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Celanese Corp. (CE)

Q1 2018 Earnings Call

CORPORATE PARTICIPANTS

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

OTHER PARTICIPANTS

Laurence Alexander

Analyst, Jefferies LLC

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Duffy Fischer

Analyst, Barclays Capital, Inc.

John Roberts

Analyst, UBS Securities LLC

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Arun Viswanathan

Analyst, RBC Capital Markets LLC

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Matthew DeYoe

Analyst, Vertical Research Partners LLC

Aleksey Yefremov

Analyst, Instinet LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Celanese First Quarter 2018 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to Surabhi Varshney. Please go ahead.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, Steven. Welcome to the Celanese Corporation first quarter 2018 earnings conference call. My name is Surabhi Varshney, Vice President of Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer, Scott Sutton, Chief Operating Officer, and Scott Richardson, Chief Financial Officer.

The Celanese Corporation's first quarter 2018 earnings release was distributed via Business Wire yesterday after market close, slides and prepared remarks 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 presentations may include forward-looking statements concerning, for example, our future objectives and plans. 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 into the comparable GAAP measures are included with the press release and on our website in the Investor Relations section under Financial Information.

The earnings release and non-GAAP reconciliations have been submitted to the SEC on a Form 8-K. The slides and prepared comments have also been submitted to the SEC on a separate Form 8-K.

This morning, we'll begin with introductory remarks from Mark Rohr and then open up for your questions. I'd like to turn the call over to Mark now.

Mark C. Rohr

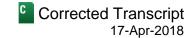
Chairman & Chief Executive Officer, Celanese Corp.

Thanks, Surabhi, and welcome to everyone listening in today. I'll begin with just a few highlights before opening the call for your questions.

For the quarter, net sales rose 26% year-over-year and 16% sequentially to \$1.85 billion. With strong pricing and volume support we are pleased to announce GAAP earnings of \$2.68 per share and adjusted earnings of \$2.79 per share. Engineered Materials, Acetate Tow, and the Acetyl Chain as well as our affiliates all reported strong results continuing a trend that's been underway for some time. Adjusted EBIT margins expanded about 300 basis points, achieving a record operating EBITDA of \$553 million, and EBITDA margins of 30%.

Engineered Materials reported net sales of \$665 million, supporting record segment income of \$182 million, driven by projects, acquisitions, and higher sales in Asia. Volume increased 19% year-over-year and adjusted EBIT margins for Engineered Materials came in at 27%.

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Affiliate earnings grew 26% year-over-year to \$54 million. We saw a strong growth in Asia and we commercialized over 740 new projects this quarter.

The Acetate Tow segment income in the first quarter was \$78 million, declining a bit year-over-year as unique carryovers in the first quarter of 2017 did not repeat themselves. The Acetyl Chain grew 32% year-over-year and 18% sequentially to report net sales of \$1 billion for the quarter and record income of \$253 million.

Modest but consistent demand growth and tight regional supply dynamics helped lift pricing and generate the significant growth in earnings. Margins expanded to 24%, that's more than 400 basis points sequentially with strong acid and derivative pricing in all markets.

For the rest of this year, we expect Engineered Materials to build on its success with more than 3,000 project wins with additional bolt-on acquisitions and a continued growth in Asia.

Earnings in Acetate Tow should step down slightly next quarter and remain at that level through the year. Consistent demand growth and business fundamentals through the Acetyl Chain should support earnings growth through 2019 and 2020. Given the strong performance in all these businesses, we increased our expected guidance and adjusted earnings per share to the 20% to 25% range over 2017.

With that, I'll now turn it back to Surabhi.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, Mark. I would like to request all callers to please limit to one question and a follow-up. Steven, please open the line to Q&A now.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from Laurence Alexander with Jefferies. Please go ahead.

Laurence Alexander

Analyst, Jefferies LLC

Good morning. I guess, first of all, on the acquisition contribution to Engineered Materials, I noticed that you didn't break it out specifically as a [ph] out (5:27) – just embedded in the volumes, and I think it was a few quarters ago you were talking about – you spoke about how you expect acquisitions to scale up over time, because they give you multiple shots on [ph] goal (5:40). Can you give us a sense for how much extra capacity you have in Engineered Materials or what kind of investment cycle you need to do to support the volume growth for [ph] CE (5:51)?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. Scott, you want to just take it? [indiscernible] (5:56)

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah. Yeah. I mean, look along with those acquisitions did come the ability to easily expand capacity without much capital and we're in the process of doing that and we still have some available. However, at the same time we have a number of investments going on in both compounding and at least one polymer expansion that are underway this year and we expect more of that in the future. So we're doing both items; organic expansion and extending the capacity that we acquired through acquisitions.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

And that [ph] fits (6:29), Laurence, within the \$300 million to \$350 million of capital that we've sort of projected for the next several years in previous calls with them.

Laurence Alexander

Analyst, Jefferies LLC

And then secondly, can you update your thinking on the Chinese environmental tightening and the related shutdowns. In particular I guess, how you're thinking about the tailwind from 2018 into 2019 and 2020? Do you see it subsiding or what do you see there as the longer term trend for the Acetyls' business?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. So, if you think about the Acetyl's business you've got to take a long term view and you've got to – you've got to think of slow rates of change. So we have a business that is growing 2% or 3% per year, maybe accelerate a little bit so maybe 3% or 4% right now with that kind of percentages per year. And if you look back at the cycle probably in the 2011 timeframe, we peaked out and [ph] show (7:28) capacity somewhere in there. So we had this big build-up in China, as you well know, Laurence. The 2008, 2009, 2010 kind of time period where money was

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free and everybody wanted to build a plant, and they wanted to convert coal which was also free in China. So it was an easy conversion to make. Since then, capacity has been relatively flat and you've seen that creep slowly build capacity – effective capacity utilization. And so imagine a 3% – 2% or 3% decline in that capacity over the time, available capacity.

So we found ourselves today at the 80% kind of range on average, a little bit above that. We saw short-term a – short-term being the last couple of quarters, some [ph] pinch (8:17) on that to maybe it's 83%, 84%, 85%, something like that short-term capacity utilization.

When we look at China per se and the regulations that are going [indiscernible] (8:29) in all the regions that are impacted, we believe there's going to be 5% capacity reduction as that runs its course over the next three or four years, that kind of timeframe. So, we think you got 5% coming off the top of that, at that time. At the same time, you're going to be – from the bottom, taking away another 5% or 6%. So there should be about a 10% uptick netnet over the next three or four years.

Laurence Alexander

Analyst, Jefferies LLC

[ph] Perfect. And if you made attempt (9:00) – are you implying that you need to add capacity. I mean just as a clarification?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, I think that incremental capacity, yeah we're [ph] adding (9:08) incremental capacity now as you know. And you know from my point of view as you get into some time in the next decade you'll see that capacity addition come off. But it's a long ways away and today I think what I'm saying is incremental capacity is the way to go. The other thing you can do is, you can look at finding ways to bring the molecules to market, so that – that's the kind of thing you're going to see happening now. The tightness is going to be with us for a while. And you know...

Laurence Alexander

Analyst, Jefferies LLC

Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah.

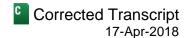
Operator: Our next question comes from David Begleiter with Deutsche Bank. Please go ahead.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you, Mark. In Acetyls, along with Laurence's question, what's the normalized earnings rate here [ph] absent out of (9:53) the Q1 benefited from the [ph] outages (9:56) and I think you said – did you say, you expect to see [ph] operating rates (9:59) increase 10% in the industry going forward. So based on that, how should we think about normalized earnings power in Acetyls over the next two, three years?

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, we're going to have to go into a lot of detail on that in a few weeks and I don't want to steal the thunder of the app. But what I – we don't have a normalized earnings in our own view of that business that earnings should grow and should continue to grow in that business for a good while. And – a lot of people look at this business as being cyclical, but I think if you really look at it on a capacity point of view, it's only going to kind of going through one cycle in the last 18 years by my math, and demands are pretty consistent and it was just way overbuilt when that happened. So I think we're moving back to a high capacity utilization scenario. In that timeframe in the past, you would routinely see prices of Acetyl \$1,000 a tonne, we're nowhere close to that kind of level today. So, I think you're going to see it continue to grow, David, as we get out through this the next two and three [ph] and

you would routinely see prices of Acetyl \$1,000 a tonne, we're nowhere close to that kind of level today. So, I think you're going to see it continue to grow, David, as we get out through this the next two and three [ph] and (10:57) four years.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Understood and just one at Acetate Tow, Mark, is there a Plan B now post the JV being not going through?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, I think, we've got Plan D too — we've got B, C and D we're working. So, just — we said it would be flat, we're putting forth plans, and we'll share those with you guys to keep it flat through this next planning cycle through 2020 and we'll share that when we get together in a few weeks.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you very much.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

Yes. Good morning. Just a follow-up on the Acetyls and the question about normalize and so forth. What – do you have any sense as to – given the fly up in – and oh, first off, I forgot to say, hey, congratulations on your new role, Mr. Richardson.

Operator: Our next question comes from Frank Mitsch with Wells Fargo Securities. Please go ahead.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

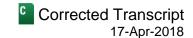
Thank you.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

Hey. So what do you think the fly up benefit was from the – from the very tight market conditions in Acetyls was in Q1. Obviously, this \$231 million blew away any prior. Would you say \$50 million, \$60 million, \$70 million of a short-term benefit that you that you realize in the quarter?

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

I don't know if we've looked at that, that's why I'm looking at Scott ...

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.



You know, I mean the machine, the machine produced that number. And if the machine wasn't in place, we didn't have flexibility, we didn't have adaptability, we were locked in a long-term contract with a cost plus basis. I'm not sure what it would have been, it would have been a heck about less than [indiscernible] (12:31).

Scott McDougald Sutton



Chief Operating Officer, Celanese Corp.

Yeah. I'll – Mark. You know, this is Scott. And Frank, I would just you know add to that that really what's going on here is you do see the fundamentals improving and like Mark said, those fundamentals will be improving over the course of the next few years. You can imagine that even within those improving fundamentals that you do get a little variability quarter to quarter. So there's a little extra sitting in Q1 relative to where we might be in Q2, but it's not a great deal.

Frank J. Mitsch



Analyst, Wells Fargo Securities LLC

Yeah. I know it's an interesting – it's an interesting comment that you are expecting Acetyls up in 2019 after setting up a very, very difficult comp for the first quarter. So obviously, there isn't a great expectation for you that, that will continue to improve on the operating basis. And just if I could, free cash flow obviously was on the light side here in the first quarter, how should we think about the cadence of free cash flow to get to that over \$900 million for 2018?

Scott Richardson



Chief Financial Officer & Senior Vice President, Celanese Corp.

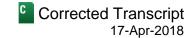
Yeah, Frank. This is Scott Richardson. We expect that to catch up through the year, so what you saw in the first quarter was really just a timing of collections. So, about 40% of our Q1 sales occurred in the month of March. And so, just from a timing standpoint, a lot of that collection pushes into April. Mark talked about the strength that we saw in Asia, we have slightly longer terms there, so that plays a role as well.

And Scott Sutton talked about new capacity that we get for a very little investment in our acquisitions. One of the things that we - that we do is really optimize how we produce and run on those assets which is kind of moving from what was a make to order model we had in those businesses when we acquired them to a better balance between make the order, make the stock and so you saw an inventory tick-up as well.

In addition, we had a little bit of increase in CapEx to support the growth in the businesses. So, that – those are really the reasons for where the free cash flow number came in in Q1 and we expect to catch that up as we move through the year.

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Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
All right. Thank you.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Thanks, Frank.	A
Operator: Our next question comes from P.J. Juvekar with Citi. Pl	ease go ahead.
P.J. Juvekar Analyst, Citigroup Global Markets, Inc. Yes, hi, good morning.	Q
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Good morning, P.J.	A
P.J. Juvekar Analyst, Citigroup Global Markets, Inc. I just want to go back to Acetyls one more time. I think, you mention should continue to grow into 2019. But in your prepared remarks he you expect 20% margins for the year. So that implies some give ba	ere, you are saying that margins were 24% and
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Well, I think we're – we're just – we're trying to [ph] arrange fund (1:24% margin in the quarter and that was up 400 basis points over the the normalized margin rate for us is between 24% and 20%, somewhen I say that, but something like that.	e prior quarter at 20%. I think what we say is
And so, when you get past margin, you got volume and so volume are up or down and things like that. So you can have a little volume some of these units restart, P.J. I mean, that's how we kind of do the volume basis or take-or-pay kind of contract, so we're real time in the what this market's doing with that.	pull back as we go through the year and e math, it's not – we're not contracted out on a
We also have turnarounds, we have six different turnarounds schedoccurring and coming up next month, that's probably a \$30 million is going to talk about that too much, but so those things happen and them and I would urge you guys not to as well. They don't really – treally impact the numbers.	nit that kind of thing, we're [ph] just (16:21) go through and we don't think very much about
P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q

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Okay. And now that the Tow deal is called off, one of your competitors here is taking Tow into other products like fibers. I was wondering if you can talk a little bit about that and is there plan to shut down any capacity?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

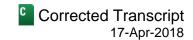
A

Yeah. Well, we're going to – we'll talk a fair amount about it at the Investor Day, but I would say is right now, no, I mean, there's some other folks that do a great job in fibers, they've been in it a long time, we kind of got out of that business, I think it's difficult for us to see running back in there. We have other applications that we're quite proud of that pushes more to the polymer side and [ph] film (17:13) side and there's innovation out there is pretty cool, pretty interesting we're working on, the productivity things that we're planning and we'll share more of that as time goes on.

And collection of all that we believe plus-plus strong performance in China, the growing performance in China, we think those things wash-out and we'll be able to have three years or so of no matter what the market does kind of pretty stable earnings, flat earnings, and there's still options for us to do other things and we'll share more of that with you. I think the important thing that you should hear from me is that it's – as it relates to cash flow from that business, we don't see that changing over the next three years.

P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q
Okay. Thank you.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thank you.	
Operator: Our next question comes from Bob Koort with Goldman Sa	achs. Please go ahead.
Robert Koort Analyst, Goldman Sachs & Co. LLC	Q
Thank you very much. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Good morning, Bob.	
Robert Koort Analyst, Goldman Sachs & Co. LLC	Q
Mark, when you guys contemplate Strategy 3.0 for the EM business, dachieve those high single organic volume growth rates? And then, who from a product or geographic standpoint? And can you talk about the subusiness so aggressively?	at more do you need in that tool kit either
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A

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Well, I'll make just a brief comment and let Scott kind of dig into that, if you wouldn't mind, Scott. But if you look at that business and the success that the team has had there, we've grown earnings I believe I might say in \$70 million, \$80 million to \$90 million year-over-year for the last three years.

As you think in terms of this year, it must be north of \$100 million to \$100 million plus in that growth and that's kind of embedded rate that we have built in our model. So we see that kind of continuing, if I can say that, this is a strong growth and strong contribution business out there, we believe that the project model is – the end of Scurve is nowhere near curved out, and then we have plans to overlay curves on top of that with things like translation. So we feel really strongly that that model is going to continue to generate that high single-digits kind of growth that's out there, and that's kind of a year-over-year basis not necessarily quarter-to-quarter kind of thing. Scott, do you want to – do you want to talk about ...

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

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Yeah.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

А

The thought process about where that business is going from a point of view of products and markets and

[indiscernible] (19:23)

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.



Yeah. Yeah. Sure. I mean, Bob, Scott here. Look, I mean, that business really is set up to not only extend earnings, but grow earnings further and you know to your question, what do we really need to be able to do that? Well, I mean, as you know, we have a pretty novel model there that matches up the robust market opportunity that we have really with the broadest solutions set in the industry.

So you'll see us do things like expand that solutions set. Some of that would be organic, but it could be inorganic as well. There are a few polymers that we're not experts in today, that we can do that. We also have opportunity in other geographies. We already may not have a giant presence today and that's a prime target for a bolt-on acquisition. I mean, look, the key to making this work is we have a great team, running this business and operating in this business. And that novel model is our intellectual property and that great team focuses on working on that model every day, improving processes so that we can be globally connected and solve solutions around the world for customers. And that's what we'll continue to do.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

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And do you have any metric, Scott, you can share around head count or product development, R&D, I mean, obviously if you're going that fast I assume it's got to be a burden on your internal staffing and growth there. Can you talk about how you achieved that?

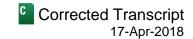
Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

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Well, yeah, I mean I wouldn't say it's a burden of course. I would think more of as a challenge, I mean the number one metric we have you know is well known number of projects that we get wins on – you know we'll get 3,000

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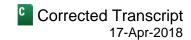
purchase orders for new projects this – this year, but what will go up is our commercialization rate. We brought back from a lower level up to almost 45% today. We are adding some resources, Bob, but we also continue to get more efficient as well.

more enicient as well.	
Robert Koort Analyst, Goldman Sachs & Co. LLC	Q
Thanks very much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Yeah, I make a comment on that, a bit of what Scott said. The focusit's been an element we've needed in that model to make it work with improving efficiency, we would – we start to top out that S-curve, so on now with other dimensions, so, we think it leaves us a classic S-cophase and the maturation phase. As we move up that curve and this machine. It's important that we find ways to translate more of these purposes whole another dimension of efficacy of this model. And we'll talk about how we lever success in one area to another area and be very hone. That's going to – if I can say that that's going to make our growth her resources because we just get better and better with what we do and	the organization that we have, absent that we've not done that yet. What we're focused urve. So, the development phase, the growth machine, it gets better and better that products because translation is another — ut that in two weeks how we approach that, st we're just scratching the surface on that. The happen without proportionate addition of
Robert Koort Analyst, Goldman Sachs & Co. LLC	Q
Got it. I look forward to hearing about it.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Yeah. Yeah. Thank you.	
Operator: Our next question comes from Ghansham Panjabi with F	Robert W. Baird. Please go ahead.
Ghansham Panjabi Analyst, Robert W. Baird & Co., Inc.	Q
Hey, guys, good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Morning.	
Ghansham Panjabi Analyst, Robert W. Baird & Co., Inc.	Q
Mark, I was hoping if you could kind of back up a bit and touch on the the driver for both Engineered Materials and Acetyls. What about the	



characterize global growth as we sit today?

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, from a very high level for us, the entire world is doing well. We have strong business in the Americas, and improving footprints across the Americas. We have very strong performance in Europe and great innovation in Europe, great connectivity with all the major OEMs and more innovative OEMs in Europe that really drives a lot of growth in not only in Europe, but around the world. In Japan, we're seeing stronger performance and we're seeing more connectivity with the Japanese OEMs inside Japan with our team that – could – translates in a business outside of Japan as well. And then you get into – into China. China just continues to improve and their – i's classic, its classic material upgrade. Lot of work with autos there, a lot of work with consumer goods there, you

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Okay. And just a second question, you know last quarter you pointed towards the legacy Consumer Specialties segment being flat you know on an EPS basis for 2018. Do you still think that'll be the case in the context of the segmentation of food? And then can you sort of update us on the EPS contributions from each of the segments given your big you know guidance raise for the year? Thanks.

know it's all to make them better for their local – the local market. So we see every place doing pretty well.

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

Yeah. So I'll start that with [indiscernible] (24:14), yeah, we look at it [indiscernible] (24:15) we call it, and we're good stewards of that business and we've been saying we'll be flat for a couple of years, and we've been in a flat for a couple of years. And it'll be really flat this year. So we're able to manage that business in a way that that we continue earnings in spite of the fact that there is – there's gradual decline underway.

I do want to mention that business is a lot calmer today, since as we kind of run through that capacity drop that occur when people – when the China quit importing so much material, that's almost run – fully run its course. So now you see more than normalized situation. So you know, we're going to be flat this year and I think we can be that way for the next three years, which is the basis of – kind of our plan. And the EBIT – sort of the EBIT kind of by segment?

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Yep.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

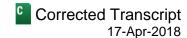
It's nothing to share with you, Scott wave in a little bit, so if I told you we're flat, you got that [indiscernible] (25:09) is flat. That's pretty easy one to do. And flat for us is plus and minus \$10 million something like that. So you know – we're not that good, but flat is what we say that to be. If you look at the EM business, we've already told you 100 million plus. That's kind of that business and you get in the \$200 million, \$200 million plus, in the [indiscernible] (25:31) business, and that's how that's going to help, that's going to work out for this year.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Thank you so much.

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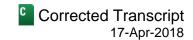


Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Sure.	
Operator: Our next question comes from Mike Sison with KeyBanc.	Please go ahead.
Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	Q
Hey, guys, nice quarter.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thanks, Mike.	
Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	Q
Mark, when you think about Engineered Materials, you've doubled the and you think about the pace of acquisitions potential, you know what business over the next you know three to five years?	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
I'll let Scott [ph] step in (26:10). Scott, you have	
Scott McDougald Sutton Chief Operating Officer, Celanese Corp.	A
Yeah	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
[ph] Weigh (26:12) on that.	
Scott McDougald Sutton	A

Yeah, I mean, look, hi, Mike. Scott Sutton. You know, I think in terms of more acquisitions, there's a broad slight of candidates out there and we have a very big pipeline and you know we are talking to 100 to 200 over the course of 12 months that we put through a funnel process and you know you've seen us come up with and be able to match objectives. We said we do nylon and we've done nylon.

Now, we're looking even at other growth technology initiatives that we have, for example, medical, energy storage, these things we'll be trying to find acquisitions that match up to those needs. But at the end of the day, there's a lot of opportunity out there, Mike. It's about finding the best opportunity and of course we're going to pay the right value for these, you know, we target around a multiple of 10.

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So, there's really not a cap on Engineered Materials and you've got to remember where call it 1% of Global Engineered Materials business out there. So, there's plenty of opportunity, right. It's just a matter of us progressing on those.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

If – the 70, 80, 90, 100-plus, I mean you know if you look at a 100, 100, 100, 100, and if you just look at the additive factor of that, that is the base model we have in place today and we still have opportunity to make that work the way it's worked, we don't see that changing, Mike. What we've not talked about is increased optionality that we're getting as we go into the business.

The business is getting a bit tighter so with a lot of these Engineered Materials, the capacity is not long enough, it's getting a bit quite shoo%. We've got incremental expansions underway and we'll be adding more volume as we go through these next several years, start producing more volume, which is a good thing, it's needed by the market; very, very cost effective for us to do that. And we've still not talked about a bigger deal, and there is couple of others out there that we continue to play with. So, I think this business – if you lay a straight-edge on what's happened in the last several years, that's how I plan it out.

Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Right. Okay. Great. And then, in terms of your outlook for 2018 in Engineered Materials? I think I might have missed it, but your first quarter organic growth was – I don't know what that was, but for the full year, it should be what high-single-digits to maybe double-digits for organic growth?

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah. So, Mike, if you think from a volume standpoint for the full year, organically, it should be in the high-single-digits. If you think about what happened in first quarter, just think about it from a revenue standpoint, the acquisitions added almost half of that revenue growth and the rest of that revenue growth was organic.

Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Right. Thank you.

Operator: Our next question comes from Duffy Fischer with Barclays. Please go ahead.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Yes. Good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

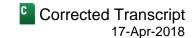
Good morning, Duffy.

Duffy Fischer

Analyst, Barclays Capital, Inc.



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Question just on Ibn Sina, started up early this year, can you flush out how that's going to roll through this year, how long it will take for that plant to kind of fill out, how much was just the step-up in ownership versus, as again you've increased operating rates throughout this year, and then, does that anniversary kind of all way through the first half of next year then?

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah. And so, Duffy, this is Scott again. We did start up that palm plant expansion there last year. We've been withdrawing volume from that in a pretty good cliff so far that supported our growth. It's not running at capacity, and it'll through this year probably to get to that level. The earnings have stepped up a little bit and they'll sort of stay at that stepped up level through the rest of the year. Most of that coming from the increased economic ownership that we have there. It's not going to be a dramatic step up. There is even turnaround scheduled within that joint venture as well. But, you'll see it's similar to where it is in first quarter.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Great. Thanks. And if you could just comment on the slide 9, you talked a little bit about free cash flow from that slide. But, can you talk about just cash flow from ops? The big step down each of the last two years kind of from that base of high two hundreds and what's eaten away that cash flow?

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah, Duffy. It's really just timing for us. We see, again being greater than \$900 million for the year. And so, just what we saw from the strength of the business, particularly in the second half of the quarter, we're collecting that now in April and we see that continuing as we move through the year. So, we should catch up as we move through the second quarter and into the third quarter and be back on that trajectory of being in excess of those kind of quarterly – how we track quarterly going forward through the balance of the year.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Great. Thank you, guys.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thanks, Duffy.

Operator: Our next question comes from John Roberts with UBS. Please go ahead.

John Roberts

Analyst, UBS Securities LLC

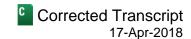
Thank you. Can you hear me?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

We can, John.

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John Roberts

Analyst, UBS Securities LLC

Was the benefit from trading activity in Acetyls above normal in the quarter? Eastman didn't come back until the start of the quarter, so I would imagine opportunities for trading were still high at the start of the quarter.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

I don't know what your question is? What do you mean trading?

John Roberts

Analyst, UBS Securities LLC

Well, I think you said last year you traded the least the equivalent of a world scale plant, it sounded like it was above average last year?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Oh, yeah. Yeah. I think, yeah – I think, actually early in the year, early this year was lot more pricing oriented and – volume was, our volume, we did trade some, we did move some third-party volume in a period of time as we get into this quarter still some pricing and some volume, that's going on.

John Roberts

Analyst, UBS Securities LLC

Okay. And then, in cig tow you mentioned there may still be opportunities to extract further value. The Blackstone deal had operational synergies, but I think it also gave you a path to potentially deconsolidate down the road? Do you think it could still find a path to deconsolidate without some sort of merger deal?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

It's a bit harder. I think with EU, which is a real disappointment, I'd be very honest – [ph] if you layout from an (32:44) economists perspective there's no reason for that deal not to occur, but the European Union had some funny views on this concept called overlap. And they just didn't want to improve anything unless there was no overlap, which means basically you couldn't do the deal. So, I think we see a path where we could do a deal in theory, and have it passed to European Union, but practically it's going to be – it's more difficult.

John Roberts

Analyst, UBS Securities LLC

Yeah. Thank you.

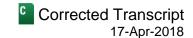
Operator: Our next question comes from Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Thanks, and good morning. I understand the first quarter free cash flow dynamics, but I just want to make sure I'm clear on – you raised guidance, but the full year free cash flow if I'm correct, you're still calling for the same above \$900 million. Is that just a continuation of the issue that is you have higher prices in AI, you obviously have higher

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working capital from an inventory and receivables perspective, and you just have to kind of get into a rolling period where that stays the same and then you get the release of cash flow?

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. That's the best way to look at. There's really nothing fundamental going on that's the issue. We talked a little bit about the rise in inventory from the M&A integration activities that's going to continue. And then, we expect, obviously to collect that, again, there's nothing fundamental. Terms are a little bit longer given the dynamics we're seeing right now because we have more sales in Asia and we saw pricing move up in Asia, particularly through the quarter. And given the outlook that we stated for the balance of the year, I think that's kind of how we see it flowing through. But that we don't really see a fundamental issue [indiscernible] (34:28).

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. On an annualized basis, that's right. I think in the short term as well we'll spend a bit more on capital ratably right now than we had been last few quarters. So, that was a little bit draw on the first quarter as well.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Thank you. And just as a follow-up, I can't help noticing that oil is \$75 again. Where would TCX become an – where would you get that going again? Is it much higher than current levels, or how you're thinking about that if you're thinking about it at all?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. We're not really thinking about it at all. I'm looking at the team, unless they're thinking about not [indiscernible] (35:04). I look guilty over there, Vincent, I'm not sure.

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah. But you know...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Go ahead, Scott.

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah, it's interesting. Certainly ethanol demand for fuel in China is up, there is still the questions over organic versus synthetic to get over.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, China can't meet their ethanol mandate. So, I think they're struggling with it, so [indiscernible] (35:34), but we're really not – we're not actually pushing it.

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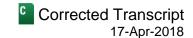
Celanese Corp. (CE) Corrected Transcript Q1 2018 Earnings Call 17-Apr-2018 Vincent Stephen Andrews Analyst, Morgan Stanley & Co. LLC Okay. Thanks very much, guys. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Thank you. Operator: Our next question comes from Arun Viswanathan with RBC Capital Markets. Please go ahead. Arun Viswanathan Analyst, RBC Capital Markets LLC All right, thanks. Good morning. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Good morning. Arun Viswanathan Analyst, RBC Capital Markets LLC Just a follow-up on the guidance here, so the 20% to 25% EPS growth. Is there a way to kind of characterize, maybe how much is [ph] persistent, (36:03) Acetyl's upside, or maybe the acquisition contribution or EM doing better than expected. I guess, I'm just curious as to the mechanism, as to this kind of coming back down was lower ethylene maybe a positive for your VAM margins in Q1 or ...? Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. I think it's just a rule of thumb, you can't be too specific with your numbers when you're looking at big numbers like this. But, first broadly speaking, we've outlined that we've got very, very strong year in Materials. And they're off to a good start. And we expect that to continue as we go through the year. So, that at [ph] \$100-plus (36:38) kind of quantity. We've [ph] close to flat (36:43) year-over-year plus or minus of \$10 million or \$15 million something like that, it is flat. And then, you get into the Chain business, and the Chain business [ph] had \$100 million to \$140 million (36:53) kind of up first quarter. I think [ph] we're \$200-plus million (36:56) for the year. So, you're going to see that moderate a bit, but it doesn't mean that line of business is not really strong, that's subtle movements in pricing, and then incremental volumes and things like that would moderate. We've got a bunch of turnarounds [ph] in doing those, each one of those process only offer (37:11) \$10 million to \$15 million and we have about six of those. So, that'll all be plugged into that scenario that rolls out as we go through the year. So, you should expect a stronger first half than the second half, but you should also expect that the next year is stronger than this year.

Scott McDougald Sutton
Chief Operating Officer, Celanese Corp.

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And Mark, I would just add to that that, look, the business strategies are working and materialized and there are good concrete fundamentals underneath all three businesses, and that's why we're confident in saying that this

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will continue. The Acetyls team continues to implement their model, and so does the Engineered Materials team, so you see that, that moving forward.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Okay. Thanks, that's helpful. And then, on the acquisition pipeline, you mentioned compounding earlier, are there any other particular substrates or capabilities you're looking for, and – what – do you still have the plan to use the other half maybe for buybacks or maybe you can just reiterate your plans for cash there?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. On the buyback question, we haven't really made a decision on that, we'll share more in the weeks ahead for the plans on share buybacks. And that's in part because we see lots of M&A activity, theoretically in front of us, so we need to sort through that just a little bit.

I'd really not say, which molecules we're going after and things like that in the M&A. What I will say, just to echo what Scott has pointed to, is that we tend to look at initiatives and that can be a polymer-based initiative, which fell into [ph] heat (38:54) and fell into nylon, and so that was as big an issue, we've been on and we've gone from being a small player in there, I think to perhaps the largest independent compound of nylon, if not we're pretty close. So, that move we made and we now have moves like that underway in medical and energy storage and things like that. So, we'll see how those unfold as times goes on.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Okay. Thanks.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you.

Operator: Our next question comes from Jim Sheehan with SunTrust. Please go ahead.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Thanks. I would like to clarify on Acetyl Intermediates, was there any – in your discussion of trading activity, was there a one-time trading gain or loss in the numbers for this quarter?

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

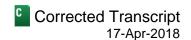
No, the answer to that is no. But what I will say is that, we have this globally connected model that we go out and activate the network, and we measure how we're doing and how we're growing by how we activate that network, and we continue to increase those number of activations. But there's no specific kind of one-off trading gain or something like, I just want to be clear about that.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.



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Thanks. And then in Engineered Materials, can you talk about the – how you see margins progressing over the next few quarters. When you're adding in acquisitions, you've talked about those being dilutive. Do you expect to completely offset that dilution and to actually expand margins, and also with the re-segmentation, how should we think about the margin runway in that business?

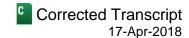
Scott McDougald Sutton
Chief Operating Officer, Celanese Corp.

Well, look as long as we're running bolt-ons, you can expect that margin to be around 19% to 20% without the equity income from the joint ventures. We get a little bit of dilution, but we're covering from dilution from previous bolt-ons we did. If we weren't doing bolt-ons, you'd see that come up a little bit.

As far as the re-segmentation where we put the food ingredients into the Engineered Materials business because the project pipeline runs in a similar fashion. And you got to think in terms of maybe that's 5% of the overall Engineered Materials business, so it's really non-impactful.

And how dilutive is that business to the segment? Scott McDougald Sutton Chief Operating Officer, Celanese Corp. It's not dilutive. Similar. James Sheehan Analyst, Sun Trust Robinson Humphrey, Inc. Thank you. Scott McDougald Sutton Chef Operating Officer, Celanese Corp. Okay. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Thank you. Operator: Our next question comes from Hassan Ahmed with Alembic Global. Please go ahead. Hassan I. Ahmed Analyst, Alembic Global Advisors LLC Good morning, Mark. Mark C. Rohr A Mark C. Rohr	James Sheehan Analyst, SunTrust Robinson Humphrey, Inc.	Q
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Mark C. Rohr		Q
	Good morning, Mark.	
	Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Good morning.	Good morning.	

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Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Mark, a question on the AI side of things. Look, you in your earlier remarks talked about volume growth being quite robust in Q1, and then sort of, not being as strong over the next couple of quarters. So, just trying to get a sense of what sort of volume growth we should expect? Because it seems that you guys generated 5% year-on-year volume growth in Q1, which kind of seems relatively normal? So, I'm just trying to understand on the volume front what we should expect from the remainder of the year?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. I think we believe that 3% to 5%, as you look out in, over the next several years should be a pretty average growth for us.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Fair.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

I'm looking at Scott, but I think that's right.

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

But quarter-to-quarter, that can be up and down, but that's where I think we are. And if you look back over your shoulder, it's been more or like 1% to 2%. So, it doesn't take much to make a real difference, and we have a number of – these three incremental expansions we're doing, and so we can secure that volume and we can also build into that volume in ways we get a very high return. So, we're seeing that volume picture for us the – and we'll share more about that in a few days, but the big part of our continuing growth and earnings in this business.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Understood, understood. Now, the methanol side of things seems to be – continue to be quite strong; price is high, supply/demand seems to be relatively tight. So, any further thoughts about a potential second facility in the U.S.?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, we continue to look at it. I think, it's not – it doesn't hit the priority level of these other things we're doing right now, but it certainly a – it remains a very, very viable project, and we'll just keep you guys posted on our talks with them.

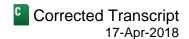
Celanese Corp. (CE) Corrected Transcript Q1 2018 Earnings Call 17-Apr-2018 Hassan I. Ahmed Analyst, Alembic Global Advisors LLC Perfect. Thank you so much, Mark. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Thank you. Operator: Our next question comes from Kevin McCarthy with Vertical Research Partners. Please go ahead. Mr. McCarthy, your line is open. Matthew DeYoe Analyst, Vertical Research Partners LLC Sorry, I had it on mute. This is Matt on for Kevin. But just looking at the proposed Chinese import tariffs on plasticized cellulose acetate, I know you have four tow facilities under JV with CNTC local in China. So, I don't know - I guess expected to pertain to you specifically on a company basis, but what do you anticipate would be the fall out on an industry level, if there is any? Scott McDougald Sutton Chief Operating Officer, Celanese Corp. Yeah. Hey, Matt. This is Scott Sutton. What I would say is you're right. Most of those joint ventures are back integrated in the acetate flake. We supply a little bit in there, but we actually supply it from outside the U.S. from another facility. So, we're not impacted. Other acetate flake does flow into China there, so there could be some impact yet to be seen. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. And I would say on that too Matt, is that the volumes are pretty low now for everybody. It's not – I wouldn't get too worked up over them. Matthew DeYoe Analyst, Vertical Research Partners LLC Yeah, certainly come down. And then, as a follow up I guess. You buy a fair amount of ethylene for your VAM and polyethylene production. I think we kind of estimate you somewhere around like 1.25 billion pounds to 1.5 billion pounds a year. Ethylene prices are at historic lows, so was that a tailwind for the quarter? Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. No.

Or do you anticipate this to be larger for 2Q? And you – a spot buyer or a contract buyer?

Matthew DeYoe

Analyst, Vertical Research Partners LLC

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Chairman & Chief Executive Officer, Celanese Corp.

If you look at it around the world, you are right, we buy a lot of ethylene in Asia, we buy a lot in Europe and we buy in the U.S. as well. U.S. has a lot of pass-through ties to raw materials, so most of that's covered in pass-through. So, we don't see a lot of impact of ethylene, especially spot ethylene in the U.S. doesn't really have much impact on us.

Matthew DeYoe

Analyst, Vertical Research Partners LLC

Okay. Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you.

Operator: Our next question comes from Aleksey Yefremov with Nomura Instinet. Please go ahead.

Aleksey Yefremov

Analyst, Instinet LLC

Good morning, everyone. Thank you. Coming back to Engineered Materials, where do you stand in your efforts to raise prices? I think you were pursuing that earlier this year, are you continuing to raise in second quarter?

And also, where do you stand in realizing the full benefit of the recent acquisitions that you made, what's the level of accretion that incrementally in terms of EPS or margin that we can see later in 2018 or in 2019?

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah, yeah. And so, this is Scott, Aleksey. In terms of pricing right, we're having some success raising price. You can see that sequentially prices has come up, and we've just announced another round that are in the process of implementing those prices. And we expect to be successful with most of those increases.

Second part of your question was what topic, remind me again?

Aleksey Yefremov

Analyst, Instinet LLC

Sorry, recent acquisitions...

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

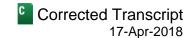
Yeah, sorry.

Aleksey Yefremov

Analyst, Instinet LLC

...in Engineered Materials. What's it – are you fully realizing the benefit of integration or is there some incremental benefit?

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Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Yeah. No, there is incremental benefit left, right. Maybe we're a third of the way through with integrating those three acquisitions. I won't give specific numbers, but remember we went back and said that look one or two of those added \$0.10 a share in the first year and another one maybe added \$0.05 a share. So, everything is progressing to plan, but at the end of the day those will double, triple those values over the course of the first three years, that's the way to think about it.

Aleksey Yefremov

Analyst, Instinet LLC

Thank you.

Scott McDougald Sutton

Chief Operating Officer, Celanese Corp.

Okay.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Steven, we will now conclude the call. Thank you for your questions and for listening in this morning. We're available after the call to address any further questions you may have. Steven, please close the call.

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

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