

21-Oct-2014

Celanese Corp. (CE)

Q3 2014 Earnings Call

CORPORATE PARTICIPANTS

Jon Puckett

Vice President-Investor Relations

Mark C. Rohr

Chairman & Chief Executive Officer

Chris Jensen

Senior Vice President, Finance

OTHER PARTICIPANTS

David I. Begleiter

Deutsche Bank Securities, Inc.

Laurence Alexander

Jefferies LLC

John P. McNulty

Credit Suisse Securities (USA) LLC (Broker)

Eric B. Petrie

Citigroup Global Markets Inc. (Broker)

Frank J. Mitsch

Wells Fargo Securities LLC

Kevin W. McCarthy

Bank of America Merrill Lynch

Robert Andrew Koort

Goldman Sachs & Co.

Vincent Stephen Andrews

Morgan Stanley & Co. LLC

Jeffrey Zekauskas

J.P. Morgan Securities LLC

Hassan I. Ahmed

Alembic Global Advisors LLC

James M. Sheehan

SunTrust Robinson Humphrey

Edlain Rodriguez

UBS Securities LLC

Nils-Bertil Wallin

CLSA Americas LLC

Mike Ritzenthaler

Piper Jaffray & Co (Broker)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Celanese Third Quarter 2014 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Jon Puckett. Please go ahead, sir.

Jon Puckett

Vice President-Investor Relations

Thanks, Laura. Welcome to the Celanese Corporation third quarter 2014 conference call. My name is Jon Puckett, Vice President of Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; and Chris Jensen, Senior Vice President, Finance.

The Celanese Corporation third quarter 2014 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 Relations section.

As a reminder, some of the matters discussed today and included in our presentation 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, in the Investor Relations section, under Financial Information. The earnings release, non-GAAP reconciliations, presentation and prepared comments have been submitted to the SEC in a current report on Form 8-K.

This morning, we will begin with introductory comments from Mark Rohr, and then we will field your questions. I'd now like to turn the call over to Mark.

Mark C. Rohr

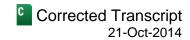
Chairman & Chief Executive Officer

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

We had a really strong quarter with adjusted earnings of \$1.61 per share, the highest in our history. Segment income margin expanded 300 basis points year-over-year driven by higher pricing in Consumer Specialties, Industrial Specialties and Acetyl Intermediates which more than offset higher raw material cost. On a sequential basis, segment income margin expanded 150 basis points primarily due to higher price in Industrial Specialties and Acetyl Intermediates.

These results drove record operating cash flow of \$379 million, free cash flow of \$227 million, facilitating the return of \$139 million to shareholders and \$39 million in dividends and \$98 million in share repurchases. These are really great results that should help us deliver 2014 adjusted earnings that range from \$5.55 to \$5.65 per share or 23% to 26% growth over last year.

Q3 2014 Earnings Call



We also made significant progress in our methanol unit in Clear Lake, Texas and have provided you with our action plan to offset headwinds as we move from purchased to self-produced methanol.

Looking at the year ahead, we believe the customer-focused approach in our Materials business and commercial actions in our technology-enabled businesses will provide us appropriate opportunities to meet the challenges in 2015, like potential softness in the global economies; fewer industrial outages; and stronger dollar versus the euro. For 2015, our objectives are to deliver adjusted earnings that are consistent with our expected range for 2014.

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

Jon Puckett

Vice President-Investor Relations

Thanks, Mark. Laura, we'll open up for questions. I'd like to just ask everybody to keep it to one question and one follow-up. So Laura, go ahead.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question will come from David Begleiter of Deutsche Bank

David I. Begleiter

Deutsche Bank Securities, Inc.

Thank you. Good morning. Mark, just in AI, how are you thinking about the level of over-earning in this segment in Q3? And what's sustainable going forward into Q4 and 2015?

Mark C. Rohr

Chairman & Chief Executive Officer

Well, David, I've commented on that in the last couple of calls. I guess what I'll say is that clearly the industry has reset to some degree. By that, I mean that there's been some material changes in trade flows around the world; product is generally tighter than it was in the past; and there's more discipline in the market, particularly in China, than we've seen historically. So there is a portion of this that won't be recurring, but to be honest, we're not really going to have a good sense on that until we get into next year.

David I. Begleiter

Deutsche Bank Securities, Inc.

Fair enough. And just in acetate tow in China. Any more thoughts on whether this business is plateauing there or peaking on this in a long, slow decline demand-wise?

Mark C. Rohr

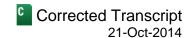
Chairman & Chief Executive Officer

Well I think we, if you look at it from a volumetric basis, David, we certainly believe that the business is generally peaking volumetrically. And we saw a step-down in China early this year that it's not recovered from that. So we've kind of maintained this volume at this lower rate. I'm a little concerned about the overall Chinese economy, because you see a lot of the cigarette purchases or the second-tier brands that go to everyday men and women, and right now, those folks are struggling a bit.

But right now, our view is, is that we're kind of we are where we are and we're going to be at this level for some time. Rolling that back around, we do think there is excessive inventory in a few spots around the world and we're trying to assess if some of that inventory comes off what the impact would be before that. But you shouldn't take that, if it occurs, as being the case there's been further drop in volume consumption.

David I. Begleiter Deutsche Bank Securities, Inc.	Q
Thank you very much.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Thanks, David.	
Jon Puckett Vice President-Investor Relations	Α
Thanks David. Laura, let's move to the next question.	
Operator : Sure. The next question comes from Laurence Alexander of Jefferies.	
Laurence Alexander Jefferies LLC	Q
Good morning. I guess first, the \$0.15 to \$0.20 in restructuring savings that you flag, is that a year-end run and if not, what would that be?	rate
Chris Jensen Senior Vice President. Finance	Α
Are you referring to the restructure when we talk about the, and your way we're over?	
Mark C. Rohr Chairman & Chief Executive Officer	A
Pan-European.	
Chris Jensen Senior Vice President, Finance	A
Oh, the pan-European, is that what you mean, specific?	
Laurence Alexander Jefferies LLC	Q
Correct. Correct, so I mean is that just a tailwind in 2015 or is that an exit of the year run rate going forward	l?
Mark C. Rohr Chairman & Chief Executive Officer	A

Q3 2014 Earnings Call



Yes, I'm sorry, I handed it out to Chris, Laurence. I thought you were referring to the capital structure. You should look at that as the impact for next year in the run rate going forward. I would hope we would creep a little bit higher than that. That's how you should look at that.

Laurence Alexander Jefferies LLC

Okay. And secondly, as you look at the outages that you're anticipating for next year, how would those compare to this year?

Mark C. Rohr Chairman & Chief Executive Officer

Well corporately, we're about the same and the generic comment I made on outages is that there were a number of, particularly in the C1 chemistry arena, unscheduled or unplanned outages this year. And I would expect there would be fewer of those next year. And I can't predict what that is, but I would expect the industry operates more reliably next year than it has this year.

Laurence Alexander Jefferies LLC Okay. Thank you. Mark C. Rohr Chairman & Chief Executive Officer

Thanks, Laurence.

Jon Puckett
Vice President-Investor Relations

Thanks, Laurence. Laura, let's move to the next.

Operator: Sure. Next we have John McNulty of Credit Suisse.

operator. Jure. Next we have some Micrority of Credit Buisse.

Credit Suisse Securities (USA) LLC (Broker)

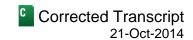
John P. McNulty

Yes. Good morning. Thanks for taking my question. So when you gave color on your outlook for 2015, you highlighted a bunch of puts and takes. And I guess I'm wondering when you're thinking about the growth for AEM and consumer, how are you thinking about that in terms of the growth rates in 2015? And how much of that will come from what you highlighted around the customer-centric approach and some of the technology offerings that you're offering versus just general market demand?

Mark C. Rohr Chairman & Chief Executive Officer

Yes. I think when you look at general market demand, I'm going to talk more about the materials than I do consumer, but we've had really a pretty good year of market growth this year, both in the U.S. and in Europe. And next year, we think that'll be moderated a bit. And having said that, we have a lot of new products and a lot of new platforms that'll start to come to fruition, so we're expecting good growth in Engineered Materials year-over-year, driven by new products we're putting in there. We expect good growth from our innovation products, things like

Q3 2014 Earnings Call

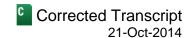


the high-voltage transmission line that we talked to you guys about recently. So we're seeing – our view is pretty strong growth in the Materials segment, the year-over-year basis.

In the consumer side, we don't really see any volume growth in that business. We do see other opportunities though to incrementally squeeze a little bit of increased profitability out of that business as we enter into next year. On the AI side, I think it's going to be — I need a little bit more clarity on what the reset is before I can really answer that directly, but we have a lot of productivity related initiatives there that will contribute to earnings growth in that business.

John P. McNulty Credit Suisse Securities (USA) LLC (Broker)	Q
Great. Thanks very much for the color.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Thanks, John.	
Jon Puckett Vice President-Investor Relations	A
Okay. And our next question, Laura?	
Operator : Sure. The next question comes from P.J. Juvekar of C	iti.
Eric B. Petrie Citigroup Global Markets Inc. (Broker)	Q
Hey, good morning. It's Eric Petrie in for P.J. It's I could ask, what versus produced methanol if in 2015, if methanol prices stay close ton assumption?	
Chris Jensen Senior Vice President, Finance	A
Yes, when we talked about this being a \$100 million range, $$75$ m methanol in a \$500 to \$550 range and natural gas in a \$4.25 to \$	=
Mark C. Rohr Chairman & Chief Executive Officer	A
Yes. But, Eric, I think you're basing	
Eric B. Petrie Citigroup Global Markets Inc. (Broker)	Q
I might follow offline. And then	
Mark C. Rohr Chairman & Chief Executive Officer	A
I mean – go ahead.	

Q3 2014 Earnings Call



Lr	\sim	ப	IJ	~	ŀ٣	10
Eri	(:	П	_	е.	ш	ш
	•	_		•		. •

Citigroup Global Markets Inc. (Broker)

No, go. I'm sorry.

Mark C. Rohr

Chairman & Chief Executive Officer

I was going to say, to answer your question, with the \$75 million to \$125 million, at lower methanol, you ought to push down to the lower end of the range. But like we've said, we don't know where methanol's going to be when we step off of that contract. So that's why we're giving you the range of \$75 million to \$125 million.

Eric B. Petrie

Citigroup Global Markets Inc. (Broker)

Okay. So you're saying \$400 per ton would put you in that \$75 million ballpark?

Mark C. Rohr

Chairman & Chief Executive Officer

It puts you closer to that number than the \$500 to \$600 that we've assumed.

Eric B. Petrie

Citigroup Global Markets Inc. (Broker)

Okay. And then just on a longer-term, of the three industrial ethanol MOUs that you have outstanding, which do you expect to press quicker or have less regulatory hurdles to get to – to reach the market?

Mark C. Rohr

Chairman & Chief Executive Officer

You said methanol or ethanol, Eric?

Eric B. Petrie

Citigroup Global Markets Inc. (Broker)

The industrial ethanol MOUs that you have in Indonesia, China, India.

Mark C. Rohr

Chairman & Chief Executive Officer

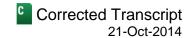
Yes. Those are all fuel applications and it's hard to probability weigh them. I think China's got the toughest road ahead because you've got to have a pretty broad approach to change fuel regulations within China and so far, that process hasn't gained a lot of traction.

Indonesia was doing extremely well from a project point of view. It still seems to be endorsed by the government and indications are the new government is also endorsing, but we need to go through that change in leadership in Indonesia, including the new CEO for Pertamina. And so I think we'll have a better sense of that in our January call. India is just getting started. The economics are very good in India and, in some ways, the decision-making process will be easy. So I'd say China is probably third and it's too soon to tell which is more likely, India or Indonesia.

Celanese Corp. (CE) Corrected Transcript Q3 2014 Earnings Call 21-Oct-2014 Eric B. Petrie Citigroup Global Markets Inc. (Broker) Okay. Thank you. Jon Puckett Vice President-Investor Relations Okay. Thanks, Eric. Laura, let's go to the next question? **Operator**: Yes. Next we have Frank Mitsch of Wells Fargo. Frank J. Mitsch Wells Fargo Securities LLC Good morning, and congratulations on the record quarter. Mark C. Rohr Chairman & Chief Executive Officer Thanks, Frank. Jon Puckett Vice President-Investor Relations Thanks, Frank. Frank J. Mitsch Wells Fargo Securities LLC When you talked about 2015 and the productivity enhancement of \$0.15 to \$0.20, and you also mentioned that you've had some programs in place, what do you think those numbers would have been or will be for 2014? How much of the earnings improvement in 2014 would you ascribe to productivity enhancements? Mark C. Rohr Chairman & Chief Executive Officer Well on a big scale, we shuttered two facilities in 2013 that rolled into 2014. And I'm kind of looking at Chris; that was probably \$0.20 or so kind of number, Frank, that rolled through, something like that. Chris Jensen Senior Vice President, Finance So probably \$20 million to \$30 million... Mark C. Rohr Chairman & Chief Executive Officer Yes, in that. We always have some productivity, but to be very honest, I think this year was one of our weaker

Yes, in that. We always have some productivity, but to be very honest, I think this year was one of our weaker years in productivity. So I don't think, other than those two, those two outages are the ones that – I mean those two shutdowns are the ones that resonate with me.

Q3 2014 Earnings Call



Frank J. Mitsch

Wells Fargo Securities LLC

All right. That's very helpful. And can you give me your sense of the status of business over in Europe in particular, and what you're seeing in the auto front more broadly and the pace of activity over there?

Mark C. Rohr

Chairman & Chief Executive Officer

Yes. I – well, it's a great question. We all read the same press that you read. And you can't help but get a little bit of concern about when you read it. But I think what we would say is that our customers generally are a lot calmer than the markets are. We have seen European auto slow down. We've seen companies like Ford take extended outages and push out some products. So there is a reduction in consumption in the auto arena, certainly in Europe right now.

The other businesses, the other areas here, I'd say it's – I mean nothing's fallen off the cliff, Frank. Business is moving along. There is some talk of – we see some folks kind of act like they're starting to consume and drop inventory who have a view that the reduction in commodity prices will somehow ripple through. So we may see in this quarter some destocking that's going on in Europe. And I'd say also, we're seeing some evidence of that in China, just based on commodity prices, I think more than anything.

Frank J. Mitsch

Wells Fargo Securities LLC

Sure. Thank you so much.

Mark C. Rohr

Chairman & Chief Executive Officer

Thanks a lot.

Jon Puckett

Vice President-Investor Relations

Thanks, Frank. Laura, let's go to the next call.

Operator: Our next question comes from Kevin McCarthy of Bank of America Merrill Lynch.

Kevin W. McCarthy

Bank of America Merrill Lynch

Yes. Good morning. Mark, I guess, question on Consumer Specialties. You proposed a price increase of 5% to 6% in mid-September. What has the customer reception been over the last five weeks or so? Also, what is your view on the raw material side there going into 2015? Just trying to get a sense of what margins might do versus the volumetric peak that you referenced?

Mark C. Rohr

Chairman & Chief Executive Officer

Yes. Well, we're in the middle of that process now with our customers. So it's too early to call where we'll end up on the pricing side. For us, raw materials period-to-period are pretty constant. They may be a little bit of drifting on us. We've worked off some more expensive inventory year-over-year. We're pretty constant. So I think from a margin point of view, I look at the margin as being reasonably flat in consumer year-over-year.

Q3 2014 Earnings Call



Kevin W. McCarthy

Bank of America Merrill Lynch

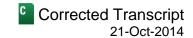
Okay, great. And then, a second question if I may on Acetyl Intermediates. You referenced the structural reset in Europe and I think some of your materials overnight also reference different outages. And I think within the last week or so your principal western competitor declared force majeure at Hull in the U.K. If you take that into account, what are your thoughts on the 4Q profitability in that segment? Do you get perhaps an extension of the benefits with these ongoing industry outages?

Mark C. Rohr Chairman & Chief Executive Officer Yes, I think there's probably a little bit of extension in that, but we're seeing others take - there's more aggressive action in China and there's more destocking going, so I don't know if we've got the handle on volumetric movements for the quarter. But I do expect our earnings period-to-period to be down materially in that segment. Kevin W. McCarthy Bank of America Merrill Lynch All right. Thank you very much. Mark C. Rohr Chairman & Chief Executive Officer Thanks a lot. Jon Puckett Vice President-Investor Relations Thanks, Kevin. Laura, let's go to the next. **Operator**: The next question is from Bob Koort of Goldman Sachs. Robert Andrew Koort Goldman Sachs & Co. Thank you. Good morning. Mark C. Rohr Chairman & Chief Executive Officer Bob, morning. Robert Andrew Koort Goldman Sachs & Co. I was wondering, you mentioned the benefits from the pan-European and productivity initiatives. Can you talk about what the costs for that might be? And then also, if you've made any headway in perhaps securing a fixed or long-term gas contract for the Clear Lake plant?

Mark C. Rohr

Chairman & Chief Executive Officer

Q3 2014 Earnings Call



Well, let me do the latter one first, then I'll turn it over to Chris to talk about European structure. But we have started taking a few positions for that increment of gas in the fourth quarter. I don't know what percentage we are locked in now for that gas, but probably half of it we've probably locked so far. A third, Chris just told me. So we're doing that as it makes sense at these kind of prices, Bob. So, Chris, do you want to tackle the?

Chris Jensen Senior Vice President, Finance	A			
Sure. Bob, yes there will be costs associated with that structuring going on in Europe, but as is typically the case when we have those kinds of transformational activities, that's the kind of stuff we typically run through the adjustments and take out when we percent adjust to the EBIT.				
Robert Andrew Koort Goldman Sachs & Co.	Q			
Okay. And you mentioned in the prepared remarks using up to 1 million tons us the size of the contract and confirm that it expires at the end of June next				
Mark C. Rohr Chairman & Chief Executive Officer	A			
It's 1 million tons as we were contracted for that full amount, Bob.				
Chris Jensen Senior Vice President, Finance	A			
Yes, up to, yes.				
Robert Andrew Koort Goldman Sachs & Co.	Q			
Great. Thank you.				
Mark C. Rohr Chairman & Chief Executive Officer	A			
That amount. Thanks.				
Jon Puckett Vice President-Investor Relations	A			
Okay. Thanks, Bob. Laura, let's move to the next.				
Operator : Next is Vincent Andrews of Morgan Stanley.				
Vincent Stephen Andrews Morgan Stanley & Co. LLC	Q			
Thanks very much. You guys had mentioned, I think on				

the last call, when you sort of were discussing what mitigants you might have to 2015 headwinds, I think there was some discussion of maybe some tax optimization, but you didn't mention that today. So just curious if that's something that's still on the table or did you look at that and there's really not a whole lot material to do there?

Q3 2014 Earnings Call



Chris Jensen

Senior Vice President, Finance

Yes, Vincent. This is Chris. When we talk about the structuring, this pan-European structure that we're going through, that's part of what will happen there, is potentially some tax savings that come from that. And what's really driving that though is the desire to have a centralized European management structure similar to what we did a couple years ago over in Asia. So, prior to this point, we just, we really didn't have that structure in place. We want that in place. This is an important region for us, and we want a team of leaders there who have a real pulse on what's going on in Europe that can run this thing day-to-day. But to answer your question, there will be some tax savings that come as part of that.

Vincent Stephen Andrews Morgan Stanley & Co. LLC	Q		
But it doesn't sound like it's a material change in the rate?			
Chris Jensen Senior Vice President, Finance	A		
Look, our tax rate should go down next year and as we get closer to about what it's going to mean to the tax rate. But it will go down.	completion on this structure, we can talk more		
Vincent Stephen Andrews Morgan Stanley & Co. LLC	Q		
Okay.			
Chris Jensen Senior Vice President, Finance	A		
It should go down below 20% next year.			
Vincent Stephen Andrews Morgan Stanley & Co. LLC	Q		
Okay. Thanks very much. I'll pass it along.			
Jon Puckett Vice President-Investor Relations	A		
Okay. Thanks, Vincent. Laura, let's go to the next.			
Operator : And the next question comes from Jeff Zekauskas of JI	PMorgan.		
Jeffrey Zekauskas J.P. Morgan Securities LLC	Q		
Hi, good morning.			
Jon Puckett Vice President-Investor Relations	A		
Morning, Jeff.			

Q3 2014 Earnings Call



Jeffrey Zekauskas

J.P. Morgan Securities LLC

Hi. I have a question about your, I guess, Slide 16. Your CapEx you said you're lowering by \$50 million to \$400 million to \$450 million. Wasn't your CapEx through the first three quarters in the low \$400 millions, if you count the CapEx that goes to the new methanol plant?

Chris Jensen

Senior Vice President, Finance

Well, you also, you...

Jon Puckett

Vice President-Investor Relations

Yes, Chris, go ahead, but you do some netting on the CapEx because of the methanol plant, because we get some of that reimbursed by the joint venture. So our initial look on CapEx for the year, Celanese CapEx, was \$450 million to \$500 million.

Jeffrey Zekauskas

J.P. Morgan Securities LLC

Yes.

Jon Puckett

Vice President-Investor Relations

And so what we're saying now is that \$450 million to \$500 million really is more like \$400 million to \$450 million, just because of some productivity measures and some other measures and some spend outside of methanol and outside of the gas boilers in Narrows.

Chris Jensen

Senior Vice President, Finance

Yes. I don't have all the numbers in front of me to add up those quarters, but you can see that by taking a look in the filings that we'll put out shortly. What I'll you off the top of my head though is yes, it's a little bit weighted in the fourth quarter. I mean we're going to have a little more CapEx in the fourth quarter than we had at the third quarter. The third quarter was a little higher than what you saw it in the first two quarters. And when you go through that, make sure as Jon said, you net what you see coming in from our JV partner in Mitsui. It's on a different line in those financials. But that's the range now. We're talking \$400 million to \$450 million for the year.

Jeffrey Zekauskas

J.P. Morgan Securities LLC

All right. Perhaps I can follow-up with that. Are you making money currently in Chinese ethanol? I think Chinese ethanol prices, industrial ethanol prices per ton are somewhat over \$1,000 a ton. Or is it more complicated than that? Does TCX not make?

Mark C. Rohr

Chairman & Chief Executive Officer

No, no, no. No, it's nothing more complicated than that. It's hard to answer that question directly, but I'll say not in a material fashion is how I would describe that. It's not – the business is just kind of bouncing along, Bob, and we've not found a way really to extract a lot of value out of the industrial ethanol market in China today.

Celanese Corp. (CE) **Corrected Transcript** Q3 2014 Earnings Call 21-Oct-2014 Jeffrey Zekauskas J.P. Morgan Securities LLC Okay, good. Thank you so much. Mark C. Rohr Chairman & Chief Executive Officer Thank you. Jon Puckett Vice President-Investor Relations Thanks, Jeff. Laura, let's go to the next question. **Operator:** The next question will come from Hassan Ahmed of Alembic Global. Hassan I. Ahmed Alembic Global Advisors LLC Mark, how are you? Mark C. Rohr Chairman & Chief Executive Officer Hello. Hassan I. Ahmed Alembic Global Advisors LLC A question around AI as it relates to your 2015 guidance. If I take a look at sort of EBITDA margins towards the end of 2013, they were running at 12%, 13%. And that's obviously prior to a variety of these outages. And today, they are closer to 20%. So how should we think about what you're baking into 2015 guidance for this segment? Is today's margin profile more representative, is sort of end of last year's more representative, or somewhere in

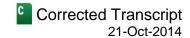
between?

Mark C. Rohr Chairman & Chief Executive Officer

Yes, it's somewhere in between and we're doing that math ourself and trying to sort out. No-one should have any doubt that those margins will pull back to some degree. But I do want to be clear that the market is a bit different today and there's more discipline in that market. So we're trying to go through systematically and triangulate and what we believe a proper outlook for the year will be and we just haven't got to that point yet.

What I will say is that where we do the range of potential step-downs from where we are today, we're seeing opportunities to offset that. So that's why it gives us some comfort to go out and say that even though you're going to have headwinds in methanol and even though you're going to have headwinds from these sort of global economic scenarios that are out there and you're going to have some headwinds as some of the tightness within the C1 chain slips away, we think we can overcome those things and end up, in essence, kind of at that year-end view that we have today.

Q3 2014 Earnings Call



Hassan I. Ahmed

Alembic Global Advisors LLC

Fair enough. And moving onto the methanol plant, fairly recently a methanol MLP in the U.S. talked about sort of jacking up the de-bottlenecking costs or budget by around 30% and kind of caught them by surprise. And if I read your sort of comments rightly, you were talking about how things are quite tight on the E&C side of things, but you're sticking to the original budget that you gave out. Now, what gives you confidence that there will not be any slippage there or any sort of uptick in that budget? Is it something in the contract or...?

Mark C. Rohr

Chairman & Chief Executive Officer

No, no, no, no, no. No, there's no guarantees. No, I have confidence in the team and how we're running that. We have unbelievably just a great team. We have great contractors. We are engaged daily on that activity. We're just all over the project. We are a bit – I would say that we're into it a bit sooner than others and so we haven't suffered from a skills shortage to date. We're now in the mechanical portion, which means new lot of welders and that's the area that is most concerned from our point of view right now, and we have not only great contractors providing good people, but we have some backup should those fail.

I should let you know, though, it is a very close budget. I mean we measure the gaps down to percentages. So could we end up being a bit over? Sure, we could. But if I can advance the startup day by a day or two, I'll spend money to do that, because the credit for shorting their period of time that we're fully on the market is just huge for our company.

Hassan I. Ahmed

Alembic Global Advisors LLC

Fair enough. And with this sort of an E&C market, is that second methanol plant still looking feasible?

Mark C. Rohr

Chairman & Chief Executive Officer

Yes, when you look at it, I mean, you can overreact or underreact, I guess, to situations. We certainly are looking at the current kind of collapse and the commodity pricing and there may be ripple effects of that and thinking our way through, but the folks we're talking to are still quite interested. And we'll have to make a decision to a couple of candidates as we get into November. And we'd like to be in a position next spring to either have a project or not have a project.

Hassan I. Ahmed

Alembic Global Advisors LLC

Yes, great.

Mark C. Rohr

Chairman & Chief Executive Officer

And it'd be my goal that even if we do it next spring, you're talking a long time. We still have – even though we started the permitting process several months ago, that's probably an 18-month process now. So this is a startup that will occur quite a few years out.

Hassan I. Ahmed

Alembic Global Advisors LLC

Celanese Corp. (CE) Corrected Transcript Q3 2014 Earnings Call 21-Oct-2014 Fair enough. Thanks so much, Mark. Mark C. Rohr Chairman & Chief Executive Officer Thank you. Jon Puckett Vice President-Investor Relations Thanks, Hassan. Laura, let's move to the next question. **Operator**: And our next question comes from James Sheehan of SunTrust. James M. Sheehan SunTrust Robinson Humphrey Thanks for taking my question. Mark C. Rohr Chairman & Chief Executive Officer Hey, Jim. James M. Sheehan SunTrust Robinson Humphrey You've given a lot of color on the methanol headwind in North America. I was just wondering if you could comment on the acetic acid business in Asia, and where you see pricing going next year in light of the drop in crude oil prices globally. Do you see that as having an impact to your earnings in Asia? And do you have any leverage you can pull there in terms of your strategic changes to your business model that can offset that? Just how are you looking at the Asia market? Mark C. Rohr Chairman & Chief Executive Officer Well, you know the Asia market margins throughout this year have been pretty good for those businesses. They're probably a little weaker today than they have been on average as we've gone through the year. Pricing has pulled back a little bit in China. So we may see some margin compression as we go into next year in acetic acid. But what I would say is that the margins are materially different than they were back in the 2012, 2013 kind of timeframe. As that market has changed, we've seen a step change there. So I think our expectations are for a little bit of weakness in margins next year, Jim. That's how I'd couch that. Be mindful in China that everything is coal-based. Coal pricing kind of has a floor and it's been at that floor for a while and it's methanol-based and methanol kind of has a floor there and it's been at that floor for a while. So there's no change in manufacturing cost I think practically possible for Chinese producers. James M. Sheehan SunTrust Robinson Humphrey

Thank you very much.

Celanese Corp. (CE) Corrected Transcript Q3 2014 Earnings Call 21-Oct-2014 Mark C. Rohr Chairman & Chief Executive Officer Thank you. Jon Puckett Vice President-Investor Relations Thanks, Jim. Laura, let's go to the next. **Operator**: Yes, next we have Edlain Rodriguez of UBS. Edlain Rodriguez **UBS Securities LLC** Thank you. Good morning, guys. Jon Puckett Vice President-Investor Relations Morning, Edlain. Edlain Rodriguez UBS Securities LLC Just one quick question on AEM – I mean this business has a lot of exposure to Europe and to auto. I mean if there is further slowdown in Europe, I mean can you talk about how this business is now better positioned than it was before and how results would be more resilient than they were in previous challenging times that we've had in Europe? Mark C. Rohr Chairman & Chief Executive Officer

Yes, let me try. I think so auto's about 40% of that business, maybe 50% globally?

Chris Jensen
Senior Vice President, Finance

Yes.

Mark C. Rohr
Chairman & Chief Executive Officer

And if you look at Europe, you've got to kind of separate Germany from the rest of Europe. And what's great about Germany is they build a lot of the high-end vehicles that are purchased by all of us around the world, and those higher-end vehicles are big sinks for the kind of highly engineered materials that we sell. So we are seeing our ability to penetrate those vehicles, continue to grow, and so that gives us comfort that even as we fall to anticipated lower builds in the Americas and lower builds in Europe, that we'll be okay.

If you look at Asia, we have fairly low penetration in Asia. We're having good success now starting that, so we think there's a lot of growth upside in Asia. So my belief is we'll have mid-single digit growth in the auto segment in that business year-over-year.

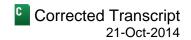
Q3 2014 Earnings Call



And when you go beyond that, in industrial spaces and electronic spaces, consumer spaces, we have a lot of activity underway and have seen some really good success with products and I mentioned one example of that which was the composite-based high-voltage wire that is starting to be strong in places like Houston, Texas; getting rave reviews from utility companies because it lets them lower their cost. So we have a view that things like that, that's just one example, will also come in to some degree and start to lift us up more even if auto's a bit weak next year.

Edlain Rodriguez UBS Securities LLC	Q
Okay. Thank you.	
Mark C. Rohr Chairman & Chief Executive Officer Thank you.	A
Jon Puckett Vice President-Investor Relations Thank, Edlain. Let's move to the next question, Laura.	A
Operator: Next we have Nils Wallin of CLSA.	
Nils-Bertil Wallin CLSA Americas LLC	Q
Good morning and thanks for taking my question.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Thank you.	
Nils-Bertil Wallin CLSA Americas LLC	Q
In AEM, you've had some pretty powerful volume growth over the last down year-over-year for the last five. I attribute that to mix, but I'm w if next year, the comps will get better on the pricing side in that busin	vondering if there's any way to reverse that or
Mark C. Rohr Chairman & Chief Executive Officer	A
Well, part of it is mix and part of it is Asia. Asia, generically, is a lower of the world, and that's been a big thrust of ours to push into Asia. Do I mean, I think it's going to be pretty constant year-over-year. What I specification business and some of the higher-end applications that w may make in Asia in terms of pricing. So my gut is we'll stay pretty co	I see that changing a lot year-over-year, no. do expect is that we can get more ould offset any increased penetration we
Nils-Bertil Wallin CLSA Americas LLC	Q

Q3 2014 Earnings Call



Got it. That makes sense. And then, just on volume declines in Consumer Specialties, obviously I know that there's destocking going on, so it's probably hard to get a sense of what the underlying volume levels are. But would you be able to quantify or give us some qualifications as to what you see the underlying demand in that business being?

Mark C. Rohr

Chairman & Chief Executive Officer

Well, we reported, the data, we belong to an association that collects data from all the producers, blind data and produces or presents annual trends and I don't have the annual trends. What I'll say in the middle of the year, what it pushed an indication to is that we were down on the consumptive kind of basis in the 1% to 2% range, kind of number. And the biggest revelation out of that was not new news because we've been talking about it, but it was a more steep falloff in China. China had always been a contributor in terms of volume growth and this year, they were going to be actually down year-over-year. So that's the most contemporary data that we really have.

What I will say is talking to customers, what we feel is that we're in for a fairly flat consumptive view year-over-year. And the only wildcard we have in here is inventory. And several years ago, when the industry was very tight, I would say that the majority of the consumers had built surplus inventory and it's pretty clear to me now that they've been kind of working that off and I think that's going to continue through the end of this year, maybe into early next year. And I just can't, I would love to tell you Nils. I would love to tell you exactly where that is, but we don't know. We'll be able to give you more color in January.

Nils-Bertil Wallin

CLSA Americas LLC

Appreciate the color. Thanks very much.

Mark C. Rohr

Chairman & Chief Executive Officer

Right. Thank you.

Jon Puckett

Vice President-Investor Relations

Okay, thanks, Nils. And, Laura, let's move to the next caller and this will be the last question.

Operator: Okay. And that question will come from Mike Ritzenthaler of Piper Jaffray.

Mike Ritzenthaler

Piper Jaffray & Co (Broker)

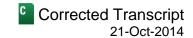
Hi, yes. Good morning. As a quick follow-up to a previous question about how the Materials businesses might fill in for the difficult comps from the industry outages and FX impacts, how much do you view it as a series of singles, from things like Clarifoil and expanding Qorus versus driving auto penetration from 2 kilograms to, I don't know, 2.5 kilograms or whatever?

Mark C. Rohr

Chairman & Chief Executive Officer

Yes. The history of that business had been a singles business and we're trying to change that. Mike, we're trying to make it more, what we call a, translation business where we go in and have a success, like with Clarifoil. And the

Q3 2014 Earnings Call



reason I use that example, we're not selling a lot of clear film to freezers today. But when you look at the power of that technology, our ability to market it, we're taking successful products and moving them laterally in the marketplace. And so that's what – my personal belief is that's what the real growth is going to be in this industry.

You see that a lot in auto, in particular, where our penetration varies dramatically from model to model, manufacturer to manufacturer and region of the world to region of the world. And so our ability to take a success from one part of the world and one particular car manufacturer to another is what I think is going define our ability to dramatically grow this business in years to come.

Mike Ritzenthaler Piper Jaffray & Co (Broker) Okay. Just real quickly if I can speak one last one; it is on obviously one of the positives here the last couple of quarters has been the impact of trade flows. I was wondering if there's a way to quantify the impact of currency in 40 on those trade flows in AI obviously. Mark C. Rohr Chairman & Chief Executive Officer I'm looking at Chris. Chris Jensen Senior Vice President, Finance Yes. Mark C. Rohr Chairman & Chief Executive Officer So what are the rules of thumb on currency, Chris, for us? Chris Jensen Senior Vice President, Finance

Yes. So it's more than just the trade flows, right. So if you look at what drives currency impacts on Celanese – a part of it is that business, and the fact that we don't manufacture acetic acid or VAM in Europe. So that's part of it. But you sell it in Europe. So you get some currency there. You get some currency in the Engineered Materials business, which is just a strong business for us in Europe, even though we have local manufacturing. So we have high margins that just drop some currency impact to the bottom line. So I don't know that we've provided rules of thumb in the past, but it's probably somewhere in the range of a euro/penny change equating to \$600,000, \$700,000, \$800,000 in a quarter.

Mike Ritzenthaler

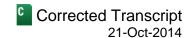
Piper Jaffray & Co (Broker)

Okay. All right. Thanks, guys.

Jon Puckett
Vice President-Investor Relations

Okay. Thanks, Mike. And thanks, Laura. We'll be around for questions all day today. We appreciate your time this morning.

Q3 2014 Earnings Call



Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2014 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.