Celanese CORP
Form 10-Q
July 29, 2009

Table of Contents

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

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

or

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

(Commission File Number) 001-32410

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

The number of outstanding shares of the registrant s Series A common stock, $0.0001 par value, as of July 23, 2009 was 143,579,582.

CELANESE CORPORATION

Form 10-Q
For the Quarterly Period Ended June 30, 2009

TABLE OF CONTENTS

		Page
	PART I FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	a) Unaudited Interim Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008	3
	b) Unaudited Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	4
	c) Unaudited Interim Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss) for the six months ended June 30, 2009	5
	d) Unaudited Interim Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008	6
	e) Notes to the Unaudited Interim Consolidated Financial Statements	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	35
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	47
Item 4.	Controls and Procedures	47
	PART II OTHER INFORMATION	
Item 1.	Legal Proceedings	48
Item 1A.	Risk Factors	48
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3.	Defaults Upon Senior Securities	48
Item 4.	Submission of Matters to a Vote of Security Holders	48
Item 5.	Other Information	49
Item 6.	Exhibits	49
Signatures		51

EX-10.5
EX-10.6
EX-10.7
EX-10.8
EX-10.9
EX-10.10
EX-31.1
EX-31.2
EX-32.1
EX-32.2
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Item 1. ***Financial Statements***

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In $ millions, except for share and per share data)			
Net sales	1,244	1,868	2,390	3,714
Cost of sales	(996)	(1,472)	(1,942)	(2,900)
Gross profit	248	396	448	814
Selling, general and administrative expenses	(114)	(138)	(228)	(274)
Amortization of intangible assets (primarily customer relationships)	(21)	(20)	(38)	(39)
Research and development expenses	(18)	(18)	(38)	(41)
Other (charges) gains, net	(6)	(7)	(27)	(23)
Foreign exchange gain (loss), net	1	(3)	3	4
Gain (loss) on disposition of businesses and assets, net	(1)	(3)	(4)	
Operating profit	89	207	116	441
Equity in net earnings (loss) of affiliates	27	17	25	27
Interest expense	(54)	(63)	(105)	(130)
Interest income	2	10	5	19
Dividend income cost investments	56	75	62	103
Other income (expense), net	2	1	3	5
Earnings (loss) from continuing operations before tax	122	247	106	465
Income tax (provision) benefit	(17)	(45)	(22)	(118)
Earnings (loss) from continuing operations	105	202	84	347
Earnings (loss) from operation of discontinued operations	(1)	(112)		(112)
Income tax (provision) benefit		43		43
Earnings (loss) from discontinued operations	(1)	(69)		(69)
Net earnings (loss)	104	133	84	278
Less: Net earnings (loss) attributable to noncontrolling interests		(1)		(1)

Net earnings (loss) attributable to Celanese Corporation	104	134	84	279
Cumulative preferred stock dividends	(2)	(2)	(5)	(5)
Net earnings (loss) available to common shareholders	102	132	79	274
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	105	203	84	348
Earnings (loss) from discontinued operations	(1)	(69)		(69)
Net earnings (loss)	104	134	84	279
Earnings (loss) per common share basic				
Continuing operations	0.72	1.33	0.55	2.26
Discontinued operations	(0.01)	(0.46)		(0.45)
Net earnings (loss) basic	0.71	0.87	0.55	1.81
Earnings (loss) per common share diluted				
Continuing operations	0.67	1.21	0.54	2.08
Discontinued operations	(0.01)	(0.41)		(0.41)
Net earnings (loss) diluted	0.66	0.80	0.54	1.67
Weighted average shares basic	143,528,126	150,905,770	143,517,588	151,449,762
Weighted average shares diluted	157,077,970	167,814,803	156,355,049	167,561,793

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

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

	As of June 30, 2009	As of December 31, 2008
	(In $ millions, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	1,145	676
Trade receivables third party and affiliates (net of allowance for doubtful accounts 2009: $22; 2008: $25)	702	631
Non-trade receivables	231	274
Inventories	473	577
Deferred income taxes	23	24
Marketable securities, at fair value	6	6
Assets held for sale	135	2
Other assets	63	96
Total current assets	2,778	2,286
Investments in affiliates	767	789
Property, plant and equipment (net of accumulated depreciation 2009: $1,012; 2008: $1,053)	2,533	2,470
Deferred income taxes	26	27
Marketable securities, at fair value	76	94
Other assets	327	357
Goodwill	788	779
Intangible assets, net	328	364
Total assets	7,623	7,166
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings and current installments of long-term debt third party and affiliates	224	233
Trade payables third party and affiliates	557	523
Other liabilities	529	574
Deferred income taxes	15	15
Income taxes payable	17	24
Total current liabilities	1,342	1,369

Long-term debt	3,268	3,300
Deferred income taxes	123	122
Uncertain tax positions	229	218
Benefit obligations	1,159	1,167
Other liabilities	1,254	806
Commitments and contingencies		
Shareholders equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized (2009 and 2008: 9,600,000 issued and outstanding)		
Series A common stock, $0.0001 par value, 400,000,000 shares authorized (2009: 164,171,268 issued and 143,569,582 outstanding; 2008: 164,107,394 issued and 143,505,708 outstanding)		
Series B common stock, $0.0001 par value, 100,000,000 shares authorized (2009 and 2008: 0 shares issued and outstanding)		
Treasury stock, at cost (2009 and 2008: 20,601,686 shares)	(781)	(781)
Additional paid-in capital	501	495
Retained earnings	1,114	1,047
Accumulated other comprehensive income (loss), net	(588)	(579)
Total Celanese Corporation shareholders equity	246	182
Noncontrolling interests	2	2
Total shareholders equity	248	184
Total liabilities and shareholders equity	7,623	7,166

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

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Six Months Ended June 30, 2009	
	Shares Outstanding	Amount
	(In $ millions, except share data)	
Preferred stock		
Balance as of the beginning of the period	9,600,000	
Issuance of preferred stock		
Balance as of the end of the period	9,600,000	
Series A common stock		
Balance as of the beginning of the period	143,505,708	
Stock option exercises	41,101	
Purchases of treasury stock, including related fees		
Stock awards	22,773	
Balance as of the end of the period	143,569,582	
Treasury stock		
Balance as of the beginning of the period	20,601,686	(781)
Purchases of treasury stock, including related fees		
Balance as of the end of the period	20,601,686	(781)
Additional paid-in capital		
Balance as of the beginning of the period		495
Stock-based compensation, net of tax		5
Stock option exercises		1
Balance as of the end of the period		501
Retained earnings		
Balance as of the beginning of the period		1,047
Net earnings (loss) attributable to Celanese Corporation		84
Series A common stock dividends		(12)
Preferred stock dividends		(5)
Balance as of the end of the period		1,114
Accumulated other comprehensive income (loss), net		
Balance as of the beginning of the period		(579)

Unrealized gain (loss) on securities	(13)
Foreign currency translation	(9)
Unrealized gain (loss) on interest rate swaps	14
Pension and postretirement benefits	(1)
Balance as of the end of the period	(588)
Total Celanese Corporation shareholders equity	246
Noncontrolling interests	
Balance as of the beginning of the period	2
Net earnings (loss) attributable to noncontrolling interests	
Balance as of the end of the period	2
Total shareholders equity	248
Comprehensive income (loss)	
Net earnings (loss)	84
Other comprehensive income (loss), net of tax:	
Unrealized gain (loss) on securities	(13)
Foreign currency translation	(9)
Unrealized gain (loss) on interest rate swaps	14
Pension and postretirement benefits	(1)
Total comprehensive income (loss), net of tax	75
Comprehensive income (loss) attributable to noncontrolling interests	
Comprehensive income (loss) attributable to Celanese Corporation	75

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

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(In $ millions)	
Operating activities		
Net earnings (loss)	84	278
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Other charges (gains), net of amounts used	(6)	5
Depreciation, amortization and accretion	156	178
Deferred income taxes, net	3	(8)
(Gain) loss on disposition of businesses and assets, net	3	(2)
Other, net	12	32
Operating cash provided by (used in) discontinued operations	1	5
Value-added tax on deferred proceeds from Ticona Kelsterbach plant relocation		59
Changes in operating assets and liabilities:		
Trade receivables third party and affiliates, net	(70)	(14)
Inventories	75	(94)
Other assets	55	(1)
Trade payables third party and affiliates	35	6
Other liabilities	(49)	(98)
Net cash provided by operating activities	299	346
Investing activities		
Capital expenditures on property, plant and equipment	(96)	(136)
Acquisitions and related fees, net of cash acquired		(1)
Proceeds from sale of businesses and assets, net	(1)	3
Deferred proceeds on Ticona Kelsterbach plant relocation	412	311
Capital expenditures related to Ticona Kelsterbach plant relocation	(147)	(62)
Proceeds from sale of marketable securities	15	96
Purchases of marketable securities		(83)
Settlement of cross currency swap agreement		(93)
Other, net		(68)
Net cash provided by (used in) investing activities	183	(33)
Financing activities		
Short-term borrowings (repayments), net	6	(47)
Proceeds from long-term debt		13
Repayments of long-term debt	(46)	(23)
Refinancing costs	(3)	
Purchases of treasury stock, including related fees		(126)
Stock option exercises	1	17
Series A common stock dividends	(12)	(12)

Preferred stock dividends	(5)	(5)
Net cash used in financing activities	(59)	(183)
Exchange rate effects on cash and cash equivalents	46	28
Net increase (decrease) in cash and cash equivalents	469	158
Cash and cash equivalents at beginning of period	676	825
Cash and cash equivalents at end of period	1,145	983

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

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Company and Basis of Presentation

Description of the Company

Celanese Corporation and its subsidiaries (collectively the Company) is a leading global integrated chemical and advanced materials company. The Company s business involves processing chemical raw materials, such as methanol, carbon monoxide and ethylene, and natural products, including wood pulp, into value-added chemicals, thermoplastic polymers and other chemical-based products.

Basis of Presentation

The unaudited interim consolidated financial statements for the three and six months ended June 30, 2009 and 2008 contained in this Quarterly Report were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for all periods presented. The unaudited interim consolidated financial statements and other financial information included in this Quarterly Report, unless otherwise specified, have been presented to separately show the effects of discontinued operations.

In the opinion of management, the accompanying unaudited consolidated balance sheets and related unaudited interim consolidated statements of operations, cash flows and shareholders equity and comprehensive income (loss) include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with US GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission (SEC). These unaudited interim consolidated financial statements should be read in conjunction with the Celanese Corporation and Subsidiaries consolidated financial statements as of and for the year ended December 31, 2008, as filed on February 13, 2009 with the SEC as part of the Company s Annual Report on Form 10-K (the 2008 Form 10-K).

Operating results for the three and six months ended June 30, 2009 and 2008 are not necessarily indicative of the results to be expected for the entire year.

Estimates and Assumptions

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

Reclassifications

The Company has reclassified certain prior period amounts to conform to the current period s presentation.

2. Recent Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*, (FSP No. FAS 132(R)-1). FSP No. FAS 132(R)-1 requires enhanced disclosures about the plan assets of a Company s defined benefit pension and other postretirement plans intended to provide financial statement users with a greater understanding of: 1) how investment allocation decisions are made; 2) the major categories of plan assets; 3) the inputs and valuation techniques used to measure the fair value of plan assets; 4) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and 5) significant concentrations of risk within plan

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assets. The Company adopted FSP FAS No. FAS 132(R)-1 beginning January 1, 2009. This FSP had no impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, (FSP No. FAS 141(R)-1). FSP No. FAS 141(R)-1 amends FASB Statement No. 141(R), *Business Combinations*, to address application issues related to the measurement, accounting and disclosure of assets and liabilities arising from contingencies in a business combination. The Company adopted FSP FAS No. 141(R)-1 upon issuance. This FSP had no impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, (FSP No. FAS 157-4). FSP No. FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements* (SFAS No. 157), and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The Company adopted FSP FAS No. 157-4 beginning April 1, 2009. This FSP had no material impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, (FSP No. FAS 107-1 and APB 28-1). FSP No. FAS 107-1 and APB 28-1 amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements and also amends Accounting Principles Board Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. The Company adopted FSP FAS No. 107-1 and APB 28-1 beginning April 1, 2009. This FSP had no impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, (FSP No. FAS 115-2 and FAS 124-2). FSP No. FAS 115-2 and FAS 124-2 provides guidance to determine whether the holder of an investment in a debt security for which changes in fair value are not regularly recognized in earnings should recognize a loss in earnings when the investment is impaired. This FSP also improves the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the consolidated financial statements. The Company adopted FSP FAS No. 115-2 and FAS 124-2 beginning April 1, 2009. This FSP had no material impact on the Company s financial position, results of operations or cash flows.

In May 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events* (SFAS No. 165) to establish accounting and disclosure standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It defines financial statements as available to be issued, requiring the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether it be the date the financial statements were issued or the date they were available to be issued. The Company adopted SFAS No. 165 upon issuance. This standard had no material impact on the Company s financial

position, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification ™ and the Hierarchy of Generally Accepted Accounting Principles*, (SFAS No. 168), which becomes effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS No. 168 replaces SFAS No. 162, T*he Hierarchy of Generally Accepted Accounting Principles.* SFAS No. 168 identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements of

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

nongovernmental entities that are presented in conformity with US GAAP (the GAAP hierarchy). This standard will have no impact on the Company s financial position, results of operations or cash flows.

3. Asset Sales

In July 2007, the Company reached an agreement with Babcock & Brown, a worldwide investment firm which specializes in real estate and utilities development, to sell the Company s Pampa, Texas, facility. The Company ceased its chemical operations at the site in December 2008. Proceeds received upon certain milestone events are treated as deferred proceeds and included in noncurrent Other liabilities in the Company s unaudited consolidated balance sheets until the transaction is complete (expected to be in 2010), as defined in the sales agreement. These operations are included in the Company s Acetyl Intermediates segment.

At June 30, 2009 and December 31, 2008, Assets held for sale included an office building with a net book value of $2 million.

4. Inventories

	As of June 30, 2009	As of December 31, 2008
	(In $ millions)	
Finished goods	342	434
Work-in-process	24	24
Raw materials and supplies	107	119
Total	473	577

5. Marketable Securities, at Fair Value

The Company s captive insurance companies and pension-related trusts hold available-for-sale securities for capitalization and funding requirements, respectively. The Company received proceeds from sales of marketable securities and recorded realized gains (losses) to Other income (expense), net in the consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008

		(In $ millions)		
Proceeds from sale of securities		33	15	96
Realized gain on sale of securities	1	2	3	2
Realized loss on sale of securities		(1)		(3)
Net realized gain (loss) on sale of securities	1	1	3	(1)

The Company reviews all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in fair value below carrying value as well as the intent and ability to hold the investment to allow for a recovery in the market value of the investment. In addition, the Company considers qualitative factors that include, but are not limited to: (i) the financial condition and business plans of the investee including its future earnings potential, (ii) the investee s credit rating, and (iii) the current and expected market and industry conditions in which the investee operates. If a decline in the fair value of an investment is deemed by management to be other-than-temporary, the Company writes down

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the carrying value of the investment to fair value, and the amount of the write-down is included in net earnings. Such a determination is dependent on the facts and circumstances relating to each investment. No investments were determined to be other-than-temporarily impaired for the six months ended June 30, 2009. All securities in an unrealized loss position have been in a loss position for less than twelve months.

The amortized cost, gross unrealized gain, gross unrealized loss and fair values for available-for-sale securities by major security type were as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In $ millions)		
Debt securities				
US government	29	4		33
US corporate	1			1
Total debt securities	30	4		34
Equity securities	56		(13)	43
Money market deposits and other securities	5			5
As of June 30, 2009	91	4	(13)	82
Debt securities				
US government	35	17		52
US corporate	3			3
Total debt securities	38	17		55
Equity securities	55		(13)	42
Money market deposits and other securities	3			3
As of December 31, 2008	96	17	(13)	100

Fixed maturities as of June 30, 2009 by contractual maturity are shown below. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In $ millions)	

Within one year	6	6
From one to five years		
From six to ten years		
Greater than ten years	29	33
Total	35	39

Proceeds received from fixed maturities that mature within one year are expected to be reinvested into additional securities upon such maturity.

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Intangible Assets, Net

Goodwill

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other	Total
			(In $ millions)			
As of December 31, 2008	258	252	34	235		779
Exchange rate changes	2	4		3		9
As of June 30, 2009	260	256	34	238		788

Intangible Assets, Net

	Trademarks and Trade names	Licenses	Customer-Related Intangible Assets	Developed Technology	Other	Total
			(In $ millions)			
Gross Asset Value						
As of December 31, 2008	82	29	537	12	12	672
Exchange rate changes			7			7
As of June 30, 2009	82	29	544	12	12	679
Accumulated Amortization						
As of December 31, 2008		(3)	(285)	(10)	(10)	(308)
Amortization	(3)	(1)	(33)		(1)	(38)
Exchange rate changes			(5)			(5)
As of June 30, 2009	(3)	(4)	(323)	(10)	(11)	(351)
Net book value as of June 30, 2009	79	25	221	2	1	328

Aggregate amortization expense for intangible assets with finite lives during the three months ended June 30, 2009 and 2008 was $21 million and $20 million, respectively. Aggregate amortization expense for intangible assets with finite lives during the six months ended June 30, 2009 and 2008 was $38 million and $39 million, respectively.

During the three months ended June 30, 2009 the Company accelerated amortization on the AT Plastics trade name which will be discontinued August 1, 2009. The remaining net book value ($3 million) of the AT Plastics trade name will be amortized through July 31, 2009.

Estimated amortization expense for the succeeding five fiscal years is $64 million in 2010, $59 million in 2011, $45 million in 2012, $29 million in 2013 and $19 million in 2014.

For the three and six months ended June 30, 2009, the Company did not renew or extend any intangible assets.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Debt

	As of June 30, 2009	As of December 31, 2008
	(In $ millions)	
Short-term borrowings and current installments of long-term debt third party and affiliates		
Current installments of long-term debt	72	81
Short-term borrowings, principally comprised of amounts due to affiliates	152	152
Total	224	233
Long-term debt		
Senior credit facilities: Term loan facility due 2014	2,789	2,794
Term notes 7.125%, due 2009		14
Pollution control and industrial revenue bonds, interest rates ranging from 5.7% to 6.7%, due at various dates through 2030	181	181
Obligations under capital leases and other secured and unsecured borrowings due at various dates through 2054	203	211
Other bank obligations, interest rates ranging from 3.0% to 5.3%, due at various dates through 2014	167	181
Subtotal	3,340	3,381
Less: Current installments of long-term debt	72	81
Total	3,268	3,300

Senior Credit Facilities

The Company s senior credit agreement consists of $2,280 million of US dollar-denominated and 400 million of Euro-denominated term loans due 2014, a $600 million revolving credit facility terminating in 2013 and a $228 million credit-linked revolving facility terminating in 2014. Borrowings under the senior credit agreement bear interest at a variable interest rate based on LIBOR (for US dollars) or EURIBOR (for Euros), as applicable, or, for US dollar-denominated loans under certain circumstances, a base rate, in each case plus an applicable margin. The applicable margin for the term loans and any loans under the credit-linked revolving facility is 1.75%, subject to potential reductions as defined in the senior credit agreement. As of June 30, 2009 the applicable margin was 1.75%. The term loans under the senior credit agreement are subject to amortization at 1% of the initial principal amount per annum, payable quarterly. The remaining principal amount of the term loans is due on April 2, 2014.

As of June 30, 2009, there were $89 million of letters of credit issued under the credit-linked revolving facility and $139 million remained available for borrowing. As of June 30, 2009, there were no outstanding borrowings or letters of credit issued under the revolving credit facility.

On June 30, 2009, the Company entered into an amendment to the senior credit agreement. The amendment reduced the amount available under the revolving credit portion of the senior credit agreement from $650 million to $600 million and increased the first lien senior secured leverage ratio covenant that is applicable when any amount is outstanding under the revolving credit portion of the senior credit agreement as set forth below. Prior to giving

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

effect to the amendment, the maximum first lien senior secured leverage ratio was 3.90 to 1.00. As amended, the maximum senior secured leverage ratio for the following trailing four-quarter periods is as follows:

	First Lien Senior Secured Leverage Ratio
June 30, 2009	4.75 to 1.00
September 30, 2009	5.75 to 1.00
December 31, 2009	5.25 to 1.00
March 31, 2010	4.75 to 1.00
June 30, 2010	4.25 to 1.00
September 30, 2010	4.25 to 1.00
December 31, 2010 and thereafter	3.90 to 1.00

As a condition to borrowing funds or requesting that letters of credit be issued under that facility, the Company s first lien senior secured leverage ratio (as calculated as of the last day of the most recent fiscal quarter for which financial statements have been delivered under the revolving facility) cannot exceed a certain threshold as specified above. The first lien senior secured leverage ratio is calculated as the ratio of consolidated first lien senior secured debt to earnings before interest, taxes, depreciation and amortization, subject to adjustment identified in the credit agreement.

Based on the estimated first lien senior secured leverage ratio for the trailing four quarters at June 30, 2009, the Company s borrowing capacity under the revolving credit facility is currently $600 million. Further, the Company s first lien senior secured leverage ratio must be maintained at or below that threshold while any amounts are outstanding under the revolving credit facility. As of the quarter ended June 30, 2009, the Company estimates its first lien senior secured leverage ratio to be 3.80 to 1.00 (which would be 4.59 to 1.00 were the revolving credit facility fully drawn). The maximum first lien senior secured leverage ratio under the revolving credit facility for such quarter is 4.75 to 1.00.

The Company s senior credit agreement also contains a number of restrictions on certain of its subsidiaries, including, but not limited to, restrictions on their ability to incur indebtedness; grant liens on assets; merge, consolidate, or sell assets; pay dividends or make other restricted payments; make investments; prepay or modify certain indebtedness; engage in transactions with affiliates; enter into sale-leaseback transactions or hedge transactions; or engage in other businesses. The senior credit agreement also contains a number of affirmative covenants and events of default, including a cross default to other debt of certain of the Company s subsidiaries in an aggregate amount equal to more than $40 million and the occurrence of a change of control. Failure to comply with these covenants, or the occurrence of any other event of default, could result in acceleration of the loans and other financial obligations under the Company s senior credit agreement.

The senior credit agreement is guaranteed by Celanese Holdings LLC, a subsidiary of Celanese Corporation, and certain domestic subsidiaries of the Company s subsidiary, Celanese US Holdings LLC (Celanese US), a Delaware limited liability company, and is secured by a lien on substantially all assets of Celanese US and such subsidiaries,

subject to certain agreed exceptions, pursuant to the Guarantee and Collateral Agreement, dated as of April 2, 2007, by and among Celanese Holdings LLC, Celanese US, certain subsidiaries of Celanese US and Deutsche Bank AG, New York Branch, as Administrative Agent and as Collateral Agent.

The Company is in compliance with all of the covenants related to its debt agreements as of June 30, 2009.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other Liabilities

The components of current Other liabilities are as follows:

	As of June 30, 2009	As of December 31, 2008
	(In $ millions)	
Salaries and benefits	92	107
Environmental	17	19
Restructuring	25	32
Insurance	33	34
Asset retirement obligations	8	9
Derivatives	79	67
Current portion of benefit obligations	61	57
Interest	26	54
Sales and use tax/foreign withholding tax payable	11	16
Uncertain tax positions	5	
Other	172	179
Total	529	574

The components of noncurrent Other liabilities are as follows:

	As of June 30, 2009	As of June 30, 2008
	(In $ millions)	
Environmental	84	79
Insurance	93	85
Deferred revenue	52	56
Deferred proceeds (see Notes 3 and 19)	830	370
Asset retirement obligations	37	40
Derivatives	54	76
Other	104	100
Total	1,254	806

14

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Benefit Obligations

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

	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
	(In $ millions)							
Service cost	7	9	1	1	14	16	1	1
Interest cost	48	57	4	5	95	99	8	9
Expected return on plan assets	(52)	(64)			(102)	(111)		
Recognized actuarial (gain) loss	1		(2)	(1)	1		(3)	(2)
Settlement (gain) loss	1				1			
Total	5	2	3	5	9	4	6	8

The Company expects to contribute $40 million to its defined benefit pension plans in 2009. As of June 30, 2009, $19 million of contributions have been made. The Company s estimates of its US defined benefit pension plan contributions reflect the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006.

The Company expects to make benefit payments of $35 million under the provisions of its other postretirement benefit plans in 2009. As of June 30, 2009, $14 million of benefit payments have been made.

The Company participates in multiemployer defined benefit plans in Europe covering certain employees. The Company s contributions to the multiemployer defined benefit plans are based on specified percentages of employee contributions and totaled $4 million for the six months ended June 30, 2009.

10. Environmental

General

The Company is subject to environmental laws and regulations worldwide which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations. The Company is also subject to retained environmental obligations specified in various contractual agreements arising from divestiture of certain businesses by the Company or one of its predecessor companies. The

Company s environmental reserves for remediation matters were $101 million and $98 million as of June 30, 2009 and December 31, 2008, respectively.

Remediation

Due to its industrial history and through retained contractual and legal obligations, the Company has the obligation to remediate specific areas on its own sites as well as on divested, orphan or US Superfund sites (as defined below). In addition, as part of the demerger agreement between the Company and Hoechst AG (Hoechst), a specified portion of the responsibility for environmental liabilities from a number of Hoechst divestitures was transferred to the Company. The Company provides for such obligations when the event of loss is probable and reasonably estimable. The Company believes that environmental remediation costs will not have a material adverse effect on the financial position of the Company, but may have a material adverse effect on the results of operations or cash flows in any given accounting period.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

US Superfund Sites

In the US, the Company may be subject to substantial claims brought by US federal or state regulatory agencies or private individuals pursuant to statutory authority or common law. In particular, the Company has a potential liability under the US Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and related state laws (collectively referred to as Superfund) for investigation and cleanup costs at approximately 50 sites. At most of these sites, numerous companies, including certain companies comprising the Company, or one of its predecessor companies, have been notified that the Environmental Protection Agency, state governing bodies or private individuals consider such companies to be potentially responsible parties (PRP) under Superfund or related laws. The proceedings relating to these sites are in various stages. The cleanup process has not been completed at most sites and the status of the insurance coverage for most of these proceedings is uncertain. Consequently, the Company cannot determine accurately its ultimate liability for investigation or cleanup costs at these sites.

As events progress at each site for which it has been named a PRP, the Company accrues, as appropriate, a liability for site cleanup. Such liabilities include all costs that are probable and can be reasonably estimated. In establishing these liabilities, the Company considers its shipment of waste to a site, its percentage of total waste shipped to the site, the types of wastes involved, the conclusions of any studies, the magnitude of any remedial actions that may be necessary and the number and viability of other PRPs. Often the Company joins with other PRPs to sign joint defense agreements that settle, among PRPs, each party s percentage allocation of costs at the site. Although the ultimate liability may differ from the estimate, the Company routinely reviews the liabilities and revises the estimate, as appropriate, based on the most current information available. The Company had provisions totaling $11 million for both June 30, 2009 and December 31, 2008 for US Superfund sites.

Additional information relating to environmental remediation activity is contained in the footnotes to the Company s consolidated financial statements included in the 2008 Form 10-K.

11. Shareholders Equity

Treasury Stock

In February 2008, the Company s Board of Directors authorized the repurchase of up to $400 million of the Company s Series A common stock. This authorization was increased to $500 million in October 2008. The authorization gives management discretion in determining the conditions under which shares may be repurchased. As of June 30, 2009, the Company had repurchased 9,763,200 shares of its Series A common stock pursuant to this authorization. During the six months ended June 30, 2009, the Company did not repurchase any shares of its Series A common stock. During the six months ended June 30, 2008, the Company repurchased 2,948,900 shares of its Series A common stock at an average purchase price of $42.71 per share.

Purchases of treasury stock reduce the number of shares outstanding and the repurchased shares may be used by the Company for compensation programs utilizing the Company s stock and other corporate purposes. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of Shareholders equity.

Other Comprehensive Income (Loss), Net

Adjustments to net earnings (loss) to calculate other comprehensive income (loss) totaled $(9) million and $9 million for the six months ended June 30, 2009 and 2008, respectively. These amounts were net of tax benefit of $1 million and $0 million for the six months ended June 30, 2009 and 2008, respectively. Adjustments to net earnings (loss) for comprehensive income (loss) totaled $102 million and $42 million for the three months ended June 30, 2009 and 2008, respectively. These amounts were net of tax benefit of $1 million and $0 million for the three months ended June 30, 2009 and 2008, respectively.

16

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Commitments and Contingencies

The Company is involved in a number of legal proceedings, lawsuits and claims incidental to the normal conduct of business, relating to such matters as product liability, antitrust, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, the Company is actively defending those matters where the Company is named as a defendant. Additionally, the Company believes it has determined its best estimate, based on the advice of legal counsel, that adequate reserves have been made and that the ultimate outcomes will not have a material adverse effect on the financial position of the Company; however, the ultimate outcome of any given matter may have a material impact on the results of operations or cash flows of the Company in any given reporting period.

Plumbing Actions

CNA Holdings, LLC (CNA Holdings), a US subsidiary of the Company, which included the US business now conducted by the Ticona business included in the Advanced Engineered Materials segment, along with Shell Oil Company (Shell), E.I. DuPont de Nemours and Company (DuPont) and others, has been a defendant in a series of lawsuits, including a number of class actions, alleging that plastics manufactured by these companies that were utilized in the production of plumbing systems for residential property were defective or caused such plumbing systems to fail. Based on, among other things, the findings of outside experts and the successful use of Ticona s acetal copolymer in similar applications, CNA Holdings does not believe Ticona s acetal copolymer was defective or caused the plumbing systems to fail. In many cases CNA Holdings potential future exposure may be limited by invocation of the statute of limitations since CNA Holdings ceased selling the resin for use in the plumbing systems in site-built homes during 1986 and in manufactured homes during 1990.

In November 1995, CNA Holdings, DuPont and Shell entered into national class action settlements which called for the replacement of plumbing systems of claimants who have had qualifying leaks, as well as reimbursements for certain leak damage. In connection with such settlements, the three companies had agreed to fund these replacements and reimbursements up to an aggregate amount of $950 million. In 2002, based on projections that the cap would be exceeded, Shell and the Company added $75 million for a total of $1.025 billion. The cap was further increased by $78 million to $1.103 billion primarily as a result of funds transferred from the US Brass Trust. Additional funds transferred from the US Brass Trust may further increase the cap in the future. Excess funds remaining upon complete dissolution of the class action are payable to Shell and the Company.

During the period between 1995 and 2001, CNA Holdings was also named as a defendant in the following putative class actions:

Cox, et al. v. Hoechst Celanese Corporation, et al., No. 94-0047 (Chancery Ct., Obion County, Tennessee) (class was certified).

Couture, et al. v. Shell Oil Company, et al., No. 200-06-000001-985 (Quebec Superior Court, Canada).

Dilday, et al. v. Hoechst Celanese Corporation, et al., No. 15187 (Chancery Ct., Weakley County, Tennessee).

Furlan v. Shell Oil Company, et al., No. C967239 (British Columbia Supreme Court, Vancouver Registry, Canada).

Gariepy, et al. v. Shell Oil Company, et al., No. 30781/99 (Ontario Court General Division, Canada).

Shelter General Insurance Co., et al. v. Shell Oil Company, et al., No. 16809 (Chancery Ct., Weakley County, Tennessee).

St. Croix Ltd., et al. v. Shell Oil Company, et al., No. 1997/467 (Territorial Ct., St. Croix Division, the US Virgin Islands).

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tranter v. Shell Oil Company, et al., No. 46565/97 (Ontario Court General Division, Canada).

In addition, between 1994 and 2008 CNA Holdings was named as a defendant in numerous non-class actions filed in Florida, Georgia, Louisiana, Mississippi, New Jersey, Tennessee and Texas, the US Virgin Islands and Canada of which nine are currently pending. In all of these actions, the plaintiffs have sought recovery for alleged damages caused by leaking polybutylene plumbing. Damage amounts have generally not been specified but these cases generally do not involve (either individually or in the aggregate) a large number of homes.

As of June 30, 2009 and December 31, 2008, the Company had remaining accruals of $62 million and $64 million, respectively, of which $2 million is included in current Other liabilities in the unaudited consolidated balance sheets.

The Company reached settlements with CNA Holdings insurers specifying their responsibility for these claims. During the year ended December 31, 2007, the Company received $23 million of insurance proceeds from various CNA Holdings insurers as full satisfaction for their responsibility for these claims. During the year ended December 31, 2008, the Company received less than $1 million from insurers. During the six months ended June 30, 2009, the Company recognized a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and received $1 million of insurance recoveries associated with plumbing cases.

Plumbing Insurance Indemnifications

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

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

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

Sorbates Antitrust Actions

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

Fine Chemicals Industry Ltd. operated a cartel in the European sorbates market between 1979 and 1996. The European Commission imposed a total fine of 138 million on such companies, of which 99 million was assessed against Hoechst and its legal successors. The case against Nutrinova was closed. Pursuant to the Demerger Agreement with Hoechst, Celanese GmbH was assigned the obligation related to the sorbates antitrust matter; however, Hoechst, and its legal successors, agreed to indemnify Celanese GmbH for 80% of any costs Celanese GmbH incurred relative to this matter. Accordingly, Celanese GmbH recognized a receivable from Hoechst from this indemnification. In June 2008, the Court of First Instance of the European Communities (Fifth Chamber) reduced the fine against Hoechst to 74.25 million and in July 2008, Hoechst paid the 74.25 million

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

fine. In August 2008, the Company paid Hoechst 17 million, including interest of 2 million, in satisfaction of its 20% obligation with respect to the fine.

Based on the advice of external counsel and a review of the existing facts and circumstances relating to the sorbates antitrust matters, including the settlement of the European Union s investigation, as well as civil claims filed and settled, the Company released its accruals related to the settled sorbates antitrust matters and the indemnification receivables resulting in a gain of $8 million, net, for the year ended December 31, 2008.

In addition, in 2004 a civil antitrust action styled *Freeman Industries LLC v. Eastman Chemical Co., et. al.* was filed against Hoechst and Nutrinova, in the Law Court for Sullivan County in Kingsport, Tennessee. The plaintiff sought monetary damages and other relief for alleged conduct involving the sorbates industry. The trial court dismissed the plaintiff s claims and upon appeal the Supreme Court of Tennessee affirmed the dismissal of the plaintiff s claims. In December 2005, the plaintiff lost an attempt to amend its complaint and the entire action was dismissed with prejudice by the trial court. Plaintiff s counsel has subsequently filed a new complaint with new class representatives in the District Court of the District of Tennessee. The Company s motion to strike the class allegations was granted in April 2008 and the plaintiff s request to appeal the ruling is currently pending.

Acetic Acid Patent Infringement Matters

On May 9, 1999, Celanese International Corporation filed a private criminal action styled *Celanese International Corporation v. China Petrochemical Development Corporation* against China Petrochemical Development Corporation (CPDC) in the Taiwan Kaoshiung District Court alleging that CPDC infringed Celanese International Corporation s patent covering the manufacture of acetic acid. Celanese International Corporation also filed a supplementary civil brief which, in view of changes in Taiwanese patent laws, was subsequently converted to a civil action alleging damages against CPDC based on a period of infringement of ten years, 1991-2000, and based on CPDC s own data which was reported to the Taiwanese securities and exchange commission. Celanese International Corporation s patent was held valid by the Taiwanese patent office. On August 31, 2005, the District Court held that CPDC infringed Celanese International Corporation s acetic acid patent and awarded Celanese International Corporation approximately $28 million (plus interest) for the period of 1995 through 1999. In October 2008, the High Court, on appeal, reversed the District Court s $28 million award to the Company. The Company appealed to the Superior Court in November 2008, and the court remanded the case to the IP court on June 4, 2009. On January 16, 2006, the District Court awarded Celanese International Corporation $800,000 (plus interest) for the year 1990. In January 2009, the High Court, on appeal, affirmed the District Court s award and CPDC appealed on February 5, 2009. On June 29, 2007, the District Court awarded Celanese International Corporation $60 million (plus interest) for the period of 2000 through 2005. CPDC appealed this ruling and on July 21, 2009, the High Court ruled in CPDC s favor.

Domination Agreement

On October 1, 2004, a Domination Agreement between Celanese GmbH and Celanese Europe Holding GmbH & Co. KG (the Purchaser) became operative. When the Domination Agreement became operative, the Purchaser became obligated to offer to acquire all outstanding Celanese GmbH shares from the minority shareholders of Celanese GmbH in return for payment of fair cash compensation. The amount of this fair cash compensation was determined to be 41.92 per share, plus interest, in accordance with applicable German law. Until the Squeeze-Out was registered in the

commercial register in Germany on December 22, 2006, any minority shareholder who elected not to sell its shares to the Purchaser was entitled to remain a shareholder of Celanese GmbH and to receive from the Purchaser a gross guaranteed annual payment on its shares of 3.27 per Celanese GmbH share less certain corporate taxes in lieu of any dividend.

The Domination Agreement cannot be terminated by the Purchaser in the ordinary course of business until September 30, 2009. The Company s subsidiaries, Celanese International Holdings Luxembourg S.à r.l. (CIH),

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

formerly Celanese Caylux Holdings Luxembourg S.C.A., and Celanese US, 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 Celanese GmbH for any statutory annual loss incurred by Celanese GmbH during the term of the Domination Agreement. If CIH and/or Celanese US are obligated to make payments under such guarantees or other security to the Purchaser, the Company may not have sufficient funds for payments on its indebtedness when due. The Company has not had to compensate Celanese GmbH for an annual loss for any period during which the Domination Agreement has been in effect.

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

Shareholder Litigation

The amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement may be increased in special award proceedings initiated by minority shareholders, which may further reduce the funds the Purchaser can otherwise make available to the Company. As of March 30, 2005, several minority shareholders of Celanese GmbH had 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. As a result of these proceedings, the amount of the fair cash consideration and the guaranteed annual payment offered under the Domination Agreement could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. The court dismissed all of these proceedings in March 2005 on the grounds of inadmissibility. Thirty-three plaintiffs appealed the dismissal, and in January 2006, twenty-three of these appeals were granted by the court. They were remanded back to the court of first instance, where the valuation will be further reviewed. On December 12, 2006, the court of first instance appointed an expert to help determine the value of Celanese GmbH. In the first quarter of 2007, certain minority shareholders that received 66.99 per share as fair cash compensation also filed award proceedings challenging the amount they received as fair cash compensation.

The Company received applications for the commencement of award proceedings filed by 79 shareholders against the Purchaser with the Frankfurt District Court requesting the court to set a higher amount for the Squeeze-Out compensation. The motions are based on various alleged shortcomings and mistakes in the valuation of Celanese GmbH done for purposes of the Squeeze-Out. On May 11, 2007, the court of first instance appointed a common

representative for those shareholders that have not filed an application on their own. The Company anticipates a report by the valuation expert before the end of 2009.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Polyester Staple Antitrust Litigation

CNA Holdings, the successor in interest to Hoechst Celanese Corporation (HCC), Celanese Americas Corporation and Celanese GmbH (collectively, the Celanese Entities) and Hoechst, the former parent of HCC, were named as defendants in two actions (involving 25 individual participants) filed in September 2006 by US purchasers of polyester staple fibers manufactured and sold by HCC. The actions allege that the defendants participated in a conspiracy to fix prices, rig bids and allocate customers of polyester staple sold in the United States. These actions were consolidated in a proceeding by a Multi-District Litigation Panel in the United States District Court for the Western District of North Carolina styled *In re Polyester Staple Antitrust Litigation*, MDL 1516. On June 12, 2008 the court dismissed these actions against all Celanese Entities in consideration of a payment by the Company of $107 million. This proceeding related to sales by the polyester staple fibers business which Hoechst sold to KoSa, Inc. in 1998. Accordingly, the impact of this settlement is reflected within discontinued operations in the consolidated statements of operations. The Company also previously entered into tolling arrangements with four other alleged US purchasers of polyester staple fibers manufactured and sold by the Celanese Entities. These purchasers were not included in the settlement and one such company filed suit against the Company in December 2008 in the Western District of North Carolina entitled *Milliken & Company v. CNA Holdings, Inc., Celanese Americas Corporation and Hoechst AG* (No. 8-CV-00578). The Company is actively defending this matter.

In 1998, HCC sold its polyester staple business as part of the sale of its Film & Fibers Division to KoSa B.V., f/k/a Arteva B.V. and a subsidiary of Koch Industries, Inc. (KoSa). In March 2001 the US Department of Justice (DOJ) commenced an investigation of possible price fixing regarding the sales of polyester staple fibers in the US subsequent to the period the Celanese Entities were engaged in the polyester staple fiber business. The Celanese Entities were never named in the DOJ action. As a result of the DOJ action, during August of 2002, Arteva Specialties, S.à.r.l., a subsidiary of KoSa, (Arteva Specialties) pled guilty to criminal violation of the Sherman Act related to anti-competitive conduct occurring after the 1998 sale of the polyester staple fiber business and paid a fine of $29 million. In a complaint pending against the Celanese Entities and Hoechst in the United States District Court for the Southern District of New York, Koch Industries, Inc., KoSa, Arteva Specialties and Arteva Services S.à.r.l. seek damages in excess of $371 million which includes indemnification for all damages related to the defendants alleged participation in, and failure to disclose, the alleged conspiracy during due diligence.

Guarantees

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

As indemnification obligations often depend on the occurrence of unpredictable future events, the future costs associated with them cannot be determined at this time.

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

Demerger Obligations

The Company has obligations to indemnify Hoechst, and its legal successors, for various liabilities under the Demerger Agreement, including for environmental liabilities associated with contamination arising under 19 divestiture agreements entered into by Hoechst prior to the demerger.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s obligation to indemnify Hoechst, and its legal successors, is subject to the following thresholds:

- The Company will indemnify Hoechst, and its legal successors, against those liabilities up to 250 million;
- Hoechst, and its legal successors, will bear those liabilities exceeding 250 million; however, the Company will reimburse Hoechst, and its legal successors, for one-third of those liabilities for amounts that exceed 750 million in the aggregate.

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

Based on the estimate of the probability of loss under this indemnification, the Company had reserves of $33 million and $27 million as of June 30, 2009 and December 31, 2008, respectively, for this contingency. Where the Company is unable to reasonably determine the probability of loss or estimate such loss under an indemnification, the Company has not recognized any related liabilities.

The Company has also undertaken in the Demerger Agreement to indemnify Hoechst and its legal successors for liabilities that Hoechst is required to discharge, including tax liabilities, which are associated with businesses that were included in the demerger but were not demerged due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. The Company has not provided for any reserves associated with this indemnification as it is not probable or estimable. The Company has not made any payments to Hoechst or its legal successors during the six months ended June 30, 2009 or 2008 in connection with this indemnification.

Divestiture Obligations

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

The Company has divested numerous businesses, investments and facilities through agreements containing indemnifications or guarantees to the purchasers. Many of the obligations contain monetary and/or time limitations, ranging from one year to thirty years. The aggregate amount of guarantees provided for under these agreements is approximately $2.3 billion as of June 30, 2009. Other agreements do not provide for any monetary or time limitations.

Based on historical claims experience and its knowledge of the sites and businesses involved, the Company believes that it is adequately reserved for these matters. As of June 30, 2009 and December 31, 2008, the Company has reserves in the aggregate of $32 million and $33 million, respectively, for these matters.

Other Obligations

The Company is secondarily liable under a lease agreement that the Company assigned to a third party. The lease expires on April 30, 2012. The lease liability for the period from July 1, 2009 to April 30, 2012 is estimated to be approximately $21 million.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has agreed to indemnify various insurance carriers for amounts not in excess of the settlements received from claims made against these carriers subsequent to the settlement. The aggregate amount of guarantees under these settlements which is limited in term is approximately $10 million.

Asbestos Claims

As of June 30, 2009, Celanese Ltd. and/or CNA Holdings, LLC, both US subsidiaries of the Company, are defendants in approximately 555 asbestos cases. During the six months ended June 30, 2009, 38 new cases were filed against the Company and 42 cases were resolved. Because many of these cases involve numerous plaintiffs, the Company is subject to claims significantly in excess of the number of actual cases. The Company has reserves for defense costs related to claims arising from these matters. The Company believes that there is no significant exposure related to these matters.

Purchase Obligations

In the normal course of business, the Company enters into commitments to purchase goods and services over a fixed period of time. The Company maintains a number of take-or-pay contracts for purchases of raw materials and utilities. As of June 30, 2009, there were outstanding future commitments of $1,746 million under take-or-pay contracts. The Company does not expect to incur any material losses under these contractual arrangements and historically has not incurred any material losses related to these contracts. Additionally, as of June 30, 2009, there were outstanding commitments relating to capital projects of $19 million.

13. Derivative Financial Instruments

To reduce the interest rate risk inherent in the Company s variable rate debt, the Company utilizes interest rate swap agreements to convert a portion of the variable rate debt to a fixed rate obligation. These interest rate swap agreements are designated as cash flow hedges. The notional value of the Company s US dollar interest rate swap agreements at June 30, 2009 and December 31, 2008 was $1.6 billion and $1.8 billion, respectively. The notional value of the Company s Euro interest rate swap agreement was 150 million at both June 30, 2009 and December 31, 2008.

If an interest rate swap agreement is terminated prior to its maturity, the amount previously recorded in Accumulated other comprehensive income (loss), net is recognized into earnings over the period that the hedged transaction impacts earnings. If the hedging relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts previously recorded in Accumulated other comprehensive income (loss), net are recognized into earnings immediately.

To protect the foreign currency exposure of a net investment in a foreign operation, the Company entered into cross currency swaps with certain financial institutions in 2004. The cross currency swaps and the Euro-denominated portion of the senior term loan were designated as a hedge of a net investment of a foreign operation. Under the terms of the cross currency swap arrangements, the Company paid approximately 13 million in interest and received approximately $16 million in interest on June 15 and December 15 of each year. Upon maturity of the cross currency swap agreements in June 2008, the Company owed 276 million ($426 million) and was owed $333 million. In settlement of the obligation, the Company paid $93 million (net of interest of $3 million) in June 2008.

During the year ended December 31, 2008, the Company dedesignated 385 million of the 400 Euro-denominated portion of the term loan, previously designated as a hedge of a net investment of a foreign operation. The remaining 15 million Euro-denominated portion of the term loan was dedesignated as a hedge of a net investment of a foreign operation in June 2009. Prior to the dedesignations, the Company had been using external derivative contracts to offset foreign currency exposures on certain intercompany loans. As a result of the

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

dedesignations, the foreign currency exposure created by the Euro-denominated term loan is expected to offset the foreign currency exposure on certain intercompany loans, decreasing the need for external derivative contracts and reducing the Company s exposure to external counterparties.

The Company enters into foreign currency forwards and swaps to minimize its exposure to foreign currency fluctuations. Through these instruments, the Company mitigates its foreign currency exposure on transactions with third party entities as well as intercompany transactions. The forward currency forwards and swaps are not designated as hedges under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on intercompany balances are classified as Other income (expense), net, in the unaudited interim consolidated statements of operations. Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on all other assets and liabilities are classified as Foreign exchange gain (loss), net, in the unaudited interim consolidated statements of operations. The notional value of the Company s foreign currency forwards and swaps at June 30, 2009 and December 31, 2008 were both $1 billion.

The following table presents information regarding changes in the fair value of the Company s derivative arrangements:

	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income
	(In $ millions)			
Derivatives designated as cash flow hedging instruments				
Interest rate swaps	2	(15)[(1)]	(13)	(27)[(1)]
Derivatives designated as net investment hedging instruments				
Euro-denominated term loan	(1)			
Derivatives not designated as hedging instruments				
Foreign currency forwards and swaps		(6)		(15)
Total	1	(21)	(13)	(42)

[1] Amount represents reclassification from Accumulated other comprehensive income and is classified as interest expense in the unaudited interim consolidated statement of operations.

See Note 14, Fair Value Measurements, for additional information regarding the fair value of the Company s derivative arrangements.

14. Fair Value Measurements

On January 1, 2009, the Company adopted the provisions of SFAS No. 157 for nonrecurring fair value measurements of non-financial assets and liabilities, such as goodwill, indefinite-lived intangible assets, property, plant and equipment and asset retirement obligations. The adoption did not have a material impact on the Company s financial position, results of operations or cash flows.

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SFAS No. 157 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2 inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 inputs that are unobservable in the marketplace and significant to the valuation

SFAS No. 157 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The Company s financial assets and liabilities are measured at fair value on a recurring basis and include securities available for sale and derivative financial instruments. Securities available for sale include US government and corporate bonds, mortgage-backed securities and equity securities. Derivative financial instruments include interest rate swaps and foreign currency forwards and swaps.

Marketable Securities. Where possible, the Company utilizes quoted prices in active markets to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities and US government bonds. When quoted market prices for identical assets are unavailable, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads, forward mortgage-backed securities trade prices and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include mortgage-backed securities, corporate bonds and other US government securities.

Derivatives. Derivative financial instruments are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 inputs such as interest rates and foreign currency exchange rates. These market inputs are utilized in the discounted cash flow calculation considering the instrument s term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for interest rate swaps and foreign currency forwards and swaps are observable in the active markets and are classified as Level 2 in the hierarchy.

The following fair value hierarchy tables present information about the Company s assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total

	(In $ millions)		
Marketable securities, at fair value			
Debt securities			
US government		33	33
US corporate		1	1
Equity securities	43		43
Money market deposits and other securities		5	5
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps (included in current Other assets)		8	8
Total assets as of June 30, 2009	43	47	90

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(In $ millions)		
Derivatives designated as cash flow hedging instruments			
Interest rate swaps (included in current Other liabilities)		(62)	(62)
Interest rate swaps (included in noncurrent Other liabilities)		(54)	(54)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps (included in current Other liabilities)		(17)	(17)
Total liabilities as of June 30, 2009		(133)	(133)
Marketable securities, at fair value			
Debt securities			
US government		52	52
US corporate		3	3
Equity securities	42		42
Money market deposits and other securities		3	3
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps (included in current Other assets)		54	54
Total assets as of December 31, 2008	42	112	154
Derivatives designated as cash flow hedging instruments			
Interest rate swaps (included in current Other liabilities)		(42)	(42)
Interest rate swaps (included in noncurrent Other liabilities)		(76)	(76)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps (included in current Other liabilities)		(25)	(25)
Total liabilities as of December 31, 2008		(143)	(143)

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summarized below are the carrying values and estimated fair values of financial instruments that are not carried at fair value on our consolidated balance sheets:

	As of June 30, 2009		As of December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In $ millions)			
Cost investments	185		184	
Insurance contracts in nonqualified pension trusts	64	64	67	67
Long-term debt, including current installments of long-term debt	3,340	3,072	3,381	2,404

In general, the cost investments included in the table above are not publicly traded and their fair values are not readily determinable; however, the Company believes the carrying values approximate or are less than the fair values.

As of June 30, 2009 and December 31, 2008, the fair values of cash and cash equivalents, receivables, trade payables, short-term debt and the short-term borrowings approximate carrying values due to the short-term nature of these instruments. These items have been excluded from the table. Additionally, certain noncurrent receivables, principally insurance recoverables, are carried at net realizable value.

The fair value of long-term debt is based on valuations from third-party banks and market quotations.

15. Other (Charges) Gains, Net

The components of Other (charges) gains, net are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In $ millions)			
Employee termination benefits	(5)	(4)	(29)	(11)
Plant/office closures				(7)
Ticona Kelsterbach plant relocation (see Note 19)	(3)	(3)	(6)	(5)
Plumbing actions	2		3	
Insurance recoveries associated with Clear Lake, Texas			6	
Asset impairments			(1)	
Total	(6)	(7)	(27)	(23)

During the first quarter of 2009, the Company began efforts to align production capacity and staffing levels with the Company s view of an economic environment of prolonged lower demand. For the six months ended June 30, 2009, Other charges included employee termination benefits of $28 million related to this endeavor. As a result of the shutdown of the vinyl acetate monomer (VAM) production unit in Cangrejera, Mexico, the Company recognized employee termination benefits of $1 million and long-lived asset impairment losses of $1 million during the six months ended June 30, 2009. The VAM production unit in Cangrejera, Mexico is included in the Company s Acetyl Intermediates segment.

Other charges for the six months ended June 30, 2009 was partially offset by $6 million of insurance recoveries in satisfaction of claims the Company made related to the unplanned outage of the Company s Clear Lake, Texas

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acetic acid facility during 2007, a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and $1 million of insurance recoveries associated with plumbing cases.

Employee termination benefits during 2008 related primarily to the Company s strategy to simplify and optimize its business portfolio. Plant/office closures during 2008 included accelerated depreciation expense related to the shutdown of the Company s Pampa, Texas facility.

The changes in the restructuring reserves by business segment are as follows:

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other	Total
			(In $ millions)			
Employee Termination Benefits						
Employee termination benefits reserve as of December 31, 2008	2	2	6	17	2	29
Restructuring additions	10	3	3	6	7	29
Cash payments	(4)	(2)	(6)	(19)	(3)	(34)
Employee termination benefits reserve as of June 30, 2009	8	3	3	4	6	24
Plant/Office Closures						
Plant/Office closures reserve as of December 31, 2008		2			1	3
Transfer to demolition accrual (current Other liabilities)						