

Celanese Corp  
Form 10-Q  
July 26, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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

For the quarterly period ended June 30, 2016

Or

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 75039-5421  
Irving, TX (Zip Code)

(Address of Principal Executive Offices)  
(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 ☒ No ☐

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 ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The number of outstanding shares of the registrant's Series A common stock, \$0.0001 par value, as of July 20, 2016 was 144,736,671.

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CELANESE CORPORATION AND SUBSIDIARIES

Form 10-Q

For the Quarterly Period Ended June 30, 2016

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## Item 1. Financial Statements

## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
(In \$ millions, except share and per share data)				
Net sales	1,351	1,477	2,755	2,927
Cost of sales	(1,013	) (1,102	) (2,027	) (2,171
Gross profit	338	375	728	756
Selling, general and administrative expenses	(71	) (106	) (151	) (204
Amortization of intangible assets	(2	) (3	) (4	) (6
Research and development expenses	(19	) (59	) (38	) (79
Other (charges) gains, net	(4	) (10	) (9	) (15
Foreign exchange gain (loss), net	(1	) (3	) 2	—
Gain (loss) on disposition of businesses and assets, net	2	(6	) 2	(7
Operating profit (loss)	243	188	530	445
Equity in net earnings (loss) of affiliates	35	40	73	88
Interest expense	(30	) (30	) (63	) (57
Refinancing expense	—	—	(2	) —
Interest income	—	1	1	1
Dividend income - cost investments	29	26	56	54
Other income (expense), net	(2	) 2	(2	) 2
Earnings (loss) from continuing operations before tax	275	227	593	533
Income tax (provision) benefit	(52	) (24	) (112	) (96
Earnings (loss) from continuing operations	223	203	481	437
Earnings (loss) from operation of discontinued operations	—	(3	) 1	(3
Income tax (provision) benefit from discontinued operations	—	1	—	1
Earnings (loss) from discontinued operations	—	(2	) 1	(2
Net earnings (loss)	223	201	482	435
Net (earnings) loss attributable to noncontrolling interests	(2	) 4	(4	) 6
Net earnings (loss) attributable to Celanese Corporation	221	205	478	441
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	221	207	477	443
Earnings (loss) from discontinued operations	—	(2	) 1	(2
Net earnings (loss)	221	205	478	441
Earnings (loss) per common share - basic				
Continuing operations	1.51	1.35	3.25	2.89
Discontinued operations	—	(0.01	) —	(0.01
Net earnings (loss) - basic	1.51	1.34	3.25	2.88
Earnings (loss) per common share - diluted				
Continuing operations	1.50	1.34	3.24	2.87
Discontinued operations	—	(0.01	) —	(0.01
Net earnings (loss) - diluted	1.50	1.33	3.24	2.86
Weighted average shares - basic	146,482,612	153,480,175	146,947,923	153,349,071
Weighted average shares - diluted	147,065,688	153,990,933	147,592,531	153,945,466

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 June 30, 2016 2015		Six Months Ended June 30, 2016 2015	
	(In \$ millions)			
Net earnings (loss)	223	201	482	435
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on marketable securities	—	(1 )	1	(1 )
Foreign currency translation	(18 )	37	46	(119)
Gain (loss) on cash flow hedges	1	1	1	3
Pension and postretirement benefits	(1 )	4	(1 )	1
Total other comprehensive income (loss), net of tax	(18 )	41	47	(116)
Total comprehensive income (loss), net of tax	205	242	529	319
Comprehensive (income) loss attributable to noncontrolling interests	(2 )	4	(4 )	6
Comprehensive income (loss) attributable to Celanese Corporation	203	246	525	325

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 June 30, 2016	As of December 31, 2015
	(In \$ millions, except share data)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (variable interest entity restricted - 2016: \$23; 2015: \$7)	735	967
Trade receivables - third party and affiliates (net of allowance for doubtful accounts - 2016: \$5; 2015: \$6; variable interest entity restricted - 2016: \$5; 2015: \$6)	792	706
Non-trade receivables, net	217	285
Inventories	636	682
Deferred income taxes	—	68
Marketable securities, at fair value	35	30
Other assets	41	49
Total current assets	2,456	2,787
Investments in affiliates	842	838
Property, plant and equipment (net of accumulated depreciation - 2016: \$2,164; 2015: \$2,039; variable interest entity restricted - 2016: \$754; 2015: \$772)	3,588	3,609
Deferred income taxes	237	222
Other assets (variable interest entity restricted - 2016: \$10; 2015: \$13)	293	300
Goodwill	711	705
Intangible assets (net of accumulated amortization - 2016: \$538; 2015: \$528; variable interest entity restricted - 2016: \$26; 2015: \$27)	121	125
Total assets	8,248	8,586
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Short-term borrowings and current installments of long-term debt - third party and affiliates	119	513
Trade payables - third party and affiliates	551	587
Other liabilities	301	330
Deferred income taxes	—	30
Income taxes payable	116	90
Total current liabilities	1,087	1,550
Long-term debt, net of unamortized deferred financing costs	2,464	2,468
Deferred income taxes	116	136
Uncertain tax positions	154	167
Benefit obligations	1,147	1,189
Other liabilities	229	247
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized (2016 and 2015: 0 issued and outstanding)	—	—
Series A common stock, \$0.0001 par value, 400,000,000 shares authorized (2016: 167,474,301 issued and 144,736,671 outstanding; 2015: 166,698,787 issued and 146,782,297 outstanding)	—	—
Series B common stock, \$0.0001 par value, 100,000,000 shares authorized (2016 and 2015: 0 issued and outstanding)	—	—

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Treasury stock, at cost (2016: 22,737,630 shares; 2015: 19,916,490 shares)	(1,231)	(1,031)	)
Additional paid-in capital	133	136	
Retained earnings	4,001	3,621	
Accumulated other comprehensive income (loss), net	(301)	) (348	)
Total Celanese Corporation stockholders' equity	2,602	2,378	
Noncontrolling interests	449	451	
Total equity	3,051	2,829	
Total liabilities and equity	8,248	8,586	
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

Six Months Ended

June 30, 2016

Shares                      Amount

(In \$ millions, except  
share data)

## Series A Common Stock

Balance as of the beginning of the period                      146,782,297    —

Stock option exercises    93,520           —

Purchases of treasury stock                                        (2,821,140 )    —

Stock awards    681,994           —

Balance as of the end of the period                                144,736,671    —

## Treasury Stock

Balance as of the beginning of the period                      19,916,490    (1,031 )

Purchases of treasury stock, including related fees              2,821,140       (200 )

Balance as of the end of the period                                22,737,630    (1,231 )

## Additional Paid-In Capital

Balance as of the beginning of the period    136

Stock-based compensation, net of tax    (6       )

Stock option exercises, net of tax    3

Balance as of the end of the period    133

## Retained Earnings

Balance as of the beginning of the period    3,621

Net earnings (loss) attributable to Celanese Corporation    478

Series A common stock dividends    (98       )

Balance as of the end of the period    4,001

## Accumulated Other Comprehensive Income (Loss), Net

Balance as of the beginning of the period    (348       )

Other comprehensive income (loss), net of tax    47

Balance as of the end of the period    (301       )

Total Celanese Corporation stockholders' equity    2,602

## Noncontrolling Interests

Balance as of the beginning of the period    451

Net earnings (loss) attributable to noncontrolling interests    4

(Distributions to) contributions from noncontrolling interests    (6       )

Balance as of the end of the period    449

Total equity    3,051

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

	Six Months Ended June 30, 2016 2015 (In \$ millions)	
Operating Activities		
Net earnings (loss)	482	435
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Asset impairments	1	—
Depreciation, amortization and accretion	149	175
Pension and postretirement net periodic benefit cost	(26 )	(24 )
Pension and postretirement contributions	(26 )	(41 )
Deferred income taxes, net	(1 )	10
(Gain) loss on disposition of businesses and assets, net	(1 )	6
Stock-based compensation	16	25
Undistributed earnings in unconsolidated affiliates	37	29
Other, net	9	6
Operating cash provided by (used in) discontinued operations	(4 )	4
Changes in operating assets and liabilities		
Trade receivables - third party and affiliates, net	(84 )	(92 )
Inventories	51	(1 )
Other assets	38	36
Trade payables - third party and affiliates	(23 )	21
Other liabilities	18	(36 )
Net cash provided by (used in) operating activities	636	553
Investing Activities		
Capital expenditures on property, plant and equipment	(128)	(117)
Acquisitions, net of cash acquired	—	(3 )
Proceeds from sale of businesses and assets, net	2	—
Capital expenditures related to Fairway Methanol LLC	—	(210)
Other, net	(12 )	(24 )
Net cash provided by (used in) investing activities	(138)	(354)
Financing Activities		
Net change in short-term borrowings with maturities of 3 months or less	(353)	(2 )
Proceeds from short-term borrowings	22	26
Repayments of short-term borrowings	(63 )	(39 )
Proceeds from long-term debt	170	—
Repayments of long-term debt	(183)	(12 )
Purchases of treasury stock, including related fees	(200)	—
Stock option exercises	3	2
Series A common stock dividends	(98 )	(84 )
(Distributions to) contributions from noncontrolling interests	(6 )	155
Other, net	(24 )	(11 )
Net cash provided by (used in) financing activities	(732)	35
Exchange rate effects on cash and cash equivalents	2	(26 )
Net increase (decrease) in cash and cash equivalents	(232)	208

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Cash and cash equivalents as of beginning of period	967	780
Cash and cash equivalents as of end of period	735	988

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 and six months ended June 30, 2016 and 2015 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, 2015, filed on February 5, 2016 with the SEC as part of the Company's Annual Report on Form 10-K.

Operating results for the three and six months ended June 30, 2016 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 estimate regarding pension and other postretirement benefits

Beginning in 2016, the Company elected to change the method used to estimate the service and interest cost components of net periodic benefit cost for its significant defined benefit pension plans and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The Company has elected to use a full yield curve approach in the estimation of these components of net periodic benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This change improves the correlation between projected benefit cash flows and the corresponding yield curve spot rates and provides a more precise measurement of service and interest costs. This change does not affect the measurement of the Company's total benefit obligations as the change in service and interest cost will be completely offset in the annual actuarial (gain) loss reported. The Company has accounted for this change as a change in estimate and, accordingly, has accounted for it prospectively beginning in 2016. The Company's adoption of the full yield curve approach will reduce 2016 service and interest cost by approximately \$29 million as compared to the previous method.

The discount rates used to measure service and interest cost during 2016 and the discount rates that would have been used for service and interest cost under the Company's previous estimation methodology are as follows:

	Pension Benefits		Postretirement Benefits	
	US	International	US	International
	(In percentages)			
Single weighted average discount rate approach				
Service and interest cost	4.2	2.6	4.0	3.6
Full yield curve approach <sup>(1)</sup>				
Service cost	4.5	3.1	4.2	3.8
Interest cost	3.4	2.2	3.1	3.1

<sup>(1)</sup> Represents the weighted average effective interest rate.

## 2. Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2016-09 to have a material impact on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 supersedes the lease guidance under FASB Accounting Standards Codification ("ASC") Topic 840, Leases, resulting in the creation of FASB ASC Topic 842, Leases. ASU 2016-02 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. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the potential impact of adopting ASU 2016-02 on its financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Company elected to early adopt ASU 2015-17 prospectively during the three months ended March 31, 2016 in accordance with the FASB's disclosure simplification initiatives. The adoption of this ASU resulted in a reclassification from current to noncurrent deferred tax assets and

deferred tax liabilities of \$68 million and \$30 million, respectively. Prior periods were not adjusted.

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In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory ("ASU 2015-11"). ASU 2015-11 applies to inventory that is measured using the first-in, first-out ("FIFO") or average cost method and requires measurement of that inventory at the lower of cost and net realizable value, instead of lower of cost or market. ASU 2015-11 further clarifies the definition of net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The Company early adopted ASU 2015-11 prospectively during the three months ended March 31, 2016 in accordance with the FASB's disclosure simplification initiatives. The adoption of this ASU did not have a material impact on the Company's financial statements or related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 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. This ASU provides alternative methods of adoption. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date ("ASU 2015-14"). ASU 2015-14 defers the effective date of ASU 2014-09 by one year to December 15, 2017 for fiscal years, and interim periods within those years, beginning after that date and permits early adoption of the standard, but not before the original effective date for fiscal years beginning after December 15, 2016. In March, April and May 2016, the FASB issued additional ASUs clarifying certain aspects of ASU 2014-09. The core principle of ASU 2014-09 was not changed by the additional guidance. The Company is currently assessing the potential impact of adopting ASU 2014-09 on its financial statements and related disclosures.

### 3. Ventures and Variable Interest Entities

#### Consolidated Variable Interest Entities

In February 2014, the Company formed 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 June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Cash and cash equivalents	23	7
Trade receivables, net - third party & affiliate	10	12
Property, plant and equipment (net of accumulated depreciation - 2016: \$30; 2015: \$10)	754	772
Intangible assets (net of accumulated amortization - 2016: \$1; 2015: \$0)	26	27
Other assets	10	13
Total assets <sup>(1)</sup>	823	831
Trade payables	11	9
Other liabilities <sup>(2)</sup>	3	5
Long-term debt	5	5
Deferred income taxes	2	2
Total liabilities	21	21

<sup>(1)</sup> Assets can only be used to settle the obligations of Fairway.

<sup>(2)</sup> 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 June 30, 2016 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 June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Property, plant and equipment, net	67	73
Trade payables	49	47
Current installments of long-term debt	10	10
Long-term debt	100	109
Total liabilities	159	166
Maximum exposure to loss	254	268



The difference between the total liabilities associated with obligations to unconsolidated VIEs and the maximum exposure to loss primarily represents take-or-pay obligations for services included in the Company's unconditional purchase obligations (Note 16).

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## 4. 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 9) as follows:

	As of June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Amortized cost	35	30
Gross unrealized gain	—	—
Gross unrealized loss	—	—
Fair value	35	30

## 5. Inventories

	As of June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Finished goods	464	498
Work-in-process	41	43
Raw materials and supplies	131	141
Total	636	682

## 6. Current Other Liabilities

	As of June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Asset retirement obligations	8	10
Benefit obligations ( <u>Note 9</u> )	31	31
Customer rebates	31	45
Derivatives ( <u>Note 14</u> )	3	2
Environmental ( <u>Note 10</u> )	14	11
Insurance	5	10
Interest	14	16
Restructuring ( <u>Note 12</u> )	21	30
Salaries and benefits	73	109
Sales and use tax/foreign withholding tax payable	29	13
Uncertain tax positions ( <u>Note 13</u> )	17	—
Other	55	53
Total	301	330

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## 7. Noncurrent Other Liabilities

	As of June 30, 2016	As of December 31, 2015
(In \$ millions)		
Asset retirement obligations	23	26
Deferred proceeds	43	43
Deferred revenue	11	13
Environmental ( <u>Note 10</u> )	53	61
Income taxes payable	6	7
Insurance	50	50
Other	43	47
Total	229	247

## 8. Debt

	As of June 30, 2016	As of December 31, 2015
(In \$ millions)		
Short-Term Borrowings and Current Installments of Long-Term Debt - Third Party and Affiliates		
Current installments of long-term debt	58	56
Short-term borrowings, including amounts due to affiliates <sup>(1)</sup>	61	52
Revolving credit facility <sup>(2)</sup>	—	350
Accounts receivable securitization facility <sup>(3)</sup>	—	55
Total	119	513

<sup>(1)</sup> The weighted average interest rate was 3.5% and 3.3% as of June 30, 2016 and December 31, 2015, respectively.

<sup>(2)</sup> The weighted average interest rate was 1.8% as of December 31, 2015.

<sup>(3)</sup> The weighted average interest rate was 0.8% as of December 31, 2015.

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	As of June 30, 2016 (In \$ millions)	As of December 31, 2015
Long-Term Debt		
Senior credit facilities - Term C-2 loan due 2016 <sup>(1)</sup>	31	30
Senior credit facilities - Term C-3 loan due 2018 <sup>(2)</sup>	876	878
Senior unsecured notes due 2019, interest rate of 3.250%	333	327
Senior unsecured notes due 2021, interest rate of 5.875%	400	400
Senior unsecured notes due 2022, interest rate of 4.625%	500	500
Pollution control and industrial revenue bonds due at various dates through 2030, interest rates ranging from 5.70% to 6.70%	—	169
Pollution control and industrial revenue bonds due at various dates through 2030, interest rates ranging from 4.05% to 5.00%	170	—
Obligations under capital leases due at various dates through 2054	229	238
Subtotal	2,539	2,542
Unamortized debt issuance costs <sup>(3)</sup>	(17 )	(18 )
Current installments of long-term debt	(58 )	(56 )
Total	2,464	2,468

(1) The margin for borrowings under the Term C-2 loan facility was 2.0% above the Euro Interbank Offered Rate ("EURIBOR").

(2) The margin for borrowings under the Term C-3 loan facility was 2.25% above LIBOR (for US dollars) and 2.25% above EURIBOR (for Euros), as applicable.

(3) Related to the Company's long-term debt, excluding obligations under capital leases.

**Senior Notes**

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

**Senior Credit Facilities**

In September 2014, Celanese US, Celanese and the Subsidiary Guarantors amended and restated the credit agreement of Celanese US's existing senior secured credit facilities dated September 16, 2013 (as so amended and restated, the "Amended Credit Agreement"). The Amended Credit Agreement consists of the Term C-2 loan facility, the Term C-3 loan facility and a \$900 million revolving credit facility. The Amended Credit Agreement is guaranteed by Celanese and the Subsidiary Guarantors and is secured by a lien on substantially all assets of Celanese US and such Subsidiary Guarantors.

The Company's debt balances and amounts available for borrowing under its revolving credit facility expiring October 2018 are as follows:

	As of June 30, 2016 (In \$ millions)
Revolving Credit Facility	
Borrowings outstanding <sup>(1)</sup>	—
Letters of credit issued	—
Available for borrowing <sup>(2)</sup>	900

- (1) The Company borrowed \$245 million and repaid \$595 million during the six months ended June 30, 2016.
- (2) The margin for borrowings under the revolving credit facility was 1.5% above LIBOR.

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## Pollution Control and Industrial Revenue Bonds

On March 3, 2016, the State of Wisconsin Public Finance Authority completed an offering of pollution control and industrial revenue bonds, the proceeds of which were loaned to Celanese US and used to repay the pollution control and industrial revenue bonds previously issued for the benefit of the Company. In connection with the refinancing, the Company recorded deferred financing costs of \$2 million during the three months ended March 31, 2016, which are being amortized over the terms of the Bonds. The Company accelerated amortization of deferred financing costs and other expenses of \$2 million related to the refinancing, which are included in Refinancing expense in the unaudited interim consolidated statements of operations.

## Accounts Receivable Securitization Facility

The Company has a US accounts receivable securitization facility involving receivables of certain US 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 on August 28, 2016, but may be extended for successive one year terms by agreement of the parties. All of the SPE's assets have been pledged to the administrative agent in support of the SPE's obligations under the facility.

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

As of  
June 30,  
2016  
(In \$ millions)

Accounts Receivable  
Securitization Facility

Borrowings outstanding <sup>(1)</sup>	—
Letters of credit issued	52
Available for borrowing	56
Total borrowing base	108

Maximum borrowing base <sup>(2)</sup>	120
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<sup>(1)</sup> The Company repaid \$55 million during the six months ended June 30, 2016.

<sup>(2)</sup> Outstanding accounts receivable transferred to the SPE was \$145 million.

## Covenants

The Company's material financing arrangements contain customary covenants and events of default, including the maintenance of certain financial ratios. Failure to comply with these covenants, or the occurrence of an event of default, could result in acceleration of repayments of the borrowings and other obligations under these financing arrangements.

As a condition to borrowing funds or requesting letters of credit under the revolving credit facility, the Company's first lien senior secured leverage ratio cannot exceed the threshold as specified below. Further, the Company's first lien senior secured leverage ratio must be maintained at or below that threshold while any amounts are outstanding under the revolving credit facility.

The Company's first lien senior secured leverage ratios under the Amended Credit Agreement are as follows:

As of June 30, 2016

Maximum Estimate Estimate, If Fully Drawn

3.90	0.65	1.28
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The Company is in compliance with all of the covenants related to its debt agreements as of June 30, 2016.



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## 9. Benefit Obligations

Beginning in 2016, the Company elected to use a full yield curve approach in the estimation of the service and interest cost components of net periodic benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows (Note 1). The Company's adoption of the full yield curve approach will reduce 2016 service and interest cost by approximately \$29 million as compared to the previous method.

The components of net periodic benefit cost are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In \$ millions)			
Service cost	2	—	3	1
Interest cost	28	—	36	—
Expected return on plan assets	(44)	—	(53)	—
Recognized actuarial (gain) loss	—	—	—	1
Amortization of prior service cost (credit), net	—	(1)	—	—
Special termination benefit	2	—	3	—
Total	(12)	(1)	(25)	(1)

Benefit obligation funding is as follows:

	As of Total June 30, 2016	
	(In \$ millions)	
Cash contributions to defined benefit pension plans	13	23
Benefit payments to nonqualified pension plans	11	22
Benefit payments to other postretirement benefit plans	2	4
Cash contributions to German multiemployer defined benefit pension plans <sup>(1)</sup>	4	8

<sup>(1)</sup> 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.

## 10. 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 on going 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.



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The components of environmental remediation reserves are as follows:

	As of June 30, 2016	As of December 31, 2015
	(In \$ millions)	
Demerger obligations ( <u>Note 16</u> )	19	22
Divestiture obligations ( <u>Note 16</u> )	16	17
Active sites	17	18
US Superfund sites	13	13
Other environmental remediation reserves	2	2
Total	67	72

#### 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 16). 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 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 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 Lower Passaic River Study Area, which is the lower 17-mile stretch of the Passaic River ("Site"). 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 Site in order to identify the levels of contaminants and potential cleanup actions. Work on the RI/FS is ongoing, with a goal to complete it in 2017. On March 3, 2016, the EPA issued its final record of decision concerning the remediation of the lower 8.3 miles of the Site ("Lower 8.3 Miles"). 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. 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 estimated cost of approximately \$1.4 billion. The Company is vigorously defending this matter and currently believes that its ultimate allocable share of the cleanup costs, estimated at less than 1%, will not be material.

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## 11. 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 amount available to pay cash dividends is restricted by the Company's Amended Credit Agreement and the Indentures.

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

Increase (In percentages)	Quarterly Common Stock Cash Dividend (In \$ per share)	Annual Common Stock Cash Dividend	Effective Date
April 2015 20	0.30	1.20	May 2015
April 2016 20	0.36	1.44	May 2016

## Treasury Stock

	Six Months Ended June 30,	Total From February 2008 Through June 30,
	2016	2015
Shares repurchased	2,821,140	30,128,936
Average purchase price per share	\$70.89	\$ 50.96
Cash paid for repurchased shares (in millions)	\$200	\$ 1,535
Aggregate Board of Directors repurchase authorizations during the period (in millions) <sup>(1)</sup>	\$—	\$ 2,366

<sup>(1)</sup> 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. 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.

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## Other Comprehensive Income (Loss), Net

	Three Months Ended June 30,			2015		
	2016			2015		
	Income			Income		
	Gross	Tax	Net	Gross	Tax	Net
	Amount	(Provision)	Amount	Amount	(Provision)	Amount
	Benefit			Benefit		
	(In \$ millions)					
Unrealized gain (loss) on marketable securities	—	—	—	—	(1 )	(1 )
Foreign currency translation	(17)	(1 )	(18 )	33	4	37
Gain (loss) on cash flow hedges	1	—	1	1	—	1
Pension and postretirement benefits	(1 )	—	(1 )			