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Celanese Corp. (CE)

Q4 2013 Earnings Call

CORPORATE PARTICIPANTS

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

OTHER PARTICIPANTS

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Laurence Alexander

Analyst, Jefferies LLC

John P. McNulty

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Brian P. Maguire

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Vincent Andrews

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Jeffrey Zekauskas

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Jim M. Sheehan

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Michael Ritzenthaler

Analyst, Piper Jaffray, Inc.

Nils Wallin

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Celanese Corporation Fourth Quarter 2013 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I'd now like to introduce your host for today's conference, Mr. Jon Puckett. Please go ahead, sir.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Kate. Welcome to the Celanese Corporation fourth quarter 2013 conference call. My name is Jon Puckett, Vice President of Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; and Steven Sterin, Senior Vice President and Chief Financial Officer.

The Celanese Corporation fourth quarter 2013 earnings release was distributed via Business Wire yesterday after market close. The slides for the call and our prepared comments for the quarter were also posted on our website, www.celanese.com, in the Investor section. All of these items have been submitted to the SEC in a current report on Form 8-K.

As a reminder, some of the matters discussed today and included in our presentations may include forward-looking statements concerning, for example, Celanese Corporation's future objectives and results. Please note the cautionary language contained in the posted slides. Also, some of the matters discussed and presented include references to non-GAAP financial measures. Explanations of these measures and reconciliations to the comparable GAAP measures are included on our website, www.celanese.com, in the Investor Relations section, as applicable.

This morning, we will begin with introductory comments from Mark Rohr and then field your questions.

I'd now like to turn the call over to Mark.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thanks, Jon, and good morning, everyone. Our prepared remarks were released with earnings last night, so I'll keep my comments brief and then open the line for your questions.

For the quarter, we reported adjusted earnings of \$1.04 per share. That's a record fourth quarter for the company. Segment income margins totaled 15.1%, an increase of 260 basis points year-over-year. Strong earnings created operating cash flow of \$154 million. We deployed \$62 million of this, this quarter to repurchase 1.1 million shares, and we ended the quarter with about \$1 billion of cash on the balance sheet, well positioned to pursue our growth initiatives and our capital deployment strategy.

As we begin 2014, we are focused on a number of Celanese-specific initiatives that we believe will fuel approximately \$100 million of incremental EBIT. These initiatives combined with some improvement in our base business and some help from the market should deliver earnings growth consistent with what we achieved in

2013, although heavy turnaround activity in the second quarter will push a greater percentage of earnings into the second half of the year.

At a segment level, we expect each business to contribute to earnings growth this year. In Engineered Materials, our innovative application should continue to deepen relationships with customers and drive earnings growth in excess of end market growth. We also expect a slight increase in affiliate earnings.

In Consumer Specialties, earnings growth should continue to be driven by pricing as well as upstream efficiencies as we invest our plants. In Industrial Specialties, broader acceptance of our innovative VAE solutions and targeted growth in the EVA polymers are expected to contribute. And in intermediate chemistry, efficiency actions we took at the end of 2013 and day-to-day management of the business should also help increase earnings this year.

With that, I'll turn it over to Jon for Q&A.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Mark. I'd like to remind everybody, let's have one question and one follow-up, so we can get through as much as we can. Kate, go ahead and proceed with Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you. Good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Good morning.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Hey, Mark. First on the methanol plant, is your thought that the plant is going to be potentially a month late or a quarter late or longer than that? And what's the, given the bridge supply agreement, what's the monthly impact of going from a low-cost Southern contract to basically perhaps a market-based price in the back half of 2015?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. Great, great question, David, so let me do the best, I can answer that. Right now, even though we had the delay getting EPA to release a permit, we're still on track to end it and be operational when the contract expires the middle of next year. Having said all that, I think the likelihood of us slipping has certainly increased with this delay.

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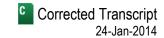
If you look at it on a full-year basis, the kind of number you should look at, by full-year, I mean, not the transition year period. There is, in simple terms, about \$100 million headwind that's created, again, depending on the ethanol price or fuel price that we will need to work to overcome. So, look at that as a 2016 kind of hurdle.

In an ideal sense, you would have half of that next year. Now, if we slip then, you can pretty easily do the math. So, if you slip a quarter, you'll have about three quarters of that would impact us in 2015.

I'll just make one other comment, David, if you wish to be mindful of, we are used to having headwinds in our businesses and so I don't have any anxiety about the impact of this, and I look forward beyond this whole transition. We will find ways to overcome that. But I think when you're going through the transition, clearly that's going to moderate our growth to some extent next year.

David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q		
Very clear. And just on Consumer Specialties, Mark, how much pricing do we get in acetate total for 2014? An what will your raws be down year-over-year in that business as well?			
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A		
Yeah. I'm not going to get quite into that David. I mean, it's just a little bit too much there. We did – and I'd we, I mean the industry as a whole has been pushing pricing, and we've had a little bit of uptick in pricing this y versus last year. And I think I reminded you guys last quarter that we have a swap arrangement with a partr volume swap arrangements that will moderate that to some extent as we get into the year.			
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q		
Thank you very much.			
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A		
Thanks, David.			
Jon Puckett Vice President-Investor Relations, Celanese Corp.	A		
Thanks, David. Kate, let's move to the next question.			
Operator : Our next question comes from the line of Duffy Fischer	with Barclays. Your line is open.		
Duffy Fischer Analyst, Barclays Capital, Inc.	Q		
Yes. Good morning, guys.			
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A		
Good morning, Duffy.			

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Duffy Fischer

Analyst, Barclays Capital, Inc.

Just wondered if you could flesh out a little bit more on the affiliates particularly around AEM. The run rate had kind of been \$168 million, \$192 million, \$242 million, and then we dropped to \$180 million this year largely on turnarounds. But then you're only calling for kind of a small uptick in 2014. Why wouldn't that bounce back up above \$200 million to kind of that trend line that it was on before 2013?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, Duffy, let me start this, and maybe Steven can fill in some commentary. There's two things to consider there. One is the base polymer businesses that we have partnered with and the other is of course our affiliate, methanol affiliate, in Saudi Arabia [indiscernible] (7:44). There in that one, we expect that to bounce back to where it was. That was really a turnaround impact in that.

What we are seeing with our other affiliates is, to be very honest, they've not advanced their technology as much as we have and some others have. So, they were struggling a bit in the marketplace. So, we think it's going to take them a while to dig out of that and get that slope back up to where it was. So, we're not expecting tremendous growth from those folks year-over-year. So, we're using the term slight uptick. I'm not sure really quite I'd call that. If you wanted to split the difference between where it used to be and where it is today, that may be a reasonable place to go with your estimate.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Okay. Thank you. And then just on the balance sheet with cash, \$1 billion today, best estimate is we get done with this year, what would that be sitting on the balance sheet at the end of this year?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

I think pretty close. Maybe a little bit less. We're spending more capital and depending on what we do with some of the other uses of cash, I think, could be just a little bit less. But roughly, I'm looking at Steven.

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yes.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Roughly flat.

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

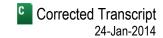
Yeah, I'd say roughly flat, maybe a little...

Duffy Fischer

Analyst, Barclays Capital, Inc.

Okay. Great. Thank you, guys.

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

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Thanks.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

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Thanks, Duffy. Kate, let's move to the next.

Operator: Our next question comes from the line of Laurence Alexander with Jefferies. Your line is open.

Laurence Alexander

Analyst, Jefferies LLC

Good morning. Can you talk a little bit about how you're seeing the cadence of the self-help initiative? That is, like our – can you maintain this pace of productivity, and if not, what other things you can pull forward to offset or partially offset the methanol headwind in 2015, 2016? And secondly, can you give an update on the net pension and turnaround headwinds that you're facing in 2014?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.



Yes. I'll do the former, maybe and Steven, you could take the latter as we go forward. When I look at sort of the pace of our self-directed, David (sic) [Laurence] (9:52), I don't see that moderating over the next several years.

In other words, I mean, the mix may shift around a little bit, but as an organization, we really are focused in making sure that we can have as much control of our destiny as possible. And the way to do that to really sort of take ownership of everything from the structured costs associated with the unit, raw materials, efficiency all the way through how we tackle commerce and our rate of new product introduction, our ability to lever that or translate that. We see ourselves being the primary player in all those things. And so, I can't tell you where it will be next year, but my view is that that level for some period of time should be relatively consistent.

We talked about long-term growth objectives for the corporations, those have not changed for us even with the methanol transition, transition that's out there. But I think what we also talked about in that was there is some need for base business to show some real improvement. Maybe we're going to start that this year, we hope. But I think we can still generate that kind of year-over-year performance for some period of time. Steven, do you want to tackle the balance sheet?

Steven M. Sterin

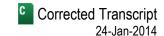
Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. When you asked about the headwinds last year, when I'm looking across kind of the total company, I see somewhere in the neighborhood of \$50 million. A large part of that we've talked about before in benefits and pension. And one thing I want to call out to you is a lot of those cost will show up in [indiscernible] (11:27). And so, we've talked about the need to drive both commercial economic growth and productivity across the businesses and in our corporate structure, but I wanted to point out this from a segment perspective, we see a lot of that in the [indiscernible] (11:46).

Laurence Alexander

Analyst, Jefferies LLC

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Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you, Laurence.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Laurence. Let's move to the next question.

Operator: Our next question comes from the line of John McNulty with Credit Suisse. Your line is open.

John P. McNulty

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Yeah, good morning. Thanks for taking my question. Just with regard to the acetic acid platform and I guess what we've been hearing that Singapore may be up and running. Can you comment as to what you're seeing kind of in the markets right now at this point? And if Singapore is up and running, what has gotten things good enough so that it's actually profitable at this point?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. So, just backing up a little bit. I think on a broad basis, the market has not changed a whole lot. And we're still in the 70% utilization rate, somewhere in the 70%s capacity utilization for that industry as a whole. We have seen maybe the - and maybe this is wishful thinking on my part, John, but we are seeing our folks in sort of the fringe businesses actually struggle with the lower margin that's been in place for long period of time. So, we are seeing some of the fringe players weaken a bit, so there has been a trend I think for pricing to ease up a little bit, margins to improve a little bit.

Methanol prices really kicked up in Asia a lot, and it's kicked up everywhere, but Asia, it's been a very rapid uptick, which push pricing there. That started to fall off. And pricing has fallen off but maybe not as steeply as it was, let's say, a year ago when those things roll through.

When I look at Singapore, we're running Singapore as we have been running it for a while, and we're kind of running it to balance the needs that we have in that part of the world. And that plant services; so through our derivatives facility and through a little bit of other uses that are local. That's how we're running them. So no real change there that you should concern yourself with.

John P. McNulty

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Okay. Great. And then just maybe as a follow-up, it was noted in I guess your slides from last night that your industrial ethanol sales were - that was one of the things that kind of kicked up the volumes in Acetyl Intermediates. I guess, can you walk us through whether they were profitable or that was a profitable platform in the fourth quarter and how we should be thinking about that kind of as it progresses throughout 2014?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

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Yeah. John, yeah, I'd love to tell you, we're making a ton of money on that, but the reality is it's just not contributing. I mean, it's at a – ethanol prices moved up in the 800s; they've now moved back. They've slid back to, I believe they are currently back in the 700s, high 700s there. And when you back all the way through, it puts us in an awkward position to make money in the industrial fuel market. So, we're not counting any contribution for ethanol at all this year. We'll keep working to try to change that, but right now that's our view.

John P. McNulty Analyst, Credit Suisse Securities (USA) LLC (Broker)	Q
Great. Thanks very much for the color.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thanks, John.	
Jon Puckett Vice President-Investor Relations, Celanese Corp.	A
Kate, let's move to the next question.	
Operator: Our next question comes from the line of Frank Mitsch with V	Vells Fargo Securities. Your line is open.
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
Yes. Good morning, gentlemen.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Good morning, Frank.	
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
Hey. Mark, on the \$81 million write-down, part of that was attributed to also mentioned two other smaller plants. What percent of that write-down more further detail how your outlook for that facility has changed to necess	vn was related to Singapore and can you
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Steven	
Steven M. Sterin Chief Financial Officer & Senior Vice President, Celanese Corp.	A
Yeah.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Frank, I'll let Steven take you through that.	

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Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. Hey, Frank. About \$45 million of that was related to the Singapore acid unit. As we look out the future profitability of that unit, the supply and accounting rules just resulted in us needing to make that impairment.

From a strategic perspective in terms of what's going on in the market, as Mark said, I don't think there's anything to note there. But when we take that long-term outlook and apply the rules, you took about \$45 million writedown.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

Okay, terrific. And then, obviously 2013 was a solid year due to internal Celanese actions. Can you quantify what the cost cuts actually were for the full year of 2013?

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. On a net basis, I think the primary fee is in our SG&A area. We're down about \$30 million or \$40 million. I'd say that we overcome more than that, those headwinds across the business inflation that we had to overcome. We've got cost pressures in our manufacturing sites that we overcome as well. So, I'd say on a net basis that'd be a good number to use.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

Thank you so much.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Frank. Kate, let's move to the next question.

Operator: Our next question comes from the line of Kevin McCarthy with Bank of America Merrill Lynch. Your line is open.

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Yes, good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

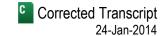
Morning, Kevin.

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Question for Steve on the tax rate. I think you'd indicated in the script last night you were looking at 22% to 23% for this year. As you look further out, it sounds like you have \$100 million on a run rate basis coming out of North

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America. And my question is, will that help to drive your tax rate back down in the out years as your geographic mix reverts or are there other factors that you think might keep it in the 22% to 23% range?

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, if you look across all the growth as well as that impacting the U.S. you highlighted, I'd say that we're probably going to be in that range for at least the next couple of years. I mean there's certainly upward pressure on the rates, just given the marginal rates around the world, particularly the U.S. are higher, but you are right, we'll get a little bit of help on that from methanol.

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Okay.

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

Α

Low to mid-20%s over the next several years.

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Great. And then as a second question, I guess for Mark. Does the volatility in ethanol pricing or the level of ethanol pricing have any bearing on the projects you're looking at in Indonesia and China? Perhaps you can kind of give us an update on the thinking and the next mile post for those?

Mark C. Rohr

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Chairman & Chief Executive Officer, Celanese Corp.

Yeah, that's a great question, Kevin. The answer is no. How do I say that? On a small scale in that part of the world in Asia, fermented ethanol can contribute. These guys are looking for world-scale operations, and they're looking for ways to upgrade basically stranded fuel, be that in the case of Indonesia and China, it's very low-grade coal. So, we're moving ahead in Indonesia very aggressively, but it's just a very long process. We actually secure property only to get into it, to uncover – there were 32 documented owners that weren't – no one was aware of it as we get started with that, so we had to back up a bit. We've now got two properties we're pursuing aggressively and will start to negotiate with shortly. So, I hope within a few months we've secured one of those properties and can be in a position to go to the next phase of the project which is more public tender process really to sort out the full cost.

In China we're – a slightly different approach. I mean, obviously, land is not a problem. What we're looking at there is how we make sure we can get the government to endorse coal-based ethanol. And so, we are getting ready to begin engine testing which necessarily part of that. There's a another series of testing where we'll actually take some coal, ethanol, convert to fuel grade and start to use it in test vehicles in a number of locations. In China, it's all about health, so again, there is a big push for that. So, we still remain optimistic about those projects. But I just want to caution everybody listening in, they are not near-term projects. They'll be [indiscernible] (20:18).

Kevin W. McCarthy

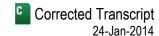
Analyst, Bank of America Merrill Lynch

Okay. Thank you.



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Analyst, Goldman Sachs & Co.



Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thank you, Kevin.	
Jon Puckett Vice President-Investor Relations, Celanese Corp.	A
Thanks, Kevin. Kate. Let's move to the next question.	
Operator : Our next question comes from the line of Robert Koort with	n Goldman Sachs. Your line is open.
Brian P. Maguire Analyst, Goldman Sachs & Co.	Q
Hi, good morning. This is actually Brian Maguire on for Bob today.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Hi, Brian.	
Brian P. Maguire	

I was hoping you could spend a minute just commenting a little bit more on the strength in AEM. You've strung together a couple of nice quarters here with 8%, 9% year-over-year growth. And I think in the slides you mentioned that there was pretty impressive growth in the base business, 53% for some of the end markets there. I was hoping you could talk more about what kind of new applications you might have picked up or been penetrated into to drive that kind of growth?

Mark C. Rohr
Chairman & Chief Executive Officer, Celanese Corp.

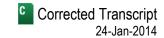
Yeah, when you think about these – Brian, when you think about these Engineered Materials, each of which is branded by all the different producers of them, they all have superior properties and unique properties so they fit in certain different applications. And what we've been doing is going back and modifying the polymer backbone in the way that we dramatically shift those physical properties. So, you're almost creating a new polymer. So, we're able to go into applications that we hadn't gone into before. That's actually how you should look at it.

So, the uptick is really strong, I mean these new platforms I think six were introduced at [indiscernible] (21:43), I believe there's nine total that we have out in the marketplace. All have a lot of traction; all are generating good business for us. And it has opened the doors to some of the things that we can still do. So, we think we can take these base businesses that are very good and translate in a many more uses for these products and that's a big part of what we're doing this year. Part of the money we called out, the \$100 million, is to do just that.

Brian P. Maguire
Analyst, Goldman Sachs & Co.

And just as a follow-up, I think in the prepared remarks you noted that the consumer businesses are now contributing about 75% of segment income and they can get pro forma for losing the Southern contract that might up to 85% or something like that? But compared to what it was about two years ago, it's probably only about third or so. But just looking at your multiple over the last two years, doesn't seem like it's really gone anywhere to reflect

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the change in the composition of those earnings. So, it seems like the market is either treating them with capitalizing them at the same rate or maybe not paying attention to the mix shift that's going on. So, just wondering your thoughts on that assuming that they should be capitalized at a higher rate. Is there anything you guys think that you could do to kind of change that perception?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, it's a great question. When you look at our performance historically, if I want to be critical about it, we've had a high degree of volatility, and so, there's been a lack of predictability. And I really think at the end of the day that's the curse of commodity kind of businesses in terms of multiples. So, we're working really hard to demonstrate that we can be reproducible with our earnings and very predictable.

And so, that's been our focus for the last year or so. I think you guys have seen that. You've certainly commented on it. And to be honest, our stock has moved because of that. So, we believe that if we continue to focus on that driving greater and greater predictability, greater understanding on the part of our shareholders that we'll see the valuation start to change for this corporation.

Brian P. Maguire

Analyst, Goldman Sachs & Co.

Great. Thanks very much.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Brian. Let's move to the next question.

Operator: We have a question from the line of Vincent Andrews with Morgan Stanley. Your line is open.

Vincent Andrews

Analyst, Morgan Stanley & Co. LLC

Thanks, two questions. In the quarter, in acetyls, you called out the higher VAM volumes due to timing. How much of an impact was that in the quarter from a margin perspective and should we presume that that reverses out in 1Q?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, it was single-digit, Vincent. We're always happy to call out when things get better. But it wasn't a huge contributor.

Vincent Andrews

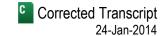
Analyst, Morgan Stanley & Co. LLC

Okay. And then as we think about the \$100 million in 2014, what should the cadence of that be through the year?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, I think generally speaking, if you look at the net impact of that we need to average something like \$1.25 of earnings through that. And I'll talk about it that way. And we have a huge turnaround in our acetyl business in the



second quarter. So, broadly speaking, you're going to see for us to hit those numbers through the year, so it's a bit backend loaded. So, we've got that more performance coming through in the backend. So, the way I look at it is that those things that you can look at that we shared in the script that are productivity rated, those have been pretty ratable through the year.

Raw material positions, energy positions, the impact of course of shutdowns that occurred. Those things are ratable through the year. And the innovation and the other value add is going to be more back half of the year.

Vincent Andrews Analyst, Morgan Stanley & Co. LLC	Q
Okay. Thanks very much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thank you.	
Jon Puckett Vice President-Investor Relations, Celanese Corp.	A
Thanks, Vincent. Let's move to the next Kate.	
Operator: We have a question from the line of Jeff Zekauskas with J	PMorgan. Your line is open.
Jeffrey Zekauskas Analyst, JPMorgan Securities LLC	Q
Hi. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Morning, Jeff.	
Jeffrey Zekauskas Analyst, JPMorgan Securities LLC	Q
Hi. I think in your earlier remarks, Mark, you said that the possimethanol contract is about \$100 million. I would have thought that or million or \$300 million, because I think you buy something like 27 price of methanol per gallon depending on where you want to put it is was wondering how you got the \$100 million number?	an annual basis that would have been \$200 o million gallons at roughly \$0.50 and the
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Well, that's the operating state after we're running our own facility, Je	ff.
Jeffrey Zekauskas Analyst, JPMorgan Securities LLC	Q
So, it's not for when you are in that transition period before you	

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, in the transition period, and again, depending on – you are doing the math – we can all argue what the absolute number is, but directionally, you're doing the math correctly there's a big step up in base to some closer-to-market price as opposed to producer price. But we're building a very, very efficient unit, and where it won't be exactly the same price, it's pretty close.

So, the net impact in the full year going from a Southern situation to our own venture, joint venture methanol situation is the \$100 million.

Jeffrey Zekauskas

Analyst, JPMorgan Securities LLC

I see. And then as my follow-up, I'm a little puzzled as to whether you've issued earnings guidance or you haven't, in that, you said there's \$100 million in costs that – your \$100 million benefit that you can accrue which is about \$0.50 a share and you said you taxes will hurt you by about \$0.25. So, are you basically saying that all things being equal, you'll earn \$475 million next year? Or are you saying that's what will earn exclusive of whatever benefits we get from the economy? And so in a way, it's not really our earnings guidance; it's just a couple of components that people should keep in mind when they think about our earnings.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, well, it may be the latter. I really don't give guidance...

Jeffrev Zekauskas

Analyst, JPMorgan Securities LLC

Right.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

...in there, but I think what we tried to say – maybe using the term adjusted earnings that I used in some of my script, is confusing. What we try to say in that is that the things that were really focused on we're expecting to contribute \$100 million. I'm also saying I expect base business in some areas to improve. I didn't elaborate on where that was, and I probably don't really want to do that. But, I don't want to imply that we're working our ass's off to get it, but unlike last year, where we didn't – we went out of the ways that there was no base business improvement which was largely true.

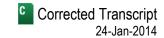
We're expecting little bit this year and I've been said, I need that because we're expecting more of those profits are shifting to our tax jurisdictions and so there's a net of that. So the taxes, you roll all that up, I think I was pretty clear in saying that we would expect our earnings to improve in 2014 as they improved in 2013. I don't know if that's guidance or not, I'm not going to call it guidance, but I think it's pretty clear what we're saying, where we think we're going to be.

Jeffrey Zekauskas

Analyst, JPMorgan Securities LLC

Okay. Great. Thank you very much.

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thanks a lot, Jeff. Appreciate it.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Jeff. Kate, let's move to the next question.

Operator: You have a question from the line of Hassan Ahmed with Alembic Global. Your line is open.

Hassan I. Ahmed

Analyst, Alembic Global Advisors

Morning, Mark. Obviously, we saw some margin expansion within the AI segment quarter-over-quarter. I was a bit surprised by that, keeping in mind it seemed pricing only went up a percent, and we saw this huge sort of surge in methanol prices through the course of the quarter. So, what I'm trying to understand is, is there some sort of a lag between methanol prices going up and you guys feeling the impact of that?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Maybe, I'm going to let Steven take that and start with that anyway.

Steven M. Sterin



Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. I mean margins were up a bit, little bit higher volumes and also our ability to, as Mark said, the industry

tended to move price up with methanol. But keep in mind one of the key drivers is that we had a couple of months of benefit from our plant shutdowns in Europe that we talked about. So, I'd say it's more structural in what we've done with our cost but that's also part of getting a full year benefit next year as part of the growth of the business.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.



And the comment I'd make too is more of a directional comment is that we have changed our ability to engage in the market a little bit as we've gone where we can away from formula-based contracts to full freedom to price our product. And that has helped us in periods of inflation. I think next year that we're not getting beat up by raw material inflation.

Hassan I. Ahmed

Analyst, Alembic Global Advisors

Fair enough. And I would imagine obviously with methanol going up particularly in the U.S., the Southern methanol contract would have obviously looked even more attractive through the course of the quarter. But if one were to sort of, let's say, split the AI segment into the non-U.S. part and the U.S. part, did the non-U.S. part actually also experience margin expansion?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah.



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Hassan I. Ahmed Analyst, Alembic Global Advisors	Q
It did. Okay. Thank you so much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thanks a lot, Hassan.	
Jon Puckett Vice President-Investor Relations, Celanese Corp.	A
Thanks, Hassan. Kate, let's move on to the next question.	
Operator : Our next question comes from the line of James Sheel	han with SunTrust. Your line is open.
Jim M. Sheehan Analyst, SunTrust Robinson Humphrey	Q
Morning. I was just wondering what you're seeing in your Europe 2014 could Europe be?	ean end markets and how large a contributor to
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Jim, you're talking about downstream and	
Jim M. Sheehan Analyst, SunTrust Robinson Humphrey	Q
Downstream, yes.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Downstream AI business. Yeah, we've seen a little bit more contriso, we would expect there to be some incremental contribution in be double-digits on it, but I would expect we're going to get \$0.02	n that business. Next year, I don't know if it will
Steven M. Sterin Chief Financial Officer & Senior Vice President, Celanese Corp.	A
We're just growing about in the auto segment, which is a nice 40%	6, 50% of that business
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
I was talking just about that. Yeah.	
Steven M. Sterin Chief Financial Officer & Senior Vice President, Celanese Corp.	A

...penetration in Europe. Yeah. And I think of the current forecast in the industry for auto growth is about 3.5% in

Europe next year.

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Jim M. Sheehan

Analyst, SunTrust Robinson Humphrey

Okay. Great. And then...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Jim, I may have misunderstood your question. So, I'll make sure Steve and I aren't confusing you. So, I was talking about, specifically about, downstream acetic acid derivatives. We are expecting – that industry seems to be tightening up a little bit, so we think there should be some contribution from that. Steven's point in materials, yeah, Europe is certainly learning how to deal with its debt and seems to be in a better situation and shape. There is a view we'll have 1%, 1.1%, 1.2% GDP growth in Europe.

Germany is expecting to be better and that's going to translate in increased auto sales as Steven said. And you get different numbers, I mean, some numbers are as high as 8%, 3%s, 4%s more than an average in there. So, we should expect improvement as well contribution from AEM growth in Europe also.

Jim M. Sheehan

Analyst, SunTrust Robinson Humphrey

Terrific. And then just on the benefits you're seeing from plant operations, you specifically targeted this \$15 million to \$20 million level of additional benefits. And I'm just wondering if that is related to more plant closures in the business or if you could just give us a little more color on what exactly that means?

Mark C. Rohr

Α

Chairman & Chief Executive Officer, Celanese Corp.

No, Jim. We don't have any closures planned that we're focusing on right now. What I would say is, we operate our units, we're finding that – how do I say this – there's more we can do to better operate these units. And the team is working very, very hard on that. We're having some tremendous success in some areas; some other areas, we're still struggling with that. So, we're expecting to net-net produce more out of just better operations this year than we did last year. That also represents a risk to us. If we can't do that, then we'll struggle. We'll have to find out money some other place.

Jim M. Sheehan

Analyst, SunTrust Robinson Humphrey

Thank you very much.

Mark C. Rohr

А

Chairman & Chief Executive Officer. Celanese Corp.

Thanks, Jim.

Δ

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

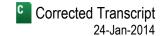
Thanks. Kate, let's move to the next.

Operator: Our next question comes from the line of John Roberts with UBS. Your line is open.

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John E. Roberts Analyst, UBS Securities LLC	Q
Morning, guys.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Morning.	
Steven M. Sterin Chief Financial Officer & Senior Vice President, Celanese Corp.	A
Good morning.	
John E. Roberts Analyst, UBS Securities LLC	Q
Steven, in the 19% underlying tax rate for 2013, what was the percent of inconleast give us a range for 2014 that puts with your higher tax rate?	ne from the U.S. and could you at
Steven M. Sterin Chief Financial Officer & Senior Vice President, Celanese Corp.	A
We haven't shared that level of detail. When we put out the 10-K, you'll get a let the rate walks forward. But the U.S. is clearly more than 60% of our pre-tax incup from 19% to the low 20%s, because you got growth that we've talked about the U.S. which is part of it, but also in Europe which is a higher marginal rate current rate as well. So, it's not big swings, but it's continued growth in the jurisdictions.	ome. It doesn't take much to move today that's occurring not only in , and even Asia is higher than our
John E. Roberts Analyst, UBS Securities LLC	Q
And then in – Mark, in engineering plastics, do we have an update on the vita products new in the past five years?	lity index or percent of sales from
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
I didn't do the math on that unfortunately. No, John, I don't have a tip of my to: We're seeing good success there. I just can't quote an exact number.	ngue. I mean, the slope is positive.
John E. Roberts Analyst, UBS Securities LLC Okay. Thank you.	Q
Jon Puckett Vice President-Investor Relations, Celanese Corp. Okay. Thanks, John. Kate, let's move on to the next.	A

Operator: Our next question comes from the line of Mike Ritzenthaler with Piper Jaffray. Your line is open.

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Michael Ritzenthaler

Analyst, Piper Jaffray, Inc.

Yeah, thanks, good morning. The innovation pipeline has some important expectations in 2014. Just a follow-up on John's question there, maybe I'll ask a little bit differently. What were the N+1 earnings in 2013? Is that something that's quantifiable, maybe in sales instead of earnings? Just trying to gauge the size of that \$30 million incremental earnings.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. I don't have it in front of me, but what I'll say is that all, we really looked at, yeah, which we run on the presentation.

Steven M. Sterin

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah, I think the way I'll think about it is, when you look at AEM were a big percentage of bids. When you exclude affiliates, we had about \$40 million of earnings growth in that segment. So, I'd say that's a good reflection of both auto penetration as well as commercialization of the new product platforms in the material space.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. So, we'll do a better job getting it out to you. Here's what we know. When we look at in the auto space, talk about that, we are up 6% year-over-year on our penetration, and that's measured globally across all vehicles in the world. So, we continue to be able to drive into new applications in that space. If you look at it in even businesses like EVA, food ingredients, cellulose, acetate, we're having traction on our new product introductions that keeps us very encouraged, but I'll also say that most of those are N+1.

Going out N+2 and N+3, the reality is it just takes longer, so we're not seeing as much uptick on the near-term even though we're working some very good projects there. One as Steve mentioned is CelFX, which is a new filter process for cigarettes in markets like China where everything is about the harm index and how you reduce the harm index. So, I know I'm not answering your question directly, but we'll do a better job in the future calls...

Michael Ritzenthaler

Analyst, Piper Jaffray, Inc.

I think you did. I mean what Steve had said about 2013 for some of these N+1s earnings, I think that puts us in the right context for us. And then just a last question here on the rationale for plant closures being in France. I realize they weren't vertically integrated, but could you speak a little bit about those volume shifts to other plants, maybe in Germany and in other places and whether there's any timing with the work councils or anything that still has yet to be worked out with those closures?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

No, no. We went to that process in a very proper fashion with the works council completely throughout the process. So, now we've completed all those negotiations and the plants are currently not running and we are going through a process now of decommissioning completely. So, now that's over.

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Michael Ritzenthaler

Analyst, Piper Jaffray, Inc.

Okay.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

What I'll say is that, yeah, in the case of the French plant that products is being produced elsewhere and pretty much it's the case and the plant is playing as well.

Michael Ritzenthaler

Analyst, Piper Jaffray, Inc.

Jon Puckett

All right. Excellent. Thanks guys.

Vice President-Investor Relations, Celanese Corp.

Thanks, Mike. Kate, let's move to the next and let's have this be the final question.

Operator: Our final question comes from the line of Nils Wallin with CLSA. Your line is open.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Thanks. Just got in under the wire there. One kind of a broad macro question, at one point Celanese was kind of thought of as the top-line grower of GDP plus 100 basis points to 200 basis points. Has that changed at all? I know, obviously, you're focused more on innovation, but what I'm trying to understand is if we did 3% to 4% global growth next year, should we see Celanese just on the base business ex-innovation grow 4%, or 4% to 6% top line?

Mark C. Rohr

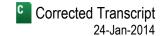
Chairman & Chief Executive Officer, Celanese Corp.

Yeah, that's a really great question. I have a hard time seeing our base business grow 4% or 6% volumetrically through the year, but what I'll also say is that, the quantity of chemistry needed to drive GDP is changing. If you look at place like China where we're still seeing 7% GDP growth, I don't think you'll find any multinational chemical company itself that's over there saying their business is growing 7% or 8%, which was the case a few years ago.

So, I think all of us are seeing a little disconnect between chemistry and GDP as it relates to base business. As it relates to specialty business, there is no doubt we're multiples of GDP. So, if you look at AEM business, we've had multiples of GDP in that business. We think we can get there and a slow growing business like acetate over time going forward. And you look at our smaller businesses, like EVA [indiscernible] (40:48), they've had some base business deterioration that's offset the growth they're getting there.

So I don't know quite how well we characterize it next year, but I wouldn't put it as a multiple of GDP next year. If we're up 3% in the U.S., I would think when you get 3% of our business in the U.S., if you're up 1% in Europe, I mean I don't think you'll see it. In China, it's probably pretty flat. So, our growth next year is going to be more driven by new products introduced and innovative things that we do than just meet base GDP.

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Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Got it. That's really helpful. And then just a housekeeping question, Consumer Specialties volume was, I believe, down year-on-year slightly, but my understanding was that you would have lapped the Spondon closure right now. So, is there some vestiges of Spondon in there or there's just a mix issue?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

No. It's all Spondon. And we have kind of lapped it, so it should be pretty – comps should be pretty good. I'm looking at Steven. Going forward, comps are pretty good year-over-year.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Great. Thank you very much.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thanks a lot. I appreciate it.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks, Nils and thanks everybody for listening today. We'll be around today for calls afterwards. Thanks for your time this morning.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a good day.

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