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MILLENNIUM CHEMICALS INC

Form 11-K

July 02, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 11-K
ANNUAL REPORT
Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

(X) ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED, EFFECTIVE
OCTOBER 7, 1996)
For the Fiscal Year Ended December 31, 2002.

OR

() TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _____ to _____
Commission File Number 333-53139

A. Full title of the Plan and the address of the
Plan, if different from that of the issuer named below:

MILLENNIUM CHEMICALS INC.
SALARY AND BONUS DEFERRAL PLAN

(the "Plan")

B. Name of the issuer of the securities held
pursuant to the Plan and the address of its principal
executive office:

Millennium Chemicals Inc.
230 Half Mile Road
Red Bank, New Jersey 07701

Millennium Chemicals Inc.
Salary and Bonus Deferral Plan
December 31, 2002 and 2001

Millennium Chemicals Inc.

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Salary and Bonus Deferral Plan
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Millennium Chemicals Inc.

Salary and Bonus Deferral Plan
Statements of Financial Condition

| | December 31, | |
|---|--------------|--------------|
| | 2002 | 2001 |
| Assets | | |
| ----- | | |
| Investments | | |
| Investment in Company common stock, at fair value (Note 4) | \$ 4,194,193 | \$ 5,824,837 |
| Total investments | 4,194,193 | 5,824,837 |
| | | |
| Receivables | | |
| Employee contributions | 27,158 | 63,132 |
| Employer contributions | 1,222 | 2,841 |
| Total receivables | 28,380 | 65,973 |
| | | |
| Cash | 832 | 9,349 |
| Total Assets | 4,223,405 | 5,900,159 |
| | | |
| Liabilities | | |
| ----- | | |
| Accounts payable | (832) | (2,296) |
| Total Liabilities | (832) | (2,296) |
| | | |
| Plan Equity | \$ 4,222,573 | \$ 5,897,863 |

The accompanying notes are an integral part of these financial statements.

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Millennium Chemicals Inc.

Salary and Bonus Deferral Plan
 Statements of Income and Changes in Plan Equity
 For the Years Ended December 31, 2002 and 2001

| | December 31, | |
|--------------------------------|--------------|--------------|
| | 2002 | 2001 |
| Additions | | |
| ----- | | |
| Dividends and interest | \$ 232,995 | \$ 250,766 |
| Participant contributions | 33,845 | 275,571 |
| Employer contributions | 1,523 | 12,393 |
| | ----- | ----- |
| Total additions | 268,363 | 538,730 |
| | ----- | ----- |
| Deductions | | |
| ----- | | |
| Realized loss | \$ 246,099 | \$ 160,195 |
| Unrealized depreciation | 1,113,880 | 2,407,999 |
| Distributions to participants | 583,674 | 1,462,445 |
| | ----- | ----- |
| Total deductions | 1,943,653 | 4,030,639 |
| | ----- | ----- |
| Net decrease during year | (1,675,290) | (3,491,909) |
| Plan equity, beginning of year | 5,897,863 | 9,389,772 |
| | ----- | ----- |
| Plan equity, end of year | \$ 4,222,573 | \$ 5,897,863 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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Millennium Chemicals Inc.

Salary and Deferral Plan
 Notes to Financial Statements

 1. Plan Description

On October 8, 1996, Millennium Chemicals Inc. (the "Company") adopted the Millennium Chemicals Inc. Salary and Bonus Deferral Plan (the "Plan") for the benefit of a select group of management and highly compensated employees. The Plan is intended to be an unfunded plan of deferred compensation and is not intended to be covered by ERISA.

The purpose of the Plan is to permit eligible employees to defer from 5% to 100% of their salary and up to 100% of their

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bonus (both in 5% increments). The deferred amount is invested in common stock of the Company. Participants are immediately vested in their contributions and earnings thereon, subject to applicable withholding taxes. The Company matches 4.5% of employee contributions. A participant is immediately vested in Company contributions and earnings.

The Plan is administered by a committee of three or more employees of the Company appointed by the Board of Directors (the "Committee"). Merrill Lynch Trust Company (the "Trustee") acts as trustee and recordkeeper for the Plan.

Participation in the Plan is limited to eligible individuals, other than nonresident aliens of the United States receiving no United States source income within the meaning of sections 861(a)(3) or 911(d)(2) of the Internal Revenue Code, designated by the Committee, who are employees of a unit of the Company (or of one of its subsidiaries) which has adopted the Plan.

Distributions

Deferred accounts will be paid in shares of common stock to the participant or his or her beneficiary, except that awards deferred pursuant to special elections will continue to be subject to the forfeiture provisions of the incentive plan under which the award was granted. Deferred amounts generally will be paid in the form of (i) a lump sum payment, (ii) in five approximately equal annual installments or (iii) in ten approximately equal annual installments, as elected by the participant at the time of the deferred salary election, deferred bonus election or special election; provided, however, that payments shall only be in a single lump sum in the case that payment commences (i) while the participant is still an employee of the Company or of a subsidiary of the Company or (ii) due to termination for cause.

If the participant suffers permanent or total disability, dies, or terminates employment prior to the deferral date, then, except in the case of termination for cause, payment shall be made (or begin to be made) following the occurrence of the event making payment necessary or, if so elected in the deferred salary election and/or deferred bonus election, on January 31st of the calendar year immediately following such event.

The Company reserves the right to amend, modify, or terminate the Plan at any time. No amendment to or termination of the Plan will impair any rights to benefits that have accrued. Upon a Change of Control (as defined by Plan documents), the amount of a participant's Deferred Accounts shall be distributed to such participant as soon as practicable thereafter and any Deferred Salary Election and/or Deferred Bonus Election shall terminate and be null and void following such Change in Control.

Participants should refer to the Plan document for a more complete description of the Plan's provisions.

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2. Summary of Significant Accounting Policies

Method of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting, except for benefit payments, which are recorded when paid. The preparation of the Plan financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Investment Valuation and Income Recognition

The common stock of the Company is valued at fair value which is determined based on quoted market prices.

Dividend income is accrued on the ex-dividend date.

Purchases and sales of common stock and realized gains and losses are recorded on a trade-date basis.

Payment of Benefits

Distributions to participants are recorded upon actual payment of benefits. There were no distributions of the Company's common stock approved and payable at December 31, 2002 and December 31, 2001.

3. Administration of Plan Assets

The Plan's assets, which consist principally of the Company's common stock, are held by the Trustee of the Plan. Contributions are held and managed by the Trustee, which invests cash received and dividend income and makes distributions to the participants.

Certain administrative functions are performed by officers or employees of the Company or its subsidiaries. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid by the Company.

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4. Investments

The Plan's investments were:

| | December 31, | |
|-----------------------------------|--------------|--------------|
| | 2002 | 2001 |
| Number of Shares of Company Stock | 440,567 | 462,289 |
| Historical Cost | \$ 8,979,133 | \$ 9,743,326 |
| Market | \$ 4,194,193 | \$ 6,623,640 |

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5. Subsequent Events

Effective January 1, 2003, no future salary or bonus deferrals shall be permitted under this Plan.

On or after September 1, 2003, Fidelity Management Trust Company will become the recordkeeper and trustee of the Plan.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

MILLENNIUM CHEMICALS INC. SALARY AND
BONUS DEFERRAL PLAN

Date: June 27, 2003

By: /s/ C. William Carmean

C. William Carmean
Member, Benefits Administration
Committee