses of current market conditions and trends, management plans and strategies, economic conditions, and other factors. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized. Certain important factors that could cause actual results to differ materially from those in the forward-looking statements are included with such forward-looking statements and in Management s Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements May Prove Inaccurate.

Item 1. *Business*

Basis of Presentation

In this Annual Report on Form 10-K, 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, 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. For accounting purposes, Celanese and its consolidated subsidiaries are referred to as the Successor.

Celanese AG is incorporated as a stock corporation organized under the laws of the Federal Republic of Germany. As used in this document, the term CAG refers to (i) prior to the Organizational Restructuring (as defined in Note 2 of the consolidated financial statements), 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. For accounting purposes, Predecessor refers to CAG and its subsidiaries.

Change in Ownership and Initial Public Offering

Pursuant to a voluntary tender offer commenced in February 2004, the Purchaser, an indirect wholly owned subsidiary of Celanese Corporation, on April 6, 2004, acquired approximately 84% of the ordinary shares of Celanese AG, excluding treasury shares, for a purchase price of $1,693 million, including direct acquisition costs of $69 million. 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 December 31, 2006, our ownership percentage in CAG was approximately 98%. As a result of the effective registration of the Squeeze-Out (as defined in Note 2 to the consolidated financial statements) in the commercial register in December 2006, we acquired the remaining 2% of CAG in January 2007.

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On November 3, 2004, Blackstone Crystal Holdings Capital Partners (Cayman) IV Ltd., reorganized as a Delaware corporation and changed its name to Celanese Corporation. Additionally, BCP Crystal Holdings Ltd. 2, a subsidiary of Celanese Corporation, was reorganized as a Delaware limited liability company and changed its name to Celanese Holdings LLC.

In January 2005, we 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, we received net proceeds of $233 million from the offering of our convertible perpetual preferred stock. A portion of the proceeds of the share offerings were used to redeem $188 million of our senior discount notes and $521 million of our senior subordinated notes, excluding early redemption premiums of $19 million and $51 million, respectively. See Notes 2 and 3 to the consolidated financial statements for additional information.

Overview

We are an integrated global hybrid producer of value-added industrial chemicals. 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. We believe that approximately 95% of our differentiated intermediate and specialty products hold first or second market positions globally. Our operations are located primarily 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 and purchasing 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. Collectively, these strategic investments create value for the Company and contribute significantly to sales, earnings and cash flow.

Our large and diverse global customer base primarily consists of major companies in a broad array of industries. For the year ended December 31, 2006, approximately 33% of our net sales were to customers located in North America, 42% to customers in Europe and Africa and 25% to customers in Asia and the rest of the world.

Market Industry

This document includes industry data and forecasts that we have prepared based, in part, upon industry data and forecasts obtained from industry publications and surveys and internal company surveys. Third-party industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. The statements regarding Celanese s market position in this document are based on information derived from the *2006 Stanford Research Institute International Chemical Economics Handbook*, *CMAI 2004 World Methanol Analysis* and Tecnon Orbichem *Acetic Acid and Vinyl Acetate World Survey* third quarter 2006 report.

Segment Overview

We operate principally through four business segments: Chemical Products, Technical Polymers Ticona (Ticona), Acetate Products and Performance Products. The table below illustrates each segment s net sales to external customers for the year ended December 31, 2006, as well as each segment s major products and end use markets.

	Chemical Products	Technical Polymers Ticona	Acetate Products	Performance Products
2006 Net Sales(1)	$4,608 million	$915 million	$700 million	$176 million
Key Products	Acetic acid VAM Polyvinyl alcohol (PVOH) Emulsions Acetic anhydride Acetate esters Carboxylic acids Methanol Oxo Alcohols Amines Polyvinyl Acetate	POM UHMW-PE (GUR) Liquid crystal polymers (Vectra) Polyphenylene sulfide (PPS) (Fortron) Polyester Engineering Resins Long Fiber reinforced thermoplastics	Acetate tow	Sunett® sweetener Sorbates
Major End-Use Markets	Paints Coatings Adhesives Lubricants Detergents Pharmaceuticals Films Textiles Inks Plasticizers Esters Solvents Glass Fibers Building products	Fuel system components Conveyor belts Battery Separators Electronics Seat belt mechanisms Other Automotive Appliances and Electronics Filtrations Coatings Medical Telecommunications	Filter products	Beverages Confections Baked goods Pharmaceuticals

(1) Consolidated net sales of $6,656 million for the year ended December 31, 2006 also include $257 million in net sales from Other Activities, primarily attributable to our captive insurance companies and our AT Plastics business. Chemical Products net sales exclude inter-segment sales of $134 million for the year ended December 31, 2006.

Trademarks

AO Plus™, BuyTiconaDirect™, Celanex®, Celcon®, Celstran®, Celvol®, Celvolit®, Compel®, Erkol®, GUR®, Hostaform®, Impet®, Impet-HI®, Mowilith®, Nutrinova®, Riteflex®, Sunett®, Vandar®, VAntage™, Vectra®, Vectran®, Vinamul®, Elite®, Duroset® and certain other products and services named in this document are registered trademarks and service marks of the Company. Acetex® is a registered trademark of Acetex Corporation, a subsidiary of the Company. Fortron® is a registered trademark of Fortron Industries LLC, a venture of Celanese. Vectran is a registered trademark of Kuraray Co., Ltd.

Chemical Products

Our Chemical Products segment produces and supplies acetyl products, including acetic acid, acetate esters, VAM, polyvinyl alcohol and emulsions. We are a leading global producer of acetic acid and the world s largest producer of VAM. We are also the largest polyvinyl alcohol producer in North America. These products are generally used as building blocks for value-added products or in intermediate chemicals used in the paints, coatings, inks, adhesives, films, textiles and building products industries. Other chemicals produced in this segment are organic solvents and intermediates for pharmaceutical, agricultural and chemical products. For the year ended December 31, 2006, net sales to external customers of acetyls were $2,168 million, acetyl derivatives and polyols were $1,083 million and all other business lines combined were $1,357 million.

Technical Polymers Ticona

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. Together with our strategic affiliates, we are a leading participant in the global technical polymers business. The primary products of Ticona are POM, polybutylene terephthalate (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.

Acetate Products

Our Acetate Products segment primarily produces and supplies acetate tow and acetate flake, used in the production of filter products. Including the production of our long-standing ventures in China, we are one of the world s leading producers of acetate tow and well-positioned globally. At the end of 2006, we had completed the majority of our planned restructuring activities to consolidate our acetate flake and tow manufacturing. This restructuring is being implemented to increase efficiency, reduce over-capacities in certain manufacturing areas and to focus on products and markets that provide long-term value. These restructuring activities are on track to be complete by early 2007.

Performance Products

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.

Competitive Strengths

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

Leading Market Positions

We believe we have the first or second market positions globally in approximately 95% of our differentiated intermediate and specialty products that make up a majority of our sales. We also believe we are a leading global producer of acetic acid and the world s largest producer of VAM. Ticona and our ventures, Polyplastics and Korea Engineering Plastics Co., Ltd. (KEPCO), are leading suppliers of POM and other engineering resins in North America, Europe and the Asia/Pacific region. Our leadership positions are based on our large share of global production capacity, operating efficiencies, proprietary technology and competitive cost structures in our major products.

Proprietary Production Technology and Operating Expertise

Our production of acetyl products employs industry leading proprietary and licensed technologies, including our proprietary AO Plus acid-optimization technology for the production of acetic acid and VAntage and VAntage Plus vinyl acetate monomer technology. AO Plus enables plant capacity to be increased with minimal investment, while VAntage and VAntage Plus enables significant increases in production efficiencies, lower operating costs and increases in capacity at ten to fifteen percent of the cost of building a new plant.

Low Cost Producer

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

Global Reach

We operate thirty-five production facilities throughout the world. The ventures in which we participate operate ten additional facilities. Our infrastructure of manufacturing plants, terminals, and sales offices provides us with a competitive advantage in anticipating and meeting the needs of our global and local customers in well-established and growing markets, while our geographic diversity reduces the potential impact of volatility in any individual country or region. We have a strong, growing presence in Asia, particularly in China, and we have defined a strategy to continue this growth. Our strategy will help us to meet customer demand in this fast growing region. For more information regarding our financial information with respect to our geographic areas, see Note 27 to our consolidated financial statements.

Strategic Investments

Our strategic investments, including our ventures, have enabled us to gain access, minimize costs and accelerate growth in new markets, while also generating significant cash flow and earnings. Our equity investments and cost investments represent an important component of our growth strategy. See Note 10 to the consolidated financial statements and Investments commencing on page 16 of Item 1 for additional information on our equity and cost investments.

Diversified Products and End-Use Markets

We offer our customers a broad range of products in a wide variety of end-use markets. For example, Ticona offers customers a broad range of high-quality engineering plastics to meet the needs of customers in numerous end-use markets, such as automotive, electrical/electronics, appliance and medical. Chemical Products has leading market positions in an integrated chain of basic and performance-based acetyl products that are sold into diverse industrial applications. This product and market diversity helps us to reduce the potential impact of volatility in any individual market segment.

Business Strategies

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

Execution and Productivity

We continually seek ways to reduce our production and raw material costs. We have established an operational excellence culture which has enabled us to make productivity improvements. Most significantly, Six Sigma is a pervasive and important tool being used in both operations and administration for achieving greater productivity and growth. We continue to pursue opportunities and process technology improvements focused on energy reduction. We will also continue using best practices to reduce costs and increase equipment reliability in maintenance and project engineering. Global operational excellence is an integral part of our strategy to maintain our cost advantage and productivity leadership.

Focused Portfolio

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

Growth

We are investing strategically in growth areas and adding new production capacity, when appropriate, to extend our global market leadership position. Historically, our strong market position has enabled us to initiate capacity growth to take advantage of projected demand growth. For example, we are building a 600,000 metric ton per year world-scale acetic acid plant in China, the world s fastest growing market for acetic acid and its derivatives. The plant is scheduled for commercial sales in 2007. As part of our growth strategy, we also continue to develop new products and industry-leading production technologies that deliver value-added solutions for our customers. For example, Ticona has worked closely with fuel system suppliers to develop an acetal copolymer with the chemical and impact resistance necessary to withstand exposure to hot diesel fuels. In our emulsions business, we pioneered a technological solution that leads the industry in product offerings for ecologically friendly emulsions for solvent-free interior paints. We believe that our customers value our expertise, and we will continue to work with them to enhance the quality of their products.

Business Segments

For more information with respect to the financial results and conditions of our business segments, see Note 27 to our consolidated financial statements.

Chemical Products

The Chemical Products segment consists of six business lines: Acetyls, Acetyl Derivatives and Polyols, Polyvinyl Alcohol, Emulsions, Specialties, and other chemical activities. All business lines in this segment conduct business mainly using the Celanese trade name, except Polyvinyl Alcohol, which uses the trademarks Celvol and Erkol, Emulsions, which uses the trademarks Mowilith and Celvolit, Vinamul, Elite and Duroset. See Item 1. Business Segment Overview for discussion of key products and major end-use markets.

Business Lines

Acetyls. The acetyls business line produces:

- Acetic acid, used to manufacture VAM, other acetyl derivatives and other end uses, including purified terephthalic acid (PTA). We manufacture acetic acid for our own use, as well as for sale to third parties, including other participants in the acetyl derivatives business;

- VAM, used in a variety of adhesives, paints, films, coatings and textiles. We manufacture VAM for our own use, as well as for sale to third parties;

- Methanol, principally sold to the merchant market;

- Acetic anhydride, a raw material used in the production of cellulose acetate, detergents and pharmaceuticals; and

- Acetaldehyde, a major feedstock for the production of polyols. Acetaldehyde is also used in other organic compounds such as pyridines, which are used in agricultural products.

Acetic acid, methanol and VAM, our basic products, are directly impacted by the global supply/demand balance for each of the products and can be described as cyclical in nature. The principal raw materials in these products are natural gas and ethylene, which we purchase from numerous sources; carbon monoxide, which we both manufacture and purchase under long-term contracts; methanol, which we both manufacture and purchase under long-term and short-term contracts; and butane, which we purchase from one supplier and can also obtain from other sources. All these raw materials, except carbon monoxide, are commodities and are available from a wide variety of sources.

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

Acetyl Derivatives and Polyols. The acetyl derivatives and polyols business line produces a variety of solvents, polyols, formaldehyde and other chemicals, which in turn are used in the manufacture of paints, coatings, adhesives and other products.

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Many acetyl derivatives products are derived from our production of acetic acid and oxo alcohols. Primary products are:

- Ethyl acetate, an acetate ester that is a solvent used in coatings, inks and adhesives and in the manufacture of photographic films and coated papers;
- Butyl acetate, an acetate ester that is a solvent used in inks, pharmaceuticals and perfume;
- Propyl acetate, an acetate ester that is a solvent used in inks, lacquers and plastics;
- Methyl ethyl ketone, a solvent used in the production of printing inks and magnetic tapes;
- Butyric acid, an intermediate for the production of esters used in artificial flavors;
- Propionic acid, an organic acid used to protect and preserve grain; and
- Formic acid, an organic acid used in textile dyeing and leather tanning.

Polyols and formaldehyde products are derivatives of methanol and are made up of the following products:

- Formaldehyde, primarily used to produce adhesive resins for plywood, particle board, POM engineering resins and a compound used in making polyurethane;
- Polyol products such as trimethylolpropane, used in synthetic lubricants; neopentyl glycol, used in powder coatings; and 1,3-butylene glycol, used in flavorings and plasticizers.

Oxo alcohols and intermediates are produced from propylene and ethylene and include:

- Butanol, used as a solvent for lacquers, dopes and thinners, and as an intermediate in the manufacture of chemicals, such as butyl acrylate;
- Propanol, used as an intermediate in the production of amines for agricultural chemicals, and as a solvent for inks, resins, insecticides and waxes.

Acetyl derivatives and polyols are commodity products characterized by cyclicality in pricing. The principal raw materials used in the acetyl derivatives business line are acetic acid, various alcohols, methanol, acetaldehyde, propylene, ethylene and synthesis gas. We manufacture many of these raw materials for our own use as well as for sales to third parties, including our competitors in the acetyl derivatives business. We purchase propylene and ethylene from a variety of sources. We manufacture acetaldehyde for our European production, but we purchase all acetaldehyde requirements for our North American operations from third parties. Acetaldehyde is also available from other sources.

Polyvinyl Alcohol. Polyvinyl alcohol (PVOH) is a performance chemical engineered to satisfy particular customer requirements. It is used in adhesives, building products, paper coatings, films and textiles. The primary raw material to produce PVOH is VAM, while acetic acid is produced as a by-product. Prices vary depending on industry segment and end use application. Products are sold on a global basis, and competition is from all regions of the world. Therefore, regional economies and supply and demand balances affect the level of competition in other regions. According to industry sources on PVOH, we are the largest North American producer of PVOH and the third largest producer in the world.

Emulsions. The products in our emulsions business include conventional emulsions and high-pressure vinyl acetate ethylene emulsions. Emulsions are made from VAM, acrylate esters and styrene. They are a key component of water-based quality surface coatings, adhesives, non-woven textiles and other applications.

Specialties. The specialties business line produces:

Carboxylic acids such as pelargonic acid, used in detergents and synthetic lubricants, and heptanoic acid, used in plasticizers and synthetic lubricants;

Amines such as methyl amines, used in agrochemicals, monoisopropynol amines, used in herbicides, and butyl amines, used in the treatment of rubber and in water treatment; and

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Oxo derivatives and special solvents, such as crotonaldehyde, which is used by the Performance Products segment for the production of sorbates, as well as raw materials for the fragrance and food ingredients industry.

The prices for these products are relatively stable due to long-term contracts with customers whose industries are not generally subject to the cyclical trends of commodity chemicals.

The primary raw materials for these products are olefins and ammonia, which are purchased from world market suppliers based on international prices.

In December 2006, we announced plans to sell the oxo products and derivatives businesses as part of our strategy to optimize our portfolio and divest non-core businesses. See Note 32 to the consolidated financial statements for additional information.

During the third quarter of 2006, we discontinued our Pentaerythritol (PE) operations.

Facilities

Chemical Products has production sites in the United States, Canada, Mexico, Singapore, Spain, Sweden, Slovenia, the United Kingdom, the Netherlands, France and Germany. The emulsions business line also has tolling arrangements in France. We also participate in a venture in Saudi Arabia that produces methanol and Methyl Tertiary-Butyl Ether (MTBE). Over the last few years, we have continued to shift our production capacity to lower cost production facilities while expanding in growth markets, such as China. As a result, we shut down our formaldehyde unit in Edmonton, Alberta, Canada in mid-2004 and announced in August 2005 that we intend to close this facility in 2007.

Markets

The following table illustrates net sales by destination of the Chemical Products segment by geographic region of the Successor for the years ended December 31, 2006 and 2005 and for the nine months ended December 31, 2004 and of the Predecessor for the three months ended March 31, 2004.

Net Sales to External Customers by Destination Chemical Products

	Successor						Predecessor	
	Year Ended December 31, 2006		Year Ended December 31, 2005		Nine Months Ended December 31, 2004		Three Months Ended March 31, 2004	
	$	% of Segment	$	% of Segment	$	% of Segment	$	% of Segment
	(In millions)							
North America	1,630	35%	1,570	38%	923	37%	297	38%
Europe/Africa	1,931	42%	1,625	39%	965	39%	314	40%
Asia/Australia	864	19%	809	19%	484	20%	144	19%
Rest of World	183	4%	159	4%	93	4%	25	3%

Chemical Products markets its products both directly to customers and through distributors. It also utilizes a number of e-channels , including its website at www.chemvip.com, as well as system-to-system linking through its industry portal, Elemica.

Acetic acid and VAM are global businesses which have several large customers. Generally, we supply these global customers under multi-year contracts. The customers of acetic acid and VAM produce polymers used in water-based paints, adhesives, paper coatings, polyesters, film modifiers and textiles. We have long-standing relationships with most of these customers.

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PVOH is sold to a diverse group of regional and multinational customers mainly under single year contracts. The customers of the PVOH business line are primarily engaged in the production of adhesives, paper, films, building products, and textiles.

Emulsions are sold to a diverse group of regional and multinational customers. Customers for emulsions are manufacturers of water-based quality surface coatings, adhesives and non-woven textiles.

Acetyl derivatives and polyols are sold to a diverse group of regional and multinational customers both under multi-year contracts and on the basis of long-standing relationships. The customers of acetyl derivatives are primarily engaged in the production of paints, coatings and adhesives. In addition to our own demand for acetyl derivatives to produce cellulose acetate, we sell acetyl derivatives to other participants in the cellulose acetate industry. We manufacture formaldehyde for our own use as well as for sale to a few regional customers that include manufacturers in the wood products and chemical derivatives industries. The sale of formaldehyde is based on both long and short term agreements. Polyols are sold globally to a wide variety of customers, primarily in the coatings and resins and the specialty products industries. Oxo products are sold to a wide variety of customers, primarily in the construction and automotive industries and are used internally to produce acetyl derivatives. The oxo market is characterized by oversupply and numerous competitors. The specialties business line primarily serves global markets in the synthetic lubricant, agrochemical, rubber processing and other specialty chemical areas.

Competition

Our principal competitors in the Chemical Products segment include Air Products and Chemicals, Inc., Atofina S.A., BASF AG (BASF), Borden Chemical, Inc., BP p.l.c., Chang Chun Petrochemical Co., Ltd., Daicel Chemical Industries Ltd. (Daicel), The Dow Chemical Company (Dow), Eastman Chemical Corporation (Eastman), E. I. DuPont de Nemours and Company (DuPont), Methanex Corporation, Lyondell Chemical Company, Nippon Gohsei, Perstorp Inc., Rohm & Haas Company, Jiangsu Sopo Corporation (Group) Ltd., Showa Denko K.K., and Kuraray Co. Ltd.

Technical Polymers Ticona

The Ticona segment develops, produces and supplies a broad portfolio of high performance technical polymers. See Item 1. Business Segment Overview for discussion of key products and major end-use markets.

Ticona technical polymers have chemical and physical properties enabling them, among other things, to withstand high temperatures, resist chemical reactions with solvents and resist fracturing or stretching. These products are used in a wide range of performance-demanding applications in the automotive and electronics sectors and in other consumer and industrial goods, often replacing metal or glass. Demand for high performance polymers is expected to grow approximately 5% to 6% per year.

Ticona works in concert with its customers to enable innovations and develop new or enhanced products. Ticona focuses its efforts on developing new markets and applications for its product lines, often developing custom formulations to satisfy the technical and processing requirements of a customer s applications. For example, Ticona has worked closely with fuel system suppliers to develop an acetal copolymer with the chemical and impact resistance necessary to withstand exposure to hot diesel fuels in the new generation of common rail diesel engines. The product can also be used in automotive fuel sender units where it remains stable at the high operating temperatures present in direct-injection diesel engines or meet the requirements of the new generation of bio fuels.

Ticona s customer base consists primarily of a large number of plastic molders and component suppliers, which are often the primary suppliers to original equipment manufacturers (OEM). Ticona works with these molders and component suppliers as well as directly with the OEMs to develop and improve specialized applications and systems.

Prices for most of these products, particularly specialized product grades for targeted applications, generally reflect the value added in complex polymer chemistry, precision formulation and compounding, and the extensive application development services provided. The specialized product lines are not particularly susceptible to cyclical swings in pricing.

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Business Lines

POM is sold under the trademark Hostaform in all regions but North America, where it is sold under the trademark Celcon. Polyplastics and KEPCO are leading suppliers of POM and other engineering resins in the Asia/Pacific region. POM is used for mechanical parts, including door locks and seat belt mechanisms, in automotive applications and in electrical, consumer and medical applications such as drug delivery systems and gears for large appliances.

The primary raw material for POM is formaldehyde, which is manufactured from methanol. Ticona currently purchases formaldehyde in the United States from our Chemical Products segment and, in Europe, manufactures formaldehyde from purchased methanol.

GUR, an ultra high molecular weight polyethylene (UHMW-PE), is an engineered material used in heavy-duty automotive and industrial applications such as car battery separator panels and industrial conveyor belts, as well as in specialty medical and consumer applications, such as sports equipment and prostheses. GUR micro powder grades are used for high performance filters, membranes, diagnostic devices, coatings and additives for thermoplastics & elastomers. GUR fibers are also used in protective ballistic applications.

Celstran and Compel are long fiber reinforced thermoplastics, which impart extra strength and stiffness, making them more suitable for larger parts than conventional thermoplastics.

Polyesters such as Celanex PBT, Vandar, a series of PBT-polyester blends and Riteflex, a thermoplastic polyester elastomer, are used in a wide variety of automotive, electrical and consumer applications, including ignition system parts, radiator grilles, electrical switches, appliance housings, sensor housings, LEDs and technical fibers. Raw materials for polyesters vary. Base monomers, such as dimethyl terephthalate and PTA, are widely available with pricing dependent on broader polyester fiber and packaging resins market conditions. Smaller volume specialty co-monomers for these products are typically supplied by a few companies.

Liquid crystal polymers (LCP), such as Vectra, are used in electrical and electronics applications and for precision parts with thin walls and complex shapes or on high heat cookware application.

Fortron, a polyphenylene sulfide (PPS) product, is used in a wide variety of automotive and other applications, especially those requiring heat and/or chemical resistance, including fuel system parts, radiator pipes and halogen lamp housings, and often replaces metal in these demanding applications. Other possible application fields include non-woven filtration devices such as coal fired power plants. Fortron is manufactured by Fortron Industries LLC, Ticona s 50-50 venture with Kureha Corporation (KCI) of Japan.

In December 2004, we approved a plan to dispose of our Cyclo-olefine Copolymer (COC) business. The sale of the COC business was completed in December 2005.

Facilities

Ticona has polymerization, compounding and research and technology centers in Germany, Brazil and the United States. Ticona s Kelsterbach, Germany production site is located in close proximity to one of the sites being considered for a new runway under the Frankfurt airport s expansion plans. In November 2006, we announced a settlement with the Frankfurt Airport (Fraport) to relocate the Kelsterbach, Germany operations. The terms of the settlement, which is intended to be cost and tax neutral for Celanese, should allow Ticona adequate time and resources to select a site, build new production facilities and transition business activities within Germany to a new location by mid-2011. See Note 31 to the consolidated financial statements for further information.

Markets

The following table illustrates the destination of the net sales of the Ticona segment by geographic region of the Successor for the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004 and of the Predecessor for the three months ended March 31, 2004.

Net Sales to External Customers by Destination Technical Polymers Ticona

	Successor						Predecessor	
	Year Ended December 31, 2006		Year Ended December 31, 2005		Nine Months Ended December 31, 2004		Three Months Ended March 31, 2004	
	$	% of Segment	$	% of Segment	$	% of Segment	$	% of Segment
				(In millions)				
North America	311	34%	339	38%	247	39%	95	42%
Europe/Africa	500	55%	465	53%	331	52%	116	51%
Asia/Australia	55	6%	44	5%	33	5%	9	4%
Rest of World	49	5%	39	4%	25	4%	7	3%

Ticona s sales in the Asian market are made mainly through its ventures, Polyplastics, KEPCO and Fortron Industries, which are accounted for under the equity method and therefore not included in Ticona s consolidated net sales. If Ticona s portion of the sales made by these ventures were included in the chart above, the percentage of sales sold in Asia/Australia would be substantially higher. A number of Ticona s POM customers, particularly in the appliance, electrical components, toys and certain sections of the electronics/telecommunications fields, have moved tooling and molding operations to Asia, particularly southern China. To meet the expected increased demand in this region, we, along with Polyplastics, Mitsubishi Gas Chemical Company Inc., and KEPCO agreed on a venture which operates a world-scale 60,000 metric ton POM facility in Nantong, China. Through our investment in the aforementioned companies, we indirectly own an approximate 38% interest in this venture. The new plant commenced operations in 2005.

Ticona s principal customers are consumer product manufacturers and suppliers to the automotive industries. These customers primarily produce engineered products, and Ticona works closely with its customers to assist them to develop and improve specialized applications and systems. Ticona has long-standing relationships with most of its major customers, but it also uses distributors for most of its major products, as well as a number of electronic channels, such as its BuyTiconaDirect on-line ordering system, and other electronic marketplaces to reach a larger customer base. For most of Ticona s product lines, contracts with customers typically have a term of one to two years. A significant swing in the economic conditions of the end markets of Ticona s principal customers could significantly affect the demand for Ticona s products.

Competition

Ticona s principal competitors include BASF, DuPont, DSM N.V., General Electric Company and Solvay S.A. Smaller regional competitors include Asahi Kasei Corporation, Mitsubishi Gas Chemicals, Inc., Chevron Phillips Chemical Company, L.P., Braskem S.A., Lanxess AG, Teijin, Sumitomo, Inc. and Toray Industries Inc.

Acetate Products

The Acetate Products segment consists of acetate filter products or acetate tow and acetate flake, which uses the Celanese brand to market its products. The acetate tow market continues to be characterized by stability and expected global growth of between 1% and 2% per year. The segment s acetate filament business line was discontinued in the fourth quarter of 2005. See Item 1. Business Segment Overview for discussion of key products and major end-use markets.

Business Lines

Acetate tow is used primarily in cigarette filters. According to the 2006 Stanford Research Institute International Chemical Economics Handbook, we are the world s leading producer of acetate tow, including production of our ventures in Asia.

We produce acetate flake by processing wood pulp with acetic anhydride. We purchase wood pulp that is made from reforested trees from major suppliers and produce acetic anhydride internally. The acetate flake is then further processed into acetate fiber in the form of a tow band.

We have an approximate 30% interest in three manufacturing ventures in China that produce cellulose acetate flake and tow. Our partner in each of the ventures is a Chinese state-owned tobacco entity. In addition, 12% of our 2006 acetate tow sales were sold directly to China, the largest single market for acetate tow in the world. Two of the ventures completed tow expansions in January 2005, and the third venture completed its tow expansion in June 2005. Flake expansion is expected to be completed in 2007. Although our direct tow sales into China have decreased as a result of the venture expansions, the future dividends that we expect to receive from these ventures are projected to increase.

Acetate Products is continuing its productivity and operations improvement efforts. These efforts are directed toward reducing costs while achieving higher productivity of employees and equipment. In addition to our operating sites restructuring activities previously undertaken, we closed our Charlotte, North Carolina administrative and research and development facility. In July 2005, we relocated our Rock Hill, South Carolina administrative functions to our Dallas corporate headquarters. In December 2005, we sold our Rock Hill and Charlotte sites.

Facilities

Acetate Products has production sites in the United States, Canada, Mexico and Belgium, and participates in three manufacturing ventures in China. In October 2004, we announced plans to discontinue our filament business, with operations at our Narrows, Virginia and Ocotlan, Mexico sites, which occurred in the fourth quarter of 2005. Additionally, we announced our intentions to shutdown our high cost operations at our Rock Hill, South Carolina flake production site and our Edmonton, Alberta, Canada flake and tow production site. We shutdown our Rock Hill flake and Edmonton tow operations in the second quarter of 2005 and will shutdown our Edmonton flake facility in early 2007. In addition to the above closures, we re-commissioned our flake operations at Ocotlan in the first quarter of 2005.

Markets

The following table illustrates the destination of the net sales of Acetate Products by geographic region of the Successor for the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004 and of the Predecessor for the three months ended March 31, 2004.

Net Sales to External Customers by Destination Acetate Products

	Successor			Predecessor
	Year Ended December 31,	Year Ended December 31,	Nine Months Ended December 31,	Three Months Ended March 31,

	2006		2005		2004		2004	
	$	% of Segment	$	% of Segment	$	% of Segment	$	% of Segment
	(In millions)							
North America	127	18%	126	19%	67	15%	24	17%
Europe/Africa	184	26%	202	31%	139	32%	43	29%
Asia/Australia	370	53%	315	48%	222	50%	75	51%
Rest of World	19	3%	16	2%	13	3%	5	3%

Sales in the acetate tow industry were principally to the major tobacco companies that account for a majority of worldwide cigarette production. Our contracts with most of our customers are entered into on an annual basis. In recent years, the cigarette industry has experienced consolidation.

Competition

Principal competitors in the Acetate Products segment include Daicel, Eastman and Rhodia S.A.

In January 2007, we acquired Acetate Products Ltd., a manufacturer of cellulose acetate flake, tow and film, located in the United Kingdom.

Performance Products

The Performance Products segment consists of the food ingredients business conducted by Nutrinova. This business uses its own trade names to conduct business. See Item 1. Business Segment Overview for discussion of key products and major end-use markets.

Business Lines

Nutrinova s food ingredients business consists of the production and sale of high intensity sweeteners and food protection ingredients, such as sorbic acid and sorbates worldwide, as well as the resale of other food ingredients mainly in Japan, Australia and Mexico.

Acesulfame potassium, a high intensity sweetener marketed under the trademark Sunett®, is used in a variety of beverages, confections and dairy products throughout the world. Sunett® pricing for targeted applications reflects the value added by Nutrinova, such as technical services provided and consistency of product quality. Nutrinova s strategy is to be the most reliable and highest quality producer of this product, to develop new applications for the product and to expand into new markets. Nutrinova maintains a strict patent enforcement strategy, which has resulted in favorable outcomes in a number of patent infringement matters in Europe and the United States. Nutrinova s European and U.S. primary production patents for making Sunett® expired at the end of the first quarter of 2005.

Nutrinova s food protection ingredients are mainly used in foods, beverages and personal care products. The primary raw materials for these products are ketene and crotonaldehyde. Sorbates pricing is extremely sensitive to demand and industry capacity and is not necessarily dependent on the prices of raw materials.

Diketene and ketene are both derivatives of acetic acid, one of the primary products of the Chemical Products segment.

Facilities

Nutrinova has production facilities in Germany, as well as sales and distribution facilities in all major world markets.

Markets

The following table illustrates the destination of the net sales of Performance Products by geographic region of the Successor for years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004 and of the Predecessor for the three months ended March 31, 2004.

Net Sales to External Customers by Destination Performance Products

	Successor						Predecessor	
	Year Ended December 31, 2006		Year Ended December 31, 2005		Nine Months Ended December 31, 2004		Three Months Ended March 31, 2004	
	$	% of Segment	$	% of Segment	$	% of Segment	$	% of Segment
	(In millions)							
North America	73	42%	58	32%	52	40%	19	43%
Europe/Africa	64	36%	80	44%	49	37%	17	39%
Asia/Australia	25	14%	30	17%	21	16%	6	14%
Rest of World	14	8%	12	7%	9	7%	2	4%

Nutrinova directly markets Sunett® primarily to a limited number of large multinational and regional customers in the beverage and food industry under long-term and annual contracts. Nutrinova markets food protection ingredients primarily through regional distributors to small and medium sized customers and directly through regional sales offices to large multinational customers in the food industry.

Competition

The principal competitors for Nutrinova s Sunett® sweetener are Holland Sweetener Company, The NutraSweet Company, Ajinomoto Co., Inc., Tate & Lyle plc and several Chinese manufacturers. In sorbates, Nutrinova competes with Nantong AA, Daicel, Yu Yao/Ningbo, Yancheng AmeriPac and other Chinese manufacturers of sorbates.

Other Activities

Other Activities includes revenues mainly from the captive insurance companies, Pemeas GmbH (Pemeas) until December 2005 and, since July 2005, AT Plastics. Pemeas develops high temperature membrane assemblies (MEA) for fuel cells. We contributed our MEA activity to Pemeas in April 2004. In December 2005, we sold our common stock interest back to Pemeas Corporation. In December 2006, we sold our preferred interest in Pemeas Corporation to BASF. Other Activities also includes corporate activities, several service companies and other ancillary businesses, which do not have significant sales.

Our two wholly-owned captive insurance companies are a key component of our global risk management program, as well as a form of self insurance for our property, liability and workers compensation risks. The captive insurance companies issue insurance policies to our subsidiaries to provide consistent coverage amid fluctuating costs in the insurance market and to lower long-term insurance costs by avoiding or reducing commercial carrier overhead and regulatory fees. The captive insurance companies issue insurance policies and coordinate claims handling services with third party service providers. They retain risk at levels approved by our board of directors and obtain reinsurance coverage from third parties to limit the net risk retained. One of the captive insurance companies also insures certain third party risks.

Investments

We have a significant portfolio of strategic investments, including a number of ventures, in Asia, North America and Europe. 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

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growth in areas we believe have significant future business potential. See Note 10 to our consolidated financial statements for additional information.

The table below represents our significant ventures:

Name	Location	Ownership	Segment	Partner(s)	Year Entered
Equity Investments					
European Oxo GmbH	Germany	50%	Chemical Products	Degussa AG	2003
KEPCO	South Korea	50%	Ticona	Mitsubishi Gas Chemical Company, Inc.	1999
Polyplastics Co., Ltd.	Japan	45%	Ticona	Daicel Chemical Industries Ltd.	1964
Fortron Industries LLC	U.S.	50%	Ticona	Kureha Corporation	1992
Cost Investments					
National Methanol Co.	Saudi Arabia	25%	Chemical Products	Saudi Basic Industries Corporation (SABIC)/ CTE Petrochemicals	1981
Kunming Cellulose Fibers Co. Ltd.	China	30%	Acetate Products	China National Tobacco Corp.	1993
Nantong Cellulose Fibers Co. Ltd.	China	31%	Acetate Products	China National Tobacco Corp.	1986
Zhuhai Cellulose Fibers Co. Ltd.	China	30%	Acetate Products	China National Tobacco Corp.	1993

Major Equity Investments

European Oxo GmbH. European Oxo GmbH (EOXO) is our 50/50 venture with Degussa for propylene-based oxo chemicals and has production facilities in Oberhausen and Marl, Germany. On August 28, 2006, we entered into an agreement with Degussa pursuant to which Degussa granted us an option to purchase Degussa s interest in EOXO. In connection with the sale of our oxo products and derivatives businesses discussed herein, we anticipate giving notice to Degussa that we will exercise our option, subject to certain conditions, to purchase their 50% interest, which will be subsequently sold to Advent International. See Notes 6 and 32 to the consolidated financial statements for further information.

Korea Engineering Plastics Co. Ltd. Founded in 1987, KEPCO is the leading producer of polyacetal in South Korea. Mitsubishi owns the remaining 50% of KEPCO. KEPCO operates a 55,000-ton annual capacity POM plant in Ulsan, South Korea and participates in the facility in China mentioned under Polyplastics below.

Polyplastics Co., Ltd. Polyplastics is a leading supplier of engineering plastics in the Asia-Pacific region. Polyplastics principal production facilities are located in Japan, Taiwan, Malaysia and together with KEPCO and Mitsubishi, China. We believe Polyplastics is the largest producer and marketer of POM in the Asia-Pacific region.

Fortron Industries LLC. Fortron Industries LLC is a venture between us and KCI for PPS. Production facilities are located in Wilmington, North Carolina. We believe Fortron has the leading technology in linear polymer applications.

Other Equity Investments

InfraServs. We hold ownership interests in several InfraServ groups located in Germany. InfraServs own and develop industrial parks and provide on-site general and administrative support to tenants.

Major Cost Investments

National Methanol Co. (Ibn Sina). With production facilities in Saudi Arabia, National Methanol Co. represents 2% of the world s methanol production capacity and is the world s eighth largest producer of MTBE. Methanol and MTBE are key global commodity chemical products. We indirectly own a 25% interest in National

Methanol Co., with the remainder held by SABIC (50%) and Texas Eastern Arabian Corporation Ltd. (25%). SABIC has responsibility for all product marketing.

China Acetate Products Ventures. We hold approximately 30% ownership interests (50% board representation) in three separate Acetate Products production entities in China: the Nantong, Kunming and Zhuhai Cellulose Fiber Companies. In each instance, Chinese state-owned entities control the remainder. The ventures fund investments using operating cash flows.

Certain cost investments where we own greater than a 20% ownership interest are accounted for under the cost method of accounting because we cannot exercise significant influence, are not involved in the day-to-day operations and are unable to obtain timely U.S. GAAP financial information from these entities.

Raw Materials and Energy

We purchase a variety of raw materials from sources in many countries for use in our production processes. We have a policy of maintaining, when available, multiple sources of supply for materials. However, some of our individual plants may have single sources of supply for some of their raw materials, such as carbon monoxide, steam and acetaldehyde. Although we have been able to obtain sufficient supplies of raw materials, there can be no assurance that unforeseen developments will not affect our raw material supply. Even if we have multiple sources of supply for a raw material, there can be no assurance that these sources can make up for the loss of a major supplier. There cannot be any guarantee that profitability will not be affected should we be required to qualify additional sources of supply in the event of the loss of a sole supplier. In addition, the price of raw materials varies, often substantially, from year to year.

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply/demand fundamentals change. Our production facilities rely largely on coal, fuel oil, natural gas and electricity for energy. Most of the raw materials for our European operations are centrally purchased by our subsidiary, which also buys raw materials on behalf of third parties. We manage our exposure through the use of derivative instruments and forward purchase contracts for commodity price hedging, entering into long-term supply agreements and multi-year purchasing and sales agreements. See Notes 4 and 24 to the consolidated financial statements for additional information.

We also currently lease supplies of various precious metals, such as rhodium, used as catalysts for the manufacture of chemical products. With growing demand for these precious metals, most notably in the automotive industry, the cost to purchase or lease these precious metals has increased, caused by a shortage in supply. For precious metals, the leases are distributed between a minimum of three lessors per product and are divided into several contracts. Although we seek to offset increases in raw material prices with corresponding increases in the prices of our products, we may not be able to do so, and there may be periods when such product price increases lag behind raw material cost increases.

Research and Development

All of our businesses conduct research and development activities to increase competitiveness. Our businesses are innovation-oriented and conduct research and development activities to develop new, and optimize existing, production technologies, as well as to develop commercially viable new products and applications. We consider the amount spent during each of the last three fiscal years on research and development activities to be adequate to drive our growth program.

Intellectual Property

We attach great importance to patents, trademarks, copyrights and product designs in order to protect our investment in research and development, manufacturing and marketing. Our policy is to seek the widest possible protection for significant product and process developments in our major markets. Patents may cover products, processes, intermediate products and product uses. We also seek to register trademarks extensively as a means of protecting the brand names of our products, which brand names become more important once the corresponding patents have expired. We protect our trademarks vigorously against infringement and also seek to register design protection where appropriate.

In most industrial countries, patent protection exists for new substances and formulations, as well as for unique applications and production processes. However, we do business in regions of the world where intellectual property protection may be limited and difficult to enforce. We maintain strict information security policies and procedures wherever we do business. Such information security policies and procedures include data encryption, controls over the disclosure and safekeeping of confidential information, as well as employee awareness training. Moreover, we monitor our competitors and vigorously challenge patent and trademark infringement. For example, Chemical Products maintains a strict patent enforcement strategy, which has resulted in favorable outcomes in a number of patent infringement matters in Europe, Asia and the United States. We are currently pursuing a number of matters relating to the infringement of our acetic acid patents. Some of our earlier acetic acid patents will expire in 2007; other patent applications covering acetic acid are presently pending.

Neither our business as a whole nor any particular segment is materially dependent upon any one particular patent, trademark, copyright or trade secret.

Environmental and Other Regulation

Matters pertaining to the environment are discussed in Item 1A. Risk Factors, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and Notes 18 and 25 to the consolidated financial statements

Employees

As of December 31, 2006, we had approximately 8,900 employees worldwide from continuing operations, compared to 9,300 as of December 31, 2005. This represents a decrease of approximately 4%. The following table sets forth the approximate number of employees on a continuing basis as of December 31, 2006, 2005 and 2004.

	Employees as of December 31,		
	2006	**2005**	**2004**
North America	**4,700**	**4,900**	**5,500**
thereof USA	3,300	3,500	4,000
thereof Canada	500	600	400
thereof Mexico	900	800	1,100
Europe	**3,900**	**4,100**	**3,300**
thereof Germany	2,600	2,800	3,000
Asia	**250**	**200**	**200**
Rest of World	**50**	**100**	**100**
Total Employees	**8,900**	**9,300**	**9,100**

Many of our employees are unionized, particularly in Germany, Canada, Mexico, Brazil, Belgium and France. However, in the United States, less than one quarter of our employees are unionized. Moreover, in Germany and France, wages and general working conditions are often the subject of centrally negotiated collective bargaining agreements. Within the limits established by these agreements, our various subsidiaries negotiate directly with the unions and other labor organizations, such as workers councils, representing the employees. Collective bargaining agreements between the German chemical employers associations and unions relating to remuneration typically have a term of one year, while in the United States a three year term for collective bargaining agreements is typical. We offer comprehensive benefit plans for employees and their families and believe our relations with employees are satisfactory.

Backlog

We do not consider backlog to be a significant indicator of the level of future sales activity. In general, we do not manufacture our products against a backlog of orders. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, we believe that backlog information is not material to understanding our overall business and should not be considered a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

Available Information Securities and Exchange Commission (SEC) Filings and Corporate Governance Materials

We make available free of charge, through our Internet website (www.celanese.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including Celanese Corporation, that electronically file with the SEC at http://www.sec.gov.

We also make available free of charge, through our internet website, our Corporate Governance Guidelines of our Board of Directors and the charters of each of the committees of the board. Such materials are also available in print upon the written request of any shareholder to Celanese Corporation, 1601 West LBJ Freeway, Dallas, Texas, 75234-6034, Attention: Investor Relations.

Item 1A. *Risk Factors*

Many factors could have an effect on our financial condition, cash flows and results of operations. We are subject to various risks resulting from changing economic, environmental, political, industry, business and financial conditions. The factors described below represent our principal risks.

Risks Related to Our Business

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

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

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

The industries of many of our customers, particularly the automotive, electrical, construction and textile industries are cyclical in nature and sensitive to changes in economic conditions. A downturn in one or more of these industries may result in a reduction in our operating margins or in operating losses.

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

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

We purchase significant amounts of natural gas, ethylene, butane, methanol and propylene from third parties for use in our production of basic chemicals in the Chemical Products segment, principally formaldehyde, acetic acid and VAM. We use a portion of our output of these chemicals, in turn, as inputs in the production of further products in all our segments. We also purchase significant amounts of cellulose or wood pulp for use in our production of cellulose acetate in the Acetate Products segment. We purchase significant amounts of natural gas, electricity, coal and fuel oil to supply the energy required in our production processes. Prices of natural gas, oil and other hydrocarbons and energy increased dramatically in 2006 and 2005.

We own or lease supplies of various precious metals, such as rhodium, used as catalysts for the production of these chemicals. With growing demand for these precious metals, most notably in the automotive industry, the cost to purchase or lease these precious metals has increased, caused by a shortage in supply.

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

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

If we are not able to fully offset the effects of higher energy and raw material costs, or if such commodities were unavailable, it could have a significant adverse effect on our financial results.

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

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

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

Costs related to our compliance with environmental laws and regulations, and potential obligations with respect to contaminated sites may have a significant negative impact on our operating results. These include obligations related to sites currently or formerly owned or operated by us, or where waste from our operations was disposed. We also have obligations related to the indemnity agreement contained in the demerger and transfer agreement between CAG and Hoechst, also referred to as the demerger agreement, for environmental matters arising out of certain divestitures that took place prior to the demerger. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Environmental Liabilities and Notes 18 and 25 to the consolidated financial statements.

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Our operations are subject to extensive international, national, state, local, and other supranational laws and regulations that govern environmental and health and safety matters. We incur substantial capital and other costs to comply with these requirements. If we violate them, we can be held liable for substantial fines and other sanctions, including limitations on our operations as a result of changes to or revocations of environmental permits involved. Stricter environmental, safety and health laws, regulations and enforcement policies could result in substantial costs and liabilities to us or limitations on our operations and could subject our handling, manufacture, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than at present. Consequently, compliance with these laws and regulations could result in significant capital expenditures as well as other costs and liabilities, which could cause our business and operating results to be less favorable than expected.

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

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

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

Pursuant to the European Union regulation on Risk Assessment of Existing Chemicals, the European Chemicals Bureau of the European Commission has been conducting risk assessments on approximately 140 major chemicals. Some of the chemicals initially being evaluated include VAM, which we produce. These risk assessments entail a multi-stage process to determine to what extent the European Commission should classify the chemical as a carcinogen and, if so, whether this classification and related labeling requirements should apply only to finished products that contain specified threshold concentrations of a particular chemical. In the case of VAM, we currently do not expect a final ruling until the end of 2007. We and other VAM producers are participating in this process with detailed scientific analyses supporting the industry s position that VAM is not a probable human carcinogen and that labeling of final products should not be required. We cannot predict the outcome or effect of any final ruling.

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

Other recent initiatives will potentially require toxicological testing and risk assessments of a wide variety of chemicals, including chemicals used or produced by us. These initiatives include the Voluntary Children s Chemical Evaluation Program and High Production Volume Chemical Initiative in the United States, as well as various European Commission programs, such as the new European Environment and Health Strategy, commonly known as SCALE, as well as the Proposal for the Registration, Evaluation, Authorization and Restriction of Chemicals or REACH. REACH, which the European Commission proposed in October 2003, will establish a system to register and evaluate chemicals manufactured in, or imported to, the European Union. Additional testing, documentation and risk assessments will occur for the chemical industry. This will affect European producers of chemicals as well as all chemical companies worldwide that export to member states of the European Union.

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

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

Our operations are subject to operating risks associated with chemical manufacturing, including the related storage and transportation of raw materials, products and waste. These risks include, among other things pipeline and storage tank leaks and ruptures, explosions and fires and discharges or releases of toxic or hazardous substances.

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

Recently proposed federal legislation aimed at increasing security at certain chemical production plants and similar legislation that may be proposed in the future could, if passed into law, require us to relocate certain manufacturing activities and require us to alter or discontinue our production of certain chemical products, thereby increasing our operating costs and causing an adverse effect on our results of operations.

Legislation is currently pending in Congress which is aimed at decreasing the risk, and effects, of potential terrorist attacks on chemical plants located within the United States. Pursuant to proposed legislation, these goals would be accomplished in part through the requirement that certain high-priority facilities develop a prevention, preparedness, and response plan after conducting a vulnerability assessment. In addition, companies may be required to evaluate the possibility of using less dangerous chemicals and technologies as part of their vulnerability assessments and prevention plans and implementing feasible safer technologies in order to minimize potential damage to their facilities from a terrorist attack. Pending legislation will likely be revised further, and additional legislation may be proposed in the future on this topic. It is possible that such future legislation could contain terms that are more restrictive than what has recently been proposed and which would be more costly to us. We cannot predict the final form of currently pending legislation, or other related legislation that may be passed and can provide no assurance that such legislation will not have an adverse effect on our results of operations in a future reporting period.

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

We are exposed to market risk through commercial and financial operations. Our market risk consists principally of exposure to fluctuations in currency exchange and interest rates. As we conduct a significant portion of our operations outside the United States, fluctuations in currencies of other countries, especially the euro, may materially affect our operating results. For example, changes in currency exchange rates may decrease our profits in comparison to the profits of our competitors on the same products sold in the same markets and increase the cost of items required in our operations.

A substantial portion of our net sales is denominated in currencies other than the U.S. dollar. In our consolidated financial statements, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, at a constant level of business, our reported international sales, earnings, assets and liabilities will be reduced because the local currency will translate into fewer U.S. dollars.

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

We use financial instruments to hedge our exposure to foreign currency fluctuations, but we cannot guarantee that our hedging strategies will be effective.

Failure to effectively manage these risks could have an adverse impact on our financial position, results of operations and cash flows

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

Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. A change in the discount rate would result in a significant increase or decrease in the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Similarly, changes in the expected return on plan assets can result in significant changes in the net periodic pension cost for subsequent fiscal years.

CAG may be required to make payments to Hoechst.

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

CAG s obligation to indemnify Hoechst against liabilities for environmental contamination in connection with the divestiture agreements is subject to the following thresholds:

- CAG will indemnify Hoechst for the total amount of these liabilities up to 250 million;
- Hoechst will bear the full amount of those liabilities between 250 million and 750 million; and
- CAG will indemnify Hoechst for one third of those liabilities for amounts exceeding 750 million.

CAG has made total cumulative payments through December 31, 2006 of $44 million for environmental contamination liabilities in connection with the divestiture agreements, and may be required to make additional payments in the future. As of December 31, 2006, we have reserves of approximately $33 million for this contingency, and may be required to record additional reserves in the future.

Also, CAG has undertaken in the demerger agreement to indemnify Hoechst to the extent that Hoechst is required to discharge liabilities, including tax liabilities, in relation to assets included in the demerger, where such liabilities have not been demerged due to transfer or other restrictions. CAG did not make any payments to Hoechst during the year ended December 31, 2006, 2005 or 2004 in connection with this indemnity.

Under the demerger agreement, CAG will also be responsible, directly or indirectly, for all of Hoechst s obligations to past employees of businesses that were demerged to CAG. Under the demerger agreement, Hoechst agreed to indemnify CAG from liabilities (other than liabilities for environmental contamination) stemming from the agreements governing the divestiture of Hoechst s polyester businesses, which were demerged to CAG, insofar as such liabilities relate to the European part of that business. Hoechst has also agreed to bear 80% of the financial obligations arising in connection with the government investigation and litigation associated with the sorbates industry for price fixing described in Note 25 to the consolidated financial statements, and CAG has agreed to bear the remaining 20%.

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

Certain of our borrowings, primarily borrowings under the amended and restated senior credit facilities, are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same. As of December 31, 2006, we had approximately $1.9 billion of variable rate debt, of which $0.3 billion is hedged with an interest rate swap, which leaves us approximately $1.6 billion of variable rate debt subject to interest rate exposure. Accordingly, a 1% increase in interest rates would increase annual interest expense by approximately $16 million. There can be no assurance that interest rates will not rise significantly in the future. Such an increase could have an adverse impact on our future results of operations and cash flows.

The disposition by the Original 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 $196 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 $142 million is subject to downward adjustment if the price of our Series A common stock falls below the initial public offering price of $16 per share and vests subject to both (i) 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. The Original Shareholders have an equity interest of approximately 14.09%. Upon the occurrence of a qualifying sale, as defined, the amount vested and payable under the plan as of December 31, 2006 would be approximately $75 million, exclusive of $19 million accrued in 2006 and payable in 2007 due to the accelerated vesting of certain plan participants.

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

We attach great importance to patents, trademarks, copyrights and product designs in order to protect our investment in research and development, manufacturing and marketing. Our policy is to seek the widest possible protection for significant product and process developments in our major markets. Patents may cover products, processes, intermediate products and product uses. Protection for individual products extends for varying periods in accordance with the date of patent application filing and the legal life of patents in the various countries. The protection afforded, which may also vary from country to country, depends upon the type of patent and its scope of coverage. As patents expire, the products and processes described and claimed in those patents become generally available for use by the public. Our continued growth strategy may bring us to regions of the world where intellectual property protection may be limited and difficult to enforce.

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

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

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

Risks Related to the Acquisition of CAG

The amounts of the fair cash compensation and of the guaranteed annual payment offered under the domination and profit and loss transfer agreement (Domination Agreement) may be increased, which may further reduce the funds the Purchaser can otherwise make available to us.

Several minority shareholders of CAG have initiated special award proceedings seeking the court s review of the amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement. On March 14, 2005, the Frankfurt District Court dismissed on grounds of inadmissibility the motions of all minority shareholders regarding the initiation of these special award proceedings. In January 2006, the Frankfurt Higher District Court ruled that the appeals were admissible, and the proceedings will therefore continue. On December 12, 2006, the Frankfurt District Court appointed an expert to help determine the value of CAG. As a result of these proceedings, the amounts of the fair cash compensation and of the guaranteed annual payment could be increased by the court, and the Purchaser would be required to make such payments within two months after the publication of the court s ruling. Any such increase may be substantial. All minority shareholders including those who have already received the fair cash compensation would be entitled to claim the respective higher amounts. This may reduce the funds the Purchaser can make available to us and, accordingly, diminish our ability to make payments on our indebtedness. See Notes 2 and 25 to our consolidated financial statements for further information.

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

Under the Domination Agreement, the Purchaser is required, among other things, to compensate CAG for any annual loss incurred, determined in accordance with German accounting requirements, by CAG at the end of the fiscal year in which the loss was incurred. This obligation to compensate CAG for annual losses will apply during the entire term of the Domination Agreement. If CAG incurs losses during any period of the operative term of the Domination Agreement and if such losses lead to an annual loss of CAG at the end of any given fiscal year during the term of the Domination Agreement, the Purchaser will be obligated to make a corresponding cash payment to CAG to the extent that the respective annual loss is not fully compensated for by the dissolution of profit reserves accrued at the level of CAG during the term of the Domination Agreement. The Purchaser may be able to reduce or avoid cash payments to CAG by off-setting against such loss compensation claims by CAG any valuable counterclaims against CAG that the Purchaser may have. If the Purchaser is obligated to make cash payments to CAG to cover an annual loss, we may not have sufficient funds to make payments on our indebtedness when due and, unless the Purchaser is able to obtain funds from a source other than annual profits of CAG, the Purchaser may not be able to satisfy its obligation to fund such shortfall. See Note 2 to the consolidated financial statements.

We and two of our subsidiaries have taken on certain obligations with respect to the Purchaser s obligation under the Domination Agreement and intercompany indebtedness to CAG, which may diminish our ability to make payments on our indebtedness.

Our subsidiaries, Celanese Caylux and BCP Crystal, have each agreed to provide the Purchaser with financing so that the Purchaser is at all times in a position to completely meet its obligations under, or in connection with, the Domination Agreement. In addition, Celanese has guaranteed (i) that the Purchaser will meet its obligation under the Domination Agreement to compensate CAG for any annual loss incurred by CAG during the term of the Domination Agreement; and (ii) the repayment of all existing intercompany indebtedness of Celanese s subsidiaries to CAG. Further, under the terms of Celanese 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 Celanese s subsidiaries to CAG. If Celanese, Celanese Caylux and/or BCP Crystal are obligated to make payments under their obligations to the Purchaser or CAG, 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 other expenditures.

The price paid by the Purchaser for the acquisition of the remaining outstanding CAG shares may be challenged in court.

The price could increase if the amount of fair cash compensation is successfully challenged in court. See Note 25 to our consolidated financial statements for further information.

Risks Related to Our Indebtedness

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

We are highly leveraged. Our total indebtedness is approximately $3.5 billion as of December 31, 2006 (excluding $134 million of future accretion on the senior discount notes).

Our substantial debt could have important consequences, including:

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

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

We may be able to incur substantial additional indebtedness in the future. The terms of our existing debt do not fully prohibit us from doing so. If new debt, including amounts available under our amended and restated senior credit facilities, is added to our current debt levels, the related risks that we now face could intensify. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Contractual Obligations.

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

Our ability to satisfy our cash needs depends on cash on hand, receipt of additional capital, including possible additional borrowings, and receipt of cash from our subsidiaries by way of distributions, advances or cash payments. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Contractual Obligations.

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

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

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

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

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

The terms of our amended and restated senior credit facilities limit the ability of BCP Crystal and its subsidiaries to pay dividends or otherwise transfer their assets to us.

Our operations are conducted through our subsidiaries and our ability to pay dividends is dependent on the earnings and the distribution of funds from our subsidiaries. However, the terms of our amended and restated senior credit facilities limit the ability of BCP Crystal and its subsidiaries to pay dividends or otherwise transfer their assets to us. Accordingly, our ability to pay dividends on our stock is similarly limited.

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Item 1B. ***Unresolved Staff Comments***

None

Item 2. ***Properties***

Description of Property

As of December 31, 2006, we had numerous production and manufacturing facilities throughout the world. We also own or lease other properties, including office buildings, warehouses, pipelines, research and development facilities and sales offices. We continuously review and evaluate our facilities as a part of our strategy to optimize our business portfolio. The following table sets forth a list of our principal production and other facilities throughout the world as of December 31, 2006.

Site	Leased/Owned	Products/Functions
Corporate Offices		
Dallas, Texas, USA	Leased	Corporate headquarters
Kronberg/Taunus, Germany	Leased	Administrative offices
Chemical Products		
Bay City, Texas, USA	Owned	Butyl acetate, Iso-butylacetate, Propylacetate, VAM, Carboxylic acids, n/i-Butyraldehyde, Butyl alcohols, Propionaldehyde, Propyl alcohol
Bishop, Texas, USA	Owned	Formaldehyde, Methanol, Pentaerythritol, Polyols
Boucherville, Quebec, Canada	Owned	Conventional emulsions
Calvert City, Kentucky, USA	Leased	PVOH
Cangrejera, Veracruz, Mexico	Owned	Acetic anhydride, Acetone derivatives, Ethyl acetate, VAM, Methyl amines
Clear Lake, Texas, USA	Owned	Acetic acid, VAM
Edmonton, Alberta, Canada	Owned	Methanol
Enoree, South Carolina, USA	Owned	Conventional emulsions, Vinyl acetate ethylene emulsions
Frankfurt am Main, Germany	Owned by InfraServ GmbH & Co. Hoechst KG, in which CAG holds a 31.2% limited partnership interest	Acetaldehyde, Butyl acetate Conventional emulsions,Vinyl acetate ethylene emulsions, VAM
Geleen, Netherlands	Owned	Vinyl acetate ethylene emulsions
Guardo, Spain	Owned	PVOH, Polyvinyl acetate
Meredosia, Illinois, USA	Owned	Vinyl acetate ethylene emulsions, Conventional emulsions
Nanjing, China	Leased	Acetic acid, Acetic anhydride
Oberhausen, Germany	Owned by InfraServ GmbH & Co. Oberhausen KG, in which CAG holds an 84.0% limited	Amines, Carboxylic acids, Neopentyl glycols

	partnership interest	
Pampa, Texas, USA	Owned	Acetic acid, Acetic anhydride, Ethyl acetate
Pardies, France	Owned	Acetic acid, VAM

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Site	Leased/Owned	Products/Functions
Roussillon, France	Leased	Acetic anhydride, Polyvinyl acetate
Pasadena, Texas, USA	Leased	PVOH
Jurong Island, Singapore	Owned	Acetic acid, Butyl acetate, Ethyl acetate, VAM
Koper, Slovenia	Owned	Conventional emulsions
Shanghai, China	Leased	Acetic acid
Tarragona, Spain	Owned by Complejo Industrial Taqsa AIE, in which CAG holds a 15.0% share	Vinyl acetate monomer, Vinyl acetate ethylene emulsions, Conventional emulsions
Tarragona, Spain	Owned	PVOH
Perstorp, Sweden	Owned	Conventional emulsions, Vinyl acetate ethylene emulsions
Warrington, UK	Owned	Conventional emulsions, Vinyl acetate ethylene emulsions
Acetate Products		
Edmonton, Alberta, Canada(1)	Owned	Flake
Lanaken, Belgium	Owned	Tow
Little Heath, Coventry, UK(2)	Leased	Tow
Narrows, Virginia, USA	Owned	Tow, Flake
Ocotlán, Jalisco, Mexico	Owned	Tow, Flake
Spondon, Derby, UK(2)	Owned	Tow, Flake and Films
Technical Polymers Ticona		
Auburn Hills, Michigan, USA	Leased	Automotive Development Center
Bishop, Texas, USA	Owned	POM (Celcon), PE-UHMW (GUR), Compounding
Florence, Kentucky, USA	Owned	Compounding
Kelsterbach, Germany(3)	Owned by InfraServ GmbH & Co. Kelsterbach KG, in which CAG holds a 100.0% limited partnership interest	LFT (Celstran), POM (Hostaform), Compounding
Oberhausen, Germany	Owned by InfraServ GmbH & Co. Oberhausen KG, in which CAG holds an 84.0% limited partnership interest	PE-UHMW (GUR)
Shelby, North Carolina, USA	Owned	LCP, PBT and PET (Celanex), Compounding
Suzano, Brazil	Owned	Compounding
Wilmington, North Carolina, USA	Owned by Fortron Industries LLC, a non-consolidated venture, in which we have a 50% interest, except for adjacent administrative office space which is leased by the venture	PPS (Fortron)
Winona, Minnesota, USA	Owned	LFT (Celstran)

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Site	Leased/Owned	Products/Functions
Performance Products		
Frankfurt am Main, Germany	Owned by InfraServ GmbH & Co. Hoechst KG, in which CAG holds a 31.2% limited partnership interest	Sorbates, Sunett®

(1) The Edmonton flake facility is expected to be closed in 2007.

(2) Acquired in the January 2007 Acetate Products Limited acquisition.

(3) Will be relocated as a result of the Frankfurt, Germany, Airport settlement. See Note 31 to the consolidated financial statements for additional information.

Polyplastics has its principal production facilities in Japan, Taiwan and Malaysia. KEPCO has its principal production facilities in South Korea. Our Chemical Products segment has ventures with manufacturing facilities in Saudi Arabia and Germany and our Acetate Products segment has three ventures with production facilities in China.

We believe that our current facilities and those of our consolidated subsidiaries are adequate to meet the requirements of our present and foreseeable future operations. We continue to review our capacity requirements as part of our strategy to maximize our global manufacturing efficiency.

For information on environmental issues associated with our properties, see Business Environmental and Other Regulation and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Environmental Matters. Additional information with respect to our property, plant and equipment, and leases is contained in Notes 11 and 23 to the consolidated financial statements.

Item 3. *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, we believe, based on the advice of legal counsel, 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 Note 25 (commitments and contingencies) to the consolidated financial statements for a discussion of legal proceedings.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

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PART II

Item 5. *Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our Series A common stock has traded on the New York Stock Exchange under the symbol CE since January 21, 2005. The closing sale price of our Series A common stock, as reported by the New York Stock Exchange, on February 12, 2007 was $28.53. The following table sets forth the high and low intraday sales prices per share of our common stock, as reported by the New York Stock Exchange, for the periods indicated.

	Price Range	
	High	**Low**
2006		
Quarter ended March 31, 2006	$ 22.00	$ 18.82
Quarter ended June 30, 2006	$ 22.75	$ 18.50
Quarter ended September 30, 2006	$ 20.70	$ 16.80
Quarter ended December 31, 2006	$ 26.33	$ 17.45
2005		
Quarter ended March 31, 2005	$ 18.65	$ 15.10
Quarter ended June 30, 2005	$ 18.16	$ 13.54
Quarter ended September 30, 2005	$ 20.06	$ 15.88
Quarter ended December 31, 2005	$ 19.76	$ 15.58

Holders

No shares of Celanese s Series B common stock are issued and outstanding. As of February 12, 2007, there were 118 holders of record of our Series A common stock, and one holder of record of our perpetual preferred stock. By including persons holding shares in broker accounts under street names, however, we estimate our shareholder base to be approximately 46,300 as of February 12, 2007.

Dividend Policy

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 of $0.16 per share unless our board of directors, in its sole discretion, determines otherwise. Pursuant to this policy, we paid quarterly dividends of $0.04 per share on February 1, 2006, May 1, 2006, August 1, 2006, November 1, 2006 and February 1, 2007. Based on the number of outstanding shares of our Series A common stock, the anticipated annual cash dividend is approximately $26 million. However, there is no assurance that sufficient cash will be available in the future to pay such dividend. Further, such dividends payable to holders of our Series A common stock cannot be declared or paid nor can any funds be set aside for the payment thereof, unless we have paid or set aside funds for the payment of all accumulated and unpaid dividends with respect to the shares of our preferred stock, as described below.

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

We are required under the terms of the preferred stock to pay scheduled quarterly dividends, subject to legally available funds. For so long as the preferred stock remains outstanding, (1) we will not declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any junior stock or parity stock and (2) neither we, nor any of our subsidiaries, will, subject to certain exceptions, redeem, purchase or otherwise acquire for consideration junior stock or parity stock through a sinking fund or otherwise, in each case unless we have paid or set apart funds for the payment of all accumulated and unpaid dividends with respect to the shares of preferred stock and any parity stock for all preceding dividend periods. Pursuant to this policy, we paid quarterly dividends of $0.265625 on our 4.25% convertible perpetual preferred stock on February 1, 2006, May 1, 2006, August 1, 2006, November 1, 2006 and February 1, 2007. The anticipated annual cash dividend is approximately $10 million.

The amount available to us to pay cash dividends is restricted by our subsidiaries debt agreements. The indentures governing the senior subordinated notes and the senior discount notes also limit, but do not prohibit, the ability of BCP Crystal, Crystal LLC and their respective subsidiaries to pay dividends. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

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

Celanese Purchases of its Equity Securities

None.

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Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

Cumulative Total Return to Stockholders Celanese Corporation, S&P 500 Composite Index, S&P 500 Chemicals Index and S&P 500 Specialty Chemicals Index % Return to Shareholders, January 21, 2005 to December 31, 2006

This comparison is based on a return assuming $100 invested January 21, 2005 in Celanese Corporation Common Stock and the S&P 500 Composite Index, the S&P 500 Chemicals Index and the S&P Specialty Chemicals Index, assuming the reinvestment of all dividends. January 21, 2005 is the date the Company s Common Stock commenced trading on the New York Stock Exchange.

Equity Compensation Plans

Securities Authorized for Issuance Under Equity Compensation Plans

The following information is provided as of December 31, 2006 with respect to equity compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	12,493,124	$ 16.81	1,966,094
Equity compensation plans not approved by security holders			
Total	12,493,124	$ 16.81	1,966,094

Recent Sales of Unregistered Securities

None.

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Item 6. ***Selected Financial Data***

The balance sheet data shown below as of December 31, 2006 and 2005, and the statements of operations and cash flow data for the years ended December 31, 2006 and 2005, the nine months ended December 31, 2004 and the three months ended March 31, 2004, all of which are set forth below, are derived from the consolidated financial statements included elsewhere in this document and should be read in conjunction with those financial statements and the notes thereto. The balance sheet data shown below as of December 31, 2004 was derived from our 2005 Annual Report on Form 10-K filed with the SEC on March 31, 2006, adjusted for applicable discontinued operations. The statement of operations data for the years ended December 31, 2003 and 2002 and the balance sheet data as of December 31, 2003 and 2002 (in the case of the December 31, 2002 only, unaudited), all of which are set forth below, have been derived from, and translated into U.S. dollars based on, CAG s historical euro audited financial statements and the underlying accounting records. This document presents the financial information relating to the Predecessor and the Successor. Accordingly, financial and other information of CAG is presented in this document for periods through March 31, 2004 and our financial and other information is presented as of and for the years ended December 31, 2006 and 2005 and as of and for the nine months ended December 31, 2004.

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	Successor			Predecessor		
	Year Ended December 31,		Nine Months Ended December 31,	Three Months Ended March 31,	Year Ended December 31,	
	2006	2005	2004	2004	2003	2002
	(In $ millions, except per share and per share data)					
Statement of Operations Data:						
Net sales	6,656	6,033	3,718	1,209	4,451	3,704
Other (charges) gains, net:						
Insurance recoveries associated with plumbing cases	5	34	1		107	
Sorbates antitrust matters					(95)	
Restructuring, impairment and other charges, net	(15)	(100)	(83)	(28)	(17)	4
Operating profit (loss)	747	573	72	46	93	153
Earnings (loss) from continuing operations before tax and minority interests	664	374	(180)	66	172	160
Earnings (loss) from continuing operations	407	276	(258)	51	127	107
Earnings (loss) from discontinued operations	(1)	1	5	27	22	43
Cumulative effect of change in accounting principle, net of income tax					(1)	18
Net earnings (loss)	406	277	(253)	78	148	168
Earnings (loss) per share from continuing operations basic	2.51	1.72	(2.60)	1.03	2.57	2.44
Earnings (loss) per share from continuing operations diluted	2.37	1.66	(2.60)	1.03	2.57	2.44
Statement of Cash Flows Data:						
Net cash provided by (used in):						
Operating activities	751	701	(62)	(102)	401	363
Investing activities	(268)	(907)	(1,811)	91	(275)	(139)
Financing activities	(108)	(144)	2,686	(43)	(108)	(150)
Balance Sheet Data (at the end of period) (2002 unaudited):						
Trade working capital(1)	831	758	743	689	659	604
Total assets	7,895	7,445	7,410	6,613	6,814	6,417
Total debt	3,498	3,437	3,387	587	637	644
Shareholders equity (deficit)	787	235	(112)	2,622	2,582	2,096
Other Financial Data:						
Depreciation and amortization	283	286	181	70	289	240
Capital expenditures	252	212	160	44	211	203
Cash basis dividends paid per common share(2)	0.16	0.08			0.48	

(1) Trade working capital is defined as trade accounts receivable from third parties and affiliates net of allowance for doubtful accounts, plus inventories, less trade accounts payable to third parties and affiliates. Trade working capital is calculated in the table below (2002 unaudited):

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	Successor			Predecessor		
	December 31,			March 31,	December 31,	
	2006	2005	2004	2004	2003	2002
	(In $ millions)					
Trade receivables, net	1,001	919	866	810	768	704
Inventories	653	650	603	491	514	514
Trade payables	(823)	(811)	(726)	(612)	(623)	(614)
Trade working capital	831	758	743	689	659	604

(2) In the nine months ended December 31, 2004, CAG declared and paid a dividend of 0.12 ($0.14) per share for the year ended December 31, 2003. Dividends paid to Celanese and its consolidated subsidiaries eliminate in consolidation.

During 2006, we declared and paid dividends to holders of our Series A common shares of $26 million, or $0.04 per share per quarter. During 2005, we declared and paid dividends to holders of our Series A common shares of $13 million, or $0.04 per share per quarter.

Item 7. ***Management s Discussion and Analysis***
of Financial Condition and Results of Operations

In this Annual Report on Form 10-K, the term Celanese refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries. The terms the Company, we, our, us, and Successor 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, 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.

You should read the following discussion and analysis of the financial condition and the results of operations together with the consolidated financial statements and the accompanying notes to consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

The following discussion and analysis of financial condition and results of operations covers periods prior and subsequent to the acquisition of CAG and its subsidiaries (collectively CAG or the Predecessor). Accordingly, the discussion and analysis of historical periods prior to the acquisition do not reflect the significant impact that the acquisition of CAG has had and will have on the Successor, including increased leverage and liquidity requirements as well as purchase accounting adjustments. Furthermore, the Successor and the Predecessor have different accounting policies with respect to certain matters (see Note 4 to the notes to consolidated financial statements). Investors are cautioned that the forward-looking statements contained in this section involve both risk and uncertainty. Several important factors could cause actual results to differ materially from those anticipated by these statements. Many of these statements are macroeconomic in nature and are, therefore, beyond the control of management. See Forward-Looking Information located below.

The results for the nine months ended December 31, 2005 and the three months ended March 31, 2005 have not been audited and should not be taken as an indication of the results of operations to be reported for any subsequent period or for the full fiscal year.

Reconciliation of Non-U.S. GAAP Measures: We believe that using non-U.S. GAAP financial measures to supplement U.S. GAAP results is useful to investors because such use provides a more complete understanding of the factors and trends affecting the business other than disclosing U.S. GAAP results alone. In this regard, we disclose net debt, which is a non-U.S. GAAP financial measure. Net debt is defined as total debt less cash and cash equivalents. We use net debt to evaluate the capital structure. Net debt is not a substitute for any U.S. GAAP financial measure. In addition, calculations of net debt contained in this report may not be consistent with that of other companies. The most directly comparable financial measure presented in accordance with U.S. GAAP in our financial statements for net debt is total debt. For a reconciliation of net debt to total debt, see Financial Highlights below. For a reconciliation of trade working capital to working capital components, see Selected Financial Data.

Forward-Looking Statements May Prove Inaccurate

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

See the Risk Factors section under Part 1, Item 1A for a description of risk factors that could significantly affect our financial results. In addition, the following factors could cause our actual results to differ materially from those

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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;

increased price competition and the introduction of competing products by other companies;

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;

pending or future challenges to the domination and profit and loss transfer agreement (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 Annual 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.

Basis of Presentation

The Successor period represents our audited consolidated financial position as of December 31, 2006 and 2005 and our audited consolidated results of operations and cash flows for the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004 and its unaudited interim consolidated results of operations and cash flows for the nine months ended December 31, 2005 and the three months ended March 31, 2005. These consolidated financial statements reflect the application of purchase accounting relating to the original acquisition of CAG and purchase price accounting adjustments relating to the acquisitions of Vinamul, Acetex and additional CAG shares acquired during the year ended December 31, 2005.

The Predecessor period represents CAG s audited interim consolidated results of operations and cash flows for the three months ended March 31, 2004. These consolidated financial statements relate to periods prior to the acquisition of CAG and present CAG s historical basis of accounting without the application of purchase accounting.

The results of the Successor are not comparable to the results of the Predecessor due to the difference in the basis of presentation of purchase accounting as compared to historical cost. Furthermore, the Successor and the Predecessor have different accounting policies with respect to certain matters.

Change in Ownership and Initial Public Offering

Pursuant to a voluntary tender offer commenced in February 2004, the Purchaser, an indirect wholly owned subsidiary of Celanese Corporation, on April 6, 2004, acquired approximately 84% of the ordinary shares of Celanese AG, excluding treasury 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 December 31, 2006, our ownership percentage in CAG was approximately 98%. As a result of the effective registration of the Squeeze-Out (as defined in Note 2 to the consolidated financial statements) in the commercial register in December 2006, we acquired the remaining 2% of CAG in January 2007.

On November 3, 2004, Blackstone Crystal Holdings Capital Partners (Cayman) IV Ltd., reorganized as a Delaware corporation and changed its name to Celanese Corporation. Additionally, BCP Crystal Holdings Ltd. 2, a subsidiary of Celanese Corporation, was reorganized as a Delaware limited liability company and changed its name to Celanese Holdings LLC.

In January 2005, we 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, we received net proceeds of $233 million from the offering of our convertible perpetual preferred stock. A portion of the proceeds of the share offerings were used to redeem $188 million of our senior discount notes and $521 million of our senior subordinated notes, excluding early redemption premiums of $19 million and $51 million, respectively. See Notes 2 and 3 to the consolidated financial statements for additional information.

Overview

We are an integrated global hybrid producer of value-added industrial chemicals. 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. We believe that approximately 95% of our differentiated intermediate and specialty products hold first or second market positions globally. Our operations are located primarily 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 and purchasing 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. Collectively, these strategic investments create value for the Company and contribute significantly to sales, earnings and cash flow. These investments play an integral role in our strategy for growth and expansion of our global reach. 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.

Sale of Oxo Products and Derivatives businesses

On December 13, 2006, we signed a definitive agreement to sell our oxo products and derivatives businesses, including European Oxo GmbH (EOXO), a joint venture between CAG and Degussa AG (Degussa), to Advent International, for a purchase price of 480 million subject to final agreement adjustments and successful exercise of our option to purchase Degussa s interest. We anticipate the sale to be completed in the first quarter of 2007. During the year ended December 31, 2006, we recorded approximately $8 million of expense to Gain (loss) on disposition of assets, net for incremental costs associated with this pending divestiture.

Relocation of Ticona Plant in Kelsterbach

On November 29, 2006, we reached a settlement with the Frankfurt, Germany, Airport (Fraport) to relocate our Kelsterbach, Germany, business, resolving several years of legal disputes related to the planned Frankfurt airport expansion. As a result of the settlement, we will transition our administration and operations from Kelsterbach to another location in Germany by mid-2011. Over a five-year period, Fraport will pay us a total of 650 million to offset the costs associated with the transition of the business from its current location and the closure of the Kelsterbach plant. As of December 31, 2006, Fraport has paid us a total of 20 million ($26 million) towards the transition. The amount has been accounted for as deferred income, is included in Other liabilities in the consolidated balance sheet as of December 31, 2006 and is reflected as an investing activity in the consolidated statement of cash flows for the year ended December 31, 2006.

Financial Reporting Changes

See Note 5 to the consolidated financial statements for information regarding financial reporting changes and recent accounting pronouncements.

Major Events In 2006

As noted above, in December 2006, we reached a settlement with Fraport related to the planned Frankfurt airport expansion.

As noted above, in December 2006, we signed a definitive agreement to sell our oxo products and derivative businesses, including EOXO, a joint venture between CAG and Degussa, to Advent International.

In December 2006, we sold our preferred interest in Pemeas GmbH to BASF and received net proceeds from the sale of 9 million and recognized a gain of 8 million.

The Squeeze-Out (as defined in Note 2 to the consolidated financial statements) was approved by the affirmative vote of the majority of the votes cast at CAG s annual general meeting in May 2006. As a result of the effective registration of the Squeeze-Out in the commercial register in December 2006, we acquired the remaining 2% of CAG in January 2007.

Announced plans to relocate the strategic management of the Acetyls business to Shanghai, China, in 2007.

As a result of the Sponsor s sale of 65,000,000 shares of our Series A common stock in 2006, affiliates of the Sponsor control less than a majority of the voting power of our outstanding Series A common stock. As a result, we are no longer a controlled company within the meaning of the New York Stock Exchange rules and, thus, are 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, we will phase in these corporate governance requirements prior to May 15, 2007.

In August 2006, we signed a definitive agreement to purchase the cellulose acetate flake, tow and film business of Acetate Products Limited for a purchase price of approximately £57 million ($110 million), subject to certain adjustments as defined in the agreement. The transaction closed on January 31, 2007. See Note 32 to the consolidated financial statements for additional information.

In August 2006, we entered into an agreement with Degussa pursuant to which Degussa granted us an option to purchase Degussa s interest in our EOXO venture. The option is exercisable until June 30, 2007 and is subject to certain conditions. In connection with the sale of our oxo products and derivatives businesses noted above, we anticipate giving notice to Degussa that we will exercise the option, subject to certain conditions, to purchase their 50% interest, which will be subsequently sold to Advent International. See Notes 6 and 32 to the consolidated financial statements for additional information.

We shut down our Pentaerythritol (PE) operations during the third quarter of 2006.

In July 2006, we made a $100 million equivalent voluntary prepayment on our senior term loan facility. In connection with the voluntary prepayment, we wrote off approximately $1 million of unamortized deferred financing fees associated with the senior term loan facility.

Major Events In 2005

In December 2005, we reached settlements with two insurers of CNA Holdings pursuant to which CNA Holdings will be paid a total of $16 million in the next two years ($7 million in 2006 and $9 million in 2007) in exchange for the release of certain claims against the policy of the insurer. We recorded approximately $30 million in income to other (charges) gains, net for two plumbing action insurance settlements in the fourth quarter of 2005.

In December 2005, we resolved litigation pertaining to antitrust claims filed against certain shipping companies. Pursuant to these agreements, we received net proceeds of approximately $36 million which was recorded as a reduction to cost of sales in the fourth quarter of 2005.

In December 2005, we announced a plan to develop our Nanjing, China site into an integrated chemical complex that will include a 600,000 metric ton acetic acid plant, a vinyl acetate unit and a vinyl acetate emulsions unit. Startup is targeted for the first half of 2007.

In December 2005, we sold our Cyclo-olefine Copolymer business (COC) to a venture of Japan s Daicel Chemical Industries Ltd. (Daicel) and Polyplastics Co, Ltd. (Polyplastics). Daicel holds a majority stake in the venture with 55% interest and Polyplastics, which itself is a venture between us and Daicel, owns the remaining 45%. The transaction resulted in a loss of approximately $35 million.

In December 2005, we completed the sale of our common stock interest in the Pemeas GmbH fuel cell venture and recognized a gain of less than $1 million.

In December 2005, we announced that discussions regarding the venture project being developed by Acetex and Tasnee Petrochemicals in the Kingdom of Saudi Arabia have been temporarily suspended due to the current high demand on contractors and vendors which have affected expected project costs.

In December 2005, we announced our intention to pursue strategic alternatives for our Pampa, Texas plant. The facility, which produces a variety of products based on butane, including 290,000 metric tons of acetic acid, faces competitive pressures due to the technology utilized.

Increased our ownership of CAG to approximately 98% as of November 2, 2005 following an agreement with major shareholders and ongoing tender offers. In November 2005, our Board of Directors granted approval to effect a Squeeze-Out of the remaining minority shareholders of CAG. See Note 2 to the consolidated financial statements for additional information.

In the fourth quarter of 2005, we exited our filament business (See Note 6 to the notes to consolidated financial statements).

In October 2005, we completed the sale of our acetate manufacturing facility in Rock Hill, South Carolina to Greens of Rock Hill LLC. Production at the facility was phased out earlier in 2005 as part of our previously announced plans to consolidate our acetate flake manufacturing operations. We recognized a gain on sale of approximately $23 million, which includes the reversal of $12 million of asset retirement obligations and $7 million of environmental reserves, as the purchaser assumed these obligations.

In August 2005, our board adopted a dividend policy and we began to pay common shareholders a dividend of $0.16 per share annually, or 1%, based on the initial public offering price of $16 per share.

In July 2005, we completed the acquisition of Acetex Corporation for $270 million and assumed Acetex s $247 million of debt, which is net of cash acquired of $54 million. We also redeemed Acetex s outstanding 107/8% senior notes primarily with available cash of $280 million. See Note 6 to the consolidated financial statements for additional information.

Completed the transition to purchase our total requirements for Gulf Coast methanol from Southern Chemical Corporation, a Trinidad-based supplier.

Announced plans to construct a world-scale plant for the manufacture of GUR® ultra-high molecular weight polyethylene in Asia. Production is expected to begin in the second half of 2007.

Announced plans to implement our next generation of vinyl acetate monomer technology, known as Vantage Plus^{tm}. We expect to further improve production efficiency and lower operating costs across our global manufacturing platform through the use of this technology.

Continued to focus the product portfolio by exiting non-strategic businesses, such as the high performance polymer polybenzamidazole (PBI), vectran polymer and emulsion powders.

In February 2005, we completed the acquisition of Vinamul, the North American and European emulsion polymer business of Imperial Chemical Industries PLC (ICI) for $208 million. See Note 6 to the consolidated financial statements for additional information.

In January 2005, we completed an initial public offering of 50,000,000 shares of Series A common stock. Concurrently, we issued 9,600,000 shares of convertible perpetual preferred stock. See Note 3 to the consolidated financial statements for additional information.

Major Events In 2004

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

In November 2004, Blackstone Crystal Holdings Capital Partners (Cayman) IV Ltd., reorganized as a Delaware company and changed its name to Celanese Corporation.

In response to greater demand for Ticona s technical polymers, two projects were announced to expand manufacturing capacity. Ticona announced plans to increase production of polyacetal in North America by about 20%, raising total capacity to 102,000 tons per year at the Bishop, Texas facility. This project was completed in October 2004.

In October 2004, we completed an organizational restructuring. See Note 2 to the consolidated financial statements.

In October 2004, we announced plans to implement a strategic restructuring of our acetate business to increase efficiency, reduce overcapacity in certain areas and to focus on products and markets that provide long-term value. The restructuring resulted in $50 million of asset impairment charges recorded as an other (charge) gain, net and $12 million in charges to depreciation for related asset retirement obligations for the nine months ended December 31, 2004.

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Financial Highlights

	Year Ended December 31, 2006	Year Ended December 31, 2005	Successor Nine Months Ended December 31, 2005 (Unaudited)	Nine Months Ended December 31, 2004	Three Months Ended March 31, 2005 (Unaudited)	Predecessor Three Months Ended March 31, 2004
	(In $ millions, except percentages)					
Statement of Operations Data:						
Net sales	6,656	6,033	4,564	3,718	1,469	1,209
Selling, general and administrative expenses	(538)	(511)	(363)	(454)	(148)	(136)
Other (charges) gains, net:						
Insurance recoveries associated with plumbing cases	5	34	34	1		
Restructuring, impairment and other (charges) gains	(15)	(100)	(62)	(83)	(38)	(28)
Operating profit	747	573	417	72	156	46
Equity in net earnings of affiliates	86	61	46	36	15	12
Interest expense	(294)	(387)	(211)	(300)	(176)	(6)
Earnings (loss) from continuing operations before tax and minority interests	664	374	361	(180)	13	66
Income tax provision	(253)	(61)	(53)	(70)	(8)	(15)
Earnings (loss) from continuing operations	407	276	296	(258)	(20)	51
Earnings (loss) from discontinued operations	(1)	1	(9)	5	10	27
Net earnings (loss)	406	277	287	(253)	(10)	78
Other Data:						
Depreciation and amortization	283	286	223	181	63	70
Operating margin(1)	11.2%	9.5%	9.1%	1.9%	10.6%	3.8%
Earnings (loss) from continuing operations before tax and minority interests as a percentage of net sales	10.0%	6.2%	7.9%	(4.8)%	0.9%	5.5%

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

	Successor	
	As of December 31, 2006	**As of December 31, 2005**
	(In $ millions)	
Balance Sheet Data:		
Short-term borrowings and current installments of long-term debt third party and affiliates	309	155
Plus: Long-term debt	3,189	3,282
Total debt	3,498	3,437
Less: Cash and cash equivalents	791	390
Net debt	2,707	3,047

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Summary of Consolidated Results for the Year Ended December 31, 2006 compared with Year Ended December 31, 2005

Net Sales

For the year ended December 31, 2006, net sales increased by 10.3% to $6,656 million compared to the same period in 2005. An increase in pricing of 4% for the year ended December 31, 2006 driven by continued strong demand for the majority of our products and higher raw material and energy costs contributed to the improvement in net sales. Also, an increase in overall volumes of 1% for the year ended December 31, 2006, driven by our Ticona and Performance Products business segments, contributed to the increase in net sales. The volume increases are the results of increased market penetration from several of Ticona s key products, an improved business environment in Europe, continued growth in Asia and continued growth in new and existing applications from our Sunett® sweetener. Additionally, net sales from Acetex of $542 million contributed to the increase in net sales for the year ended December 31, 2006 as compared to $247 million of net sales from Acetex for the same period in 2005. The Acetex business was acquired in July 2005.

Gross Profit

Gross profit as a percentage of net sales remained flat for the year ended December 31, 2006 (21.7%) compared to the same period in 2005 (21.6%). Overall higher raw material and energy costs were mostly offset by higher volumes and pricing. Volumes increased for such products as acetyls, acetyl derivative products, POM, Vectra and GUR while overall pricing increased, driven by increases in acetyls and acetyl derivative products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $27 million to $538 million for the year ended December 31, 2006 compared to the same period last year. The increase consists of stock-based compensation expense of $20 million resulting from our adoption of SFAS No. 123(R) and $14 million related to our long-term incentive plan. Additionally, the year ended December 31, 2006 included additional selling, general and administrative expenses from the Acetex business, which was acquired in July 2005, as well as costs related to executive severance and legal costs associated with the Squeeze-Out of CAG shareholders of $23 million. These expenses were mostly offset by ongoing cost savings initiatives from the Ticona and Acetate Products segments and lower costs from the divestiture of the COC business.

Other (Charges) Gains, Net

The components of other (charges) gains, net for the years ended December 31, 2006 and 2005 were as follows:

	Successor	
	Year Ended December 31, 2006	Year Ended December 31, 2005
	(In $ millions)	
Employee termination benefits	(12)	(23)
Plant/office closures	1	(4)

Total restructuring	(11)	(27)
Environmental related plant closures		(12)
Plumbing actions	5	34
Asset impairments		(25)
Other	(4)	(36)
Total other (charges) gains, net	(10)	(66)

Other (charges) gains, net for the year ended December 31, 2006 decreased $56 million compared to the same period in 2005. The decrease is due to the absence of environmental related plant closures of $12 million, the absence of asset impairment charges of $25 million related to the divestiture of our COC business and the absence of $35 million related to the termination of advisor monitoring services, all of which were recorded in 2005.

Operating Profit

Operating profit for the year ended December 31, 2006 increased 30.3% compared to the same period last year. This is principally driven by higher overall volumes and pricing, lower other (charges) gains, net and productivity improvements. Also, the year ended December 31, 2006 included operating profit from Acetex of $5 million, an increase of $8 million compared to the same period in 2005.

Equity in Net Earnings of Affiliates

Equity in net earnings of affiliates increased 41% in the year ended December 31, 2006 compared to the same period last year. The increase was primarily due to additional income of $8 million from the Infraserv affiliates, $4 million from our Ticona affiliates as well as the absence of a $10 million loss from Estech GmbH, recorded in 2005.

Interest Expense

Interest expense decreased to $294 million for the year ended December 31, 2006 from $387 million in the same period last year. The decrease is primarily due to the absence of $28 million related to accelerated amortization of deferred financing costs and $74 million related to early redemption premiums associated with the partial redemption of the senior subordinated notes, senior discount notes and floating rate term loan, both recorded in 2005.

Income Taxes

Income tax expense increased by $192 million to $253 million for the year ended December 31, 2006 and the effective tax rate for this period was 38%, slightly higher than the combined federal and state statutory rate of 37%. The effective tax rate was favorably impacted by unrepatriated low taxed earnings, primarily in Singapore. The effective tax rate was unfavorably affected by (1) dividends and other passive income inclusions from foreign subsidiaries and equity investments, and (2) higher tax rates in certain foreign jurisdictions, primarily Germany. The effective rate reflects a partial benefit for the reversal of valuation allowance on earnings in the U.S. of $5 million. Reversals of valuation allowance established at the Acquisition 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, which amounted to $84 million in 2006.

Earnings (Loss) from Discontinued Operations

Earnings (loss) from discontinued operations primarily relates to Acetate Products filament operations, which were discontinued during the fourth quarter of 2005, and Chemical Products Pentaerythritol (PE) operations, which were discontinued during the third quarter of 2006. As a result, revenues and expenses related to the filament and PE operations are reflected as a component of discontinued operations.

Summary of Consolidated Results for the Three Months Ended March 31, 2005 and the Nine Months Ended December 31, 2005 compared with the Three Months Ended March 31, 2004 and the Nine Months Ended December 31, 2004

Net Sales

Net sales increased 22.8% to $4,564 million in the nine months ended December 31, 2005 compared to the same period in 2004. The improvement is primarily due to an 11% increase in net sales from the Vinamul and Acetex acquisitions and 11% higher pricing, mainly in the Chemical Products segment. Net sales from Vinamul and Acetex (including AT Plastics) were approximately $280 million and approximately $247 million, respectively. These increases are partially offset by a 1% decline in volumes primarily from the Chemical Products acetyl derivatives business line and a decline in Ticona s polyacetal volumes, partially offset by improved volumes from

Acetate Products and Performance Products. For Chemical Products, this is primarily due to weaker European market conditions. The decline for Ticona is due to a weak European automotive market and reduced sales to lower-end applications. Acetate Products volumes improved 7% due to higher flake sales to our recently expanded China tow ventures, which were partially offset by lower tow volumes due to the shutdown of the Canadian tow plant. Volumes from Performance Products improved primarily for the Sunett® sweetener and sorbates due to continued growth from new and existing applications mainly in the U.S. and European beverage and confectionary markets.

Net sales rose 21.5% to $1,469 million in the first quarter of 2005 compared to the same period in 2004 primarily on higher pricing of 15%, mainly in the Chemical Products segment. Favorable currency movements, higher volumes, and a composition change in the Chemical Products segment each increased net sales by 2%.

The segment composition changes consisted of the acquisition of Vinamul in February 2005, which was partly offset by the effects of a contract manufacturing arrangement under which certain acrylates products are now being sold. Only the margin realized under the contract manufacturing arrangement is included in net sales.

Gross Profit

Gross profit increased to 20.4% of net sales for the nine months ended December 31, 2005 from 19.3% of net sales for the same period in 2004. Gross profit increased to 25.3% of net sales for the three months ended March 31, 2005 from 19.4% of net sales for the same period in 2004. The increases are primarily due to higher overall pricing, mainly in the Chemical Products segment, offsetting higher raw material and energy costs, mainly from natural gas and ethylene. The increase during the nine months ended December 31, 2005 compared to the same period in 2004 was also due to the additional gross profit of $26 million and $24 million from Vinamul and Acetex (including AT Plastics), respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $91 million to $363 million in the nine months ended December 31 2005 compared to the same period in 2004. This decrease is due to ongoing cost savings initiatives, organizational redesign of the Ticona and Acetate Products segments, and decreases in legal, audit and general expenses associated with the acquisition of CAG and the IPO. In addition, 2004 included approximately $50 million in new management incentive compensation expenses, which includes charges for a new deferred compensation plan, a new stock incentive plan and other executive bonuses. These decreases are partially offset by the addition of costs associated with Vinamul and Acetex of $23 million and $22 million, respectively, which included integration costs incurred in connection with the acquisitions.

Selling, general and administrative expense increased to $148 million in the three months ended March 31, 2005 compared to $136 million for the same period in 2004. This increase is primarily due to expenses for sponsor monitoring services of $10 million as well as higher costs primarily related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

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Other (Charges) Gains, Net

The components of other (charges) gains, net for the nine months ended December 31, 2005 and 2004 and the three months ended March 31, 2005 and 2004 were as follows:

	Successor			Predecessor
	Nine Months Ended		Three Months Ended	
	December 31, 2005 (Unaudited)	December 31, 2004	March 31, 2005 (Unaudited)	March 31, 2004
	(In $ millions)			
Employee termination benefits	(21)	(8)	(2)	(2)
Plant/office closures	(3)	(45)	(1)	
Restructuring adjustments		3		
Total Restructuring	(24)	(50)	(3)	(2)
Environmental related plant closures	(12)			
Plumbing actions	34	1		
Asset impairments	(25)	(32)		
Other	(1)	(1)	(35)	(26)
Total other (charges) gains, net	(28)	(82)	(38)	(28)

Other (charges) gains, net decreased to $28 million compared to $82 million for the same period in 2004. The nine months ended December 31, 2005 primarily relates to charges for a change in the environmental remediation strategy related to the closure of the Edmonton methanol plant, severance associated with the same closure, severance related to the relocation of corporate offices and asset impairments associated with the planned disposal of the COC business of $12 million, $8 million, $10 million and $25 million, respectively. In addition, 2005 includes $34 million associated with plumbing insurance recoveries. Other (charges) gains, net for the nine months ended December 31, 2004 of $82 million were largely related to restructuring charges of $43 million resulting from plans by the Acetate Products segment to consolidate tow production at fewer sites and to discontinue production of acetate filament and $32 million related to a decision to dispose of the Ticona COC business.

Other (charges) gains, net increased $10 million for the three months ended March 31, 2005 compared to the same period in 2004. The charge for the three months ended March 31, 2005 relates to fees paid to the Advisor to terminate the monitoring services and all obligations to pay future monitoring fees under the transaction and monitoring fee agreement. The three months ended March 31, 2004 primarily relates to $26 million for advisory services related to the acquisition of CAG.

Operating Profit

Operating profit increased to $417 million in the nine months ended December 31, 2005 compared to $72 million in the same period in 2004, principally driven by higher pricing and productivity improvements resulting in a $212 million increase in the gross profit margin, $91 million of lower selling, general and administrative expenses and $54 million of lower other (charges) gains, net. Partially offsetting the increase is an $11 million loss on disposition of assets compared to a $3 million gain recorded in the same period in 2004 and higher raw material and energy costs, mainly for ethylene and natural gas in 2005. Included in 2005 is a $23 million gain on the disposition of two Acetate Products properties, a $5 million gain on the sale of Performance Products omega-3 DHA business, offset by a $35 million loss on the disposal of Ticona s COC business and $2 million of other losses. For the nine months ended December 31, 2005, Vinamul and Acetex (including AT Plastics), had operating losses of $15 million and $4 million, respectively, primarily related to integration costs in connection with the acquisitions and inventory purchase accounting adjustments for Acetex.

Operating profit increased to $156 million for the three months ended March 31, 2005 compared to $46 million in the same period in 2004 on gross margin expansion of $138 million, as significantly higher pricing, primarily in Chemical Products, lower depreciation expense and productivity improvements more than offset higher raw material and energy costs. Operating profit also benefited from increased volumes in Acetate Products, Performance Products and Ticona. Depreciation and amortization expense declined by $9 million as decreases in depreciation resulting from purchase accounting adjustments, more than offset increased amortization expense for acquired intangible assets.

Equity in Net Earnings of Affiliates

Equity in net earnings of affiliates increased by $10 million to $46 million for the nine months ended December 31, 2005 compared to the same period in 2004. The increase is primarily due to restructuring charges in our European oxo venture in 2004. During the nine months ended December 31, 2005, we received cash distributions from our equity affiliates of $29 million compared to $22 million in the same period in 2004.

Equity in net earnings of affiliates rose by $3 million to $15 million for the three months ended March 31, 2005, compared to the same period in 2004. Cash distributions received from equity affiliates increased to $36 million for the three months ended March 31, 2005, compared to $16 million in the same period in 2004. The increase in cash distributions is mainly due to strong business conditions in 2004 for Ticona s high performance product ventures and Chemical Products methanol venture and the timing of dividend payments.

Interest Expense

Interest expense decreased $89 million to $211 million for the nine months ended December 31, 2005 compared to $300 million in the same period in 2004. The decrease in interest expense is due to expensing deferred financing costs of $89 million and a prepayment premium of $21 million associated with the refinancing of the mandatorily redeemable preferred stock in 2004. The decrease was offset by a $21 million increase in interest expense due to higher debt levels and interest rates in 2005.

Interest expense increased to $176 million for the three months ended March 31, 2005 from $6 million in the same period in 2004, primarily due to expenses of $102 million including early redemption premiums and deferred financing costs associated with the refinancing that occurred in the first quarter of 2005. Higher debt levels resulting primarily from the acquisition of CAG and higher interest rates also increased interest expense.

Other Income (Expense), Net

Other income (expense), net increased to income of $86 million for the nine months ended December 31, 2005, compared to expense of $12 million for the comparable period in 2004. This increase is largely due to $42 million in higher dividend income in 2005 primarily from our Saudi cost investment due to higher methanol pricing. In addition, $36 million of the increase is related to favorable exchange rate movements and $17 million is due to favorable changes in cross currency swap valuations in 2005.

Other income (expense), net decreased to $3 million of income for the three months ended March 31, 2005, compared to $9 million for the comparable period in 2004. This decrease is primarily due to expenses associated with the anticipated guaranteed payment to CAG minority shareholders and the ineffective portion of a net investment hedge. These decreases were partially offset by higher dividends from cost investments. Dividend income accounted for under the cost method increased by $8 million to $14 million for the three months ended March 31, 2005, compared to the same period in 2004. The increase in the first quarter of 2005 primarily resulted from the timing of receipt of dividends.

Income Taxes

For the year ending December 31, 2005, the annual effective tax rate was 16%, which is less than the combination of the federal statutory rate and blended state income tax rates in the U.S. The annual effective tax rate for 2005 reflects earnings in low tax jurisdictions, a valuation allowance on the tax benefit associated with U.S. and other foreign losses, tax expense in certain non-U.S. jurisdictions and reversal of a $31 million valuation allowance on certain German deferred tax assets, primarily net operating loss carryforwards, principally as a result of a tax sharing agreement. For the nine months ended December 31, 2005, we recorded tax expense of $53 million and the effective rate was 15%. For the nine months ended December 31, 2004, we recorded tax expense of $70 million and the effective tax rate was negative 39%. The effective tax rate in 2004 was unfavorably affected primarily by the application of full valuation allowances against post-Acquisition net U.S. deferred tax assets, Canadian deferred tax assets due to post-acquisition restructuring, certain German deferred tax assets and the non-recognition of tax benefits associated with acquisition related expenses. These unfavorable effects were partially offset by unrepatriated low taxed earnings primarily in Singapore.

Income taxes for the three months ended March 31, 2005 and 2004, are recorded based on the annual effective tax rate. As of March 31, 2005, the annual effective tax rate for 2005 was 35%, which was slightly less than the combination of the statutory rate and state income tax rates in the U.S. The estimated annual effective tax rate for 2005 reflects earnings in low tax jurisdictions, a valuation allowance for the tax benefit associated with projected U.S. losses (which includes expenses associated with the early redemption of debt), and tax expense in certain non-U.S. jurisdictions. The Predecessor had an effective tax rate of 24% for the three months ended March 31, 2004, compared to the German statutory rate of 40%, which was primarily affected by earnings in low tax jurisdictions.

Earnings (Loss) from Discontinued Operations

Earnings (loss) from discontinued operations primarily relates to Acetate Products filament operations and Chemical Products Pentaerythritol (PE) operations and acrylates business. As a result, the related revenues and expenses have been reflected as a component of discontinued operations.

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Selected Data by Business Segment Year Ended December 31, 2006 Compared with Year Ended December 31, 2005, Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004 and Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

	Successor						Predecessor		
	Year Ended December 31,			Nine Months Ended December 31,			Three Months Ended March 31,		
	2006	2005	Change in $	2005 (Unaudited)	2004	Change in $	2005 (Unaudited)	2004	Change in $
	(In $ millions)								
Net Sales									
Chemical Products	4,742	4,299	443	3,264	2,547	717	1,035	809	226
Technical Polymers Ticona	915	887	28	648	636	12	239	227	12
Acetate Products	700	659	41	494	441	53	165	147	18
Performance Products	176	180	(4)	133	131	2	47	44	3
Other Activities	257	144	113	132	45	87	12	11	1
Inter-segment Eliminations	(134)	(136)	2	(107)	(82)	(25)	(29)	(29)	
Total Net Sales	6,656	6,033	623	4,564	3,718	846	1,469	1,209	260
Other (Charges) Gains, net									
Chemical Products	(7)	(18)	11	(17)	(3)	(14)	(1)	(1)	
Technical Polymers Ticona	6	8	(2)	9	(37)	46	(1)	(1)	
Acetate Products	1	(9)	10	(8)	(41)	33	(1)		(1)
Performance Products									
Other Activities	(10)	(47)	37	(12)	(1)	(11)	(35)	(26)	(9)
Total Other (Charges) Gains, net	(10)	(66)	56	(28)	(82)	54	(38)	(28)	(10)
Operating Profit									
Chemical Products	637	585	52	408	248	160	177	64	113
Technical Polymers Ticona	145	60	85	21	(12)	33	39	31	8
Acetate Products	106	67	39	57	(17)	74	10	4	6
Performance Products	50	51	(1)	38	18	20	13	11	2
Other Activities	(191)	(190)	(1)	(107)	(165)	58	(83)	(64)	(19)
Total Operating Profit	747	573	174	417	72	345	156	46	110
Earnings (Loss) from Continuing Operations Before Tax and Minority Interests									
Chemical Products	709	667	42	474	265	209	193	63	130
Technical Polymers Ticona	201	116	85	65	26	39	51	45	6
Acetate Products	128	71	57	61	(13)	74	10	4	6

Performance Products	49	46	3	34	15	19	12	11	1
Other Activities	(423)	(526)	103	(273)	(473)	200	(253)	(57)	(196)
Total Earnings (Loss) from Continuing Operations Before Tax and Minority Interests	664	374	290	361	(180)	541	13	66	(53)

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	Successor						Predecessor		
	Year Ended December 31,			Nine Months Ended December 31,			Three Months Ended March 31,		
	2006	2005	Change in $	2005	2004	Change in $	2005	2004	Change in $
					(Unaudited)			(Unaudited)	
	(In $ millions)								
Depreciation & Amortization									
Chemical Products	155	167	(12)	133	89	44	34	39	(5)
Technical Polymers Ticona	65	60	5	45	48	(3)	15	16	(1)
Acetate Products	24	29	(5)	20	30	(10)	9	11	(2)
Performance Products	15	13	2	10	10		3	2	1
Other Activities	24	17	7	15	4	11	2	2	
Total Depreciation & Amortization	283	286	(3)	223	181	42	63	70	(7)

Factors Affecting Year Ended December 31, 2006 Segment Net Sales Compared to Year Ended December 31, 2005

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

	Volume	Price	Currency	Other	Total
			In percentages		
Chemical Products	1	5	1	3(a)	10
Technical Polymers Ticona	6		(1)	(2)(b)	3
Acetate Products	(1)	7			6
Performance Products	7	(9)			(2)
Total Company	1	4	1	4(c)	10

Factors Affecting Nine Months Ended December 31, 2005 Segment Net Sales Compared to Nine Months Ended December 31, 2004

	Volume	Price	Currency	Other	Total
			In percentages		
Chemical Products	(3)	15		16(a)	28
Technical Polymers Ticona	(1)	4	(1)		2
Acetate Products	7	5			12
Performance Products	6	(4)			2
Total Company	(1)	11		11(c)	21

Factors Affecting Three Months Ended March 31, 2005 Segment Net Sales Compared to Three Months Ended March 31, 2004

	Volume	Price	Currency	Other	Total
			In percentages		
Chemical Products	(1)	22	3	4	28
Technical Polymers Ticona	2		3		5
Acetate Products	9	3			12
Performance Products	9	(7)	5		7
Total Company	1	15	2	2	21

(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

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Summary by Business Segment   Year Ended December 31, 2006 Compared with Year Ended December 31, 2005

Chemical Products

	Successor Year Ended December 31, 2006	December 31, 2005	Change in $
	In $ millions (except for percentages)		
Net sales	4,742	4,299	443
Net sales variance:			
Volume	1%		
Price	5%		
Currency	1%		
Other	3%		
Operating profit	637	585	52
Operating margin	13.4%	13.6%	
Other (charges) gains, net	(7)	(18)	11
Earnings from continuing operations before tax and minority interests	709	667	42
Depreciation and amortization	155	167	(12)

Chemical Products net sales increased 10% to $4,742 million for the year ended December 31, 2006 compared to the same period in 2005. Pricing increased for most products driven primarily by the Acetyl, Acetyl Derivatives and Specialty business lines. Higher pricing was a result of continued strong demand for the majority of the products and higher raw material costs. Overall volumes increased 1% for the year ended December 31, 2006 compared to the same period in 2005 primarily due to increased demand in Asia. Net sales also increased due to $307 million of net sales from Acetex (excluding AT Plastics), which was acquired in July 2005, an increase of $172 million compared to the same period in 2005.

Operating profit increased 9% to $637 million for the year ended December 31, 2006 compared to the same period in 2005 as price increases and lower other (charges) gains, net more than offset raw material price increases. The lower other (charges) gains, net was due to the absence of $6 million of severance costs associated with the closure of the Edmonton Methanol plant and $5 million of environmental relates plant closure costs, both recorded in 2005.

Earnings from continuing operations before tax and minority interests increased 6% to $709 million for the year ended December 31, 2006 compared to the same period in 2005. The improvement is primarily due to the increases in operating profit. Equity in net earnings of affiliates increased $17 million for the year ended December 31, 2006 compared to the same period in 2005.

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Technical Polymers Ticona

	Successor		
	Year Ended		
	December 31, 2006	December 31, 2005	Change in $
	In $ millions (except for percentages)		
Net sales	915	887	28
Net sales variance:			
Volume	6%		
Price	0%		
Currency	(1)%		
Other	(2)%		
Operating profit	145	60	85
Operating margin	15.8%	6.8%	
Other (charges) gains, net	6	8	(2)
Earnings from continuing operations before tax and minority interests	201	116	85
Depreciation and amortization	65	60	5

Ticona s net sales increased 3% to $915 million for the year ended December 31, 2006 compared to the same period in 2005. The increase for the year was primarily driven by 6% higher volumes. Volumes increased in all product lines due to increased market penetration and a stronger business environment in Europe. Improved volumes during 2006 were partially offset by the absence of net sales from the COC business, which was divested in December 2005. During the year ended December 31, 2005, COC recorded approximately $19 million in net sales.

Operating profit increased to $145 million for the year ended December 31, 2006 compared to $60 million for the same period 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 other charges due to the 2005 asset impairment charge of $25 million), productivity improvements and lower spending due to an organizational redesign. During the year ended December 31, 2005, COC recorded an operating loss of $69 million, including asset impairments mentioned above.

Earnings from continuing operations before tax and minority interests increased 73% to $201 million for the year ended December 31, 2006 compared to the same period in 2005. This increase is primarily due to the increases in operating profit. Equity in net earnings of affiliates increased $4 million for the year ended December 31, 2006 compared to the same period in 2005.

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Acetate Products

	Successor		
	Year Ended		
	December 31, 2006	December 31, 2005	Change in $
	In $ millions (except for percentages)		
Net sales	700	659	41
Net sales variance:			
Volume	(1)%		
Price	7%		
Currency	0%		
Other	0%		
Operating profit	106	67	39
Operating margin	15.1%	10.2%	
Other (charges) gains, net	1	(9)	10
Earnings from continuing operations before tax and minority interests	128	71	57
Depreciation and amortization	24	29	(5)

Acetate Products net sales for the year ended December 31, 2006 increased 6% to $700 million compared to the same period in 2005 as higher prices and increased flake volumes more than offset lower tow volumes. The lower tow volumes, which were a result of shutting down our Canadian tow plant, and lower sales to China, which were due to the recent expansion of our China tow ventures were partially offset by an increase in flake sales to other third parties and venture partners.

Operating profit increased to $106 million for the year ended December 31, 2006 compared to operating income of $67 million in the same period in 2005. Higher pricing of 7%, savings from restructuring and lower other (charges) gain, net and manufacturing costs more than offset lower overall sales volumes and higher raw material and energy costs. The lower other (charges) gains, net was due to the absence of $7 million of environmental related plant closure costs, which were recorded in 2005. Depreciation and amortization decreased by $5 million due to a charge in 2005 related to additions to asset retirement obligations.

Earnings from continuing operations before tax and minority interests increased 80% to $128 million for the year ended December 31, 2006 compared to the same period in 2005. This increase is primarily due to the higher operating profits as well as an increase of $19 million in dividends from our China ventures received in 2006.

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Performance Products

	Successor Year Ended December 31, 2006	Successor Year Ended December 31, 2005	Change in $
	In $ millions (except for percentages)		
Net sales	176	180	(4)
Net sales variance:			
Volume	7%		
Price	(9)%		
Currency	0%		
Other	0%		
Operating profit	50	51	(1)
Operating margin	28.4%	28.3%	
Other (charges) gains, net			
Earnings from continuing operations before tax and minority interests	49	46	3
Depreciation and amortization	15	13	2

Performance Products net sales for the year ended December 31, 2006 decreased 2% to $176 million compared to $180 million in the same period in 2005. A 7% improvement in volumes was more than offset by lower pricing of 9%. Volumes increased overall by 12% from the Sunett® sweetener products during the year ended December 31, 2006 due to strong demand from our customers associated with new product launches, as well as the impact from the warmer than normal temperatures in Europe and North America. Consistent with our strategy, Sunett® sweetener pricing declined on lower unit selling prices associated with higher volumes to our major customers. Pricing for sorbates remained relatively flat during the year ended December 31, 2006, while worldwide overcapacity still prevailed in the industry.

Earnings from continuing operations before tax and minority interests remained relatively flat for the year ended December 31, 2006 compared to the same period in 2005, increasing to $49 million from $46 million.

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 to $257 million from $144 million for the year ended December 31, 2006 compared to the same period in 2005. The increase is primarily due to a full year of sales activity for AT Plastics in 2006 compared to five months of activity in 2005. Net sales for AT Plastics increased to $235 million for the year ended December 31, 2006 compared to $112 million for the same period in 2005. The increase was partially offset by an $8 million decrease in net sales resulting from the sale of PBI and the Vectran product lines during the second quarter of 2005.

Operating loss of Other Activities remained flat for the year ended December 31, 2006 compared to the same period in 2005. The operating loss increased during the year due to executive severance and legal costs of $23 million associated with the acquisition of minority shares of CAG and related restructuring, stock-based compensation expense of $20 million resulting from our adoption of SFAS No. 123(R) and $14 million related to our long-term incentive plan. The increase was offset by an increase in operating profit from the AT Plastics business of $17 million, the absence of $45 million related to the 2005 advisor monitoring fee and the termination of advisor monitoring services agreement during the first quarter of 2005.

Loss from continuing operations before tax and minority interests improved to a loss of $423 million from a loss of $526 million for the year ended December 31, 2006 compared to the same period in 2005. The decrease is primarily due to the decrease in operating losses previously discussed above within this segment and a decrease in interest expense of $93 million, due to $28 million related to accelerated amortization of deferred financing costs

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and $74 million related to early redemption premiums associated with the partial redemption of the senior subordinated notes, senior discount notes and floating rate term loan, both recorded in 2005.

Summary by Business Segment Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004 and Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Chemical Products

	Successor			Predecessor		
	Nine Months Ended			Three Months Ended		
	December 31, 2005 (Unaudited)	December 31, 2004	Change in $	March 31, 2005 (Unaudited)	March 31, 2004	Change in $
	In $ millions (except for percentages)					
Net sales	3,264	2,547	717	1,035	809	226
Net sales variance:						
Volume	(3)%			(1)%		
Price	15%			22%		
Currency	0%			3%		
Other	16%			4%		
Operating profit	408	248	160	177	64	113
Operating margin	12.5%	9.7%		17.1%	7.9%	
Other (charges) gains, net	(17)	(3)	(14)	(1)	(1)	
Earnings from continuing operations before tax and minority interests	474	265	209	193	63	130
Depreciation and amortization	133	89	44	34	39	(5)

Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004

Chemical Products net sales increased 28% to $3,264 million for the nine months ended December 31, 2005 compared to the same period in 2004. The increase is primarily due to the inclusion of net sales from Vinamul and Acetex (excluding AT Plastics) during 2005 of approximately $280 million and $135 million, respectively. In addition, pricing increased for most products, but primarily from acetic acid, vinyl acetate monomer and acetyl derivatives. The price increase was driven by continued strong demand, high industry utilization in base products and higher raw material costs, particularly for ethylene and natural gas. Overall, volumes declined 3% primarily from acetyl derivatives partially offset by significantly improved volumes from vinyl acetate monomer. Volumes for emulsions were flat. The increase in volumes from vinyl acetate monomer is primarily driven by continued strong demand.

Other (charges) gain, net increased by $14 million for the nine months ended December 31, 2005 compared to the same period in 2004. Included in 2005 is $12 million in charges for a change in the environmental remediation strategy related to the closure of the Edmonton methanol plant and $6 million for severance charges related to the same closure.

Operating profit increased 65% to $408 million for the nine months ended December 31, 2005 compared to the same period in 2004. The increase is principally driven by higher pricing, which more than offset higher raw material and energy costs. The segment also benefited from a full quarter impact of its Southern Chemical methanol supply contract. Basic products, such as acetic acid and vinyl acetate monomer, had greater success in maintaining margins while downstream products, such as polyvinyl alcohol and emulsions, continued to experience margin compression due to raw material costs rising faster than our pricing. Operating profit was also favorably impacted in this period due to $36 million from the settlement of transportation-related antitrust matters, $14 million in lower non-cash inventory-related purchase accounting adjustments and Acetex (excluding AT Plastics) recording an operating profit of $11 million in the nine months ended December 31, 2005. The increase in operating profit was partially offset by Vinamul recording operating losses of $15 million, which included integration costs in connection with the acquisition. Additionally, depreciation and amortization increased in 2005 compared to the same period in 2004 primarily related to purchase accounting adjustments in both years.

Earnings from continuing operations before tax and minority interests increased 79% to $474 million compared to the same period in 2004 benefiting from increased operating profit and dividends from our Saudi cost investment.

Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Chemical Products net sales increased 28% to $1,035 million compared to the same period in 2004 mainly on higher pricing, segment composition changes, of which $66 million was related to Vinamul, and favorable currency effects. Pricing increased for most products, driven by continued strong demand and high utilization rates across the chemical industry.

Earnings from continuing operations before tax and minority interests increased to $193 million from $63 million in the same period in 2004 as higher pricing was partially offset by higher raw material costs. Earnings also benefited from an increase of $9 million in dividends from our Saudi cost investment, which totaled $12 million in the quarter. The three months ended March 31, 2005 included $1 million in earnings from Vinamul, which included $1 million in non-cash inventory-related purchase accounting adjustments and integration costs in connection with the acquisition.

Technical Polymers Ticona

	Successor			Predecessor		
	Nine Months Ended			Three Months Ended		
	December 31, 2005	December 31, 2004	Change in $	March 31, 2005	March 31, 2004	Change in $
	(Unaudited)			(Unaudited)		
	In $ millions (except for percentages)					
Net sales	648	636	12	239	227	12
Net sales variance:						
Volume	(1)%			2%		
Price	4%			0%		
Currency	(1)%			3%		
Other	0%			0%		
Operating profit	21	(12)	33	39	31	8
Operating margin	3.2%	(1.9)%		16.3%	13.7%	
Other (charges) gains, net	9	(37)	46	(1)	(1)	
Earnings from continuing operations before tax and minority interests	65	26	39	51	45	6
Depreciation and amortization	45	48	(3)	15	16	(1)

Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004

Ticona s net sales increased 2% to $648 million for the nine months ended December 31, 2005 compared to the same period in 2004. The increase is primarily driven by the successful implementation of price increases, introduction of new applications and increased penetration into key markets. This increase is partially offset by lower overall volumes and slightly unfavorable currency effects. Improved volumes from most of Ticona s product lines were more than offset by a decline in polyacetal volumes attributable to a weak European automotive market and reduced sales to lower-end applications.

Ticona recorded income from other (charges) gains, net of $9 million for the nine months ended December 31, 2005 compared to expense of $37 million for the same period in 2004. Included in 2005 is approximately $34 million associated with plumbing insurance recoveries, which was partially offset by an additional $25 million non-cash impairment charge associated with the planned disposal of the COC business. The $37 million in 2004 is primarily related to a non-cash impairment charge from the COC business.

Operating profit increased to $21 million for the nine months ended December 31, 2005 compared to an operating loss of $12 million for the same period in 2004. The successful implementation of price increases helped to offset higher raw material and energy costs. Also contributing to the increase are productivity improvements, cost savings from an organizational redesign and lower depreciation and amortization expenses due to changes in the useful lives of certain property, plant and equipment. In addition, 2004 included a $20 million charge to cost of sales for a non-cash inventory-related purchase accounting adjustment. Operating profit in the nine months ended December 31, 2005 includes approximately $35 million for the loss on disposal of the COC business compared to an impairment charge of $32 million taken in 2004.

Earnings from continuing operations before tax and minority interests increased to $65 million for the nine months ended December 31, 2005 compared to $26 million in the same period in 2004. This increase is primarily due to the increase in operating profit, improved equity earnings from Asian and U.S. affiliates due to increased sales volumes, a $46 million reduction in other (charges) gains, net, and the absence of a 2004 purchase accounting adjustment of $20 million in 2005.

Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Net sales for Ticona increased by 5% to $239 million compared to the same period in 2004 due to favorable currency effects and slightly higher volumes. Volumes increased for most product lines due to the successful introduction of new applications, which outweighed declines in polyacetal volumes resulting from our focus on high-end business and decreased sales to European automotive customers. Overall pricing remained flat over the same periods as successfully implemented price increases were offset by lower average pricing for certain products due to the commercialization of lower cost grades for new applications.

Earnings from continuing operations before tax and minority interests increased 13% to $51 million as the result of restructuring cost savings, the favorable effects of a planned maintenance turnaround and slightly higher volumes. These increases were partially offset by higher raw material and energy costs.

Acetate Products

	Successor			Predecessor		
	Nine Months Ended			Three Months Ended		
	December 31, 2005 (Unaudited)	December 31, 2004	Change in $	March 31, 2005 (Unaudited)	March 31, 2004	Change in $
	In $ millions (except for percentages)					
Net sales	494	441	53	165	147	18
Net sales variance:						
Volume	7%			9%		
Price	5%			3%		
Currency	0%			0%		
Other	0%			0%		
Operating profit	57	(17)	74	10	4	6
Operating margin	11.5%	(3.9)%		6.1%	2.7%	
Other (charges) gains, net	(8)	(41)	33	(1)		(1)

Earnings from continuing operations before tax and minority interests	61	(13)	74	10	4	6
Depreciation and amortization	20	30	(10)	9	11	(2)
		60				

Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004

Acetate Products net sales for the nine months ended December 31, 2005 increased 12% to $494 million compared to the same period in 2004. The improvement is due to a 5% increase in pricing and a 7% increase in overall volumes. Higher flake volumes from increased sales to our recently expanded China tow ventures were partially offset by lower tow volumes due to the shutdown of our Edmonton, Alberta, Canada tow plant. Price increases partially offset higher raw material and energy costs.

For the nine months ended December 31, 2005, the Acetate Products segment recorded other (charges) gains, net of $8 million compared to $41 million in the same period in 2004. Other (charges) gains, net in 2005 primarily related to a change in the environmental remediation strategy related to the closure of the Edmonton methanol plant, while other (charges) gains, net in the same period in 2004 primarily represented asset impairments associated with the planned consolidation of tow and flake production.

Operating profit increased to $57 million in the nine months ended December 31, 2005 compared to an operating loss of $17 million in the same period in 2004. The increase is largely due to the decrease in other (charges) gains, net described above and a $23 million gain on the sale of the Rock Hill, S.C. plant and the Charlotte, N.C. research and development center. In addition, depreciation and amortization expense decreased primarily resulting from a lower depreciable asset base due to previous asset impairments and an $8 million charge for asset retirement obligations recorded in 2004 associated with the restructuring of the business. Higher pricing and savings from restructuring and productivity improvements more than offset increased raw material and energy costs, as well as temporarily higher manufacturing costs resulting from a realignment of inventory levels as part of the restructuring strategy.

Earnings from continuing operations before tax and minority interests increased to $61 million for the nine months ended December 31, 2005 compared to a $13 million loss from continuing operations in the same period in 2004. This increase is primarily due to the increase in operating profit which included $33 million in lower other (charges) gains, net and the $23 million gain on disposition of assets.

Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Net sales for Acetate Products increased by 12% to $165 million compared to the same quarter in 2004 on higher volumes and pricing. Flake volumes increased due to higher sales to our recently expanded China tow ventures. Pricing increased to partially offset higher raw material and energy costs.

Earnings from continuing operations before tax and minority interests more than doubled from $4 million in the first quarter of 2004 to $10 million in 2005 due to increased volumes, pricing and productivity improvements, which more than offset higher raw material and energy costs. Earnings also benefited from $2 million in lower depreciation and amortization expense largely as a result of previous restructuring impairments, which was offset by $3 million of expense for an asset retirement obligation.

Performance Products

	Successor Nine Months Ended December 31, 2005 (Unaudited)	Successor Nine Months Ended December 31, 2004	Change in $	Predecessor Three Months Ended March 31, 2005 (Unaudited)	Predecessor Three Months Ended March 31, 2004	Change in $
	In $ millions (except for percentages)					
Net sales	133	131	2	47	44	3
Net sales variance:						
Volume	6%			9%		
Price	(4)%			(7)%		
Currency	0%			5%		
Other	0%			0%		
Operating profit	38	18	20	13	11	2
Operating margin	28.6%	13.7%		27.7%	25%	
Other (charges) gains, net						
Earnings from continuing operations before tax and minority interests	34	15	19	12	11	1
Depreciation and amortization	10	10		3	2	1

Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004

Net sales for the Performance Products segment increased 2% to $133 million compared to $131 million in the same period in 2004. The increase is primarily due to higher volumes for the Sunett® sweetener partially offset by lower pricing. The increased volumes for Sunett® reflects continuous growth from new and existing applications mainly in the U.S. and European beverage and confectionary markets. Pricing for Sunett® declined on lower unit selling prices associated with higher volumes to major customers which is consistent with our positioning strategy for the product. The pricing decrease for Sunett® was also driven by the expiration of a primary European and U.S. production patent for Sunett® at the end of March 2005. Pricing for Sorbates increased in 2005, although worldwide overcapacity still prevailed in the industry.

Operating profit increased 111% from the same period in 2004. The increase was driven by improved business conditions for Sorbates, as well as the results of various ongoing cost saving initiatives. In addition, 2005 included a $3 million gain on the sale of the omega-3 DHA business as part of our strategy to sharpen its focus on the core sweetener and food protection businesses. 2004 included a $12 million charge to cost of sales for a non-cash inventory-related purchase accounting adjustment.

Earnings from continuing operations before tax and minority interests increased 127% primarily due to the increase in operating profit, which principally resulted from the absence of the purchase accounting charge in 2005 and the gain on the sale of the omega-3 DHA business.

Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Net sales for the Performance Products segment increased by 7% to $47 million compared to the same period in 2004 mainly on higher volumes, which more than offset lower pricing. Favorable currency movements also contributed to the sales increase. Higher volumes for Sunett® sweetener reflected strong growth from new and existing applications in the U.S. and European beverage and confectionary markets. Pricing for Sunett® declined on lower unit selling prices associated with higher volumes to major customers. Pricing for sorbates continued to recover, although worldwide overcapacity still prevailed in the industry.

Earnings from continuing operations before tax and minority interests increased to $12 million from $11 million in the same quarter in 2004. Strong volumes for Sunett®, as well as favorable currency movements and cost savings outpaced lower pricing for the sweetener.

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. AT Plastics is a business acquired in connection with the acquisition of Acetex in July 2005.

Nine Months Ended December 31, 2005 Compared with Nine Months Ended December 31, 2004

Net sales for Other Activities increased to $132 million from $45 million in the same period in 2004. The increase is primarily due to the addition of $112 million in net sales from the AT Plastics business, which was partially offset by $13 million in lower third party revenues from the captive insurance companies and $7 million related to the divestitures of the performance polymer polybenzamidazole and vectran polymer fiber businesses in the second quarter of 2005.

The operating loss of Other Activities decreased to $107 million for the nine months ended December 31, 2005 compared to $165 million for the same period in 2004. This decrease was primarily due to the absence of $38 million in management incentive compensation expenses, which were recorded in 2004, and lower IPO related consulting and professional fees. The management incentive compensation expenses included charges related to a new deferred compensation plan, a new stock incentive plan and other executive bonuses. The decrease is partially offset by operating losses from AT Plastics of $15 million in 2005.

Loss from continuing operations before tax and minority interests improved to a loss of $273 million from a loss of $473 million in the same period in 2004. The decrease is primarily due to the decrease in operating losses discussed above and a decrease in interest expense of $89 million. The decrease in interest expense is due to expensing deferred financing costs of $89 million and a prepayment premium of $21 million associated with the refinancing of the mandatorily redeemable preferred stock in 2004. The decrease was partially offset by a $21 million increase in interest expense due to higher debt levels and interest rates in 2005.

Three Months Ended March 31, 2005 Compared with Three Months Ended March 31, 2004

Net sales for Other Activities increased slightly to $12 million from $11 million in the same quarter in 2004. Loss from continuing operations before tax and minority interests increased to $253 million from a loss of $57 million in the same period in 2004, largely due to $169 million of higher interest expense related to refinancing costs, increased debt levels, and higher interest rates in 2005. The loss includes $45 million of expenses for sponsor monitoring and related cancellation fees compared to other (charges) gains, net of $25 million in the same period in 2004 for advisory services related to the acquisition of CAG.

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Liquidity and Capital Resources

Our primary source of liquidity will continue to be cash generated from operations, available cash and cash equivalents and dividends 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 required 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 December 31, 2006 were $791 million, which was an increase of $401 million from December 31, 2005. Cash and cash equivalents at December 31, 2005 were $390 million, which was a decrease of $448 million from December 31, 2004. See below for details on the change in cash and cash equivalents from December 31, 2005 to December 31, 2006 and the change in cash and cash equivalents from December 31, 2004 to December 31, 2005.

Net Cash Provided by/Used in Operating Activities

Cash provided by operating activities was $751 million for the year ended December 31, 2006 compared with $701 million for the same period in 2005. The increase in operating cash flows was due primarily to an increase in earnings from continuing operations partially offset by an increase in cash used from changes in operating assets and liabilities. Earnings from continuing operations increased to $407 million for the year ended December 31, 2006 compared with $276 million for the same period in 2005. The changes in operating assets and liabilities were driven primarily by higher trade and other receivables offset by higher trade payables. The increase in receivables is due to higher net sales. The increase in trade payables is due to the timing of payments.

Cash flow from operating activities increased to a cash inflow of $701 million in 2005 compared to a cash outflow of $164 million for the same period in 2004. This increase primarily resulted from a $452 million increase in net earnings from 2004, $429 million in lower pension contributions and a $142 million increase in cash received for trade receivables due to better receivables turnover. These increases were partially offset by $72 million in less cash from trade accounts payable as trade accounts payable grew, but at a slower rate than in 2004. In addition, we paid $77 million more interest payments and $45 million in monitoring fees.

Net Cash Used in Investing Activities

Net cash from investing activities improved to a cash outflow of $268 million in 2006 compared to a cash outflow of $907 million in 2005. The decrease in cash outflow is primarily due to cash paid of $473 million for the purchase of additional CAG shares in 2005, $216 million for the purchase of Acetex in July 2005 and $198 million for the purchase of Vinamul in February 2005. These decreases were offset by the net effect of an increase in capital expenditures of $40 million, an increase in purchases of other long term assets of $43 million, an increase in restricted cash of $42 million for the anticipated purchase of the remaining CAG shares, a decrease in net proceeds from the sale and purchase of marketable securities of $42 million, proceeds received for the Ticona plant relocation of $26 million in 2006, a decrease in net proceeds received for the disposal of discontinued operations of $75 million, a decrease in fees associated with the 2005 acquisitions of $29 million and a decrease in the proceeds received from the sales of assets of $25 million.

Net cash from investing activities improved to a cash outflow of $907 million in 2005 compared to a cash outflow of $1,720 million in 2004. The cash outflow in 2004 primarily resulted from the CAG acquisition. The 2005 cash outflow included the acquisitions of the Vinamul and Acetex businesses, the acquisition of additional CAG shares and a decrease in net proceeds from disposal of discontinued operations of $64 million. The net proceeds from the disposal of discontinued operations represents cash received in 2005 from an early contractual settlement of receivables of $75 million related to the sale of Vinnolit Kunstoff GmbH and Vintron GmbH. The net proceeds of $139 million in the same period last year represented the net proceeds from the sale of the acrylates business.

Our capital expenditures were $252 million, $212 million and $204 million for the calendar years 2006, 2005 and 2004, respectively. Capital expenditures were primarily related to major replacements of equipment, capacity expansions, major investments to reduce future operating costs, environmental, health and safety initiatives and in 2004, the integration of a company-wide SAP platform. Capital expenditures in 2006 and 2005 included costs for the expansion of our Nanjing, China site into an integrated chemical complex. Capital expenditures in 2004 included expenditures related to a new Ticona research and administrative facility in Florence, Kentucky and the expansion of production facilities for polyacetal in Bishop, Texas and GUR in Oberhausen, Germany. Capital expenditures are expected to be approximately $280 million in 2007.

Net Cash Provided by/Used in Financing Activities

Net cash from financing activities decreased to a cash outflow of $108 million in 2006 compared to a cash outflow of $144 million in 2005. The cash outflow in 2006 primarily relates to the $100 million equivalent voluntary prepayment of our Senior Term Loan facility on July 14, 2006 as well as increased dividends paid on our Series A common stock and our preferred stock of $15 million in 2006. We commenced making common and preferred cash dividends during the third quarter of 2005. The cash outflow in 2005 primarily relates to the major financing activities for 2005 listed below.

Net cash from financing activities decreased to a cash outflow of $144 million in 2005 compared to a cash inflow of $2,643 million in the same period in 2004. The cash inflow in 2004 primarily reflected higher net proceeds from borrowings in connection with the acquisition of CAG. Major financing activities for 2005 are as follows:

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, net of $752 million and preferred stock, net of $233 million.

Repayment of floating rate term loan, including related premium, of $354 million.

Exercise of Acetex s option to redeem its 107/8% senior notes for approximately $280 million.

Payment of cash dividends of $13 million on our Series A common stock and $8 million on our convertible preferred stock.

In addition, exchange rate effects on cash and cash equivalents increased to a favorable currency effect of $26 million in 2006 from an unfavorable currency effect of $98 million in 2005. Exchange rate effects on cash and cash equivalents decreased to an unfavorable currency effect of $98 million in 2005 from a favorable currency effect of $24 million in 2004.

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 dividends 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, Capital and Other Obligations

In January 2005, we completed an initial public offering of Series A common stock and received net proceeds of approximately $752 million after deducting underwriters discounts and offering expenses of $48 million. Concurrently, we received net proceeds of $233 million from the offering of our convertible preferred stock and borrowed an additional $1,135 million under the amended and restated senior credit facilities. 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, which excludes early redemption premiums of $19 million and $51 million, respectively. We also used a portion of the proceeds from additional borrowings under our senior credit facilities to repay our $350 million floating rate term loan, which excludes a $4 million early redemption premium and used $200 million of the proceeds as the primary financing for the acquisition of the Vinamul emulsions business.

On April 7, 2005, we used the remaining proceeds to pay a special cash dividend to holders of our Series B common stock of $804 million. Upon payment of the $804 million dividend, all of the shares of Series B common stock converted automatically to shares of Series A common stock. In addition, we may use the available sources of liquidity to purchase the remaining outstanding shares of CAG.

As discussed above, in 2005 we issued $240 million aggregate liquidation preference of outstanding preferred stock. Holders of the preferred stock are entitled to receive, when, as and if, declared by our board of directors, out of funds legally available therefor, cash dividends at the rate of 4.25% per annum (or $1.06 per share) of liquidation preference, payable quarterly in arrears, commencing on May 1, 2005. Dividends on the preferred stock are cumulative from the date of initial issuance. This dividend is expected to result in an annual dividend payment of approximately $10 million. 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 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. For the years ended December 31, 2006 and 2005, we paid $10 million and $8 million, respectively, in aggregate dividends on our preferred stock. In addition, at December 31, 2006, we had $2 million of accumulated but undeclared and unpaid dividends, which were declared on January 5, 2007 and paid on February 1, 2007.

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. For the years ended December 31, 2006 and 2005, we paid $26 million and $13 million, respectively, in aggregate dividends on our Series A common stock. Based upon the number of outstanding shares as of December 31, 2006, the anticipated annual cash dividend payment is approximately $26 million. We declared on January 5, 2007 and paid on February 1, 2007 a quarterly cash dividend of $6 million. However, there is no assurance that sufficient cash or surplus will be available to pay the remainder of the anticipated 2007 cash dividend.

As of December 31, 2006, we had total debt of $3,498 million and cash and cash equivalents of $791 million. As of December 31, 2006, net debt (total debt less cash and cash equivalents) decreased to $2,707 million from $3,047 million as of December 31, 2005 primarily due to cash flows from operations of $751 million offset by capital expenditures of $252 million, the accretion of our senior discount notes of $40 million, foreign currency impacts of $73 million and the payment of dividends on our Series A common stock and our preferred stock of $36 million.

We were initially capitalized by equity contributions totaling $641 million from the Original Shareholders. On a stand alone basis, Celanese Corporation and Crystal US Holdings 3 LLC (Crystal LLC), the issuer of the senior discount notes, have no material assets other than the stock of their subsidiaries, and no independent external operations of their own apart from the financing. As such, Celanese Corporation and Crystal LLC generally will depend on the cash flow of their subsidiaries to meet their obligations under the preferred stock, the senior discount notes, the senior subordinated notes, the term loans and any revolving credit borrowings and guarantees.

Contractual Debt and Cash Obligations. The following table sets forth our fixed contractual debt and cash obligations as of December 31, 2006.

Fixed Contractual Debt and Cash Obligations	**Total**	**Less Than 1 Year**	**Years 2 & 3**	**Years 4 & 5**	**After 5 Years**
			(In $ millions)		
Term Loans Facility	1,622	115	31	1,476	
Interest Payments on Debt(1)	1,843	239	483	480	641
Senior Subordinated Notes(2)	967				967
Senior Discount Notes(3)	554				554
Capital Lease Obligations	25	3	4	5	13
Other Debt(4)	464	191	40	43	190
Total Fixed Contractual Debt Obligations	5,475	548	558	2,004	2,365
Operating Leases	339	75	121	75	68
Unconditional Purchase Obligations	2,229	245	500	419	1,065
Other Contractual Obligations	355	239	81	33	2
Total Fixed Contractual Debt and Cash Obligations	8,398	1,107	1,260	2,531	3,500

(1) For future interest expense, we assumed no change in variable rates. See Note 16 in the consolidated financial statements for the applicable interest rates.

(2) Does not include a $3 million premium.

(3) Reflects an additional $134 million representing the accreted value of the notes at maturity.

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

Senior Credit Facilities. As of December 31, 2006, the senior credit facilities of $2,450 million consist of a term loan facility of $1,622 million, a revolving credit facility of $600 million and a credit-linked revolving facility of $228 million.

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 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 December 31, 2006, the term loan facility had a balance of $1,622 million (including approximately 253 million of euro denominated debt), which matures in 2011.

In addition, we have a $228 million credit-linked facility, which matures in 2009 and includes borrowing capacity available for letters of credit. As of December 31, 2006, there were $218 million of letters of credit issued under the credit-linked revolving facility; accordingly $10 million remained 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 facilities. The borrowings under the senior credit facilities bear interest at a rate equal to an applicable margin plus, at the borrower s option, either a base rate or a LIBOR rate. The applicable margin for borrowing under the base rate option is 1.50% and for the LIBOR option, 2.50% (in each case, subject to a step-down based on a performance test).

In the first quarter of 2005, the revolving credit facility was increased from $380 million to $600 million under the amended and restated senior credit facilities. As of December 31, 2006, there were no letters of credit issued or outstanding borrowings under the revolving credit facility; accordingly $600 million remained available for borrowing.

In November of 2005, we entered into an amendment of the Amended and Restated Credit Agreement decreasing the margin over LIBOR on approximately $1,386 million of the U.S. dollar denominated portion of the

Term Loans from 2.25% to 2.00%. In addition, a further reduction of the interest rate to LIBOR plus 1.75% is allowed if certain conditions are met.

As stated in the prepayment requirements under the amended and restated senior credit facilities, we are required to prepay 50% of our excess cash flow against our senior term loan facility. Based on the excess cash flow calculation, as defined in our amended and restated senior credit facilities, at December 31, 2006, we will make a prepayment of approximately $98 million on the senior term loan facility in March 2007. In connection with this excess cash flow prepayment, we will write off approximately $1 million of unamortized deferred financing fees associated with the senior term loan facility.

In July 2006, we made a $100 million equivalent voluntary prepayment on our senior term loan facility. In connection with the voluntary prepayment, we wrote off approximately $1 million of unamortized deferred financing fees associated with the senior term loan facility.

The senior credit facilities are subject to prepayment requirements and contain covenants, defaults and other provisions. The senior credit facilities require us to prepay outstanding term loans, subject to certain exceptions, with:

75% (such percentage will be reduced to 50% if BCP Crystal s leverage ratio is less than 3.00 to 1.00 for any fiscal year ending on or after December 31, 2005) of BCP Crystal s excess cash flow;

100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, unless BCP Crystal reinvests or contracts to reinvest those proceeds in assets to be used in BCP Crystal s business or to make certain other permitted investments within 12 months, subject to certain limitations;

100% of the net cash proceeds of any incurrence of debt other than debt permitted under the senior credit facilities, subject to certain exceptions; and

50% of the net cash proceeds of issuances of equity of Celanese Holdings, subject to certain exceptions.

BCP Crystal may voluntarily repay outstanding loans under the senior credit facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans.

In connection with the borrowing by BCP Crystal under the term loan portion of the senior credit facilities, BCP Crystal and CAC have entered into an intercompany loan agreement whereby BCP Crystal has agreed to lend the proceeds from any borrowings under its term loan facility to CAC. The intercompany loan agreement contains the same amortization provisions as the senior credit facilities. The interest rate with respect to the loans made under the intercompany loan agreement is the same as the interest rate with respect to the loans under BCP Crystal s term loan facility plus three basis points. BCP Crystal intends to service the indebtedness under its term loan facility with the proceeds of payments made to it by CAC under the intercompany loan agreement.

Senior Subordinated Notes. In February 2005, we used approximately $521 million of the net proceeds of the offering of our Series A common stock to redeem a portion of the senior subordinated notes and $51 million to pay the premium associated with the redemption. As of December 31, 2006, the senior subordinated notes, excluding $3 million of premiums, consist of $796 million of 95/8% Senior Subordinated Notes due 2014 and $171 million (130 million) of 103/8% Senior Subordinated Notes due 2014. All of BCP Crystal s obligations under the senior credit facilities guarantee the senior subordinated notes on an unsecured senior subordinated basis.

Senior Discount Notes. In September 2004, Crystal LLC and Crystal US Sub 3 Corp., a subsidiary of Crystal LLC, issued $853 million aggregate principal amount at maturity of their senior discount notes due 2014 consisting of

$163 million principal amount at maturity of their 10% Series A Senior Discount Notes due 2014 and $690 million principal amount at maturity of their 101/2% Series B Senior Discount Notes due 2014 (collectively, the senior discount notes). The gross proceeds of the offering were $513 million. Approximately $500 million of the proceeds were distributed to our Original Shareholders, with the remaining proceeds used to pay fees associated with the refinancing. Until October 1, 2009, interest on the senior discount notes will accrue in the form of an increase in the accreted value of such notes. Cash interest on the senior discount notes will accrue commencing on October 1, 2009 and be payable semiannually in arrears on April 1 and October 1. In February 2005, we used approximately $37 million of the net proceeds of the offering of our Series A common stock to redeem a portion of the Series A senior discount notes and $151 million to redeem a portion of the Series B senior discount notes and $19 million to pay the premium associated with such redemption. As of December 31, 2006, there were $554 million aggregate principal amount at maturity outstanding, consisting of $106 million principal amount at maturity of the 10% Series A Senior Discount Notes due 2014 and $448 million principal amount at maturity of the 101/2% Series B

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Senior Discount Notes due 2014. At December 31, 2006, $339 million and $81 million were outstanding under the 101/2% and 10% Senior Discount Notes, respectively.

Other Debt. Other debt of $489 million, which does not include a $2 million fair value reduction due to purchase accounting, is primarily made up of fixed rate pollution control and industrial revenue bonds, short-term borrowings from affiliated companies and capital lease obligations.

Other Cash Obligations. Unconditional Purchase Obligations primarily include take or pay contracts. We do not expect to incur any material losses under these contractual arrangements. In addition, these contracts may include variable price components.

Other Contractual Obligations primarily includes committed capital spending and fines associated with the U.S. antitrust settlement described in Note 25 to the consolidated financial statements. Included in Other Contractual Obligations is a 99 million fine from the European Commission related to antitrust matters in the sorbates industry, which is pending an appeal. We are indemnified by a third party for 80% of the expenses relating to these matters, which is not reflected in the amount above.

Covenants. The senior credit facilities require BCP Crystal to maintain the following financial covenants: a maximum total leverage ratio, a minimum interest coverage ratio and maximum capital expenditures limitation. As of December 31, 2006, we were in compliance with these covenants. See Note 16 to the consolidated financial statements for information regarding non-financial covenants.

At December 31, 2006, we have contractual guarantees and commitments as follows:

		Expiration per period			
Contractual Guarantees and Commitments	**Total**	**Less Than 1 Year**	**Years 2 & 3**	**Years 4 & 5**	**After 5 Years**
			(In $ millions)		
Financial Guarantees	41	7	15	16	3
Standby Letters of Credit	218	218			
Contractual Guarantees and Commitments	259	225	15	16	3

Deferred Compensation. See Note 22, Stock-Based and Other Management Compensation Plans, of the consolidated financial statements for additional information. The remaining aggregate maximum amount payable at December 31, 2006 under this plan is $142 million, of which $19 million has been accrued at that date due to the accelerated vesting of certain plan participants. Should the payout be triggered, we will fund the payments with either existing cash, or borrowings from the revolving credit facility, or a combination thereof. Upon the occurrence of the triggering events mentioned in Note 22 to the consolidated financial statements, the maximum amount earned and vested under the plan as of December 31, 2006 is approximately $75 million, exclusive of $19 million accrued in 2006 and payable in 2007 due to the accelerated vesting of certain plan participants.

Long-Term Incentive Plan. See Note 22, Stock-Based and Other Management Compensation Plans, of the consolidated financial statements for additional information. On February 16, 2007, approximately $26 million was paid to the LTIP plan participants.

Domination 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. Our subsidiaries, BCP Caylux Holdings Luxembourg S.C.A. and BCP Crystal, have each agreed to provide the Purchaser with financing to strengthen the Purchaser s ability to fulfill its obligations under, or in connection with, the Domination Agreement and to ensure that the Purchaser will perform all of its obligations under, or in connection with, the Domination Agreement when such obligations become due, including, without limitation, the obligation to compensate CAG for any statutory annual loss incurred by CAG during the term of the Domination Agreement. If BCP Caylux and/or BCP Crystal are obligated to make payments under such guarantees or other security to the Purchaser and/or the minority shareholders, we may not have sufficient funds for payments on our indebtedness when due. We have not had to compensate CAG for an annual loss for any period during which the Domination Agreement has been in effect.

Squeeze-Out Payment. The Squeeze-Out was registered in the commercial register on December 31, 2006, after several lawsuits by minority shareholders challenging the shareholders resolution approving the Squeeze-Out were withdrawn pursuant to a settlement agreement entered into between plaintiff shareholders, the Purchaser and CAG on the same day. A total amount of approximately 62 million (approximately $82 million at December 31, 2006) was paid to minority shareholders in January 2007 as fair cash compensation for the acquisition of their shares of CAG.

Other Obligations

We expect to continue to incur costs for the following significant obligations. Although, we cannot predict with certainty the annual spending for these matters, such matters will affect our future cash flows.

Other Obligations	**2007 Projected Spending**	**Spending for the Year Ended December 31, 2006**	**Spending for the Year Ended December 31, 2005**
		(In $ millions)	
Environmental Matters	45	71	84
Pension and Other Benefits	104	112	111
Other Obligations	149	183	195

We are secondarily liable under a lease agreement pursuant to which we have 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 January 1, 2007 to April 30, 2012 is estimated to be approximately $41 million.

Standby letters of credit of $218 million outstanding at December 31, 2006 are irrevocable obligations of an issuing bank that ensure payment to third parties in the event that certain subsidiaries fail to perform in accordance with specified contractual obligations. The likelihood is remote that material payments will be required under these agreements. The stand-by letters of credit include approximately $29 million related to obligations associated with the sorbates antitrust matters as described in the Other Contractual Obligations above.

For additional commitments and contingencies, see Note 25 to the consolidated financial statements.

Environmental Matters

For the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004, the Successor s worldwide expenditures, including expenditures for legal compliance, internal environmental initiatives and remediation of active, orphan, divested and U.S. Superfund sites were $71 million, $84 million and $66 million, respectively. The Predecessor s worldwide expenditures for the three months ended March 31, 2004 were $22 million. The Successor s capital project related environmental expenditures for the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004, and the Predecessor s for the three months ended March 31, 2004, included in worldwide expenditures, were $5 million, $8 million, $6 million and $2 million, respectively. Environmental reserves for remediation matters were $114 million and $124 million as of December 31, 2006 and 2005, respectively, which represents our best estimate. See Note 18 to the consolidated financial statements.

It is anticipated that stringent environmental regulations will continue to be imposed on the chemical industry in general. We cannot predict with certainty future environmental expenditures, especially expenditures beyond 2007. Due to new air regulations in the U.S., we expect that there will be a temporary increase in compliance costs that will total approximately $10 million to $15 million through 2008.

Accordingly, Emission Trading Systems will directly affect the power plants at the Kelsterbach and Oberhausen sites in Germany and the Lanaken site in Belgium, as well as power plants operated by InfraServ entities on sites at which we operate. We, along with the InfraServ entities, may be required to purchase carbon dioxide credits, which could result in increased operating costs, or may be required to develop additional cost-effective methods to reduce carbon dioxide emissions further, which could result in increased capital expenditures. Additionally, the new regulation indirectly affects our other operations in the European Union, which may experience higher energy costs from third party providers. We have not yet determined the impact of this legislation on our operating costs.

Due to our industrial history, we have the obligation to remediate specific areas on our active sites as well as on divested, orphan or U.S. Superfund sites. In addition, as part of the demerger agreement with Hoechst, a specified proportion of the responsibility for environmental liabilities from a number of pre-demerger divestitures was transferred to us. We have provided for such obligations when the event of loss is probable and reasonably estimable. We believe that the environmental costs will not have a material adverse effect on our financial position, but they may have a material adverse effect on our results of operations or cash flows in any given accounting period. See Notes 18 and 25 to the consolidated financial statements.

Pension and Other Benefits

The funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. For the years ended December 31, 2006 and 2005, there were no pension contributions to the U.S. qualified defined benefit pension plan. Contributions to other non-qualified plans (including Rest of the World) for the years ended December 31, 2006 and 2005 were $53 million and $44 million, respectively.

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158, which caused us to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our benefit plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to Accumulated other comprehensive income (loss), net of tax. The net impact of the adoption of SFAS No. 158 was an increase in pension and postretirement benefit obligations of $113 million with an offset to Accumulated other comprehensive income (loss), net of tax. Based on the funded status of our defined benefit pension and postretirement benefit plans as of December 31, 2006, we reported a total unfunded amount of $884 million of pension and postretirement benefit obligations. Our adoption of SFAS No. 158 on December 31, 2006 had no impact on our earnings.

Our spending associated with other benefit plans, primarily retiree medical, defined contribution and long-term disability, amounted to $59 million and $67 million for the years ended December 31, 2006 and 2005, respectively. See Note 17 to the consolidated financial statements.

In 2004, we amended our long-term disability plan to align the benefit levels with the retiree medical plan. As a result of this change, the employee contribution for the long-term disability medical coverage increased substantially for current participants in the disability plan. Subsequent to the adoption of the change, enrollment in the plan has been trending downward, with 20% of the participants declining coverage. Accordingly, as a result of the lower enrollment experience, we reduced the disability accrual by $3 million and $9 million at December 31, 2006 and 2005, respectively. In addition, medical claims assumptions were lowered to reflect actual plan experience and the percentage of long-term disability medical payments paid for by Medicare. This change lowered the long-term disability accrual by an additional $9 million.

Other Matters

Plumbing Actions and Sorbates Litigation

We are involved in a number of legal proceedings and claims incidental to the normal conduct of our business. For the year ended December 31, 2006, there were $14 million of cash inflows in connection with the plumbing actions and sorbates litigation. In February 2005, we settled with an insurance carrier and received cash proceeds of $44 million in March 2005 and in December 2005, we received $30 million in additional settlements. For the year ended December 31, 2004, there were no net cash inflows in connection with the plumbing actions and sorbates litigation. As of December 31, 2006 and 2005, there were reserves of $214 million and $197 million, respectively, for these matters. In addition, we have receivables from insurance companies and Hoechst in connection with the plumbing and sorbates matters of $141 million and $140 million as of December 31, 2006 and 2005, respectively.

Although it is impossible at this time to determine with certainty the ultimate outcome of these matters, we believe, 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 our financial position, but could have a material adverse effect on our results of operations or cash flows in any given accounting period. See Note 25 to the consolidated financial statements.

Off-Balance Sheet Arrangements

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

Market Risks

Please see Quantitative and Qualitative Disclosure about Market Risk under Item 7A of this Form 10-K for additional information about our Market Risks.

Critical Accounting Policies and Estimates

Our consolidated financial statements are based on the selection and application of significant accounting policies. The preparation of these financial statements and application of these policies requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, we are not currently aware of any reasonably likely events or circumstances that would result in materially different results.

We believe the following accounting polices and estimates are critical to understanding the financial reporting risks present in the current economic environment. These matters, and the judgments and uncertainties affecting them, are also essential to understanding our reported and future operating results. See Note 4 to the consolidated financial statements for a more comprehensive discussion of our significant accounting policies.

Recoverability of Long-Lived Assets

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. At December 31, 2006 and 2005, the carrying amount of property, plant and equipment was $2,155 million and $2,031 million, respectively. We assess the recoverability of property, plant and equipment to be held and used by a comparison of the carrying amount of an asset or group of assets to the future net undiscounted cash flows expected to be generated by the asset or group of assets. If such assets are considered impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In December 2004, we approved a plan to dispose of the COC business included within the Ticona segment. This decision resulted in $25 million and $32 million of asset impairment charges recorded as other (charges) gains, net related to the COC business in the year ended December 31, 2005 and the nine months ended December 31, 2004, respectively.

As a result of the consolidation of tow production and the termination of filament production, the Acetate Products segment recorded impairment charges of $50 million associated with plant and equipment in the nine months ended December 31, 2004.

We assess the recoverability of the carrying value of our goodwill and other intangible assets with indefinite useful lives at least annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. As a result of our annual impairment test on intangible assets with indefinite useful lives, we recorded an impairment loss of $2 million for the year ended December 31, 2006. As of December 31, 2006 and 2005, we had $1,338 million and $1,430 million, respectively, of goodwill and other intangible assets, net.

As of December 31, 2006, there were no significant changes in the underlying business assumptions or circumstances that led us to believe goodwill might have been impaired. We will continue to evaluate the need for

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impairment if changes in circumstances or available information indicate that impairment may have occurred. We perform the required impairment test at least annually during the third quarter of our fiscal year using June 30 balances unless circumstances dictate more frequent testing. During 2006, we performed the impairment test and determined that there was no impairment of goodwill.

A prolonged general economic downturn and, specifically, a continued downturn in the chemical industry as well as other market factors could intensify competitive pricing pressure, create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. Such events, combined with changes in interest rates, could adversely affect our estimates of future net cash flows to be generated by our long-lived assets. Consequently, it is possible that our future operating results could be materially and adversely affected by additional impairment charges related to the recoverability of our long-lived assets.

Other (Charges) Gains, Net

Other (charges) gains, net include provisions for restructuring and other expenses and income incurred outside the normal ongoing course of operations. Restructuring provisions represent costs related to severance and other benefit programs related to major activities undertaken to fundamentally redesign our operations as well as costs incurred in connection with a decision to exit non-strategic businesses. These measures are based on formal management decisions, establishment of agreements with the employees representatives or individual agreements with the affected employees as well as the public announcement of the restructuring plan. The related reserves reflect certain estimates, including those pertaining to separation costs, settlements of contractual obligations and other closure costs. We reassess the reserve requirements to complete each individual plan under our restructuring program at the end of each reporting period. Actual experience has been and may continue to be different from these estimates. See Note 20 to the consolidated financial statements.

Environmental Liabilities

We recognize losses and accrue liabilities relating to environmental matters if available information indicates that it is probable that a liability has been incurred and the amount of loss is reasonably estimated. Depending on the nature of the site, we accrue through time horizons of ten to fifteen years, unless we have government orders or other agreements that extend beyond these time horizons. All other fees are expensed as incurred. If the event of loss is neither probable nor reasonably estimable, but is reasonably possible, we provide appropriate disclosure in the notes to the consolidated financial statements if the contingency is considered material. The measurement of environmental liabilities is based on a range of our periodic estimate of what it will cost to perform each of the elements of the remediation effort. We use our best estimate within the range to establish our environmental reserves. We utilize third parties to assist in the management and the development of our cost estimates for our sites. We accrue for legal fees related to loss contingency matters when the costs associated with defense can be reasonably estimated and are probable to occur. See also Note 18 to the consolidated financial statements.

Asset Retirement Obligations

Total reserves for asset retirement obligations were $59 million and $54 million at December 31, 2006 and 2005, respectively. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143 (FIN No. 47)* provides guidelines as to when a company is required to record a conditional asset retirement obligation. The liability is measured at the discounted fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset s remaining useful life. We have identified but not recognized asset retirement obligations related to substantially all of our existing operating facilities. Examples of these types of obligations include demolition, decommissioning, disposal and restoration activities. Legal obligations exist