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Celanese Corp. *(CE)*

Q2 2012 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Celanese Second Quarter 2012 Earnings Conference Call. At this time all participants are in a listen-only mode. Later we'll conduct a question and answer. [Operator Instructions] . As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Mr. Jon Puckett, Vice President, Investor Relations.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thank you, Saeed. Welcome everyone to the Celanese Corporation's Second Quarter 2012 Financial Results Conference Call. Please note that no portion of this presentation maybe rebroadcast or reproduced in any form without the prior written consent of Celanese.

My name is Jon Puckett. I'm Vice President of Investor Relations here at Celanese. Also on the call today are Mark Rohr, Chairman and Chief Executive Officer; Steven Sterin, Senior Vice President and Chief Financial Officer. Doug Madden, Chief Operating Officer; and Mark Oberle, Senior Vice President and Corporate Affairs. Mark Rohr will make some brief comments on the quarter, and then we will spend the remainder of the call answering your questions.

The Celanese Corporation second quarter 2012 earnings release was distributed via Business Wire on July 23 and is posted on our website www.celanese.com in the Investor Section along with the PowerPoint slides and the company's prerecorded remarks regarding second quarter results. These items were also submitted to the SEC in current reports on Form 8-K this morning.

This call will include forward-looking statements concerning, for example, Celanese Corporation's future objectives and results, which will be made under the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. The words "expect," "believe," "anticipate," "intend," "plan", and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties and the company's future results could differ materially from the historical results or current expectations.

For more details on these risk and uncertainties, please see our most recent form 10-K and subsequent periodic filings we make with the SEC. The limitations inherent in such forward-looking statements are also further detailed in the earnings release I referenced earlier which is posted on our website.

The forward-looking statements made during this call are made on and as of the date of this call, and Celanese undertakes no obligations to update these forward-looking statements to reflect subsequent events or circumstances.

This call will also reference the performance measures of operating EBITDA, business operating EBITDA, affiliate EBITDA and proportional affiliate EBITDA, adjusted earnings per share and net debt as non-GAAP measures. For the most directly comparable financial measures presented in accordance with U.S. GAAP in our financial statements and for a reconciliation of our non-U.S. GAAP measures to U.S. GAAP measures, please see the accompanying schedules to the second quarter earnings release posted on our website.

Now, let me turn the call over to Mark. Mark?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Thanks, Jon. And welcome everyone to today's call. As you are probably aware, we have changed our earnings call process. Starting this quarter we released our earnings press release yesterday after market close, additionally we posted our earnings press release, earning slides, and prepared remarks, both text and audio to our website yesterday.

We plan to use this process going forward to provide more time to analyze the results before we take your questions. If you have suggestions to further improve the process, please let me know.

Before I get to results, I expect many of you have questions about our contractual relationship with Southern Chemical Corporation for the procurement of methanol in the U.S. Unfortunately, since we are in active litigation with Southern, and our contract contains confidentiality provisions, we will not be able to answer any questions related to this contract or the litigation today.

Now for the results, we reported the second highest adjusted earnings per share in our history at \$1.47, amid a challenging economic environment in Europe, slower growth in Asia and a headwind from currency translation that was in the high single digit range. Our ability to deliver these results demonstrates the strength of our technology and of our portfolio as well as the hard work for the team around the globe. Most noteworthy, each business generated strong sequential earnings growth pushing operating EBITDA to the \$404 million range or 24% of sales. In fact Industrial Specialties set a quarterly earnings record of \$47 million and on a year-over-year basis our three specialty businesses increased operating EBITDA by approximately 12%.

Acetyl Intermediates earnings declined in the second quarter primarily due to a difficult year-over-year comparison that was driven by temporarily elevated industrial utilizations in the prior year. Within this quarter AI experienced trough-like levels of operating EBITDA due to weak economic conditions in Europe and slow growth in Asia, impacting demand and pricing. At quarter's end, we believe industry utilization rates were in the mid 70% range with Asian utilization rates closer to 50%. Yet, even in this environment, the company generated \$1.04 per share of adjusted earnings excluding the dividend from the acetate ventures.

As we look forward, we feel good about our ability to manage through these challenging times, but I want to remind everyone that there are items beyond our control like the sovereign debt crisis that remain worrying. Notwithstanding these concerns we expect second half adjusted earnings per share to reflect seasonally earnings trends, which are typically below the first half of the year excluding the dividend from the company's acetate ventures. Despite the near term challenges, we are well positioned to benefit from the long term global trends in each of our businesses that are driven by demand for our innovative applications and process technologies.

With that I will turn over the call back to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] . All right, our first question comes from Laurence Alexander from Jefferies.

Laurence Alexander

Analyst, Jefferies & Co., Inc.

Q

My first question is, could you speak a little bit about sequential trends towards the end of the quarter and in July particularly in the automotive sector?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Let me – Laurence, this is Mark, let me ask Doug to comment on that please.

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah, Laurence, so you probably see the same numbers that we see on auto builds going forward. July was really modestly unchanged from the prior forecast. I think the way we see it is a softness throughout Europe, maybe a little bit stronger specifically in Germany, where we've got a stronger position, and good growth in North America and good growth in Asia as well. So there's numbers out there on the auto builds, but we see it really on a kind of full year basis the numbers expecting auto builds in North America up anywhere from 13% to 14% this year on a year-over-year probably about the same in China and then Europe broadly speaking probably down somewhere in about 6% to 7%. So, I don't know if that helps you, but it is hard looking at that just on a month-to-month or quarter-to-quarter, so we tend to take a look at the full year view.

Laurence Alexander

Analyst, Jefferies & Co., Inc.

Q

And then can you speak a little bit how you're now thinking about the bridge in 2013 into – in terms of what factors you feel surge on and then what factors depend on a cyclical recovery?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, Laurence, this is Mark. We talked about this last quarter. We reminded everyone that there are roughly \$0.40 or \$0.50 of earning improvement activities underway. These deal with consolidation of our Acetate assets. It deals with expansion of Acetate in China, partial year operation of ethanol et cetera, those kind of items, so call it \$0.40 or \$0.50 that we would expect to get out of that. Then we have tagged another \$0.50 or so of growth from the underlying base business. I think it's that second \$0.50 that you've got to put a question mark around. We certainly would think some of that will come to us, but it's hard, it's just hard today maybe a bit too early today to call that piece. So I would say the \$0.40 to \$0.50 we talked about is we feel good about and the growth it's going to depend a lot on Europe I think Laurence .

Operator: Thank you. Our next question comes from Duffy Fischer from Barclays.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

Yes, good morning.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Good morning Duffy.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

With the operating rates that you are calling out in Asia, you guys had taken down Singapore which took a big chunk of capacity off, can you, one, talk about how you see the cost curve now – you've always showed that chart where you guys were low cost maybe talk about in today's environment how Nanjing is doing from a profitable standpoint and then also maybe breakdown the difference between what you're seeing at the acetic acid step and then the downstream derivatives in AI?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, that's a pretty broad question. I'm going to ask Doug to step in here in just a second. But let me say that from, we talk about cost curve. We talk technology and our technology standard, and we still feel very good about that gap, but clearly the – that part of the world is awash in acetic acid and to meet the demands of our customers, we are doing that in as cost efficient fashion as we can, but certainly we just from a demand point of view don't need all those assets operational today, but Doug you want to comment on broadly on acetic acid derivatives.

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Duffy I guess I'd tell you the way I think about this and if it doesn't answer your question, come on back. But yeah, you mentioned each one of the plants and how we're doing. If you kind of look at the environment that we're in, the markets described and you look at the Acetyl business today we describe it as being at trough-like conditions.

And if you go back and you look at prior periods that we had we were in similar economic environments whether it's 2002 or 2009, this business is performing on a margin basis at those same levels. We said that we would see somewhere around 13%, 14% on the business, that's right where we are today whether we're at full capacity, operating one unit or the other. Clearly we've got advantaged technology. I think what we see in Q2 as you've seen the strength of that technology and us to be able to overall increase the – increase price and increase margin. So generally speaking the curve is intact. We have the advantage across the system in our units and when we see requirements needing the additional volumes in any one plant we've got the capability to go ahead and turn that up and to satisfy that need. So the story remains today I think weak environment on demand, but good progress on margins.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

And then if you – so comparing to kind of 2002 and 2009 in the last trough-like conditions, that was kind of the acetic acid story, how was the downstream derivatives in AI performing now versus those prior bad periods?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah, I think again if you look at it, my comments I want just to acid but was to the total portfolio of products that are in there. I say to the 2000, 2009 comparable when we saw demand fall off rapidly. You probably had a little

bit less margin erosion than than you did earlier this year from Q4 to Q1, but quite frankly what we've seen, we've seen our downstream derivatives and particularly VAM, the margins hold up, and recall we saw those erode in Q1 and in Q2 we were able to recover and get margin expansion.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

Great. Thank you guys.

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

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Q

Yes, good morning. Mark could you maybe take a few moments to walk us through the Pertamina opportunity that you've announced and maybe touch on what you would expect the seed stock to be there, would it be coal based, also how would the ethanol capacity additions relate to acid, in other words would you intend to expand Acetic Acid capacity also in Indonesia at some point?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

I'm Mark Rohr, Kevin. If you look at Indonesia, it's kind of an unique situation. You've got a country that is very rich in coal. While it tends to be a low-grade coal that they largely export, very low net back is received. The country is short, quite short in refining capacity, so they are importing large quantity of gasoline and fuel into their markets. So this project fits very well in that structure if you think about it. It gives you a way to upgrade the low cost coal convert it into a safe, clean transportation fuel, reduces their oil imports and improves the quality of their gasoline, which they are also continuing with, with high NOx and SOx and particulate matter.

So, it kind of fits into a niche there that is pretty interesting. If you look on a full scale basis, if we say we want to be a 10% ethanol by 2020 let's say, it's three or four global plants. So, call it high 2s to mid 3 kind of million tons of ethanol would take to fill that up. That's on a fully integrated basis, if you look at on acid conversion, that's a lot of acid. So, acid would need to be added to some extent to do that. Now whether you would have to add all the acid or not, I am not sure, but there would be some acid incrementally needed to do that, Kevin.

So what we're doing with Pertamina today is we entered joint cooperative agreement and Steve is here that could provide more details, but that really it gives us six months to work with Pertamina and the Indonesian Government looking at site selection and coal supply, really narrowing down the gasoline output, so expectations, so you can really quantify the capacity needed. Various business models that we want to talk about in due course we want to talk about. So we've got a hard six months of work here to really comeback with the business case that would satisfy of course, Celanese and Pertamina as well as in the Indonesian Government.

Kevin W. McCarthy

Analyst, Bank of America Merrill Lynch

Q

Got it. I guess, this is a follow up, Mark, if I take a look at the current operating rates of 50% in Asia and if you embark on this path of building three or four ethanol plants, given the acid that comes along with, would it be fair to say that the longer term game plan could entail ramp up there with an eye toward de-emphasizing Singapore at some point?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Well I think that one of the advantages of ethanol in our business is of course is it's going to take effective acetic capacity to make, to produce the ethanol. So, when you look at that part of world there is lot of acid capacity, so I think part of this is for us to think through other ways that, do we need to add acid always or can we use market acid, so we are having a lot of debates about how we can we make that work. How Singapore fares longer term I think really is, it sort of a different question. We run in Singapore now to meet demand and there is just not demand, so as we look forward – I think it's probably too early to tell what – how we will operate Singapore, but we still like that asset and feel very good about it, and I think it does have – it does have a future.

Operator: Thank you. Our next question comes from Nils Wallin from CLSA.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Q

Good morning and thanks for taking my question. Further question on Pertamina is, is all the – I guess the syngas – will the syngas be sourced from Indonesia and then the acid sourced somewhere else, I guess – I'm trying to understand being able to use their coal or how would you source the acid for the ethanol?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

We haven't got that far. I mean I think clearly you can import it or you can make it there.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Q

And then since you spoke it about the fact that the coal itself is lower grade, does that in anyway change the economics of the TCX technology vis-à-vis what you've disclosed before?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

No, it doesn't. It – in some ways may even give you some opportunities because if you – when you do gasify, when you put in facilities to gasify low-grade coal, you have more feed stock flexibility than you would normally have. So I think directionally it could be a good thing.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Q

Okay.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

68% of the world's available coal is this lower kiln recovery coal. So, when you've got the flexibility to use it, you may be able to find arbitrage in the price and provide further advantage.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Q

Okay, got it. Thanks. And then finally just sort of housekeeping thing. With Singapore being out and your Acetyl Intermediates volume being up 4% year-over-year, but down 6% sequentially, it sounds like the effect of that

outage wasn't as high as one would imagine on your volumes. What happened there, we're you're buying on the markets instead of producing to run your downstream, just help us understand why volumes weren't as impacted as much in Singapore?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah, actually if you go back to last year's second quarter, we actually had a plan turnaround in Nanjing, so we're volume constrained as well. So, if you recall in the second and third quarter of last year, there were number of industry outages planned and unplanned and we also had a very large turnaround that took place in the second quarter. So, we had the full capacity in Nanjing available, which is a 1.2 million ton facility versus Singapore, which is about a 600,000 tons facility, that's down. So net net, we have more capacity available to us this year.

Nils Wallin

Analyst, Credit Agricole Securities (USA), Inc.

Q

Got it. Thanks very much.

Operator: Thank you. Our next question comes from David Begleiter from Deutsche Bank.

David Ian Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Mark, just on methanol, as the Southern Chemical contract rolls off in mid July 2015 and you ramp up your Clear Lake, Texas methanol plant, will you be either advantaged or disadvantaged based on your expectations for your input costs with the Clear Lake plant versus current Southern Chemical contract?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

I really don't want to talk about Southern David, but let me just say if you look at our ability to convert natural gas to methanol in U.S. Gulf Coast is pretty favorable. And so we think going forward that economically it's a good thing for us to do. But again I don't want to get into tit-for-tat kind of analysis just yet.

David Ian Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Understood. And just switching to China, there's been some reports of Chinese acid players operating longer than they should, perhaps they've integrated back in to coal, any views on some high cost Chinese players still operating where they shouldn't be operating?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Well, when you get a business that's that sloppy, I'm sure there are folks out there that are operating on a pretty thin same kind of basis. But we, so, no I can't really comment on it too much. I think it's – the market's long on acid and yeah, there's probably folks who shouldn't be on running right now, but nonetheless they still are.

David Ian Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And just lastly I know you were in Shanghai for June, any update on your discussions with ethanol, on ethanol with your Chinese potential partners?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, I had about four weeks over there and just before I comment on ethanol I will say that I really went to China to get a sense of how deep the economic dip was going to be and how long it was going to last. I really left there after visiting with a ton of folks with a view that China is okay. It continues on at 7.5% kind of percent GDP. The government is very tuned to maintaining that. Then we have the cash reserves to do it, and they're actually creating a spirit of nationalism to drive the society more toward consumerism and having some good success with that. So they seem quite confident including the vice premier, quite confident that that they'll be able to maintain this growth rate. So we expect China itself that kind of be okay and go through this year basically like it is today, maybe in a little better in the second half and start picking up more next year.

When you look at ethanol, the big news when I was in Beijing visiting with the vice mayor over there was the PM 2.5, the particulate reports that are now published courtesy of the U.S. Embassy, and so there was a fair amount of political tension about that, but the reality is that the mayor was getting phone calls from citizens who are frustrated that steps weren't being taken to clean up the air. So, reducing air emissions in China is not only part of the five-year plan, but it is important to the Chinese people, and so the level of enthusiasm and interest around ethanol is not waning, it is in fact growing.

So we have a number of discussions underway there. I think that model, to be honest, is more complex than the Indonesian model in some ways where you have a single company and a government that fundamentally wants it. Here it is more an open book where a lot of players involved. So we're going to step through this process, but we're very actively engaged with players over there and we are I think close to some announcements relative to that, but again it's going to take us a while to develop that market in China.

Operator: Thank you. Our next question comes from John McNulty from Credit Suisse.

John McNulty

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

Q

Hey, good morning. Just a couple of questions. First of all on the sales growth in AEM that you're looking for sequentially, what's giving you confidence do you see there because it seems a little bit given what's going on in auto's in particular in Europe, it seems a little counterintuitive?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Doug?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah, John. Well a couple of things. We've always talked about the richness of our pipeline and some of the growth that comes out of our organization, and while you look at the auto builds and you look at where Europe is today, as we continue to put more value on vehicles through that we think that there is – there's sustainable growth rates through that. I can probably tell you I actually get excited about several of the things that are going on today that is we look at 2013 and beyond whether we're taking applications and translating them from one producer to another, which we are in the case of some of our [ph] Prom (43:30) product that's going in the – Chevy cruise as we speak, to some of the exciting opportunities and we've got in our LCP Electronics business, but now has it – we're on the Samsung Galaxy that we weren't on and that will continue to grow. The iPhones that we're now on today that we weren't on, so the strength of a lot of that in that market.

The second is our Ultrahyde business or our Polyethylene business, we've gotten good momentum not only on price, but there's a number of things in that pipeline as well. We've seen some of the volume erosion recently in that business, but we think that we're going to earn our way back if you will through – to that business. And then there's couple others as well of new product lines, remember that AEM is made up about five or six different product portfolios, but there are no home runs. They are small steps, but that's the business case and that's the history of this business but good growth potential.

John McNulty

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

Q

Okay. Fair enough. And then just one last question on your balance sheet, I mean you indicated in I guess the release and your comments that it's as strong, pretty much as strong as it's ever been but for maybe one quarter. You're generating decent amount cash despite being at the trough of some your businesses. So any thoughts on returning – starting to return more cash to the shareholder in the form of either more sizeable dividend or share repurchase or what have you?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yes. So on the dividend side, in August our dividend will increase 25%, so you'll see that, that's the third consecutive year of increase. We have been active in the share repurchase market. You'll see it when we file our 10-Q what we've done there. We continue to look at really all uses of cash on the balance sheet, and the change in strategy that really the principal use of cash is going to be to fund these growth opportunities both in industrial ethanol that we've talked about that will start up next year, our Acetyl consolidation but also be prepared for a potential cash deployment for growth programs like in Indonesia. Beyond that we still think paying down debt and maintaining a – moving towards an investment grade portfolio makes sense. But we do – we look at share repurchases as well and we're actively in the market.

Operator: Thank you. Our next question comes from Mike Ritzenthaler from Piper Jaffray.

Mike J. Ritzenthaler

Analyst, Piper Jaffray, Inc.

Q

Good morning everyone. My first question is I guess a follow-up on the previous one on AEM. Are there – is there any additional color on margins given the visibility you have there, and we're starting to anniversary some of the high single-digit margins coming up here in 3Q?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah. On the margin side, I mean, you have seen in the quarter we had modest margin improvement in that business in the second quarter. As depending on what your view is, the model in that business recall is one that we price based on value. We don't necessarily move that when raw materials move. On the other hand because of that model as raw materials come off, you also see the margin expansion as well in that business.

We've launched our new plant in Frankfurt as you well know. We continue to fill that plant out. So I still think between the margin growth that lies ahead for that, the new applications, filling out that new plant with the volume, and some of those key markets, we're going to continue to see both volume and we're going to see margin growth as well.

Mike J. Ritzenthaler

Analyst, Piper Jaffray, Inc.

Q

Okay, great. And then in the prepared comments you had talked a little bit about the Clear Lake TCX facility starting up, is there some more color you can give us on that, is it starting to make product or is the commissioning just sort of starting there?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

It's starting up as we speak actually. So I haven't got a phone call in this meeting, but I think we'll be making some product there shortly.

Mike J. Ritzenthaler

Analyst, Piper Jaffray, Inc.

Q

Okay, all right, excellent. And then one last one from me more on the housekeeping kind of thing. On the implied guidance for the back half, just so that we're calibrated properly, the dividend from the Acetate JV is about \$0.40 in EPS on a tax adjusted basis. Is that about correct?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

It's about running \$0.42.

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

42.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

\$0.42 is the right number.

Mike J. Ritzenthaler

Analyst, Piper Jaffray, Inc.

Q

Okay, great. Thank you.

Operator: Thank you. Our next question comes from Bob Koort from Goldman Sachs.

Robert A. Koort

Analyst, Goldman Sachs & Co.

Q

Thanks. Good morning, guys

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Hey, good morning, Bob.

Robert A. Koort

Analyst, Goldman Sachs & Co.

Q

Mark, first definitely like the new approach here, it gives us time to actually try to understand the results before we have the call, so really appreciate the change of format. Couple questions, one, Steve is there any more thought about how you are going to finance all these ethanol plants and the model you are going to use particularly in Indonesia?

Steven M. Sterin

CFO, President-Advanced Fuel Technologies & SVP, Celanese Corp.

A

Yeah, I think we are continuing to evaluate, that's really what the next six months is about Bob. But our approach is to leverage our technology. We think we've got significant value in our technology that should help reduce the amount of cash required to be invested. We do have sizable cash on the balance sheet, continue to generate cash that allow us do that. There could be other incentives locally that could make that possible. And then if you look at the whole investment, there is other parties that are going to be a part of this collaboration and in Indonesia whether it's syngas suppliers, methanol suppliers and Pertamina themselves that will all be part of the investment portfolio. So our goal is to protect the technology, find a business model that maximizes the payback for Celanese, gives the right economics to Indonesia and minimizes the amount of cash we've got to outlay. So we're trying to work out all those equations simultaneously, Bob, that's why in addition to site selection a six month negotiation period is about what we think it takes to manage through that.

Robert A. Koort

Analyst, Goldman Sachs & Co.

Q

And Steve are you spending time between Indonesia and Washington with corn prices so high, is this giving you any better access or uptake from a political standpoint about using gas-based ethanol in the U.S.?

Steven M. Sterin

CFO, President-Advanced Fuel Technologies & SVP, Celanese Corp.

A

Yeah, I'll let Mark address most of that, but you are right, it's interesting, the whole – one of the arguments that we've made about, one of the challenges of using food is the uncertainty of availability both for consumption as well as fuel, and it wasn't just a month ago that everybody thought we're going to have a bumper harvest and here we are now sitting with the ethanol prices shot up 40% in the last 30 days. So it's got up a lot of attention on Wall Street. You are actually seeing even a trends towards some of the companies that were focusing on bio moving towards synthetic routes, but Mark spends the majority of his time in D.C. so I'll let him give you a flavor of what he is hearing inside the Beltway.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yes Bob I think if you, even after you take away kind of the political side of it, which is very heavy right now, there's a number of organizations and committees on either the Senate side or the House side that are really re-looking at the RFS, which is the law that precludes us and makes it challenging for us to be able sell into the U.S. So there is a lot of work going on right now. It's creating – it has a lot of attention, a lot of debate. We are obviously very active as part of that debate, but as you know it's tough to change a law. We continue to work. We'll continue to work as we move forward. A lot of positioning for 2013 and what may happen in that political environment. But a lot of good discussion and a lot of awareness that's been created on Capitol Hill that there are other alternatives besides corn-based ethanol and that we should take a look at that as a country. So we'll be a part of that debate. We'll keep you guys posted as we move forward.

Robert A. Koort

Analyst, Goldman Sachs & Co.

Q

And last quick one in the methanol plant you're building in Clear Lake. Can you incorporate the same gas unit there into and create some ethanol production as well. Is that feasible as you start sketching out the blue print for bringing on the methanol?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Yeah, I think Bob, the way we are – broadly speaking here what you have in the U.S. is you have great energy supply situation, and that opens up the door for a lot of options down the road for that site that would include further expansion into products like you've just mentioned.

Operator: Thank you. Our next question comes from Edlain Rodriguez from Lazard Capital.

Edlain Rodriguez

Analyst, Lazard Capital Markets LLC

Q

Good morning. Thank you. Just one question on Singapore. I mean surely you didn't achieve the desired results. I mean prices did not go up, and you are losing that volume by shutting down the production. So, eventually that could double Whammy. So, given your cost structure, Mark, why not let someone else take the production hit or is it one of those cases where prices would have been down much more if Singapore is running?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

The simple answer is, is it's a demand issue, more than anything. This is an asset that serves Southeast Asia and the reality is is that the demand is just really low and really flat. So, as much as it is – historically you'll see – you'll always see Chinese material to some extent that's exported out to fill some of that demand, you see that even erode today because it is just the loss of demand and that's the simplicity of it.

Edlain Rodriguez

Analyst, Lazard Capital Markets LLC

Q

Okay. One last question on Southern Methanol, you say you can't talk about it – I don't know if you addressed that already, but can you assure us that the low cost competitive advantage you've had in the U.S. it is not based on the favorable cost structure you are getting from SCC, but it's really from the proprietary technology that you have?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Well, really I appreciate your comments, but I really don't want to get them lot of dialogue and debate about Southern. We have a great technology in the U.S. We have a very low cost facility and so we're pretty comfortable with our position, our leadership position in the U.S. and let me just end it with that.

Edlain Rodriguez

Analyst, Lazard Capital Markets LLC

Q

Okay. Thank you.

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

<A>: Yes.

Operator: Thank you. Our next question comes from Hassan Ahmed from Alembic Global.

Hassan I. Ahmed

Co-Founder & Head of Research, Alembic Global Advisors

Q

Good morning, Mark.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Good morning.

Hassan I. Ahmed

Co-Founder & Head of Research, Alembic Global Advisors

Q

Quick question on the nearer term side of things, this year you provided us some guidance for the second half of the year, I was just trying to get a sense of what sort of Acetic pricing environment you are baking into that guidance?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, it's just pretty flat through that period. If you look at us historically to talk about business in general, we tend to have more of our earnings in the first half than in the second half. And a good ratio there is 55% 45% when you looked at the data. And that's primarily driven by the seasonality trends, it impact things from automotives in Europe in the summertime to paint and coatings and things like that. If you look at it third quarter and fourth quarter in the back half, it's also about 55% 45%, so Celanese tends to hump up in the middle of the year and then coast down a bit in the second half of the year. And so what we're trying to do is convey that what we see is that we see those trends rolling through this year and it's pretty simple math if you do that to kind of get a sense of where we think we're going to end up.

Hassan I. Ahmed

Co-Founder & Head of Research, Alembic Global Advisors

Q

Got it, thank you. Second one if I may as well, obviously you guys have made an announcement about a greenfield methanol facility, obviously that's a couple of years out, but my question really is are you looking at sort of other sort of call it nearer term alternatives as well, maybe sort of purchasing a mothballed facility here or getting into some sort of a joint venture correlate with some other producer out there who maybe considering relocating a facility here to the Gulf Coast or any of those alternatives?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

No, I think – what the political reality of this is that the longest part of the construction project deals with permitting. We are working with a great technical partner here. We're ready to roll. We could break ground today if we wanted to, but we don't have a permit, and so that permitting process is what kind of pushes you into these – over to your kind of time period, as opposed to sub two year. So whether you're bringing in a new plant or are repairing or dismantling an old plant, it doesn't change that schedule in a material fashion.

Hassan I. Ahmed

Co-Founder & Head of Research, Alembic Global Advisors

Q

Very helpful.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

So that's where – that's kind of where we are.

A

Hassan I. Ahmed

Co-Founder & Head of Research, Alembic Global Advisors

Okay, thanks so much.

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Thank you

A

Operator: Thank you. Our next question comes from Frank Mitsch from Wells Fargo.

Sabina Chatterjee

Analyst, Wells Fargo Advisors LLC

Hey, good morning this is Sabina Chatterjee in for Frank Mitsch. Most of my questions have been answered, but just following up on the Laurence's question earlier on the earnings bridge to 2013. I guess that will had worked off of 2011, so the language now surrounding 2012 implies EPS in what? In the \$4.00 range, which I guess now we are below 2011. Are we still working off that 2011 base or and is there something more like \$5.00 of EPS versus \$5.50 more realistic at this point?

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Sabrina, we are not working on the 2011 base. We are working off kind off what our reality is today and we're trying to give you guys sort of some directional view. Just if you look at our history, you get a number and it's for the end of the year and it's not \$4.00, it's less than that. If you just work the math, it is more likely. What I'm saying is that – is that \$0.40 or \$0.50 that we are working today and we feel, which is something we fully control, and we feel pretty good about.

A

And then we had another \$0.50 or so which was that \$1 we were pushing before, \$.50 plus \$.50 and I think that second \$.50 is all growth oriented based on the economies and the markets and stuff. And to be honest we feel better about China. U.S. is probably kind of going to muddle along. It's Europe that we're most worried about. And so I don't think we can take all that \$0.50 and say that we can make it happen right now. But maybe later this year we feel differently about them.

Sabina Chatterjee

Analyst, Wells Fargo Advisors LLC

So then that \$5.50 is probably at risk and something, maybe we should be giving that a haircut by at least \$0.50, given the variable aspect that you can't control at this point?

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yeah, I would start – I would – from a counsel point of view, I would urge you to do your math on this year and then I would add the \$0.40 or \$0.50 to that and then I think then you got to have some gut feel of what you think that markets, how the market's going to improve year-over-year and then add to that.

A

Sabina Chatterjee

Analyst, Wells Fargo Advisors LLC

Q

Okay. And then just a technical question – sorry. Industry opening rates for acetyls, can you tell us what levels Celanese operated at versus the 70% and 50% for Asia?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Well, I'd really rather not get into that, but we have one plant down. So, if you look at point of view of plants operational, we are at higher rates than if you look at our full portfolio. Our full portfolio is probably close to 77% I guess.

Sabina Chatterjee

Analyst, Wells Fargo Advisors LLC

Q

Okay, thank you.

Operator: Thank you. And our next question comes from P.J. Juvekar from Citi.

P.J. Juvekar

Analyst, Citigroup Global Markets (United States)

Q

Good morning, Mark.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Morning, P.J.

P.J. Juvekar

Analyst, Citigroup Global Markets (United States)

Q

Hey, Mark I know you spent time in Asia and China, and you spent time with your Acetyl business. So question on that, a long-term question on Acetyls and if you look at pre-financial crisis, your operating margins were running in that 15% to 17% range, and now they are at 10% or maybe below that. So are you – when you look at your forecast, are you looking at longer forward crawl, and do you think margins can get back there and what needs to happen?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah I think what – that's a great question. When you look at this business it's a really interesting business. It's a business that can be victimized by short-term supply-demand swings. So – as for example today, there is really no acid going into India, as an example, because that market is so weak based on loss of exports primarily to Europe, and so that kind of sort backs up the system, and of course there is other economics that push it around.

If I set aside the short-term perspectives there though we really like our technology. We like our integrated platform. We think we continue to strike value, so here we are in trough conditions much like 2009 – early 2009 and on EBITDA basis, we're probably 13% or so. So can we get back to the 15% to 18%? Yes, yes, I mean sure we can, but if things – some things have to change, I think fundamentally in the business and we have to work the way through that. Doug, you want to make a comment?

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

P.J., recall that the periods that you're quoting, the pre-crisis, you saw a very different operating environment. You saw highly elevated acid pricing on very high asset utilization at that time, and I won't quote a number because I'll be wrong, but we're talking about hundreds of dollars higher, certainly as you kind climb that peak when we were making – let's call it mid to higher teens – 17% to 18%.

I guess from our view we don't see any difference today. We're at the trough and we're probably in that same 12% to 13% that we were in 2002, 2009, but let me also remind you since 2009 there has been several million tons of additional capacity that's come in and we're still performing at that level. So I think it speaks to the strength of the model in that curve. And as people continue to bring things on its [audio gap] (43:54-44:48).

Operator: Ladies and gentlemen, please stand by.

[audio gap] (44:50-45:31).

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

A

Yeah P.J.

P.J. Juvekar

Analyst, Citigroup Global Markets (United States)

Q

What happened there?

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

A

I don't know, it sounds like their line must have dropped. So -

P.J. Juvekar

Analyst, Citigroup Global Markets (United States)

Q

Oh, because I thought, I lost it. Like I was upset.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

A

No it wasn't you because we're still online with the op ...

[audio gap] (45:48-48:00).

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

A

Hello?

Operator: All right we do have one last participant in queue Mr. Greg Goodnight from UBS.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Well, I hope this was worth the wait.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Better be a good question, Greg.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Good morning, Mark and Doug, hey I appreciate the new format. My first question is, are you in a position yet to comment on the potential range of capital for your new methanol plant in Clear Lake. I assume you are going to have some sort of infrastructure advantage on a brownfield site?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, we do, and I'd rather not because we're still in negotiations for that, but as soon as we get to that point and we should be there, touch wood, we should be there by our next call, we'll be happy to share that.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Great. And how are you are going to structure that, is that JV or offtake agreement or are all options open at this point?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, all options are open still at this point.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Okay. Could you refresh my memory on the timing and potential benefit of the Spondon outage?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Yeah, it's – we're in the process of shutting down that site down as we go through, in the fourth quarter this year, and the range on that was in the \$.15 to \$.20 kind of range, as I recall.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Okay. And that's for the first year or for eventual?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

That's ongoing.

Gregg A. Goodnight

Analyst, UBS Securities LLC

Okay.

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yeah, it's probably going to be on the short side of that in the first year because we got some costs, but that kind of range ongoing.

A

Gregg A. Goodnight

Analyst, UBS Securities LLC

Excellent.

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

More or like \$.15, more like \$.15, not \$.20.

A

Gregg A. Goodnight

Analyst, UBS Securities LLC

In the first year?

Q

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes.

A

Gregg A. Goodnight

Analyst, UBS Securities LLC

Okay. Along with Nils I was having a little bit of problem bridging acetyl revenues with the Singapore plant down. Can you tell us what onstream time that plant had in the second and give us some sort of idea on a range for third quarter?

Q

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

Yes, well let me say for the second quarter, if you think about that unit I'll just say that that unit will operated at minimum really to help us with balances and some near term requirements, but it was fairly limited and based upon as we see the market and demand today our outlook to that doesn't change.

A

Gregg A. Goodnight

Analyst, UBS Securities LLC

Okay. By minimum would you mean 50% rates or even lower than that?

Q

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

Yeah. Let me just stay with what I had said, the unit only operated very minimally I guess weeks, I put it in that term, it's only a few weeks in the quarter.

A

Gregg A. Goodnight

Analyst, UBS Securities LLC

Q

Okay, well that's helpful. I appreciate you guys striking with it. Thank you very much.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

A

Thank you.

Douglas M. Madden

Chief Operating Officer & Executive Vice President, Celanese Corp.

A

Thank you.

Operator: Thank you. I would like to hand the conference back over to Mr. Puckett for any closing remarks.

Jon Puckett

Vice President-Investor Relations, Celanese Corp.

Thanks Saeed. We appreciate your time today, and I will be around all day to answer phone calls and give us some feedback on the format as well. Thanks for the time.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes our program. You may all disconnect and have a wonderful day.

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