Notes to the Consolidated Financial Statements

1 Description of the Company

On October 22, 1999 (the "Effective Date"), Celanese AG ("Celanese" or "the Company"), formerly a subsidiary of Hoechst AG ("Hoechst"), was demerged from Hoechst and became an independent publicly traded company. Subsequent to the demerger, Hoechst merged with Rhône-Poulenc S.A. to form Aventis S.A. ("Aventis"). In the demerger, Hoechst distributed all of the outstanding shares of Celanese's common stock to existing Hoechst shareholders.

Celanese is a global industrial chemicals company. Its business involves processing chemical raw materials, such as ethylene and propylene, and natural products, including natural gas and wood pulp, into value-added chemicals and chemical-based products. The Celanese portfolio consists of five main business segments: Acetyl Products, Chemical Intermediates, Acetate Products, Technical Polymers Ticona and Performance Products.

2 Summary of Accounting Policies

▸ Consolidation principles

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for all periods presented and include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in prior years have been reclassified to conform to the current year presentation.

▸ Estimates and assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, allocated balances and 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. Actual results could differ from those estimates.

▸ Revenue recognition

Revenue is recognized when title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured, generally at the time of shipment of products.

▸ Cash and cash equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents.

▸ Investments in marketable securities

Celanese has classified its investments in debt and equity securities as "available-for-sale" and has reported those investments at their fair or market values in the balance sheet as other assets. Unrealized gains or losses, net of the related tax effect on available-for-sale securities, are excluded from earnings and are reported as a component of accumulated other comprehensive income (loss) until realized. The cost of securities sold is determined by using the specific identification method.

A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

▸ Financial instruments

Celanese addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. As a matter of principle, Celanese does not use derivative financial instruments for trading purposes. Celanese is party to interest rate swaps as well as foreign currency forward contracts in the management of its interest rate and foreign currency exchange rate exposures. Celanese generally utilizes interest rate derivative contracts in order to fix or limit the interest paid on existing variable rate debt. Celanese utilizes foreign currency derivative financial instruments to eliminate or reduce the exposure of its foreign currency denominated receivables and payables. Additionally, Celanese utilizes derivative instruments to reduce the exposure of its commodity prices and stock compensation expense.

Differences between amounts paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the hedged obligation. Gains and losses on instruments not meeting the criteria for cash flow hedge accounting treatment, or that cease to meet hedge accounting criteria, are included as income or expense.

If a swap is terminated prior to its maturity, the gain or loss is recognized over the remaining original life of the swap if the item hedged remains outstanding, or immediately, if the item hedged does not remain outstanding. If the swap is not terminated prior to maturity, but the underlying hedged item is no longer outstanding, the interest rate swap is marked to market and any unrealized gain or loss is recognized immediately.

Foreign exchange contracts relating to foreign currency denominated accounts receivable or accounts payable are accounted for as fair value hedges. Gains and losses on derivative instruments designated and qualifying as fair value hedging instruments as well as the offsetting losses and gains on the hedged items are reported in earnings in the same accounting period. Foreign exchange contracts for anticipated exposures are accounted for as cash flow hedges. Realized gains and losses are included in the earnings upon settlement of the contract. The effective portion of unrealized gains and losses associated with the contracts are deferred as a component of accumulated

other comprehensive income (loss) until the underlying hedged transactions affect earnings. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the results included in earnings.

Celanese's risk management policy allows the purchase of up to 80 percent of its natural gas and butane requirements, generally up to 18 months forward using forward purchase or cash-settled swap contracts to manage its exposure to fluctuating feed stock and energy costs. Throughout 2002, Celanese entered into natural gas forward and cash-settled swap contracts for 50 percent of its natural gas requirements, generally for up to 3 to 6 months forward; however, this amount is based on past practices and may not be indicative of future requirements. The fixed price natural gas forward contracts are principally settled through actual delivery of the physical commodity. The maturities of the cash-settled swap contracts correlate to the actual purchases of the commodity and have the effect of securing predetermined prices for the underlying commodity. Although these contracts are structured to limit Celanese's exposure to increases in commodity prices, they can also limit the potential benefit Celanese might have otherwise received from decreases in commodity prices. These cash-settled swap contracts are accounted for as cash flow hedges. Realized gains and losses are included in the cost of the commodity upon settlement of the contract. The effective portion of unrealized gains and losses associated with the cash-settled swap contracts are deferred as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions affect earnings.

Celanese selectively utilizes call options to offset some of the exposure to variability in expected future cash flows attributable to changes in the Company's stock price related to its stock appreciation rights plans. The options are designated as cash flow hedging instruments. Celanese excludes the time value component from the assessment of hedge effectiveness. The change in the call option's time value is reported each period in interest expense. The intrinsic value of the option contracts is deferred as a component of accumulated other comprehensive income (loss) until the compensation expense associated with the underlying hedged transactions affect earnings. (See Note 3)

Financial instruments which could potentially subject Celanese to concentrations of credit risk are primarily receivables concentrated in various geographic locations and cash equivalents. Celanese performs ongoing credit evaluations of its customers' financial condition. Generally, collateral is not required from customers. Allowances are provided for specific risks inherent in receivables.

▸ Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out or FIFO method and at certain locations, primarily in the U.S., the last-in, first-out or LIFO method. Cost includes raw materials, direct labor and manufacturing overhead.

The cost of stores and supplies are valued at cost or market, whichever is lower. Cost is generally determined by the average cost method.

▸ **Investments and equity in net earnings of affiliates**
Accounting Principles Board ("APB") Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, stipulates that the equity method should be used to account for investments in corporate joint ventures and certain other companies when an investor has "the ability to exercise significant influence over operating and financial policies of an investee even though the investor holds 50 percent or less of the voting stock." APB Opinion No. 18 considers an investor to have the ability to exercise significant influence when it owns 20 percent or more of the voting stock of an investee. Financial Accounting Standards Board ("FASB") Interpretation No. 35, *Criteria for Applying the Equity Method of Accounting for Investments in Common Stock*, issued to clarify the criteria for applying the equity method of accounting to 50 percent or less owned companies, lists circumstances under which, despite 20 percent ownership, an investor may not be able to exercise significant influence. Certain investments where Celanese owns greater than a 20 percent ownership and can not exercise significant influence or control are accounted for under the cost method. Such investments aggregate €71 million and are included within long-term Other Assets.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, adopted by the Company effective January 1, 2002, the excess of cost over underlying equity in net assets acquired is no longer amortized.

Celanese assesses the recoverability of the carrying value of its investments whenever events or changes in circumstances indicate a loss in value that is other than a temporary decline. See "Impairment of property, plant and equipment" for explanation of the methodology utilized.

▸ **Property, plant and equipment**
Property, plant and equipment are capitalized at cost. Depreciation is calculated on a straight-line basis, generally over the following estimated useful lives of the assets:

Land Improvements	20 years
Buildings	30 years
Buildings and Leasehold Improvements	10 years
Machinery and Equipment	10 years

Leasehold improvements are amortized over 10 years or the remaining life of the respective lease, whichever is shorter.

Repair and maintenance costs, including costs for planned maintenance turnarounds, that do not extend the useful life of the asset are charged against earnings as incurred. Major replacements, renewals and significant improvements are capitalized.

Interest costs incurred during the construction period of assets are applied to the average value of constructed assets using the estimated weighted average interest rate incurred on borrowings outstanding during the construction period. The interest capitalized is amortized over the life of the asset.

Impairment of property, plant and equipment – Celanese assesses the recoverability of the carrying value of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. The estimate of fair value may be determined as the amount at which the asset could be bought or sold in a current transaction between willing parties. If this information is not available, fair value is determined based on the best information available in the circumstances. This frequently involves the use of a valuation technique including the present value of expected future cash flows, discounted at a rate commensurate with the risk involved, or other acceptable valuation techniques. Impairment of property, plant and equipment to be disposed of is determined in a similar manner, except that fair value is reduced by the costs to dispose of the assets.

▸ Intangible assets

The excess of the purchase price over fair value of net identifiable assets and liabilities acquired ("Goodwill") and other intangible assets with indefinite useful lives, beginning in 2002, are no longer amortized, but instead tested for impairment at least annually. Patents, trademarks and other intangibles with finite lives are amortized on a straight-line basis over their estimated economic or legal lives, whichever is shorter. (See Notes 3 and 12)

Impairment of intangible assets – Prior to January 1, 2002, Celanese assessed the recoverability of the carrying value of its intangible assets in the same manner as for property, plant and equipment. See "Impairment of property, plant and equipment." Upon adoption of SFAS No. 142 on January 1, 2002, Celanese assesses the recoverability of the carrying value of its goodwill and other intangible assets with indefinite useful lives at least annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to the fair value as estimated by the future net discounted cash flows expected to be generated by the reporting unit. To the extent that the carrying value of the reporting unit exceeds the fair value of the reporting unit, a second step is performed, wherein the reporting unit's assets and liabilities are fair valued. To the extent that the reporting unit's carrying value of goodwill exceeds its implied fair value of goodwill, impairment exists and must be recognized. The implied fair value of goodwill is calculated as the fair value of the reporting unit in excess of the fair value of all non-goodwill assets and liabilities allocated to the reporting unit. (See Note 3)

Recoverability of other intangible assets with indefinite useful lives is measured by a comparison of the carrying amount of the intangible assets to the fair value of the respective intangible assets. Any excess of the carrying value of the intangible assets over the fair value of the intangible assets is recognized as an impairment loss. The estimate of fair value is determined similar to that for goodwill outlined above.

Celanese assesses the recoverability of patents, trademarks and other intangibles with finite lives in the same manner as for property, plant and equipment. See "Impairment of property, plant and equipment."

▸ Income taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss and tax credit carryforwards. The amount of deferred taxes on these temporary differences is determined using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on tax rates, and tax laws, in the respective tax jurisdiction enacted by the balance sheet date.

▸ Environmental liabilities

Celanese manufactures and sells a diverse line of chemical products throughout the world. Accordingly, Celanese's operations are subject to various hazards incidental to the production of industrial chemicals including the use, handling, processing, storage and transportation of hazardous materials. Celanese recognizes losses and accrues liabilities relating to environmental matters if available information indicates it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a loss is neither probable nor reasonably estimable, but is reasonably possible, Celanese provides appropriate disclosure in the notes to its consolidated financial statements if the contingency is material. Celanese estimates environmental liabilities on a case-by-case basis using the most current status of available facts, existing technology and presently enacted laws and regulations. Environmental liabilities for which the remediation period is fixed and associated costs are readily determinable are recorded at their net present value. (See Note 25)

▸ Minority interests

Minority interests in the equity and results of operations of the entities controlled by Celanese are shown as a separate item in the consolidated financial statements. The entities included in the consolidated financial statements that have minority interests at December 31, 2002 are as follows:

	Ownership Percentage
InfraServ GmbH & Co. Oberhausen KG	84%
Synthesegasanlage Ruhr GmbH	50%

Celanese has a 60 percent voting interest and the right to appoint a majority of the board of management of Synthesegasanlage Ruhr GmbH, which results in Celanese controlling this entity and, accordingly, Celanese consolidates this entity in its consolidated financial statements.

▸ Research and development

The costs of research and development are charged as an expense in the period in which they are incurred.

▸ Functional currencies

For most of Celanese's international operations where the functional currency is other than the euro, assets and liabilities are translated using period-end exchange rates, while the statement of operations amounts are translated using the average exchange rates for the respective quarterly period. Differences arising from the translation of assets and liabilities in comparison with the translation of the previous periods or from initial recognition during the period are included as a separate component of accumulated other comprehensive income (loss).

▸ Earnings per share

Basic earnings per share is based on the net earnings divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the net earnings divided by the weighted average number of common shares outstanding during the period adjusted to give effect to common stock equivalents. For all periods presented, Celanese had no dilutive common stock equivalents.

▸ Stock-based compensation

Upon issuance of stock options in 2002, Celanese adopted the fair value provisions of SFAS No. 123, *Accounting for Stock-based Compensation*. There was no impact upon adoption. This statement prescribes a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans.

Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Accordingly, compensation expense for stock options is determined using the Black-Scholes option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility and the expected dividends of the underlying stock, and the risk-free interest rate over the expected life of the option. Compensation expense for stock options is recorded over the expected life of the options. Accordingly, compensation expense has been recognized for stock options in the accompanying consolidated financial statements. (See Note 21)

Compensation expense for stock appreciation rights, either partially or fully vested, is recorded based on the difference between the base unit price at the date of grant and the quoted market price of Celanese's common stock on the Frankfurt Stock Exchange at the end of the period proportionally recognized over the vesting period and adjusted for previously recognized expense. (See Note 21)

▸ Captive Insurance Companies

Celanese consolidates two wholly-owned insurance companies (the "Captives"). The Captives are a key component of the Company's global risk management program as well as a form of self-insurance for property, liability and workers' compensation risks. The Captives issue insurance policies to Celanese subsidiaries to provide consistent coverage amid fluctuating costs in the insurance market and to lower long-term insurance costs by avoiding or reducing commercial carrier overhead and regulatory fees. The Captives issue insurance policies and coordinate claims handling services with third party service providers. They retain risk at levels approved by the Board of Management and obtain reinsurance coverage from third parties to limit the net risk retained. One of the Captives also insures certain third party risks. Third party premiums earned are shown below.

Summarized financial data, excluding intercompany activity, appear below.

in € millions	As of December 31, 2002	2001
Balance Sheets		
Assets		
Reinsurance and Losses Receivable	213	263
Prepaid Insurance Premiums	27	27
Other Current Assets	8	25
Total Current Assets	**248**	**315**
Marketable Securities	135	142
Other Long Term Assets	1	1
Total Assets	**384**	**458**
Liabilities		
Insurance Loss Reserves for Third Party and Internal Matters	137	203
Other Current Liabilities	6	3
Total Current Liabilities	**143**	**206**
Insurance Liabilities for Third Party and Internal Matters	169	214
Total Liabilities	**312**	**420**
Equity	**72**	**38**

in € millions	For the Years Ended December 31, 2002	2001	2000
Statements of Operations			
Third Party Premiums	30	30	46
Losses	(42)	(30)	(38)
Interest Income	7	17	12
Dividend Income	24	31	24
Other Income / (Expense)	(7)	5	4
Income Tax Expense	(7)	(2)	(7)
Net Income	**5**	**51**	**41**

The assets of the Captives consist primarily of marketable securities and reinsurance receivables. Marketable securities values are based on quoted market prices or dealer quotes. The carrying value of the amounts recoverable under the reinsurance agreements approximate fair value due to the short-term nature of these items.

The liabilities recorded by the Captives relate to the estimated risk of loss recorded by the Captives, which is based on management estimates and actuarial valuations, and unearned premiums, which represent the portion of the premiums written applicable to the unexpired terms of the policies in-force. The establishment of the provision for outstanding losses is based upon known facts and interpretation of circumstances influenced by a variety of factors. In establishing a provision, management considers facts currently known and the current state of laws and litigation where applicable. Liabilities are recognized for known claims when sufficient information has been developed to indicate involvement of a specific policy and management can reasonably estimate its liability. In addition, liabilities have been established to cover additional exposure on both known and unasserted claims. Estimates of the liabilities are reviewed and updated regularly.

The Captives use reinsurance arrangements to reduce their risk of loss. Reinsurance arrangements however do not relieve the Captives from their obligations to policy holders. Failure of the reinsurers to honor their obligations could result in losses to the Captives. The Captives evaluate the financial condition of their reinsurers and monitor concentrations of credit risk to minimize their exposure to significant losses from reinsurer insolvencies and establish allowances for amounts deemed uncollectible.

Premiums written are recognized as based on the terms of the policies. Capitalization of the Captives is determined by regulatory guidelines.

▸ Accounting for Purchasing Agent Agreements

CPO Celanese Aktiengesellschaft & Co. Procurement Olefin KG, Frankfurt am Main ("CPO"), a wholly-owned subsidiary of Celanese, acts as a purchasing agent on behalf of Celanese as well as third parties. CPO arranges sale and purchase agreements for raw materials on a commission basis. Accordingly, the commissions earned on these sales are classified as a reduction to selling, general and administrative expense. Commissions amounted to €5 million, €15 million and €10 million in 2002, 2001 and 2000, respectively. The raw material sales volume commissioned by CPO for third parties amounted to €465 million, €534 million, and €554 million in 2002, 2001 and 2000, respectively.

Exemptions

Celanese AG, Kronberg im Taunus, prepares consolidated financial statements according to article 290 HGB, that will be filed with the Commercial Register of the Königstein im Taunus district court and will be published pursuant to the German legal regulations in the Federal Gazette (Bundesanzeiger).

CPO Celanese Aktiengesellschaft & Co. Procurement Olefin KG, Frankfurt am Main, (CPO) is included in the consolidated financial statements of Celanese AG. Accordingly, the exemption of article 264b HGB has been applied to CPO.

Ticona GmbH, Kelsterbach, is included in the consolidated financial statements of Celanese AG. Accordingly, the exemption of article 264 III HGB has been applied to Ticona GmbH.

▸ **New accounting pronouncements**

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* SFAS No.143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and normal operation of long-lived assets. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The asset retirement obligation will be capitalized as part of the carrying amount of the long-lived asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement.

Celanese will adopt this statement effective January 1, 2003. Upon adoption, Celanese will recognize transition amounts for existing asset retirement obligations, associated capitalizable costs and accumulated depreciation.

3 Accounting Changes

Accounting Changes Adopted in 2002

In 2002, Celanese recorded income of €19 million for the cumulative effect of two accounting changes. This amount consisted of income of €10 million (€0.20 per share) from the implementation of SFAS No. 142, as disclosed below, and income of €9 million, net of income taxes of €5 million (€0.18 per share), as a result of the change in the measurement date of Celanese's U.S. benefit plans. (See Note 19)

Effective January 1, 2002, Celanese adopted SFAS No. 142, Goodwill and Other Intangible Assets, and accordingly applied the standards of the statement prospectively. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and provides that goodwill and some intangibles no longer be amortized on a recurring basis. Instead, goodwill and intangible assets with an indefinite life are subject to an initial impairment test within six months of adoption of SFAS No. 142 and at least annually thereafter.

As of January 1, 2002, Celanese had goodwill with a net carrying value of €1,162 million that was subject to the transition provision of SFAS No. 142. During the first half of 2002, Celanese performed the required impairment tests of goodwill as of January 1, 2002 and determined that there was no impairment. Other intangible assets with finite lives continue to be amortized over their useful lives and reviewed for impairment.

Additionally, SFAS No. 142 requires that any unamortized negative goodwill (excess of fair value over cost) on the balance sheet be written off immediately and classified as a cumulative effect of change in accounting principle in the consolidated statement of operations. As a result, income of €10 million was recorded to cumulative effect of changes in accounting principles in Celanese's consolidated statement of operations in the first quarter of 2002.

The following table presents the impact of adopting SFAS No. 142 on net earnings (loss) and net earnings (loss) per share:

in € millions, except per share data	For the Years Ended December 31,		
	2002	2001	2000
Reported net earnings (loss)	**187**	(385)	58
Adjustment for goodwill amortization	**–**	90	88
Adjustment for negative goodwill	**(10)**	(3)	13
Adjusted net earnings (loss)	**177**	**(298)**	**159**
Earnings (loss) per common share – basic and diluted:			
Reported net earnings (loss)	**3.72**	(7.65)	1.09
Goodwill amortization	**–**	1.79	1.65
Negative goodwill	**(0.20)**	(0.06)	0.24
Adjusted net earnings (loss)	**3.52**	**(5.92)**	**2.98**

Celanese adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, on January 1, 2002, and accordingly applied the standards of the statement prospectively. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. The statement also supersedes APB No. 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*. This statement establishes a single accounting model to test impairment, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. The statement retains most of the requirements in SFAS No. 121 related to the recognition of impairment of long-lived assets to be held and used. Additionally, SFAS No. 144 extends the applicability to discontinued operations, and broadens the presentation of discontinued operations to include a component of an entity. The adoption of SFAS No. 144 did not have a material effect on Celanese's consolidated financial statements.

Effective October 2002, Celanese early adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, and accordingly applied the statement prospectively to exit or disposal activities initiated after September 30, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. The statement nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The principal difference between SFAS No. 146 and EITF Issue No. 94-3 relates to the criteria for recognition of a liability for a cost associated with an exit or disposal activity.

SFAS No. 146 requires recognition only when the liability is incurred. In contrast, under EITF Issue No. 94-3, a liability was recognized when the Company committed to an exit plan. Additionally, SFAS No. 146 stipulates that the liability be measured at fair value and adjusted for changes in cash flow estimates.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN No. 45"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. These disclosure requirements are included in Note 24. FIN No. 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees entered into or modified subsequent to adoption.

FIN No. 45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee, this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of a liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. As noted above, Celanese has adopted the disclosure requirements of FIN No. 45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002.

Accounting Changes Adopted in 2001

Celanese adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, on January 1, 2001, and accordingly applied the standards of the Statements prospectively. These statements standardized the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under the standards, entities are required to carry all derivative instruments in the statements of financial position at fair value. The accounting for changes in the fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and, if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposure to changes in fair values, cash flows, or

foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change together with the offsetting gain or loss on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of the gain or loss is reported in earnings immediately. Accounting for foreign currency hedges is similar to the accounting for fair value and cash flow hedges. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Upon adoption, Celanese recorded a net transition adjustment gain of €8 million, net of related income tax of €4 million, in accumulated other comprehensive income (loss) at January 1, 2001. Further, the adoption of these statements resulted in Celanese recognizing €14 million of derivative instrument assets and €2 million of derivative liabilities. The effect of the ineffective portion of the derivatives on the consolidated statement of operations was not material.

Celanese adopted SFAS No. 141, *Business Combinations*, on June 30, 2001, and accordingly applied the standards of the statement prospectively. Under this new standard, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting. SFAS No. 141 also establishes criteria for the recognition of intangible assets apart from goodwill. The adoption of SFAS No. 141 did not have a material effect on Celanese's consolidated financial statements.

4 Supplemental Cash Flow Information

	For the Years Ended December 31,		
in € millions	2002	2001	2000
Cash paid during the year for:			
Taxes, net of refunds	**30**	(49)	(12)
Interest, net of amounts capitalized	**48**	72	59
Noncash investing and financing activities:			
Fair value adjustment to securities available-for-sale, net of tax	**2**	(4)	7
Settlement of demerger liability (See Note 20)	**7**	–	–

5 Transactions and Relationships with Affiliates

Celanese is a party to various transactions with affiliated companies. Companies for which Celanese has investments accounted for under the cost or equity method of accounting are considered Affiliates; any transactions or balances with such companies are considered Affiliate transactions. The following tables represent Celanese's transactions with Affiliates, as defined above, for the periods presented.

in € millions	2002	2001	2000
Statements of Operations			
Purchases from Affiliates [1]	**78**	76	110
Sales to Affiliates [1]	**75**	41	68
Interest income from Affiliates	**1**	3	3
Interest expense paid to Affiliates	**7**	13	15

in € millions	2002	2001
Balance Sheets		
Trade and other receivables from Affiliates	**11**	10
Current notes receivable (including interest) from Affiliates	**9**	11
Long-term notes receivable from Affiliates	**–**	9
Total receivables from Affiliates	**20**	**30**
Accounts payable and other liabilities due Affiliates	**25**	36
Accrued interest payable due Affiliates	**–**	1
Short-term borrowings from Affiliates [2]	**96**	239
Total due Affiliates	**121**	**276**

[1] Purchases/Sales from/to Affiliates

Purchases and sales from/to Affiliates are accounted for at prices approximating those charged to third party customers for similar goods or services.

[2] Short- term borrowings from Affiliates (See Note 15)

The 2002 and 2001 balances reflect Celanese's short-term borrowings from Affiliates, the terms of which are based on current market conditions.

6 Acquisitions and Divestitures

Celanese completed the following acquisitions of businesses during 2002:

- On December 31, 2002, Celanese acquired Clariant AG's European emulsions and worldwide emulsion powders businesses, valued at €147 million, including the assumption of related liabilities. Net of purchase price adjustments of €2 million and the assumption of liabilities of €20 million, Celanese paid €125 million cash

for the net assets of the business. This new addition to the Acetyl Products segment will enable Celanese to offer a comprehensive range of value-added emulsions and emulsion powders that serve as the primary ingredients in quality surface coatings, adhesives, non-woven textiles and other applications. The emulsions and emulsion powders business has four production facilities servicing the unique product requirements of customers across Europe. There are also 11 sales offices and seven research and technology centers, all strategically located to provide rapid response to customers. Two of the production facilities are located in Germany and Spain, in close proximity to Celanese plants that supply chemical ingredients for emulsions. The acquisition was accounted for using the purchase method and as a result of this transaction, Celanese recorded excess purchase price over fair value of net assets acquired of €33 million. Additionally, Celanese acquired an estimated €20 million of intangible assets related to this acquisition. The preliminary purchase price allocations are subject to adjustments in 2003 when the purchase price allocation is finalized.

Celanese completed the following acquisitions of businesses during 2000:

- In May 2000, Celanese acquired 100 percent of Axiva GmbH, a process technology and engineering business, from Aventis for a purchase price of €38 million. Pursuant to the purchase agreement, Aventis, under certain conditions, shared in the funding of the Fuel Cell project or the research and development project focusing on polyunsaturated fatty acids, and is entitled to additional consideration in the event Celanese sells these projects. The acquisition was accounted for using the purchase method and accordingly, the results of operations from the date of acquisition through December 31, 2000 are included in the accompanying consolidated financial statements. In October 2000, Celanese sold 75 percent of the process technology and engineering business of Axiva GmbH to Siemens AG and retained selected projects, which it continues to operate in the process technology entity, which was renamed Celanese Ventures GmbH. Celanese received gross proceeds of €10 million on the sale. There was no material effect on the consolidated statement of operations in 2000.

- In September 2000, Celanese completed the acquisition of the polyvinyl alcohol ("PVOH") business of Air Products and Chemicals, Inc. for U.S. $326 million (€359 million). As a result of this transaction, Celanese recorded goodwill of U.S. $52 million (€56 million). Celanese completed the purchase price allocation in June 2001, and as a result reduced its original goodwill by €4 million.

Celanese made the following divestitures during 2002:

- Effective January 1, 2002, Celanese sold its interest in InfraServ GmbH & Co. Deponie Knapsack KG ("Deponie") to Trienekens AG. Celanese recorded a net cash outflow of €23 million on the sale of this business, which included cash of €40 million offset by proceeds received of €17 million, and a gain of €10 million on disposition of Deponie included in gain on disposition of assets.

- In December 2002, Celanese completed the sale of Trespaphan, its global oriented polypropylene ("OPP") film business, to a consortium consisting of Dor-Moplefan Group and Bain Capital, Inc. for a value of €209 million. Net of the purchase price adjustments of €19 million and the repayment of €78 million in intercompany debt that Trespaphan owed Celanese AG, Celanese received net proceeds of €112 million. Trespaphan was formerly part of Celanese's Performance Products segment. The transaction is reflected as a component of discontinued operations in the consolidated financial statements in accordance with SFAS No. 144.

- During 2002, Celanese sold its global allylamines and U.S. alkylamines businesses to U.S. Amines Ltd. This business is reflected as a component of discontinued operations in the consolidated financial statements in accordance with SFAS No. 144.

In 2002, Celanese received net proceeds of €100 million and recorded €15 million in earnings (loss) from operation of discontinued operations (including a gain on disposal of discontinued operations of €14 million) and a gain of €10 million in gain on disposition of assets relating to these divestitures. Additionally, Celanese recognized a tax benefit of €40 million for discontinued operations, which includes a tax benefit associated with a tax deductible writedown of the tax basis for Trespaphan's subsidiary in Germany relating to tax years ended December 31, 2000 and 2001. Since this tax benefit relates to an entity solely engaged in a business designated as discontinued operations in the 2002 financial statements, this tax benefit has been correspondingly included in earnings (loss) from discontinued operations. Relating to these divestitures, Celanese adjusted 2001 and 2000 earnings by reclassifying pre-tax losses of €40 million and €3 million, respectively, to earnings (loss) from discontinued operations.

Additionally, Celanese recognized tax benefits of €10 million and €4 million in 2001 and 2000, respectively, related to these divestitures and recorded these in income tax benefit (expense) of discontinued operations.

Celanese completed the following divestitures during 2001:

- In January 2001, Celanese sold its investment in InfraServ GmbH & Co. Münchsmünster KG to Ruhr Oel GmbH. (See Note 10)

- In January 2001, Celanese sold its CelActiv™ and Hoecat® catalyst business to Synetix.

- In April 2001, Celanese sold NADIR filtration GmbH, formerly Celgard GmbH, to KCS Industrie Holding AG. This divestiture was classified as a discontinued operation.

- In June 2001, Celanese sold its ownership interest in Hoechst Service Gastronomie GmbH to Eurest Deutschland GmbH and InfraServ GmbH & Co. Höchst KG.

- In October 2001, Celanese sold its ownership interest in Covion Organic Semiconducters GmbH, a developer and producer of light-emitting organic polymers, to Avecia, its joint venture partner in Covion Organic Semiconductors GmbH.

  Celanese received gross proceeds of €13 million in 2001 and recorded a gain of €6 million in interest and other income, a gain of €2 million in gain on disposal of discontinued operations and a gain of €1 million in gain on disposition of assets related to the sale of these businesses. Celanese recorded an additional pre-tax gain in 2001 of €12 million in gain on disposal of discontinued operations related to a business divested in 2000. Additionally, Celanese recognized a tax expense of €5 million for discontinued operations.

Celanese completed the following divestitures during 2000, all of which were classified as discontinued operations in the accompanying consolidated statement of operations:

- In January 2000, Celanese sold its phosphorous and phosphorous derivatives business, conducted by the Thermphos Group, to the Thermphos Group's management. The loss was recognized at December 31, 1999.

- In July 2000, Celanese sold its 50 percent interest in Vinnolit Kunststoff GmbH, its joint venture with Wacker Chemie GmbH, and its 100 percent interest in Vintron GmbH, both European producers of high performance polyvinyl chloride or PVC products, to institutional funds managed by Advent International Corporation. Pursuant to the sale agreement, the buyer had been granted limited rescission rights which expired on December 15, 2001.

  Celanese received gross proceeds of €35 million and recorded €31 million, pre-tax, in earnings (loss) from operation of discontinued operations (including gain on disposal of discontinued operations of €28 million) relating to these discontinued operations. Celanese also recorded €9 million of additional pre-tax losses incurred in 2000 relating to other discontinued operations sold in 1999 in gain on disposal of discontinued operations. Celanese recognized a tax expense of €19 million for discontinued operations.

7 Securities Available for Sale

At December 31, 2002 and 2001, Celanese had €135 million and €142 million, respectively, of marketable securities available for sale, which were included as a component of other assets. Celanese's captive insurance companies hold these securities. There was a net realized loss of €7 million in 2002 and a net realized gain of €5 million in 2001. The net realized loss in 2002 relates to an other-than-temporary writedown of €7 million due to the decline in market value of certain investments. The amortized cost, gross unrealized gain, gross unrealized loss and fair values for available-for-sale securities by major security type at December 31, 2002 and 2001, were as follows:

in € millions	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
At December 31, 2002				
Debt Securities				
U.S. Government	31	1	–	32
U.S. municipal	–	–	–	–
U.S. corporate	64	2	–	66
Total debt securities	**95**	**3**	**–**	**98**
Bank certificates of deposit	15	–	–	15
Equity securities	6	–		6
Mortgage-backed securities	16	–	–	16
	132	**3**	**–**	**135**
At December 31, 2001				
Debt Securities				
U.S. Government	21	–	–	21
U.S. municipal	2	–	–	2
U.S. corporate	96	–	–	96
Total debt securities	**119**	**–**	**–**	**119**
Bank certificates of deposit	3	–	–	3
Equity securities	10	–	(1)	9
Mortgage-backed securities	11	–	–	11
	143	**–**	**(1)**	**142**

Fixed maturities at December 31, 2002 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.

in € millions	Amortized Cost	Fair Value
Within one year	20	20
From one to five years	53	54
From six to ten years	34	36
Greater than ten years	19	19
	126	**129**

8 Receivables, net

in € millions	As of December 31, 2002	2001
Trade receivables, net – third party and affiliates	**689**	668
Reinsurance receivables	**213**	263
Other	**230**	243
Subtotal	**1,132**	**1,174**
Allowance for doubtful accounts	**(21)**	(22)
Net receivables	**1,111**	**1,152**

As of December 31, 2002 and 2001, Celanese had no significant concentrations of credit risk since Celanese's customer base is dispersed across many different industries and geographies.

In 2001, Celanese entered into an agreement that allows Celanese to sell certain U.S. trade receivable under a planned continuous sale program to a third party. This program is renewable annually until December 2004. The program is accounted for under the provisions of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. The agreement permits Celanese's U.S. operating subsidiaries to sell certain U.S. trade receivable to CNA Funding LLC, a wholly owned subsidiary of Celanese that was formed for the sole purpose of entering into the program. CNA Funding LLC in turn sells an undivided ownership interest in these trade receivables to the purchaser. Undivided interests in designated receivable pools were sold to the purchaser with recourse limited to the receivables purchased. Celanese continues to service, administer, and collect the trade receivables on behalf of the financial institution and receives a fee for performance of these services. At December 31, 2002 and 2001, the provision of the program allowed for the sale of up to U.S. $120 million and U.S. $150 million of receivables, respectively. The average monthly balance of outstanding receivables sold under the program in 2002 was approximately U.S. $47 million. There were no outstanding sales of receivables under this program as of December 31, 2002 and December 31, 2001. Fees paid by Celanese under this agreement are based on certain variable market rate indices and totaled approximately U.S. $1 million in 2002. There were no fees paid under the asset securitization program in 2001.

9 Inventories

in € millions	As of December 31, 2002	2001
Finished goods	427	503
Work-in-process	17	17
Raw materials and supplies	70	67
Subtotal	**514**	**587**
LIFO reserve	9	(8)
Total inventories	**523**	**579**

At December 31, 2002 and 2001, €219 million and €247 million, respectively, of total inventories were valued by the LIFO method. During 2002 and 2001, inventory usage resulted in the liquidation of LIFO inventory quantities, which had the effect of reducing cost of sales by €9 million and €43 million, respectively.

As of December 31, 2002 and December 31, 2001, the LIFO reserve for the U.S. subsidiaries was net of a U.S. $28 million (€27 million) fair value adjustment in inventory from the 1987 acquisition by Hoechst of the former Celanese Corporation. This acquisition, or merger, was accounted for as a purchase. The purchase price was allocated based on the fair market value of assets acquired and liabilities assumed.

10 Investments

Celanese accounts for the following Affiliates under the equity method:

in € millions	Segment	Percent Ownership	2002 Net Book Value	2002 Earnings
Affiliate				
Clear Lake Methanol Co., LLC	Acetyl	50.0%	–	–
Fortron Industries	Ticona	50.0%	17	1
Korea Engineering Plastics Co., Ltd.	Ticona	50.0%	95	7
Polyplastics Co., Ltd	Ticona	45.0%	208	6
InfraServ GmbH & Co. Gendorf KG	Other	39.0%	17	1
InfraServ GmbH & Co. Höchst KG	Other	31.2%	99	6
InfraServ GmbH & Co. Knapsack KG	Other	27.9%	15	1
Siemens Axiva GmbH	Other	25.0%	1	–
Sherbrooke Capital Health and Wellness, L.P.	Performance Products	9.9%	2	–
Total			**454**	**22**

in € millions	2002	2001
Affiliates totals:		
Net sales	**1,857**	1,797
Net earnings	**54**	49
Celanese's share:		
Net earnings	**22**	13
Dividends	**69**	21
Distributions	**41**	–
Total assets	**1,800**	2,374
Total liabilities	**872**	1,121
Interests of others	**566**	764
Celanese's equity	**362**	**489**
Writedown of investment	**–**	(21)
Excess of cost over underlying equity in net assets acquired	**92**	98
Celanese's investment	**454**	**566**

in € millions	Acquisition Cost	Write-down	Net Book Value
January 1, 2002	587	(21)	566
Distributions	(41)	–	(41)
Exchange rate changes	(24)	–	(24)
Celanese's share of equity method investee earnings, net of dividends received	(47)	–	(47)
December 31, 2002	**475**	**(21)**	**454**

During 2002, Celanese received €41 million in distributions from investments in InfraServ companies which were recorded as a reduction in carrying value of these investments. Of this €41 million, €35 million was received from InfraServ GmbH & Co. Höchst KG, €3 million from InfraServ GmbH & Co. Knapsack KG and €3 million from InfraServ GmbH & Co. Gendorf KG.

In January 2001, Celanese sold its investment in InfraServ GmbH & Co. Münchsmünster KG to Ruhr Oel GmbH. (See Note 6)

During the third quarter of 2001, overcapacity in the methanol industry resulted in Celanese and its venture partner idling its methanol unit, operated by the Clear Lake Methanol Joint Venture ("CLMV") indicating that an other than temporary decline in the value of Celanese's investment in CLMV had occurred. As a result, Celanese wrote down its remaining investment in CLMV of €6 million.

11 Property, Plant and Equipment

in € millions	Land and Land Improvements	Building, Building Improvements and Leasehold Improvements	Machinery and Equipment	Construction in Progress	Capitalized Interest	Total
Net book value at December 31, 2001	107	226	1,317	195	62	1,907
Acquisition or construction cost						
January 1, 2002	192	599	5,383	195	180	6,549
Additions	–	1	11	200	6	218
Disposals	(3)	(2)	(43)	–	–	(48)
Transfers	1	13	192	(206)	–	–
Acquisitions	2	9	44	1	–	56
Exchange rate changes	(30)	(80)	(723)	(21)	(28)	(882)
December 31, 2002	**162**	**540**	**4,864**	**169**	**158**	**5,893**
Accumulated Depreciation						
January 1, 2002	(85)	(373)	(4,066)	–	(118)	(4,642)
Additions	(5)	(18)	(255)	–	(11)	(289)
Disposals	1	3	37	–	–	41
Exchange rate changes	16	46	536	–	20	618
December 31, 2002	**(73)**	**(342)**	**(3,748)**	**–**	**(109)**	**(4,272)**
Net book value at December 31, 2002	**89**	**198**	**1,116**	**169**	**49**	**1,621**

The total capital expenditures in property, plant and equipment were €218 million and €217 million in 2002 and 2001, respectively. Depreciation totaled €283 million and €307 million in 2002 and 2001, respectively. Writedowns due to asset impairments amounting to €6 million and €112 million were recorded to special charges in 2002 and 2001, respectively. The asset impairment writedowns are included in additions to accumulated depreciation.

Assets under capital leases, net of accumulated amortization, amounted to €8 million and €11 million in 2002 and 2001, respectively.

Interest costs capitalized were €6 million, €4 million and €13 million in 2002, 2001 and 2000, respectively.

12 Intangible Assets

Goodwill

in € millions	Acetyl Products	Chemical Inter-mediates	Acetate Products	Ticona	Total
Carrying value of goodwill as of December 31, 2001	585	15	174	388	1,162
Acquired during the year	33	–	–	–	33
Impairment losses	–	–	–	–	–
Exchange rate changes	(91)	(3)	(28)	(61)	(183)
Carrying value of goodwill as of December 31, 2002	**527**	**12**	**146**	**327**	**1,012**

As of January 1, 2002, Celanese's gross carrying value and accumulated amortization of goodwill were €2,047 million and €885 million, respectively. Effective January 1, 2002, Celanese adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, and accordingly applied the standards of the statement prospectively. This statement provides that goodwill and other intangible assets with an indefinite life no longer be amortized rather they will be tested annually for impairment. During 2002, Celanese performed the required impairment tests of goodwill as of January 1, 2002 and determined that there was no impairment. Additionally, Celanese recorded a preliminary excess purchase price over fair value of net assets acquired of €33 million associated with its acquisition of Clariant's European emulsions and worldwide emulsion powders businesses in 2002. (See Note 6)

In 2001, special charges of €243 million were recorded for the impairment of goodwill in the Chemical Intermediates segment due to the deterioration in the outlook of the acrylates and oxo business lines. Celanese's management determined that the future undiscounted cash flows associated with portions of the assets of the underlying businesses were insufficient to recover their carrying value. Accordingly, such assets were written down to fair value, which was determined on the basis of discounted cash flows.

Other Intangible Assets

Celanese determined that all other intangible assets have finite lives, which will continue to be amortized over their useful lives. Celanese's gross carrying value and accumulated amortization of patents, trademarks, and similar rights as of December 31, 2002 were €38 million and €16 million, respectively. On December 31, 2002, Celanese acquired an estimated €20 million of intangible assets related to the emulsions business acquisition (see Note 6). Aggregate amortization expense charged against earnings for intangible assets with finite lives during the year ended December 31, 2002 totaled €3 million. Estimated amortization expense for the succeeding five fiscal years is approximately €8 million in 2003, €6 million each in 2004 and 2005 and €4 million each in 2006 and 2007.

13 Income Taxes

Celanese is headquartered in Germany. Under German tax law, German corporations are subject to both a corporate income tax and a trade income tax, the latter of which varies based upon location. The trade income tax is deductible for corporate income tax purposes. The German corporate income tax rate in 2002 was 25 percent. Combined with a solidarity surcharge of 5.5 percent on the German corporate tax, and the blended trade income tax rate, the statutory tax rate for Celanese in Germany is 40 percent.

Effective January 1, 2003, the German corporate income tax rate will increase by 1.5 percent for the year 2003. This rate increase only applies to 2003. The solidarity surcharge on the corporate income tax will remain 5.5 percent. Combined with the solidarity surcharge on the German income tax rate plus the blended trade income tax rate, the statutory tax rate in Germany will be 41 percent for 2003.

Deferred taxes are being provided at a 40 percent rate for the German companies in 2002. Deferred taxes are being provided on all other companies at the tax rate currently in effect in the local tax jurisdictions.

Prior to January 1, 2001 and the enactment of the German Tax Reduction Law, German tax law provided for a split tax rate to determine corporate income tax. Undistributed corporate income was subject to German corporate taxes of 40 percent in 2000, plus a solidarity surcharge of 5.5 percent. The corporate income tax rate for distributed income in 2000 was 32 percent after the solidarity surcharge levy. Including the surcharge and the blended trade income tax rate, the German statutory tax rate in 2000 was 45 percent.

in € millions	For the Years Ended December 31, 2002	2001	2000
Earnings (loss) before income tax, minority interests, discontinued operations and cumulative effect of changes in accounting principles:			
Germany	**149**	142	176
U.S.	**(186)**	(736)	(148)
Other	**203**	104	114
Total	**166**	**(490)**	**142**
Provision (benefit) for income taxes:			
Current:			
Germany	**40**	43	56
U.S.	**(49)**	79	(170)
Other	**44**	23	50
Total current	**35**	**145**	**(64)**
Deferred:			
Germany	**25**	(46)	13
U.S.	**(9)**	(207)	133
Other	**2**	(18)	6
Total deferred	**18**	**(271)**	**152**
Income tax provision (benefit)	**53**	**(126)**	**88**
Effective income tax rate reconciliation: A reconciliation of income tax provision (benefit) for the years ended December 31, 2002, 2001 and 2000 determined by using the applicable German statutory rate of 40% for 2002, 40% for 2001 and 45% for 2000 follows:			
Income tax provision (benefit) computed at statutory tax rates	**66**	(196)	64
Increase (decrease) in taxes resulting from:			
Change in valuation allowance	**(28)**	(65)	(65)
Equity income	**15**	(3)	(5)
Non-deductible amortization and impairment	**–**	120	24
Investments	**–**	–	(5)
Import/export activities	**–**	–	1
U.S. foreign tax credit/Subpart F income	**2**	13	15
U.S. tax rate differentials	**9**	39	14
Other foreign tax rate differentials	**(33)**	(44)	(14)
Valuation adjustments in subsidiaries	**16**	–	64
Enacted changes in tax rates	**–**	–	(4)
Other	**6**	10	(1)
Income tax provision (benefit)	**53**	**(126)**	**88**

In 2002, Celanese recognized income tax expense of €53 million as compared to an income tax benefit of €126 million in 2001 and income tax expense of €88 million in 2000. Celanese also recognized in 2002 a €43 million German tax benefit relating to a tax deductible writedown of its investment in Trespaphan GmbH. This tax benefit is attributable to a discontinued business and is therefore reported as part of discontinued operations and is not included in the 2002 income tax provision.

The effective tax rate for Celanese in 2002 was 32 percent compared to 26 percent in 2001 and 62 percent in 2000. The Celanese effective tax rate in 2002 was favorably affected by the utilization of net operating loss carryforwards in Germany, the release of certain valuation allowances on prior years' deferred tax assets, unrepatriated low-taxed earnings and a lower effective minimum tax burden in Mexico. The effective tax rate was unfavorably affected in 2002 by distributions of taxable dividends from equity investments and the reversal of a tax deductible writedown in 2000 of a German investment.

In 2001, Celanese recognized an income tax benefit of €126 million and reported an effective tax rate of 26 percent. The effective tax rate in 2001 was favorably affected by the full recognition of previously reserved deferred tax assets of a subsidiary in Germany, the utilization of net operating loss carryforwards, offset by non-deductible goodwill amortization and impairment charges.

In 2000, Celanese recognized an income tax provision of €88 million and reported an effective tax rate of 62 percent. The effective tax rate in 2000 was affected by provisions for valuation adjustments and the utilization of net operating loss carryforwards in Germany as well as non-deductible goodwill amortization.

The tax effects of the temporary differences which give rise to a significant portion of deferred tax assets and liabilities as of December 31, 2002 and 2001 are as follows:

in € millions	2002	2001
Pension and Postretirement obligations	391	366
Accrued expenses	118	160
Net operating loss carryforwards	364	382
Investments	26	28
Other	94	76
Subtotal	**993**	**1,012**
Valuation allowance	(166)	(199)
Deferred tax assets	**827**	**813**
Depreciation	180	197
Interest	7	11
Inventory	23	24
Other	1	8
Deferred tax liabilities	**211**	**240**
Net deferred tax assets	**616**	**573**

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Celanese has established valuation allowances primarily for U.S. state and capital loss carryforwards, and Mexican net operating loss carryforwards, which may not be realizable. Based on the criteria provided under SFAS No. 109, it is more likely than not that Celanese will realize the benefit of the remaining deferred tax assets existing at December 31, 2002.

At December 31, 2002, Celanese has net operating loss carryforwards of approximately €780 million, primarily in the United States, Germany and Mexico, with various expiration dates. In addition, Celanese has capital loss carryforwards of €178 million in the United States, which will expire in 2004.

Provision has not been made for income taxes or foreign withholding taxes on any cumulative earnings of foreign subsidiaries because such earnings will either not be subject to any such taxes or are intended to be indefinitely reinvested in those operations. It is not practicable to determine the tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

14 Accounts Payable and Accrued Liabilities

in € millions	As of December 31, 2002	2001
Trade payables – third party and affiliates	573	620
Accrued salaries and benefits	157	172
Accrued environmental (See note 25)	34	47
Accrued restructuring	55	135
Insurance loss reserves	137	203
Accrued legal	24	55
Other	252	214
Total accounts payable and accrued liabilities	**1,232**	**1,446**

15 Debt

Short-term borrowings and current installments of long-term debt

	As of December 31,		Weighted Average Interest Rates	
in € millions	2002	2001	2002	2001
Current installments of long-term debt	99	8	1.6%	5.7%
Bank loans	–	19	–	4.3%
Short-term borrowings from Affiliates	96	240	3.6%	3.5%
Total short-term borrowings and current installments of long-term debt	**195**	**267**		

Celanese has a U.S. $700 million (€667 million) commercial paper program of which no amounts were outstanding at December 31, 2002. Celanese maintains committed backup facilities, revolving credit lines and term loans with several banks aggregating €1,580 million at December 31, 2002; the aggregate unused part thereof amounts to €1,241 million, of which U.S. $310 million (€296 million) were used as credit backup for Celanese's commercial paper program. These credit backup facilities for the commercial paper program are 364-day facilities which are subject to renewal annually.

Celanese had outstanding letters of credit amounting to €118 million at December 31, 2002 and €110 million at December 31, 2001.

Short-term borrowings and current installments of long-term debt are principally denominated in U.S. dollars and euro.

Long-term debt

in € millions	As of December 31, 2002	2001
Term notes:		
6.125% notes, due 2004	**24**	28
7.125% medium-term notes, due 2009	**13**	16
Variable rate loans with interest rates as of December 31, 2002 adjusted periodically:		
Due in 2003, interest rate of 4.47%	**3**	–
Due in 2003, interest rate of 1.49%	**95**	113
Due in 2005, interest rate of 2.23%	**167**	199
Due in 2006, interest rate of 4.47%	**5**	–
Pollution control and industrial revenue bonds, interest rates ranging from 5.2% to 6.7%, due at various dates through 2030	**199**	**248**
Obligations under capital leases, due at various dates through 2012	**13**	**17**
Subtotal	**519**	**621**
Less: Current installments of long-term debt	**99**	8
Total long-term debt	**420**	**613**

Substantially all the above long-term borrowings are denominated in U.S. dollars. Certain loan agreements, entered into by Celanese subsidiaries, include equity ratio and other covenants that limit their ability to enter into certain transactions. As of December 31, 2002, Celanese was in compliance with all debt covenants.

The maturities in 2003 and thereafter are as follows:

in € millions	Total
2003	195
2004	40
2005	169
2006	7
2007	2
Thereafter	202
Total	**615**

Celanese recorded interest expense, net of amounts capitalized, of €59 million, €80 million and €74 million in 2002, 2001 and 2000, respectively. Interest expense on the borrowings noted above, including the effects of related interest rate swaps and the adjustment for capitalized interest, was €48 million, €69 million and €65 million, respectively. The remaining portion related to the interest component of discounted environmental liabilities, financial instruments and other liabilities.

16 Other Liabilities

in € millions	As of December 31, 2002	2001
Pension and postretirement medical and life obligations (See Note 19)	**1,212**	1,145
Environmental liabilities (See Note 25)	**165**	294
Insurance liabilities (See Note 2)	**169**	214
Other	**249**	267
Total other liabilities	**1,795**	**1,920**

17 Cost of Raw Materials and Supplies

The following cost of raw materials and supplies reflect total costs incurred by continuing and discontinued operations in the respective periods:

in € millions	2002	2001	2000
Cost of raw materials, supplies and merchandise	**2,216**	2,761	2,993
Cost of services purchased (primarily energy)	**334**	433	415
Total cost of raw materials and supplies	**2,550**	**3,194**	**3,408**

Total cost of raw materials and supplies for discontinued operations were €165 million, €206 million, and €232 million for 2002, 2001, and 2000, respectively. The reduction in cost of raw materials and supplies in 2002 reflects the decrease in raw materials and energy costs due to volatility in hydrocarbon costs, primarily natural gas.

18 Personnel Expenses

The following personnel expenses reflect total costs incurred by continuing and discontinued operations in the respective periods:

in € millions	2002	2001	2000
Wages and salaries	707	767	777
Social security contributions	75	82	85
Other	72	77	125
Personnel expenses excluding pensions and similar benefits and restructuring severance expenses	**854**	**926**	**987**
Pensions and similar benefits	104	125	127
Personnel expenses excluding restructuring severance expenses	**958**	**1,051**	**1,114**
Restructuring severance expenses	11	133	46
Total cost of personnel expenses	**969**	**1,184**	**1,160**

Total cost of personnel expenses for discontinued operations were €68 million, €78 million, and €68 million for 2002, 2001, and 2000, respectively.

The average number of employees in 2002 totaled 10,725. In 2001, the average number of employees was 11,175.

19 Benefit Obligations

Pension obligations – Pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country. The commitments result from participation in defined contribution and defined benefit plans, primarily in the U.S. Benefits are dependent on years of service and the employee's compensation. Supplemental retirement benefits provided to certain employees are non-qualified for U.S. tax purposes. Separate trusts have been established for some non-qualified plans.

Defined benefit pension plans exist at certain locations in Europe and North America. Independent trusts or insurance companies administer the majority of these plans. Actuarial valuations for these plans are generally prepared annually.

Celanese sponsors various defined contribution plans in Europe and North America covering certain employees. Employees may contribute to these plans and Celanese may match these contributions in varying amounts. Celanese's contributions to the defined contribution plans are based on specified percentages of employee contributions and aggregated €12 million in 2002 and €15 million in 2001.

Other postretirement benefit plans – Certain retired employees receive postretirement medical benefits under plans sponsored by Celanese. Celanese has the right to modify or terminate these plans at any time. Celanese employees in the U.S. who were 50 years of age as of January 1, 2001 are eligible to receive postretirement medical benefits, both pre-65 coverage and continued secondary coverage at age 65, provided that upon termination they are at least age 55 and have a minimum of 10 years of service. On January 1, 2001, Celanese eliminated continued postretirement medical coverage at age 65 for employees who were not 50 on January 1, 2001 or were hired on or after January 1, 2001. This group of employees continues to be eligible for pre-65 postretirement medical coverage provided that upon termination they are at least age 55 and have a minimum of 10 years of service. Generally, the cost for coverage is shared between Celanese and the employee, and is determined based upon completed years of service.

	Pension Benefits		Postretirement Benefits	
in € millions	2002	2001	2002	2001
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	**2,667**	2,297	**515**	399
Service cost	**35**	35	**3**	3
Interest cost	**176**	181	**31**	31
Participant contributions	**1**	1	**8**	7
Plan amendments	**1**	8	**–**	–
Actuarial (gains) losses	**81**	210	**37**	104
Acquisitions	**6**	–	**–**	–
Special termination benefits	**1**	1	**–**	–
Divestitures	**–**	–	**–**	–
Settlements	**(7)**	(22)	**–**	–
Curtailments	**–**	–	**–**	–
Benefits paid	**(167)**	(165)	**(53)**	(52)
Change in measurement date	**76**	–	**6**	–
Foreign currency exchange rate changes	**(431)**	121	**(83)**	23
Projected benefit obligation at end of year	**2,439**	**2,667**	**464**	**515**

in € millions	Pension Benefits 2002	Pension Benefits 2001	Postretirement Benefits 2002	Postretirement Benefits 2001
Change in plan assets				
Fair value of plan assets at beginning of year	**1,741**	1,993	**–**	–
Actual (loss) return on plan assets	**(159)**	(302)	**–**	–
Company contributions	**121**	134	**45**	45
Participant contributions	**1**	1	**8**	7
Acquisitions	**–**	–	**–**	–
Divestitures	**–**	–	**–**	–
Settlements	**(5)**	(17)	**–**	–
Benefits paid	**(167)**	(165)	**(53)**	(52)
Change in measurement date	**243**	–	**–**	–
Foreign currency exchange rate changes	**(274)**	97	**–**	–
Fair value of plan assets at end of year	**1,501**	**1,741**	**–**	**–**
Funded status and net amounts recognized				
Plan assets in excess of (less than) benefit obligation	**(938)**	(926)	**(464)**	(515)
Unrecognized prior service cost (benefit)	**40**	56	**(7)**	(10)
Unrecognized actuarial loss	**807**	559	**160**	140
Unrecognized net transition asset	**(2)**	(4)	**–**	–
Fourth quarter contribution	**–**	119	**–**	12
Net amount recognized in the consolidated balance sheets	**(93)**	**(196)**	**(311)**	**(373)**
Amounts recognized in the accompanying consolidated Balance sheets consist of:				
Accrued benefit liability	**(804)**	(658)	**(311)**	(373)
Intangible asset [1]	**40**	51	**–**	–
Additional minimum liability [2]	**671**	411	**–**	–
Net amount recognized in the consolidated balance sheets	**(93)**	**(196)**	**(311)**	**(373)**

[1] Amount is classified as other assets in the consolidated balance sheets.

[2] Amount shown net of tax in the consolidated statements of shareholders equity.

Postretirement medical expense for 2002 was based on a medical trend assumption of 5.5% per year. This assumption was revised effective with the December 31, 2002 end of year disclosure and 2003 expense. The revised trend assumption begins at 10% for 2003 decreasing 1% per year until reaching an ultimate trend rate of 5% in 2008.

In 2002, Celanese changed the actuarial valuation measurement date for its U.S. pension and other postretirement benefit plans from September 30 to December 31. Celanese believes this method is preferable in the circumstances because a calendar year reporting will bring the valuation date in line with its fiscal year-end reporting and allow for a more current measurement of the related actuarial components. Celanese accounted for this as a change in accounting principle, which resulted in a cumulative effect adjustment in 2002. As a result, income of €9 million, net of income taxes of €5 million, was recorded to cumulative effect of changes in accounting principles in Celanese's consolidated statement of operations. In addition,

this change reduced total 2002 pension and postretirement benefit expense cost by approximately €14 million.

Celanese's 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. Due to a lower discount rate, a reduction in the value of plan assets as a result of investment losses at the measurement date and a lower return on plan asset assumption, Celanese's total net pension cost for 2003 will increase by approximately €7 million. In addition, the lower return on plan asset assumption resulted in expense of €4 million in 2002.

	Pension Benefits			Postretirement Benefits		
in € millions	2002	2001	2000	2002	2001	2000
Components of net periodic benefit cost						
Service cost	**35**	35	33	**3**	3	4
Interest cost	**176**	181	175	**31**	31	31
Expected return on plan assets	**(178)**	(174)	(160)	**–**	–	–
Amortization of prior service cost	**8**	15	8	**(1)**	(1)	–
Recognized actuarial loss	**3**	–	–	**7**	–	–
Amortization of the unamortized obligation	**(2)**	(2)	(2)	**–**	–	–
Curtailment loss (gain)	**(1)**	1	6	**–**	–	–
Settlement loss	**2**	1	2	**–**	–	–
Change in measurement date	**(15)**	–	–	**1**	–	–
Net periodic benefit cost	**28**	**57**	**62**	**41**	**33**	**35**

	Pension Benefits			Postretirement Benefits		
	2002	2001	2000	2002	2001	2000
Weighted-average balance sheet assumptions as of December 31,						
Discount rate:						
U.S. plans	**6.75%**	7.25%	7.75%	**6.75%**	7.25%	7.75%
International plans	**6.30%**	6.90%	7.65%	**6.50%**	7.10%	7.10%
Combined	**6.70%**	7.20%	7.70%	**6.75%**	7.25%	7.75%
Expected return on plan assets:						
U.S. plans	**9.00%**	9.25%	9.25%	**–**	–	–
International plans	**7.60%**	8.15%	9.15%	**–**	–	–
Combined	**8.90%**	9.20%	9.25%	**–**	–	–
Rate of compensation increase						
U.S. plans	**4.00%**	3.40%	3.65%	**–**	–	–
International plans	**2.70%**	3.30%	4.20%	**–**	–	–
Combined	**3.75%**	3.40%	3.80%	**–**	–	–

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets as of December 31, 2002 were €2,433 million, €2,301 million and €1,493 million, respectively, and as of December 31, 2001 were €2,542 million, €2,420 million and €1,614 million, respectively.

In 2002, the additional minimum liability increased by €260 million as a result of the recording of a required increase to the additional minimum liability of €338 million, partially offset by currency translation effects. The additional minimum liability adjustment resulted from a decline in the value of pension plan assets and a reduction in the discount rate used to value pension plan obligations. As a result of this adjustment, accumulated other comprehensive income (loss) in the consolidated statement of shareholders' equity was reduced by €220 million, which is net of an income tax benefit of €118 million.

Included in the pension obligations above are accrued liabilities relating to supplemental retirement plans for certain employees amounting to €189 million and €208 million as of December 31, 2002 and 2001, respectively. Pension expense relating to these plans included in net periodic benefit cost totaled €20 million, €19 million and €18 million for 2002, 2001 and 2000, respectively. To fund these obligations, Celanese has established non-qualified trusts, included within other noncurrent assets, which had market values of €111 million and €151 million at December 31, 2002 and 2001, respectively, and recognized interest income of €3 million and €8 million for 2001 and 2000, respectively. There was no interest income recorded in 2002 related to these trusts.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

in € millions	One Percent Increase	One Percent Decrease
Effect on postretirement obligation	24	(12)

The effect of a one percent increase or decrease in the assumed health care cost trend rate would have less than a €1 million impact on service and interest cost.

The following table represents additional benefit liabilities and other similar obligations:

in € millions	2002	2001
Other Obligations		
Long-term disability	**72**	85
Other	**25**	29
Total	**97**	**114**

20 Shareholders' Equity

Number of Shares Authorized and Issued

In 2002, Celanese retired 1,125,000 shares held in treasury, which resulted in a €3 million reduction of common stock, a €22 million reduction in additional paid-in capital and a €25 million reduction in treasury stock. Celanese had authorized and issued 54,790,369 and 55,915,369 shares of common stock of no par value at December 31, 2002 and 2001, respectively.

See table below for share activity:

in whole shares	Common Stock (authorized and issued)	Common Stock (outstanding)	Authorized Common Stock (authorized, not issued)
As of December 31, 1999	**55,915,369**	**55,915,369**	–
Shares repurchased into treasury	–	(5,591,500)	–
Shares issued to Supervisory Board from treasury	–	2,486	–
As of December 31, 2000	**55,915,369**	**50,326,355**	–
Shares issued to Supervisory Board from treasury	–	8,536	–
As of December 31, 2001	**55,915,369**	**50,334,891**	
Retirement of treasury shares	(1,125,000)	–	–
Shares repurchased into treasury	–	(284,798)	–
Shares issued to Supervisory Board from treasury	–	8,383	–
Authorized Capital increases pursuant to stock option plan	–	–	1,250,000
As of December 31, 2002	**54,790,369**	**50,058,476**	**1,250,000**

Treasury Stock

Celanese is legally permitted under the German Stock Corporation Act to hold as treasury shares a maximum of 10 percent of its authorized and issued shares at any point in time. At the Annual General Meeting of Celanese held on May 15, 2002, the shareholders renewed an authorization for the Board of Management to acquire and hold a maximum of 10 percent of the 55,915,369 shares authorized and issued at the time of such meeting. The authorization expires on November 14, 2003.

During 2000, Celanese repurchased 5,591,500 shares at a total cost of €123 million. In 2002, Celanese retired 1,125,000 treasury shares and repurchased 284,798 shares at a total cost of €6 million.

During 2002, 2001 and 2000, respectively, 8,383, 8,536, and 2,486 shares of treasury stock were issued to members of the Supervisory Board as part of their annual compensation.

Celanese held 4,731,893, 5,580,478 and 5,589,014 shares of treasury stock as of December 31, 2002, 2001 and 2000, respectively.

Additional Paid-in Capital

In connection with the demerger and pursuant to the Demerger Agreement executed and delivered by Celanese and Hoechst, Celanese assumed all of the assets and liabilities of Hoechst's basic chemicals, acetates, technical polymer and certain other industrial businesses as well as certain contractual rights and obligations related to other current and former Hoechst businesses. In 2002, as a result of a favorable settlement of a demerger liability with Hoechst, Celanese recorded a €7 million increase to additional paid-in capital.

In 2002, Celanese granted 1.1 million stock options and in accordance with SFAS No. 123 expensed the fair value of these options. As a result, additional paid-in capital increased by €3 million in 2002 to reflect the 2002 amortization of the fair value of the stock options. (See Note 21)

The repurchase of treasury shares in 2000 noted above resulted in a €4 million increase in additional paid-in capital. (See Note 21)

Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss), which is displayed in the consolidated statement of shareholders' equity, represents net earnings (loss) plus the results of certain shareholders' equity changes not reflected in the consolidated statement of operations. Such items include unrealized gains/losses on marketable securities, foreign currency translation, minimum pension liabilities and unrealized gains/losses on derivative contracts.

The after-tax components of accumulated other comprehensive income (loss) are as follows:

in € millions	Unrealized Gain/ (Loss) on Securities	Foreign Currency Translation	Minimum Pension Liability	Unrealized Loss on Derivative Contracts	Accumulated Other Comprehensive Income/(Loss)
Balance at December 31, 1999	**–**	**184**	**(5)**	**–**	**179**
Current-period change	7	44	(7)	–	44
Balance at December 31, 2000	**7**	**228**	**(12)**	**–**	**223**
Current-period change	(4)	35	(255)	(4)	(228)
Balance at December 31, 2001	**3**	**263**	**(267)**	**(4)**	**(5)**
Current-period change	2	(173)	(220)	(5)	(396)
Balance at December 31, 2002	**5**	**90**	**(487)**	**(9)**	**(401)**

Authorized and Conditional Capital

At the Annual General Meeting of Celanese held on May 15, 2002, shareholders of common stock approved a resolution to increase share capital on a contingent basis by up to €3,195,574 through the issuance of up to 1,250,000 shares of common stock with no-par value ("contingent capital"). The contingent capital increase serves exclusively to grant stock options to members of the Board of Management of Celanese and its group companies as well as to other senior managers of Celanese pursuant to the provisions of the authorization adopted by the shareholders at the meeting. The issuance of these shares will be carried out only insofar as these stock options are exercised and are not satisfied by delivery of existing treasury shares.

Dividend Policy

The payment and amount of any dividends depends on Celanese's current and future earnings, cash flow, financial condition and other factors and therefore cannot be guaranteed to be paid in any given period. Dividends are subject to recommendation by the Celanese Supervisory Board and Board of Management and the approval of the shareholders at Celanese's annual general meetings. Under German law, dividends are payable only out of unappropriated retained earnings as shown in the unconsolidated annual financial statements of Celanese AG, prepared in accordance with German accounting principles, as adopted and approved by resolutions of the Celanese Board of Management and Supervisory Board.

21 Stock-based Compensation

At the Annual General Meeting of Celanese on May 15, 2002, shareholders approved the 2002 Celanese Stock Option Plan (the "2002 Plan") which authorizes the issuance of up to 1.25 million options to purchase shares of common stock. On July 8, 2002, Celanese granted 1.1 million stock options, at an exercise price of €27.54 per share, to the Board of Management and key employees for the purchase of Celanese shares of common stock. Options are granted at an exercise price reflecting the reference price (twenty day average of market price prior to start of plan reference date) plus a 20% exercise premium and become exercisable five years from the date of grant. Two year vesting is possible if the market price per share outperforms the median performance of Celanese's competitors over the holding period. All unexercised options expire ten years from the date of grant. If the market price per Celanese share of common stock on the date of exercise is at least 20% higher than the reference price at the time of the grant, the holder is entitled to receive a cash payment equal to the exercise premium of 20%. In accordance with SFAS No. 123 , the fair value of the 1.1 million options approximated €10 million, which will be recognized over the accelerated vesting period of two years. For the year ended December 31, 2002, Celanese recognized compensation expense of approximately €3 million for these options.

A summary of the activity related to the 2002 Plan as of and for the year ended December 31, 2002, is presented (stock options in millions):

	2002	
	Number of Options	Weighted-Average Grant Price in €
Outstanding at beginning of year	–	–
Granted	1.1	27.54
Exercised	–	–
Forfeited	–	–
Outstanding at end of year	1.1	27.54
Options exercisable at end of year	–	–

The weighted-average fair value of the options granted during 2002 was estimated to be €9.33 per option, on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2002
Expected dividend yield	1.70%
Risk-free interest rate	4.30%
Expected stock price volatility	41.00%
Expected life (years)	6

Effective January 15, 2001, Celanese adopted the Long-Term Incentive Plan (the "2000 Celanese LTIP"). The 2000 Celanese LTIP covers the Board of Management and senior executives of Celanese. Stock appreciation rights ("Rights") granted under the 2000 Celanese LTIP have a ten-year term and generally will be exercisable in whole or in part, subject to certain limitations, at any time during the period between January 15, 2003 and January 14, 2011, provided at the time of exercise, the performance of an ordinary share of Celanese on the Frankfurt Stock Exchange must exceed the performance of the median of the share prices of Celanese's peer group companies as defined by the Board of Management of Celanese. Under the 2000 Celanese LTIP, the participant will receive the cash difference between the base price and the share price of Celanese on the day of exercise. In January 2001, Celanese granted approximately 2 million Rights to the participants under the 2000 Celanese LTIP. During 2002, Celanese granted an additional 0.1 million Rights to the 2000 Celanese LTIP participants. Of the total 2.1 million Rights granted, 1.9 million remain outstanding at December 31, 2002. Celanese recognized expense of approximately €1 million and €1 million during 2002 and 2001, respectively, for the 2000 Celanese LTIP. Rights remaining unexercised as of January 15, 2011 will be deemed to have been forfeited as of that date. The grant price of these Rights was €19.56 per share.

During 1999, Celanese adopted the Equity Participation Plan (the "1999 Celanese EPP") and the Long-Term Incentive Plan (the "1999 Celanese LTIP"). The 1999 Celanese EPP covers the Board of Management and certain senior executives of Celanese. The participants in the 1999 Celanese EPP were required to purchase a defined value of Celanese stock over a one or two year period. The Rights granted under the 1999 Celanese EPP were based on the required amount of money invested in Celanese shares by the participant, divided by the base price of the stock and multiplied by two. Rights granted under the EPP have a ten-year term and generally will be exercisable in whole or in part, subject to certain limitations, at any time during the period between October 25, 2001 and October 25, 2009, provided at the time of exercise, the performance of an ordinary share of Celanese on the Frankfurt Stock Exchange must exceed the median of performance of the share prices of Celanese's peer group companies as defined by the Celanese Board of Management. Under the 1999 Celanese EPP, the participant will receive the cash difference between the base price and the Celanese share price on the day of exercise. During 1999, Celanese granted approximately 2.5 million Rights to the 1999 Celanese EPP participants. During 2001, Celanese granted an additional 0.1 million Rights to the 1999 Celanese EPP participants. Of the total 2.6 million Rights granted, 1.7 million remain outstanding at December 31, 2002. Rights remaining unexercised as of October 26, 2009 will be deemed to have been forfeited as of that date. The grant price of these Rights was €16.37 per share. Celanese recognized expense of €2 million, €5 million and €4 million for the 1999 Celanese EPP during 2002, 2001 and 2000, respectively.

The 1999 Celanese LTIP covers the Board of Management and senior executives of Celanese. Rights granted under the 1999 Celanese LTIP have a ten-year term and generally are exercisable in whole or in part, subject to limitations, at any time during the period between October 25, 2001 and October 25, 2009, provided at the time of exercise, the performance of an ordinary share of Celanese on the Frankfurt Stock Exchange must exceed the performance of the median of the share prices of Celanese's peer group companies as defined by the Board of Management of Celanese. Under the 1999 Celanese LTIP, the participant will receive the cash difference between the base price and the share price of Celanese on the day of exercise. During 1999, Celanese granted approximately 2.4 million Rights to the participants under the 1999 Celanese LTIP, of which 1.6 million remain outstanding at December 31, 2002. Rights remaining unexercised as of October 26, 2009 will be deemed to have been forfeited as of that date. The grant price of these Rights was €16.37 per share. Celanese recognized expense of €1 million, €5 million and €3 million for the 1999 Celanese LTIP in 2002, 2001 and 2000, respectively.

A summary of the activity related to stock appreciation rights plans as of and for the years ended December 31, 2002, 2001 and 2000 is presented (Rights in millions):

	2002		2001		2000	
	Number of Rights	Weighted-Average Grant Price in €	Number of Rights	Weighted-Average Grant Price in €	Number of Rights	Weighted-Average Grant Price in €
Outstanding at beginning of year	**5.8**	**17.47**	4.4	16.37	4.9	16.37
Granted	**0.1**	**19.56**	2.1	19.41	–	–
Exercised	**(0.6)**	**16.37**	(0.5)	16.37	(0.2)	16.37
Forfeited	**(0.1)**	**19.56**	(0.2)	16.37	(0.3)	16.37
Outstanding at end of year	**5.2**	**17.54**	**5.8**	**17.47**	**4.4**	**16.37**
Rights exercisable at end of year	**3.3**	**16.37**	**3.8**	**16.37**	**–**	**–**

As of December 31, 2002, the members of the Supervisory Board and Board of Management held shares, options and Rights representing 0.3% and 2.1%, respectively, of the total shares outstanding.

Beginning in 2000, Celanese offers stock participation plans ("SPP") to employees not eligible to participate in the stock appreciation rights plans. Under these plans, active employees who invest a defined amount of money in Celanese shares during a limited period of time are entitled to receive a 35 percent rebate from Celanese. Compensation expense of €2 million was recognized during both 2002 and 2001 for the Celanese SPP.

In connection with the demerger, Celanese assumed obligations associated with the Hoechst 1997 Stock Appreciation Rights Plan (the "1997 Hoechst SAR Plan") and the Hoechst 1998 Stock Option Plan (the "1998 Hoechst Option Plan") for participating Celanese employees under these compensation programs. As a result of the merger of Hoechst and Rhône-Poulenc to form Aventis in December 1999, the terms and conditions of these compensation programs were modified to take into account the changed circumstances.

During 1997, Celanese employees participating in the 1997 Hoechst SAR Plan were granted 168,500 Rights. These Rights had a five-year term and generally were exercisable in whole or in part, subject to certain limitations, at any time during the period between September 9, 1999 and September 9, 2002, provided that at the time of exercise, the closing price of an ordinary share of Hoechst on the Frankfurt Stock Exchange was at least 125 percent of the grant price. The grant price of these Rights was €37.73 per share. Rights remaining unexercised as of September 9, 2002 were to be automatically exercised as of that date only if the closing price of the shares was at least 125 percent of the grant price. Following the demerger and the creation of Aventis, the terms of the 1997 Hoechst SAR Plan were modified to take into consideration the conversion of Hoechst shares into Aventis shares. The grant price of €37.73 per Hoechst

share was converted to €45.43 per Aventis share. As a result of this modification, the number of rights granted was converted to 139,922 from 168,500. Additionally, all hurdles for the exercise of the Rights were eliminated. As part of the demerger, Hoechst agreed to indemnify Celanese for all expenses associated with the 1997 Hoechst SAR Plan. All rights remaining unexercised as of September 9, 2002 were automatically exercised as of that date.

During 1998, Celanese employees participating in the 1998 Hoechst Option Plan were granted 124,774 options. These options have a five-year term and generally will be exercisable in whole or in part, subject to certain limitations, at any time during the period between September 30, 2001 until September 30, 2003, provided that, at the time of exercise, the closing price of an ordinary share of Hoechst on the Frankfurt Stock Exchange must meet the following hurdles, such as, the closing price must be at least 125 percent of the grant price and the Hoechst share price must exceed the performance of the share price of eight out of seventeen peer group companies as defined by the Board of Management of Hoechst. The grant price of these options was €34.88 per share. As a result of the demerger and the creation of Aventis, the terms of the 1998 Hoechst Option Plan were modified to take into consideration the conversion of Hoechst shares into Aventis shares. Celanese employees that were covered under the 1998 Hoechst Stock Option Plan had the option to continue the plan as the Aventis Option Plan, convert it into a form of Celanese Rights or to receive a cash distribution. In the case of continuing the plan as the Aventis Option Plan, the grant price was converted from €34.88 per Hoechst share to €42.01 per Aventis share. The creation of Aventis triggered a change of control provision contained in the 1998 Hoechst Option Plan, and accordingly, these rights were considered fully vested at September 30, 2001. Additionally, all performance hurdles for the exercise of the options were eliminated. As of December 31, 2002, 22,021 Aventis options remain outstanding. Unexercised options as of September 30, 2003 will be forfeited as of that date. In the case of electing to convert the options into a form of Celanese Rights, the number of shares subject to options was converted to 43,750 Celanese Rights, all of which remain outstanding as of December 31, 2002. The conditions for the exercise of these Celanese Rights are based on the same requirements as those in the 1999 Celanese Equity Participation Plan discussed below. The base price of the Rights was fixed at €16.37 per share. Celanese employees who chose to receive a cash distribution were paid €15.30 per Hoechst option. Celanese recognized no expense in 2002 and expense of less than €1 million in 2001 and 2000 for the 1998 Hoechst Option Plan.

During 2002, 2001 and 2000, 8,383, 8,536 and 2,486 shares of treasury stock, respectively, and the cash equivalent of 0, 683 and 0 shares of treasury stock, respectively, were issued to members of the Supervisory Board as part of their annual compensation.

22 Leases

Total minimum rent charged to operations under all operating leases was €46 million, €56 million and €60 million in 2002, 2001 and 2000, respectively. Future minimum lease payments under rental and lease agreements which have initial or remaining terms in excess of one year at December 31, 2002 are as follows:

in € millions	Capital	Operating
2003	3	48
2004	3	41
2005	2	38
2006	2	32
2007	2	24
Later years	5	133
Sublease income	–	(8)
Minimum lease commitments	**17**	**308**
Less amounts representing interest	4	
Present value of net minimum lease obligations	**13**	

The related assets for capital leases are included in machinery and equipment in the consolidated balance sheets.

Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

23 Financial Instruments

In the normal course of business, Celanese uses various financial instruments, including derivative financial instruments, to manage risks associated with interest rate, currency, certain raw material price and stock based compensation exposures. Celanese does not use derivative financial instruments for speculative purposes.

Interest Rate Risk Management

Celanese enters into interest rate swap agreements to reduce the exposure of interest rate risk inherent in Celanese's outstanding debt. Celanese's interest rate derivative policy is to lock in borrowing rates to achieve a desired level of fixed/floating rate debt. Celanese had open interest rate swaps with a notional amount of €286 million and €340 million at December 31, 2002 and 2001, respectively. Celanese believes its credit risk exposure related to counterparty default on instruments is not material. Celanese recognized net interest expense from hedging activities relating to interest rate swaps of €13 million in 2002 and €6 million in 2001. As of December 31, 2002, Celanese's interest rate swaps, designated as cash flow hedges, resulted in an increase in total assets and total liabilities and a decrease in shareholders' equity of €4 million, €17 million and €8 million, net, of related income tax of €4 million, respectively.

During the year ended December 31, 2002, the Company recorded a net loss of €3 million in interest and other income, net, for the ineffective portion of the interest rate swaps. As of December 31, 2001, Celanese's interest rate swaps resulted in an increase in total assets and total liabilities and a decrease in shareholders' equity of €2 million, €11 million and €4 million, net of related income tax of €2 million, respectively. During the year ended December 31, 2001, the Company recorded a net loss of €5 million in interest and other income, net for the ineffective portion of the interest rate swaps. The amount of losses expected to be reclassified from accumulated other comprehensive income (loss) into earnings within the next twelve months is not currently determinable.

Foreign Exchange Risk Management

Certain Celanese entities have receivables and payables denominated in currencies other than their respective functional currencies, which creates foreign exchange risk. Accordingly, Celanese may enter into foreign currency forwards and options to minimize its exposure to foreign currency fluctuations. The foreign currency contracts are fair value hedges mainly for booked exposure and, in some cases, cash flow hedges for anticipated exposure.

Contracts with notional amounts totaling approximately €955 million and €1,013 million at December 31, 2002 and 2001, respectively, are predominantly in U.S. dollars, British pound sterling, Japanese yen, and Canadian dollars. Certain of Celanese's foreign currency forward contracts did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. Celanese recognizes net foreign currency transaction gains or losses on the underlying transactions, which are offset by losses and gains related to foreign currency forward contracts. During the years ended December 31, 2002 and 2001, Celanese hedged all of its dollar denominated intercompany loans held by euro denominated entities therefore, there was no material net effect from foreign exchange gains or losses in interest and other income, net. During the year ended December 31, 2000, these contracts hedged only a portion of Celanese dollar denominated intercompany loans held by euro denominated entities. As a result, a net gain of approximately €30 million from foreign exchange gains or losses was recorded to interest and other income, net in 2000.

Commodity Risk Management

Celanese recognized losses of less than €1 million and €2 million from natural gas swap contracts in 2002 and 2001, respectively. There was no material impact on the balance sheet at December 31, 2002 and December 31, 2001. The effective portion of unrealized gains and losses associated with the cash-settled swap contracts of €1 million and less than €1 million at December 31, 2002 and December 31, 2001 are recorded as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are reported in earnings. The notional amount of these outstanding swaps at December 31, 2002 is not material.

Stock Based Compensation Risk Management

During 2001, Celanese purchased call options for one million shares of Celanese stock to partially offset its exposure of the 2000 Celanese LTIP. These options have a maturity of two years, a strike price of €19.56 per share and an average premium of €4.39 per share. The options allow settlement in cash only. The options had a market value as of December 31, 2002 of €2 million, which was recorded as an increase to accumulated other comprehensive income (loss).

As of December 31,1999, Celanese purchased call options to purchase 1.2 million shares of Celanese stock to offset its exposure of the 1999 Celanese LTIP and 1999 Celanese EPP. These options had a maturity of six months, a strike price of €16.37 per share and an average premium of €3.16 per share so that the total premium paid through December 31, 1999 amounted to €4 million. The market value of these options at December 31, 1999 was €4 million. As the options allowed settlement in either cash or stock, at the choice of Celanese, €4 million was recorded as a decrease to additional paid in capital. In 2000, Celanese settled the call options to purchase 1.2 million shares of treasury stock. As a result, additional paid-in-capital and treasury stock increased by €4 million each.

Fair Value of Financial Instruments

Summarized below are the carrying values and estimated fair values of Celanese's financial instruments as of December 31, 2002 and 2001. For these purposes, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2002		2001	
in € millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other assets – investments	**239**	**239**	273	273
Long-term debt	**420**	**456**	613	633
Pension funds in non-qualified trust	**107**	**111**	144	151
Debt-related derivative instruments	**(25)**	**(25)**	(11)	(11)
Foreign exchange-related derivative instruments	**35**	**35**	(19)	(19)
Call options on Celanese stock	**2**	**2**	4	4

At December 31, 2002 and 2001, the fair values of cash and cash equivalents, receivables, notes payable, trade payables, short-term debt and the current installments of long-term debt approximate carrying values due to the short-term nature of these instruments. These items have been excluded from the table. Additionally, certain long-term receivables, principally insurance recoverables, are carried at net realizable value. (See Note 24)

Included in other assets are certain investments accounted for under the cost method and long-term marketable securities classified as available for sale. In general, the cost investments are not publicly traded; however, Celanese believes that the carrying value approximates the fair value.

The fair value of long-term debt and debt-related financial instruments is estimated based upon the respective implied forward rates as of December 31, 2002, as well as quotations from investment bankers and on current rates of debt for similar type instruments.

24 Commitments and Contingencies

Celanese is involved in a number of legal proceedings, lawsuits and claims incidental to the normal conduct of its business, relating to such matters as product liability, anti-trust, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, management believes, based on the advice of legal counsel, that adequate provisions have been made and that the ultimate outcome will not have a material adverse effect on the financial position of Celanese, but may have a material adverse effect on the results of operations or cash flows in any given accounting period. (See Note 25)

Plumbing Actions

CNA Holdings, Inc. ("CNA Holdings") is a U.S. subsidiary of Celanese and includes the U.S. business now conducted by Ticona. CNA Holdings, along with Shell Chemical Company ("Shell") and E. I. du Pont de Nemours ("DuPont"), among others, have been the defendants in a series of lawsuits, alleging that plastics manufactured by these companies that were utilized in the production of plumbing systems for residential property were defective or caused such plumbing systems to fail. Based on, among other things, the findings of outside experts and the successful use of Ticona's acetal copolymer in similar applications, CNA Holdings does not believe Ticona's acetal copolymer was defective or caused the plumbing systems to fail. In many cases, CNA Holdings' exposure may be limited by invocation of the statute of limitations since CNA Holdings ceased selling the resin for use in the plumbing systems in site built homes during 1986 and in manufactured homes during 1990.

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

Developments under this matter are as follows:

- Certification has been denied in putative class actions pending in Florida and South Carolina state courts. Although plaintiffs subsequently sought to bring actions individually, they were dismissed and are on appeal.

- In April 2000, the U.S. District Court for the District of New Jersey denied class certification for a putative class action (of insurance companies with respect to subrogation claims). The plaintiffs' appeal to the Third Circuit Court of Appeals was denied in July 2000 and the case was subsequently dismissed. In September 2000, a similar putative class action seeking certification of the same class that was denied in the New Jersey matter was filed in Tennessee state court. The court denied certification in March 2002, and plaintiffs are attempting an appeal. Cases are continuing on an individual basis.

- Class certification of recreational vehicle owners was denied by the Chancery Court of Tennessee, Weakley County in July 2001, and cases are proceeding on an individual basis.

- The U.S. District Court for the Eastern District of Texas denied certification of a putative class action in March 2002. Plaintiffs are also attempting to appeal this ruling.

- Of the three putative class actions pending in Canadian courts, one was denied class certification while the other two are still pending. The court in a putative class action pending in the U.S. Virgin Islands denied certification to a U.S. territories-wide class and dismissed Celanese on jurisdictional grounds. Plaintiffs are seeking reconsideration of those rulings.

In November 1995, CNA Holdings, DuPont and Shell entered into national class action settlements, which have been approved by the courts. The settlements call for the replacement of plumbing systems of claimants who have had qualifying leaks, as well as reimbursements for certain leak damage. Furthermore, the three companies had agreed to fund such replacements and reimbursements up to U.S. $950 million, (as of December 31, 2002, the funding is now U.S. $1,070 million due to additional contributions and funding commitments, made primarily by other parties.) There are additional pending lawsuits in approximately 10 jurisdictions not covered by this settlement; however, these cases do not involve (either individually or in the aggregate) a large number of homes, and management does not expect the obligations arising from these lawsuits to have a material adverse effect on CNA Holdings.

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

CNA Holdings has accrued its best estimate of its share of the plumbing actions. At December 31, 2002, Celanese had remaining accruals of €81 million for this matter, of which €22 million is included in current liabilities. Management believes that the plumbing actions are adequately provided for in the consolidated financial statements.

However, if Celanese were to incur an additional charge for this matter, such a charge would not be expected to have a material adverse effect on the financial position, but may have a material adverse effect on the results of operations or cash flows of Celanese in any given accounting period. Celanese has reached settlements with a majority of CNA Holdings' insurers specifying their responsibility for these claims; as a result, Celanese has recorded receivables relating to the anticipated recoveries from certain third party insurance carriers. These receivables are based on the probability of collection, an opinion of external counsel, the settlement agreements with Celanese's insurance carriers whose coverage level exceeds the receivables and the status of current discussions with other insurance carriers. As of December 31, 2002, Celanese had recorded €70 million in outstanding insurance claim receivables. Collectibility could vary depending on the financial status of the insurance carriers.

Sorbates Litigation

In 1998, Nutrinova Inc., a U.S. subsidiary of Nutrinova Nutrition Specialties & Food Ingredients GmbH, then a wholly-owned subsidiary of Hoechst, received a grand jury subpoena from the U.S. District Court for the Northern District of California in connection with a U.S. criminal antitrust investigation of the sorbates industry. On May 3, 1999, Hoechst and the Government of the United States of America entered into an agreement under which Hoechst pled guilty to a one-count indictment charging Hoechst with participating in a conspiracy to fix prices and allocate market shares of sorbates sold in the U.S. Hoechst and the U.S. Government agreed to recommend that the U.S. District Court fine Hoechst U.S. $36 million. This fine is being paid over a 5 year period. Hoechst also agreed to cooperate with the Government's investigation and prosecutions related to the sorbates industry. The U.S. District Court accepted this plea on June 18, 1999 and imposed the penalty as recommended in the plea agreement.

In addition, during 1999 and 2000, nineteen civil antitrust actions, seeking monetary damages and other relief for alleged conduct involving the sorbates industry were filed by private parties in U.S. Federal and various state courts as well as in the Canadian provinces of Ontario and Quebec. During 2000 and 2001, Hoechst and Nutrinova entered into settlement agreements relating to actions pending in the states of California, Wisconsin, Kansas, New Mexico and Tennessee. Pursuant to these settlement agreements, all of which have been approved by the courts, Hoechst and Nutrinova paid a total of about U.S. $6 million. Seven separate actions involving direct purchasers of sorbates had been filed in the U.S. District Court for the Northern District of California and were consolidated into a single action in June 1999. In March 2000, the parties entered into a settlement of this consolidated civil antitrust federal action. Under the settlement agreement, Hoechst and the named Celanese subsidiaries paid approximately U.S. $21 million, U.S. $6 million of which was returned in December 2001 based on the volume of purchases made by companies that elected to opt out of the class settlement. In late 2001, these opt out plaintiffs also entered into settlement agreements with Hoechst and the named Celanese subsidiaries. Two remaining private actions are still pending.

In July 2001, Hoechst and Nutrinova entered into an agreement with the Attorneys General of 33 states, pursuant to which the statutes of limitations were tolled pending the states' investigations. In October 2002, the Attorneys General for New York, Illinois, Ohio, Nevada, Utah and Idaho filed suit on behalf of indirect purchasers in their respective states. Each of these actions is in the early stages of litigation and, in some cases, Hoechst, Nutrinova and the other named affiliates have not yet been served. In the fall of 2002, the Attorneys General of Connecticut, Florida, South Carolina and Washington gave notice of intent to take legal action against sorbates manufacturers, but have not yet done so. Hoechst and Nutrinova have not received any communications from any other Attorney General, but they may be forthcoming.

In January 2003, the European Commission served Hoechst, Nutrinova Nutrition Specialties & Food Ingredients GmbH and a number of foreign competitors with a statement of objections alleging unlawful, anticompetitive behavior affecting the European sorbates market. As in the U.S. and Canada, Hoechst and Nutrinova have cooperated with the Commission's investigation related to the sorbates industry. A decision is expected in the second half of 2003. Depending on the outcome, fines may be imposed.

Based on the advice of external counsel and a review of the existing facts and circumstances relating to the matter, including the status of claims filed and settled, Celanese has remaining accruals of €29 million at December 31, 2002 for the estimated loss relative to this matter including potential risks in other jurisdictions. Celanese recorded this amount prior to 2002. Although the outcome of this matter cannot be predicted with certainty, management's best estimate of the range of possible future losses and fines, including any that may result from the above noted governmental proceedings (in addition to the amounts already recorded in the consolidated financial statements), as of December 31, 2002 is between €0 and €35 million. The estimated range of such possible future losses is management's best estimate based on the advice of external counsel taking into consideration potential fines and claims, both civil and criminal, that may be imposed or made in other jurisdictions.

Pursuant to the Demerger Agreement, Hoechst has agreed to indemnify Celanese for 80 percent of any costs Celanese may incur relative to this matter. Accordingly, Celanese has recognized a receivable from Hoechst and a corresponding contribution of capital from this indemnification. The additional reserve and the estimated range of possible future losses, noted above, for this matter are gross of any recovery from Hoechst. Celanese believes that any resulting liabilities, net of amounts recoverable from Hoechst, will not, in the aggregate, have a material adverse effect on Celanese's financial position, but may have a material adverse effect on results of operations or cash flows in any given accounting period.

Guarantees

Celanese 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. While many of these obligations contain monetary and/or time limitations, others do not provide such limitations.

Celanese has accrued for all probable and reasonably estimable losses associated with all known matters or claims that have been brought to its attention. (See Note 25)

These known obligations include the following:

Demerger Obligations

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

- Celanese agreed to indemnify Hoechst for environmental liabilities associated with contamination arising under 19 divestiture agreements entered into by Hoechst prior to the demerger.

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

  - Celanese will indemnify Hoechst against those liabilities up to €250 million;
  - Hoechst will bear those liabilities exceeding €250 million, however Celanese will reimburse Hoechst for one-third of those liabilities for amounts that exceed €750 million in the aggregate.

  At December 31, 2002, Celanese's obligation regarding two agreements had been settled. The aggregate amount of environmental indemnifications under the remaining divestiture agreements which provide for monetary limits is approximately €750 million. Three of the divested agreements do not provide for monetary limits.

  As of December 31, 2002, Celanese has spent in the aggregate €32 million for environmental contamination liabilities in connection with these divestiture agreements. Based on Celanese's estimate of the probability of loss under this indemnification, Celanese has reserves of €57 million as of December 31, 2002, for this contingency. Where Celanese is unable to reasonably determine the probability of loss or estimate such loss under an indemnification, Celanese has not recognized any related liabilities. (See Note 25)

- Celanese has also undertaken in the Demerger Agreement to indemnify Hoechst to the extent that Hoechst is required to discharge liabilities, including tax liabilities, associated with businesses that were included in the demerger where such liabilities were not demerged, due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. Celanese has not provided for any reserves associated with this indemnification. Celanese did not make any payments to Hoechst in either 2001 or 2002 in connection with this indemnification.

Divestiture Obligations

Celanese 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, Celanese does not believe that they expose the company to any significant risk.

Since the demerger, Celanese has divested in the aggregate over 20 businesses, investments and facilities, through agreements containing indemnifications or guarantees. Many of the obligations contain monetary and/or time limitations, ranging from one year to 30 years, the aggregate amount of guarantees provided for under these agreements is approximately €2.5 billion as of December 31, 2002. Other agreements do not provide for any monetary or time limitations.

The divestiture agreements generally provide that Celanese and its predecessor companies will indemnify the purchaser against all claims for environmental liabilities which arise out of conditions existing prior to the closing of the purchase. As a general rule, irrespective of the contractual indemnities provided to the purchasers, Celanese and its predecessor companies remain liable under applicable law to third party claimants in respect of these pre-closing conditions, and as a result, Celanese does not believe that the contractual indemnities given by Celanese and its predecessor companies, as a practical matter, increase its environmental exposure.

Based on Celanese's historical claims experience and its knowledge of the sites and businesses involved, the Company feels that it is adequately reserved for these matters. As of December 31, 2002, Celanese has reserves in the aggregate of €58 million for all such environmental matters.

Plumbing Insurance Indemnifications

Celanese has 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 Celanese 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 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 €90 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. Celanese 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.

Celanese has reserves associated with these product liability claims. See Plumbing Actions above.

Other Obligations

- Celanese is secondarily liable under a lease agreement pursuant to which Celanese has assigned a direct obligation to a third party. The lease assumed by the third party expires on April 30, 2012. The lease liability for the period from January 1, 2003 to April 30, 2012 is estimated to be approximately €66 million (U.S. $63 million).

- In May 2001, Celanese issued a payment guarantee to a bank to secure the repayment of a loan by Celanese's former affiliate Vintron GmbH. Celanese's obligation under the guarantee as of December 31, 2002 amounts to €31 million plus interest and additional costs. Pursuant to its terms, the guarantee may be released upon the final registration of the collateral given by Vintron GmbH in favor of the bank. Celanese has been advised that all formal requirements for the registration have been fulfilled and the application has been submitted to the government agency responsible for rights related to real estate matters. Celanese expects to be released from this guarantee during the first quarter of 2003.

- Celanese has agreed to indemnify various insurance carriers, for amounts not in excess of the settlements received, from claims made against these carriers subsequent to the settlement. The aggregate amount of guarantees under these settlements is approximately €7 million, which is unlimited in term.

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

Other Matters

In the normal course of business, Celanese enters into commitments to purchase goods and services over a fixed period of time. Celanese maintains a number of "take-or-pay" contracts for the purchase of raw materials and utilities. At December 31, 2002, there were outstanding commitments of approximately €1.1 billion under take-or-pay contracts. Celanese does not expect to incur any losses under these contractual arrangements. Additionally, at December 31, 2002, there were outstanding commitments relating to capital projects of approximately €31 million.

In July 2000, Celanese began production at its acetic acid plant in Singapore. Shortly thereafter, production was severely constrained by a supplier's inability to deliver carbon monoxide to the plant on a consistent and reliable basis. As a result, Celanese declared *force majeure* for acetic acid and vinyl acetate monomer to its Asian customers. *Force majeure* remained in effect until March 16, 2001. Celanese and the supplier came to an agreement on March 20, 2001, whereby Celanese received a compensation payment of €35 million, €4 million of which was recognized in 2000. Celanese received a subsequent payment in the second quarter 2001 of €8 million for compensation related to April and May 2001. These problems associated with the carbon monoxide supplier were resolved in the first half of 2001. The carbon monoxide supplier experienced operational difficulties in the third quarter 2002, which were corrected during the fourth quarter. There was minimal impact on full year 2002 operating results due to insurance recoveries.

25 Environmental

General – Celanese 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. Celanese believes that it is in substantial compliance with all applicable environmental laws and regulations. Celanese is also subject to retained environmental obligations specified in various contractual agreements arising from divestiture of certain businesses by Celanese or one of its predecessor companies.

In 2002, Celanese's worldwide expenditures, including expenditures for legal compliance, internal environmental initiatives and remediation of active, orphan, divested and U.S. Superfund sites totaled €102 million, of which €4 million was for capital projects. Environmental reserves for remediation matters were €199 million and €341 million at December 31, 2002 and 2001, respectively. (See Notes 14 and 16)

It is anticipated that stringent environmental regulations will continue to be imposed on the chemical industry. Although Celanese cannot predict with certainty future environmental expenditures, especially expenditures beyond 2003, management believes that the current spending trends will continue.

Remediation – Due to its industrial history and through retained contractual obligations, Celanese has the obligation to remediate specific areas on its own sites as well as on divested, orphan or U.S. Superfund sites. In addition, as part of the Demerger Agreement with Hoechst, a specified portion of the responsibility for environmental liabilities from a number of Hoechst divestitures was transferred to Celanese. Celanese has provided for such obligations when the event of loss is probable and reasonably estimable.

In 2002, 2001 and 2000, the total remediation efforts charged to earnings before tax amounted to €7 million, €8 million and €23 million, respectively. Celanese recognized €2 million of accretion expense in 2002 and €3 million of accretion expense in both 2001 and 2000 related to a discounted liability for certain fixed

period remediation projects. The discount rate applied to these projects is 6 percent. Management believes that the environmental related costs will not have a material adverse effect on the financial position of Celanese, but may have a material adverse effect on the results of operations or cash flows in any given accounting period.

Celanese did not record any insurance recoveries related to these matters in 2002 and recorded €1 million in 2001. There are no receivables for recoveries at December 31, 2002 and 2001.

German InfraServs – On January 1, 1997, coinciding with a reorganization of the Hoechst businesses in Germany, real estate service companies ("InfraServs") were created to own directly the land and property and to provide various technical and administrative services at each of the manufacturing locations. Celanese has manufacturing operations at three locations in Germany: Oberhausen, Frankfurt am Main-Höchst, and Kelsterbach, and is holding interests in the companies which own and operate the former Hoechst sites in Gendorf, Knapsack and Wiesbaden.

InfraServs are liable for any residual contamination and other pollution because they own the real estate on which the individual facilities operate. In addition, Hoechst, as the responsible party under German public law, is liable to third parties for all environmental damage that occurred while it was still the owner of the plants and real estate. The contribution agreements entered into in 1997 between Hoechst and the respective operating companies, as part of the divestiture of these companies, provide that the operating companies will indemnify Hoechst against environmental liabilities resulting from the transferred businesses. Additionally, the InfraServs have agreed to indemnify Hoechst against any environmental liability arising out of or in connection with environmental pollution of any site. Likewise, in certain circumstances Celanese could be responsible for the elimination of residual contamination on a few sites that were not transferred to InfraServ companies, in which case Hoechst must reimburse Celanese for two-thirds of any costs so incurred.

The partnership agreements provide that, as between the partners, each partner is responsible for any contamination caused predominantly by such partner. Any liability, which cannot be attributed to an InfraServ partner and for which no third party is responsible, is required to be borne by the InfraServ in question.

In view of this potential obligation to eliminate residual contamination, the InfraServs, primarily relating to equity and cost affiliates which are not consolidated by Celanese, have recorded provisions totaling about €58 million and €119 million as of December 31, 2002 and 2001, respectively. The reduction in this provision reflects the sale of InfraServ GmbH & Co. Deponie Knapsack KG, to Trienekens AG, a company active in all areas of waste management, which was subsequently merged into RWE Umwelt AG. Deponie's financial assets, including a cash reserve of €58 million for measures ordered by German authorities, mainly for landfill and land reclamation activities, as well as all of Deponie's liabilities (including those corresponding to the cash reserve) were transferred to the buyer, thereby reducing Celanese's environmental provision by the corresponding amount.

If the InfraServ companies default on their respective indemnification obligations to eliminate residual contamination, the owners of the remaining participation in the InfraServ companies have agreed to fund such liabilities, subject to a number of limitations. To the extent that any liabilities are not satisfied by either the InfraServs or their owners, these liabilities are to be borne by Celanese in accordance with the Demerger Agreement. However, Hoechst will reimburse Celanese for two-thirds of any such costs. Likewise, in certain circumstances Celanese could be responsible for the elimination of residual contamination on a few sites that were not transferred to InfraServ companies, in which case Hoechst must reimburse Celanese for two-thirds of any costs so incurred.

The German InfraServs are owned partially by Celanese, as noted below, and the remaining ownership is held by various other companies. Celanese's ownership interest and environmental liability participation percentages for such liabilities which cannot be attributed to an InfraServ partner were as follows at December 31, 2002:

Company	Ownership %	Liability %
InfraServ GmbH & Co. Gendorf KG	39.0%	10.0%
InfraServ GmbH & Co. Oberhausen KG	84.0%	75.0%
InfraServ GmbH & Co. Knapsack KG	27.0%	22.0%
InfraServ GmbH & Co. Kelsterbach KG	100.0%	100.0%
InfraServ GmbH & Co. Höchst KG	31.2%	40.0%
InfraServ GmbH & Co. Wiesbaden KG	17.9%	0.0%
InfraServ Verwaltungs GmbH	100.0%	0.0%

U.S. Superfund Sites – In the U.S., Celanese may be subject to substantial claims brought by U.S. Federal or state regulatory agencies or private individuals pursuant to statutory authority or common law. In particular, Celanese has a potential liability under the U.S. 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 Celanese, or one of its predecessor companies, have been notified that the EPA, 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, Celanese cannot determine accurately its ultimate liability for investigation or cleanup costs at these sites. At December 31, 2002 and 2001, Celanese had provisions totaling €12 million and €16 million, respectively, for U.S. Superfund sites and utilized €1 million and €2 million of these reserves in 2002 and 2001, respectively. There were no additional provisions recorded during 2002 or 2001.

As events progress at each site for which it has been named a PRP, Celanese 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,

Celanese 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 Celanese will join with other PRPs to sign joint defense agreements that will settle, among PRPs, each party's percentage allocation of costs at the site. Although the ultimate liability may differ from the estimate, Celanese routinely reviews the liabilities and revises the estimate, as appropriate, based on the most current information available.

Hoechst Liabilities – In connection with the demerger, Celanese agreed to indemnify Hoechst for the first €250 million of future remediation liabilities for environmental damages arising from 19 specified divested Hoechst entities. As of December 31, 2002 Celanese has reserves approximating €57 million for these matters that are included as a component of the total environmental reserves discussed above. Celanese has made payments through December 31, 2002 of €32 million. If such future liabilities exceed €250 million, Hoechst will bear such excess up to an additional €500 million. Thereafter, Celanese will bear one-third and Hoechst will bear two-thirds of any further environmental remediation liabilities. Where Celanese is unable to reasonably determine the probability of loss or estimate such loss under this indemnification, Celanese has not recognized any liabilities relative to this indemnification.

26 Special Charges

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

Effective October 2002, Celanese early adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* and accordingly applied the statement prospectively to exit or disposal activities initiated after September 30, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. It nullifies EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The principal difference between SFAS No.146 and EITF Issue No. 94-3 relates to the recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires recognition only when the liability is incurred. In contrast, under Issue No. 94-3, a liability was recognized when the company committed to an exit plan. Additionally, SFAS No. 146 stipulates that the liability be measured at fair value and adjusted for changes in cash flows.

The components of the 2002 and 2001 restructuring reserves were as follows:

in € millions	Employee Termination Benefits	Plant/Office Closures	Total
Restructuring reserve at December 31, 2000	**36**	**61**	**97**
Restructuring additions	129	105	234
Cash and noncash uses	(64)	(95)	(159)
Other changes	(4)	(15)	(19)
Currency translation adjustments	2	–	2
Restructuring reserve at December 31, 2001	**99**	**56**	**155**
Restructuring additions	11	8	19
Cash and noncash uses	(64)	(25)	(89)
Other changes	(5)	(5)	(10)
Currency translation adjustments	(4)	(7)	(11)
Restructuring reserve at December 31, 2002	**37**	**27**	**64**

Included in the above restructuring reserves of €64 million and €155 million at December 31, 2002 and 2001, respectively, are €9 million and €20 million, respectively, of long-term reserves included in other liabilities.

In 2002, Celanese recorded special charges totaling €1 million of income, which consisted of €19 million of restructuring charges, €10 million of income from favorable adjustments to restructuring reserves recorded in 2001 and 2000, €1 million of income from reimbursements from third party site partners related to prior year initiatives, and €9 million of income from other special charges. The €19 million of additions to the restructuring reserve included employee severance costs of €11 million and plant and office closure costs of €8 million.

The €19 million of additions to the restructuring reserve in 2002 included €10 million under SFAS No. 146 and €9 million under EITF Issue No. 94-3.

SFAS No. 146 Initiatives

in € millions	Employee Termination Benefits	Plant/Office Closures	Total
Costs incurred in the current period	4	6	10
Cumulative costs incurred to date	4	6	10
Total costs expected to be incurred	9	10	19

Initiatives that commenced during the fourth quarter 2002, and recorded under SFAS No. 146, represented €4 million of restructuring additions for employee termination benefits and €6 million of restructuring additions for plant and office closure costs. As a result of the sale of the global allylamines and U.S. alkylamines businesses in 2002, severance costs are estimated to total €2 million, of which less than €1 million were incurred in 2002 and are included in earnings (loss) from operation of discontinued operations in the consolidated statements of operations.

The remaining costs are expected to be incurred in 2003.

in € millions	Acetyl Products	Chemical Intermediates	Ticona	Total
Costs incurred in the current period	3	1	6	10
Cumulative costs incurred to date	3	1	6	10
Total costs expected to be incurred	3	3	13	19

Acetyl Products and Chemical Intermediates

Employee severance costs recorded as a result of the streamlining of chemical production facilities in the United States and Germany amounted to €3 million in 2002. Additional costs for this initiative are estimated to be €2 million in 2003.

Ticona

Ticona plans to concentrate its European manufacturing operations in Germany and as a result will cease its manufacturing operations in Telford, United Kingdom by mid-year 2003. As a result, fixed asset impairments totaling €4 million were recorded in 2002. Additional costs of approximately €7 million relating to employee severance and lease cancellation costs are expected to be incurred in 2003. With the construction of a new and expanded GUR® plant in Bishop, Texas, the GUR® operations in Bayport, Texas were transferred to the new facility. Decommissioning and demolition costs associated with the Bayport closure are estimated to be €2 million, all of which were accrued in 2002.

EITF Issue No. 94-3 Initiatives

Project Focus, initiated in early 2001, set goals to reduce trade working capital by €100 million compared to end of year 2000 levels, limit capital expenditures to a maximum of the 2000 level of €235 million and contribute €100 million to earnings before interest, taxes, depreciation and amortization ("EBITDA") from programs to increase efficiency. Project Forward was announced at the end of August 2001 and initiated additional restructuring and other measures to reduce costs and increase profitability.

Restructuring initiatives that commenced during the first three quarters of 2002, and recorded under EITF Issue No. 94-3, represented €7 million of restructuring additions for employee severance costs and €2 million of restructuring additions for plant and office closures costs.

Employee severance costs consisted primarily of €3 million for the shutdown of the nylon polymer unit in Bishop, Texas, €1 million for personnel in the PVOH business, and €3 million for adjustments related to 2001 Forward initiatives.

Plant and office closure costs consisted mainly of asset write-offs of €2 million for the nylon polymer unit shutdown in Bishop, Texas.

The €10 million of favorable adjustments of prior year restructuring reserves consisted of an €8 million adjustment to the 2001 reserves and a €2 million adjustment to the 2000 reserves. The 2001 adjustment was primarily due to lower than expected personnel and closure costs associated with the streamlining of chemical facilities in the United States, Canada, and Germany. The 2000 adjustment was due to lower than expected demolition costs for the Acetyl Products production facility in Knapsack, Germany.

The other special charges income of €9 million related to a reduction in reserves associated with settlements of environmental indemnification obligations associated with former Hoechst entities.

In 2001, Celanese recorded special charges totaling €496 million, which consisted of €234 million of restructuring charges, which were reduced by €8 million of income for reimbursements from third party site partners and income from forfeited pension plan assets, €19 million of favorable adjustments to restructuring reserves recorded in 2000 and 2001 and €289 million of other special charges.

The €234 million of additions to the restructuring reserve included employee severance costs of €129 million and plant and office closure costs of €105 million. Employee severance costs consisted primarily of €42 million for the streamlining of chemical production and administrative positions in the United States, Germany and Singapore, €28 million for administrative and production positions at Ticona in the United States and Germany, €22 million for the restructuring of production and administrative positions in Mexico, €8 million for the closure of the acetic acid, pentaerythritol and vinyl acetate monomer units and the elimination of administrative positions in Edmonton, €7 million for the elimination of corporate administrative positions, €6 million resulting from the closure of a chemical research and development center in the United States, €5 million for the shut-down of acetate filament production at Lanaken, Belgium and €11 million for the shut-down of acetate filament production at Rock Hill, South Carolina.

The €105 million of additions to the restructuring reserve related to plant and office closures consisted mainly of €74 million for fixed asset impairments, the cancellation of supply contracts, other required decommissioning and environmental closure costs relating to the closure of the acetic acid, pentaerythritol and vinyl acetate monomer units in Edmonton. Also included in plant and office closure costs were €11 million for fixed asset impairments, contract cancellation and other costs associated with the closure of the chemical research and development center in the United States, €4 million of fixed asset impairments and other closure costs related to the closure of a chemical distribution terminal in the United States, €9 million for fixed asset impairments and shut-down costs at the acetate filament facility in Lanaken, €6 million for equipment shutdown and other decommissioning costs for the acetate filament production facility at Rock Hill and €1 million associated with the cancellation of a lease associated with the closure of an administrative facility in Germany.

The €19 million of favorable adjustments of prior year restructuring reserves consisted of a €14 million adjustment to the 2000 reserves and a €5 million adjustment

to the 1999 reserves. The entire 2000 adjustment was due to lower than expected demolition and decommissioning costs for the Acetyl Products production facility in Knapsack, Germany. This adjustment resulted from a third party site partner assuming ownership of the existing facility and obligations. Of the 1999 adjustment, €3 million related to the reversal of a reserve for closure costs for a parcel of land in Celaya, Mexico that Celanese donated to the Mexican government, which assumed the remaining liabilities. The 1999 adjustment also included €2 million relating to less than anticipated severance costs for Ticona employees in Germany.

The other special charges of €289 million consisted of Chemical Intermediates goodwill impairment of €243 million and fixed asset impairments of €57 million, Acetyl Products fixed asset impairments of €18 million and €6 million for the relocation of acetate filament production assets associated with restructuring initiatives.

Also included in other special charges was €31 million of income from the receipt of higher than expected insurance reimbursements linked to the plumbing cases (see Note 24) and €4 million of income related to a net reduction in reserves associated with settlements of environmental indemnification and other obligations associated with former Hoechst entities.

In 2000, Celanese recorded special charges totaling €21 million, which consisted of €95 million of additions to the restructuring reserve, €59 million of favorable adjustments to restructuring reserves recorded in 1999, €3 million of costs for the relocation of production assets associated with restructuring initiatives, and €18 million of income from the receipt of higher than expected insurance reimbursements linked to the plumbing cases. (See Note 24)

The €95 million of restructuring charges included employee severance costs of €44 million and plant and office closure costs of €51 million. Employee severance costs of €31 million related mainly to the reduction of approximately 170 positions at two U.S. chemical facilities and the closure of a European Acetyl Products plant. Additionally, severance costs of €11 million were associated with the planned reduction of approximately 115 positions in the Acetate Products business. The plant and office closure charges of €51 million consisted mainly of contractual obligations and asset impairments for the closure of an Acetyl Products plant in Europe (€47 million).

The €59 million of favorable adjustments to the 1999 restructuring reserves consisted of employee termination benefits (€24 million) and plant and office closures (€35 million). Employee termination benefits were adjusted by €11 million due largely to unplanned voluntary resignations and by €10 million due to a modification in Ticona's employee severance plan resulting from an unfavorable tax treatment which affected the severance benefits to be received by Celanese's employees in Germany. In addition, a delay in the scheduled closure of a U.S. Acetate Filament production facility led to a net adjustment of €3 million in restructuring reserves. This facility was closed in 2001. The adjustments associated with plant and office closures resulted mainly from the earlier than expected disposals of lease obligations of former administrative facilities in the U.S. and Canada (€28 million). As a result of the need for additional office space due to the acquisition of PVOH, Celanese cancelled previous

plans to rationalize the U.S. chemical administrative building (€4 million). The closure costs of a Canadian acetate filament facility were lower than estimated (€3 million).

Non-restructuring special charges of €3 million were related to the cost of transferring acetate filament equipment within North America resulting from restructuring initiatives.

27 Business and Geographical Segments

Information with respect to Celanese's industry segments follows:

Business Segments

Acetyl Products primarily produces and supplies acetyl products, including acetic acid, vinyl acetate monomer and polyvinyl alcohol;

Chemical Intermediates produces and supplies acrylic acid, acrylate esters, organic solvents and other intermediates;

Acetate Products primarily produces and supplies acetate filament and acetate tow;

Ticona, the technical polymers segment, develops and supplies a broad portfolio of high performance technical polymers; and

Performance Products consists of Nutrinova, the high intensity sweetener and food protection ingredients business.

The segment management reporting and controlling systems are based on the same accounting policies as those described in the summary of significant accounting policies in Note 2. Celanese evaluates performance based on operating profit, net earnings, cash flows and other measures of financial performance reported in accordance with U.S. GAAP. Besides these measures, Management believes that EBITDA, excluding special charges, is an appropriate measure for evaluating the performance of its operating segments as it closely reflects cash flow management. EBITDA, which may be calculated differently by other companies, is calculated by adding depreciation and amortization expense back to operating profit. Celanese excludes special charges from EBITDA for better comparability between periods.

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.

Sales and revenues related to transactions between segments are generally recorded at values that approximate third-party selling prices. Revenues and long-term assets are allocated to countries based on the location of the business. Capital expenditures represent the purchase of property, plant and equipment.

in € millions	Acetyl Products	Chemical Inter-mediates	Acetate Products	Ticona	Performance Products	Total Segments	Recon-ciliation	Consoli-dated
2002:								
Sales to external customers	1,844	825	670	757	161	4,257	68	4,325
Inter-segment revenues	79	82	–	–	–	161	(161)	–
Operating profit (loss)	145	(29)	24	22	48	210	(55)	155
EBITDA excluding special charges	252	22	81	87	55	497	(57)	440
Depreciation	110	48	57	56	6	277	6	283
Amortization	–	–	–	1	1	2	1	3
Capital expenditures	40	70	31	66	4	211	7	218
Special charges	(3)	3	–	8	–	8	(9)	(1)
Intangible assets, net	548	13	146	327	–	1,034	–	1,034
Trade working capital	299	122	84	118	19	642	(24)	618
Total assets	1,925	591	642	1,301	84	4,543	1,584	6,127
2001:								
Sales to external customers	2,062	938	762	773	159	4,694	83	4,777
Inter-segment revenues	93	82	–	–	–	175	(175)	–
Operating profit (loss)	(73)	(374)	(32)	(15)	44	(450)	(38)	(488)
EBITDA excluding special charges	208	30	91	52	50	431	(33)	398
Depreciation	123	59	63	53	6	304	3	307
Amortization	33	17	10	23	–	83	–	83
Capital expenditures	43	30	35	97	2	207	10	217
Special charges	125	328	50	(9)	–	494	2	496
Intangible assets, net	587	15	174	390	–	1,166	–	1,166
Trade working capital	280	165	108	93	19	665	(60)	605
Total assets	2,055	657	800	1,514	88	5,114	1,950	7,064
2000:								
Sales to external customers	2,023	975	756	923	124	4,801	84	4,885
Inter-segment revenues	83	73	–	–	–	156	(156)	–
Operating profit (loss)	(10)	(20)	9	96	33	108	(21)	87
EBITDA excluding special charges	200	48	92	140	40	520	(56)	464
Depreciation	111	51	65	51	7	285	(7)	278
Amortization	31	15	10	22	–	78	–	78
Capital expenditures	80	39	30	58	2	209	9	218
Special charges	68	2	8	(29)	–	49	(28)	21
Intangible assets, net	598	265	176	391	–	1,430	–	1,430
Trade working capital	432	223	143	192	23	1,013	(111)	902
Total assets	2,251	1,066	830	1,592	146	5,885	1,757	7,642

The reconciliation column includes (a) operations of certain other operating entities and their related assets, liabilities, revenues and expenses, (b) the elimination of inter-segment sales, (c) assets and liabilities not allocated to a segment, and (d) corporate center costs for support services such as legal, accounting and treasury functions.

Additionally, Celanese recognized special charges in 2002, 2001 and 2000 primarily related to restructuring costs and environmental and other costs associated with previously divested entities of Hoechst, and demerger costs. (See Note 26)

Other operating entities consist of ancillary businesses as well as companies which provide infrastructure and procurement services. Effective July 1, 2000, Celanese Advanced Materials, Inc., formerly known as advanced fiber materials ("AFM"), which comprises the performance polymer (polybenzimidazole or "PBI") and the Vectran® polymer fiber product lines, was transferred from the Acetate Products segment to Other Activities to reflect the strategic alignment of PBI with the fuel cell project of Celanese Ventures GmbH. Celanese Advanced Materials, Inc. had sales to external customers of €24 million in 2000, of which €11 million was included in Other Activities.

The following table presents financial information based on the geographic location of Celanese's facilities:

in € millions	North America	Thereof U.S.A.	Thereof Canada	Thereof Mexico	Europe	Thereof Germany	Asia	Rest of World	Consolidated
2002:									
Total assets	4,003	3,192	237	574	1,387	1,230	447	290	6,127
Property, plant and equipment, net	1,056	893	45	118	382	331	180	3	1,621
Operating profit (loss)	(22)	(100)	40	38	140	118	49	(12)	155
Net sales	2,230	1,777	186	267	1,585	1,288	466	44	4,325
Depreciation and amortization	203	170	8	25	54	48	29	–	286
Capital expenditures	115	99	7	9	102	95	1	–	218
2001:									
Total assets	4,923	3,828	264	831	1,346	1,196	489	306	7,064
Property, plant and equipment, net	1,372	1,141	55	176	288	260	244	3	1,907
Operating profit (loss)	(635)	(390)	(40)	(205)	78	76	64	5	(488)
Net sales	2,594	2,060	240	294	1,718	1,402	419	46	4,777
Depreciation and amortization	305	226	21	58	54	46	31	–	390
Capital expenditures	155	137	4	14	60	55	2	–	217
2000:									
Total assets	5,223	3,863	316	1,044	1,566	1,355	492	361	7,642
Property, plant and equipment, net	1,464	1,209	80	175	297	264	259	3	2,023
Operating profit (loss)	14	1	31	(18)	66	61	(5)	12	87
Net sales	2,842	2,315	219	308	1,683	1,403	307	53	4,885
Depreciation and amortization	282	198	23	61	52	44	22	–	356
Capital expenditures	114	77	4	33	61	57	43	–	218

28 Subsequent Events

As discussed in Note 21, in 2002, shareholders approved the 2002 Celanese Stock Option Plan. On January 31, 2003, Celanese granted an additional 86,800 stock options under this plan, at an exercise price of €23.78 per share, to the Board of Management and key employees.

29 Information Relating to the Board of Management and Supervisory Board of Celanese AG

in € millions	2002
Supervisory Board compensation	
Fixed	0.5
Variable	0.3
Total	**0.8**
Board of Management compensation	
Fixed	3.0
Variable	3.6
Total	**6.6**

In the fiscal year, members of the Board of Management did not execute any rights deriving from stock based compensation programs. The Board of Management holds 1,073,000 rights deriving from stock based compensation programs in total.

In 2002, members of the Supervisory Board were granted stock based compensation programs at the amount of €276,000. As per December 31, 2002, the Supervisory Board holds 102,900 stock based compensation rights.

30 Framework for Accounting Policies in Accordance with U.S. GAAP and Explanation of Major Differences Compared with German Accounting Policies

The 2002 consolidated financial statements for Celanese have been prepared in accordance with United States Generally Accepted Accounting Principles or U.S. GAAP. The financial statements meet the requirements of German law as set out in article 292a HGB for an exemption of preparing the financial statements in accordance with German GAAP. The consolidated financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are compatible with the European accounting directives.

The accounting policies of entities in accordance with U.S. GAAP are based on the objective of providing investors with decision-relevant information. It is thus not

possible to show lower profits for the protection of creditors or influence results by using tax-based values (requirement for income and expenses to be recorded in the commercial financial statements in order to be accepted for tax purposes).

Based on the assumption that decision-relevant information should be provided to investors, it follows that accounting policies should be aimed at showing an entity's operating results, rather than determining the amount of distributable profits while bearing in mind the need for protection of creditors.

As a rule, accounting policies in accordance with U.S. GAAP have a lower level of prudence than German accounting policies, which leads to the following major differences:

- economic substance has precedence over legal form;
- the consistency requirement (recognition, valuation, classification, consolidation) is to be strictly followed; changes in accounting policies are only permitted if it can be proven that the change leads to an improvement in the fair presentation of the financial statements;
- the acquisition cost and realization principles are generally valid, however "unrealized" profits are to be included in the profit and loss account in specific cases in order to determine the actual profit for the period;
- minimization of possibilities of setting up and releasing hidden reserves;

The principle of substance over form has a stronger influence in accounting policies in accordance with U.S. GAAP than in Germany. The principle states that the economic substance of a transaction is of greater importance than the formal (legal) form.

Consolidated financial statements in accordance with U.S. GAAP consist of the following:

- consolidated balance sheet,
- consolidated statement of income,
- consolidated changes of shareholders' equity,
- consolidated statement of cash flows,
- notes to the consolidated financial statements

There are no specific rules setting out the way in which individual items should be laid out in the balance sheet and statement of income. The balance sheet is set out in order of liquidity. The format of the consolidated statement of income is the cost of sales classification method.

The notes to the consolidated financial statements include all disclosures required as set out in article 266 and article 275 HGB.

Minority interests may not be included as part of group shareholders' equity in the consolidated balance sheet. They must be shown as a separate item between third-party capital and shareholders' equity.

The consolidated statement of income concludes with a disclosure of earnings per share. Minority interests' share in earnings is not included in earnings per share.

Description of major differences in accounting policies compared with German accounting policies

General comments

The consolidation is presented on a basis as if Celanese has been a legal group during all periods presented.

The major differences in accounting policies in accordance with U.S. GAAP compared with German accounting policies in the consolidated financial statements of Celanese AG are as follows:

(1) Discontinued operations

Assets and liabilities of discontinued operations are shown net in the balance sheet. Losses from discontinued operations, net of taxes are shown below operating results in the statement of income.

(2) Impairment of assets

The recoverability of the carrying amount of long lived assets is in a first step assessed by comparison of the carrying amount of the asset to future net undiscounted cash flows generated by such assets. If the undiscounted cash flows do not cover the carrying amount of the asset, then the fair value of the asset has to be determined preferably by using quoted market prices or by using other generally accepted methods such as discounted cash flows. This fair value is the basis for necessary impairment write-offs.

(3) Unrealized profits included in the statement of income, which is a breach of the realization principle as understood in Germany

Although the realization principle is a specific part of U.S. GAAP, in contrast to German accounting policies "unrealized" profits must be included in the statement of income in certain specific cases. The following balance sheet items are translated at foreign exchange rates ruling at the end of the year even if this leads to an "unrealized" profit compared with using the exchange rate at the booking date:

- foreign currency receivables and liabilities;
- short-term securities.

(4) Deferred taxes

Deferred tax assets must be included to their full extent. This also applies to tax loss carry forwards which can be offset against future profits for tax purposes and which are thus to be reflected as deferred tax assets. Deferred tax assets are to be reviewed for their realization regularly and are to be written down if appropriate.

(5) Definition of "production costs"

U.S. GAAP requires the use of "full" production costs, consisting of cost of materials and production wages (direct and indirect) together with a proportion of depreciation of property, plant and equipment. It is not permitted to limit the calculation of production costs merely to direct costs.

(6) Pension provisions

Pension provisions are to be calculated actuarially using the projected unit credit method. Use of the German tax-based entry-age-normal method (§ 6a Income Tax Act) is not permitted.

Expected wage and salary increases until pensionable age are to be considered when calculating the pension liability to beneficiaries under the scheme. Capital market interest rates are to be used to discount the amounts, which can partly offset this increase, as the rate can be higher than the 6 percent used for tax purposes in Germany (§ 6a EStG). Pension provisions are to be calculated for beneficiaries immediately they become scheme members (not only as from their 30th birthday). Appropriate fluctuation rates should be used when considering the provisions needed for this group of beneficiaries.

Overall, the U.S. GAAP calculation methods lead to a higher pension provision than using the German entry-age-normal method.

(7) Other provisions and accruals

Provisions and accruals may only be set up to cover obligations to third parties. Internal accruals are not permitted.

(8) Accounting for leases

In contrast to the use of German tax-based leasing provisions, U.S. GAAP requirements more often lead to leased items being recognized in the balance sheet of the lessee rather than of the lessor. U.S. GAAP requires the contractual party which is the economic owner and which thus has the major share of risks and opportunities arising from use of the item being leased to recognize the lease in its balance sheet.

(9) Accounting for derivative instruments

According to U.S. GAAP, since January 1, 2001, all derivative instruments generally have to be recorded at fair value, regardless of the reason why they were entered into. Additionally, derivatives embedded in so called host contracts are derivative instruments and have to be treated as such.

Changes in market value of derivative instruments are realized in net income or in other comprehensive income in the period they occur. The treatment depends on their qualification as a fair value hedge (hedge of exposure to changes in the fair value of an asset or a liability) or as a cash flow hedge (hedge of exposure to variability in expected future cash flows). Hedge accounting can be applied to effective hedging relationships, only. Effects from ineffective hedging relationships have to be realized in income as occurred.

(10) Accounting for Goodwill and other intangible assets

Effective January 1, 2002 goodwill and other intangible assets with indefinite lives are no longer amortized on a recurring basis. Instead, goodwill and intangible assets with an indefinite life are subject to an impairment test at least annually. In case the carrying value cannot be recovered by future cash flows, the carrying value is impaired and has to be written down to fair value.

Other intangible assets with finite lives continue to be amortized over their useful lives and reviewed for impairment.

Any unamortized negative goodwill on the balance sheet has to be written off immediately.

(11) Accounting for Costs Associated with Exit or Disposal Activities

Recognition of a liability for costs associated with exit or disposal activities is required only when the liability is incurred. The liability has to be measured at fair value and adjusted for changes in cash flow estimates.

Celanese early adopted this new U.S. GAAP rule as of October 1, 2002.

31 Corporate Governance

According to section 161 of the stock corporation act (AktG), which was introduced recently, Supervisory Board and Board of Management have issued a common statement on December 12, 2002 as regards to the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex). This declaration is published on the company´s website (www.celanese.com).

Corporate Governance Report of the Board of Management and Supervisory Board

The year 2002 brought about a wide range of corporate governance legislation and initiatives in Germany as well as in the United States of America, which impact those companies listed on the respective stock exchanges. The newly implemented legal requirements also underscore Celanese's understanding of corporate governance.

Celanese's commitment to best-in-class corporate governance is as old as the company itself. When Celanese incorporated in 1999, the Board of Management and the Supervisory Board devised a framework for governing the company that was intended to enhance the company's value for its shareholders.

This corporate governance framework included establishing and living a corporate culture and set of values committed to good corporate governance. A summary of our corporate culture and values was included in the company's Global Business Conduct Policy in 2002. The implementation and maintenance of effective and transparent internal as well as external control processes is key to sound corporate governance. Effective risk management systems and timely, comprehensive communication with our shareholders are complementary elements in our efforts to achieve best-in-class corporate governance.

Global Business Conduct Policy ►►

During the course of 2002, the Board of Management established a Global Business Conduct Policy (BCP) which sets forth clear rules for company management as well as for all Celanese employees. The roll-out of this global BCP commenced at the end of 2002. The Board of Management appointed a Global Governance and Risk Officer, who is responsible for establishing the effective structure and processes necessary to breathe life into the BCP. Various help lines have been set up so that every Celanese employee, regardless of where this employee works, can contact a regional coordinator or the Global Governance and Risk Officer directly in the event that this employee would like to report infringements or risks impacting the company. The Global Governance and Risk Officer will examine and regularly report such information to the Board of Management and the Supervisory Board's Finance and Audit Committee. During the course of the next business year, various training courses will be held to ensure that each employee understands and follows the BCP principles.