Celanese Corp
Form 10-Q
April 18, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Commission File Number) 001-32410

CELANESE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| Delaware | 98-0420726 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| 222 W. Las Colinas Blvd., Suite 900N<br>Irving, TX<br>(Address of Principal Executive Offices) | 75039-5421<br>(Zip Code) |

(972) 443-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | |
|---|---|---|---|---|
| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o | Smaller reporting company o | Emerging growth company o |

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of outstanding shares of the registrant's Series A common stock, $0.0001 par value, as of April 11, 2017 was 139,453,306.

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CELANESE CORPORATION AND SUBSIDIARIES
Form 10-Q
For the Quarterly Period Ended March 31, 2017
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Item 1. Financial Statements
CELANESE CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In $ millions, except share and per share data) | |
| Net sales | 1,471 | 1,404 |
| Cost of sales | (1,119) | (1,014) |
| Gross profit | 352 | 390 |
| Selling, general and administrative expenses | (83) | (80) |
| Amortization of intangible assets | (4) | (2) |
| Research and development expenses | (17) | (19) |
| Other (charges) gains, net | (55) | (5) |
| Foreign exchange gain (loss), net | — | 3 |
| Gain (loss) on disposition of businesses and assets, net | (1) | — |
| Operating profit (loss) | 192 | 287 |
| Equity in net earnings (loss) of affiliates | 47 | 38 |
| Interest expense | (29) | (33) |
| Refinancing expense | — | (2) |
| Interest income | — | 1 |
| Dividend income - cost investments | 29 | 27 |
| Other income (expense), net | 1 | — |
| Earnings (loss) from continuing operations before tax | 240 | 318 |
| Income tax (provision) benefit | (56) | (60) |
| Earnings (loss) from continuing operations | 184 | 258 |
| Earnings (loss) from operation of discontinued operations | — | 1 |
| Income tax (provision) benefit from discontinued operations | — | — |
| Earnings (loss) from discontinued operations | — | 1 |
| Net earnings (loss) | 184 | 259 |
| Net (earnings) loss attributable to noncontrolling interests | (1) | (2) |
| Net earnings (loss) attributable to Celanese Corporation | 183 | 257 |
| Amounts attributable to Celanese Corporation | | |
| Earnings (loss) from continuing operations | 183 | 256 |
| Earnings (loss) from discontinued operations | — | 1 |
| Net earnings (loss) | 183 | 257 |
| Earnings (loss) per common share - basic | | |
| Continuing operations | 1.30 | 1.74 |
| Discontinued operations | — | — |
| Net earnings (loss) - basic | 1.30 | 1.74 |
| Earnings (loss) per common share - diluted | | |
| Continuing operations | 1.30 | 1.73 |
| Discontinued operations | — | — |
| Net earnings (loss) - diluted | 1.30 | 1.73 |
| Weighted average shares - basic | 140,643,860 | 147,413,234 |
| Weighted average shares - diluted | 140,997,403 | 148,131,114 |

See the accompanying notes to the unaudited interim consolidated financial statements.

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CELANESE CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In $ millions) | |
| Net earnings (loss) | 184 | 259 |
| Other comprehensive income (loss), net of tax | | |
| Unrealized gain (loss) on marketable securities | — | 1 |
| Foreign currency translation | 28 | 64 |
| Gain (loss) on cash flow hedges | (2 ) | — |
| Pension and postretirement benefits | 5 | — |
| Total other comprehensive income (loss), net of tax | 31 | 65 |
| Total comprehensive income (loss), net of tax | 215 | 324 |
| Comprehensive (income) loss attributable to noncontrolling interests | (1 ) | (2 ) |
| Comprehensive income (loss) attributable to Celanese Corporation | 214 | 322 |

See the accompanying notes to the unaudited interim consolidated financial statements.

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CELANESE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions, except share data) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (variable interest entity restricted - 2017: $13; 2016: $18) | 501 | 638 |
| Trade receivables - third party and affiliates (net of allowance for doubtful accounts - 2017: $6; 2016: $6; variable interest entity restricted - 2017: $5; 2016: $4) | 886 | 801 |
| Non-trade receivables, net | 216 | 223 |
| Inventories | 717 | 720 |
| Marketable securities, at fair value | 31 | 30 |
| Other assets | 38 | 60 |
| Total current assets | 2,389 | 2,472 |
| Investments in affiliates | 874 | 852 |
| Property, plant and equipment (net of accumulated depreciation - 2017: $2,307; 2016: $2,239; variable interest entity restricted - 2017: $724; 2016: $734) | 3,571 | 3,577 |
| Deferred income taxes | 154 | 159 |
| Other assets (variable interest entity restricted - 2017: $8; 2016: $9) | 308 | 307 |
| Goodwill | 800 | 796 |
| Intangible assets (net of accumulated amortization - 2017: $531; 2016: $524; variable interest entity restricted - 2017: $26; 2016: $26) | 192 | 194 |
| Total assets | 8,288 | 8,357 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings and current installments of long-term debt - third party and affiliates | 107 | 118 |
| Trade payables - third party and affiliates | 615 | 625 |
| Other liabilities | 262 | 322 |
| Income taxes payable | 31 | 12 |
| Total current liabilities | 1,015 | 1,077 |
| Long-term debt, net of unamortized deferred financing costs | 2,851 | 2,890 |
| Deferred income taxes | 140 | 130 |
| Uncertain tax positions | 138 | 131 |
| Benefit obligations | 866 | 893 |
| Other liabilities | 237 | 215 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Preferred stock, $0.01 par value, 100,000,000 shares authorized (2017 and 2016: 0 issued and outstanding) | — | — |
| Series A common stock, $0.0001 par value, 400,000,000 shares authorized (2017: 167,965,429 issued and 139,552,553 outstanding; 2016: 167,611,357 issued and 140,660,447 outstanding) | — | — |
| Series B common stock, $0.0001 par value, 100,000,000 shares authorized (2017 and 2016: 0 issued and outstanding) | — | — |
| Treasury stock, at cost (2017: 28,412,876 shares; 2016: 26,950,910 shares) | (1,662) | (1,531) |
| Additional paid-in capital | 149 | 157 |

| | | |
|---|---|---|
| Retained earnings | 4,451 | 4,320 |
| Accumulated other comprehensive income (loss), net | (327 ) | (358 ) |
| Total Celanese Corporation stockholders' equity | 2,611 | 2,588 |
| Noncontrolling interests | 430 | 433 |
| Total equity | 3,041 | 3,021 |
| Total liabilities and equity | 8,288 | 8,357 |

See the accompanying notes to the unaudited interim consolidated financial statements.

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CELANESE CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF EQUITY

| | Three Months Ended March 31, 2017 | |
|---|---|---|
| | Shares | Amount |
| | (In $ millions, except share data) | |
| Series A Common Stock | | |
| Balance as of the beginning of the period | 140,660,447 | — |
| Stock option exercises | 12,500 | — |
| Purchases of treasury stock | (1,461,966) | — |
| Stock awards | 341,572 | — |
| Balance as of the end of the period | 139,552,553 | — |
| Treasury Stock | | |
| Balance as of the beginning of the period | 26,950,910 | (1,531) |
| Purchases of treasury stock, including related fees | 1,461,966 | (131) |
| Balance as of the end of the period | 28,412,876 | (1,662) |
| Additional Paid-In Capital | | |
| Balance as of the beginning of the period | | 157 |
| Stock-based compensation, net of tax | | (8) |
| Stock option exercises, net of tax | | — |
| Balance as of the end of the period | | 149 |
| Retained Earnings | | |
| Balance as of the beginning of the period | | 4,320 |
| Cumulative effect adjustment from adoption of new accounting standard (Note 2) | | (1) |
| Net earnings (loss) attributable to Celanese Corporation | | 183 |
| Series A common stock dividends | | (51) |
| Balance as of the end of the period | | 4,451 |
| Accumulated Other Comprehensive Income (Loss), Net | | |
| Balance as of the beginning of the period | | (358) |
| Other comprehensive income (loss), net of tax | | 31 |
| Balance as of the end of the period | | (327) |
| Total Celanese Corporation stockholders' equity | | 2,611 |
| Noncontrolling Interests | | |
| Balance as of the beginning of the period | | 433 |
| Net earnings (loss) attributable to noncontrolling interests | | 1 |
| (Distributions to) contributions from noncontrolling interests | | (4) |
| Balance as of the end of the period | | 430 |
| Total equity | | 3,041 |

See the accompanying notes to the unaudited interim consolidated financial statements.

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CELANESE CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended March 31, 2017 | 2016 |
|---|---|---|
| | (In $ millions) | |
| Operating Activities | | |
| Net earnings (loss) | 184 | 259 |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities | | |
| Asset impairments | — | — |
| Depreciation, amortization and accretion | 72 | 74 |
| Pension and postretirement net periodic benefit cost | (20) | (13) |
| Pension and postretirement contributions | (11) | (14) |
| Deferred income taxes, net | 14 | (2) |
| (Gain) loss on disposition of businesses and assets, net | 1 | — |
| Stock-based compensation | 10 | 10 |
| Undistributed earnings in unconsolidated affiliates | 3 | (1) |
| Other, net | 2 | 4 |
| Operating cash provided by (used in) discontinued operations | (1) | (1) |
| Changes in operating assets and liabilities | | |
| Trade receivables - third party and affiliates, net | (79) | (111) |
| Inventories | 9 | 29 |
| Other assets | 21 | 40 |
| Trade payables - third party and affiliates | 6 | (8) |
| Other liabilities | (19) | 21 |
| Net cash provided by (used in) operating activities | 192 | 287 |
| Investing Activities | | |
| Capital expenditures on property, plant and equipment | (62) | (70) |
| Acquisitions, net of cash acquired | — | — |
| Proceeds from sale of businesses and assets, net | 1 | — |
| Other, net | (3) | (5) |
| Net cash provided by (used in) investing activities | (64) | (75) |
| Financing Activities | | |
| Net change in short-term borrowings with maturities of 3 months or less | 6 | (344) |
| Proceeds from short-term borrowings | 7 | 8 |
| Repayments of short-term borrowings | (29) | (63) |
| Proceeds from long-term debt | — | 170 |
| Repayments of long-term debt | (53) | (177) |
| Purchases of treasury stock, including related fees | (128) | — |
| Stock option exercises | — | 1 |
| Series A common stock dividends | (51) | (44) |
| (Distributions to) contributions from noncontrolling interests | (4) | — |
| Other, net | (18) | (24) |
| Net cash provided by (used in) financing activities | (270) | (473) |
| Exchange rate effects on cash and cash equivalents | 5 | 10 |
| Net increase (decrease) in cash and cash equivalents | (137) | (251) |

| | | |
|---|---|---|
| Cash and cash equivalents as of beginning of period | 638 | 967 |
| Cash and cash equivalents as of end of period | 501 | 716 |

See the accompanying notes to the unaudited interim consolidated financial statements.

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CELANESE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
1. Description of the Company and Basis of Presentation
Description of the Company
Celanese Corporation and its subsidiaries (collectively, the "Company") is a global technology and specialty materials company. The Company's business involves processing chemical raw materials, such as methanol, carbon monoxide and ethylene, and natural products, including wood pulp, into value-added chemicals, thermoplastic polymers and other chemical-based products.
Definitions
In this Quarterly Report on Form 10-Q ("Quarterly Report"), the term "Celanese" refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries. The term "Celanese US" refers to the Company's subsidiary, Celanese US Holdings LLC, a Delaware limited liability company, and not its subsidiaries.
Basis of Presentation
The unaudited interim consolidated financial statements for the three months ended March 31, 2017 and 2016 contained in this Quarterly Report were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for all periods presented and include the accounts of the Company, its majority owned subsidiaries over which the Company exercises control and, when applicable, variable interest entities in which the Company is the primary beneficiary. The unaudited interim consolidated financial statements and other financial information included in this Quarterly Report, unless otherwise specified, have been presented to separately show the effects of discontinued operations.
In the opinion of management, the accompanying unaudited consolidated balance sheets and related unaudited interim consolidated statements of operations, comprehensive income (loss), cash flows and equity include all adjustments, consisting only of normal recurring items necessary for their fair presentation in conformity with US GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP may have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as of and for the year ended December 31, 2016, filed on February 10, 2017 with the SEC as part of the Company's Annual Report on Form 10-K.
Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the entire year.
In the ordinary course of business, the Company enters into contracts and agreements relative to a number of topics, including acquisitions, dispositions, joint ventures, supply agreements, product sales and other arrangements. The Company endeavors to describe those contracts or agreements that are material to its business, results of operations or financial position. The Company may also describe some arrangements that are not material but in which the Company believes investors may have an interest or which may have been included in a Form 8-K filing. Investors should not assume the Company has described all contracts and agreements relative to the Company's business in this Quarterly Report.
For those consolidated ventures in which the Company owns or is exposed to less than 100% of the economics, the outside stockholders' interests are shown as noncontrolling interests.
The Company has reclassified certain prior period amounts to conform to the current period's presentation.
Estimates and Assumptions
The preparation of unaudited interim consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of Net sales, expenses and allocated charges during the reporting period. Significant estimates pertain to impairments of goodwill, intangible assets and other long-lived assets, purchase price allocations, restructuring costs and other (charges) gains, net, income taxes, pension and other postretirement benefits, asset retirement obligations, environmental liabilities and loss contingencies, among others. Actual results could differ from those estimates.

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Change in accounting policy regarding share-based compensation
Historically, the Company recognized share-based compensation net of estimated forfeitures over the vesting period of the respective grant. Effective January 1, 2017, the Company elected to change its accounting policy to recognize forfeitures as they occur. The new forfeiture policy election was adopted using a modified retrospective approach with a cumulative effect adjustment of $1 million to Retained earnings as of January 1, 2017. See Note 2 - Recent Accounting Pronouncements for further information.
2. Recent Accounting Pronouncements
The following table provides a brief description of recent Accounting Standard Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"):

| Standard | Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|---|
| In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. | The new guidance clarifies the presentation and classification of the components of net periodic benefit costs in the consolidated statement of operations. | January 1, 2018. Early adoption is permitted. | The Company is currently evaluating the impact of adoption on its financial statements and related disclosures. |
| In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory. | The new guidance requires the income tax consequences of an intra-entity transfer of assets other than inventory to be recognized when the transfer occurs rather than deferring until an outside sale has occurred. | January 1, 2018. Early adoption is permitted. | The Company does not expect adoption will have a material impact on its financial statements and related disclosures. |
| In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. | The new guidance clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. | January 1, 2018. Early adoption is permitted. | The Company does not expect adoption will have a material impact on its financial statements and related disclosures. |
| In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. | The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the timing of recognizing income tax consequences, classification of awards as either equity or liabilities, calculation of compensation expense and classification on the statement of cash flows. | January 1, 2017. Early adoption is permitted. | The Company adopted the new guidance effective January 1, 2017, as part of the FASB's simplification initiative. The adoption of the new guidance did not have a material impact to the Company.<br><br>The Company changed its accounting policy regarding the recognition of stock-based compensation expense as part of the adoption (Note 1). |
| In February 2016, the FASB issued ASU | The new guidance supersedes the lease guidance under FASB | January 1, 2019. Early | The Company is currently evaluating its population of leases, and is |

| | | | |
|---|---|---|---|
| 2016-02, Leases. | Accounting Standards Codification ("ASC") Topic 840, Leases, resulting in the creation of FASB ASC Topic 842, Leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases. | adoption is permitted. | continuing to assess all potential impacts of the standard, but currently believes the most significant impact relates to its accounting for manufacturing and logistics equipment, and real estate operating leases. The Company anticipates recognition of additional assets and corresponding liabilities related to leases upon adoption. The Company plans to adopt the standard effective January 1, 2019. |
| In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. Since that date, the FASB has issued additional ASUs clarifying certain aspects of ASU 2014-09. | The new guidance requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new guidance provides alternative methods of adoption. Subsequent guidance issued after May 2014 did not change the core principle of ASU 2014-09. | January 1, 2018. Earlier adoption was permitted, but not before December 15, 2016. | The Company is currently scoping its revenue contracts to assess the potential impact on its consolidated financial statements. The Company plans to adopt the revenue guidance effective January 1, 2018, although it has not yet selected a transition method. The Company currently does not expect the adoption to have a material impact on its consolidated financial statements, as a majority of its revenue transactions are recognized when product is delivered. |

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3. Acquisitions, Dispositions and Plant Closures
Acquisitions
• SO.F.TER. S.p.A.
In December 2016, the Company acquired 100% of the stock of the Forli, Italy based SO.F.TER. S.p.A. ("SOFTER"), a leading thermoplastic compounder. The acquisition of SOFTER increases the Company's global engineered materials product platforms, extends the operational model, technical and industry solutions capabilities and expands project pipelines. The acquisition was accounted for as a business combination and the acquired operations are included in the Advanced Engineered Materials segment. The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The purchase price allocation was based on preliminary information and is subject to change if additional information about the facts and circumstances that existed at the acquisition date becomes available. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill. During the three months ended March 31, 2017, the Company made adjustments to its purchase price allocation which primarily resulted in an increase of $3 million in property, plant and equipment and a reduction to goodwill of the same amount. Any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations.
• Nilit Plastics
On February 1, 2017, the Company signed a definitive agreement to acquire the nylon compounding division of Nilit Group, an independent producer of high performance nylon, resins, fibers and compounds. Subject to closing conditions, Celanese will acquire Nilit Plastics' nylon compounding product portfolio, customer agreements and manufacturing, technology and commercial facilities. The acquisition will be funded from cash on hand and from borrowings under the Company's senior unsecured revolving credit facility. The acquired operations will be included in the Advanced Engineered Materials segment. The Company expects the acquisition to close in the second quarter of 2017, subject to regulatory approvals and other customary closing conditions, and does not expect the acquisition to be material to its 2017 financial position or results of operations.
4. Ventures and Variable Interest Entities
Consolidated Variable Interest Entities
The Company has a joint venture, Fairway Methanol LLC ("Fairway"), with Mitsui & Co., Ltd., of Tokyo, Japan ("Mitsui"), in which the Company owns 50% of Fairway, for the production of methanol at the Company's integrated chemical plant in Clear Lake, Texas. The methanol unit utilizes natural gas in the US Gulf Coast region as a feedstock and benefits from the existing infrastructure at the Company's Clear Lake facility. Both Mitsui and the Company supply their own natural gas to Fairway in exchange for methanol tolling under a cost-plus off-take arrangement.
The Company determined that Fairway is a variable interest entity ("VIE") in which the Company is the primary beneficiary. Under the terms of the joint venture agreements, the Company provides site services and day-to-day operations for the methanol facility. In addition, the joint venture agreements provide that the Company indemnifies Mitsui for environmental obligations that exceed a specified threshold, as well as an equity option between the partners. Accordingly, the Company consolidates the venture and records a noncontrolling interest for the share of the venture owned by Mitsui. Fairway is included in the Company's Acetyl Intermediates segment.

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The carrying amount of the assets and liabilities associated with Fairway included in the unaudited consolidated balance sheets are as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Cash and cash equivalents | 13 | 18 |
| Trade receivables, net - third party & affiliate | 10 | 8 |
| Property, plant and equipment (net of accumulated depreciation - 2017: $60; 2016: $50) | 724 | 734 |
| Intangible assets (net of accumulated amortization - 2017: $1; 2016: $1) | 26 | 26 |
| Other assets | 8 | 9 |
| Total assets[1] | 781 | 795 |
| | | |
| Trade payables | 7 | 15 |
| Other liabilities[2] | 2 | 2 |
| Total debt | 5 | 5 |
| Deferred income taxes | 3 | 2 |
| Total liabilities | 17 | 24 |

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[1] Assets can only be used to settle the obligations of Fairway.

[2] Primarily represents amounts owed by Fairway to the Company for reimbursement of expenditures.

Nonconsolidated Variable Interest Entities

The Company holds variable interests in entities that supply certain raw materials and services to the Company. The variable interests primarily relate to cost-plus contractual arrangements with the suppliers and recovery of capital expenditures for certain plant assets plus a rate of return on such assets. Liabilities for such supplier recoveries of capital expenditures have been recorded as capital lease obligations. The entities are not consolidated because the Company is not the primary beneficiary of the entities as it does not have the power to direct the activities of the entities that most significantly impact the entities' economic performance. The Company's maximum exposure to loss as a result of its involvement with these VIEs as of March 31, 2017 relates primarily to the recovery of capital expenditures for certain property, plant and equipment.

The carrying amount of the assets and liabilities associated with the obligations to nonconsolidated VIEs, as well as the maximum exposure to loss relating to these nonconsolidated VIEs are as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Property, plant and equipment, net | 58 | 60 |
| | | |
| Trade payables | 38 | 53 |
| Current installments of long-term debt | 10 | 10 |
| Long-term debt | 88 | 91 |
| Restructuring reserves (Note 13) | 27 | — |
| Total liabilities | 163 | 154 |
| | | |
| Maximum exposure to loss | 221 | 240 |

The difference between the total liabilities associated with obligations to nonconsolidated VIEs and the maximum exposure to loss primarily represents take-or-pay obligations for services included in the Company's unconditional purchase obligations (Note 17).

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5. Marketable Securities, at Fair Value

The Company's nonqualified trusts hold available-for-sale securities for funding requirements of the Company's nonqualified pension plans (Note 10) as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Amortized cost | 31 | 30 |
| Gross unrealized gain | — | — |
| Gross unrealized loss | — | — |
| Fair value | 31 | 30 |

6. Inventories

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Finished goods | 508 | 506 |
| Work-in-process | 41 | 45 |
| Raw materials and supplies | 168 | 169 |
| Total | 717 | 720 |

7. Current Other Liabilities

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Asset retirement obligations | 19 | 9 |
| Benefit obligations (Note 10) | 31 | 31 |
| Customer rebates | 31 | 51 |
| Derivatives (Note 15) | 3 | 3 |
| Environmental (Note 11) | 13 | 14 |
| Insurance | 5 | 6 |
| Interest | 21 | 15 |
| Restructuring (Note 13) | 14 | 16 |
| Salaries and benefits | 53 | 97 |
| Sales and use tax/foreign withholding tax payable | 21 | 21 |
| Other | 51 | 59 |
| Total | 262 | 322 |

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8. Noncurrent Other Liabilities

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Asset retirement obligations | 10 | 20 |
| Deferred proceeds | 41 | 41 |
| Deferred revenue | 9 | 9 |
| Environmental (Note 11) | 50 | 50 |
| Income taxes payable | 6 | 6 |
| Insurance | 48 | 46 |
| Restructuring (Note 13) | 20 | — |
| Other | 53 | 43 |
| Total | 237 | 215 |

9. Debt

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Short-Term Borrowings and Current Installments of Long-Term Debt - Third Party and Affiliates | | |
| Current installments of long-term debt | 34 | 27 |
| Short-term borrowings, including amounts due to affiliates[1] | 73 | 68 |
| Short-term SOFTER bank loans (Note 3)[2] | — | 23 |
| Total | 107 | 118 |

[1] The weighted average interest rate was 2.9% and 3.1% as of March 31, 2017 and December 31, 2016, respectively.
[2] The weighted average interest rate was 1.2% as of December 31, 2016.

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| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Long-Term Debt | | |
| Senior unsecured term loan due 2021[1] | 500 | 500 |
| Senior unsecured notes due 2019, interest rate of 3.250% | 321 | 316 |
| Senior unsecured notes due 2021, interest rate of 5.875% | 400 | 400 |
| Senior unsecured notes due 2022, interest rate of 4.625% | 500 | 500 |
| Senior unsecured notes due 2023, interest rate of 1.125% | 800 | 788 |
| Pollution control and industrial revenue bonds due at various dates through 2030, interest rates ranging from 4.05% to 5.00% | 169 | 170 |
| SOFTER bank loans due at various dates through 2021 (Note 3)[2] | — | 47 |
| Obligations under capital leases due at various dates through 2054 | 215 | 217 |
| Subtotal | 2,905 | 2,938 |
| Unamortized debt issuance costs[3] | (20) | (21) |
| Current installments of long-term debt | (34) | (27) |
| Total | 2,851 | 2,890 |

(1) The margin for borrowings under the senior unsecured term loan due 2021 was 1.5% above LIBOR at current Company credit ratings.
(2) The weighted average interest rate was 1.6% as of December 31, 2016.
(3) Related to the Company's long-term debt, excluding obligations under capital leases.

Senior Credit Facilities

On July 15, 2016, Celanese, Celanese US and certain subsidiaries entered into a new senior credit agreement ("Credit Agreement") consisting of a $500 million senior unsecured term loan and a $1.0 billion senior unsecured revolving credit facility (with a letter of credit sublimit), each maturing in 2021. The Credit Agreement is guaranteed by Celanese, Celanese US and substantially all of its domestic subsidiaries (the "Subsidiary Guarantors").

The Company's debt balances and amounts available for borrowing under its senior unsecured revolving credit facility are as follows:

| | As of March 31, 2017 |
|---|---|
| | (In $ millions) |
| Revolving Credit Facility | |
| Borrowings outstanding | — |
| Letters of credit issued | — |
| Available for borrowing[1] | 1,000 |

(1) The margin for borrowings under the senior unsecured revolving credit facility was 1.5% above LIBOR at current Company credit ratings.

Senior Notes

The Company has outstanding senior unsecured notes, issued in public offerings registered under the Securities Act of 1933 ("Securities Act"), as amended (collectively, the "Senior Notes"). The Senior Notes were issued by Celanese US and are guaranteed on a senior unsecured basis by Celanese and the Subsidiary Guarantors.

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Accounts Receivable Securitization Facility

The Company has a US accounts receivable securitization facility involving receivables of certain of its domestic subsidiaries of the Company transferred to a wholly-owned, "bankruptcy remote" special purpose subsidiary of the Company ("SPE"). The securitization facility, which permits cash borrowings and letters of credit, expires in July 2019.

The Company's debt balances and amounts available for borrowing under its securitization facility are as follows:

| | As of March 31, 2017 |
|---|---|
| | (In $ millions) |
| Accounts Receivable Securitization Facility | |
| Borrowings outstanding | — |
| Letters of credit issued | 45 |
| Available for borrowing | 58 |
| Total borrowing base | 103 |
| Maximum borrowing base[(1)] | 120 |

(1) Outstanding accounts receivable transferred to the SPE was $173 million.

Covenants

The Company's material financing arrangements contain customary covenants, including the maintenance of certain financial ratios, events of default and change of control provisions. Failure to comply with these covenants, or the occurrence of any other event of default, could result in acceleration of the borrowings and other financial obligations. The Company is in compliance with all of the covenants related to its debt agreements as of March 31, 2017.

10. Benefit Obligations

The components of net periodic benefit cost are as follows:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Pension Benefits | Post-retirement Benefits | Pension Benefits | Post-retirement Benefits |
| | (In $ millions) | | | |
| Service cost | 2 | — | 2 | — |
| Interest cost | 27 | — | 28 | 1 |
| Expected return on plan assets | (49) | — | (44) | — |
| Amortization of prior service cost (credit), net | — | — | — | (1) |
| Special termination benefit | — | — | 1 | — |
| Total | (20) | — | (13) | — |

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Benefit obligation funding is as follows:

| | As of March 31, 2017 | Total Expected 2017 |
|---|---|---|
| | (In $ millions) | |
| Cash contributions to defined benefit pension plans | 5 | 20 |
| Benefit payments to nonqualified pension plans | 5 | 22 |
| Benefit payments to other postretirement benefit plans | 1 | 4 |
| Cash contributions to German multiemployer defined benefit pension plans[(1)] | 2 | 7 |

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(1) The Company makes contributions based on specified percentages of employee contributions.

The Company's estimates of its US defined benefit pension plan contributions reflect the provisions of the Pension Protection Act of 2006.

## 11. Environmental

The Company is subject to environmental laws and regulations worldwide that impose limitations on the discharge of pollutants into the air and water, establish standards for the treatment, storage and disposal of solid and hazardous wastes, and impose record keeping and notification requirements. Failure to timely comply with these laws and regulations may expose the Company to penalties. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations and engages in an ongoing process of updating its controls to mitigate compliance risks. The Company is also subject to retained environmental obligations specified in various contractual agreements arising from the divestiture of certain businesses by the Company or one of its predecessor companies.

The components of environmental remediation reserves are as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Demerger obligations (Note 17) | 17 | 18 |
| Divestiture obligations (Note 17) | 16 | 16 |
| Active sites | 17 | 16 |
| US Superfund sites | 11 | 11 |
| Other environmental remediation reserves | 2 | 3 |
| Total | 63 | 64 |

### Remediation

Due to its industrial history and through retained contractual and legal obligations, the Company has the obligation to remediate specific areas on its own sites as well as on divested, demerger, orphan or US Superfund sites (as defined below). In addition, as part of the demerger agreement between the Company and Hoechst AG ("Hoechst"), a specified portion of the responsibility for environmental liabilities from a number of Hoechst divestitures was transferred to the Company (Note 17). The Company provides for such obligations when the event of loss is probable and reasonably estimable. The Company believes that environmental remediation costs will not have a material adverse effect on the financial position of the Company, but may have a material adverse effect on the results of operations or cash flows in any given period.

### US Superfund Sites

In the US, the Company may be subject to substantial claims brought by US federal or state regulatory agencies or private individuals pursuant to statutory authority or common law. In particular, the Company has a potential liability under the US Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and related state laws (collectively referred to as "Superfund") for investigation and cleanup costs at certain sites. At most of these sites, numerous companies, including the Company, or one of its predecessor companies, have been notified that the US Environmental Protection Agency ("EPA"), state governing bodies or private individuals consider such companies to be potentially responsible

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parties ("PRP") under Superfund or related laws. The proceedings relating to these sites are in various stages. The cleanup process has not been completed at most sites, and the status of the insurance coverage for some of these proceedings is uncertain. Consequently, the Company cannot accurately determine its ultimate liability for investigation or cleanup costs at these sites.

As events progress at each site for which it has been named a PRP, the Company accrues, as appropriate, a liability for site cleanup. Such liabilities include all costs that are probable and can be reasonably estimated. In establishing these liabilities, the Company considers the contaminants of concern, the potential impact thereof, the relationship of the contaminants of concern to its current and historic operations, its shipment of waste to a site, its percentage of total waste shipped to the site, the types of wastes involved, the conclusions of any studies, the magnitude of any remedial actions that may be necessary and the number and viability of other PRPs. Often the Company joins with other PRPs to sign joint defense agreements that settle, among PRPs, each party's percentage allocation of costs at the site. Although the ultimate liability may differ from the estimate, the Company routinely reviews the liabilities and revises the estimate, as appropriate, based on the most current information available.

One such site is the Diamond Alkali Superfund Site, which is comprised of a number of sub-sites, including the Lower Passaic River Study Area, which is the lower 17-mile stretch of the Passaic River ("Lower Passaic River Site"), and the Newark Bay Area. The Company and 70 other companies are parties to a May 2007 Administrative Order on Consent with the EPA to perform a Remedial Investigation/Feasibility Study ("RI/FS") at the Lower Passaic River Site in order to identify the levels of contaminants and potential cleanup actions, including the potential migration of contaminants between the Lower Passaic River Site and the Newark Bay Area. Work on the RI/FS is ongoing, with a goal to complete it in 2018.

In March 2016, the EPA issued its final Record of Decision concerning the remediation of the lower 8.3 miles of the Lower Passaic River Site ("Lower 8.3 Miles"). Pursuant to the EPA's Record of Decision, the Lower 8.3 Miles must be dredged bank to bank and an engineered cap must be installed at an EPA estimated cost of approximately $1.4 billion. The Company owned and/or operated facilities in the vicinity of the Lower 8.3 Miles, but has found no evidence that it contributed any of the primary contaminants of concern to the Passaic River. The Company is vigorously defending this matter and currently believes that its ultimate allocable share of the cleanup costs with respect to the Lower Passaic River Site, estimated at less than 1%, will not be material.

## 12. Stockholders' Equity

### Common Stock

The Company's Board of Directors follows a policy of declaring, subject to legally available funds, a quarterly cash dividend on each share of the Company's Series A common stock, par value $0.0001 per share ("Common Stock"), unless the Company's Board of Directors, in its sole discretion, determines otherwise.

The Company's Board of Directors approved increases in the Company's Common Stock cash dividend rates as follows:

| | Increase | Quarterly Common Stock Cash Dividend | Annual Common Stock Cash Dividend | Effective Date |
|---|---|---|---|---|
| | (In percentages) | (In $ per share) | | |
| April 2016 | 20 | 0.36 | 1.44 | May 2016 |

### Treasury Stock

| | Three Months Ended March 31, 2017 | 2016 | Total From February 2008 Through March 31, 2017 |
|---|---|---|---|
| Shares repurchased | 1,461,966 | — | 35,804,182 |
| Average purchase price per share | $ 89.95 | $ — | $ 54.93 |
| Shares repurchased (in $ millions) | $ 131 | $ — | $ 1,966 |
| Aggregate Board of Directors repurchase authorizations during the period (in $ millions)(1) | $ — | $ — | $ 2,366 |

(1) These authorizations give management discretion in determining the timing and conditions under which shares may be repurchased. This repurchase program began in February 2008 and does not have an expiration date.

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The purchase of treasury stock reduces the number of shares outstanding. The repurchased shares may be used by the Company for compensation programs utilizing the Company's stock and other corporate purposes. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of stockholders' equity.

Other Comprehensive Income (Loss), Net

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Gross Amount | Income Tax (Provision) Benefit | Net Amount | Gross Amount | Income Tax (Provision) Benefit | Net Amount |
| | (In $ millions) | | | | | |
| Unrealized gain (loss) on marketable securities | — | — | — | 1 | — | 1 |
| Foreign currency translation | 28 | — | 28 | 70 | (6 ) | 64 |
| Gain (loss) on cash flow hedges | (2 ) | — | (2 ) | — | — | — |
| Pension and postretirement benefits | 5 | — | 5 | — | — | — |
| Total | 31 | — | 31 | 71 | (6 ) | 65 |

Adjustments to Accumulated other comprehensive income (loss), net, are as follows:

| | Unrealized Gain (Loss) on Marketable Securities (Note 5) | Foreign Currency Translation | Gain (Loss) on Cash Flow Hedges (Note 15) | Pension and Postretirement Benefits (Note 10) | Accumulated Other Comprehensive Income (Loss), Net |
|---|---|---|---|---|---|
| | (In $ millions) | | | | |
| As of December 31, 2016 | 1 | (350 ) | 3 | (12 ) | (358 ) |
| Other comprehensive income (loss) before reclassifications | — | 28 | (1 ) | 5 | 32 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | — | (1 ) | — | (1 ) |
| Income tax (provision) benefit | — | — | — | — | — |
| As of March 31, 2017 | 1 | (322 ) | 1 | (7 ) | (327 ) |

13. Other (Charges) Gains, Net

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In $ millions) | |
| Employee termination benefits | (2 ) | (5 ) |
| Other plant/office closures | (53 ) | — |
| Total | (55 ) | (5 ) |

During the three months ended March 31, 2017 and 2016, the Company recorded $2 million and $5 million, respectively, of employee termination benefits primarily related to the Company's ongoing efforts to align its businesses around its core value drivers.

During the three months ended March 31, 2017, the Company provided notice of termination of a contract with a key raw materials supplier at its ethanol production unit in Nanjing, China. As a result, the Company recorded an estimated $53 million of plant/office closure costs primarily consisting of a $27 million contract termination charge and an $18 million reduction to its non-income tax receivable. The Nanjing, China ethanol production unit is included in the Company's Acetyl Intermediates segment.

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The changes in the restructuring reserves by business segment are as follows:

| | Advanced Engineered Materials | Consumer Specialties | Industrial Specialties | Acetyl Intermediates | Other | Total |
|---|---|---|---|---|---|---|
| | (In $ millions) | | | | | |
| Employee Termination Benefits | | | | | | |
| As of December 31, 2016 | 1 | 9 | 2 | 1 | 3 | 16 |
| Additions | — | 1 | — | — | 1 | 2 |
| Cash payments | — | (1) | (1) | — | (3) | (5) |
| Other changes | — | (8) | — | — | — | (8) |
| Exchange rate changes | — | — | — | — | — | — |
| As of March 31, 2017 | 1 | 1 | 1 | 1 | 1 | 5 |
| Other Plant/Office Closures | | | | | | |
| As of December 31, 2016 | — | — | — | — | — | — |
| Additions | — | — | — | 29 | — | 29 |
| Cash payments | — | — | — | — | — | — |
| Other changes | — | — | — | — | — | — |
| Exchange rate changes | — | — | — | — | — | — |
| As of March 31, 2017 | — | — | — | 29 | — | 29 |
| Total | 1 | 1 | 1 | 30 | 1 | 34 |

## 14. Income Taxes

| | Three Months Ended March 31, 2017 | 2016 |
|---|---|---|
| | (In percentages) | |
| Effective income tax rate | 23 | 19 |

The higher effective income tax rate for the three months ended March 31, 2017 compared to the same period in 2016 is primarily due to losses in jurisdictions with no tax benefit. The increase in losses primarily relates to the Company's notice of termination of a contract with a key raw materials supplier at its ethanol production unit in Nanjing, China (Note 13).

For the three months ended March 31, 2017, the Company's uncertain tax positions increased $7 million, primarily due to legislative changes in certain foreign jurisdictions and foreign exchange rate fluctuations.

The Company's US tax returns for the years 2009 through 2012 are currently under audit by the US Internal Revenue Service and certain of the Company's subsidiaries are under audit in jurisdictions outside of the US. In connection with the Company's US federal income tax audit for 2009 and 2010, the Company has received $192 million of proposed pre-tax adjustments related to various intercompany charges. In the event the Company is wholly unsuccessful in its defense, an actual tax assessment would result in the consumption of up to $67 million of prior foreign tax credit carryforwards. The Company believes these proposed adjustments to be without merit and is vigorously defending its position.

## 15. Derivative Financial Instruments

### Net Investment Hedges

The Company uses derivative instruments, such as foreign currency forwards, and non-derivative financial instruments, such as foreign currency denominated debt, that may give rise to foreign currency transaction gains or losses to hedge the foreign currency exposure of net investments in foreign operations. Accordingly, the effective portion of gains and losses from remeasurement of derivative and non-derivative financial instruments is included in foreign currency translation within Accumulated other comprehensive income (loss), net in the unaudited consolidated balance sheets. Gains and losses are reclassified to earnings in the period the hedged investment is sold or liquidated.

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The total notional amount of foreign currency denominated debt designated as a net investment hedge of net investments in foreign operations are as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In € millions) | |
| Total | 850 | 850 |

Derivatives Not Designated As Hedges

Foreign Currency Forwards and Swaps

Gross notional values of the foreign currency forwards and swaps not designated as hedges are as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Total | 457 | 508 |

Information regarding changes in the fair value of the Company's derivative and non-derivative instruments during the three months ended March 31, 2017 and 2016 is as follows:

| | Gain (Loss) Recognized in Other Comprehensive Income (Loss) | | Gain (Loss) Recognized in Earnings (Loss) | | |
|---|---|---|---|---|---|
| | Three Months Ended March 31, | | | | Statement of Operations Classification |
| | 2017 | 2016 | 2017 | 2016 | |
| | (In $ millions) | | | | |
| Designated as Cash Flow Hedges | | | | | |
| Commodity swaps | (1 ) | — | 1 | — | Cost of sales |
| Total | (1 ) | — | 1 | — | |
| Designated as Net Investment Hedges | | | | | |
| Foreign currency denominated debt (Note 9) | (13 ) | (6 ) | — | — | N/A |
| Total | (13 ) | (6 ) | — | — | |
| Not Designated as Hedges | | | | | |
| Foreign currency forwards and swaps | — | — | 1 | 7 | Foreign exchange gain (loss), net; Other income (expense), net |
| Total | — | — | 1 | 7 | |

See Note 16 - Fair Value Measurements for further information regarding the fair value of the Company's derivative instruments.

Certain of the Company's commodity swaps and foreign currency forwards and swaps permit the Company to net settle all contracts with the counterparty through a single payment in an agreed upon currency in the event of default or early termination of the contract, similar to a master netting arrangement.

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Information regarding the gross amounts of the Company's derivative instruments and the amounts offset in the unaudited consolidated balance sheets is as follows:

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Derivative Assets | | |
| Gross amount recognized | 7 | 14 |
| Gross amount offset in the consolidated balance sheets | 2 | 4 |
| Net amount presented in the consolidated balance sheets | 5 | 10 |
| Gross amount not offset in the consolidated balance sheets | 1 | 2 |
| Net amount | 4 | 8 |

| | As of March 31, 2017 | As of December 31, 2016 |
|---|---|---|
| | (In $ millions) | |
| Derivative Liabilities | | |
| Gross amount recognized | 5 | 7 |
| Gross amount offset in the consolidated balance sheets | 2 | 4 |
| Net amount presented in the consolidated balance sheets | 3 | 3 |
| Gross amount not offset in the consolidated balance sheets | 1 | 2 |
| Net amount | 2 | 1 |

16. Fair Value Measurements

The Company's financial assets and liabilities are measured at fair value on a recurring basis as follows:

Derivatives. Derivative financial instruments, including commodity swaps and foreign currency forwards and swaps, are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 fair value measurement inputs such as spot rates and foreign currency exchange rates. These market inputs are utilized in the discounted cash flow calculation considering the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for commodity swaps and foreign currency forwards and swaps are observable in the active markets and are classified as Level 2 in the fair value measurement hierarchy.

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| | Fair Value Measurement | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Total | Balance Sheet Classification |
| | (In $ millions) | | | |
| As of March 31, 2017 | | | | |
| Derivatives Designated as Cash Flow Hedges | | | | |
| Commodity swaps | — | 3 | 3 | Current Other assets |
| Derivatives Not Designated as Hedges | | | | |
| Foreign currency forwards and swaps | — | 2 | 2 | Current Other assets |
| Total assets | — | 5 | 5 | |
| Derivatives Not Designated as Hedges | | | | |
| Foreign currency forwards and swaps | — | (3) | (3) | Current Other liabilities |
| Total liabilities | — | (3) | (3) | |
| As of December 31, 2016 | | | | |
| Derivatives Designated as Cash Flow Hedges | | | | |
| Commodity swaps | — | 5 | 5 | Current Other assets |
| Derivatives Not Designated as Hedges | | | | |
| Foreign currency forwards and swaps | — | 5 | 5 | Current Other assets |
| Total assets | — | 10 | 10 | |
| Derivatives Not Designated as Hedges | | | | |
| Foreign currency forwards and swaps | — | (3) | (3) | Current Other liabilities |
| Total liabilities | — | (3) | (3) | |

Carrying values and fair values of financial instruments that are not carried at fair value are as follows:

| | | Fair Value Measurement | | |
|---|---|---|---|---|
| | Carrying Amount | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | Total |
| | (In $ millions) | | | |
| As of March 31, 2017 | | | | |
| Cost investments | 158 | — | — | — |
| Insurance contracts in nonqualified trusts | 49 | 49 | — | 49 |
| Long-term debt, including current installments of long-term debt | 2,905 | 2,796 | 215 | 3,011 |
| As of December 31, 2016 | | | | |
| Cost investments | 155 | — | — | — |
| Insurance contracts in nonqualified trusts | 49 | 49 | — | 49 |
| Long-term debt, including current installments of long-term debt | 2,938 | 2,826 | 217 | 3,043 |

In general, the cost investments included in the table above are not publicly traded and their fair values are not readily determinable; however, the Company believes the carrying values approximate or are less than the fair values. Insurance contracts in nonqualified trusts consist of long-term fixed income securities, which are valued using independent vendor pricing models with observable inputs in the active market and therefore represent a Level 2 fair value measurement. The fair value of long-term debt is based on valuations from third-party banks and market quotations and is classified as Level 2 in the fair value measurement hierarchy. The fair value of obligations under capital leases, which are included in long-term debt, is based on lease payments and discount rates, which are not observable in the market and therefore represents a Level 3 fair value measurement.

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As of March 31, 2017 and December 31, 2016, the fair values of cash and cash equivalents, receivables, trade payables, short-term borrowings and the current installments of long-term debt approximate carrying values due to the short-term nature of these instruments. These items have been excluded from the table with the exception of the current installments of long-term debt.

17. Commitments and Contingencies

Commitments

Guarantees

The Company has agreed to guarantee or indemnify third parties for environmental and other liabilities pursuant to a variety of agreements, including asset and business divestiture agreements, leases, settlement agreements and various agreements with affiliated companies. Although many of these obligations contain monetary and/or time limitations, others do not provide such limitations. The Company has accrued for all probable and reasonably estimable losses associated with all known matters or claims. These known obligations include the following:

• Demerger Obligations

In connection with the Hoechst demerger, the Company agreed to indemnify Hoechst, and its legal successors, for various liabilities under the demerger agreement, including for environmental liabilities associated with contamination arising either from environmental damage in general ("Category A") or under 19 divestiture agreements entered into by Hoechst prior to the demerger ("Category B") (Note 11).

The Company's obligation to indemnify Hoechst, and its legal successors, is capped under Category B at €250 million. If and to the extent the environmental damage should exceed €750 million in aggregate, the Company's obligation to indemnify Hoechst and its legal successors applies, but is then limited to 33.33% of the remediation cost without further limitations. Cumulative payments under the divestiture agreements as of March 31, 2017 are $76 million. Most of the divestiture agreements have become time barred and/or any notified environmental damage claims have been partially settled.

The Company has also undertaken in the demerger agreement to indemnify Hoechst and its legal successors for (i) 33.33% of any and all Category A liabilities that result from Hoechst being held as the responsible party pursuant to public law or current or future environmental law or by third parties pursuant to private or public law related to contamination and (ii) liabilities that Hoechst is required to discharge, including tax liabilities, which are associated with businesses that were included in the demerger but were not demerged due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. The Company has not been requested by Hoechst to make any payments in connection with this indemnification. Accordingly, the Company has not made any payments to Hoechst and its legal successors.

Based on the Company's evaluation of currently available information, including the lack of requests for indemnification, the Company cannot estimate the Possible Loss for the remaining demerger obligations, if any, in excess of amounts accrued.

• Divestiture Obligations

The Company and its predecessor companies agreed to indemnify third-party purchasers of former businesses and assets for various pre-closing conditions, as well as for breaches of representations, warranties and covenants. Such liabilities also include environmental liability, product liability, antitrust and other liabilities. These indemnifications and guarantees represent standard contractual terms associated with typical divestiture agreements and, other than environmental liabilities, the Company does not believe that they expose the Company to any significant risk (Note 11).

The Company has divested numerous businesses, investments and facilities through agreements containing indemnifications or guarantees to the purchasers. Many of the obligations contain monetary and/or time limitations, which extend through 2037. The aggregate amount of outstanding indemnifications and guarantees provided for under these agreements is $124 million as of March 31, 2017. Other agreements do not provide for any monetary or time limitations.

Based on the Company's evaluation of currently available information, including the number of requests for indemnification or other payment received by the Company, the Company cannot estimate the Possible Loss for the remaining divestiture obligations, if any, in excess of amounts accrued.

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Purchase Obligations

In the normal course of business, the Company enters into various purchase commitments for goods and services. The Company maintains a number of "take-or-pay" contracts for purchases of raw materials, utilities and other services. Certain of the contracts contain a contract termination buy-out provision that allows for the Company to exit the contracts for amounts less than the remaining take-or-pay obligations. Additionally, the Company has other outstanding commitments representing maintenance and service agreements, energy and utility agreements, consulting contracts and software agreements. As of March 31, 2017, the Company had unconditional purchase obligations of $2.0 billion, which extend through 2036.

Contingencies

The Company is involved in legal and regulatory proceedings, lawsuits, claims and investigations incidental to the normal conduct of business, relating to such matters as product liability, land disputes, commercial contracts, employment, antitrust or competition compliance, intellectual property, workers' compensation, chemical exposure, asbestos exposure, taxes, trade compliance, prior acquisitions and divestitures, claims of legacy stockholders, past waste disposal practices and release of chemicals into the environment. The Company is actively defending those matters where the Company is named as a defendant and, based on the current facts, does not believe the outcomes from these matters would be material to the Company's results of operations, cash flows or financial position.

18. Segment Information

| | Advanced Engineered Materials | Consumer Specialties | Industrial Specialties | Acetyl Intermediates | Other Activities | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | (In $ millions) | | | | | | |
| | Three Months Ended March 31, 2017 | | | | | | |
| Net sales | 487 | 218 | 245 [1] | 619 [1] | — | (98) | 1,471 |
| Other (charges) gains, net (Note 13) | — | (1) | — | (53) | (1) | — | (55) |
| Operating profit (loss) | 98 | 68 | 25 | 27 | (26) | — | 192 |
| Equity in net earnings (loss) of affiliates | 42 | 1 | — | 1 | 3 | — | 47 |
| Depreciation and amortization | 24 | 11 | 8 | 26 | 2 | — | 71 |
| Capital expenditures | 10 | 6 | 4 | 20 | 1 | — | 41 [2] |
| | As of March 31, 2017 | | | | | | |
| Goodwill and intangible assets, net | 516 | 245 | 46 | 185 | — | — | 992 |
| Total assets | 2,803 | 1,300 | 775 | 2,576 | 834 | — | 8,288 |
| | Three Months Ended March 31, 2016 | | | | | | |
| Net sales | 350 | 244 | 253 [1] | 663 [1] | — | (106) | 1,404 |
| Other (charges) gains, net (Note 13) | (1) | — | (1) | — | (3) | — | (5) |
| Operating profit (loss) | 88 | 78 | 31 | 114 | (24) | — | 287 |
| Equity in net earnings (loss) of affiliates | 31 | 1 | — | 1 | 5 | — | 38 |
| Depreciation and amortization | 24 | 11 | 8 | 27 | 3 | — | 73 |
| Capital expenditures | 19 | 9 | 18 | 9 | 3 | — | 58 [2] |
| | As of December 31, 2016 | | | | | | |
| Goodwill and intangible assets, net | 517 | 244 | 46 | 183 | — | — | 990 |
| Total assets | 2,792 | 1,324 | 758 | 2,440 | 1,043 | — | 8,357 |

(1)

Net sales for Acetyl Intermediates and Industrial Specialties include intersegment sales of $97 million and $1 million, respectively, for the three months ended March 31, 2017 and $106 million and $0 million, respectively, for the three months ended March 31, 2016.

(2) Includes a decrease in accrued capital expenditures of $21 million and $12 million for the three months ended March 31, 2017 and 2016, respectively.

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19. Earnings (Loss) Per Share

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In $ millions, except share data) | |
| Amounts attributable to Celanese Corporation | | |
| Earnings (loss) from continuing operations | 183 | 256 |