

Celanese Corp  
Form 10-Q  
October 19, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q  
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth 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.

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 common stock, \$0.0001 par value, as of October 12, 2018 was 133,757,973.



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CELANESE CORPORATION AND SUBSIDIARIES

Form 10-Q

For the Quarterly Period Ended September 30, 2018

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## Item 1. Financial Statements

## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
		As Adjusted (Note 2)		As Adjusted (Note 2)
	(In \$ millions, except share and per share data)			
Net sales	1,771	1,566	5,466	4,547
Cost of sales	(1,255	) (1,183	) (3,914	) (3,449
Gross profit	516	383	1,552	1,098
Selling, general and administrative expenses	(129	) (133	) (412	) (353
Amortization of intangible assets	(5	) (5	) (18	) (14
Research and development expenses	(18	) (19	) (54	) (53
Other (charges) gains, net	12	—	9	(57
Foreign exchange gain (loss), net	—	4	2	—
Gain (loss) on disposition of businesses and assets, net	(2	) (1	) (4	) (4
Operating profit (loss)	374	229	1,075	617
Equity in net earnings (loss) of affiliates	66	50	180	135
Non-operating pension and other postretirement employee benefit (expense) income	25	23	77	67
Interest expense	(30	) (32	) (95	) (91
Interest income	2	1	4	2
Dividend income - cost investments	26	24	92	82
Other income (expense), net	(1	) (6	) 3	(2
Earnings (loss) from continuing operations before tax	462	289	1,336	810
Income tax (provision) benefit	(54	) (57	) (216	) (153
Earnings (loss) from continuing operations	408	232	1,120	657
Earnings (loss) from operation of discontinued operations	(7	) (5	) (9	) (14
Income tax (provision) benefit from discontinued operations	1	1	1	2
Earnings (loss) from discontinued operations	(6	) (4	) (8	) (12
Net earnings (loss)	402	228	1,112	645
Net (earnings) loss attributable to noncontrolling interests	(1	) (2	) (4	) (5
Net earnings (loss) attributable to Celanese Corporation	401	226	1,108	640
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	407	230	1,116	652
Earnings (loss) from discontinued operations	(6	) (4	) (8	) (12
Net earnings (loss)	401	226	1,108	640
Earnings (loss) per common share - basic				
Continuing operations	3.02	1.68	8.25	4.71
Discontinued operations	(0.04	) (0.03	) (0.06	) (0.09
Net earnings (loss) - basic	2.98	1.65	8.19	4.62
Earnings (loss) per common share - diluted				
Continuing operations	3.00	1.68	8.18	4.69
Discontinued operations	(0.04	) (0.03	) (0.06	) (0.09
Net earnings (loss) - diluted	2.96	1.65	8.12	4.60
Weighted average shares - basic	134,519,301	136,579,077	135,336,704	138,599,330

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Weighted average shares - diluted 135,499,390 136,951,923 136,387,703 138,988,321  
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		Nine	
	Months		Months	
	Ended		Ended	
	September		September	
	30,		30,	
	2018	2017	2018	2017
	(In \$ millions)			
Net earnings (loss)	402	228	1,112	645
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on marketable securities	—	—	—	1
Foreign currency translation gain (loss)	(35 )	42	(52 )	148
Gain (loss) on cash flow hedges	4	—	9	(1 )
Pension and postretirement benefits gain (loss)	—	(1 )	1	4
Total other comprehensive income (loss), net of tax	(31 )	41	(42 )	152
Total comprehensive income (loss), net of tax	371	269	1,070	797
Comprehensive (income) loss attributable to noncontrolling interests	(1 )	(2 )	(4 )	(5 )
Comprehensive income (loss) attributable to Celanese Corporation	370	267	1,066	792

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 September 30, 2018	As of December 31, 2017
	(In \$ millions, except share data)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (variable interest entity restricted - 2018: \$27; 2017: \$19)	703	576
Trade receivables - third party and affiliates (net of allowance for doubtful accounts - 2018: \$10; 2017: \$9; variable interest entity restricted - 2018: \$5; 2017: \$5)	1,086	986
Non-trade receivables, net	279	244
Inventories	1,033	900
Marketable securities, at fair value	31	32
Other assets	48	54
Total current assets	3,180	2,792
Investments in affiliates	981	976
Property, plant and equipment (net of accumulated depreciation - 2018: \$2,739; 2017: \$2,584; variable interest entity restricted - 2018: \$668; 2017: \$697)	3,699	3,762
Deferred income taxes	170	366
Other assets (variable interest entity restricted - 2018: \$4; 2017: \$6)	413	338
Goodwill	1,064	1,003
Intangible assets (variable interest entity restricted - 2018: \$23; 2017: \$25)	317	301
Total assets	9,824	9,538
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings and current installments of long-term debt - third party and affiliates	229	326
Trade payables - third party and affiliates	819	807
Other liabilities	347	354
Income taxes payable	137	72
Total current liabilities	1,532	1,559
Long-term debt, net of unamortized deferred financing costs	3,196	3,315
Deferred income taxes	246	211
Uncertain tax positions	154	156
Benefit obligations	547	585
Other liabilities	206	413
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized (2018 and 2017: 0 issued and outstanding)	—	—
Common stock, \$0.0001 par value, 400,000,000 shares authorized (2018: 168,299,980 issued and 133,731,509 outstanding; 2017: 168,156,969 issued and 135,769,256 outstanding)	—	—
Treasury stock, at cost (2018: 34,568,471 shares; 2017: 32,387,713 shares)	(2,281)	(2,031)
Additional paid-in capital	222	175
Retained earnings	5,819	4,920
Accumulated other comprehensive income (loss), net	(219)	(177)
Total Celanese Corporation stockholders' equity	3,541	2,887

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Noncontrolling interests	402	412
Total equity	3,943	3,299
Total liabilities and equity	9,824	9,538

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

Nine Months Ended  
September 30, 2018  
Shares          Amount  
(In \$ millions, except  
share data)

Common Stock		
Balance as of the beginning of the period	135,769,256	—
Stock option exercises	—	—
Purchases of treasury stock	(2,180,758 )	—
Stock awards	143,011	—
Balance as of the end of the period	133,731,509	—
Treasury Stock		
Balance as of the beginning of the period	32,387,713	(2,031 )
Purchases of treasury stock, including related fees	2,180,758	(250 )
Balance as of the end of the period	34,568,471	(2,281 )
Additional Paid-In Capital		
Balance as of the beginning of the period		175
Stock-based compensation, net of tax		47
Balance as of the end of the period		222
Retained Earnings		
Balance as of the beginning of the period		4,920
Net earnings (loss) attributable to Celanese Corporation		1,108
Common stock dividends		(209 )
Balance as of the end of the period		5,819
Accumulated Other Comprehensive Income (Loss), Net		
Balance as of the beginning of the period		(177 )
Other comprehensive income (loss), net of tax		(42 )
Balance as of the end of the period		(219 )
Total Celanese Corporation stockholders' equity		3,541
Noncontrolling Interests		
Balance as of the beginning of the period		412
Net earnings (loss) attributable to noncontrolling interests		4
(Distributions to) contributions from noncontrolling interests		(14 )
Balance as of the end of the period		402
Total equity		3,943

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

	Nine Months Ended September 30, 2018 2017 (In \$ millions)	
<b>Operating Activities</b>		
Net earnings (loss)	1,112	645
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Depreciation, amortization and accretion	258	231
Pension and postretirement net periodic benefit cost	(69 )	(60 )
Pension and postretirement contributions	(35 )	(36 )
Deferred income taxes, net	43	(5 )
(Gain) loss on disposition of businesses and assets, net	5	4
Stock-based compensation	53	32
Undistributed earnings in unconsolidated affiliates	(19 )	(19 )
Other, net	18	8
Operating cash provided by (used in) discontinued operations	4	7
Changes in operating assets and liabilities		
Trade receivables - third party and affiliates, net	(114 )	(122 )
Inventories	(142 )	(14 )
Other assets	(60 )	(24 )
Trade payables - third party and affiliates	44	41
Other liabilities	97	57
Net cash provided by (used in) operating activities	1,195	745
<b>Investing Activities</b>		
Capital expenditures on property, plant and equipment	(244 )	(180 )
Acquisitions, net of cash acquired	(144 )	(269 )
Proceeds from sale of businesses and assets, net	13	1
Other, net	(34 )	(9 )
Net cash provided by (used in) investing activities	(409 )	(457 )
<b>Financing Activities</b>		
Net change in short-term borrowings with maturities of 3 months or less	(86 )	224
Proceeds from short-term borrowings	44	150
Repayments of short-term borrowings	(62 )	(91 )
Proceeds from long-term debt	—	—
Repayments of long-term debt	(56 )	(65 )
Purchases of treasury stock, including related fees	(250 )	(500 )
Stock option exercises	—	1
Common stock dividends	(209 )	(178 )
(Distributions to) contributions from noncontrolling interests	(14 )	(18 )
Other, net	(6 )	(19 )
Net cash provided by (used in) financing activities	(639 )	(496 )
Exchange rate effects on cash and cash equivalents	(20 )	31
Net increase (decrease) in cash and cash equivalents	127	(177 )
Cash and cash equivalents as of beginning of period	576	638

Cash and cash equivalents as of end of period

703 461

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 nine months ended September 30, 2018 and 2017 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 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, 2017, filed on February 9, 2018 with the SEC as part of the Company's Annual Report on Form 10-K.

Operating results for the three and nine months ended September 30, 2018 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.

During the three months ended March 31, 2018, the Company settled its dispute concerning the exercise of an option right by a partner in two of the Company's InfraServ equity affiliate investments. As a result of the settlement, the Company's ownership in InfraServ GmbH & Co. Gendorf KG and InfraServ GmbH & Co. Knapsack KG was reduced from 39% and 27%, to 30% and 22%, respectively.

The Company has reclassified certain prior period amounts primarily due to (1) the adoption of ASU 2017-07 (defined below in Note 2) and (2) to conform to the presentation of the Company's current reportable segments (Note 19).

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## 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.

## 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 August 2018, the FASB issued ASU 2018-14, Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans.	The new guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that no longer are considered cost beneficial, clarifying the specific requirements of disclosures and adding disclosure requirements identified as relevant.	January 1, 2020. Early adoption is permitted.	The Company is currently evaluating the impact of adoption on its financial statement disclosures.
In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.	The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users.	January 1, 2019. Early adoption is permitted.	The Company is currently evaluating the impact of adoption on its financial statements and related disclosures.
In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities.	The new guidance improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results.	January 1, 2019. Early adoption is permitted.	The Company adopted the new guidance effective January 1, 2018, as part of the FASB's simplification initiative. The adoption of the new guidance did not have a material impact to the Company.
In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit	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.	The Company adopted the new guidance effective January 1, 2018, using the retrospective transition method, as part of the FASB's simplification initiative. See Adoption of ASU

Cost.

2017-07 section below for additional information.

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.

The Company adopted the new guidance effective January 1, 2018, as part of the FASB's simplification initiative. The adoption of the new guidance did not have a material impact to the Company.

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.

The Company adopted the new guidance effective January 1, 2018, as part of the FASB's simplification initiative. The adoption of the new guidance did not have a material impact to the Company.

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Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In February 2016, the FASB issued ASU 2016-02, Leases. Since that date, the FASB has issued additional ASUs clarifying certain aspects of ASU 2016-02.	The new guidance supersedes the lease guidance under FASB 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. Subsequent guidance issued after February 2016 did not change the core principle of ASU 2016-02.	January 1, 2019. Early adoption is permitted.	The Company has substantially completed evaluating its population of leases, and the most significant impact relates to its accounting for manufacturing and logistics equipment, and real estate operating leases. The Company currently anticipates recognition of additional assets and corresponding liabilities related to leases in the range of \$150 - \$200 million upon adoption. The Company plans to adopt the standard effective January 1, 2019, utilizing the modified retrospective transition method.
In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities.	The new guidance updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments.	January 1, 2018.	The Company adopted the new guidance effective January 1, 2018, using the modified retrospective approach, as part of the FASB's simplification initiative. The new guidance resulted in a cumulative-effect adjustment of less than \$1 million to January 1, 2018 Retained earnings.
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.	The Company adopted the new guidance effective January 1, 2018, using the modified retrospective approach, as part of the FASB's simplification initiative. The adoption of the new guidance resulted in less than \$1 million impact to the consolidated financial statements and related disclosures (See <u>Note 20</u> ).

## Adoption of ASU 2017-07

ASU 2017-07 requires an entity to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of operations separately from the service cost component and outside a subtotal of Operating profit (loss). The new guidance represents a change in accounting principle. The Company adopted ASU 2017-07 on January 1, 2018 using the retrospective transition method. The adoption of this accounting standard resulted in a change in certain previously reported amounts, as follows:

Three Months Ended  
September 30, 2017

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	As previously reported	Adoption of ASU 2017-07	As Adjusted
	(In \$ millions)		
Cost of sales	(1,181)	(2 )	(1,183 )
Selling, general and administrative expenses	(112 )	(21 )	(133 )
Operating profit (loss)	252	(23 )	229
Non-operating pension and other postretirement employee benefit (expense) income	—	23	23

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	Nine Months Ended September 30, 2017		
	As previously reported	Adoption of ASU 2017-07	As Adjusted
	(In \$ millions)		
Cost of sales	(3,443)	(6 )	(3,449 )
Selling, general and administrative expenses	(291 )	(62 )	(353 )
Other (charges) gains, net	(58 )	1	(57 )
Operating profit (loss)	684	(67 )	617
Non-operating pension and other postretirement employee benefit (expense) income	—	67	67

The adoption of this accounting standard had no impact on the previously reported Earnings (loss) from continuing operations or Net earnings (loss) for this period.

### 3. Acquisitions, Dispositions and Plant Closures

#### Acquisitions

##### Omni Plastics

On February 1, 2018, using cash on hand and borrowings under the Company's senior unsecured revolving credit facility, the Company acquired 100% of the ownership interests of Omni Plastics, L.L.C. and its subsidiaries ("Omni Plastics"). Omni Plastics specializes in custom compounding of various engineered thermoplastic materials. The acquisition further strengthens the Company's global asset base by adding compounding capacity in the Americas. The acquisition was accounted for as a business combination and the acquired operations are included in the Engineered Materials segment.

Pro forma financial information since the respective acquisition date has not been provided as the acquisition did not have a material impact on the Company's financial information. 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 excess of the purchase price over the aggregate fair values was recorded as goodwill. The Company calculated the fair value of the assets acquired using the income, market or cost approach (or a combination thereof). Fair values were determined based on Level 3 inputs including estimated future cash flows, discount rates, royalty rates, growth rates, sales projections, retention rates and terminal values, all of which require significant management judgment and are susceptible to change. The purchase price allocation is based upon 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. However, any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations.

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The preliminary purchase price allocation for the Omni Plastics acquisition is as follows:

	As of February 1, 2018 (In \$ millions)	
Cash and cash equivalents	2	
Trade receivables - third party and affiliates	12	
Inventories	13	
Property, plant and equipment, net	19	
Intangible assets ( <u>Note 7</u> )	35	
Goodwill <sup>(1)</sup> ( <u>Note 7</u> )	84	
Other assets	1	
Total fair value of assets acquired	166	
Trade payables - third party and affiliates	(8	)
Total debt	(12	)
Total fair value of liabilities assumed	(20	)
Net assets acquired	146	

(1) Goodwill consists of expected revenue and operating synergies resulting from the acquisition, all of which is deductible for income tax purposes.

The amount of pro forma Net earnings (loss) of Omni Plastics included in the Company's unaudited interim consolidated statement of operations was less than 1% (unaudited) of its consolidated Net earnings (loss) had the acquisition occurred as of the beginning of 2018. The amount of Omni Plastics' Net earnings (loss) consolidated by the Company since the acquisition date was not material.

#### ▲Acetate Tow Joint Venture

In June 2017, Celanese, through various subsidiaries, entered into an agreement with affiliates of The Blackstone Group L.P. (the "Blackstone Entities") to form a joint venture which would combine substantially all of the operations of the Company's cellulose derivatives business and the operations of the Rhodia Acetow cellulose acetate business formerly operated by Solvay S.A. and acquired by the Blackstone Entities in June 2017. The parties were subsequently unable to reach an agreement with the European Commission on acceptable conditions to allow the proposed joint venture to proceed. The demands by the European Commission eliminated the advantages at the heart of the transaction. As a result, on March 19, 2018, the Company and the Blackstone Entities abandoned their agreement to form the proposed joint venture.

#### ▲Nilit Plastics

In May 2017, using cash on hand and borrowings under the Company's senior unsecured revolving credit facility, the Company acquired the nylon compounding division of Nilit Group ("Nilit"), an independent producer of high performance nylon resins, fibers and compounds. Celanese acquired the nylon compounding product portfolio, customer agreements and manufacturing, technology and commercial facilities. The acquisition of Nilit 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 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. During the measurement period, the Company made certain adjustments to its purchase price allocation to adjust taxes and working capital, which resulted in a \$2 million reduction to goodwill initially recorded.

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## Plant Closures

## Ocotlán, Mexico

On June 6, 2018, the Company announced the consolidation of its global acetate manufacturing operations by initiating the closure of its acetate tow manufacturing unit in Ocotlán, Mexico in 2018. The acetate flake unit will remain operational and is unaffected by these actions. The Ocotlán, Mexico operations are included in the Company's Acetate Tow segment.

The exit costs and shutdown costs related to the closure of the Ocotlán, Mexico acetate tow manufacturing unit (Note 14) are as follows:

	Nine
	Months
	Ended
	September
	30, 2018
	(In \$
	millions)
Restructuring <sup>(1)</sup>	2
Accelerated depreciation expense	12
Loss on disposition of assets, net	1
Total	15

<sup>(1)</sup> Included in Other (charges) gains, net in the unaudited interim consolidated statement of operations.

The Company expects to incur additional exit and shutdown costs of approximately \$5 million, primarily related to accelerated depreciation, through the remainder of 2018.

## 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 September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Cash and cash equivalents	27	19
Trade receivables, net - third party and affiliate	10	9
Property, plant and equipment (net of accumulated depreciation - 2018: \$120; 2017: \$90)	668	697
Intangible assets (net of accumulated amortization - 2018: \$3; 2017: \$2)	23	25
Other assets	4	6
Total assets <sup>(1)</sup>	732	756
Trade payables	13	16
Other liabilities <sup>(2)</sup>	4	4
Total debt	5	5
Deferred income taxes	3	3
Total liabilities	25	28

<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 September 30, 2018, 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 September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Property, plant and equipment, net	46	53
Trade payables	29	25
Current installments of long-term debt	13	18
Long-term debt	62	76
Total liabilities	104	119
Maximum exposure to loss	141	164

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 18).

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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 11) as follows:

	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Amortized cost	31	32
Gross unrealized gain	—	—
Gross unrealized loss	—	—
Fair value	31	32

## 6. Inventories

	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Finished goods	673	591
Work-in-process	63	57
Raw materials and supplies	297	252
Total	1,033	900

## 7. Goodwill and Intangible Assets, Net

## Goodwill

	Engine Materials	Acrylate Elastomers	Industrial Specialties	Acetyl Intermediates	Total
	(In \$ millions)				
As of December 31, 2017	643	149	40	171	1,003
Acquisitions (Note 3)	84	—	—	—	84
Exchange rate changes	(16)	—	(1)	(6)	(23)
As of September 30, 2018 <sup>(1)</sup>	711	149	39	165	1,064

<sup>(1)</sup> There were \$0 million of accumulated impairment losses as of September 30, 2018.

The Company assesses the recoverability of the carrying amount of its reporting unit goodwill either qualitatively or quantitatively annually during the third quarter of its fiscal year using June 30 balances or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. In connection with the Company's annual goodwill impairment assessment, the Company did not record an impairment loss to goodwill during the nine months ended September 30, 2018 as the estimated fair value for each of the Company's reporting units exceeded the carrying amount of the underlying assets by a substantial margin.

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## Intangible Assets, Net

Finite-lived intangible assets are as follows:

	Licenses	Customer- Related Intangible Assets	Developed Technology	Covenants Not to Compete and Other	Total
(In \$ millions)					
Gross Asset Value					
As of December 31, 2017	38	640	45	54	777
Acquisitions ( <u>Note 3</u> )	—	32	—	3	35 <sup>(1)</sup>
Renewals	6 <sup>(2)</sup>	—	—	—	6
Exchange rate changes	(2 )	(17 )	(1 )	—	(20 )
As of September 30, 2018	42	655	44	57	798
Accumulated Amortization					
As of December 31, 2017	(33)	(496 )	(30 )	(32 )	(591)
Amortization	(2 )	(12 )	(3 )	(1 )	(18 )
Exchange rate changes	2	13	1	—	16
As of September 30, 2018	(33)	(495 )	(32 )	(33 )	(593)
Net book value	9	160	12	24	205

(1) Represents intangible assets acquired related to Omni Plastics (Note 3) with a weighted average amortization period of 11 years.

(2) During the nine months ended September 30, 2018, the Company extended a research and development technology agreement license, which will be amortized over a period of 5 years.

Indefinite-lived intangible assets are as follows:

	Trademarks and Trade Names (In \$ millions)
As of December 31, 2017	115
Acquisitions ( <u>Note 3</u> )	—
Accumulated impairment losses	—
Exchange rate changes	(3 )
As of September 30, 2018	112

The Company assesses the recoverability of the carrying amount of its indefinite-lived intangible assets either qualitatively or by utilizing the relief from royalty method under the income approach annually during the third quarter of its fiscal year using June 30 balances or whenever events or change in circumstances indicate that the carrying amount of the assets may not be fully recoverable. In connection with the Company's annual indefinite-lived intangible assets impairment assessment, the Company did not record an impairment loss to indefinite-lived intangible assets during the nine months ended September 30, 2018 as the estimated fair value of each of the Company's indefinite-lived intangible assets exceeded the carrying amount of the underlying assets by a substantial margin.



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Estimated amortization expense for the succeeding five fiscal years is as follows:

(In \$  
millions)

2019 22

2020 20

2021 19

2022 17

2023 14

#### 8. Current Other Liabilities

	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Asset retirement obligations	4	19
Benefit obligations ( <u>Note 11</u> )	30	30
Customer rebates ( <u>Note 20</u> )	65	65
Derivatives ( <u>Note 16</u> )	3	3
Environmental ( <u>Note 12</u> )	25	14
Insurance	4	5
Interest	21	17
Restructuring ( <u>Note 14</u> )	8	5
Salaries and benefits	109	113
Sales and use tax/foreign withholding tax payable	31	16
Other	47	67
Total	347	354

#### 9. Noncurrent Other Liabilities

	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Asset retirement obligations	15	7
Deferred proceeds	45	47
Deferred revenue ( <u>Note 20</u> )	7	6
Environmental ( <u>Note 12</u> )	51	59
Income taxes payable	—	197
Insurance	40	43
Other	48	54
Total	206	413

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## 10. Debt

	As of September 30, 2018	As of December 31, 2017
(In \$ millions)		
Short-Term Borrowings and Current Installments of Long-Term Debt - Third Party and Affiliates		
Current installments of long-term debt	74	63
Short-term borrowings, including amounts due to affiliates <sup>(1)</sup>	78	86
Revolving credit facility <sup>(2)</sup>	—	97
Accounts receivable securitization facility <sup>(3)</sup>	77	80
Total	229	326

(1) The weighted average interest rate was 3.3% and 3.4% as of September 30, 2018 and December 31, 2017, respectively.

(2) The weighted average interest rate was 4.1% as of December 31, 2017.

(3) The weighted average interest rate was 2.9% and 2.1% as of September 30, 2018 and December 31, 2017, respectively.

	As of September 30, 2018	As of December 31, 2017
(In \$ millions)		
Long-Term Debt		
Senior unsecured term loan due 2021 <sup>(1)</sup>	475	494
Senior unsecured notes due 2019, interest rate of 3.250%	347	360
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%	866	897
Senior unsecured notes due 2025, interest rate of 1.250%	346	359
Pollution control and industrial revenue bonds due at various dates through 2030, interest rates ranging from 4.05% to 5.00%	169	169
Nilit bank loans due at various dates through 2026 <sup>(2)</sup>	10	11
Obligations under capital leases due at various dates through 2054	173	208
Subtotal	3,286	3,398
Unamortized debt issuance costs <sup>(3)</sup>	(16 )	(20 )
Current installments of long-term debt	(74 )	(63 )
Total	3,196	3,315

(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 1.3% and 1.3% as of September 30, 2018 and December 31, 2017, respectively.

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

## Senior Credit Facilities

In July 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").

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

	As of September 30, 2018 (In \$ millions)
Revolving Credit Facility	
Borrowings outstanding <sup>(1)</sup>	—
Letters of credit issued	—
Available for borrowing <sup>(2)</sup>	1,000

(1) The Company borrowed \$640 million and repaid \$737 million under its senior unsecured revolving credit facility during the nine months ended September 30, 2018.

(2) 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.

## 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. 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 September 30, 2018 (In \$ millions)
Accounts Receivable Securitization Facility	
Borrowings outstanding <sup>(1)</sup>	77
Letters of credit issued	29
Available for borrowing	5
Total borrowing base	111
Maximum borrowing base <sup>(2)</sup>	120

(1) The Company borrowed \$25 million and repaid \$28 million during the nine months ended September 30, 2018.

(2) Outstanding accounts receivable transferred to the SPE was \$185 million.

## Other Financing Arrangements

On June 25, 2018, the Company entered into a factoring agreement with a global financial institution to sell certain accounts receivable on a non-recourse basis. These transactions are treated as a sale and are accounted for as a reduction in accounts receivable because the agreement transfers effective control over and risk related to the receivables to the buyer. The Company has no continuing involvement in the transferred receivables, other than collection and administrative responsibilities and, once sold, the accounts receivable are no longer available to satisfy creditors in the event of bankruptcy. The Company de-recognized \$40 million and \$38 million of accounts receivable during the three months ended June 30, 2018 and September 30, 2018, respectively.

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## 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 covenants related to its debt agreements as of September 30, 2018.

## 11. Benefit Obligations

The components of net periodic benefit cost are as follows:

	Three Months Ended September 30,		2017		Nine Months Ended September 30,		2017	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In \$ millions)							
Service cost	2	—	2	1	7	—	6	1
Interest cost	26	1	27	—	78	2	80	1
Expected return on plan assets	(52)	—	(50)	—	(157)	—	(148)	—
Amortization of prior service cost (credit), net	—	—	—	—	—	—	—	(1)
Special termination benefit	—	—	—	—	1	—	1	—
Total	(24)	1	(21)	1	(71)	2	(61)	1

Benefit obligation funding is as follows:

	As of Total September 30, 2018	
	Expected	2018
	(In \$ millions)	
Cash contributions to defined benefit pension plans	17	23
Benefit payments to nonqualified pension plans	17	21
Benefit payments to other postretirement benefit plans	1	5
Cash contributions to German multiemployer defined benefit pension plans <sup>(1)</sup>	6	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.

## 12. 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.

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The components of environmental remediation reserves are as follows:

	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
Demerger obligations ( <u>Note 18</u> )	31	28
Divestiture obligations ( <u>Note 18</u> )	17	17
Active sites	15	15
US Superfund sites	11	11
Other environmental remediation reserves	2	2
Total	76	73

**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 18). Certain of these sites, at which the Company maintains continuing involvement, were and continue to be designated as discontinued operations when closed. 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 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 ("LPRSA"), 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.

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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 contaminants of concern to the Passaic River. On June 30, 2018, Occidental Chemical Corporation ("OCC"), the successor to the Diamond Alkali Company, sued a subsidiary of the Company and 119 other parties alleging claims for joint and several damages, contribution and declaratory relief under Section 107 and 113 of Superfund for costs to clean up the LPRSA portion of the Diamond Alkali Superfund Site, Occidental Chemical Corporation v. 21st Century Fox America, Inc., et al, No. 2:18-CV-11273-JLL-JAD (U.S. District Court New Jersey), alleging that each of the defendants owned or operated a facility that contributed contamination to the LPRSA. With respect to the Company, the OCC lawsuit is limited to the former Celanese facility that Essex County, New Jersey has agreed to indemnify the Company for and does not change the Company's estimated liability for LPRSA cleanup costs. The Company is vigorously defending these matters 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 to the Company's results of operations, cash flows or financial position.

## 13. Stockholders' Equity

## Common Stock

On September 17, 2018, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment (the "Certificate of Amendment") to its Second Amended and Restated Certificate of Incorporation, as amended, to remove all references to the Company's Series B Common Stock, par value \$0.0001 per share, therefrom and to redesignate the Company's Series A Common Stock, par value \$0.0001 per share, as "Common Stock." Following the filing of the Certificate of Amendment, the Company no longer has series of its class of 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 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 (In percentages)	Quarterly Common Stock Cash Dividend (In \$ per share)	Annual Common Stock Cash Dividend	Effective Date
April 2017 28	0.46	1.84	May 2017
April 2018 17	0.54	2.16	May 2018

The Company declared a quarterly cash dividend of \$0.54 per share on its Common Stock on October 17, 2018, amounting to \$72 million. The cash dividend will be paid on November 8, 2018 to holders of record as of October 29, 2018.

## Treasury Stock

	Nine Months Ended September 30,		Total From February 2008 Through September 30, 2018
	2018	2017	
Shares repurchased	2,179,058 <sup>(1)</sup>	5,436,803	41,958,077
Average purchase price per share	\$ 114.73	\$ 91.97	\$ 61.62
Shares repurchased (in \$ millions)	\$ 250	\$ 500	\$ 2,585
Aggregate Board of Directors repurchase authorizations during the period (in \$ millions) <sup>(2)</sup>	\$—	\$ 1,500	\$ 3,866

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- (1) Excludes 1,700 common shares reacquired pursuant to an employee clawback agreement.
- (2) 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.

	Three Months Ended September 30,					
	2018			2017		
	Income		Net	Income		Net
	Gross	Tax		Gross	Tax	
Amount	(Provision)	Amount	Amount	(Provision)	Amount	
	Benefit		Benefit			
	(In \$ millions)					
Unrealized gain (loss) on marketable securities	—	—	—	—	—	—
Foreign currency translation gain (loss)	(31)	(4 )	(35 )	44	(2 )	42
Gain (loss) on cash flow hedges	4	—	4	—	—	—
Pension and postretirement benefits gain (loss)	—	—	—	(1)	—	(1 )
Total	(27)	(4 )	(31 )	43	(2 )	41

	Nine Months Ended September 30,					
	2018			2017		
	Income		Net	Income		Net
	Gross	Tax		Gross	Tax	
Amount	(Provision)	Amount	Amount	(Provision)	Amount	
	Benefit		Benefit			
	(In \$ millions)					
Unrealized gain (loss) on marketable securities	—	—	—	1	—	1
Foreign currency translation gain (loss)	(58)	6	(52 )	143	5	148
Gain (loss) on cash flow hedges	8	1	9	(1 )	—	(1 )
Pension and postretirement benefits gain (loss)	1	—	1	4	—	4
Total	(49)	7	(42 )	147	5	152

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

	Gain	Foreign	Pension	Accumulated
	(Loss)	on	and	Other
		Currency	Postretirement	Comprehensive
		Translation	Benefits Gain	Income
		Gain	(Loss)	(Loss), Net
		(Loss)	(Note	(Note 11)
		Hedges	16)	
		(Note		
		16)		
		(In \$ millions)		
As of December 31, 2017	(176)	2	(3 )	(177 )
Other comprehensive income (loss) before reclassifications	(58 )	9	1	(48 )
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1 )	—	(1 )
Income tax (provision) benefit	6	1	—	7
As of September 30, 2018	(228)	11	(2 )	(219 )

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## 14. Other (Charges) Gains, Net

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017	(3 )	(4 )
Restructuring	(1 )	—	(4 )	(3 )
InfraServ ownership change	—	—	—	(4 )
Plant/office closures	13	—	13	(50 )
Total	12	—	9	(57 )

During the three and nine months ended September 30, 2018, the Company recorded a \$13 million gain within plant/office closures related to a non-income tax receivable refund from Nanjing, China, in its Acetyl Intermediates segment.

During the nine months ended September 30, 2018 and 2017, the Company recorded \$4 million and \$3 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 nine months ended September 30, 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 \$50 million of plant/office closure costs primarily consisting of a \$24 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.

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

	Engine Materials	Acetyl Specialties	Industrial Specialties	Acetyl Intermediates	Other	Total
Employee Termination Benefits						
As of December 31, 2017	1	—	—	1	1	3
Additions	—	2	3	—	—	5
Cash payments	(1)	—	—	—	—	(1 )
Other changes	—	—	—	—	(1 )	(1 )
Exchange rate changes	—	—	—	—	—	—
As of September 30, 2018	—	2	3	1	—	6
Other Plant/Office Closures						
As of December 31, 2017	—	—	—	2	—	2
Additions	—	—	—	—	—	—
Cash payments	—	—	—	—	—	—
Other changes	—	—	—	—	—	—
Exchange rate changes	—	—	—	—	—	—
As of September 30, 2018	—	—	—	2	—	2
Total	—	2	3	3	—	8

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## 15. Income Taxes

	Three	Nine		
	Months	Months		
	Ended	Ended		
	September	September		
	30,	30,		
	2018	2017	2018	2017
	(In percentages)			

Effective income tax rate	12	20	16	19
---------------------------	----	----	----	----

The lower effective income tax rate for the three and nine months ended September 30, 2018 compared to the same period in 2017 is primarily due to the release of valuation allowances on net deferred tax assets in China and Singapore, reduction of the US statutory tax rate due to new tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "TCJA") and reduced losses not providing tax benefits in certain jurisdictions, partially offset by increases in valuation allowances offsetting US foreign tax credits due to the provisions of the TCJA.

In December 2017, the TCJA was enacted and was effective January 1, 2018. ASC 740, Accounting for Income Taxes, requires companies to recognize the effects of tax law changes in the period of enactment. This overhaul of the US tax law made a number of substantial changes, including the reduction of the corporate tax rate from 35% to 21%, establishing a dividends received deduction for dividends paid by foreign subsidiaries to the US, elimination or limitation of certain deductions (interest, domestic production activities and executive compensation), imposing a mandatory tax on previously unrepatriated earnings accumulated offshore since 1986 and establishing global minimum income tax and base erosion tax provisions related to offshore activities and affiliated party payments. Due to the timing of the new tax law and the substantial changes it brings, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides registrants a measurement period to report the impact of the new US tax law. During the measurement period, provisional amounts for the effects of the law are recorded to the extent a reasonable estimate can be made. To the extent that all information necessary is not available, prepared or analyzed, companies may recognize provisional estimated amounts for a period of up to one year following enactment of the TCJA.

For year-end 2017, the Company recorded provisional amounts for impacts of the new tax law including: the deemed repatriation tax on post 1986 accumulated earnings and profits, the deferred tax rate change effect of the new law, gross foreign tax credit carryforwards and related valuation allowances to offset foreign tax credit carryforwards. Certain items or estimates that result in impacts of the TCJA being provisional include: detailed foreign earnings calculations for 2017 and 2018, projected foreign cash balances for certain foreign subsidiaries and finalized computations of foreign tax credit availability. Finally, the Company considers it likely that further technical guidance regarding certain components of the new provisions included in the TCJA, as well as clarity regarding state income tax conformity to current federal tax code, may be issued. During the three months ended September 30, 2018, the Company recorded a benefit for increases to provisional amounts for foreign tax credits net of associated valuation allowances of \$9 million and a benefit for increases to provisional amounts for the deferred tax rate change effect of the TCJA of \$7 million. The Company also recorded a decrease to the provisional amount for deemed repatriation tax under the TCJA of \$4 million. However, this decrease did not have any impact on the unaudited interim consolidated statement of operations, as it will be offset by US foreign tax credit carryforwards. The changes in provisional amounts are primarily due to refined estimates of foreign source income and expense apportionment during the credit carryforward period, refined estimates of foreign tax credits generated during the carryforward period, revised calculations of the deemed repatriation tax due to the issuance of proposed guidance and revised estimates of 2017 temporary items as part of the annual tax return preparation process. The Company will continue to refine provisional amounts for the impacts of the TCJA as more refined information and further guidance become available.

The Company evaluates its deferred tax assets on a quarterly basis to determine whether a valuation allowance is necessary. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income in the applicable carryback or carryforward periods. Changes in the Company's estimates of future taxable income and prudent and feasible tax planning strategies will affect the estimate of the realization of the tax benefits of these

foreign tax carryforwards. As such, the Company is currently evaluating tax planning strategies to enable use of the Company's foreign tax credit carryforwards that may decrease the Company's effective tax rate in future periods as the valuation allowance is reversed.

During the nine months ended September 30, 2018, the Company's uncertain tax positions decreased \$2 million, primarily due to favorable technical clarifications in Germany and foreign currency exchange fluctuations, partially offset by an increase in US positions.



Total 693 740

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Information regarding changes in the fair value of the Company's derivative and non-derivative instruments is as follows:

	Gain (Loss)	Gain (Loss)	Gain (Loss)	Statement of Operations Classification
	Recognized in Other Comprehensive Income (Loss)	Recognized in Earnings (Loss)	Recognized in Earnings (Loss)	
	Three Months Ended September 30,			
	2017	2018	2017	
	(In \$ millions)			
Designated as Cash Flow Hedges				
Commodity swaps	2	—	1	Cost of sales
Interest rate swaps	2	—	—	Interest expense
Foreign currency forwards	—	—	(1 )	Cost of sales
Total	4	—	—	
Designated as Net Investment Hedges				
Foreign currency denominated debt (Note 10)	9	(30 )	—	N/A
Total	9	(30 )	—	
Not Designated as Hedges				
Foreign currency forwards and swaps	—	(2 )	—	Foreign exchange gain (loss), net; Other income (expense), net
Total	—	(2 )	—	
	Gain (Loss)	Gain (Loss)	Gain (Loss)	Statement of Operations Classification
	Recognized in Other Comprehensive Income (Loss)	Recognized in Earnings (Loss)	Recognized in Earnings (Loss)	
	Nine Months Ended September 30,			
	2017	2018	2017	
	(In \$ millions)			
Designated as Cash Flow Hedges				
Commodity swaps	6	1	3	Cost of sales
Interest rate swaps	2	—	—	Interest expense
Foreign currency forwards	1	(1 )	(1 )	Cost of sales
Total	9	—	2	
Designated as Net Investment Hedges				
	44	(99 )	—	N/A

Foreign currency denominated debt

(Note 10)

Total 44 (99 ) — —

Not Designated as Hedges

Foreign currency forwards and swaps — — 15 (2 ) Foreign exchange gain (loss), net; Other income (expense), net

Total — — 15 (2 )

See Note 17 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 September 30, 2018	As of December 31, 2017
	(In \$ millions)	
<b>Derivative Assets</b>		
Gross amount recognized	24	13
Gross amount offset in the consolidated balance sheets	9	4
Net amount presented in the consolidated balance sheets	15	9
Gross amount not offset in the consolidated balance sheets	2	3
Net amount	13	6
	As of September 30, 2018	As of December 31, 2017
	(In \$ millions)	
<b>Derivative Liabilities</b>		
Gross amount recognized	12	7
Gross amount offset in the consolidated balance sheets	9	4
Net amount presented in the consolidated balance sheets	3	3
Gross amount not offset in the consolidated balance sheets	2	3
Net amount	1	—

## 17. 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, interest rate 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, interest rate 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 Significant Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Total Balance Sheet Classification
	(In \$ millions)		
As of September 30, 2018			
Derivatives Designated as Cash Flow Hedges			
Commodity swaps	—6	6	Current Other assets
Commodity swaps	—3	3	Noncurrent Other assets
Interest rate swap	—2	2	Noncurrent Other assets
Derivatives Not Designated as Hedges			
Foreign currency forwards and swaps	—4	4	Current Other assets
Total assets	—15	15	
Derivatives Not Designated as Hedges			
Foreign currency forwards and swaps	—(3 )	(3 )	Current Other liabilities
Total liabilities	—(3 )	(3 )	
As of December 31, 2017			
Derivatives Designated as Cash Flow Hedges			
Commodity swaps	—2	2	Current Other assets
Commodity swaps	—2	2	Noncurrent Other assets
Derivatives Not Designated as Hedges			
Foreign currency forwards and swaps	—5	5	Current Other assets
Total assets	—9	9	
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			
	Significant Observable Inputs (Level 2)	Other Observable Inputs (Level 3)	Unobservable Inputs (Level 3)	Total
	Carrying Amount (In \$ millions)			
As of September 30, 2018				
Cost investments	165	—	—	—
Insurance contracts in nonqualified trusts	40	40	—	40
Long-term debt, including current installments of long-term debt	3,286	3,171	173	3,344
As of December 31, 2017				
Cost investments	159	—	—	—

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Insurance contracts in nonqualified trusts	42	42	—	42
Long-term debt, including current installments of long-term debt	3,398	3,299	208	3,507

In general, the cost investments included in the table above are not publicly traded and their fair values are not readily determinable. The Company believes the carrying values approximate fair value. 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.

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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. As of September 30, 2018, and December 31, 2017, 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.

## 18. 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 12).

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 September 30, 2018, are \$84 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 significant risk (Note 12). 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 \$122 million as of September 30, 2018. 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 September 30, 2018, the Company had unconditional purchase obligations of \$1.5 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, insurance coverage disputes, commercial contracts, employment, antitrust or competition compliance, intellectual property, personal injury and other actions in tort, workers' compensation, chemical exposure, asbestos exposure, taxes, trade compliance, 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 will be material to the Company's results of operations, cash flows or financial position.

European Commission

In May 2017, the Company learned that the European Commission opened a competition law investigation involving certain subsidiaries of the Company with respect to certain ethylene purchases. The Company is cooperating with the European Commission. Because the investigation is on-going, and the many uncertainties and variables involved, the Company is unable at this time to determine the outcome of this investigation and whether, and in what amount, any potential fines would be assessed.



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## 19. Segment Information

Effective January 1, 2018, the Company reorganized its operating and reportable segments to align with recent structural and management reporting changes. The change reflects the movement of its food ingredients business from the Consumer Specialties reportable segment into the Engineered Materials reportable segment. The former Consumer Specialties reportable segment was renamed the Acetate Tow segment, and the former Advanced Engineered Materials reportable segment was renamed the Engineered Materials segment. This reorganization better reflects how the Company manages its food ingredients' related products commercially. Engineered Materials and food ingredients are both project-based models which focus on delivering customized solutions and are led by the same senior management team.

	Engineered Materials	Acetate Tow	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
(In \$ millions)							
Three Months Ended September 30, 2018							
Net sales	642	158	273	(1) 835	(2) —	(137 )	1,771
Other (charges) gains, net ( <u>Note 14</u> )	—	(1 )	(1 )	13	1	—	12
Operating profit (loss)	124	26	19	268	(63 )	—	374
Equity in net earnings (loss) of affiliates	62	—	—	2	2	—	66
Depreciation and amortization	31	21	10	26	2	—	90
Capital expenditures	25	9	5	34	2	—	75 (3)
Three Months Ended September 30, 2017 - As Adjusted ( <u>Note 2</u> )							
Net sales	573	157	264	(1) 684	(2) —	(112 )	1,566
Other (charges) gains, net ( <u>Note 14</u> )	—	—	—	—	—	—	—
Operating profit (loss)	105	45	19	128	(68 )	—	229
Equity in net earnings (loss) of affiliates	47	—	—	1	2	—	50
Depreciation and amortization	30	10	10	26	4	—	80
Capital expenditures	19	9	6	36	4	—	74 (3)

(1) Includes intersegment sales of \$0 million and \$1 million for the three months ended September 30, 2018 and 2017, respectively.

(2) Includes intersegment sales of \$137 million and \$111 million for the three months ended September 30, 2018 and 2017, respectively.

(3) Includes a decrease in accrued capital expenditures of \$4 million and an increase of \$10 million for the three months ended September 30, 2018 and 2017, respectively.

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	Engineered Materials	Acetate Low	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
(In \$ millions)							
Nine Months Ended September 30, 2018							
Net sales	1,971	488	835	(1) 2,567	(2) —	(395)	5,466
Other (charges) gains, net (Note 14)	—	(2)	(3)	13	1	—	9
Operating profit (loss)	365	111	64	750	(214)	(1)	1,075
Equity in net earnings (loss) of affiliates	169	—	—	5	6	—	180
Depreciation and amortization	96	44	29	78	8	—	255
Capital expenditures	72	19	14	108	7	—	220
As of September 30, 2018							
Goodwill and intangible assets, net	984	154	44	199	—	—	1,381
Total assets	4,056	1,078	850	2,719	1,121	—	9,824
Nine Months Ended September 30, 2017 - As Adjusted (Note 2)							
Net sales	1,633	511	771	(1) 1,952	(2) —	(320)	4,547
Other (charges) gains, net (Note 14)	(2)	(2)	—	(50)	(3)	—	(57)
Operating profit (loss)	314	148	70	264	(179)	—	617
Equity in net earnings (loss) of affiliates	128	—	—	4	3	—	135
Depreciation and amortization	82	30	28	78	8	—	226
Capital expenditures	43	22	16	84	8	—	173
As of December 31, 2017							
Goodwill and intangible assets, net	902	154	46	202	—	—	1,304
Total assets	3,866	1,163	861	2,657	991	—	9,538

(1) Includes intersegment sales of \$3 million and \$3 million for the nine months ended September 30, 2018 and 2017, respectively.

(2) Includes intersegment sales of \$392 million and \$317 million for the nine months ended September 30, 2018 and 2017, respectively.

(3) Includes a decrease in accrued capital expenditures of \$24 million and \$7 million for the nine months ended September 30, 2018 and 2017, respectively.

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## 20. Revenue Recognition

## Accounting Policies

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Company's contracts have a single performance obligation to transfer products. Accordingly, the Company recognizes revenue when title and risk of loss have been transferred to the customer, generally at the time of shipment of products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products and is generally based upon a negotiated, formula, list or fixed price. The Company sells its products both directly to customers and through distributors generally under agreements with payment terms typically less than 90 days.

The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. As such, shipping and handling fees billed to customers in a sales transaction are recorded in Net sales and shipping and handling costs incurred are recorded in Cost of sales. The Company has elected to exclude from Net sales any value add, sales and other taxes which it collects concurrent with revenue-producing activities. These accounting policy elections are consistent with the manner in which the Company historically recorded shipping and handling fees and taxes.

The adoption of ASU 2014-09 (Note 2) resulted in an immaterial impact to the individual financial statement line items of the Company's unaudited interim consolidated statement of operations during the three and nine months ended September 30, 2018.

## Contract Estimates

The nature of certain of the Company's contracts gives rise to variable consideration, which may be constrained, including retrospective volume-based rebates to certain customers. The Company issues retrospective volume-based rebates to customers when they purchase a certain volume level, and the rebates are applied retroactively to prior purchases. The Company also issues prospective volume-based rebates to customers when they purchase a certain volume level, and the rebates are applied to future purchases. Prospective volume-based rebates represent a material right within the contract and therefore are considered to be separate performance obligations. For both retrospective and prospective volume-based rebates, the Company estimates the level of volumes based on anticipated purchases at the beginning of the period and records a rebate accrual for each purchase toward the requisite rebate volume. These estimated rebates are included in the transaction price of the Company's contracts with customers as a reduction to Net sales and are included in Current Other liabilities in the unaudited consolidated balance sheets (Note 8). This methodology is consistent with the manner in which the Company historically estimated and recorded volume-based rebates.

The majority of the Company's revenue is derived from contracts (i) with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount in which it has the right to invoice as product is delivered. The Company has elected the practical expedient not to disclose the value of remaining performance obligations associated with these types of contracts. However, the Company has certain contracts that represent take-or-pay revenue arrangements in which the Company's performance obligations extend over multiple years. As of September 30, 2018, the Company had \$867 million of remaining performance obligations related to take-or-pay contracts. The Company expects to recognize approximately \$144 million of its remaining performance obligations as Net sales in 2018, \$234 million in 2019, an additional \$182 million in 2020 and the balance thereafter.

The Company has certain contracts which contain performance obligations which are immaterial in the context of the contract with the customer. The Company has elected the practical expedient not to assess whether these promised goods or services are performance obligations.

## Contract Balances

Contract liabilities primarily relate to advances or deposits received from the Company's customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in Noncurrent Other liabilities in the unaudited consolidated balance sheets (Note 9).

The Company does not have any material contract assets as of September 30, 2018.

## Disaggregated Revenue

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations.

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The Company manages its Engineered Materials business segment through its project management pipeline, which is comprised of a broad range of projects which are solutions-based and are tailored to each customers' unique needs. Projects are identified and selected based on success rate and may involve a number of different polymers per project for use in multiple end-use applications. Therefore, the Company is agnostic toward products and end-use markets for the Engineered Materials business segment.

Within the Acetate Tow business segment, the Company's primary product is acetate tow, which is managed through contracts with a few major tobacco companies and accounts for a significant amount of filters used in cigarette production worldwide.

The Company manages its Industrial Specialties and Acetyl Intermediates business segments by leveraging its ability to sell chemicals externally to end-use markets or downstream to its emulsion polymers business (within its Industrial Specialties segment). Decisions to sell externally and geographically or downstream and along the acetyl chain are based on market demand, trade flows and maximizing the value of its chemicals. Therefore, the Company's strategic focus is on executing within this integrated chain model and less on driving product-specific revenue.

Further disaggregation of Net sales by business segment and geographic destination is as follows:

Three Months Ended September 30, 2018  
 Nine Months Ended September 30, 2018  
 (In \$ millions)

## Engineered Materials

North America	197	567
Europe and Africa	277	945
Asia-Pacific	145	403
South America	23	56
Total	642	1,971

## Acetate Tow

North America	30	98
Europe and Africa	78	196
Asia-Pacific	44	163
South America	6	31
Total	158	488

## Industrial Specialties

North America	93	274
Europe and Africa	126	400
Asia-Pacific	49	145
South America	5	13
Total <sup>(1)</sup>	273	832

## Acetyl Intermediates

North America	205	599
Europe and Africa	176	558
Asia-Pacific	292	936
South America	25	82
Total <sup>(2)</sup>	698	2,175

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- (1) Excludes intersegment sales of \$0 million and \$3 million for the three and nine months ended September 30, 2018, respectively.
- (2) Excludes intersegment sales of \$137 million and \$392 million for the three and nine months ended September 30, 2018, respectively.

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## 21. Earnings (Loss) Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In \$ millions, except share data)			
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	407	230	1,116	652
Earnings (loss) from discontinued operations	(6	) (4	) (8	) (12
Net earnings (loss)	401	226	1,108	640
Weighted average shares - basic	134,519,301	136,579,077	135,336,704	138,599,330
Incremental shares attributable to equity awards	980,089	372,846	1,050,999	388,991
Weighted average shares - diluted	135,499,390	136,951,923	136,387,703	138,988,321

During the three and nine months ended September 30, 2018 and 2017, there were no anti-dilutive equity awards excluded from the computation of diluted net earnings per share.

## 22. Consolidating Guarantor Financial Information

The Senior Notes were issued by Celanese US ("Issuer") and are guaranteed by Celanese Corporation ("Parent Guarantor") and the Subsidiary Guarantors ([Note 10](#)). The Issuer and Subsidiary Guarantors are 100% owned subsidiaries of the Parent Guarantor. The Parent Guarantor and Subsidiary Guarantors have guaranteed the Notes fully and unconditionally and jointly and severally.

For cash management purposes, the Company transfers cash between the Parent Guarantor, Issuer, Subsidiary Guarantors and non-guarantors through intercompany financing arrangements, contributions or declaration of dividends between the respective parent and its subsidiaries. The transfer of cash under these activities facilitates the ability of the recipient to make specified third-party payments for principal and interest on the Company's outstanding debt, Common Stock dividends and Common Stock repurchases. The unaudited interim consolidating statements of cash flows for the nine months ended September 30, 2018 and 2017 present such intercompany financing activities, contributions and dividends consistent with how such activity would be presented in a stand-alone statement of cash flows.

The Company has not presented separate financial information and other disclosures for each of its Subsidiary Guarantors because it believes such financial information and other disclosures would not provide investors with any additional information that would be material in evaluating the sufficiency of the guarantees.

The unaudited interim consolidating financial statements for the Parent Guarantor, the Issuer, the Subsidiary Guarantors and the non-guarantors are as follows:

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF OPERATIONS

Three Months Ended September 30, 2018

	Parent Guarantor	Issuer Guarantor	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net sales	—	—	565	1,483	(277)	) 1,771
Cost of sales	—	—	(432)	) (1,105)	) 282	(1,255)
Gross profit	—	—	133	378	5	516
Selling, general and administrative expenses	—	—	(46)	) (83)	) —	(129)
Amortization of intangible assets	—	—	(1)	) (4)	) —	(5)
Research and development expenses	—	—	(7)	) (11)	) —	(18)
Other (charges) gains, net	—	—	—	12	—	12
Foreign exchange gain (loss), net	—	(3)	) —	3	—	—
Gain (loss) on disposition of businesses and assets, net	—	—	(3)	) 1	—	(2)
Operating profit (loss)	—	(3)	) 76	296	5	374
Equity in net earnings (loss) of affiliates	401	411	286	64	(1,096)	) 66
Non-operating pension and other postretirement employee benefit (expense) income	—	—	23	3	(1)	) 25
Interest expense	—	(5)	) (33)	) (8)	) 16	(30)
Interest income	—	13	1	3	(15)	) 2
Dividend income - cost investments	—	—	—	25	1	26
Other income (expense), net	—	—	1	(1)	(1)	) (1)
Earnings (loss) from continuing operations before tax	401	416	354	382	(1,091)	) 462
Income tax (provision) benefit	—	(15)	) (10)	) (28)	) (1)	) (54)
Earnings (loss) from continuing operations	401	401	344	354	(1,092)	) 408
Earnings (loss) from operation of discontinued operations	—	—	(1)	) (6)	) —	(7)
Income tax (provision) benefit from discontinued operations	—	—	—	1	—	1
Earnings (loss) from discontinued operations	—	—	(1)	) (5)	) —	(6)
Net earnings (loss)	401	401	343	349	(1,092)	) 402
Net (earnings) loss attributable to noncontrolling interests	—	—	—	(1)	) —	(1)
Net earnings (loss) attributable to Celanese Corporation	401	401	343	348	(1,092)	) 401



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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF OPERATIONS

Three Months Ended September 30, 2017 - As Adjusted  
(Note 2)

	Parent Guarantor	Issuer	Subsidiary Guarantor	Non- Guarantor	Elimination	Consolidated
	(In \$ millions)					
Net sales	—	—	527	1,314	(275)	1,566
Cost of sales	—	—	(407)	(1,042)	266	(1,183)
Gross profit	—	—	120	272	(9)	383
Selling, general and administrative expenses	—	—	(54)	(79)	—	(133)
Amortization of intangible assets	—	—	(1)	(4)	—	(5)
Research and development expenses	—	—	(9)	(10)	—	(19)
Other (charges) gains, net	—	—	—	—	—	—
Foreign exchange gain (loss), net	—	—	—	4	—	4
Gain (loss) on disposition of businesses and assets, net	—	—	(2)	1	—	(1)
Operating profit (loss)	—	—	54	184	(9)	229
Equity in net earnings (loss) of affiliates	226	233	175	45	(629)	50
Non-operating pension and other postretirement employee benefit (expense) income	—	—	20	3	—	23
Interest expense	—	(5)	(28)	(8)	9	(32)
Interest income	—	7	1	2	(9)	1
Dividend income - cost investments	—	—	—	26	(2)	24
Other income (expense), net	—	(2)	—	(4)	—	(6)
Earnings (loss) from continuing operations before tax	226	233	222	248	(640)	289
Income tax (provision) benefit	—	(7)	(68)	17	1	(57)
Earnings (loss) from continuing operations	226	226	154	265	(639)	232
Earnings (loss) from operation of discontinued operations	—	—	—	(5)	—	(5)
Income tax (provision) benefit from discontinued operations	—	—	—	1	—	1
Earnings (loss) from discontinued operations	—	—	—	(4)	—	(4)
Net earnings (loss)	226	226	154	261	(639)	228
Net (earnings) loss attributable to noncontrolling interests	—	—	—	(2)	—	(2)
Net earnings (loss) attributable to Celanese Corporation	226	226	154	259	(639)	226

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2018

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net sales	—	—	1,733	4,621	(888)	) 5,466
Cost of sales	—	—	(1,337)	(3,470)	893	(3,914)
Gross profit	—	—	396	1,151	5	1,552
Selling, general and administrative expenses	—	—	(156)	(256)	—	(412)
Amortization of intangible assets	—	—	(3)	(15)	—	(18)
Research and development expenses	—	—	(22)	(32)	—	(54)
Other (charges) gains, net	—	—	—	9	—	9
Foreign exchange gain (loss), net	—	(3)	—	5	—	2
Gain (loss) on disposition of businesses and assets, net	—	—	(8)	4	—	(4)
Operating profit (loss)	—	(3)	207	866	5	1,075
Equity in net earnings (loss) of affiliates	1,108	1,112	872	170	(3,082)	) 180
Non-operating pension and other postretirement employee benefit (expense) income	—	—	70	8	(1)	) 77
Interest expense	—	(15)	(93)	(25)	38	(95)
Interest income	—	31	5	7	(39)	) 4
Dividend income - cost investments	—	—	—	89	3	92
Other income (expense), net	—	—	1	3	(1)	) 3
Earnings (loss) from continuing operations before tax	1,108	1,125	1,062	1,118	(3,077)	) 1,336
Income tax (provision) benefit	—	(17)	(115)	(83)	(1)	) (216)
Earnings (loss) from continuing operations	1,108	1,108	947	1,035	(3,078)	) 1,120
Earnings (loss) from operation of discontinued operations	—	—	(2)	(7)	—	(9)
Income tax (provision) benefit from discontinued operations	—	—	—	1	—	1
Earnings (loss) from discontinued operations	—	—	(2)	(6)	—	(8)
Net earnings (loss)	1,108	1,108	945	1,029	(3,078)	) 1,112
Net (earnings) loss attributable to noncontrolling interests	—	—	—	(4)	—	(4)
Net earnings (loss) attributable to Celanese Corporation	1,108	1,108	945	1,025	(3,078)	) 1,108

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2017 - As Adjusted (Note 2)					
	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net sales	—	—	1,679	3,713	(845	) 4,547
Cost of sales	—	—	(1,311	) (2,974	) 836	(3,449 )
Gross profit	—	—	368	739	(9	) 1,098
Selling, general and administrative expenses	—	—	(132	) (221	) —	(353 )
Amortization of intangible assets	—	—	(3	) (11	) —	(14 )
Research and development expenses	—	—	(23	) (30	) —	(53 )
Other (charges) gains, net	—	—	(7	) (50	) —	(57 )
Foreign exchange gain (loss), net	—	—	—	—	—	—
Gain (loss) on disposition of businesses and assets, net	—	—	(6	) 2	—	(4 )
Operating profit (loss)	—	—	197	429	(9	) 617
Equity in net earnings (loss) of affiliates	640	640	439	122	(1,706	) 135
Non-operating pension and other postretirement employee benefit (expense) income	—	—	60	7	—	67
Interest expense	—	(17	) (75	) (23	) 24	(91 )
Interest income	—	19	3	4	(24	) 2
Dividend income - cost investments	—	—	—	85	(3	) 82
Other income (expense), net	—	(3	) 1	—	—	(2 )
Earnings (loss) from continuing operations before tax	640	639	625	624	(1,718	) 810
Income tax (provision) benefit	—	1	(139	) (16	) 1	(153 )
Earnings (loss) from continuing operations	640	640	486	608	(1,717	) 657
Earnings (loss) from operation of discontinued operations	—	—	—	(14	) —	(14 )
Income tax (provision) benefit from discontinued operations	—	—	—	2	—	2
Earnings (loss) from discontinued operations	—	—	—	(12	) —	(12 )
Net earnings (loss)	640	640	486	596	(1,717	) 645
Net (earnings) loss attributable to noncontrolling interests	—	—	—	(5	) —	(5 )
Net earnings (loss) attributable to Celanese Corporation	640	640	486	591	(1,717	) 640

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended September 30, 2018

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net earnings (loss)	401	401	343	349	(1,092)	) 402
Other comprehensive income (loss), net of tax						
Unrealized gain (loss) on marketable securities	—	—	1	—	(1)	) —
Foreign currency translation gain (loss)	(35)	(35)	(31)	(37)	103	(35)
Gain (loss) on cash flow hedges	4	4	2	2	(8)	) 4
Pension and postretirement benefits gain (loss)	—	—	—	—	—	—
Total other comprehensive income (loss), net of tax	(31)	(31)	(28)	(35)	94	(31)
Total comprehensive income (loss), net of tax	370	370	315	314	(998)	) 371
Comprehensive (income) loss attributable to noncontrolling interests	—	—	—	(1)	—	(1)
Comprehensive income (loss) attributable to Celanese Corporation	370	370	315	313	(998)	) 370

Three Months Ended September 30, 2017

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net earnings (loss)	226	226	154	261	(639)	) 228
Other comprehensive income (loss), net of tax						
Unrealized gain (loss) on marketable securities	—	—	—	—	—	—
Foreign currency translation gain (loss)	42	42	65	74	(181)	) 42
Gain (loss) on cash flow hedges	—	—	—	—	—	—
Pension and postretirement benefits gain (loss)	(1)	(1)	(1)	—	2	(1)
Total other comprehensive income (loss), net of tax	41	41	64	74	(179)	) 41
Total comprehensive income (loss), net of tax	267	267	218	335	(818)	) 269
Comprehensive (income) loss attributable to noncontrolling interests	—	—	—	(2)	—	(2)
Comprehensive income (loss) attributable to Celanese Corporation	267	267	218	333	(818)	) 267

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Nine Months Ended September 30, 2018

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net earnings (loss)	1,108	1,108	945	1,029	(3,078 )	1,112
Other comprehensive income (loss), net of tax						
Unrealized gain (loss) on marketable securities	—	—	6	13	(19 )	—
Foreign currency translation gain (loss)	(52 )	(52 )	(77 )	(95 )	224	(52 )
Gain (loss) on cash flow hedges	9	9	6	7	(22 )	9
Pension and postretirement benefits gain (loss)	1	1	1	1	(3 )	1
Total other comprehensive income (loss), net of tax	(42 )	(42 )	(64 )	(74 )	180	(42 )
Total comprehensive income (loss), net of tax	1,066	1,066	881	955	(2,898 )	1,070
Comprehensive (income) loss attributable to noncontrolling interests	—	—	—	(4 )	—	(4 )
Comprehensive income (loss) attributable to Celanese Corporation	1,066	1,066	881	951	(2,898 )	1,066

Nine Months Ended September 30, 2017

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net earnings (loss)	640	640	486	596	(1,717 )	645
Other comprehensive income (loss), net of tax						
Unrealized gain (loss) on marketable securities	1	1	1	1	(3 )	1
Foreign currency translation gain (loss)	148	148	191	232	(571 )	148
Gain (loss) on cash flow hedges	(1 )	(1 )	(1 )	(1 )	3	(1 )
Pension and postretirement benefits gain (loss)	4	4	3	6	(13 )	4
Total other comprehensive income (loss), net of tax	152	152	194	238	(584 )	152
Total comprehensive income (loss), net of tax	792	792	680	834	(2,301 )	797
Comprehensive (income) loss attributable to noncontrolling interests	—	—	—	(5 )	—	(5 )
Comprehensive income (loss) attributable to Celanese Corporation	792	792	680	829	(2,301 )	792

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**CELANESE CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATING BALANCE SHEET**

As of September 30, 2018  
Parent Issuer Subsidiary Non- Eliminations Consolidated  
Guarantor Guarantors Guarantors  
(In \$ millions)

**ASSETS**

## Current Assets

Cash and cash equivalents	—	14	46	643	—	703
Trade receivables - third party and affiliates	—	—	122	1,098	(134)	1,086
Non-trade receivables, net	37	515	257	444	(974)	279
Inventories, net	—	—	301	775	(43)	1,033
Marketable securities, at fair value	—	—	31	—	—	31
Other assets	—	22	16	57	(47)	48
Total current assets	37	551	773	3,017	(1,198)	3,180
Investments in affiliates	3,504	4,736	4,729	860	(12,848)	981
Property, plant and equipment, net	—	—	1,228	2,471	—	3,699
Deferred income taxes	—	17	—	175	(22)	170
Other assets	—	1,621	260	479	(1,947)	413
Goodwill	—	—	314	750	—	1,064
Intangible assets, net	—	—	101	216	—	317
Total assets	3,541	6,925	7,405	7,968	(16,015)	9,824

**LIABILITIES AND EQUITY**

## Current Liabilities

Short-term borrowings and current installments of long-term debt - third party and affiliates	—	50	176	268	(265)	229
Trade payables - third party and affiliates	—	—	303	650	(134)	819
Other liabilities	—	45	296	298	(292)	347
Income taxes payable	—	—	495	104	(462)	137
Total current liabilities	—	95	1,270	1,320	(1,153)	1,532

## Noncurrent Liabilities

Long-term debt	—	3,326	1,580	203	(1,913)	3,196
Deferred income taxes	—	—	67	201	(22)	246
Uncertain tax positions	—	—	10	146	(2)	154
Benefit obligations	—	—	265	282	—	547
Other liabilities	—	—	105	142	(41)	206
Total noncurrent liabilities	—	3,326	2,027	974	(1,978)	4,349
Total Celanese Corporation stockholders' equity	3,541	3,504	4,108	5,272	(12,884)	3,541
Noncontrolling interests	—	—	—	402	—	402
Total equity	3,541	3,504	4,108	5,674	(12,884)	3,943
Total liabilities and equity	3,541	6,925	7,405	7,968	(16,015)	9,824

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**CELANESE CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATING BALANCE SHEET**

As of December 31, 2017  
 Parent Issuer Subsidiary Non- Eliminations Consolidated  
 Guarantor Guarantors Guarantors  
 (In \$ millions)

**ASSETS**

## Current Assets

Cash and cash equivalents	—	—	230	346	—	576
Trade receivables - third party and affiliates	—	—	89	988	(91)	986
Non-trade receivables, net	38	482	279	385	(940)	244
Inventories, net	—	—	277	672	(49)	900
Marketable securities, at fair value	—	—	32	—	—	32
Other assets	—	60	12	93	(111)	54
Total current assets	38	542	919	2,484	(1,191)	2,792
Investments in affiliates	2,850	4,283	3,916	861	(10,934)	976
Property, plant and equipment, net	—	—	1,145	2,617	—	3,762
Deferred income taxes	—	6	206	158	(4)	366
Other assets	—	1,295	171	165	(1,293)	338
Goodwill	—	—	314	689	—	1,003
Intangible assets, net	—	—	48	253	—	301
Total assets	2,888	6,126	6,719	7,227	(13,422)	9,538

**LIABILITIES AND EQUITY**

## Current Liabilities

Short-term borrowings and current installments of long-term debt - third party and affiliates	—	76	148	369	(267)	326
Trade payables - third party and affiliates	—	1	300	598	(92)	807
Other liabilities	—	71	302	273	(292)	354
Income taxes payable	—	—	471	92	(491)	72
Total current liabilities	—	148	1,221	1,332	(1,142)	1,559

## Noncurrent Liabilities

Long-term debt	—	3,128	1,254	233	(1,300)	3,315
Deferred income taxes	—	—	—	215	(4)	211
Uncertain tax positions	—	—	1	157	(2)	156
Benefit obligations	—	—	277	308	—	585
Other liabilities	—	—	255	158	—	413
Total noncurrent liabilities	—	3,128	1,787	1,071	(1,306)	4,680
Total Celanese Corporation stockholders' equity	2,888	2,850	3,711	4,412	(10,974)	2,887
Noncontrolling interests	—	—	—	412	—	412
Total equity	2,888	2,850	3,711	4,824	(10,974)	3,299
Total liabilities and equity	2,888	6,126	6,719	7,227	(13,422)	9,538

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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 2018

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net cash provided by (used in) operating activities	459	567	224	1,015	(1,070)	1,195
Investing Activities						
Capital expenditures on property, plant and equipment	—	—	(163)	(81)	—	(244)
Acquisitions, net of cash acquired	—	—	(144)	—	—	(144)
Proceeds from sale of businesses and assets, net	—	—	—	13	—	13
Return of capital from subsidiary	—	—	225	—	(225)	—
Contributions to subsidiary	—	—	(16)	—	16	—
Intercompany loan receipts (disbursements)	—	(327)	(12)	(285)	624	—
Other, net	—	—	(7)	(27)	—	(34)
Net cash provided by (used in) investing activities	—	(327)	(117)	(380)	415	(409)
Financing Activities						
Net change in short-term borrowings with maturities of 3 months or less	—	(33)	11	(52)	(12)	(86)
Proceeds from short-term borrowings	—	—	—	44	—	44
Repayments of short-term borrowings	—	—	—	(62)	—	(62)
Proceeds from long-term debt	—	285	327	—	(612)	—
Repayments of long-term debt	—	(19)	(13)	(24)	—	(56)
Purchases of treasury stock, including related fees	(250)	—	—	—	—	(250)
Dividends to parent	—	(459)	(611)	—	1,070	—
Contributions from parent	—	—	—	16	(16)	—
Common stock dividends	(209)	—	—	—	—	(209)
Return of capital to parent	—	—	—	(225)	225	—
(Distributions to) contributions from noncontrolling interests	—	—	—	(14)	—	(14)
Other, net	—	—	(5)	(1)	—	(6)
Net cash provided by (used in) financing activities	(459)	(226)	(291)	(318)	655	(639)
Exchange rate effects on cash and cash equivalents	—	—	—	(20)	—	(20)
Net increase (decrease) in cash and cash equivalents	—	14	(184)	297	—	127
Cash and cash equivalents as of beginning of period	—	—	230	346	—	576
Cash and cash equivalents as of end of period	—	14	46	643	—	703



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## CELANESE CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATING STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 2017

	Parent Guarantor	Issuer	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
	(In \$ millions)					
Net cash provided by (used in) operating activities	677	623	571	403	(1,529)	745
Investing Activities						
Capital expenditures on property, plant and equipment	—	—	(122)	(58)	—	(180)
Acquisitions, net of cash acquired	—	(11)	(12)	(265)	19	(269)
Proceeds from sale of businesses and assets, net	—	—	—	20	(19)	1
Return of capital from subsidiary	—	—	18	—	(18)	—
Contributions to subsidiary	—	—	—	—	—	—
Intercompany loan receipts (disbursements)	—	(174)	(25)	—	199	—
Other, net	—	—	(1)	(8)	—	(9)
Net cash provided by (used in) investing activities	—	(185)	(142)	(311)	181	(457)
Financing Activities						
Net change in short-term borrowings with maturities of 3 months or less	—	245	5	(1)	(25)	224
Proceeds from short-term borrowings	—	—	—	150	—	150
Repayments of short-term borrowings	—	—	—	(91)	—	(91)
Proceeds from long-term debt	—	—	174	—	(174)	—
Repayments of long-term debt	—	—	(1)	(64)	—	(65)
Purchases of treasury stock, including related fees	(500)	—	—	—	—	(500)
Dividends to parent	—	(678)	(571)	(280)	1,529	—
Stock option exercises	1	—	—	—	—	1
Common stock dividends	(178)	—	—	—	—	(178)
Return of capital to parent	—	—	—	(18)	18	—
(Distributions to) contributions from noncontrolling interests	—	—	—	(18)	—	(18)
Other, net	—	—	(17)	(2)	—	(19)
Net cash provided by (used in) financing activities	(677)	(433)	(410)	(324)	1,348	(496)
Exchange rate effects on cash and cash equivalents	—	—	—	31	—	31
Net increase (decrease) in cash and cash equivalents	—	5	19	(201)	—	(177)
Cash and cash equivalents as of beginning of period	—	—	51	587	—	638
Cash and cash equivalents as of end of period	—	5	70	386	—	461

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23. Subsequent Event

On October 10, 2018, the Company signed a definitive agreement to acquire Next Polymers Ltd., an India based engineering thermoplastics compounder. The acquisition will be funded from cash on hand or from borrowings under the Company's senior unsecured revolving credit facility. The acquired operations will be included in the Engineered Materials segment. The Company expects the acquisition to close in the first quarter of 2019, subject to customary closing conditions, and does not expect the acquisition to be material to its 2019 financial position or results of operations.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 terms the "Company," "we," "our" and "us," refer to Celanese and its subsidiaries on a consolidated basis. The term "Celanese US" refers to the Company's subsidiary, Celanese US Holdings LLC, a Delaware limited liability company, and not its subsidiaries.

The following discussion should be read in conjunction with the Celanese Corporation and Subsidiaries consolidated financial statements as of and for the year ended December 31, 2017 filed on February 9, 2018 with the Securities and Exchange Commission ("SEC") as part of the Company's Annual Reporting on Form 10-K ("2017 Form 10-K") and the unaudited interim consolidated financial statements and notes to the unaudited interim consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Investors are cautioned that the forward-looking statements contained in this section and other parts of this Quarterly Report involve both risk and uncertainty. Several important factors could cause actual results to differ materially from those anticipated by these statements. Many of these statements are macroeconomic in nature and are, therefore, beyond the control of management. See "Forward-Looking Statements" below and at the beginning of our 2017 Form 10-K.

#### Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and other parts of this Quarterly Report contain certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, us. Generally, words such as "believe," "expect," "intend," "estimate," "anticipate," "project," "plan," "may," "can," "could," "might," and "will," and similar expressions, as they relate to us are intended to identify forward-looking statements. These statements reflect our current views and beliefs with respect to future events at the time that the statements are made, are not historical facts or guarantees of future performance and involve risks and uncertainties that are difficult to predict and many of which are outside of our control. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. All forward-looking statements made in this Quarterly Report are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed in this Quarterly Report will increase with the passage of time. We undertake no obligation, and disclaim any duty, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in our expectations or otherwise.

#### Risk Factors

See Part I - Item 1A. Risk Factors of our 2017 Form 10-K and subsequent periodic filings we make with the SEC for a description of certain risk factors that you should consider which could significantly affect our financial results. In addition, the following factors could cause our actual results to differ materially from those results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among other things:

- changes in general economic, business, political and regulatory conditions in the countries or regions in which we operate;
- the length and depth of product and industry business cycles particularly in the automotive, electrical, textiles, electronics and construction industries;
- changes in the price and availability of raw materials, particularly changes in the demand for, supply of, and market prices of ethylene, methanol, natural gas, wood pulp and fuel oil and the prices for electricity and other energy sources;
- the ability to pass increases in raw material prices on to customers or otherwise improve margins through price increases;
- the ability to maintain plant utilization rates and to implement planned capacity additions, expansions and maintenance;
- the ability to reduce or maintain current levels of production costs and to improve productivity by implementing technological improvements to existing plants;

increased price competition and the introduction of competing products by other companies;  
the ability to identify desirable potential acquisition targets and to consummate acquisition or investment transactions,  
including obtaining regulatory approvals, consistent with our strategy;

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market acceptance of our technology;

the ability to obtain governmental approvals and to construct facilities on terms and schedules acceptable to us;

changes in tariffs, tax rates or legislation throughout the world including, but not limited to, adjustments, changes in estimates or interpretations that may impact recorded or future tax impacts associated with tax legislation in the US, commonly referred to as the Tax Cuts and Jobs Act (the "TCJA") enacted in December 2017;

changes in the degree of intellectual property and other legal protection afforded to our products or technologies, or the theft of such intellectual property;

compliance and other costs and potential disruption or interruption of production or operations due to accidents, interruptions in sources of raw materials, cyber security incidents, terrorism or political unrest, or other unforeseen events or delays in construction or operation of facilities, including as a result of geopolitical conditions, the occurrence of acts of war or terrorist incidents or as a result of weather or natural disasters;

potential liability for remedial actions and increased costs under existing or future environmental regulations, including those relating to climate change;

potential liability resulting from pending or future claims or litigation, including investigations or enforcement actions, or from changes in the laws, regulations or policies of governments or other governmental activities, in the countries in which we operate;

changes in currency exchange rates and interest rates;

our level of indebtedness, which could diminish our ability to raise additional capital to fund operations or limit our ability to react to changes in the economy or the chemicals industry; and

various other factors, both referenced and not referenced in this Quarterly Report.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this Quarterly Report as anticipated, believed, estimated, expected, intended, planned or projected. We neither intend nor assume any obligation to update these forward-looking statements, which speak only as of their dates.

Overview

We are a global technology and specialty materials company. We are one of the world's largest producers of acetyl products, which are intermediate chemicals, for nearly all major industries, as well as a leading global producer of high performance engineered polymers that are used in a variety of high-value applications. As a recognized innovator in the chemicals industry, we engineer and manufacture a wide variety of products essential to everyday living. Our broad product portfolio serves a diverse set of end-use applications including paints and coatings, textiles, automotive applications, consumer and medical applications, performance industrial applications, filtration applications, paper and packaging, chemical additives, construction, consumer and industrial adhesives, and food and beverage applications. Our products enjoy leading global positions due to our differentiated business models, large global production capacity, operating efficiencies, proprietary technology and competitive cost structures.

Our large and diverse global customer base primarily consists of major companies in a broad array of industries. We hold geographically balanced global positions and participate in diversified end-use applications. We combine a demonstrated track record of execution, strong performance built on shared principles and objectives, and a clear focus on growth and value creation. Known for operational excellence and execution of our business strategies, we deliver value to customers around the globe with best-in-class technologies and solutions.

Effective January 1, 2018, we adopted Accounting Standards Update 2017-07, which clarifies the presentation and classification of the components of net periodic benefit costs in the unaudited interim consolidated statements of operations. See Note 2 - Recent Accounting Pronouncements in the accompanying unaudited interim consolidated financial statements for further information.

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Also effective January 1, 2018, we reorganized our operating and reportable segments to align with recent structural and management reporting changes. See Note 19 - Segment Information in the accompanying unaudited interim consolidated financial statements for further information.

## Results of Operations

## Financial Highlights

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	2017 As Adjusted ( <u>Note 2</u> )	Change		2017 As Adjusted ( <u>Note 2</u> )	Change	
(unaudited)						
(In \$ millions, except percentages)						
Statement of Operations Data						
Net sales	1,771	1,566	205	5,466	4,547	919
Gross profit	516	383	133	1,552	1,098	454
Selling, general and administrative ("SG&A") expenses	(129 )	(133 )	4	(412 )	(353 )	(59 )
Other (charges) gains, net	12	—	12	9	(57 )	66
Operating profit (loss)	374	229	145	1,075	617	458
Equity in net earnings (loss) of affiliates	66	50	16	180	135	45
Non-operating pension and other postretirement employee benefit (expense) income	25	23	2	77	67	10
Interest expense	(30 )	(32 )	2	(95 )	(91 )	(4 )
Dividend income - cost investments	26	24	2	92	82	10
Earnings (loss) from continuing operations before tax	462	289	173	1,336	810	526
Earnings (loss) from continuing operations	408	232	176	1,120	657	463
Earnings (loss) from discontinued operations	(6 )	(4 )	(2 )	(8 )	(12 )	4
Net earnings (loss)	402	228	174	1,112	645	467
Net earnings (loss) attributable to Celanese Corporation	401	226	175	1,108	640	468
Other Data						
Depreciation and amortization	90	80	10	255	226	29
SG&A expenses as a percentage of Net sales	7.3 %	8.5 %		7.5 %	7.8 %	
Operating margin <sup>(1)</sup>	21.1 %	14.6 %		19.7 %	13.6 %	
Other (charges) gains, net						
Restructuring	(1 )	—	(1 )	(4 )	(3 )	(1 )
InfraServ ownership change	—	—	—	—	(4 )	4
Plant/office closures	13	—	13	13	(50 )	63
Total Other (charges) gains, net	12	—	12	9	(57 )	66

<sup>(1)</sup> Defined as Operating profit (loss) divided by Net sales.

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	As of September 30, 2018 (unaudited) (In \$ millions)	As of December 31, 2017 (unaudited) (In \$ millions)
<b>Balance Sheet Data</b>		
Cash and cash equivalents	703	576
Short-term borrowings and current installments of long-term debt - third party and affiliates	229	326
Long-term debt, net of unamortized deferred financing costs	3,196	3,315
Total debt	3,425	3,641

**Factors Affecting Business Segment Net Sales**

The percentage increase (decrease) in Net sales attributable to each of the factors indicated for each of our business segments is as follows:

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

	Volume	Price	Currency	Other	Total
	(unaudited)				
	(In percentages)				
Engineered Materials	7	6	(1 )	—	12
Acetate Tow	5	(3 )	—	(1 )	1
Industrial Specialties	(1)	5	(1 )	—	3
Acetyl Intermediates	(4)	26	—	—	22
Total Company	1	14	(1 )	(1 )	13

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

	Volume	Price	Currency	Other	Total
	(unaudited)				
	(In percentages)				
Engineered Materials	12	5	4	—	21
Acetate Tow	(2)	(3 )	—	—	(5 )
Industrial Specialties	(1)	5	4	—	8
Acetyl Intermediates	3	26	3	—	32
Total Company	5	14	3	(2 )	20

**Consolidated Results**

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net sales increased \$205 million, or 13%, for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• higher pricing across most of our segments.

Operating profit increased \$145 million, or 63%, for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• higher Net sales across all of our segments;

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partially offset by:

higher raw material costs across most of our segments.

Our effective income tax rate for the three months ended September 30, 2018 was 12% compared to 20% for the same period in 2017. The lower effective income tax rate for the three months ended September 30, 2018 compared to the same period in 2017 is primarily due to the release of valuation allowances on net deferred tax assets in China and Singapore, reduction of the US statutory tax rate due to the TCJA, and reduced losses not providing tax benefits in certain jurisdictions, partially offset by increases in valuation allowances offsetting US foreign tax credits due to the provisions of the TCJA.

See Note 15 - Income Taxes in the accompanying unaudited interim consolidated financial statements for further information.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net sales increased \$919 million, or 20%, for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher pricing across most of our segments;

higher volume in our Engineered Materials segment, primarily related to our base business driven by new project launches and pipeline growth, and Net sales generated from acquisitions. See Note 3 - Acquisitions, Dispositions and Plant Closures in the accompanying unaudited interim consolidated financial statements for further information; and

a favorable currency impact across most of our segments resulting from a strong Euro relative to the US dollar.

Operating profit increased \$458 million, or 74%, for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher Net sales across most of our segments; and

a favorable impact of \$66 million to Other (charges) gains, net. During the nine months ended September 30, 2017, we provided notice of termination of a contract with a key raw materials supplier at our ethanol production unit in Nanjing, China. As a result, we recorded a \$24 million contract termination charge and an \$18 million reduction to our non-income tax receivable, which did not recur in the current year. In addition, during the nine months ended September 30, 2018, we received a \$13 million non-income tax receivable refund from Nanjing, China. See Note 14 - Other (Charges) Gains, Net in the accompanying unaudited interim consolidated financial statements for further information;

partially offset by:

higher raw material costs across most of our segments; and

higher spending of \$52 million and \$31 million in our Engineered Materials and Acetyl Intermediates segments, respectively.

Equity in net earnings (loss) of affiliates increased \$45 million for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

an increase in equity investment in earnings of \$34 million from our Ibn Sina strategic affiliate primarily as a result of an increase in our indirect economic ownership from 25% to 32.5% due to the startup of its polyoxymethylene ("POM") production facility in Saudi Arabia during the three months ended December 31, 2017 and an increase in methyl tertiary-butyl ether ("MTBE") pricing.

Our effective income tax rate for the nine months ended September 30, 2018 was 16% compared to 19% for the same period in 2017. The lower effective income tax rate for the nine months ended September 30, 2018 compared to the same period in 2017 is primarily due to the release of valuation allowances on net deferred tax assets in China and Singapore, reduction of the US statutory tax rate due to the TCJA and reduced losses not providing tax benefits in certain jurisdictions, partially offset by increases in valuation allowances offsetting US foreign tax credits due to the provisions of the TCJA.



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## Business Segments

## Engineered Materials

	Three Months			Change %	Nine Months			Change %
	Ended	Ended	Ended		Ended	Ended	Ended	
	September 30,	September 30,	September 30,	Change	September 30,	September 30,	Change	Change
	2018	2017	2018		2018	2017		
	(unaudited)							
	(In \$ millions, except percentages)							
Net sales	642	573	69	12.0 %	1,971	1,633	338	20.7 %
Net Sales Variance								
Volume	7	%			12	%		
Price	6	%			5	%		
Currency	(1	)%			4	%		
Other	—	%			—	%		
Other (charges) gains, net	—	—	—	— %	(2	)	2	100.0 %
Operating profit (loss)	124	105	19	18.1 %	365	314	51	16.2 %
Operating margin	19.3 %	18.3 %			18.5 %	19.2 %		
Equity in net earnings (loss) of affiliates	62	47	15	31.9 %	169	128	41	32.0 %
Depreciation and amortization	31	30	1	3.3 %	96	82	14	17.1 %

Our Engineered Materials segment includes our engineered materials business, our food ingredients business and certain strategic affiliates. Our engineered materials business develops, produces and supplies a broad portfolio of high performance specialty polymers for automotive and medical applications, as well as industrial products and consumer electronics. Together with our strategic affiliates, our engineered materials business is a leading participant in the global specialty polymers industry. Our food ingredients business is a leading global supplier of acesulfame potassium for the food and beverage industry and is a leading producer of food protection ingredients, such as potassium sorbate and sorbic acid.

The pricing of products by the Engineered Materials segment is primarily based on the value of the material we produce and is largely independent of changes in the cost of raw materials. Therefore, in general, margins may expand or contract in response to changes in raw material costs.

## Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net sales increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

- higher volume within our base business driven by new project launches and pipeline growth, and Net sales generated from acquisitions; and

- higher pricing for most of our products, primarily due to pricing efforts to align with rising raw material and distribution costs.

Operating profit increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

- higher Net sales;

partially offset by:

- higher raw material costs driven equally by methanol and nylon; and

- higher spending of \$10 million, primarily related to increased distribution costs and our acquisition of Omni Plastics, L.L.C. ("Omni Plastics"), as this acquired business incurs ongoing spending.

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Equity in net earnings (loss) of affiliates increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

an increase in equity investment in earnings of \$17 million from our Ibn Sina strategic affiliate as a result of an increase in our indirect economic ownership from 25% to 32.5% due to the startup of its POM production facility in Saudi Arabia during the three months ended December 31, 2017 and an increase in MTBE pricing.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net sales increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher volume within our base business driven by new project launches and pipeline growth, and Net sales generated from acquisitions;

higher pricing for most of our products, primarily due to pricing efforts to align with rising raw material and distribution costs; and

a favorable currency impact, primarily resulting from a strong Euro relative to the US dollar.

Operating profit increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher Net sales;

partially offset by:

higher spending of \$52 million, primarily related to our acquisitions of Omni Plastics and the nylon compounding division of Nilit Group ("Nilit"), as these acquired businesses incur ongoing spending, as well as increased distribution costs;

- higher raw material costs, primarily for methanol, and freight costs; and

higher depreciation and amortization expense, primarily related to our acquired businesses.

Equity in net earnings (loss) of affiliates increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

an increase in equity investment in earnings of \$34 million from our Ibn Sina strategic affiliate primarily as a result of an increase in our indirect economic ownership from 25% to 32.5% due to the startup of its POM production facility in Saudi Arabia during the three months ended December 31, 2017 and an increase in MTBE pricing, as well as \$4 million from our Korea Engineering Plastics Co., Ltd. strategic affiliate due to favorable pricing.

On February 1, 2018, we completed the acquisition of 100% of the ownership interests of Omni Plastics. Omni Plastics specializes in custom compounding of various engineered thermoplastic materials. The acquisition further strengthens our global asset base by adding compounding capacity in the Americas. See Note 3 - Acquisitions, Dispositions and Plant Closures in the accompanying unaudited interim consolidated financial statements for further information.

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## Acetate Tow

	Three Months			Nine Months					
	Ended September 30, 2018	2017	Change	% Change	Ended September 30, 2018	2017	Change	% Change	
(unaudited)									
(In \$ millions, except percentages)									
Net sales	158	157	1	0.6	%	488	511	(23 )	(4.5 )%
Net Sales Variance									
Volume	5	%			(2 )	%			
Price	(3 )	%			(3 )	%			
Currency	—	%			—	%			
Other	(1 )	%			—	%			
Other (charges) gains, net	(1 )	—	(1 )	(100.0)%	(2 )	(2 )	—	— %	
Operating profit (loss)	26	45	(19 )	(42.2 )%	111	148	(37 )	(25.0)%	
Operating margin	16.5 %	28.7%			22.7 %	29.0%			
Dividend income - cost investments	26	24	2	8.3	%	91	81	10	12.3 %
Depreciation and amortization	21	10	11	110.0	%	44	30	14	46.7 %

Our Acetate Tow segment serves consumer-driven applications. We are a leading global producer and supplier of acetate tow and acetate flake, primarily used in filter products applications.

The pricing of products within the Acetate Tow segment is sensitive to demand and is primarily based on the value of the material we produce. Many sales in these businesses are conducted under contracts with pricing for one or more years. As a result, margins may expand or contract in response to changes in raw material costs over these similar periods, and we may be unable to adjust pricing also due to other factors, such as the intense level of competition in the industry.

## Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net sales were flat for the three months ended September 30, 2018 compared to the same period in 2017.

Operating profit decreased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

- higher depreciation and amortization expense of \$11 million. On June 6, 2018, we announced the consolidation of our global acetate manufacturing operations by initiating the closure of our acetate tow manufacturing unit in Ocotlán, Mexico in 2018. The acetate flake unit will remain operational and is unaffected by these actions. We expect to incur additional exit and shutdown costs of approximately \$5 million, primarily related to accelerated depreciation, through the remainder of 2018. See Note 3 - Acquisitions, Dispositions and Plant Closures in the accompanying unaudited interim consolidated financial statements for further information; and

- higher energy and raw material costs of \$10 million, primarily related to acetic acid.

## Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net sales decreased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

- lower acetate tow volume and pricing due to lower global industry utilization.

Operating profit decreased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

- lower Net sales; and

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higher depreciation and amortization expense of \$14 million, primarily due to the closure of our acetate tow manufacturing unit in Ocotlán, Mexico in 2018.

In June 2017, Celanese, through various subsidiaries, entered into an agreement with affiliates of The Blackstone Group L.P. (the "Blackstone Entities") to form a joint venture which would combine substantially all of the operations of our cellulose derivatives business and the operations of the Rhodia Acetow cellulose acetate business formerly operated by Solvay S.A. and acquired by the Blackstone Entities in June 2017. The parties were subsequently unable to reach an agreement with the European Commission on acceptable conditions to allow the proposed joint venture to proceed. The demands by the European Commission eliminated the advantages at the heart of the transaction. As a result, on March 19, 2018, we and the Blackstone Entities abandoned our agreement to form the proposed joint venture. See Note 3 - Acquisitions, Dispositions and Plant Closures in the accompanying unaudited interim consolidated financial statements for further information.

## Industrial Specialties

	Three Months			Nine Months					
	Ended September 30, 2018	2017	Change	% Change	Ended September 30, 2018	2017	Change	% Change	
	As Adjusted (Note 2)	As Adjusted (Note 2)			As Adjusted (Note 2)	As Adjusted (Note 2)			
	(unaudited)								
	(In \$ millions, except percentages)								
Net sales	273	264	9	3.4	% 835	771	64	8.3	%
Net Sales Variance									
Volume	(1)	%			(1)	%			
Price	5	%			5	%			
Currency	(1)	%			4	%			
Other	—	%			—	%			
Other (charges) gains, net	(1)	—	(1)	(100.0)%	(3)	—	(3)	(100.0)%	
Operating profit (loss)	19	19	—	—	% 64	70	(6)	(8.6)	%
Operating margin	7.0	% 7.2	%		7.7	% 9.1	%		
Depreciation and amortization	10	10	—	—	% 29	28	1	3.6	%

Our Industrial Specialties segment includes our emulsion polymers and ethylene vinyl acetate ("EVA") polymers businesses. Our emulsion polymers business is a leading global producer of vinyl acetate-based emulsions and develops products and application technologies to improve performance, create value and drive innovation in applications such as paints and coatings, adhesives, construction, glass fiber, textiles and paper. Our EVA polymers business is a leading North American manufacturer of a full range of specialty EVA resins and compounds as well as select grades of low-density polyethylene. EVA polymers products are used in many applications, including flexible packaging films, lamination film products, hot melt adhesives, automotive parts and carpeting.

The pricing of our products within Industrial Specialties is influenced by changes in the cost of raw materials. Therefore, in general, there is a direct correlation between the cost of raw materials and our Net sales for most Industrial Specialties products. This impact to pricing typically lags changes in raw material costs over months or quarters.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net sales increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher pricing in our emulsion polymers business due to higher raw material costs for vinyl acetate monomer ("VAM") in Europe and Asia.

Operating profit was flat for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher raw material costs of \$13 million, primarily VAM;

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largely offset by:

higher Net sales.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net sales increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher pricing in our emulsion polymers business due to higher raw material costs for VAM in Europe and Asia; and

a favorable currency impact resulting from a strong Euro relative to the US dollar.

Operating profit decreased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher raw material costs of \$39 million, primarily VAM;

largely offset by:

higher Net sales.

Acetyl Intermediates

	Three Months Ended		Change	% Change	Nine Months Ended		Change	% Change	
	September 30, 2018	September 30, 2017			September 30, 2018	September 30, 2017			
(In \$ millions, except percentages)									
Net sales	835	684	151	22.1 %	2,567	1,952	615	31.5 %	
Net Sales Variance									
Volume	(4)			%	3			%	
Price	26			%	26			%	
Currency	—			%	3			%	
Other	—			%	—			%	
Other (charges) gains, net	13	—	13	100.0 %	13	(50)	63	126.0 %	
Operating profit (loss)	268	128	140	109.4 %	750	264	486	184.1 %	
Operating margin	32.1 %	18.7 %			29.2 %	13.5 %			
Equity in net earnings (loss) of affiliates	2	1	1	100.0 %	5	4	1	25.0 %	
Depreciation and amortization	26	26	—	— %	78	78	—	— %	

Our Acetyl Intermediates segment includes our intermediate chemistry business which produces and supplies acetyl products, including acetic acid, VAM, acetic anhydride and acetate esters. These products are generally used as starting materials for colorants, paints, adhesives, coatings and medicines. This business segment also produces organic solvents and intermediates for pharmaceutical, agricultural and chemical products.

Pricing of acetic acid, VAM and other acetyl products is influenced by industry utilization rates and changes in the cost of raw materials. Therefore, in general, there is a directional correlation between these factors and our Net sales for most intermediate chemistry products. This impact to pricing typically lags changes in raw material costs over months or quarters.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Net sales increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

higher pricing due to higher industry utilization rates, which positively impacted pricing for most of our products;

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slightly offset by:

• lower volume for VAM, which represents all of the decrease in volume, due to a turnaround in Nanjing, China. Operating profit increased for the three months ended September 30, 2018 compared to the same period in 2017

primarily due to:

• higher Net sales; and

• a favorable impact to Other (charges) gains, net. During the three months ended September 30, 2018, we received a \$13 million non-income tax receivable refund from Nanjing, China.

partially offset by:

• higher distribution and raw material costs, primarily for acetic acid and methanol.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net sales increased during the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• higher pricing due to higher industry utilization rates, which positively impacted pricing for most of our products;

• a favorable currency impact resulting from a strong Euro relative to the US dollar; and

• higher volume for acetic acid, primarily due to higher demand and competitor outages.

slightly offset by:

• lower volume for VAM due to a turnaround in Nanjing, China.

Operating profit increased during the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• higher Net sales;

• a favorable impact of \$63 million to Other (charges) gains, net. During the nine months ended September 30, 2017, we provided notice of termination of a contract with a key raw materials supplier at our ethanol production unit in Nanjing, China. As a result, we recorded a \$24 million contract termination charge and an \$18 million reduction to our non-income tax receivable, which did not recur in the current year. In addition, during the nine months ended September 30, 2018, we received a \$13 million non-income tax receivable refund from Nanjing, China. See Note 14 - Other (Charges) Gains, Net in the accompanying unaudited interim consolidated financial statements for further information;

partially offset by:

• higher distribution and raw material costs, primarily for acetic acid and methanol; and

• higher spending of \$31 million, primarily due to a duty exception in the free trade agreement between Europe and

• Mexico recognized during the nine months ended September 30, 2017, which did not recur in the current year, as well as increased freight costs.

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## Other Activities

	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2018	2017			2018	2017		
	As Adjusted				As Adjusted			
	(Note 2)				(Note 2)			
	(unaudited)							
	(In \$ millions, except percentages)							
Other (charges) gains, net	1	—	1	100.0 %	1	(3 )	4	133.3 %
Operating profit (loss)	(63)	(68 )	5	7.4 %	(214)	(179 )	(35 )	(19.6 )%
Equity in net earnings (loss) of affiliates	2	2	—	— %	6	3	3	100.0 %
Non-operating pension and other postretirement employee benefit (expense) income	25	22	3	13.6 %	77	66	11	16.7 %
Depreciation and amortization	2	4	(2 )	(50.0 )%	8	8	—	— %

Other Activities primarily consists of corporate center costs, including administrative activities such as finance, information technology and human resource functions, interest income and expense associated with our financing activities and results of our captive insurance companies. Other Activities also includes the interest cost, expected return on assets and net actuarial gains and losses components of our net periodic benefit cost for our defined benefit pension plans and other postretirement plans, which are not allocated to our business segments.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Operating loss decreased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• lower project spending and incentive compensation costs of \$14 million;

largely offset by:

• higher functional spending of \$5 million; and

• an unfavorable currency impact of \$5 million resulting from a strong Euro relative to the US dollar.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Operating loss increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to:

• higher functional spending and incentive compensation costs of \$38 million;

slightly offset by:

a favorable impact to Other (charges) gains, net. A partner in our InfraServ equity affiliate investments exercised an option right to purchase additional ownership interests in the InfraServ entities from us. The purchase of these interests reduced our ownership interests in InfraServ GmbH & Co. Gendorf KG and InfraServ GmbH & Co.

Knapsack KG (the "InfraServ Ownership Change"). Accordingly, during the three months ended June 30, 2017, we reduced the carrying value of these investments by \$4 million, which did not recur in the current year. See Note 1 - Description of the Company and Basis of Presentation in the accompanying unaudited interim consolidated financial statements for further information.

Non-operating pension and other postretirement employee income increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to higher expected returns on plan assets. See Note 11 - Benefit Obligations in the accompanying unaudited interim consolidated financial statements for further information.



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## Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations, available cash and cash equivalents and dividends from our portfolio of strategic investments. In addition, as of September 30, 2018, we have \$1.0 billion available for borrowing under our senior unsecured revolving credit facility and \$5 million available under our accounts receivable securitization facility to assist, if required, in meeting our working capital needs and other contractual obligations.

While our contractual obligations, commitments and debt service requirements over the next several years are significant, we continue to believe we will have available resources to meet our liquidity requirements, including debt service, for the next twelve months. If our cash flow from operations is insufficient to fund our debt service and other obligations, we may be required to use other means available to us such as increasing our borrowings, reducing or delaying capital expenditures, seeking additional capital or seeking to restructure or refinance our indebtedness. There can be no assurance, however, that we will continue to generate cash flows at or above current levels.

Total cash outflows for capital expenditures are expected to be in the range of \$325 million to \$350 million in 2018 primarily due to additional investments in growth opportunities in our Engineered Materials and Acetyl Intermediates segments.

On a stand-alone basis, Celanese and its immediate 100% owned subsidiary, Celanese US, have no material assets other than the stock of their subsidiaries and no independent external operations of their own. Accordingly, they generally depend on the cash flow of their subsidiaries and their ability to pay dividends and make other distributions to Celanese and Celanese US in order to meet their obligations, including their obligations under senior credit facilities and senior notes and to pay dividends on our Common stock, par value \$0.0001 per share ("Common Stock").

## Cash Flows

Cash and cash equivalents increased \$127 million to \$703 million as of September 30, 2018 compared to December 31, 2017. As of September 30, 2018, \$591 million of the \$703 million of cash and cash equivalents was held by our foreign subsidiaries. Under the TCJA, we have incurred a charge associated with the repatriation of previously unremitted foreign earnings, including foreign held cash. These funds are largely accessible, if needed in the US to fund operations. See Note 15 - Income Taxes in the accompanying unaudited interim consolidated financial statements for further information.

## Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities increased \$450 million to \$1,195 million for the nine months ended September 30, 2018 compared to \$745 million for the same period in 2017. Net cash provided by operating activities for the nine months ended September 30, 2018 increased primarily due to:

- an increase in net earnings;

partially offset by:

- unfavorable trade working capital of \$117 million primarily due to an increase in inventory within our Engineered Materials segment as a result of business growth and our acquisition of Nilit in May 2017.

## Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities decreased \$48 million to \$409 million for the nine months ended September 30, 2018 compared to \$457 million for the same period in 2017, primarily due to:

- a net cash outflow of \$269 million related to the acquisition of Nilit in May 2017, which did not recur this year;

partially offset by:

- a net cash outflow of \$144 million related to the acquisition of Omni in February 2018; and

- an increase of \$64 million in capital expenditures related to growth opportunities in our Acetyl Intermediates and Engineered Materials segments.

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Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities increased \$143 million to \$639 million for the nine months ended September 30, 2018 compared to \$496 million for the same period in 2017, primarily due to:

a decrease in net borrowings on short-term debt of \$387 million, primarily as a result of higher borrowings under our revolving credit facility and accounts receivable securitization facility during the nine months ended

- September 30, 2017 in connection with the acquisition of Nilit and related to the timing of share repurchases of our Common Stock;

partially offset by:

a decrease of \$250 million in share repurchases of our Common Stock during the nine months ended

• September 30, 2018.

Debt and Other Obligations

There have been no material changes to our debt or other obligations described in our 2017 Form 10-K other than those disclosed above and in Note 10 - Debt in the accompanying unaudited interim consolidated financial statements.

Other Financing Arrangements

During the nine months ended September 30, 2018, we entered into a factoring agreement with a global financial institution to sell certain accounts receivable on a non-recourse basis. These transactions are treated as a sale and are accounted for as a reduction in accounts receivable because the agreement transfers effective control over and risk related to the receivables to the buyer. We have no continuing involvement in the transferred receivables, other than collection and administrative responsibilities and, once sold, the accounts receivable are no longer available to satisfy creditors in the event of bankruptcy. We de-recognized \$40 million and \$38 million of accounts receivable during the three months ended June 30, 2018 and September 30, 2018, respectively.

Share Capital

On September 17, 2018, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment (the "Certificate of Amendment") to our Second Amended and Restated Certificate of Incorporation, as amended, to remove all references to our Series B Common Stock, par value \$0.0001 per share, therefrom and to redesignate our Series A Common Stock, par value \$0.0001 per share, as "Common Stock." Following the filing of the Certificate of Amendment, we no longer have series of our class of Common Stock.

The Company declared a quarterly cash dividend of \$0.54 per share on its Common Stock on October 17, 2018, amounting to \$72 million. The cash dividend will be paid on November 8, 2018 to holders of record as of October 29, 2018.

There have been no material changes to our share capital described in our 2017 Form 10-K other than those disclosed above and in Note 13 - Stockholders' Equity in the accompanying unaudited interim consolidated financial statements.

Contractual Obligations

Except as otherwise described in this report, there have been no material revisions outside the ordinary course of business to our contractual obligations as described in our 2017 Form 10-K.

Off-Balance Sheet Arrangements

We have not entered into any material off-balance sheet arrangements.

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Critical Accounting Policies and Estimates

Our unaudited interim consolidated financial statements are based on the selection and application of significant accounting policies. 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. Actual results could differ from those estimates. However, we are not currently aware of any reasonably likely events or circumstances that would result in materially different results.

We describe our significant accounting policies in Note 2 - Summary of Accounting Policies, of the Notes to the Consolidated Financial Statements included in our 2017 Form 10-K. We discuss our critical accounting policies and estimates in MD&A in our 2017 Form 10-K.

Recent Accounting Pronouncements

See Note 2 - Recent Accounting Pronouncements in the accompanying unaudited interim consolidated financial statements included in this Quarterly Report for information regarding recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk for the Company has not changed materially from the foreign exchange, interest rate and commodity risks disclosed in Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our 2017 Form 10-K. See also Note 16 - Derivative Financial Instruments in the accompanying unaudited interim consolidated financial statements for further discussion of our market risk management and the related impact on the Company's financial position and results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, as of September 30, 2018, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

On February 1, 2018, we acquired 100% of the ownership interests of Omni Plastics, L.L.C. and its subsidiaries. See Note 3 - Acquisitions, Dispositions and Plant Closures in the accompanying unaudited interim consolidated financial statements for further information.

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings

The Company is involved in a number of legal and regulatory proceedings, lawsuits, claims and investigations incidental to the normal conduct of its business, relating to such matters as product liability, land disputes, insurance coverage disputes, contracts, employment, antitrust and competition, intellectual property, personal injury and other actions in tort, workers' compensation, chemical exposure, asbestos exposure, taxes, trade compliance, 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 it is named as a defendant. Due to the inherent subjectivity of assessments and unpredictability of outcomes of legal proceedings, the Company's litigation accruals and estimates of possible loss or range of possible loss may not represent the ultimate loss to the Company from legal proceedings. See Note 12 - Environmental and Note 18 - Commitments and Contingencies in the accompanying unaudited interim consolidated financial statements for a discussion of material environmental matters and material commitments and contingencies related to legal and regulatory proceedings. There have been no significant developments in the "Legal Proceedings" described in our 2017 Form 10-K other than those disclosed in Note 12 - Environmental and Note 18 - Commitments and Contingencies in the accompanying unaudited interim consolidated financial statements. See Part I - Item 1A. Risk Factors of our 2017 Form 10-K for certain risk factors relating to these legal proceedings.

## Item 1A. Risk Factors

There have been no material changes to the risk factors under Part I, Item 1A of our 2017 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of our Common Stock during the three months ended September 30, 2018 are as follows:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Remaining that may be Purchased Under the Program <sup>(2)</sup>
	(unaudited)			
July 1 -31, 2018	181,829	\$ 115.49	181,829	\$ 1,410,000,000
August 1-31, 2018	873,662	\$ 116.68	873,662	\$ 1,308,000,000
September 1-30, 2018	235,184	\$ 115.07	235,184	\$ 1,281,000,000
Total	1,290,675 <sup>(3)</sup>		1,290,675	

(1) May include shares withheld from employees to cover their withholding requirements for personal income taxes related to the vesting of restricted stock.

(2) Our Board of Directors authorized the repurchase of \$3.9 billion of our Common Stock since February 2008.

(3) Excludes 1,700 common shares reacquired pursuant to an employee clawback agreement.

See Note 13 - Stockholders' Equity in the accompanying unaudited interim consolidated financial statements for further information.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

None.

## Item 5. Other Information

None.



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Item 6. Exhibits<sup>(1)</sup>

Exhibit

Number Description

3.1 Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed with the SEC on October 18, 2016).

3.1(a) Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Celanese Corporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on April 22, 2016).

3.1(b) Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Celanese Corporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on September 17, 2018).

3.2 Fifth Amended and Restated By-laws, amended effective July 16, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 18, 2018).

4.1 Form of common stock certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8A/A filed with the SEC on September 18, 2018).

31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2\* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1\* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2\* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS\* XBRL Instance Document.

101.SCH\* XBRL Taxonomy Extension Schema Document.

101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB\* XBRL Taxonomy Extension Label Linkbase Document.

101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document.

\*Filed herewith.

The Company and its subsidiaries have in the past issued, and may in the future issue from time to time, long-term debt. The Company may not file with the applicable report copies of the instruments defining the rights of holders of long-term debt to the extent that the aggregate principal amount of the debt instruments of any one series of such debt instruments for which the instruments have not been filed has not exceeded or will not exceed 10% of the assets of the Company at any pertinent time. The Company hereby agrees to furnish a copy of any such instrument(s) to the SEC upon request.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELANESE  
CORPORATION

By: /s/ MARK C. ROHR  
Mark C. Rohr  
Chairman of the Board  
of Directors and  
Chief Executive  
Officer

Date: October 19, 2018

By: /s/ SCOTT A.  
RICHARDSON  
Scott A. Richardson  
Senior Vice President  
and  
Chief Financial Officer

Date: October 19, 2018