KoSa UK Limited

Report and Financial Statements

31 December 2018

Company Information

Directors
C Crawshaw
A Westhuis
R Mathews

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol
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Bankers
Bank of America
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5 Canada Square
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Solicitors
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Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Review of the business

The company's principal activity during the period continued to be that of a non-trading holding company.

Key Performance Indicators

The company's loss amounted to $ 20,204,000 during the year 2018 (2017: loss $18,472,000).

Principal risks and uncertainties

The principal risk and uncertainty facing the company is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. KoSa Foreign Investments S.á r.l. the direct parent of KoSa UK Limited has committed to support the company for at least the next 12 months if necessary.

On behalf of the Board

A. Westhuis
Director

Dated: 1st August 2019

Director's report

The directors of the company present their annual report together with audited financial statements for the year ended 31 December 2018.

Results and dividends

The Company made a loss for the financial period of $20,204,000 (2017: loss $18,472,000). The directors have not paid or declared any dividend (2017: $nil).

Future developments

The company was incorporated in October 2003 as a non-trading, holding company. The directors consider that the principal activity of the business will remain the same for the foreseeable future.

Directors and directors' interests

The following directors served during the year and up to the date of this report:

C. Crawshaw
A. Westhuis – appointed 8th May 2018
R. Mathews – appointed 8th May 2018

None of the directors had any beneficial interest in any contract to which the Company was a party during the period. None of the directors had any beneficial shareholding in the Company or any other company in the INVISTA Equities L.L.C. group at any time during the period and up to the date of this report. The directors have the power to amend these financial statements even after they have been issued.

Events after reporting period

Other than those disclosed in the note 18, the directors are not aware of any material subsequent events.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP served as auditors during 2018 and a resolution to appoint a new auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A. Westhuis
Director

Dated: 1st August 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable U.K Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report
to the members of KoSa UK Limited

Opinion

We have audited the financial statements of KoSa UK Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)

to the members of KoSa UK Limited

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 1 August 2019

Income Statement
For the year Ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Administrative expenses	3	(34)	(16)
Other operating expenses	4	(11)	(30)
Other operating income	5	2	609
(Loss)/Profit on ordinary activities before interest		(43)	563
Interest receivable and similar income	6	506	242
Interest payable and similar charges	7	(38,303)	(34,097)
Loss on ordinary activities before taxation		(37,840)	(33,292)
Tax credit	8	17,636	14,820
Loss for the financial year	14	(20,204)	(18,472)

The results for the year are wholly derived from continuing activities.

Statement of Comprehensive Income

for the year ended 31 December 2018	2018 $'000	2017 $'000
Loss for the financial year	(20,204)	(18,472)
Other comprehensive income:	-	-
Total comprehensive loss for the year	(20,204)	(18,472)

Statement of Financial Position
As at 31 December 2018

	Notes	*2018* *$'000*	*2017* *$'000*
Fixed assets			
Investment in subsidiaries	9	381,910	381,910
		381,910	381,910
Current assets			
Debtors: amounts falling due within one year	10	32,504	47,550
		32,504	47,550
Creditors: amounts falling due within one year	11	(498,819)	(278,740)
Net current liabilities		(466,315)	(231,190)
Total assets less current liabilities		(84,405)	150,720
Creditors: amounts falling due after more than one year	12	(346,280)	(631,201)
Net liabilities		(430,685)	(480,481)
Capital and reserves			
Called up equity share capital	13	-	-
Capital contribution reserve	14	177,142	177,142
Share premium reserve	14	199,099	129,099
Accumulated Losses	14	(806,926)	(786,722)
Total shareholder's deficit		(430,685)	(480,481)

These financial statements were approved by the Board of directors on 1st August 2019 and we signed on its behalf by:

A. Westhuis
Director

Dated: 1st August 2019

Statement of Changes in Equity

As at 31 December 2018

	Notes	Capital Contribution Reserve	Share Premium Reserve	Accumulated losses	Total shareholder's deficit
		$000	$000	$000	$000
As at 1 January 2017		177,142	129,099	(768,250)	(462,009)
Loss for the financial year (Restated)		-	-	(18,472)	(18,472)
As at 31 December 2017		177,142	129,099	(786,722)	(480,481)
Issue of share premium	14	-	70,000	-	70,000
Loss for the financial year		-	-	(20,204)	(20,204)
As at 31 December 2018		**177,142**	**199,099**	**(806,926)**	**(430,685)**

Notes to the financial statements

As at 31 December 2018

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial Statements of KoSa UK Limited (the "company") of One St Peter's Square, Manchester, M2 3DE for the year ended 31 December 2018 were authorised for issue by the board of directors on 1st August 2019 and the Statement of Financial Position was signed on the boards behalf by Andries Westhuis. KoSa (U.K) limited is a private company limited by shares and is incorporated and domiciled in England and Wales

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. The company's financial statements are presented in US Dollars, which is also the company's functional currency, and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

The company's financial statements are individual entity financial statements. The principal accounting policies adopted by the company are set out in note 2.

2. Accounting Policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  (i) Paragraph 79(a)(iv) of IAS 1;
(b) The requirements of paragraphs 10(d), 10(f), 40A to 40D, 111, 16, 38A to 38D and 134 to 136 of IAS1 Presentation of financial Statements
(c) The requirements of IAS 7 Statement of Cash Flows;
(d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
(e) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The shareholders were notified of the company's intention to take advantage the above disclosure exemptions and did not reject their use.

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. At the balance sheet date the company had net current liabilities of $463,461k (2017: 231,190k).

The company is dependent on continuing financial support being available from its immediate parent undertaking. The Directors have received written confirmation that financial support will continue to be available to the company for the foreseeable future by way of support from its immediate parent undertaking. Accordingly, the Directors of the company believe it is appropriate to prepare the financial statements on a going concern basis.

At 31 December 2018 the company was a wholly owned indirect subsidiary of INVISTA Equities L.L.C. a company incorporated in the United States. The Company and its subsidiaries are included within the published consolidated financial statements of INVISTA Equities L.L.C. These are filed with these financial statements on the UK Companies registrar.

Notes to the financial statements (continued)

As at 31 December 2018

2. Accounting Policies (continued)

Investments

Investments are held at cost less impairments.

Group Accounts

The company is exempt from preparing group accounts by virtue of s401 of the Companies Act 2006.

These accounts therefore provide information about the company, not about its group.

Foreign Currency Balances

Transactions denominated in foreign currencies during the course of the period are translated into dollars at the rates of exchange prevailing at the date of those transactions. All exchange differences are included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the rates of exchange prevailing at the balance sheet date.

Other operating income

Other operating income is only recognised in the profit and loss account when the directors believe that relevant recognition criteria have been met.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Notes to the financial statements (continued)
As at 31 December 2018

Taxation (continued)

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, there deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Group relief recognition

Management judgement is required to determine the amount of group relief settlement to be recognised. Group relief settlement is the amount paid by INVISTA Textiles (U.K) Limited to KoSa UK Limited, based on the Corporate Income Tax return and the group relief amount surrendered.

In case the group relief settlement amount is not known at the time of preparing the financial statements, management will assume the group relief settlement to be equal to the tax impact on the amount surrendered.

Amounts owed by group undertakings

Amounts owed by group undertakings consist of loan or other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Amounts owed by group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

New and amended standards and interpretations

The Company applied IFRS 9 for the first time from 1 January 2018. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There were no material impacts on the comparative balances.

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Other than the changes described above, the accounting policies adopted are consistent with those of the previous financial year.

Notes to the financial statements (continued)
As at 31 December 2018

3. Operating Profit

a) Operating profit is stated after charging:

	2018	*2017*
	$'000	*$'000*
Auditors' remuneration, including expenses		
- audit	11	16

4. Other Operating Expenses

	2018	*2017*
	$'000	*$'000*
Other expenses	(11)	(30)
	(11)	(30)

5. Other operating income

	2018	*2017*
	$'000	*$'000*
Exchange gain	2	577
Other income	-	32
	2	609

Notes to the financial statements (continued)

As at 31 December 2018

6. Interest receivable and similar income

	2018	*2017*
	$'000	*$'000*
Receivable from group undertakings	506	242
	506	242

7. Interest payable and similar charges

	2018	*2017*
	$'000	*$'000*
Payable to group undertakings	(38,303)	(34,097)
	(38,303)	(34,097)

8. Tax credit on profit on ordinary activities

a) Tax credited in the income statement

The tax credit is made up as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
	$000	*$000*
Current income tax:		
Group relief with other Group Companies	(17,636)	(8,334)
Group relief receivable in respect of previous period	-	(6,486)
Current income tax (credit)	(17,636)	(14,820)
Tax credit on loss on ordinary activities	(17,636)	(14,820)
Tax credit in the income statement	**(17,636)**	**(14,820)**

Income tax (credit) relates to continuing operations

Notes to the financial statements (continued)
As at 31 December 2018

Tax credit on profit on ordinary activities (continued)

b) Reconciliation of the total tax credit

The current tax credit in the income statement for the year is higher than the standard rate of corporation tax in the U.K of 19% (2017: 19.25%). The differences are reconciled below:

	Year ended 31 December 2018	*Year ended 31 December 2017*
	$000	*$000*
Loss from continuing operations before taxation	(37,840)	(33,292)
Tax calculated at U.K standard rate of corporation tax of 19%	(7,190)	(6,409)
Loan interest paid	(13,300)	(1,925)
Group relief receivable in respect of previous period	-	(6,486)
Losses carried forward	2,854	-
Total tax (credit) reported in the income statement	(17,636)	(14,820)

c) Factors that may affect future tax charges

In September 2016 changes to the corporation tax rate were enacted to reduce the corporate tax rate to 17% from 1 April 2020. These changes will reduce the company's future tax charges accordingly.

There is an unrecognised deferred tax asset of $46,353 (2017: $55,700). The related deferred tax asset has not been recognised as the directors have considered that the recognition criteria set out in IAS 12 have not been met in respect of this deferred tax asset. (See note (d) below).

Notes to the financial statements (continued)
As at 31 December 2018

Tax credit on profit on ordinary activities (continued)

d) Deferred tax asset

The unrecognised deferred tax asset is not included on the balance sheet:

	2018 Unrecognised $000	2018 Recognised $000	2017 Unrecognised $000	2017 Recognised $000
Deferred tax asset				
Other temporary differences	11,889	-	23,789	-
Losses carried forward	34,464	-	31,911	-
Deferred tax asset	46,353	-	55,700	-
Not recorded on the balance sheet:				
Deferred tax asset	46,353	-	55,700	-
	46,353	-	55,700	-

	2018 Unrecognised $000	2018 Recognised $000	2017 Unrecognised $000	2017 Recognised $000
Asset at start of the period:	55,700	-	62,941	-
Other temporary differences	(11,900)	-	(1,700)	-
Losses carried forward	2,553	-	(5,541)	-
Deferred tax asset at the end of the period	46,353	-	55,700	-

Notes to the financial statements (continued)
As at 31 December 2018

9. Investments

	Shares in Subsidiary company 2018	*Shares in Subsidiary company 2017*
	$000	*$000*
Cost		
At 1 January	381,910	381,910
At 31 December	381,910	381,910

The following companies were subsidiaries of the Company at 31 December 2018 and were registered and operating in England

Subsidiary	Nature of business	% of share capital
INVISTA (U.K.) Superior Holdings Limited	Intermediate Holding Company	100% Indirect
INVISTA (U.K.) Holdings Limited	Intermediate Holding Company	100% Indirect
INVISTA Textiles (U.K.) Limited	Manufacture/Resale of textile products	100% Indirect
INVISTA Textiles (U.K.) Trustee Company	Intermediate Holding Company	100% Indirect

The following companies were subsidiaries of the Company at 31 December 2018 and were registered and operating outside of England

Subsidiary	Nature of business	% of share capital	Address	Status
INVISTA U.K Investments B.V.	Intermediate Holding Company	100% Direct	Parmentierweg 4, Eindhoven, The Netherlands	Active
Arteva Holdings GmbH	Intermediate Holding Company	90% Direct	Philipp-Reis-Strasse 2 Hattersheim am Main, Germany	Active

Notes to the financial statements (continued)
As at 31 December 2018

INVISTA Resins & Fibers GmbH	Manufacture/Resale of chemical products	90% Indirect	Philipp-Reis-Strasse 2 Hattersheim am Main, Germany	Active
INVISTA (Deutschland) GmbH	Commissionaire and Service Provider	90% Indirect	Philipp-Reis-Strasse 2 Hattersheim am Main, Germany	Active
INVISTA Fibers Company Limited	Manufacturing	92% Indirect	Unit 969, No. 698, 1588 Zhuguang Road, Qingpu, Shanghai, China	Active
INVISTA Fibers (Shanghai) Company Limited	Manufacturing	100% Indirect	Unit 564, No. 698, 1588 Zhuguang Road, Qingpu, Shanghai, China	Active
CH Hong Kong Holdings IV Limited	Intermediate Holding Company	100% Indirect	Hogan Lovells, Floor 11, One Pacific Place, 88 Queensway, Hong Kong	
INVISTA Management (Shanghai) Company Limited Guangzhou Branch Office	Servicing Company	100% Indirect	Unit 3509-10, CITIC Plaza, 233 Tianhe Road, Guangzhou, China.	
INVISTA Management (Shanghai) Company Limited Beijing Branch Office	Servicing Company	100% Indirect	REGUS CHINA LIFE TOWER, 5/F, No. 16 Chaowai Street, Beijing, Chaoyang District 100020	
INVISTA (China) Investment Company Limited	Intermediate Holding Company	100% Indirect	Block E, Unit 3-417, Building 1, 688 Qiushi Road, Wei Zhen, Jinshan, Shanghai	
INVISTA Nylon Chemicals (China) Company Limited	Manufacturing	100% Indirect	NO. 88 Tianhua Road, SCIP, Jinshan, Shanghai, China	
INVISTA Management (Shanghai) Company Limited	Servicing	100% Indirect	Unit 1701-1704, K11, 300 Middle Huaihai Road, Shanghai, China	
INVISTA Sales and Services (Shanghai) Company Limited	Trading	100% Indirect	Unit 1502, K11, 300 Middle Huaihai Road, Shanghai, China	
INVISTA Trading (Shanghai) Company Limited	Trading	100% Indirect	Unit B07, Floor 6, No. 55, Jilong Road, Pilot free trade zone, Shanghai China	

Notes to the financial statements (continued)
As at 31 December 2018

10. Debtors

	2018	*2017*
	$'000	*$'000*
Due within one year:		
Amounts owed by group undertakings	32,504	47,550
	32,504	47,550

There are no material impacts on IFRS 9 over ECL for group debtors.

11. Creditors: amounts falling due within one year

	2018	*2017*
	$'000	*$'000*
Amounts owed to group undertakings	496,689	278,721
Other creditors	14	19
Bank overdraft	2,116	-
	498,819	278,740

The amounts owed by group undertakings are interest on the long-term loans outlined in Note 12, of $65,913,233, principal on two loans repayable in 2019 of $304,588,256, as well as a revolver loan of $126,185,690 which is repayable on demand.

12. Creditors: amounts falling due after more than one year

	2018	*2017*
	$'000	*$'000*
Loan from group undertakings due two to five years	-	340,340
Loan from group undertakings due greater than five years	346,280	290,861
	346,280	631,201

The amounts owed by group undertakings are loans which are repayable as follows, $55,419,000 repayable in 2023 with an interest rate of 2.40% and $290,861,214 repayable in 2024 with an interest rate of 5.65%.

Notes to the financial statements (continued)

As at 31 December 2018

13. Allotted and issued share capital

	2018	*2017*
	$	*$*
Allotted, called up and fully paid		
5 ordinary shares of £1 each (2017: 4 ordinary shares of £1 each)	9	7

14. Shareholders' equity

Accumulated losses	*2018*	*2017*
	$'000	*$'000*
Profit and loss account at 1 January	(786,722)	(768,250)
Loss for the year	(20,204)	(18,472)
Profit and loss account at 31 December	(806,926)	(786,722)

Capital contribution reserve

The capital contribution reserve is used to record additional cash contributions made to the entity by its parent (KoSa Foreign Investments S.á r.l.), without the issue of additional shares.

Share premium Reserve

The Share premium reserve includes the net proceeds above nominal value, on issue of the Company's equity share capital, comprising £1 ordinary shares.

On 20th December 2018 KoSa Foreign Investment S.á r.l. contributed $70,000,000 to the Company for which it was issued 1 ordinary share, the difference was credited to the share premium reserve.

15. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

16. Consolidated financial statements

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare consolidated financial statements. Therefore, these financial statements contain information about the Company as an individual undertaking and not about its group.

The Company and its subsidiary are included within the published consolidated financial statements of INVISTA Equities L.L.C., which is incorporated in the United States.

Notes to the financial statements (continued)

As at 31 December 2018

17. Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking is KoSa Foreign Investments S.á r.l., a company incorporated in Luxembourg.

KoSa UK Limited is indirectly controlled by INVISTA Equities L.L.C., a limited liability company formed under the laws of the United States and an indirect subsidiary of Koch Industries Inc. INVISTA Equities L.L.C. is the parent of a group of companies, including KoSa UK Limited, which conducts a global textiles business under the name 'INVISTA' and is separately managed by its own board of managing directors. The ultimate indirect parent undertaking and controlling party is Koch Industries Inc. (incorporated in the state of Kansas, USA). Koch Industries Inc. is the indirect parent undertaking of the largest group to consolidate these accounts.

INVISTA Equities L.L.C. is the lowest level at which accounts are consolidated. Copies of these accounts are available from Companies House.

18. Post balance sheet events

On 29 March 2019, the subsidiary of the KoSa UK, Arteva Holdings dissolved its capital reserve and cash of $23,515,200 has been distributed to the Company.

INVISTA Equities, LLC and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

INVISTA Equities, LLC and Subsidiaries
Consolidated Financial Statements

Years ended December 31, 2018 and 2017

Contents

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Report of Independent Auditors

The Board of Directors and Member of INVISTA Equities, LLC

We have audited the accompanying consolidated financial statements of INVISTA Equities, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in member equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INVISTA Equities, LLC and its subsidiaries at December 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 4, 2019

INVISTA Equities, LLC and Subsidiaries
Consolidated Balance Sheets
(Amounts in millions of U.S. Dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 94	$ 669
Receivables, net	1,962	1,218
Inventories	941	773
Prepaid expenses and other current assets	13	18
Assets held for sale	1,481	1,492
Total current assets	4,491	4,170
Property, plant and equipment, net	1,996	2,027
Goodwill	205	205
Other intangible assets	127	128
Investment in equity affiliate	286	225
Receivables, related parties	1,313	584
Deferred income tax assets	300	354
Other assets	161	182
Total assets	$ 8,879	$ 7,875
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 749	$ -
Payables	390	341
Accrued and other current liabilities	460	359
Liabilities held for sale	242	312
Total current liabilities	1,841	1,012
Long-term debt	409	747
Pension and other post-retirement benefit liabilities	596	840
Other liabilities	59	96
Deferred income tax liabilities	7	-
Total liabilities	2,912	2,695
Equity:		
INVISTA Equities, LLC member equity:		
Member capital	6,701	5,988
Accumulated other comprehensive loss	(770)	(843)
Total INVISTA Equities, LLC member equity	5,931	5,145
Noncontrolling interest	36	35
Total equity	5,967	5,180
Total liabilities and equity	$ 8,879	$ 7,875

See accompanying notes.

INVISTA Equities, LLC and Subsidiaries
Consolidated Statements of Operations
(Amounts in millions of U.S. Dollars)

	Year ended December 31, 2018	2017
Net sales	$ 4,400	$ 3,832
Sales to related parties	4	-
Total sales	4,404	3,832
Cost of goods sold and other operating expenses	3,359	3,224
Gross profit	1,045	608
Selling, general and administrative expenses	382	367
Research and development expenses	41	43
Restructuring and transition expenses	7	11
Impairment, abandonment and accelerated depreciation of assets, net of recoveries	12	2
Other (income) expense, net	(120)	(21)
Operating income	723	206
Equity in income of affiliate	(4)	(2)
Interest (income) expense, net	(11)	17
Income before income taxes	738	191
Income tax expense (benefit)	279	(283)
Consolidated net income from continuing operations	459	474
Income from discontinued operations, net of tax	196	145
Consolidated net income	655	619
Net income attributable to noncontrolling interest of discontinued operations	(6)	(4)
Net income attributable to INVISTA Equities, LLC	$ 649	$ 615

See accompanying notes.

INVISTA Equities, LLC and Subsidiaries
Consolidated Statements of Comprehensive Income
(Amounts in millions of U.S. Dollars)

	Year ended December 31,	
	2018	**2017**
Consolidated net income	$ 655	$ 619
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(1)	7
Recognition of actuarial gains (losses), actuarial assumption changes and foreign exchange rate changes related to defined benefit plans, net of tax expenses of ($96) and $2	138	(25)
Other comprehensive loss	137	(18)
Comprehensive income	792	601
Net income attributable to noncontrolling interest of discontinued operations	(6)	(4)
Comprehensive income attributable to INVISTA Equities, LLC	$ 786	$ 597

See accompanying notes.

INVISTA Equities, LLC and Subsidiaries
Consolidated Statements of Member Equity
(Amounts in millions of U.S. Dollars)

	INVISTA Equities, LLC Member				
	Member capital	Accumulated other comprehensive loss	Total INVISTA Equities, LLC member equity	Non-controlling interest	Total equity
Balances at December 31, 2016	$ 5,373	$ (825)	$ 4,548	$ 38	$ 4,586
Consolidated net income	615	-	615	4	619
Dividends paid to noncontrolling interest	-	-	-	(7)	(7)
Other comprehensive loss	-	(18)	(18)	-	(18)
Balances at December 31, 2017	$ 5,988	$ (843)	$ 5,145	$ 35	$ 5,180
Adoption of Accounting Standard (1)	64	(64)	-	-	-
Consolidated net income	649	-	649	6	655
Dividends paid to noncontrolling interest	-	-	-	(5)	(5)
Other comprehensive income	-	137	137	-	137
Balances at December 31, 2018	$ 6,701	$ (770)	$ 5,931	$ 36	$ 5,967

(1) 2018 includes the adoption of accounting standard. See Note 1.

See accompanying notes.

INVISTA Equities, LLC and Subsidiaries
Consolidated Statements of Cash Flows
(Amounts in millions of U.S. Dollars)

	Year ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Consolidated net income	$ 655	$ 619
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	240	275
Amortization of bank financing costs	1	5
Exchange rate changes on cash and cash equivalents	3	-
Undistributed earnings in equity investments, net of dividends	(6)	(6)
Gain on disposal of assets	(217)	(1)
Impairment, abandonment and accelerated depreciation of assets, net of recoveries	12	2
Deferred income taxes	94	(84)
Pension contributions in excess of pension expense	(50)	(53)
Changes in assets and liabilities: [1]		
Receivables	181	(379)
Inventories	(200)	88
Other assets	(32)	(14)
Payables	54	2
Other liabilities	(91)	78
Net cash provided by operating activities	644	532
Cash flows from investing activities:		
Capital expenditures, including capitalized interest	(176)	(145)
Issuance of related party note receivable	(1,678)	-
Payment on related party note receivable	-	250
Net change in cash management agreement	22	(741)
Proceeds from disposal of assets	275	177
Capital investment in equity affiliates	(60)	(20)
Net cash used in investing activities	(1,617)	(479)
Cash flows from financing activities:		
Borrowings of revolvers	409	341
Repayments of revolvers	-	(341)
Dividends paid to noncontrolling interest	(5)	(7)
Net cash provided by (used in) financing activities	404	(7)
Net (decrease) increase in cash and cash equivalents	(569)	46
Effect of exchange rate changes on cash and cash equivalents	(3)	-
Cash and cash equivalents at beginning of period	669	623
Cash and cash equivalents at end of period	$ 97	$ 669

[1] Net of effect of translation and disposition.

Supplemental cash flow information		
Taxes paid	$ 102	$ 56
Interest paid	$ 28	$ 30

See accompanying notes.

INVISTA Equities, LLC and Subsidiaries
Notes to Consolidated Financial Statements
(Amounts in millions of U.S. Dollars)

1. Summary of significant accounting policies and practices

Description of business
INVISTA Equities, LLC (a Delaware limited liability company), is wholly-owned by subsidiaries of Koch Industries, Inc. ("KII"), a privately held corporation owning a diverse group of companies engaged in operations and investments worldwide.

INVISTA's principal operations, which are located mainly in North America, Europe, Asia and South America, consist of the following three business segments:

Integrated Nylon

INVISTA manufactures nylon 6,6 intermediates and polymer for internal consumption in downstream applications, primarily related to the production of nylon carpet and airbag fiber and engineering polymers. INVISTA also manufactures nylon 6,6 intermediates, nylon 6,6 polymers and specialty products for merchant markets where they are processed into a broad range of applications.

Apparel & Advanced Textiles

INVISTA is a leading manufacturer of consumer branded spandex fiber, INVISTA's primary apparel-related product. INVISTA also sells polyester and nylon fibers, which INVISTA either produces or purchases from others. INVISTA provides customers with a wide range of spandex products, including the premium LYCRA® brand spandex fibers and value-priced ELASPAN® brand spandex fibers (See Note 3).

Specialty Chemicals/Licensing/Other

INVISTA's non-nylon specialty segment is a leading producer of aromatic polyester polyols sold under the TERATE® polyol brand into commercial and residential building insulation markets and a producer of specialty PET bottle resins. INVISTA also licenses certain technologies to companies that are building polyester, nylon, and or spandex intermediates capacity. The majority of external income is from customers who are building PTA and BDO plants.

Principles of consolidation
The consolidated financial statements include the financial statements of INVISTA and subsidiaries in which a controlling interest is maintained. For controlled subsidiaries in which ownership is less than 100%, the outside investor's interests are reported as a noncontrolling interest. The equity method is used to account for entities that INVISTA owns 50% or less and in which INVISTA exercises significant influence. All intercompany balances and transactions are eliminated in consolidation. Sales to and purchases from entities accounted for using the equity method are reported at a gross amount. The INVISTA ownership portion of intercompany profit remaining in inventory at period end is eliminated.

(Amounts in millions of U.S. Dollars)

Presentation of prior year financial statements

The following table details the impact of the adoption of the accounting standard update discussed within this Note. The table details the impact as of and for the year ended December 31, 2017.

	As previously reported	Impact of change	As adjusted
Consolidated Statement of Operations			
Cost of goods sold and other operating expenses	$ 3,259	$ (35)	$ 3,224
Other (income) expense, net	(56)	35	(21)

In March 2017, the Financial Accounting Standards Board issued guidance which requires the presentation of the service cost component of net periodic benefit cost to be included within the same financial statement line as other compensation costs arising from services rendered by relevant employees during the period. This guidance is effective for annual periods beginning after December 15, 2017 resulting in INVISTA's adoption in 2018 and 2017 retrospective adjustments. The impact of the retrospective adjustment includes a decrease to Cost of goods sold and other operating expenses and an offsetting increase in expense included in Other (income) expense, net.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash with original maturities of three months or less. Cash equivalents consist primarily of money market funds and other investments.

Allowance for doubtful accounts

INVISTA routinely assesses the allowance for doubtful accounts by analyzing the customer's outstanding balance, credit quality, tenor and/or customer-specific knowledge. When INVISTA ultimately concludes that a receivable is uncollectible, the balance is charged against the allowance for doubtful accounts, resulting in receivables that are stated at net realizable value.

Inventories

Inventories are stated at lower of cost or net realizable value. INVISTA provides a reserve for inventory when indicators, such as declining product demand, decreased price levels, obsolescence, physical deterioration or other economic factors are present that indicate that net realizable value is less than cost. INVISTA's continuing operations cost is determined under the first-in, first-out method ("FIFO"). Cost for the remainder of inventory is determined primarily using the weighted-average cost method.

The allocation of fixed production overheads to inventories is based on the normal capacity of the production facilities.

Financial instruments

INVISTA's financial instruments, which are carried at cost, including cash and cash equivalents, restricted cash, trade accounts receivables, related party receivables, trade accounts payable and other current liabilities, approximate fair value because of their short maturities. INVISTA's long-term debt is also a financial instrument and is estimated using calculations based on market rates. At December 31, 2018 and 2017, the carrying value of all significant financial instruments approximated fair value because of their short maturities or because such instruments carry a market rate of interest.

Fair value measurements

U.S. generally accepted accounting principles ("GAAP") utilizes a three-level hierarchy to determine fair value of assets and liabilities based upon whether the inputs utilized to derive the valuation are observable or unobservable. Level 1 inputs are those determined based upon quoted prices in active markets for identical assets. Level 2 inputs generally include observable, market-based information derived from independent sources. Level 3 inputs are unobservable and include management estimates, pricing models, discounted cash flow analysis and other techniques that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Long-lived assets

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Depreciation of property, plant and equipment is based on the following estimated useful lives:

Buildings, plants and improvements	5 to 40 years
Machinery and equipment	3 to 20 years
Furniture, fixtures and other	3 to 10 years
Capitalized software	3 to 5 years

Interest costs incurred during construction periods exceeding one year are capitalized for significant projects and amortized over the life of the asset. Expenditures for maintenance and repairs are charged against operations; major replacements, renewals and significant improvements that extend the useful life of the assets are capitalized and depreciated over the useful life of the asset. Costs incurred for major planned maintenance activities are deferred and amortized over the turnaround period, usually 24 months or longer, and are included in "Other assets" in the Consolidated Balance Sheets. Gains and losses on assets disposed of in the normal course of business are included in "Other (income) expense" in the Consolidated Statements of Operations.

Impairments of long-lived assets held for use

Long-lived assets used in operations are tested for possible impairment when events or changes in circumstances indicate a potential significant deterioration in future cash flows projected to be generated by an asset or asset group, as applicable (hereinafter referred to as "asset"). If indicators are present and the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset is less than the carrying value of an asset, the carrying value is written down to estimated fair value. The fair values of long-lived assets are determined utilizing inputs such as the present value of projected future cash flows using discount rates commensurate with the risks involved in the asset. The expected cash flows are based on estimates management believes a market participant would utilize and may incorporate multiple outcomes, which could include continuing to operate, ceasing to operate, closing or divesting the assets. The expected future cash flows used for impairment reviews and related fair value calculations are based on cash inflows and outflows, as appropriate, which include the following estimates: expected asset usage, projected production volumes, sales volumes, prices, costs and other available information at the date of review. These projections depend significantly on future economic and market conditions, cover extended periods of time and are not subject to precise estimation. Given the unobservable nature of these inputs in the marketplace, they are considered to be Level 3 inputs in the fair value hierarchy. Actual future results could be materially different from INVISTA's projections. Should an impairment of assets arise, INVISTA would be required to record a charge to operations that could be material to the period reported.

Asset retirement obligations

INVISTA has operations where regulations or contracts would require it to perform certain retirement activities conditional on the shutdown of the operations and/or abandonment of the facilities. These activities may include the dismantling of facilities and removing certain hazardous materials or contaminants from the physical location. Asset retirement obligations ("ARO") for which the amount and timing of the cash flows are estimable have been recorded at the net present values of the expected future cash flows in the Consolidated Balance Sheets as "Accrued and other current liabilities" and "Other liabilities". ARO balances have been recorded at fair value utilizing unobservable inputs that have been determined to be Level 3 in the fair value hierarchy.

Goodwill
Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill is not amortized but is tested for impairment at least annually. INVISTA performs the impairment test at the reporting unit level, in the fourth quarter every year. Additional assessments may be performed if events or circumstances arise which indicate that, more likely than not, the carrying value of the goodwill has been impaired.

The guidance for testing goodwill for impairment gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying value. If a company concludes that this is the case, it must perform a quantitative test. The guidance requires companies to evaluate all events and circumstances, positive and negative, in assessing whether it is more likely than not that a reporting unit's fair value is less than its carrying value. Such events and circumstances include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant company-specific events such as changes in management, strategy or customers and litigation and reporting unit-specific changes.

Testing goodwill for impairment, whether using a qualitative or quantitative approach, involves significant management judgment. Under the qualitative approach, relevant events and circumstances and their significance must be evaluated by management with regards to their impact on the assessment of the likelihood that that the fair value of a reporting unit is less than its carrying value. Under the quantitative approach, INVISTA estimates the fair value of the reporting units utilizing the income and market approaches. For the income approach, discounted cash flows are utilized. Discounted cash flow analysis is based upon estimates management believes a market participant would utilize relating to, but not limited to: short and long-term forecasts of the reporting unit's operations, supply and demand levels, pricing dynamics between commodity and differentiated products, industry trends, utilization rates of INVISTA's assets, general macroeconomic conditions and cost of capital. For the market approach, market indicators such as comparable company analysis and active marketplace transactions, if available, are utilized. If any of the assumptions utilized in the estimation of fair value change adversely, the resulting decline in estimated fair value could result in a material impairment charge in a future period. Given the unobservable nature of these inputs, they are considered to be Level 3 inputs in the fair value hierarchy.

Other intangible assets
Intangible assets with estimable useful lives are amortized, on a straight-line basis, over their respective estimated useful lives to their estimated residual values, if any, and are reviewed for impairment consistent with the approach to long-lived assets. Intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually.

The guidance for testing indefinite lived intangible assets gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of an intangible asset is less than its carrying value. The guidance requires companies to evaluate all events and circumstances, positive and negative, in assessing whether it is more likely than not that an intangible asset's fair value is less than its carrying value. Such events and circumstances include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant company-specific events such as changes in management, strategy or customers and litigation and asset-specific changes. If the company concludes that it is more likely than not that the fair value exceeds the carrying value, no additional testing is required. However, if the company concludes it is more likely than not that the fair value is less than the carrying value, it must perform a quantitative test. If the result of the quantitative test is that the fair market value is less than the carrying value, an impairment loss is recorded. If any of the assumptions utilized in the estimation of fair value change adversely, the resulting decline in estimated fair value could result in a material impairment charge in a future period. Given the unobservable nature of these inputs, they are considered to be Level 3 inputs in the fair value hierarchy.

Restructuring

INVISTA recognizes liabilities related to employee termination benefits and other costs to exit an activity initially at fair value in the period in which they are incurred. Restructuring balances have been recorded at fair value utilizing unobservable inputs that have been determined to be Level 3 inputs in the fair value hierarchy. Termination benefits requiring service to be rendered beyond a minimum retention period are measured initially at the communication date based on the fair value of the liability as of the termination date. These benefits are recognized ratably over the future service period.

Pension and other postretirement plans

INVISTA's pension and other postretirement benefit plan costs and obligations are heavily dependent on various actuarial assumptions, including but not limited to, rate of return on plan assets, the rate at which future obligations are discounted to value the liability (discount rate), the rate of compensation increases and health care cost trend rates. INVISTA makes assumptions relating to discount rates, rates of compensation increases, expected returns on plan assets and health care cost trend rates at each December 31 balance sheet date. Refer to Note 12 for further information on these assumptions. Plan assets are classified as either Level 1, 2 or 3 in the fair value hierarchy or by their net asset value (NAV) based upon the specific characteristics of the underlying investments in each plan.

Contingencies

Liabilities for loss contingencies that are categorized as expenses, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Environmental expenditures that extend the life, increase the capacity or improve the safety or efficiency of INVISTA's property are capitalized. Additionally, expenditures which mitigate or prevent environmental contamination that has yet to occur are capitalized. Liabilities for expenditures are recorded on an undiscounted basis when assessments or claims are probable and the costs can be reasonably estimated, which is generally no later than completion of the remedial feasibility study.

Foreign currency

For the majority of its operations, INVISTA considers the U.S. dollar to be its functional currency. For operations where the U.S. dollar is the functional currency, foreign-currency-denominated monetary assets and liabilities are remeasured into U.S. dollars at the end-of-period exchange rates. INVISTA's monetary exposures primarily include balances denominated in Chinese yuan, Canadian dollars, British pounds sterling, European Union euros, and Brazilian reals. Nonmonetary assets, such as inventories, prepaid expenses, property, plant and equipment and intangible assets are remeasured in U.S. dollars at historical exchange rates. Foreign-currency-denominated income and expense elements are remeasured into U.S. dollars at a rate that approximates the average exchange rate in effect during the reporting period, except for expenses related to nonmonetary assets, which are remeasured at historical exchange rates. Exchange gains and losses from the remeasurement of foreign-currency-denominated monetary assets and liabilities are included in net income.

For operations where the local currency is determined to be the functional currency, assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at a rate that approximates the average exchange rate in effect during the reporting period. The resulting translation adjustments are included in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. Gains and losses on transactions in currencies other than the local functional currencies of these subsidiaries are included in net income.

Exchange rates between the currencies noted above and the U.S. dollar have experienced significant volatility during the periods presented and may continue to do so in the future.

Revenue recognition
In 2018, INVISTA adopted ASC Topic 606, "Revenue from Contracts with Customers" in which revenues are recognized at a point in time when a good or service is transferred to the customer. Transfer occurs when the customer obtains control of that good or service. A nominal amount of revenue is derived under certain technology licenses related to the construction of facilities by the licensee. The associated revenue is recognized when it is either realized or realizable, collectability is reasonably assured and earned over time. Revenues recognized over time are based on time and materials incurred or as a measurement of costs incurred to date over the total estimated costs.

INVISTA's sales contracts provide customers with goods and services in exchange for consideration specified under the contracts. Expected consideration (and therefore revenue) reflects reductions for returns, rebates, and other incentives. These items are considered variable consideration under ASC 606 and INVISTA estimates these do not have a material impact to the consolidated financial statements. Warranties are not priced separately because customers cannot purchase them independently of the goods and services under the contract, so they do not create performance obligations. Payment terms typically range from 30-60 days.

Accruals are made for customer rebates based on experience and are accounted for as a reduction in "Net sales" in the Consolidated Statements of Operations in the same period that the related sale is made.

Royalty income is recognized in accordance with agreed upon terms, when performance obligations are satisfied, the amount is fixed or determinable and collectability is reasonably assured.

INVISTA does not recognize revenue for taxes collected from customers that are ultimately remitted to government agencies.

Shipping and handling costs
Shipping and handling costs associated with outbound freight are recorded in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations.

Advertising costs
Advertising costs of $19 and $29 for 2018 and 2017, respectively, were expensed as incurred and are recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

Research and development

Research and development costs are expensed as incurred.

Income taxes
Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not (a likelihood of more than 50%) that a tax benefit will not be realized.

INVISTA is subject to income taxation in many jurisdictions around the world. Unrecognized tax benefits (or tax contingency reserves) reflect the difference between positions taken or expected to be taken on income tax returns and the amounts recognized in the financial statements. Resolution of the related tax positions through negotiations with the relevant tax authorities or through litigation often takes many years to complete. The timing of resolution on individual tax positions is difficult to predict since such timing is not within the control of INVISTA. INVISTA's accounting policy is to record tax benefits only when the benefit is more likely than not of being sustained during an income tax audit and to record a reserve equal to management's best estimate of the amount of the benefit that will be disallowed as a result of an income tax audit. INVISTA recognizes an estimate of potential interest and penalties related to liabilities for unrecognized tax benefits in the provisions for domestic and foreign income taxes.

Risks and uncertainties

Financial instruments that potentially subject INVISTA to concentrations of credit risk consist principally of trade accounts receivable. A concentration of credit risk results from many customers being in the textile, carpet and automotive manufacturing industries, but is mitigated by INVISTA's large number of customers and their geographical dispersion. Except in a few instances where the credit risk warrants it, collateral is not required on trade receivables.

Revenues generated outside the U.S. (inclusive of discontinued operations) totaled $3,555 and $3,120 for 2018 and 2017, respectively. There are varying degrees of risk and uncertainty in each of the countries in which INVISTA operates.

As of December 31, 2018, INVISTA (inclusive of discontinued operations) employed approximately 7,900 employees. Of these employees, 33% were represented by labor unions, with 53% of those employees' union contracts expiring within one year.

INVISTA uses a combination of self-insurance, high-deductible insurance policies, and fronted insurance policies. INVISTA's insurance purchasing philosophy is to buy insurance policies only when required by law or by contractual obligation.

Estimates and assumptions

The accompanying consolidated financial statements of INVISTA and subsidiaries have been prepared in accordance with U.S. GAAP. Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosed amounts of contingent assets and liabilities and the reported amounts of revenues and expenses. If the underlying estimates and assumptions change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

Recently issued accounting standards

Unless otherwise stated below, INVISTA is evaluating any potential implications of the following proposed guidance changes and has not yet adopted these standards.

In August 2018, Financial Accounting Standards Board (FASB) issued guidance around the customers accounting for implementation costs incurred in a cloud computing arrangement, which addresses the accounting for implementation costs for hosting arrangements that is a service contract. The guidance is effective for annual reporting periods beginning after December 15, 2020. INVISTA is currently evaluating the impact of adopting this standard.

In August 2018, the FASB issued guidance around changes to the disclosure requirements for defined benefit plans which modified the disclosure requirements for defined pension benefit plans and other post-retirement benefits. The guidance is effective for annual reporting periods beginning after December 15, 2020. INVISTA anticipates the adoption of this standard will not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued guidance on changes to the disclosure requirement for fair value measurements which modifies the disclosure requirements on fair value measurements. This guidance is effective for annual reporting periods beginning after December 15, 2018. INVISTA anticipates the adoption of this standard will not have a material impact on the consolidated financial statements.

In February 2018, the FASB issued guidance which permits companies to reclassify stranded tax effects caused by the 2017 tax reform from accumulated other comprehensive income to retained earnings. INVISTA elected to early adopt this guidance in 2018, which had a $64 impact to retained earnings and accumulated other comprehensive income (See Consolidated Statement of Stockholders' Equity).

In March 2017, the FASB issued guidance which requires the presentation of the service cost component of net periodic benefit cost to be included within the same financial statement line item as other compensation costs arising from services rendered by relevant employees during the period. The amendment also specifies that non-service cost components of net periodic benefit cost be presented separately in the statement of operations from the service cost component and outside a subtotal of income from operations, if this subtotal is presented. In addition, only the service cost component is eligible to be capitalized into an asset. INVISTA elected to early adopt this guidance which did not have a material impact on the consolidated financial statements. The impact of this retrospective adjustment is shown within this Note.

In January 2017, the FASB issued guidance on simplifying the impairment testing of goodwill. The standard eliminates step 2 from the goodwill impairment test. INVISTA elected to early adopt this guidance which did not have a material impact on the consolidated financial statements.

In November 2016, the FASB issued guidance by requiring the amounts described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. INVISTA elected to early adopt this guidance which did not have a material impact on the consolidated financial statements.

In October 2016, the FASB issued guidance by requiring that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for annual reporting periods beginning after December 15, 2018. INVISTA elected to early adopt this guidance in 2017. In 2017, there was a $221 tax benefit included within "income tax benefit" in the Consolidated Statements of Operations, pursuant to the adoption of this guidance, relating to the intercompany sale of foreign intellectual property which was remeasured to fair market value for tax purposes.

In June 2016, the FASB issued guidance to provide more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by reporting entities. The guidance replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for annual reporting periods beginning after December 15, 2020. The company is currently evaluating the impact of adopting this standard.

In February 2016, the FASB issued guidance to increase transparency and comparability on leases. A lessee will record a right-of-use ("ROU") asset and a lease liability for all leases with terms of more than 12 months. The guidance is effective for annual reporting periods beginning after December 15, 2019, and must be applied using a modified retrospective approach, with certain practical expedients available. INVISTA is implementing new lease systems in connection with the adoption of this ASU; however, these updates are still being developed to comply with the new ASU. INVISTA continues to evaluate the effect to the consolidated financial statements and disclosures. INVISTA plans to early adopt this standard in 2019.

In May 2014, the FASB issued guidance on the recognition of revenue in contracts with customers. This guidance supersedes the previously issued guidance in Accounting Standards Codification 605-*Revenue Recognition,* including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. INVISTA elected to early adopt this guidance in 2018 under the modified retrospective approach and it did not have a material impact on the consolidated financial statements. INVISTA has adopted ASC 606 only for contracts that were not substantially completed under legacy GAAP on the date of initial application.

2. Acquisitions and Divestitures

On February 5, 2018, INVISTA entered into an agreement to sell its Nylon 6 BCF assets with a third party, Aquafil, a synthetic fiber producer. This transaction included certain inventory, select processing equipment, intellectual property, book of business and business reports. INVISTA sold assets with a net asset basis of $2 in exchange for cash consideration of $12.

3. Discontinued operations and assets held for sale

In October of 2017, INVISTA entered into a definitive agreement to sell its Apparel and Advanced Textiles business ("INVISTA Apparel") to an affiliate of Shandong Ruyi Investment Holding, a leading textiles and garment manufacturer, subject to customary closing conditions and adjustments. INVISTA Apparel sources apparel fibers at seven wholly-owned or majority-owned facilities located in the United States, Mexico, Brazil, China, Singapore and the United Kingdom. In addition, INVISTA Apparel sources spandex intermediates at a facility located in the United States and has several fiber processing operations in various locations around the world. INVISTA Apparel also owns interests in unconsolidated co-investment entities in Japan, Taiwan and Singapore. These entities are 50% owned by INVISTA Apparel and are accounted for using the equity method. Pursuant to the agreement, the buyer will acquire assets and liabilities of INVISTA Apparel and interests in the unconsolidated co-investment entities. As a result of the agreement, the results of operations and financial position related to INVISTA Apparel are classified as discontinued operations for all periods presented in the consolidated financial statements. The assets and liabilities to be acquired by the buyer, together with the assets of the Qingpu spandex manufacturing facility included among the seven facilities referenced above (see Note 20), are presented as held for sale and are recorded at the lower of their carrying value or their fair value less costs to sell. Long-lived and other intangible assets were no longer depreciated or amortized subsequent to October of 2017. On January 31, 2019, INVISTA finalized the sale and recorded $2,434 in proceeds. INVISTA expects the impact to be significant to the consolidated financial statements.

In December of 2018, INVISTA entered into an agreement to sell INVISTA Resins and Fibers GmbH to Indorama Ventures. In addition to the Gersthofen site and the business intellectual property, this sale will also include the POLYSHIELD®, POLYCLEAR®, and OXYCLEAR® brands. The transaction is expected to finalize in Q1 2019, subject to required regulatory approvals. As a result of the agreement, the assets and liabilities to be acquired by the buyers, are presented as held for sale and are recorded at the lower of their carrying value or their fair value less costs to sell. Long-lived and other intangible assets will no longer be depreciated or amortized subsequent to December of 2018. This transaction did not meet the discontinued operations criteria. As such, the applicable results of operations are included in the Consolidated Statement of Operations.

The assets held for sale impact of both INVISTA Apparel and INVISTA Resins and Fibers GmbH are not included in the Consolidated Statements of Cash Flows.

(Amounts in millions of U.S. Dollars)

Total assets and liabilities held for sale are as follows:

Assets	December 31, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	$ 3	$ -
Receivables, net	218	216
Inventories	290	258
Prepaid expenses and other current assets	7	4
Current assets held for sale	518	478
Property, plant and equipment, net	459	458
Goodwill	108	108
Other intangible assets	178	179
Investments in equity affiliates	63	60
Deferred income tax assets	135	188
Other assets	20	21
Assets held for sale	963	1,014
Total assets held for sale	$ 1,481	$ 1,492
Liabilities		
Current liabilities:		
Payables	$ 107	$ 95
Accrued and other current liabilities	68	181
Current liabilities held for sale	175	276
Pension and other post-retirement benefit liabilities	47	10
Other liabilities	9	9
Deferred income tax liabilities	11	17
Liabilities held for sale	67	36
Total liabilities held for sale	$ 242	$ 312

(Amounts in millions of U.S. Dollars)

The following is selected financial information included in net income from discontinued operations for INVISTA Apparel:

	Year ended December 31,			
	2018		2017	
Net sales	$	1,094	$	1,124
Sales to related parties		25		35
Total sales		1,119		1,159
Cost of goods sold and other operating expenses		788		845
Gross profit		331		314
Selling, general and administrative expenses		142		140
Research and development expenses		28		28
Restructuring and transition expenses		11		13
Impairment, abandonment and accelerated depreciation of assets, net of recoveries		-		-
Other (income) expense, net		(112)		(24)
Operating income		262		157
Equity in income of affiliates		(11)		(11)
Income from discontinued operations before income taxes		273		168
Income tax expense on discontinued operations		77		23
Net income from discontinued operations		196		145
Net income attributable to noncontrolling interest of discontinued operations		(6)		(4)
Net income from discontinued operations attributable to INVISTA Equities, LLC	$	190	$	141

The following is selected cash flow information generated from discontinued operations:

	2018		2017	
Depreciation	$	-	$	46
Amortization		-		5
Capital expenditures		(16)		(15)
Undistributed earnings in equity investments		(11)		(11)
Deferred income taxes		47		(116)

(Amounts in millions of U.S. Dollars)

4. Receivables

	December 31,	
	2018	2017
Trade accounts receivables	$ 369	$ 356
Receivables, non-trade [1]	42	122
Related party receivables [2]	1,558	749
	1,969	1,227
Less: allowance for doubtful accounts	(7)	(9)
	$ 1,962	$ 1,218

(1) "Receivables, non-trade" includes VAT receivables, which are presented net with VAT payables in certain jurisdictions.
(2) Refer to Note 18 for additional detail of related party receivables.

5. Inventories

	December 31,	
	2018	2017
Raw materials	$ 155	$ 165
Work in process	150	79
Finished goods	582	478
Supplies	79	77
	966	799
Reserves	(25)	(26)
	$ 941	$ 773

6. Long-lived assets

Property, plant and equipment

	December 31,	
	2018	2017
Land	$ 27	$ 27
Buildings, plants and improvements	387	376
Machinery and equipment	3,082	3,061
Furniture, fixtures and other	335	330
Construction in progress	154	134
	3,985	3,928
Less: accumulated depreciation	(1,989)	(1,901)
	$ 1,996	$ 2,027

For 2018 and 2017, depreciation expense was $183 and $170, respectively. The majority of depreciation expense is recorded in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations.

The carrying amount of property, plant and equipment related to continuing operations outside of the U.S. was $696 and $718 at December 31, 2018, and 2017, respectively.

(Amounts in millions of U.S. Dollars)

Long-lived asset impairments and accelerated depreciation

During 2018 and 2017, INVISTA continuing operations had identified indicators of impairment related to certain assets. These indicators included adverse macroeconomic conditions, changes in INVISTA's view of the current and projected supply and demand in certain geographies and/or markets and INVISTA's relative cost position in these markets. As a result of these indicators, INVISTA evaluated certain assets for impairment. It was determined that the undiscounted cash flows expected to result from the use and eventual disposition of the assets were less than the carrying amounts of such assets. Consequently, INVISTA concluded that the carrying amounts of certain assets were not recoverable.

Accelerated depreciation and impairments in 2018 and 2017 consisted primarily of the following:

In September 2018, INVISTA evaluated its long-lived assets related to the White Dyable Nylon ("WDN") portion of the Surfaces business line. These assets are located at INVISTA's Gloucester, United Kingdom, Michelau, Germany and Camden, North Carolina facilities. As a result of the evaluation, INVISTA recorded a partial long-lived asset impairment of $9 in September 2018. INVISTA also made the decision to accelerate the depreciation on the remaining $9 of NBV related to these same assets through December 2019. As of December 2018, these sites continue to operate, and no additional decisions/announcements have been made at this time.

In October 2017, INVISTA announced it would discontinue yarn processing operations at its Athens, Georgia, facility and move to third-party tolling contractors. As a result of the evaluation, INVISTA recorded $1 of long-lived asset reductions to impair the remaining carrying value of the property, plant and equipment at this site. INVISTA ceased operations at the site by December 2017.

Long-lived asset abandonments

In conjunction with the indicators mentioned above, INVISTA also made strategic business decisions during 2018 and 2017 to shut down and abandon certain assets. Based on these decisions, INVISTA continuing operations recognized $2 and $1 in abandonment expense in 2018 and 2017, respectively.

Asset retirement obligations

The following table describes changes to INVISTA's AROs since January 1, 2017:

	2018	2017
Balances at January 1	$ 16	$ 15
Accretion expense	1	1
Changes in estimates	1	-
Balances at end of period	$ 18	$ 16

In addition to these obligations, INVISTA also has certain other obligations for the dismantling of facilities or removal of certain materials for which the timing of the future cash flows or outcome of the conditional obligations cannot be estimated. For these sites, INVISTA has no current plans for retiring these facilities and due to the amount of ongoing maintenance, planned turnarounds and capital invested, the remaining lives of these facilities are indeterminable. Therefore, the amount or timing of the cash flows related to these retirement obligations cannot be reasonably estimated. When sufficient information exists to determine a reasonable date or range of dates for an asset retirement, INVISTA will estimate the cost of retirement activities and record the present value of the expected liability.

(Amounts in millions of U.S. Dollars)

7. Goodwill and other intangible assets

In 2018 and 2017, INVISTA assessed goodwill in accordance with its policy and determined that no impairment was required. The gross carrying value and accumulated impairment of goodwill are shown below.

	2018			2017		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Goodwill	$ 360	$ (155)	$ 205	$ 360	$ (155)	$ 205

In 2018 and 2017, INVISTA assessed its intangible assets in accordance with its policy and determined that no impairment was required. The gross carrying value, accumulated amortization and accumulated impairment in total and by major class of other intangible assets are shown below.

	2018				2017			
	Gross	Accumulated amortization	Accumulated impairment	Net	Gross	Accumulated amortization	Accumulated impairment	Net
Definite-lived intangible assets								
License and certain trademark rights	$ 107	$ (98)	$ -	$ 9	$ 107	$ (97)	$ -	$ 10
Purchased technology	37	(36)	-	1	37	(36)	-	1
Patents	3	(3)	-	-	3	(3)	-	-
	147	(137)	-	10	147	(136)	-	11
Indefinite-lived intangible assets								
Tradenames including ANTRON®, STAINMASTER® and CORDURA®	159	-	(42)	117	159	-	(42)	117
	$ 306	$ (137)	$ (42)	$ 127	$ 306	$ (136)	$ (42)	$ 128

The expense charged to INVISTA continuing operations for amortization of intangible assets was $1 for 2018 and $2 for 2017. The estimated intangible asset amortization expense for each of the next five years is approximately $1.

The weighted average amortization period for acquired definite-lived intangible assets of INVISTA continuing operations is 13 years. The weighted average amortization period by major asset class is: license and certain trademark rights (14 years) and purchased technology (8 years).

8. Investment in equity affiliates

INVISTA maintains an investment in a co-investment entity accounted for under the equity method of accounting.

INVISTA's continuing equity method investment is Butachimie SNC, an entity owned 50% by KoSa France Holding S.A.S. (an indirect subsidiary of INVISTA Equities, LLC) and 50% by Rhodianyl S.A.S. and Rhod W SNC (both are members of the Solvay Group). Butachimie SNC is a chemical company in Chalampe, France, which produces adiponitrile ("ADN") and hexamethylenediamine ("HMD"). INVISTA purchases significant amounts of ADN and HMD produced by the equity affiliate pursuant to governing organizational documents for use in the upstream chemical intermediates and nylon polymers business, downstream nylon fiber businesses and for resale in Europe and Asia. The carrying value of INVISTA's investment in Butachimie SNC was $286 and $225 at December 31, 2018, and 2017, respectively, and is reflected in "Investment in equity affiliate" in the Consolidated Balance Sheets.

In 2018 and 2017, Butachimie SNC received $60 and $20, respectively, of capital investment additions from INVISTA. INVISTA recognizes a difference between the underlying net assets and its recorded investment in Butachimie which is related to property, plant and equipment. This basis difference is $26 and $30 in 2018 and 2017, respectively, and is being amortized over the remaining lives of the assets. There were no dividends received from Butachimie during 2018 or 2017.

(Amounts in millions of U.S. Dollars)

9. Accrued and other current liabilities

	December 31, 2018	December 31, 2017
Deferred income (1)	$ 253	$ 85
Personnel-related (2)	103	91
Taxes other than income (3)	33	64
Accrued operating costs	26	43
Liabilities due customers (4)	19	25
Accrued interest	7	7
Legal	3	2
Accrued marketing costs	2	6
Liabilities for restructuring (5)	1	4
Other accrued liabilities	13	32
	$ 460	$ 359

(1) 2018 and 2017 deferred income includes advanced customer billings, unearned technology licensing income
- 2018 balance also includes escrow payment related to sale of Apparel and Advanced Textiles business (See Note 21)
- 2017 balance also includes payment related to Qingpu Carper Fiber Manufacturing Facility (See Note 20)

(2) Personnel-related amounts include accruals for vacation, incentive-based programs, payroll and benefits.
(3) Taxes other than income represent accruals for property, other non-income taxes and VAT payables, which are presented net with VAT receivables in certain jurisdictions.
(4) Liabilities due customers include rebates, warranty claims and discounts.
(5) See Note 10.

10. Restructuring accruals and operating expense

The following represents changes in the restructuring account balances for INVISTA continuing operations since December 31, 2016:

	Termination benefits	Other exit costs	Total
Accrual balance at December 31, 2016	$ 4	$ -	$ 4
Operating expense charge	5	6	11
Cash payments	(5)	(6)	(11)
Accrual balance at December 31, 2017	$ 4	$ -	$ 4
Operating expense charge	2	5	7
Cash payments	(3)	(5)	(8)
Accruals settled	(2)	-	(2)
Accrual balance at December 31, 2018	$ 1	$ -	$ 1

Operating expense charges are included in "Restructuring and transition expenses" in the Consolidated Statements of Operations, and restructuring balances are included in "Accrued and other current liabilities" in the Consolidated Balance Sheets.

In September 2017, INVISTA adopted a restructuring plan to vacate its Qinglon nylon plants in the Qingpu district of Shanghai. In 2018 and 2017, as a result of this restructure, INVISTA incurred expenses of $5 and $2, respectively, related to both termination and other exit costs. As of December 31, 2018, and 2017, the restructuring accrual related to the Qinglon nylon plants was zero and $2, respectively.

In June 2016, INVISTA adopted a restructuring plan to discontinue nylon 6,6 polymer production at Chattanooga, Tennessee. In 2018 and 2017, as a result of this restructure, INVISTA incurred expenses of zero and $5, respectively, related to both termination and other exit costs. As of December 31, 2018, and 2017, the restructuring accrual related to the Chattanooga nylon 6,6 polymer line was zero.

(Amounts in millions of U.S. Dollars)

In October 2015, INVISTA adopted a restructuring plan to shut down the AA line at the Orange, Texas facility. In 2018 and 2017, as a result of this restructure, INVISTA incurred expenses of $1 related to other exit costs. As of December 31, 2018, and 2017, the restructuring accrual related to the Orange AA line was zero.

In July 2015, INVISTA adopted a restructuring plan to shut down its Berazategui, Argentina site. In 2018 and 2017, as a result of this restructure, INVISTA incurred expenses of $1 and $2, respectively, related to other exit costs. As of December 31, 2018, and 2017, the restructuring accrual related to Berazategui was zero.

Additionally, INVISTA has adopted other restructuring plans and recorded liabilities related to workforce reductions across various businesses, research and development and administrative functions in order to adjust to current and expected market conditions. In 2018 and 2017, as a result of these restructures, INVISTA incurred expenses of zero and $1, respectively, related to both termination and other exit costs. The restructuring accrual related to these various restructures is $1 and $2 at December 31, 2018, and 2017, respectively.

11. Indebtedness

		December 31,			
		2018		2017	
	Final maturity	Average end of period interest rate	Balance	Average end of period interest rate	Balance
Fixed					
Senior notes	2019	4.25%	750	4.25%	750
Related party revolver	2023	2.42%	409		-
Related party note payable	2022	2.85%	1		-
			1,160		750
Less: current portion			(750)		-
Less: debt issuance costs			(1)		(3)
			$ 409		$ 747

The stated payment at maturity for debt obligations at December 31, 2018 are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
Fixed							
Senior notes	750	-	-	-	-	-	750
Related Party Note Payable	-	-	-	-	409	-	409
Related Party Note Payable	-	-	-	1	-	-	1
	$ 750	$ -	$ -	$ 1	$ 409	$ -	$ 1,160

Senior notes

At December 31, 2018, INVISTA had $750 of 4.25% senior notes outstanding (the "senior notes"). The senior notes were issued by INVISTA Finance LLC in 2014. The obligations under the senior notes are secured by first liens on certain assets of INVISTA S.à r.l. and are unconditionally and irrevocably guaranteed by INVISTA Equities, LLC and certain wholly-owned subsidiaries.

At December 31, 2018, the fair value of the senior notes was $750. The fair value of the senior notes is measured using unadjusted quoted prices in an inactive market for identical assets. They are therefore determined to be Level 2 under the fair value heirarchy.

Interest payments on the senior notes are due semi-annually on April 15 and October 15. The senior notes will mature on October 15, 2019.

Among other restrictions, the covenants contained in the senior notes include limitations on the ability of INVISTA and its restricted subsidiaries (generally debt issuer and guarantors) to incur certain liens, enter into sale and leaseback transactions or merge, consolidate, sell or otherwise dispose of all or substantially all of the assets of the issuer or a guarantor.

Related party revolvers

In September 2017, INVISTA S.à r.l. entered into a subordinated cash flow revolver facility ("the KII related party revolver") with Koch Industries, Inc., a related party. The obligations under the KII related party revolver are unsecured and committed to INVISTA S.à r.l. and contain no financial covenants. The borrowing capacity of the KII related party revolver was $250 at December 31, 2017. The KII related party revolver will mature in 2022. There was no outstanding balance on the KII related party revolver as of December 31, 2018 or 2017.

In August 2018, Pilar Treasury Holding L.P. entered into a related party revolver ("the KFFI related party revolver") with KF Financial Investments Ltd, a related party. The borrowing capacity of the KFFI related party revolver was $425 at December 31, 2018. The KFFI related party revolver will mature in 2023. At December 31, 2018, the outstanding balance on the KFFI related party revolver was $409 (See Note 18).

Related party notes payable

In January 2017, KIG, L.P. entered into a note payable with Koch Fertiliser UK Financing I Limited, a related party. The related party note payable will mature in 2022. At December 31, 2018 and 2017, the outstanding balance on the related party note payable was $1.

Other variable rate debt

INVISTA continuing operations also has other variable rate, unsecured, uncommitted facilities available to fund working capital needs in Asia. There was no outstanding balance on the variable rate debt as of December 31, 2018 or 2017.

Other

INVISTA continuing operations had outstanding bank guarantees, surety bonds and letters of credit of $58 and $67 at December 31, 2018 and 2017, respectively. The bank guarantees, surety bonds and letters of credit are related to various import duties, purchase agreements, insurance policies, environmental surety and other contracts. The majority of these agreements expire in 2019.

12. Pension and other postretirement benefits

INVISTA sponsors various pension plans and other postretirement benefit plans for its employees. Pension benefits for U.S. INVISTA employees are provided through a plan sponsored by INVISTA (the "Grandfathered Plan") and a multiemployer plan sponsored by KII (the "KII Plan"). The Grandfathered Plan was frozen in 2006 and does not have any active participants. U.S. INVISTA employees hired on or after January 1, 2016 are not eligible to participate in the KII Plan. INVISTA also has a liability to KII for recognition of prior service of U.S. employees participating in the KII Plan of $93 and $99 at December 31, 2018 and 2017, respectively. This liability is included in "Pension and other postretirement benefit liabilities" in the Consolidated Balance Sheets. In 2005, INVISTA signed an agreement with KII to make payments over a period of thirty years until all prior years' service liabilities have been reimbursed. Total contributions to the KII plan were $39 and $34 at December 31, 2018 and 2017, respectively. Additionally, INVISTA participates in two international multiemployer plans with contributions of $1 for 2018 and 2017.

(Amounts in millions of U.S. Dollars)

Other postretirement benefits

Other postretirement benefits include retiree medical, disability and life insurance benefits. Substantially all obligations are determined actuarially using discount rates and salary trends that INVISTA believes are appropriate in each country. The associated plans are unfunded, and approved claims are paid from INVISTA funds.

The following table sets forth the funded status of the defined benefit pension and postretirement plans of INVISTA continuing operations. The table excludes all costs and corresponding obligations for benefits provided to U.S. INVISTA employees from the KII plan.

	Pension benefits				Other postretirement benefits	
	U.S. pensions		Non-U.S. pensions			
	2018	2017	2018	2017	2018	2017
Change in benefit obligation						
Benefit obligation at beginning of year	$ 494	$ 489	$ 2,287	$ 2,102	$ 64	$ 60
Service cost	-	-	10	8	-	-
Interest cost	17	19	57	60	2	2
Plan amendments	-	-	25	-	-	-
Plan curtailments/settlements	-	-	(1)	-	-	-
Actuarial (gain) loss	(33)	18	(167)	11	(1)	1
Benefits paid	(32)	(32)	(96)	(95)	(3)	(4)
Participant contributions	-	-	2	1	-	-
Foreign exchange rate change	-	-	(133)	200	(2)	5
Other (1)	-	-	(30)	-	(12)	-
Benefit obligation at end of year	446	494	1,954	2,287	48	64
Change in plan assets						
Fair value of plan assets at beginning of year	353	344	1,757	1,535	-	-
Actual return on plan assets	20	27	(1)	102	-	-
Employer contributions	11	14	47	64	3	4
Participant contributions	-	-	2	1	-	-
Plan settlements	-	-	(2)	-	-	-
Benefits paid	(32)	(32)	(96)	(95)	(3)	(4)
Foreign exchange rate change	-	-	(109)	150	-	-
Fair value of plan assets at end of year	352	353	1,598	1,757	-	-
Amounts recognized in the Consolidated Balance Sheets						
Other assets	-	-	10	11	-	-
Accrued and other current liabilities	-	-	(1)	(2)	(4)	(3)
Pension and other postretirement benefit liabilities	(94)	(141)	(365)	(539)	(44)	(61)
Net liability recognized (funded status)	$ (94)	$ (141)	$ (356)	$ (530)	$ (48)	$ (64)
Amounts recognized in Accumulated other comprehensive loss						
Prior service cost (credit)	$ 1	$ 1	$ 19	$ (5)	$ -	$ -
Actuarial loss (gain)	240	295	647	786	(3)	(3)
Net accumulated other comprehensive loss (gain) recognized	$ 241	$ 296	$ 666	$ 781	$ (3)	$ (3)

(1) Other balances are related to plans that were held as available for sale at December 31, 2018. See Note 3 for additional details.

(Amounts in millions of U.S. Dollars)

	Pension benefits			
	U.S. pensions*		Non-U.S. pensions	
	2018	2017	2018	2017
Plans with accumulated benefit obligation in excess of plan assets:				
Accumulated benefit obligations	$ 446	$ 494	$ 1,242	$ 2,056
Plan assets	$ 352	$ 353	$ 966	$ 1,529
Plans with projected benefit obligation in excess of plan assets:				
Projected benefit obligations	$ 446	$ 494	$ 1,747	$ 2,073
Plan assets	$ 352	$ 353	$ 1,466	$ 1,529
Accumulated benefit obligation	$ 446	$ 494	$ 1,901	$ 2,263

Net periodic benefit cost

The components of continuing net periodic pension and other postretirement benefit expense recognized in the Consolidated Statements of Operations for 2018 and 2017 are shown in the table below.

	Pension benefits				Other postretirement benefits	
	U.S. pensions		Non-U.S. pensions			
	2018	2017	2018	2017	2018	2017
Net periodic expense						
Service cost	$ -	$ -	$ 10	$ 8	$ -	$ -
Interest cost	17	19	58	60	1	2
Expected return on assets	(25)	(25)	(88)	(81)	-	-
Recognized net losses	23	22	27	29	-	(1)
	15	16	7	16	1	1
Expense for U.S. employees participating in the KII plan	33	28	-	-	-	-
	$ 48	$ 44	$ 7	$ 16	$ 1	$ 1

INVISTA continuing operations expects that it will recognize the following amounts from accumulated other comprehensive loss in net periodic pension cost during the fiscal year-ended December 31, 2019:

	Pension benefits		Other
	U.S. pensions	Non-U.S. pensions	postretirement benefits
Prior service credit	$ -	$ 1	$ -
Actuarial loss (gain)	$ 18	$ 23	$ (1)

Assumptions

Weighted-average assumptions used to measure the benefit obligation as of the measurement date were as follows:

	Pension benefits				Other postretirement benefits	
	U.S. pensions		Non-U.S. pensions			
	2018	2017	2018	2017	2018	2017
Discount rate	4.5%	3.6%	3.0%	2.6%	3.5%	2.7%
Rate of compensation increase	n/a(1)	n/a(1)	0.8%	0.9%	2.5%	2.5%

(1) The U.S. Pension plan does not have any active participants. The plan was frozen in 2006.

(Amounts in millions of U.S. Dollars)

Weighted-average assumptions used to determine the continuing net periodic benefit cost were as follows:

	Pension benefits				Other postretirement benefits	
	U.S. pensions		Non-U.S. pensions			
	2018	2017	2018	2017	2018	2017
Discount rate	3.6%	4.0%	2.6%	2.8%	3.2%	2.9%
Expected return on assets	6.8%	6.8%	5.2%	5.2%	n/a	n/a
Rate of compensation increase	n/a[(1)]	n/a[(1)]	0.9%	0.9%	2.5%	2.5%

(1) The U.S. Pension plan does not have any active participants. The plan was frozen in 2006.

The expected long-term rates of return on assets are estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions and diversification and rebalancing strategies. Historical return patterns and correlations and other relevant factors are analyzed to check for reasonableness and appropriateness.

The assumed health care cost trend rates used to determine the accumulated postretirement benefit obligation are as follows:

	2018	2017
Health care cost trend rate assumed for following year	5.00%	5.00%
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.00%	5.00%
Year that the trend rate reaches the ultimate rate	n/a	n/a

Plan asset information

The overall investment policy for all defined benefit pension plans is to invest pension plan assets in diversified portfolios consisting of an array of asset classes within the target asset allocation ranges. The investment risk of the assets is limited by appropriate diversification both within and between asset classes. The target asset allocation of the pension plans has been established based on the expected long-term capital outlook, the expected growth of the plans' liabilities and the risk adjusted expected return of the various investment alternatives. The assets are managed with a view to ensure that sufficient liquidity will be available to meet expected cash flow requirements and to minimize the present value of future contributions. Asset allocations and investment performance are reviewed by each plan's Investment Committee.

The target allocations for the majority of plan assets are long-term strategic targets and may vary from actual allocations due to existing market conditions. For U.S. plans, the target allocations are 30% fixed income securities, 20% U.S. equity, 20% developed international equity, 15% opportunities, 10% emerging market equity and 5% private equity. Target allocations for the majority of the international plans' assets are 30% fixed income securities, 22% U.S. equity, 22% developed international equity, 15% opportunities and 11% emerging market equity.

(Amounts in millions of U.S. Dollars)

The fair values of INVISTA's pension plan assets by asset category at December 31, 2018 and 2017 are as follows:

	U.S. plan assets							
	December 31, 2018				December 31, 2017			
Asset class	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV
Cash and cash equivalents [1]	$ 21	$ -	$ -	$ -	$ 55	$ -	$ -	$ -
U.S. equity [2]	-	-	-	55	9	-	-	60
Fixed income securities [3]	87	-	-	-	5	11	-	98
Opportunities [4]	-	-	31	76	(1)	-	32	-
Private equity funds [5]	-	-	47	-	-	-	43	-
Real estate	-	-	35	-	-	-	41	-
	$ 108	$ -	$ 113	$ 131	$ 68	$ 11	$ 116	$ 158

	Non-U.S. plan assets							
	December 31, 2018				December 31, 2017			
Asset class	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV
Cash and cash equivalents [1]	$ 174	$ -	$ -	$ -	$ 362	$ -	$ -	$ -
U.S. equity [2]	-	116	-	176	-	126	-	152
Developed international equity [6]	-	117	-	150	-	116	-	178
Emerging market equity [7]	-	71	-	-	-	59	-	-
Fixed income securities [3]	115	227	-	-	-	256	-	-
Opportunities [4]	-	-	37	379	5	-	24	449
Real estate	-	-	36	-	-	-	30	-
	$ 289	$ 531	$ 73	$ 705	$ 367	$ 557	$ 54	$ 779

(1) Includes cash and cash equivalents including U.S. government short-term collective investment funds.
(2) Includes U.S. equities as well as mutual and commingled funds invested in U.S. equities.
(3) Includes corporate and government bonds, mutual and commingled fixed income funds, and swaps.
(4) Includes alternative investments considered outside of the traditional asset classes such as hedge funds and derivative instruments, which include futures and options. If market circumstances create opportunities, may also include traditional asset classes such as cash and cash equivalents, equities, and fixed income securities.
(5) Includes private equity funds that invest primarily in U.S. companies.
(6) Primarily includes mutual and commingled funds invested in equities in Canada, European Union countries, Japan, Hong Kong, and Australia.
(7) Includes mutual and commingled funds invested in international equities other than in developed countries.

Level 1 pension assets are measured at fair value using the market approach or unadjusted quoted prices in an active market for identical assets that INVISTA has the ability to access as of December 31.

Level 2 pension assets are measured at fair value using the income approach or inputs other than quoted prices under Level 1 that are observable for the asset, either directly or indirectly. Level 2 pension assets include indices, yield curves, matrix pricing and market corroborated pricing to measure their fair values.

Level 3 pension assets are measured at fair value using the cost approach or unobservable inputs for the asset that rely on INVISTA's own assumptions concerning the assumptions that market participants would use in pricing an asset including assumptions about risk. Level 3 pension assets were measured using investment manager pricing.

NAV pension assets are measured at a net asset value (NAV), as a practical expedient for fair value, and have been appropriately excluded from the fair value hierarchy. Assets measured at NAV generally can be redeemed within 3-90 days.

(Amounts in millions of U.S. Dollars)

The following table reconciles the beginning and ending fair values of plan assets, which are measured using significant unobservable inputs (Level 3):

	U.S. plan assets			
	Opportunities	Private equity funds	Real assets	Total
Balances at December 31, 2016	$ 28	$ 36	$ 40	$ 104
Actual return on plan assets	4	8	3	15
Purchases, sales and settlements	-	(1)	(2)	(3)
Balances at December 31, 2017	32	43	41	116
Relating to assets still held at the reporting date	(1)	4	(5)	(2)
Purchases, sales and settlements	-	-	(1)	(1)
Balances at December 31, 2018	$ 31	$ 47	$ 35	$ 113

	Non-U.S. plan assets		
	Opportunities	Real assets	Total
Balances at December 31, 2016	$ 3	$ 22	$ 25
Actual return on plan assets	13	(3)	10
Purchases, sales and settlements	7	9	16
Foreign currency gain	1	2	3
Balances at December 31, 2017	24	30	54
Actual return on plan assets	8	4	12
Purchases, sales and settlements	7	5	12
Foreign currency (loss)	(2)	(3)	(5)
Balances at December 31, 2018	$ 37	$ 36	$ 73

Funding expectations
In 2019, INVISTA continuing operations expects to contribute approximately $37 and $6 to pension and other postretirement benefit plans, respectively. Additionally, INVISTA continuing operations expects to make approximately $30 of payments to KII in 2019 for U.S. employee participation in the KII pension plan.

Benefit payments
Expected future benefit payments over the next 10 years from INVISTA's continuing pension and other postretirement benefit plans are as follows:

	Pension benefits		Other
	U.S. pensions	Non-U.S. pensions	postretirement benefits
2019	31	84	3
2020	31	74	4
2021	31	75	4
2022	30	76	4
2023	30	78	4
2024 - 2028	145	423	19
	$ 298	$ 810	$ 38

Defined contribution plans
In addition to the pension and other postretirement plans, KII sponsors a defined contribution 401(k) plan for employees primarily in the U.S. in which INVISTA is a participating employer. Additionally, INVISTA

(Amounts in millions of U.S. Dollars)

sponsors defined contribution plans outside the U.S. INVISTA continuing operation's expense for these plans was $16 and $15 for 2018 and 2017, respectively.

13. Member equity (shares in whole numbers)

INVISTA Equities, LLC is a private limited liability company wholly owned by subsidiaries of KII. When INVISTA Equities, LLC was established in 2017, there were 100 shares authorized, issued and outstanding. At December 31, 2018, 100 shares were authorized and 100 shares were issued and outstanding. There is no par value attributed to these shares. The table below provides detail of the change in accumulated other comprehensive loss.

	Cumulative translation adjustment	Deferred pension cost	Accumulated other comprehensive loss
Balances at December 31, 2016	$ 24	$ (849)	$ (825)
Other comprehensive gain/(loss)(1)	7	(25)	(18)
Balances at December 31, 2017	31	(874)	(843)
Adoption of Accounting Standard(2)	-	(64)	(64)
Other comprehensive gain/(loss)(1)	(1)	138	137
Balances at December 31, 2018	$ 30	$ (800)	$ (770)

(1) Included in the deferred pension cost is ($13) and ($11) for 2018 and 2017, respectively, related to Butachimie SNC.

(2) 2018 includes the adoption of accounting standard. See Note 1.

14. Impairment, abandonment and accelerated depreciation of assets, net of recoveries

Impaired and abandoned assets include property, plant and equipment, goodwill, trademarks, prepaids, stores inventories and other assets. The following table summarizes items included in "Impairment, abandonment and accelerated depreciation of assets, net of recoveries" in the Consolidated Statements of Operation:

	2018	2017
Impairments (recoveries)	$ 9	$ 1
Abandonments	2	1
Accelerated depreciation	1	-
Total impairments, abandonments, accelerated depreciation, net of recoveries	$ 12	$ 2

(Amounts in millions of U.S. Dollars)

15. Other (income) expense, net

	2018	2017
Qingpu facility income, net (1)	$ (82)	$ -
Licensing income, net (2)	(32)	(15)
Gain on disposal of assets	(21)	(1)
Royalty income, net (3)	(17)	(22)
Service Revenue	(5)	(5)
State and local incentives	(2)	(2)
Taxes other than income	7	7
Foreign currency exchange loss/(gain)	22	(15)
Pension service costs	24	35
Other miscellaneous income	(14)	(3)
	$ (120)	$ (21)

(1) *Income pertains to Qinpu Carpet Fiber Manufacturing facility. (See Note 20)*
(2) Licensing income primarily results from technology licenses related to purified terephthalic acid, butanediol and polytetramethylene ether glycol facilities constructed by the licensees, net of costs incurred.
(3) *Royalty income primarily results from tradenames, including STAINMASTER®, ANTRON® and CORDURA®.*

16. Interest (income) expense, net

	2018	2017
Interest charges	$ 53	$ 55
Interest income	(59)	(34)
Interest capitalized	(5)	(4)
	$ (11)	$ 17

17. Income taxes

The following income tax disclosures relate to INVISTA, inclusive of discontinued operations unless otherwise noted.

INVISTA is included in KII's consolidated federal income tax return and consolidated returns of certain states. INVISTA records income tax provisions for these returns based on tax sharing agreements between the domestic operating entities and KII. Under the agreements, federal taxes are determined on a separate returns basis with INVISTA utilizing a benefits-for-loss modification. The benefits-for-loss modification allows a stand-alone entity to record a benefit and a receivable from KII when its net operating loss (or other tax benefit) is utilized on the consolidated return. Although INVISTA is using this method for accounting purposes, the ultimate settlement of the receivable is guided by the tax sharing agreement (See Note 18). State income taxes in jurisdictions where state consolidated returns are filed are calculated by applying KII's consolidated state effective tax rate to INVISTA's separately identifiable taxable income from domestic operations. INVISTA also records separate state and foreign income tax provisions for separate return filing jurisdictions and other stand-alone operations.

(Amounts in millions of U.S. Dollars)

Total "Income tax benefit" in the Consolidated Statements of Operations and Consolidated Statements of Member Equity for the years ended December 31 consists of the following:

	2018	2017
Income tax expense (benefit)		
Current		
U.S. (federal & state)	$ 129	$ (102)
Foreign	91	(115)
	220	(217)
Deferred		
U.S. (federal & state)	10	11
Foreign	49	(77)
	59	(66)
Total	279	(283)
Discontinued operations	77	23
Comprehensive income	105	(2)
	$ 461	$ (262)

For 2018 and 2017, the effective tax rate is reduced by recurring items, primarily earnings taxed in foreign jurisdictions at rates lower than the statutory US federal rate of 21%, and tax reform. In 2018, there is a $3 tax benefit related to tax reserves where the statute of limitations had expired. In 2017, there was a $2 tax benefit related to tax reserves where the statute of limitations had expired and tax benefit related to the adoption of the intra-entity transfer of an asset other than inventory guidance. The rate is increased for recurring items, including foreign withholding taxes and US tax expense of foreign earnings. The change in valuation allowance decreased tax expense in 2018 and 2017, as a result of the ability to realize tax benefits related to losses and temporary items in specific jurisdictions. There was also $5 of deferred remeasurement tax expense for 2018 primarily related to an enacted change in the France tax rate and $24 of deferred remeasurement tax benefit for 2017 primarily related to an enacted change in the US tax rate.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the US federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. In connection with these elements of the Tax Cuts and Jobs Act, INVISTA recognized a provisional benefit, which was included as a component of income tax expense. During 2018, INVISTA recognized a measurement period adjustment related to the Act based upon analyzing additional information about facts and circumstances that existed as of the enactment date. The cumulative effect of the measurement period adjustment is a $90 expense included in the "Income Tax Expense (Benefit)" in the Consolidated Statement of Operations. The accounting for the income tax effects of the Act has been completed as of the end of December 22, 2018, measurement period.

(Amounts in millions of U.S. Dollars)

The tax effects of the temporary differences that give rise to significant portions of the net deferred tax assets of INVISTA continuing operations as of December 31, 2018 and 2017 are as follows:

	December 31,	
	2018	**2017**
Gross deferred tax assets	$ 641	$ 730
Valuation allowance	(224)	(275)
Deferred tax assets	$ 417	$ 455
Deferred tax liabilities	124	101
Net deferred tax assets	$ 293	$ 354

INVISTA's material items included in the net deferred tax assets are related to property, plant and equipment, pension and post-employment benefits, as well as loss carry forwards. Included in the change of valuation allowance in 2018 is $11 of tax expense relating to changes in circumstances related to US Separate States. Also impacting the change in valuation allowance are exchange rate changes in foreign jurisdictions, resulting in a decrease of the valuation allowance.

The group of companies included in the consolidated financial statements operates in multiple tax jurisdictions that are not part of a single consolidated tax return. Therefore, the classification of deferred tax assets and liabilities on the consolidated balance sheets are the result of netting by tax jurisdiction.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance at December 31, 2018 and 2017 relates to the deferred tax assets recorded from acquisitions and ongoing operations for which the ultimate realization of the tax asset may be dependent on future income. In 2018, INVISTA continuing operations realized a tax expense of $36 relating to the change in loss carry forwards and valuation allowances associated with the utilization of the loss carry forwards.

INVISTA has net operating loss carry forwards from foreign jurisdictions of approximately $214 that expire over the next 20 years and $709 with no expiration. INVISTA also has net operating losses from various domestic states of $1,049 available which expire over the next 20 years, as well as $72 of U.S. net operating loss carry forwards that will begin expiring in 2028. INVISTA believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets, to the extent that valuation allowances have not been recorded.

INVISTA believes fluctuations related to uncertain tax positions occurring within the next twelve months will not have a significant impact on its consolidated financial statements. Interest and penalties recognized are not material to INVISTA's consolidated financial statements.

INVISTA files tax returns in the U.S. federal jurisdiction and in many foreign and state jurisdictions. Audits in major jurisdictions are generally complete as follows: Brazil (2012), United Kingdom (2016), Singapore (2013), China (2008), and Canada (2004). INVISTA's ultimate parent company, KII, with whom it has filed consolidated U.S. federal income tax returns, has audited and settled years prior to 2015. The Internal Revenue Service ("IRS") is presently auditing KII's 2015-2016 income tax returns and INVISTA has made all known adjustments related to this audit that would materially affect the 2018 financial statements. INVISTA believes any remaining adjustments relating to the 2015-2016 tax returns and all remaining unaudited tax returns, when ultimately concluded, will not have a material adverse effect on its consolidated financial statements.

INVISTA has approximately $1,259 of undistributed earnings for certain non-U.S. subsidiaries, after adjusting for the effect of the one-time transition tax under Tax Cuts and Jobs Act. The intention is to permanently reinvest the majority of the foreign earnings indefinitely or to repatriate such earnings when tax efficient to do so.

(Amounts in millions of U.S. Dollars)

18. Significant customers and related party transactions

Sales to DuPont, INVISTA's largest customer, accounted for approximately 10% of total sales in 2018. No other customers accounted for greater than 10% of total sales for 2018. In 2017 no customers accounted for greater than 10% of total sales.

Raw materials

Flint Hills Resources, L.P. ("Flint Hills") and Koch Ag and Energy Solutions, LLC ("KAES") are two of INVISTA's most significant affiliated counterparties. INVISTA has an agreement with Flint Hills to purchase cyclohexane and butadiene. This agreement is renewed annually.

INVISTA also has an agreement under which INVISTA sources a significant portion of its natural gas requirements from Koch Energy Services, a subsidiary of KAES.

INVISTA also purchases other raw materials from KII subsidiaries and affiliates. All raw materials purchases from affiliates are included in "Cost of goods sold and other operating expenses" in the Consolidated Statements of Operations.

INVISTA's continuing operation's purchases of raw materials and services from KII subsidiaries and affiliates are included in the following amounts:

	2018	2017
Related party purchases from:		
Equity method investees:		
Butachimie SNC (Note 8)	$ 518	$ 431
KII affiliates:		
KAES	217	159
Flint Hills	122	109
Other affiliates	179	144
	$ 1,036	$ 843

Receivables and interest

INVISTA's continuing operations recognizes interest income on unpaid dividends from Butachimie SNC, pursuant to Butachimie SNC's Board of Directors resolutions, which provide for interest to be accrued on unpaid dividends. INVISTA recognized interest income from Butachimie SNC of $3 in both 2018 and 2017. As of December 31, 2018, and 2017, outstanding interest receivable related to the unpaid dividends was $14 and $15, respectively, and was reflected in "Receivables, related parties" in the Consolidated Balance Sheets.

In March 2018, INVISTA Textiles (U.K.) Limited entered into a revolving note agreement with KF Financial Investments, Ltd. ("KF Investments") to loan excess cash to KII. The maturity date of this note is June 1, 2019. As of December 31, 2018, the Company had a receivable balance of $600, representing the total principal balance of the notes. The balance is classified as a current asset in "Receivables, net" in the Consolidated Balance Sheet.

In June 2018, Arteva Europe S.à r.l. Swiss entered into a revolving note agreement with KF Investments to loan excess cash to KII. The maturity date of this note is June 1, 2019. As of December 31, 2018, the Company had a receivable balance of $178, representing the total principal balance of the notes. The balance is classified as a current asset in "Receivables, net" in the Consolidated Balance Sheet.

In August 2018, Koch Regional Holding, L.P. entered into a revolving note agreement with KF Investments to pool international cash. The maturity date of this note is August 24, 2023. As of December 31, 2018, the Company had a receivable balance of $900, representing the total principal balance of the notes. The balance is classified as a non-current asset in "Receivables, related parties" in the Consolidated Balance Sheet.

(Amounts in millions of U.S. Dollars)

INVISTA entered into a Cash Management Agreement ("CMA") with KII during 2017 to replace the former demand note. The CMA was made to realize efficiencies of a coordinated cash system among KII subsidiaries and affiliates. In connection with entering into the CMA, the former demand note was repaid and terminated. The receivable balance associated with the CMA was $719 and $741 at December 31, 2018 and 2017, respectively.

Following are related party balances reflected in the Consolidated Balance Sheets:

	December 31,	
	2018	2017
Notes, current	$ 778	$ -
Cash management agreement receivables	719	741
Tax sharing, current	33	-
Other	28	8
Current receivables, related parties	$ 1,558	$ 749
Notes, noncurrent	$ 900	$ -
Tax sharing, noncurrent	399	569
Interest, noncurrent	14	15
Noncurrent receivables, related parties	$ 1,313	$ 584
Payables(1)	$ 508	$ 73

(1) 2018 balance includes KFFI related party revolver (See Note 11).

Tax
INVISTA participates in tax sharing agreements with certain wholly owned subsidiaries of KII (see Note 17).

Advisory and consulting agreement
Pursuant to an advisory and consulting agreement, KII provides INVISTA with advisory, consulting and other services in relation to INVISTA's businesses, administration, policies and operations. These services are provided in addition to any services provided by KII or its affiliates pursuant to the agreements listed above. KII may charge INVISTA fees of up to $25 annually pursuant to the advisory and consulting agreement. INVISTA will indemnify KII and its officers, employees, agents, representatives, members, directors and affiliates from any losses to the extent they relate to KII's performance of the services contemplated by the advisory and consulting agreement. The advisory and consulting agreement will remain in effect until such time as KII or one or more of its affiliates control less than 10% of INVISTA's equity interests, or such earlier time as INVISTA may mutually agree with KII. The advisory and consulting agreement fee totaled $26 and $22 for 2018 and 2017, respectively. These expenses are included in "Selling, general and administrative expenses" in the Consolidated Statement of Operations.

Other
INVISTA purchases services from various KII subsidiaries and affiliates. The purchases of services primarily relate to human resource information management, information technology support, project support, tax, tenant, legal, leases and public affairs support. Additionally, as discussed in Note 12, INVISTA also makes contributions to the KII pension plan. Purchases for other services and pension contributions totaled $193 and $118 for 2018 and 2017, respectively. These expenses are included primarily in "Selling, general and administrative expenses" and "Cost of goods sold and other operating expenses" in the Consolidated Statement of Operations.

(Amounts in millions of U.S. Dollars)

19. Commitments

On July 28, 2009, a Consent Decree between INVISTA S.à r.l., the U.S. Environmental Protection Agency (the "EPA"), the U.S Department of Justice (the "DOJ"), the State of Delaware Department of Natural Resources and Environmental Control, the South Carolina Department of Health & Environmental Control and the Chattanooga-Hamilton County Air Pollution Control Board was entered by a federal judge and became effective. The Consent Decree required INVISTA S.à r.l. to fund the installation of certain pollution control equipment designed to remedy DuPont's past, pre-closing noncompliance. In 2018, this was completed, and the Consent Decree was terminated at all sites with the exception of one, Victoria, Texas. The steps necessary to terminate the final obligations at Victoria have been agreed to with the EPA are being implemented and must be installed and effectively operating by December 2020. These projects are primarily capital in nature and are being capitalized in accordance with INVISTA's capitalization policy. INVISTA estimates that total remaining expenditures required to comply with the Consent Decree commitment is in the range of $200 - $225. Of this amount, INVISTA estimates that approximately 40% - 50% of the total remaining expenditures will be spent in 2019, and 40% - 50% in 2020. The underlying obligation in the Consent Decree was the subject of litigation between INVISTA and DuPont, however, INVISTA has the obligation to fund the Consent Decree requirements.

INVISTA (inclusive of discontinued operations) rents certain land, storage facilities, office space, trucks, equipment, vehicles, barges and railcars. These rental agreements expire at various dates through 2103 and provide for renewal options ranging from one month to ninety-nine years. In addition, INVISTA has outstanding purchase commitments for certain operating supply contracts, capital projects and services. Including the commitments under the Site Service Agreements with DuPont as described below, INVISTA's future minimum lease commitments related to long-term operating leases and other purchase obligations as of December 31, 2018 are as follows:

	Operating leases	Other long-term unconditional purchase obligations
2019	$ 51	$ 101
2020	20	66
2021	10	58
2022	5	35
2023	3	17
Thereafter	3	36
	$ 92	$ 313

Under Site Service Agreements with DuPont, which are included in other long-term unconditional purchase obligations, certain previously acquired assets and business operations of DuPont's intermediates and fibers business segment (DuPont Textiles & Interiors or "DTI") purchase services for manufacturing facilities at sites where DuPont manufacturing operations are also present. INVISTA's (inclusive of discontinued operations) commitment to reimburse DuPont for the fixed costs associated with these services is estimated to be as follows: $24 for 2019; $23 for 2020; $21 for 2021; $14 for 2022; $4 for 2023 and $3 for years thereafter. Each of the Site Service Agreements contains an early termination clause which provides INVISTA the ability to terminate once notice is given. Upon termination notice, INVISTA's commitment is reduced to the termination clause period, which typically ranges from 2-5 years.

Total rents charged to operations of INVISTA (inclusive of discontinued operations) under all operating leases were $74 and $88 for 2018 and 2017, respectively.

Total payments relating to other long-term unconditional purchase obligations of INVISTA (inclusive of discontinued operations) were $251 and $190 for 2018 and 2017, respectively, and reflect minimum purchase requirements, as well as volume-based purchases in excess of any such minimums.

20. Contingencies

In the ordinary course of business, INVISTA regularly reviews the status of all legal, environmental and other reserves for the possibility that the probability or amount of recorded liabilities has changed or that new liabilities have arisen.

Environmental, health, safety and regulatory matters

INVISTA is subject to various environmental laws and regulations in the various jurisdictions in which it operates. Under these laws and regulations, INVISTA incurs costs related to regulatory and permit requirements on the discharge of pollutants into the air and water, and the treatment, storage and disposal of wastes. Liabilities that are established in the consolidated financial statements represent INVISTA's estimate based on the available facts and are adjusted as facts and circumstances change, or as new liabilities arise. Additionally, there are various legislative and regulatory initiatives, in the U.S. and other countries in which INVISTA operates, that attempt to address the production, sale, transportation and use of chemicals and substances, climate change, and other air emissions issues. If any of these initiatives, or any future initiatives, result in new laws or regulations, INVISTA could incur higher operating, raw material and capital costs in order to comply with the new laws or regulations. Until the timing, scope and extent of such potential requirements become known (as well as whether they actually come into effect), INVISTA cannot predict its effect on its financial position, cash flows or operating results.

Certain facilities now owned or previously owned and divested by INVISTA that were acquired from Celanese AG ("Celanese") are subject to remediation pursuant to RCRA or other relevant statutes. Under the terms of that acquisition, Celanese retains responsibility for remediation of certain sites with known contamination until the ongoing remediation is completed. If Celanese becomes unable to, or otherwise does not, comply with such remediation or indemnity obligations or certain contamination is not subject to these obligations, INVISTA could become subject to liabilities, some of which could be significant. INVISTA is unable to predict with reasonable certainty the ultimate outcome of these matters or the effect of any such outcome on INVISTA's consolidated financial position or results of operations.

Qingpu Spandex Manufacturing Facility

In 2014, the Qingpu District of Shanghai, China notified INVISTA that it would be redeveloping the sites on which INVISTA Apparel's Qingpu spandex manufacturing facility is located as part of a broader rezoning initiative for commercial and residential use in Qingpu. In 2018, INVISTA Fibers Company Limited and INVISTA Fibers (Shanghai) Company Limited delivered the sites to the government and recognized income in accordance with requisition contracts negotiated in 2017. Although all of the assets and liabilities of the facility are included in these consolidated financial statements as part of the INVISTA Apparel business, the Qingpu spandex facility's assets and liabilities and specifically this activity with the Qingpu district of Shanghai is not part of the eventual sales transaction (see Note 3).

Qingpu Carpet Fiber Manufacturing Facility

In 2014, the Qingpu District of Shanghai, China notified INVISTA that it would also be redeveloping the site on which the Qinglon carpet fiber manufacturing facility is located. The net book value of assets at the Qinglon carpet fiber facility was zero at December 31, 2017. In 2018, INVISTA Synthetic Fiber (Shanghai) Company Limited delivered the Qinglon site to the government and recognized income in accordance with a requisition contract negotiated in 2018 (See Note 15). In 2017 INVISTA received proceeds that were included in "Accrued and other current liabilities" in the Consolidated Balance Sheets. Inventory, certain moveable equipment, certain intellectual property, contracts, book of business and business records related to the Qinglon carpet fiber facility were sold to Aquafil under the sales agreement discussed in Note 2.

Litigation

Between 2009 and 2011, INVISTA employees filed complaints against INVISTA Argentina S.R.L. and DuPont in Argentina relating to environmental conditions at INVISTA's Berazategui facility. Among other matters, employees contend that INVISTA and DuPont have caused environmental contamination and should be required to remediate or pay a fine plus interest. INVISTA requested DuPont to indemnify it in these matters. DuPont has acknowledged its obligation and has taken over the defense of the claims. INVISTA is unable to predict with reasonable certainty the ultimate outcome of this matter or the effect of any such outcome on INVISTA's consolidated financial position or results of operations.

INVISTA North America S.à r.l. and INVISTA Technologies S.à r.l. were previously involved in several patent infringement or related lawsuits against M&G Polymers U.S.A, M&G USA Corporation, Mossi & Ghisolfi S.p.A, and/or M&G Finanziaria S.r.l. (collectively, "M&G"). INVISTA was successful in its infringement suit in federal court in Delaware against M&G, which was affirmed by the Federal Circuit in August 2014. In 2015, INVISTA reached a confidential settlement in the federal court action in Delaware that resulted in no impact to the Consolidated Statements of Operations. In Europe, INVISTA's infringement actions were unsuccessful, thus entitling M&G to fees and certain court costs, all of which have been paid. In August 2016, M&G Polimeri Italia S.p.A. filed a complaint in the Court of Milan asking the court to award liquidated damages (above those already paid) for alleged acts of unfair competition by INVISTA arising out of a customs seizure of M&G goods in Frosinone in December of 2012. INVISTA is unable to predict with reasonable certainty the ultimate outcome of this matter or the effect any such outcome may have on INVISTA's consolidated financial position or results of operations.

In March 2015, the Paulina site received a letter from the Tijucas Municipality regarding the disposal of workplace uniforms with INVISTA logos along the road side in Tijucas, Santa Catarina. The Municipality subsequently filed an environmental liability claim against INVISTA and other companies whose uniforms were disposed of along the road requesting the condemnation be fixed. As a result of the divestiture of the Apparel business on January 31, 2019, this is no longer an INVISTA matter.

In connection with the departure of several researchers in the Sustainability Group at Wilton in 2016, INVISTA identified evidence of misappropriation of INVISTA's confidential and proprietary information, including through the emailing of that information to personal email accounts. In February 2017, INVISTA filed suit against certain of the former employees and a new business enterprise (Videra Bio) established by some of these former employees in the United Kingdom alleging breach of contract, breach of confidence and inducement of breach of contract and seeking preliminary injunctive relief. The case against the former employees went to trail in October 2018 and a decision was rendered in January 2019. A costs hearing is scheduled for March 2019, which will decide which party, if either, should bear a portion of the costs of the other party or if the parties should pay their own costs.

21. Subsequent events

INVISTA has completed an evaluation of all subsequent events through March 4, 2019, the date its consolidated financial statements were available to be issued and concluded that no subsequent events occurred that required recognition, other than those described below.

On January 31, 2019, INVISTA finalized the sale of its Apparel and Advanced Textiles business discussed in Note 3.

On January 31, 2019 INVISTA made an equity investment of $420 into Ruyi International Textile Development Ltd.

On March 4, 2019, INVISTA finalized the sale of INVISTA Resins and Fibers GmbH discussed in Note 3.