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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Celanese Second Quarter 2014 Earnings Conference Call. All participants will be in a 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 Jon Puckett. Please go ahead, sir.

Jon Puckett
Vice President-Investor Relations, Celanese Corp.

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

The Celanese Corporation second quarter 2014 earnings release was distributed via business wire yesterday after market close. The slides for the call and our prepared comments for the quarter were also posted on our website, www.celanese.com, in the Investor Relations section.

As a reminder, some of the matters discussed today and included in our presentation may include forward-looking statements concerning, for example, Celanese Corporation’s future objectives and results. Please note the cautionary language contained in the posted slides. Also, some of the matters discussed and presented include references to non-GAAP financial measures. Explanations of these measures and reconciliations to the comparable GAAP measures are included on our website, www.celanese.com, in the Investor Relations section, under Financial Information. The earnings release, non-GAAP reconciliations, presentation and prepared comments have been submitted to the SEC in a current report on Form 8-K.

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

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

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

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

We had a really strong quarter with adjusted EPS of $1.47, that’s the highest in our history. Sales increased 7% year-over-year, 4% sequentially on pricing that was 6% higher than last year and 4% higher than last quarter. Segment income margin expanded to 18.6%. That’s a 260 basis point increase year-over-year and a 90 basis point sequential increase.

In Engineered Materials, we delivered record revenue and segment income on strong demand across auto, consumer, and industrial applications. Consumer Specialties segment income was impacted by a third-party power outage that interrupted operations at our cellulose derivatives facility in Narrows, Virginia. The Industrial Specialties growth was driven by improvements in EVA polymers and the growing success of our environmentally-friendly technology in emulsion polymers.
Acetyl Intermediates drove expanded margins through our commercial efforts in acetic acid and structural changes in VAM. Planned and unplanned VAM outages in the U.S. Gulf Coast also contributed this quarter.

Cash flow generation was also strong with $253 million of operating cash flow. We deployed $50 million and repurchased about 800,000 shares and ended the quarter with a cash balance of $1.1 billion.

We had great results in the first half of the year, which gives me confidence we can end the year having grown the adjusted earnings in the range of 15% to 17%. This performance lets us shift our focus to developing the Celanese-specific initiatives that can help offset the methanol headwinds of about $100 million expected in 2015.

We're working on structural actions like rearranging some of our debt and opportunities in productivity and tax as a start. We plan to provide you with more clarity as we go through this year, but at this stage I'm reasonably confident we can find ways to offset most of the methanol headwind.

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

Jon Puckett
Vice President, Investor Relations, Celanese Corp.

Thanks, Mark. I'd like to just ask everybody to keep your questions to one with one follow-up. And with that, I'll turn it over to Laura.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question is from David Begleiter of Deutsche Bank.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Hey. Good morning.

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

Good morning, David.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Mark, given the strong results this year in AI, do you think you can grow earnings, EPS in 2015 versus 2014?

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

Yeah. I think so, David.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.
Very good. And just to think about consumer, do you get back the hit you took because of the outage? Do you get that back in the back half of the year?

Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.  
Yes, we should, yeah.

David I. Begleiter  
Analyst, Deutsche Bank Securities, Inc.  
And just lastly, looking at AEM second half profitability, how do you see that trending versus the first half of the year?

Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.  
Well, I think where we are right now, that trend is continuing. But classically, in the fourth quarter, that business falls off pretty sharply. So what I'll tell you is that we've really good performance in the first two quarters. I think that will continue into this quarter, and I expect the fourth quarter to drop off in a more seasonal norm.

David I. Begleiter  
Analyst, Deutsche Bank Securities, Inc.  
Thank you very much.

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

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.  
Thanks, David. Laura, let's move to the next question.

Operator: Okay. Our next question will come from Robert Walker of Jefferies.

Robert Walker  
Analyst, Jefferies LLC  
Good morning. Thank you.

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

Robert Walker  
Analyst, Jefferies LLC  
Besides the methanol headwind in 2015, how should we think about the benefits from outages this year in AI in terms of how much they should repeat or not? And do you think that's another headwind?
Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.

Well, there's a portion of it that won't repeat, and we've kind of raked our brain to try to quantify that. I wish I could give you a perfect answer. What we saw is, we saw maybe $20 million or so, last quarter or this quarter, I don't know, maybe about the same number of that that's kind of between these structural changes and a bit of the trade flow imbalance has caused some inflation in pricing. So I don't know what that number exactly is. But there is some numbers that represents a bit of a headwind there. Having said that, we've got some major outages this year that won't be repeated next year. That'll offset part of it. So what my intent is, Robert, as we go through the next two earnings calls is be very specific about laying out exactly what's before us and exactly how we're going to grow this company through Southern Methanol and grow our earnings next year.

Robert Walker  
Analyst, Jefferies LLC

All right. Thanks. And then I understand there was more detail coming at some point. But in terms of the measures you're using to offset the headwind, your tax rate is already one of the lowest in the group. And, I guess, I'm wondering what you can do there. And in terms of the debt, does that encompass kind of flexing the balance sheet for buying back more aggressively? Or is there another lever of buy backs to help EPS growth?

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

Yeah, I'll let Chris talk about the balance sheet and some of the thoughts he has on the capital restructure. What I'll say about tax—I don't want to get into too much detail about tax. We think we have a little bit of opportunity that we'll share with you later this year. But, Chris, do you want to share some information on our capital structure?

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

Sure. On the balance sheet side, similar to what we've said before, when we're generating excess cash, and this year is going to be a great year for good, strong cash flow, there are different things that we can do with that. And our views haven't changed on that. You can look at the balance sheet and see that we have a couple of pieces of debt that we can address. So we have a revolver that comes due in a year or so. And we have our most expensive bond that becomes callable here in October.

So those are the key items in particular that we're taking a look at. And, I guess, what I'd tell you that we're trying to balance as we monitor these markets and figure out specifically what we'll do is the desire to take advantage of the interest rates that are available to us right now, but also making sure that we continue to maintain the nice flexibility that we have and the nature of the debt that we have. And, finally, we constantly keep our eyes on having appropriate maturity structure going out into the future in terms of the timing of debt maturities.

Robert Walker  
Analyst, Jefferies LLC

All right. Thank you.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

Okay. Thanks, Rob. Let's, Laura, go to the next question.
Operator: Okay. The next question is from John McNulty of Credit Suisse.

John P. McNulty  
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Yeah. Good morning. Thanks for taking my questions. So a question with regard to VAM. Obviously, things are tight now for some structural reasons with some closures and some with temporary with outages. I guess, can you give us your thoughts in terms of where we are on a kind of a true supply-demand or operating rate kind of level if you kind of back out the temporary outages?

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

Yeah, let me give it a shot there, John. So this is an industry that has been running and still runs with, on a global basis, excess capacity. And it's a business also that, my personal view is, has not returned the cost of capital for a long period of time. So all those things kind of came together with companies like Celanese, a few of us independently shutting down what were the least profitable assets and what was generally very poorly profitable market. The impact of that on a global capacity basis was maybe 6%, 5% or 6% capacity removed.

So I don't know if that puts us above 70% or not, but you should still think that we're probably around 70% capacity utilization. The short-term outages and these are short-term outages, may have on a short-term basis taken 10% of the capacity off the market. So maybe that got us on a short-term basis to press high-70% capacity utilization. So may be that got us on a short-term basis to press 70% capacity utilization. So there is not a shortage of VAM globally on one hand. On the other hand, I think this is an industry that has been a plagued with tremendous, I want to say poor operating efficiency in part because of its low levels of profitability. So I think, in my own mind, we're seeing some reset of the value of VAM. And what I can't quantify, exactly what that reset is, but I think it's naturally going on around the world as this industry indirectly tries to get to a point where it's got a return on capital.

John P. McNulty  
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Okay. Great. And then just as a follow-up, your earnings, they're certainly benefiting from these VAM outages and may be some trends that we're seeing in acetic and methanol right now?

At the same time, I know your goal over time has been to generate strong, stable, steady earnings growth. And the steady part I guess is the part that seems a little bit in question just given the huge tailwinds that you're seeing now, but also can become headwinds. So I guess I'm wondering, are there things you can do going forward to moderate some of the volatility, both positive and negative, but moderate the volatility going forward to really lock Celanese into a more stable kind of earnings growth trajectory?

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

Yeah, if you look at – if you take out kind of those numbers I quoted at VAM, you'll see that we're growing our base level profitability in that double-digit range on a year-over-year basis. And so I think the formula we put in place to really push out and diversify our product mix really bring intrinsic value to our customers and, of course, get compensated for that, combined with on the technology side directly to marketing every day the products we have in our portfolio to make sure we're extracting value. That formula is working. And that formula is working to the tune of getting us north of that 10% level that we've talked about so much in the low – maybe the low teens, but 10% to 12% of compounded growth. So I think that is there.
As this company grows, there's going to be a natural moderation of volatility from things like a VAM outage, or a outage of cellulose acetate. If I can use those, it's kind of two examples. That will naturally occur, John. But right now, I think, to be honest, absent the little bit of aberration in VAM, you're seeing that reduced volatility in our earnings. And with that, it's kind of the improved predictability of earnings.

John P. McNulty  
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Great, thanks very much for the color.

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

Thanks, John.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

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

Operator: The next question is from P.J. Juvekar of Citi.

Eric B. Petrie  
Analyst, Citigroup Global Markets Inc. (Broker)

Good morning. This is Eric Petrie in for P.J. Mark, your second quarter EPS beat was $0.23 or 5% of 2013 earnings, but the incremental raise for full year was only 3%. So what segments going into second half are you more conservative on?

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

Hey, Eric. I'm sorry. Would you just run that – repeat again? I kind of missed that a little bit.

Eric B. Petrie  
Analyst, Citigroup Global Markets Inc. (Broker)

Sure. Yeah, so second quarter EPS beat was about $0.23 first consensus or 5% of 2013 earnings, but your incremental raise for the full year was only 3%. So what segments are you more conservative on going into second half?

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

What I'm trying to convey in that message is a few things. First as we – I work hard not to give you specific guidance, we try to indicate from a directional point of view what's happening there. So the numbers that were out there that the Street had for the last quarter weren't really our numbers, they're numbers that you guys calculate. Corporately, what we're saying is that we expect the third quarter to be pretty similar to this quarter, and we expect the fourth quarter to be pretty similar to what's a normal average for us which is a pretty darn weak quarter, and that's how we do the mental math on that. So I think year-over-year – I mean, first half to second half, if you do that math, you'll see second half is a little bit less than the first half.
Okay.

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

And it all boils down to uncertainty we have about the fourth quarter.

Eric B. Petrie
Analyst, Citigroup Global Markets Inc. (Broker)

Okay. Thanks. And then you mentioned in the prepared remarks that you did some contract re-negotiations in acetic acid, primarily China. How fast are you now able to pass on higher raw materials and then what percent of overall contracts have been re-negotiated on these terms?

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

Yeah, we're pricing on some cases on a daily basis. So we're making incremental conscious decisions about whether we sell or don't sell increments in the marketplace. So we've gotten this as real time as you can get with that. In terms of percentage contracts that have been changed, I'd say – we're probably half on acid and probably a little bit – I'd say maybe half.

Eric B. Petrie
Analyst, Citigroup Global Markets Inc. (Broker)

On both acid and VAM?

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

Yeah, I'm giving you – you take that with a big about. I don't exactly the true numbers, but we started the process, we haven't completed the process, and we've still got a good ways to go. And, of course, we're working individually with customers and we'll do this year or next year, and the year after that as these things roll off.

Eric B. Petrie
Analyst, Citigroup Global Markets Inc. (Broker)

Thank you.

Jon Puckett
Vice President-Investor Relations, Celanese Corp.

Okay. Hey, thanks, Eric.

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

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

Operator: Our next question will come from Duffy Fischer of Barclays.

Patrick Duffy Fischer  
Analyst, Barclays Capital, Inc.

Good morning, guys.

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

Good morning, Duffy.

Patrick Duffy Fischer  
Analyst, Barclays Capital, Inc.

Just one on the EVA side of things, there was a push, it started probably two years ago because it had an ethylene backbone, it had a better cost structure than some of the other things like SB latex that were coming off of a different molecule. How has, in general, that push to take market share from other backbone chemical has been going for EVA?

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

Well, it depends on where you are in the world. I think it's been pretty successful in Asia, Duffy. It's been may be less successful in the U.S., kind of [indiscernible] (16:11) we've seen a lot of inflation in ethylene in the U.S., and probably less movement – north movement [ph] certainly butadiene (16:24). So I think it's been, I would say, okay, in Asia where most of the capacities come on and probably not very much in the U.S. and Europe.

Patrick Duffy Fischer  
Analyst, Barclays Capital, Inc.

And then on the sweetener business, there have been a number of articles recently about diet sodas and stuff not working, or at least not allowing folks to lose weight like we once thought. What are you seeing from an end market demand standpoint? I know you were trying to get away from, say, drinks and into some bakery and stuff like that. When you look at the different buckets of demand for the sweetener business, how do you think that's playing out this year?

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

Well, we're seeing good receptivity to our movement into servicing more of the French producers or the emerging producers, particularly in Asia and Southeast Asia. Clearly, our historical market has been, as you know, Duffy, has been carbonated beverages, it's been the big sink for Ace-K, particularly in U.S. and Europe. So there has been some downward pressure that we've experienced over the last couple of years. I think that trend is probably, I won't say it's going to continue, but it seems to be moderating just a little bit. So really the success of this business is going to require us to push into different markets and we're having some success with that. It remains to be seen if we can get kind of the growth rate we like to see out of these molecules.
Great. Thanks, guys.

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

Thank you.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

Thanks, Duffy. Laura, let’s move to the next.

Operator: Our next question is from Frank Mitsch of Wells Fargo.

Frank J. Mitsch  
Analyst, Wells Fargo Securities

Hey. Good morning, gentlemen.

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

Good morning, Frank.

Frank J. Mitsch  
Analyst, Wells Fargo Securities

Hey. It seems to me that there is issues with sweeteners and not being able to lose weight. That would probably move people to smoke more which might actually help out on the Consumer Specialties side. Just a thought. Looking at AI, you did $146 million. You suffered a $10 million headwind from the planned turnaround. So call it $156 million kind of normalized, what have you, but you did mention about $20 million of an impact from the pricing issues and so forth. So call it a $135 million base, something like that, as for Q2 heading into Q3, yet your guidance is suggesting about $115 million for Q3 and Q4. Can you help explain why we would see that much of a delta?

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

Well, I think – I don’t know exactly how you’re working through that math. I’m looking at it from a total corporation for just a point of view. And looking from a total corporate point of view, I don’t know if we’ll end up at $146 million next quarter, that’d be too much of a prediction. But what I’ll say is that the fundamentals today, when I look just at the sales forecast, I look at our net back, we’re running at about that rate, maybe a little bit south of that as we go to this quarter. So I think we’re – you should expect us to be in the general range of where we were in this quarter, I mean in the last quarter.

When I look at the fourth quarter though, when you work through that, we had a record fourth quarter last year, which I believe was $1.03 or something.

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

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

Yeah, but that was an all-time, never before done, people don’t even want to talk about it kind of number. So I’m very conscious of the fact that if you look at emulsions and emulsions area, the Engineered Materials area, you look at some of the seasonality we’ve seen historically in industrial chemicals that we could see a pretty good pullback just naturally as we go through the end of this quarter and go through the end of this year. So part of what you’ll hear me communicate is that uncertainty relative to that last quarter. That’s how we’ve got those numbers.

Frank J. Mitsch  
Analyst, Wells Fargo Securities

All right. That’s very helpful. And then you mentioned in the script that you expect the share buybacks to moderate from here. Obviously, the balance sheet is actually in a better situation. Can you talk about that use of cash?

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

Yeah. So we set in motion the sort of annual objective of doing at least $150 million per year share buyback. That’s what we did last year. And we’ve certainly — through the first half of the year, we’re a little over $100 million, I think. Is that right, Chris? Yeah?

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

Yeah.

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

Right now, what we’re communicating is, say, we’re going to slow that just a little bit as we go through this recapitalization kind of debate and discussion. And as we get that done, we’ll share with you kind of the pace that we’re on. So you should expect the second half of the year maybe a little bit less than the first half.

When you go beyond that, we still have a good bit of cash on the balance sheet. I know Chris has his eyes on some of that for the recapitalization. We’re very active in the M&A arena, and are looking hard to find ways that we can supplement our portfolio in a very constructive fashion. So hopefully, as we get into this year, you’ll see some of that and hear about some of those things.

Frank J. Mitsch  
Analyst, Wells Fargo Securities

Terrific. Thanks so much.

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

Thank you.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.
Thanks, Frank. Let's move on to the next.

**Operator:** And our next question will come from Kevin McCarthy of Bank of America Merrill Lynch.

**Kevin W. McCarthy**
*Analyst, Bank of America Merrill Lynch International Ltd.*

Yes. Good morning, gentlemen.

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

Good morning, Kevin.

**Kevin W. McCarthy**
*Analyst, Bank of America Merrill Lynch International Ltd.*

A couple of questions on methanol. First, would you update us on your latest thoughts on the possible expansion at Bishop, Texas? And then, second, with regard to your headwind linked to the procurement contract expiration, curious as to why you have not adjusted that downward? It seems like methanol prices have declined quite dramatically over the last six months. Are you being conservative there? Or are there perhaps other offsets I'm not aware of?

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

Yeah, Kevin. So regarding Bishop, that permitting process is under way and I'm looking at Gjon Nivica, our General Counsel over here. Gjon, have permits actually been filed yet? It's very close to the filing aspect of that permit. So, Kevin, we're continuing to work that. We're negotiating with a number of folks and we'll try to get to a shortlist here in the fall. And we'll keep reporting on that project now that project is developing.

Regarding methanol headwinds, we did a range of calculations there, and I think we used $4 to $5 a million BTU for natural gas.

**Chris Jensen**
*Senior Vice President, Finance, Celanese Corp.*

Yeah, $4.25.

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

And methanol was $500 a ton to $600 a ton. So, yeah, you could argue maybe we're down a little bit on methanol in that, but that was a range of $75 million to $125 million, $130 million. So where we are today, Kevin, it's impossible to be any better than say about $100 million.

Of course, which day you start up is worth, I don't know, $750,000 or whatever a day, but it's a big number per day, maybe $500,000 a day. So there's the big numbers there based on the schedule as well, and we're just doing our best to try to be frank about the volatility that – not volatility, but the ambiguity we have about the exact number. Our plan is to go find $100 million to offset that, and we're working like crazy to do it.
Kevin W. McCarthy  
Analyst, Bank of America Merrill Lynch International Ltd.

Understood. That's really helpful. And then second question, Mark, I think you made a comment that M&A in your case is quite active. Obviously, we've seen tremendous activity across the chemicals industry in terms of lots of companies pursuing large divestitures, spin-offs, large acquisitions. I'd be interested to hear your thoughts on that in general as it relates to the industry. But in particular for Celanese, what sort of opportunities might you see for your own portfolio?

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

Yeah. So, I mean, there has been a lot of activity. I think that activity has all been, from what I can tell, pretty thoughtful. In other words, it's all been focused on driving greater shareholder value. And we've met with a number of those firms, I'll say that, Kevin, and really talked through their thought process relative to how they think about opportunities for all those different scenarios that you mentioned. So, at Celanese, we're all about driving and trying to create shareholder value. And, for us, the portfolio connectivity now is the source of tremendous value for us and value for our shareholders. And so we're continuing to work it in that fashion.

So going forward from an M&A point of view, we're looking for ways that we extend the reach of our -- either our technology-based kind of businesses or our customer solutions kind of businesses. We're very interested in the material space and expanding out in that, everything from biopolymers and cellulosics, through the composites, particularly in aerospace and automotive. That's areas that are really emerging areas for us and are really attractive.

I think some of the derivatives around C1 chemistry are also pretty much of interest to us, and we're working hard in that area as well. So nothing specific to report to you today, but I can say I've got my best team on it and they are working like crazy with the commercial leaders to find really good opportunities for our shareholders.

Kevin W. McCarthy  
Analyst, Bank of America Merrill Lynch International Ltd.

Fantastic. I appreciate the thoughts.

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

Thanks.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

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

Operator: And next we have Robert Koort of Goldman Sachs.

Robert Andrew Koort  
Analyst, Goldman Sachs & Co.

Thanks. Mark, I was wondering if you could talk in AI, give us some sense of how much of your profit improvement there was a reflection of the tighter industry and how much of it was re-jiggering these contracts?
Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.

Well, Bob, I think I’ll throw out the $20 million number this quarter, and I’m not trying to be flippant with that. It’s a hard calculus to do specifically in there and only history would give you the exact number, but that’s what we think. This quarter was probably the direct result of the industry tightening – the tightening of the industry.

Robert Andrew Koort  
Analyst, Goldman Sachs & Co.

And the issues in your flake contract, can you talk about the basis or the context of that contract and then when that might go away or how it – the path that it goes away?

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

Yeah, we have a legacy contract on flake. It’s a long-term agreement, about a decade agreement. And we’re in the last several years of providing flake to that agreement. I’m looking at Gjon.

Gjon N. Nivica  
Senior Vice President & General Counsel, Celanese Corp.

Yeah.

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

It’s going like 2017 maybe, 2016 or 2017?

Gjon N. Nivica  
Senior Vice President & General Counsel, Celanese Corp.

Yeah, I think it winds down the next three years.

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

2017 is the last year of that, Gjon, and it has formula step in it. So we actually took a slight step down in price this quarter versus last quarter, but that’s kind of – I think that’s kind of generally run its course and we’ll be at this kind of level going forward about – for the next couple of years.

Robert Andrew Koort  
Analyst, Goldman Sachs & Co.

And last one if I might...

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

Shouldn’t see any variance from that.
Sorry, could you give us your assessment of the long-term supply-demand trends in the filter tow business and sort of what you're seeing on the ground?

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

Yeah, I'd be happy to. So that's a business that has been in decline in the developed world for a number of years. It's been growing primarily in Asia, primarily in China there to the tune of 3% to 4% per year. As the new regime took over and imposed a number of restrictions on the use of government credit cards, we saw actually a shift in that. And this year, we think will be about flat in China. So the net effect of that probably has pushed the industry down and these are my numbers which take for what they're worth. So my numbers would be the 1% to 1.5% volume down right now kind of globally.

Now, the backstop on it or the background on that and you recall we shut down Spondon and took a fair amount of volume out ourselves last year. I was actually surprised how the industry seem to be building volume around that time. The industry was running a very hot 90% capacity utilization, maybe mid-90% kind of numbers and mid-90% kind of numbers.

And I think – but I can't tell you how much, Bob, that inventory was built with all the end customers through the last year. And we certainly saw that with some of our customers. As confidence has returned that the industry can handle the rate, some of that's backing out. So we're seeing some reduction of sales to customers where we know our customers' demand has not changed, if that make sense. We're seeing some moderation of that inventory, but I think that's kind of running this course through this year. That's a very long-winded way of saying. We think we're kind of flat this year and we think we'll be kind of flat next year as we see what really unfolds in China.

Robert Andrew Koort  
Analyst, Goldman Sachs & Co.  

Okay. Thanks for the help.

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

Great. Thanks, Bob.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.  

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

Operator: Okay. And next we have Vincent Andrews of Morgan Stanley.

Vincent Stephen Andrews  
Analyst, Morgan Stanley & Co. LLC  

Thanks. Mark, could you touch on – there was a big announcement in the U.S. cigarette industry this week with consolidation between Reynolds, Lorillard and, I guess, Imperial Tobacco playing a role. What are your thoughts on that? I can imagine some situations where that could be very good for you. I can imagine some takes to it as well. Can you remind us which of those are your customers and just how you're thinking about that in general.
Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.

Yeah. Well, I'll really not say which one were exactly our customers there, but we sell to a lot of folks and so you shouldn't be surprised if we don't sell to some of those folks. It's not at all surprising to me. Now, this is an industry that where you've had – it's a very distributed industry primarily put in place to serve the fibers industry guys a long time ago. So you've got a lot of small facilities around the world supporting tobacco industry and tobacco industry itself has got a lot of small facilities around the world supporting number of brands.

So there's going to be a natural consolidation that it goes through as we go forward. I think that's a real healthy thing. It's my personal view on it. So it didn't surprise us. I expect you'll see more and I expect just like you saw us take down an inefficient plant, you'll see those kind of things going on and this industry kind of keeps itself in balance through the next couple of decades.

Vincent Stephen Andrews  
Analyst, Morgan Stanley & Co. LLC

Okay. And just on the – I know you don't call it Nutrinova anymore, but on the sweetener business, how core is that still? We saw last week I think, the Wild Flavors business was sold at a pretty attractive multiple relative to where you guys trade. So how are you thinking about that from that perspective?

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

Well, it's a really interesting business. What we do in – if I think about from a customer-facing technology point of view, we combine chemistry and applications in a pretty unique way for the industry. And what's nice about that business is we actually do that on an organic chemistry perspective. We're actually designing flavors and designing taste. I like that model. I like that concept, being able to take chemistry and really modify in a unique way and create a very unique application for the end market. So that kind of model is an integral part of Celanese.

Having said that, we have strong ambitions for that business, and we're putting a lot of energy and effort into driving that. If it got to a point where someone else could drive that better, we'd certainly consider that. Right now, we think we're the right company to promote that technology and that brand, and I think inherently it's good for Celanese to have it in a portfolio.

Vincent Stephen Andrews  
Analyst, Morgan Stanley & Co. LLC

Okay. Very helpful. Thanks very much.

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

Thanks, Vincent.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

Thanks, Vincent. Laura, let's move to the next question.

Operator: Yes. And next we have Jeffrey Zekauskas of JPMorgan.
Jeffrey Zekauskas
Analyst, JPMorgan Securities LLC

Hi. Good morning.

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

Good morning, Jeff.

Jeffrey Zekauskas
Analyst, JPMorgan Securities LLC

In the equity income and other category, you have other activities and in the quarter you reported $36 million. I think it was $10 million in the year-ago quarter and often it’s sort of $5 million or $6 million. What is that number? Why is it so big?

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

Rather, Chris, you want to take Jeff through that?

Chris Jensen
Senior Vice President, Finance, Celanese Corp.

Yeah, Jeff, it’s — that other activities segment has got a lot of stuff in it, but think of that generally being the functional activities of the company. And in addition to that, another big slug is the non-service cost elements of our pension programs globally go through there. So that movement you’re seeing quarter-to-quarter and year-to-year, I think I mentioned in the comments that were pre-released, some of that is just the timing of when our compensation changes come through. Some of it is money we’re spending on initiatives that benefit the whole company, and that’s why they show up in that other area.

Jeffrey Zekauskas
Analyst, JPMorgan Securities LLC

I didn’t mean the other activities in the operating profit line. I meant the other activities in the equity earnings line.

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

Yeah, and that one — yeah, Jeff, that’s primarily related to our InfraServ affiliates. So, Chris, do you want to cover that one?

Chris Jensen
Senior Vice President, Finance, Celanese Corp.

Yeah, there are several, and one of them is particularly large investments in these InfraServ companies over in Germany who manage site operations, site infrastructure for multi-plant chemical sites. And we have partial ownership in some of those operations. So if you’re looking at the increase that you see there quarter-on-quarter, that mostly relates to a debt restructuring that happened clear down at a subsidiary level underneath one of those investments. It was a situation where they had the opportunity to favorably restructure their debt. There was a big gain that came through. It’s about $48 million for the company, and most of it shows up in that other line that you’re seeing.
Jeffrey Zekauskas  
*Analyst, JPMorgan Securities LLC*

**Q**

May be I can follow up. So my second question is, and I guess a question for Mark. When you look at the European economy and the Chinese economy, do you now see them on a much firmer footing, or do you have a different view? How do you see your demand from those two regions in particular going forward?

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

**A**

Yeah, Jeff, if we just look at that, through the first half of this year, every economy in the world is better for every business we have year-over-year with the exception of Brazil where we're seeing some slowdown, some systemic slowdowns that are impacting automobile industry there and most of our business there is auto-related.

In Europe, Europe has certainly learned to manage their debt crisis or seems to be managing their debt crisis in a way that there's more certainty throughout the EU in the future. Of course, we are big players in the Engineered Materials space there and the auto space, and that has been classically pretty good although we're seeing some trends down year-over-year on automotives there that will probably impact us a bit in the second half. But if you look at coatings, if you look at C1 chemistry derivatives, generally speaking, Europe is doing fine, and some signs of life in regions of Europe that have been pretty stagnant. So we're pretty pleased with Europe.

India is better, Jeff. Part of that is just pure optimism over Modi, but I think it is sort of the nature of being down for so long, things have started picking up again. They seem to have more confidence to make investments there that certainly had not been in place. Southeast Asia seems to be doing well. We're particularly pleased with our progress in Indonesia as an example, and feel pretty good about the election change that's occurred there and then what that means for that economy.

In China, yeah, China is getting better, Jeff. I think there is tremendous support for the Chinese government by the citizens of that country. There is a strong view that premier has the mandate to address the economic and social challenges of the country, and they're giving him lots of latitude to do that. His moves against corruption there have been really positive and have been well received. So we feel good about China and one of the things I will say that — and maybe this is wishful thinking is that the move on the part of the Chinese government to address some of the poor legacy investment decisions that may tighten up liquidity a bit, I think, is creating an environment where businesses are making more rational decisions now than they used to make. At least it seems that way to me.

We're not seeing a lot of crazy investments in our space, investments that would guarantee to have no return. That just doesn't seem to be happening right now. So industries are getting a bit tighter, and pricing has more of a flavor associated with return on capital to it today than it used to have. So we feel pretty good about the world notwithstanding some of the craziness that's going on in some parts of it right now.

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Jeffrey Zekauskas  
*Analyst, JPMorgan Securities LLC*

**Q**

Okay. Thank you very much.

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

**A**

Thanks, Jeff.
Jon Puckett  
Vice President-Investor Relations, Celanese Corp.

Thanks, Jeff. And, Laura, let's move to the next question, and we'll have that to be the last set of questions.

Operator: Okay. Then, our final question will come from Hassan Ahmed from Alembic Global.

Hassan I. Ahmed  
Analyst, Alembic Global Advisors LLC

Thanks so much. Mark, just wanted to revisit AI. More specifically, your guidance for the second half of the year, I mean, so $165 million in EBITDA going down to what you referred to as a more normal quarterly run rate of $110 million to $120 million. So I just wanted to get a sense of sort of what really is embedded in that guidance with regards to how much of that decline is coming from, call it, moderating acetyl pricing or how much of that is from, let's say, higher methanol prices.

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

Hassan, I think your – there's nothing wrong with your question, but I'm probably not smart enough to answer it. What I'll tell you directionally is that we think we're roughly the same. We're trending down just a little bit, and in AI second quarter to third quarter. And we think it'll be a deeper trend down in the fourth quarter in some of these great companies out there that have not been able to run their plants are getting back and operational. And when we do that math and kind of roll it all up, we get our earnings in the second half to be a little bit less than our earnings in the first half and that kind of gives us the forecast that we have out there.

Hassan I. Ahmed  
Analyst, Alembic Global Advisors LLC

But I mean, more specifically on just the raw side of things, are you expecting any headwinds from raws, will it be a tailwind?

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

No, no, I'm not expecting any headwinds in raws nor am I expecting any core favorability either. I mean, I think within that norm, we go out there and we try to make sure we cover if we have headwinds and if we have – we always try to make money. So if we get an extra $0.01 that comes through some raw material, that's great, which I'll put on my back pocket. But, no, I wouldn't think you're – there's nothing wrong, again, with your question. But I think our ability to be real specific with that is just a bit of a challenge.

So I'll give you an example. In the – if you look at it from a second quarter to the third quarter for our corporation as a whole, we think we're going to be may be a little bit favorable in the third quarter versus the second quarter in raws. That's maybe [ph] an update (41:12). By the same token, if I look at that in the second half versus the first half, there we're going to be impacted maybe to the tune of $20 million as we see some real changes in some of the fundamental materials in different spots of the world. So that kind of volatility we see moving through these numbers, all of which we try to just manage on a day-to-day basis.

Hassan I. Ahmed  
Analyst, Alembic Global Advisors LLC

Understood.
Hassan, let me add one thing there too. When you asked your question, I think I heard you say $165 million of EBITDA versus Mark's $110 million or $120 million. When he said $110 million to $120 million, he was talking about EBIT. $165 million was our EBITDA.

**Hassan I. Ahmed**  
*Analyst, Alembic Global Advisors LLC*

Understood, understood.

**Chris Jensen**  
*Senior Vice President, Finance, Celanese Corp.*

So there's $20 million there.

**Hassan I. Ahmed**  
*Analyst, Alembic Global Advisors LLC*

Understood. Understood. Fair enough. Now, just on the guidance for 2015, the sort of earnings hit guidance from the contract expiration. Just wanted to get a sense of what does that bake in, in terms of operations at the new facility? Does that bake in sort of normal operations come in Q4 because you were quite specific in saying the plant should be sort of ready by September and operational in October. So does that factor in sort of a full fourth quarter of normal operations?

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

Yeah, that's exactly right. So what we have said when we worked our schedule out that we will be fully exposed for one quarter to commercial methanol prices of next year. And then there'll be one quarter next year, this will be the fourth where we'll have operational, our facility, that will cover two-thirds of that domestic methanol, and the other third will be exposed to them. That's how we do the math in there. Of course, I can't guarantee that day-to-day, but that's our best guesstimate on that date. So each day that moves around, let's call it $0.5 million, is the kind of volatility there. The other one you've got is nat gas, and actually methanol cost in the U.S.

**Hassan I. Ahmed**  
*Analyst, Alembic Global Advisors LLC*

Sure.

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

Those are the three factors that go into that math.

**Hassan I. Ahmed**  
*Analyst, Alembic Global Advisors LLC*

Understood. And a final one if I may. Obviously, we saw Westlake announce an MLP, favorable reaction to that. Within the methanol domain you have an MLP, an OCIP, a good multiple there. Now, as you're starting up this methanol facility and considering potentially another methanol facility, any thoughts regarding sort of filing for an MLP for those?
Mark C. Rohr  
Chairman & Chief Executive Officer, Celanese Corp.

Yeah. Chris, you want to...

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

Yeah, so...

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

I mean, we certainly have looked at – not for the first and the second, but the first is done without the second.

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

Yeah, Hassan, I just wanted to step back and say, first of all, the timing if we did something like that would be quite a ways out, right? I mean, these things have to be fully operational making money before you can go try to sell shares in an MLP.

Hassan I. Ahmed  
Analyst, Alembic Global Advisors LLC

Sure.

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

I just want to make sure everybody is aware of that, that this would be years out. It is something we've looked at. We're sharpening our pencils on that. One other things we'd want you to know that we think about is the fact that entering into space is a trade between getting paid now. And, again, we understand the concept of the multiples that happen in these deals versus having appropriate pricing on our methanol that we need going forward. And that's what we look at.

Hassan I. Ahmed  
Analyst, Alembic Global Advisors LLC

Understood, understood. Thank you so much, guys.

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

Thanks a lot. Appreciate your questions.

Chris Jensen  
Senior Vice President, Finance, Celanese Corp.

Thanks, Hassan.

Jon Puckett  
Vice President-Investor Relations, Celanese Corp.
So with that, that's the last question, so we'll wrap up here. Folks, I'll be around to take calls later as well as Mark and Chris. So just let us know what's on your minds. Thanks for your time this morning.

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

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