ICAHN ENTERPRISES L.P.
Form 10-Q
May 03, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2018

(Commission File Number)	(Exact Name of Registrant as Specified in Its Charter) (Address of Principal Executive Offices) (Zip Code) (Telephone Number)	(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
1-9516	ICAHN ENTERPRISES L.P. 767 Fifth Avenue, Suite 4700 New York, NY 10153 (212) 702-4300	Delaware	13-3398766
333-118021-01	ICAHN ENTERPRISES HOLDINGS L.P. 767 Fifth Avenue, Suite 4700 New York, NY 10153 (212) 702-4300	Delaware	13-3398767

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

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

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

Icahn Enterprises L.P.		Icahn Enterprises Holdings L.P.	
Large Accelerated Filer x	Accelerated Filer o	Large Accelerated Filer o	Accelerated Filer o
Non-accelerated Filer o	Smaller Reporting Company o	Non-accelerated Filer x	Smaller Reporting Company o
Emerging Growth Company o		Emerging Growth Company o	

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Icahn Enterprises L.P. Yes o No x   Icahn Enterprises Holdings L.P. Yes o No x

As of May 3, 2018, there were 178,183,925 of Icahn Enterprises' depositary units outstanding.

ICAHN ENTERPRISES L.P.
ICAHN ENTERPRISES HOLDINGS L.P.
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EXPLANATORY NOTE

This Quarterly Report on Form 10-Q (this "Report") is a joint report being filed by Icahn Enterprises L.P. and Icahn Enterprises Holdings L.P. Each registrant hereto is filing on its own behalf all of the information contained in this Report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

FORWARD-LOOKING STATEMENTS

This Report contains certain statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("the Exchange Act"), or by Public Law 104-67. All statements included in this Report, other than statements that relate solely to historical fact, are “forward-looking statements.” Such statements include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events, or any statement that may relate to strategies, plans or objectives for, or potential results of, future operations, financial results, financial condition, business prospects, growth strategy or liquidity, and are based upon management’s current plans and beliefs or current estimates of future results or trends. Forward-looking statements can generally be identified by phrases such as “believes,” “expects,” “potential,” “continues,” “may,” “should,” “seeks,” “predicts,’ “anticipates,” “intends,” “projects,” “estimates,” “plans,” “could,” “designed,” “should be” and other similar expressions that d expectations of future or conditional events rather than statements of fact.
Forward-looking statements include certain statements made under the caption, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” under Part I, Item 2 of this Report, but also forward-looking statements that appear in other parts of this Report. Forward-looking statements reflect our current views with respect to future events and are based on certain assumptions and are subject to risks and uncertainties that could cause our actual results to differ materially from trends, plans, or expectations set forth in the forward-looking statements. These risks and uncertainties may include the risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2017 and those set forth in this Report, including under the caption "Risk Factors," under Part II, Item 1A of this Report. Additionally, there may be other factors not presently known to us or which we currently consider to be immaterial that may cause our actual results to differ materially from the forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except unit amounts)

	March 31, 2018	December 31, 2017
ASSETS	(Unaudited)	
Cash and cash equivalents	$ 1,250	$ 1,682
Cash held at consolidated affiliated partnerships and restricted cash	643	786
Investments	8,364	10,369
Due from brokers	1,236	506
Accounts receivable, net	1,914	1,805
Inventories, net	3,497	3,261
Property, plant and equipment, net	9,733	9,701
Goodwill	1,280	1,275
Intangible assets, net	1,111	1,135
Other assets	1,470	1,281
Total Assets	$ 30,498	$ 31,801
LIABILITIES AND EQUITY		
Accounts payable	$ 2,112	$ 2,064
Accrued expenses and other liabilities	1,991	1,746
Deferred tax liability	962	924
Unrealized loss on derivative contracts	972	1,275
Securities sold, not yet purchased, at fair value	299	1,023
Due to brokers	38	1,057
Post-retirement benefit liability	1,161	1,159
Debt	11,208	11,185
Total liabilities	18,743	20,433
Commitments and contingencies (Note 16)		
Equity:		
Limited partners: Depositary units: 173,579,378 units issued and outstanding at March 31, 2018 and 173,564,307 units issued and outstanding at December 31, 2017	5,182	5,341
General partner	(237)	(235)
Equity attributable to Icahn Enterprises	4,945	5,106
Equity attributable to non-controlling interests	6,810	6,262
Total equity	11,755	11,368
Total Liabilities and Equity	$ 30,498	$ 31,801

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per unit amounts)

	Three Months Ended March 31,	
	2018	2017
Revenues:	(Unaudited)	
Net sales	$4,493	$4,319
Other revenues from operations	420	475
Net income (loss) from investment activities	433	(130)
Interest and dividend income	28	29
Other income (loss), net	71	(26)
	5,445	4,667
Expenses:		
Cost of goods sold	3,856	3,688
Other expenses from operations	255	254
Selling, general and administrative	656	621
Restructuring, net	2	7
Impairment	—	8
Interest expense	197	223
	4,966	4,801
Income (loss) before income tax expense	479	(134)
Income tax expense	(56)	(26)
Net income (loss)	423	(160)
Less: net income (loss) attributable to non-controlling interests	286	(142)
Net income (loss) attributable to Icahn Enterprises	$137	$(18)
Net income (loss) attributable to Icahn Enterprises allocable to:		
Limited partners	$134	$(18)
General partner	3	—
	$137	$(18)
Basic income (loss) per LP unit	$0.77	$(0.12)
Basic weighted average LP units outstanding	174	149
Diluted income (loss) per LP unit	$0.77	$(0.12)
Diluted weighted average LP units outstanding	175	149
Cash distributions declared per LP unit	$1.75	$1.50

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Net income (loss)	$423	$(160)
Other comprehensive income (loss), net of tax:		
Post-employment benefits	11	5
Hedge instruments	(1)	—
Translation adjustments and other	33	95
Other comprehensive income, net of tax	43	100
Comprehensive income (loss)	466	(60)
Less: Comprehensive income (loss) attributable to non-controlling interests	289	(136)
Comprehensive income attributable to Icahn Enterprises	$177	$76
Comprehensive income attributable to Icahn Enterprises allocable to:		
Limited partners	$173	$74
General partner	4	2
	$177	$76

Accumulated other comprehensive loss was $1,368 million and $1,411 million at March 31, 2018 and December 31, 2017, respectively.

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions, Unaudited)

	Equity Attributable to Icahn Enterprises				
	General Partner's (Deficit) Equity	Limited Partners' Equity	Total Partners' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2017	$(235)	$5,341	$5,106	$ 6,262	$11,368
Net income	3	134	137	286	423
Other comprehensive income	1	39	40	3	43
Partnership distributions	(6)	(304)	(310)	—	(310)
Investment segment contributions	—	—	—	280	280
Dividends and distributions to non-controlling interests in subsidiaries	—	—	—	(31)	(31)
Cumulative effect adjustment from adoption of accounting principle	—	(20)	(20)	—	(20)
Changes in subsidiary equity and other	—	(8)	(8)	10	2
Balance, March 31, 2018	$(237)	$5,182	$4,945	$ 6,810	$11,755

	Equity Attributable to Icahn Enterprises				
	General Partner's (Deficit) Equity	Limited Partners' Equity	Total Partners' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2016	$(294)	$2,448	$2,154	$ 5,863	$8,017
Net loss	—	(18)	(18)	(142)	(160)
Other comprehensive income	2	92	94	6	100
Partnership distributions	(5)	(234)	(239)	—	(239)
Partnership contributions	12	600	612	—	612
Investment segment contributions	—	—	—	600	600
Dividends and distributions to non-controlling interests in subsidiaries	—	—	—	(10)	(10)
Cumulative effect adjustment from adoption of accounting principle	(1)	(46)	(47)	—	(47)
Changes in subsidiary equity and other	(3)	(123)	(126)	(180)	(306)
Balance, March 31, 2017	$(289)	$2,719	$2,430	$ 6,137	$8,567

See notes to condensed consolidated financial statements.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended March 31, 2018	2017
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$423	$(160)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net gain from securities transactions	(285)	(486)
Purchases of securities	(886)	(292)
Proceeds from sales of securities	3,130	488
Purchases to cover securities sold, not yet purchased	(690)	—
Proceeds from securities sold, not yet purchased	—	1,129
Changes in receivables and payables relating to securities transactions	(1,824)	(1,798)
Depreciation and amortization	252	248
Impairment	—	8
Equity earnings from non-consolidated affiliates	(22)	(18)
Deferred taxes	36	1
Other, net	43	48
Changes in other operating assets and liabilities	(772)	421
Net cash used in operating activities	(595)	(411)
Cash flows from investing activities:		
Capital expenditures	(220)	(231)
Acquisition of businesses, net of cash acquired	(1)	(43)
Purchase of additional interests in consolidated subsidiaries	—	(252)
Proceeds from disposition of assets	17	54
Other, net	2	(1)
Net cash used in investing activities	(202)	(473)
Cash flows from financing activities:		
Investment segment contributions from non-controlling interests	280	600
Partnership contributions	—	612
Proceeds from offering of subsidiary equity	6	—
Dividends and distributions to non-controlling interests in subsidiaries	(31)	(10)
Proceeds from Holding Company senior unsecured notes	—	1,195
Repayments of Holding Company senior unsecured notes	—	(1,175)
Proceeds from subsidiary borrowings	424	1,150
Repayments of subsidiary borrowings	(450)	(1,120)
Other, net	(4)	(9)
Net cash provided by financing activities	225	1,243
Effect of exchange rate changes on cash and cash equivalents and restricted cash and restricted cash equivalents	(3)	9
Add back decrease in cash of assets held for sale	—	20
Net (decrease) increase in cash and cash equivalents and restricted cash and restricted cash equivalents	(575)	388
Cash and cash equivalents and restricted cash and restricted cash equivalents, beginning of period	2,468	2,637
Cash and cash equivalents and restricted cash and restricted cash equivalents, end of period	$1,893	$3,025

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 1,250	$ 1,682
Cash held at consolidated affiliated partnerships and restricted cash	643	786
Investments	8,364	10,369
Due from brokers	1,236	506
Accounts receivable, net	1,914	1,805
Inventories, net	3,497	3,261
Property, plant and equipment, net	9,733	9,701
Goodwill	1,280	1,275
Intangible assets, net	1,111	1,135
Other assets	1,502	1,313
Total Assets	$ 30,530	$ 31,833
LIABILITIES AND EQUITY		
Accounts payable	$ 2,112	$ 2,064
Accrued expenses and other liabilities	1,991	1,746
Deferred tax liability	962	924
Unrealized loss on derivative contracts	972	1,275
Securities sold, not yet purchased, at fair value	299	1,023
Due to brokers	38	1,057
Post-retirement benefit liability	1,161	1,159
Debt	11,213	11,190
Total liabilities	18,748	20,438
Commitments and contingencies (Note 16)		
Equity:		
Limited partner	5,260	5,420
General partner	(288)	(287)
Equity attributable to Icahn Enterprises Holdings	4,972	5,133
Equity attributable to non-controlling interests	6,810	6,262
Total equity	11,782	11,395
Total Liabilities and Equity	$ 30,530	$ 31,833

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Three Months Ended March 31,	
	2018	2017
Revenues:	(Unaudited)	
Net sales	$4,493	$4,319
Other revenues from operations	420	475
Net income (loss) from investment activities	433	(130)
Interest and dividend income	28	29
Other income (loss), net	71	(26)
	5,445	4,667
Expenses:		
Cost of goods sold	3,856	3,688
Other expenses from operations	255	254
Selling, general and administrative	656	621
Restructuring, net	2	7
Impairment	—	8
Interest expense	197	223
	4,966	4,801
Income (loss) before income tax expense	479	(134)
Income tax expense	(56)	(26)
Net income (loss)	423	(160)
Less: net income (loss) attributable to non-controlling interests	286	(142)
Net income (loss) attributable to Icahn Enterprises Holdings	$137	$(18)
Net income (loss) attributable to Icahn Enterprises Holdings allocable to:		
Limited partner	$136	$(18)
General partner	1	—
	$137	$(18)

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Net income (loss)	$423	$(160)
Other comprehensive income (loss), net of tax:		
Post-employment benefits	11	5
Hedge instruments	(1)	—
Translation adjustments and other	33	95
Other comprehensive income, net of tax	43	100
Comprehensive income (loss)	466	(60)
Less: Comprehensive income (loss) attributable to non-controlling interests	289	(136)
Comprehensive income attributable to Icahn Enterprises Holdings	$177	$76
Comprehensive income attributable to Icahn Enterprises Holdings allocable to:		
Limited partner	$175	$75
General partner	2	1
	$177	$76

Accumulated other comprehensive loss was $1,368 million and $1,411 million at March 31, 2018 and December 31, 2017, respectively.

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions, Unaudited)

	Equity Attributable to Icahn Enterprises Holdings				
	General Partner's Equity (Deficit)	Limited Partner's Equity	Total Partners' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2017	$(287)	$5,420	$5,133	$ 6,262	$11,395
Net income	1	136	137	286	423
Other comprehensive income	1	39	40	3	43
Partnership distributions	(3)	(307)	(310)	—	(310)
Investment segment contributions	—	—	—	280	280
Dividends and distributions to non-controlling interests in subsidiaries	—	—	—	(31)	(31)
Cumulative effect adjustment from adoption of accounting principle	—	(20)	(20)	—	(20)
Changes in subsidiary equity and other	—	(8)	(8)	10	2
Balance, March 31, 2018	$(288)	$5,260	$4,972	$ 6,810	$11,782

	Equity Attributable to Icahn Enterprises Holdings				
	General Partner's Equity (Deficit)	Limited Partner's Equity	Total Partners' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2016	$(317)	$2,496	$2,179	$ 5,863	$8,042
Net loss	—	(18)	(18)	(142)	(160)
Other comprehensive income	1	93	94	6	100
Partnership distributions	(3)	(236)	(239)	—	(239)
Partnership contributions	6	606	612	—	612
Investment segment contributions	—	—	—	600	600
Dividends and distributions to non-controlling interests in subsidiaries	—	—	—	(10)	(10)
Cumulative effect adjustment from adoption of accounting principle	—	(47)	(47)	—	(47)
Changes in subsidiary equity and other	(2)	(124)	(126)	(180)	(306)
Balance, March 31, 2017	$(315)	$2,770	$2,455	$ 6,137	$8,592

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$423	$(160)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net gain from securities transactions	(285)	(486)
Purchases of securities	(886)	(292)
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Cash and cash equivalents and restricted cash and restricted cash equivalents, beginning of period	2,468	2,637
Cash and cash equivalents and restricted cash and restricted cash equivalents, end of period	$1,893	$3,025

See notes to condensed consolidated financial statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business.

Overview

Icahn Enterprises L.P. ("Icahn Enterprises") owns a 99% limited partner interest in Icahn Enterprises Holdings L.P. ("Icahn Enterprises Holdings"). Icahn Enterprises G.P. Inc. ("Icahn Enterprises GP"), which is owned and controlled by Mr. Carl C. Icahn, owns a 1% general partner interest in each of Icahn Enterprises and Icahn Enterprises Holdings as of March 31, 2018. Icahn Enterprises Holdings and its subsidiaries own substantially all of the assets and liabilities of Icahn Enterprises and conduct substantially all of its operations. Therefore, the financial results of Icahn Enterprises and Icahn Enterprises Holdings are substantially the same, with differences relating primarily to allocations of the general partner interest, which is reflected as an aggregate 1.99% general partner interest in the financial statements of Icahn Enterprises, as well as due to the carrying amount of deferred financing costs related to our senior unsecured notes. In addition to the above, Mr. Icahn and his affiliates owned approximately 91.0% of Icahn Enterprises' outstanding depositary units as of March 31, 2018.

References to "we," "our" or "us" herein include both Icahn Enterprises and Icahn Enterprises Holdings and their subsidiaries, unless the context otherwise requires.

Description of Operating Businesses

We are a diversified holding company owning subsidiaries currently engaged in the following continuing operating businesses: Investment, Automotive, Energy, Railcar, Gaming, Metals, Mining, Food Packaging, Real Estate and Home Fashion. We also report the results of our Holding Company, which includes the results of certain subsidiaries of Icahn Enterprises and Icahn Enterprises Holdings (unless otherwise noted), and investment activity and expenses associated with our Holding Company. See Note 12, "Segment Reporting," for a reconciliation of each of our reporting segment's results of operations to our consolidated results. Certain additional information with respect to our segments is discussed below.

Investment

Our Investment segment is comprised of various private investment funds ("Investment Funds") in which we have general partner interests and through which we invest our proprietary capital. We and certain of Mr. Icahn's wholly owned affiliates are the only investors in the Investment Funds. As general partner, we provide investment advisory and certain administrative and back office services to the Investment Funds but do not provide such services to any other entities, individuals or accounts. Interests in the Investment Funds are not offered to outside investors. We had interests in the Investment Funds with a fair value of approximately $3.2 billion and $3.0 billion as of March 31, 2018 and December 31, 2017, respectively.

Automotive

We conduct our Automotive segment through our wholly owned subsidiaries Federal-Mogul LLC ("Federal-Mogul") and Icahn Automotive Group LLC ("Icahn Automotive"). During January 2017, we increased our ownership in Federal-Mogul from 82.0% to 100% for an aggregate purchase price of $305 million. In April 2018, we announced a definitive agreement to sell Federal-Mogul. Refer to Note 18, "Subsequent Events," for further discussion.

Federal-Mogul is engaged in the manufacture and distribution of automotive parts. Icahn Automotive is engaged in the distribution of automotive parts in the aftermarket as well as providing automotive services to its customers.

Energy

We conduct our Energy segment through our majority ownership in CVR Energy, Inc. ("CVR Energy"). CVR Energy is a diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries through its holdings in CVR Refining L.P. ("CVR Refining") and CVR Partners L.P. ("CVR Partners"), respectively. CVR Refining is an independent petroleum refiner and marketer of high value transportation fuels. CVR Partners produces and markets nitrogen fertilizers in the form of urea ammonium nitrate and ammonia. As of March 31, 2018, CVR Energy owned 100% of each of the general partners of CVR Refining and CVR Partners and approximately 66% and 34% of the common units of CVR Refining and CVR Partners, respectively.

As of March 31, 2018, we owned approximately 82.0% of the total outstanding common stock of CVR Energy. In addition, as of March 31, 2018, we directly owned approximately 3.9% of the total outstanding common units of CVR Refining.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
ICAHN ENTERPRISES HOLDINGS L.P. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Railcar

We conduct our Railcar segment through our majority ownership in American Railcar Industries, Inc. ("ARI") and, prior to its sale on June 1, 2017, our wholly owned subsidiary American Railcar Leasing, LLC ("ARL"). As of March 31, 2018, we owned approximately 62.2% of the total outstanding common stock of ARI.

ARI is a North American designer and manufacturer of hopper and tank railcars. ARI provides its railcar customers with integrated solutions through a comprehensive set of high-quality products and related services through its manufacturing, leasing and railcar services operations. ARI's manufacturing consists of railcar manufacturing and railcar and industrial component manufacturing. ARI's railcar leasing business consists of railcars built by ARI leased to third parties under operating leases. ARI's railcar services consist of railcar repair, engineering and field services.

Gaming

We conduct our Gaming segment through our majority ownership in Tropicana Entertainment Inc. ("Tropicana") and our wholly owned subsidiary Trump Entertainment Resorts Inc. ("TER"). As of March 31, 2018, we owned approximately 83.9% of the total outstanding common stock of Tropicana. In April 2018, we announced a definitive agreement to sell Tropicana. Refer to Note 18, "Subsequent Events," for further discussion.

Tropicana is an owner and operator of regional casino and entertainment properties located in the United States and one hotel, timeshare and casino resort located on the island of Aruba. TER owned the Trump Taj Mahal Casino Resort, which closed in October 2016, and was subsequently sold on March 31, 2017. TER also owns Trump Plaza Hotel and Casino, which ceased operations in September 2014, prior to our obtaining a controlling interest in TER.

Metals

We conduct our Metals segment through our indirect wholly owned subsidiary PSC Metals, Inc. (“PSC Metals”). PSC Metals is principally engaged in the business of collecting, processing and selling ferrous and non-ferrous metals, as well as the processing and distribution of steel pipe and plate products. PSC Metals collects industrial and obsolete scrap metal, processes it into reusable forms and supplies the recycled metals to its customers.

Mining

We conduct our Mining segment through our majority ownership in Ferrous Resources Ltd. ("Ferrous Resources"). As of March 31, 2018, we owned approximately 77.2% of the total outstanding common stock of Ferrous Resources. Ferrous Resources acquired certain rights to iron ore mineral resources in Brazil and develops mining operations and related infrastructure to produce and sell iron ore products to the global steel industry.

Food Packaging

We conduct our Food Packaging segment through our majority ownership in Viskase Companies, Inc. ("Viskase"). During January 2018, Viskase received $50 million in connection with its common stock rights offering. In connection with this rights offering, we fully exercised our subscription rights under our basic and over subscription privileges to purchase additional shares of Viskase common stock, thereby increasing our ownership of Viskase from 74.6% to 78.6%, for an aggregate additional investment of $44 million.

Viskase is a producer of cellulosic, fibrous and plastic casings used to prepare and package processed meat products.

Real Estate

Our Real Estate operations consist of rental real estate, property development and associated club activities. Our rental real estate operations consist primarily of office and industrial properties leased to single corporate tenants. Our property development operations are run primarily through a real estate investment, management and development subsidiary that focuses primarily on the construction and sale of single-family and multi-family homes, lots in subdivisions and planned communities and raw land for residential development. Our property development locations also operate golf and club operations.

Home Fashion

We conduct our Home Fashion segment through our indirect wholly owned subsidiary, WestPoint Home LLC (“WPH”). WPH's business consists of manufacturing, sourcing, marketing, distributing and selling home fashion consumer products.

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2. Basis of Presentation and Summary of Significant Accounting Policies.
We conduct and plan to continue to conduct our activities in such a manner as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the “'40 Act”). Therefore, no more than 40% of our total assets can be invested in investment securities, as such term is defined in the '40 Act. In addition, we do not invest or intend to invest in securities as our primary business. We intend to structure our investments to continue to be taxed as a partnership rather than as a corporation under the applicable publicly traded partnership rules of the Internal Revenue Code, as amended.
As discussed in Note 18, "Subsequent Events," in April 2018, we announced definitive agreements to sell Federal-Mogul and Tropicana. Following the closing of our contemplated sale of Federal-Mogul, it is likely that we would be considered an investment company but for an exemption under the '40 Act that would provide us up to one year to take steps to avoid becoming classified as an investment company. We expect to take steps to avoid becoming classified as an investment company during this exemption period, but no assurance can be made that we will successfully be able to take the steps necessary to avoid becoming classified as an investment company.
The accompanying condensed consolidated financial statements and related notes should be read in conjunction with our consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2017. The condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) related to interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are necessary to present fairly the results for the interim periods. All such adjustments are of a normal and recurring nature.
Principles of Consolidation
As of March 31, 2018, our condensed consolidated financial statements include the accounts of (i) Icahn Enterprises and Icahn Enterprises Holdings and (ii) the wholly and majority owned subsidiaries of Icahn Enterprises and Icahn Enterprises Holdings, in addition to variable interest entities ("VIEs") in which we are the primary beneficiary. In evaluating whether we have a controlling financial interest in entities that we consolidate, we consider the following: (1) for voting interest entities, including limited partnerships and similar entities that are not VIEs, we consolidate these entities in which we own a majority of the voting interests; and (2) for VIEs, we consolidate these entities in which we are the primary beneficiary. See below for a discussion of our VIEs. Kick-out rights, which are the rights underlying the limited partners' ability to dissolve the limited partnership or otherwise remove the general partners, held through voting interests of partnerships and similar entities that are not VIEs are considered the equivalent of the equity interests of corporations that are not VIEs.
Except for our Investment segment, for those investments in which we own 50% or less but greater than 20%, we generally account for such investments using the equity method, while investments in affiliates of 20% or less are accounted for under the cost method.
Reclassifications
In connection with our adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-18, Restricted Cash, as discussed below, we decreased our net cash used in operating activities for the three months ended March 31, 2017 by $203 million.
In connection with our adoption of FASB ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, as discussed below, we decreased our cost of goods sold and selling, general and administrative by $4 million and $6 million, respectively, and decreased other income, net by $10 million for the three months ended March 31, 2017.
In addition, certain other reclassifications from the prior year presentation have been made to conform to the current year presentation, which did not have an impact on previously reported net income and equity and are not deemed

material.

Variable Interest Entities

Icahn Enterprises Holdings

We determined that Icahn Enterprises Holdings is a VIE because it lacks both substantive kick-out and participating rights. Icahn Enterprises is the primary beneficiary of Icahn Enterprises Holdings principally based on its 99% limited partner interest in Icahn Enterprises Holdings and therefore continues to consolidate Icahn Enterprises Holdings. The condensed consolidated financial statements of Icahn Enterprises Holdings are included in this Report. The balances with respect to Icahn

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Enterprises Holdings' consolidated VIEs are discussed below, comprising the Investment Funds, CVR Refining, CVR Partners and Viskase.

Investment

We determined that each of the Investment Funds are considered VIEs because these limited partnerships lack both substantive kick-out and participating rights. Because we have a general partner interest in each of the Investment Funds and have significant limited partner interests in each of the Investment Funds, coupled with our significant exposure to losses and benefits in each of the Investment Funds, we are the primary beneficiary of each of the Investment Funds and therefore continue to consolidate each of the Investment Funds.

Energy

CVR Refining and CVR Partners are each considered VIEs because each of these limited partnerships lack both substantive kick-out and participating rights. In addition, CVR Energy also concluded that, based upon its general partner's roles and rights in CVR Refining and CVR Partners as afforded by their respective partnership agreements, coupled with its exposure to losses and benefits in each of CVR Refining and CVR Partners through its significant limited partner interests, intercompany credit facilities and services agreements, it is the primary beneficiary of both CVR Refining and CVR Partners. Based upon this evaluation, CVR Energy continues to consolidate both CVR Refining and CVR Partners.

Food Packaging

Viskase holds a variable interest in a joint venture for which Viskase is the primary beneficiary. Viskase's interest in the joint venture includes a 50% equity interest and also relates to the sales, operations, administrative and financial support to the joint venture through providing many of the assets used in its business.

The following table includes balances of assets and liabilities of VIE's included in Icahn Enterprises Holdings' condensed consolidated balance sheets.

	March 31, 2018	December 31, 2017
	(in millions)	
Cash and cash equivalents	$168	$ 223
Cash held at consolidated affiliated partnerships and restricted cash	587	734
Investments	7,601	9,615
Due from brokers	1,236	506
Property, plant and equipment, net	3,146	3,191
Inventories, net	424	385
Intangible assets, net	293	298
Other assets	155	48
Accounts payable, accrued expenses and other liabilities	1,439	1,816
Securities sold, not yet purchased, at fair value	299	1,023
Due to brokers	38	1,057
Debt	1,167	1,166

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, cash held at consolidated affiliated partnerships and restricted cash, accounts receivable, due from brokers, accounts payable, accrued expenses and other liabilities and due to brokers are deemed to be reasonable estimates of their fair values because of their short-term nature. See Note 4, “Investments and Related Matters,” and Note 5, “Fair Value Measurements,” for a detailed discussion of our investments and other non-financial assets and/or liabilities.

The fair value of our long-term debt is based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities. The carrying value and estimated fair value of our long-term debt as of March 31, 2018 was approximately $11.2 billion and $11.5 billion, respectively. The carrying value and estimated fair value of our long-term debt as of December 31, 2017 was approximately $11.2 billion and $11.5 billion, respectively.

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Cash Flow
Cash and cash equivalents and restricted cash and restricted cash equivalents on our condensed consolidated statements of cash flows is comprised of (i) cash and cash equivalents and (ii) cash held at consolidated affiliated partnerships and restricted cash.
Restricted Cash
Our restricted cash balance was $351 million and $594 million as of March 31, 2018 and December 31, 2017, respectively.
Accounts Receivable Factoring
Transfers of receivables relate primarily to our Automotive segment. Federal-Mogul's subsidiaries in Brazil, France, Germany, Italy, Canada and the United States are party to accounts receivable factoring and securitization facilities. Gross accounts receivable transferred under these facilities were $674 million and $641 million as of March 31, 2018 and December 31, 2017, respectively. Of those gross amounts, $668 million and $635 million, respectively, qualify as sales in accordance with U.S. GAAP. The remaining transferred receivables were pledged as collateral and accounted for as secured borrowings and recorded in the condensed consolidated balance sheets within accounts receivable, net and debt. Under the terms of these facilities, Federal-Mogul is not obligated to draw cash immediately upon the transfer of accounts receivable. As of March 31, 2018 and December 31, 2017, Federal-Mogul did not have any undrawn cash related to such transferred receivables.
Proceeds from the transfers of accounts receivable qualifying as sales were approximately $491 million and $474 million for the three months ended March 31, 2018 and 2017, respectively. Expenses associated with transfers of receivables were $5 million and $4 million for the three months ended March 31, 2018 and 2017, respectively. Such expenses were recorded in the condensed consolidated statements of operations within other income (loss), net. Where Federal-Mogul receives a fee to service and monitor these transferred receivables, such fees are sufficient to offset the costs and as such, a servicing asset or liability is not incurred as a result of such activities.
Revenue From Contracts With Customers and Contract Balances
As discussed below, on January 1, 2018, we adopted FASB ASC Topic 606, Revenue from Contracts with Customers. Due to the nature of our business, we derive revenue from various sources in various industries. Investment segment and Holding Company revenues are not in scope of FASB ASC Topic 606. Railcar leasing and Real Estate leasing revenues are also not in scope of FASB ASC Topic 606. The following is a summary of our revenue recognition that is in scope of FASB ASC Topic 606 for certain of our reporting segments. In addition, we present disaggregated revenue information in Note 12, "Segment Reporting."
Automotive
Revenue: Our Automotive segment revenue from sales is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. Our Automotive segment recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Automotive service revenues are recognized on completion of the service and consist of the labor charged for installing products or maintaining or repairing vehicles. Automotive services labor revenues are included in other revenues from operations in our condensed consolidated statements of operations, however, the sale of any installed parts or materials related to automotive services are included in net sales. Our Automotive segment recognizes revenues from extended warranties offered to its customers on tires its sells, including lifetime warranties for road hazard assistance and 3 and 5-year plans for alignments, which it receives payment upfront. Revenues from extended warranties are recognized over the term of the warranty contract with the satisfaction of its performance obligations measured using the output method. Our Automotive segment recognizes revenues from franchise fees, which it receives payment upfront, and franchise royalties, for which it receives payment over time. Revenues from upfront franchise fees are recognized at the time the store opens, as that is when our Automotive segment's performance obligations are deemed complete, and revenues from franchise royalties are recognized in the period in which royalties are earned, generally based on a percentage of franchise sales.

Contract balances: Our Automotive segment has contract assets that primarily relate to its rights to consideration for work completed but not billed at the reporting date for production parts. The contract assets are reclassified into accounts receivable when the rights to receive payment become unconditional. Our Automotive segment has determined that the value of contract assets is immaterial. Our Automotive segment has deferred revenue with respect to extended warranty plans of $30 million and $29 million as of March 31, 2018 and January 1, 2018, respectively, which are included in accrued expense and other liabilities on the condensed consolidated balance sheets. For the three months ended March 31, 2018, our Automotive

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segment recorded revenue of $4 million with respect to deferred revenue outstanding as of January 1, 2018. For deferred revenue outstanding as of March 31, 2018, our Automotive segment expects to recognize approximately $15 million in 2019 and thereafter.

Energy

Revenue: Our Energy segment revenues from the sale of petroleum products are recorded upon delivery of the products to customers, which is the point at which title is transferred and the customer has assumed the risk of loss. This generally takes place as product passes into the pipeline, as a product transfer order occurs within a pipeline system, or as product enters equipment or locations supplied or designated by the customer. For our Energy segment's nitrogen fertilizer products sold, revenues are recorded at the point in time at which the customer obtains control of the product, which is generally upon delivery acceptance by the customer. Nitrogen fertilizer products are sold on a wholesale basis under a contract or by purchase order. Excise and other taxes collected from customers and remitted to governmental authorities by our Energy segment are not included in reported revenues.

Many of the petroleum business' contracts have index-based pricing which is considered variable consideration that should be estimated in determining the transaction price. Our Energy segment determined that it does not need to estimate the variable consideration because the uncertainty related to the consideration is resolved on the pricing date or the date when the product is delivered. The nitrogen fertilizer business has an immaterial amount of variable consideration for contracts with an original duration of less than a year. A small portion of the nitrogen fertilizer partnership's revenue includes contracts extending beyond one year and contain variable pricing in which the majority of the variability is attributed to the market-based pricing. The nitrogen fertilizer business' contracts do not contain a significant financing component.

Our Energy segment has elected to not disclose the amount of the transaction price allocated to remaining performance obligations for contracts with an original expected duration of less than one year. Our Energy segment has elected to not disclose variable consideration allocated to wholly unsatisfied performance obligations that are based on market prices that have not yet been determined.

Contract balances: Our Energy segment's deferred revenue is a contract liability that primarily relates to fertilizer sales contracts requiring customer prepayment prior to product delivery to guarantee a price and supply of nitrogen fertilizer. Deferred revenue is recorded at the point in time in which a prepaid contract is legally enforceable and the associated right to consideration is unconditional prior to transferring product to the customer. An associated receivable is recorded for uncollected prepaid contract amounts. Contracts requiring prepayment are generally short-term in nature and, as discussed above, revenue is recognized at the point in time in which the customer obtains control of the product. Our Energy segment had deferred revenue of $24 million and $34 million as of March 31, 2018 and December 31, 2017, respectively, which is included in accrued expense and other liabilities on the condensed consolidated balance sheets. For the three months ended March 31, 2018, our Energy segment recorded revenue of $12 million with respect to deferred revenue outstanding as of January 1, 2018. For deferred revenue outstanding as of March 31, 2018, our Energy segment expects to recognize approximately $13 million of revenue in 2019 and thereafter.

Railcar

Revenue: Revenues from manufactured railcar sales are recognized following completion of manufacturing, inspection, customer acceptance and title transfer, which is when the risk for any damage or loss with respect to the railcars passes to the customer, in accordance with our Railcar segment's contractual terms. Revenues from railcar and industrial components are recorded at the time of product shipment, in accordance with our Railcar segment's contractual terms. Revenues from railcar maintenance services are recognized upon completion and shipment of railcars from our Railcar segment's plants. Our Railcar segment does not currently bundle railcar service contracts with new railcar sales. Revenues from engineering and field services are recognized as performed.

As of March 31, 2018, our Railcar segment had $279 million of remaining performance obligations for contractual commitments from customers for which work is partially completed. Our Railcar segment expects to recognize approximately $159 million of these performance obligations as revenue over the next twelve months and an additional $120 million thereafter. There was no revenue recognized for the three months ended March 31, 2018 from performance obligations satisfied, or partially satisfied, in previous periods due to the adoption of FASB ASC Topic 606.

Contract balances: ARI bills its customers once services have been rendered or products have been delivered and ARI has an unconditional right to consideration as only the passage of time is required before payment of that consideration is due. The contract assets that ARI maintains are related to unbilled revenues recognized on repair services that have been performed but the entire project has not yet been completed, and the railcar has not yet been shipped to the customer. Contract liabilities

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represent deferred revenue related to railcar manufacturing and repair services. Our Railcar segment has determined that the value of contract assets and liabilities are immaterial.

Gaming

Revenue: Our Gaming segment revenues from contracts with customers consist primarily of gaming wagers, hotel room sales, food and beverage transactions, and sales of other retail goods and services. Casino revenue represents the difference between wins and losses from gaming activities. Tropicana applies a practical expedient by accounting for gaming contracts on a portfolio basis, rather than as individual contracts, as gaming wagers have similar characteristics and Tropicana reasonably expects the effects on the condensed consolidated financial statements will not differ materially from what which would result if applying the revenue recognition standard to each individual wagering transaction. Room, food and beverage and other casino related revenues are recognized at the time the goods or services are provided, and are reported net of any sales, use and other applicable taxes that are collected by Tropicana at the point of sale. Revenues are recorded net of any taxes collected. The majority of Tropicana's casino revenue is counted in the form of cash and chips and, therefore, is not subject to any significant or complex estimation. The retail value of rooms, food and beverage and other services provided to customers through our loyalty programs on a complimentary basis is included in gross revenues when the incentive is redeemed. Tropicana rewards customers, through the use of bonus programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for complimentary play, and also for goods or services such as rooms, food and beverages, depending upon the property. Certain revenue with respect to loyalty programs are deferred until redeemed by customers, which are not material to our condensed consolidated financial statements.

Adoption of New Accounting Standards

Revenue Accounting Standards Updates

In May 2014, the FASB issued ASU No. 2014-09, creating a new topic, FASB ASC Topic 606, Revenue from Contracts with Customers, superseding revenue recognition requirements in FASB ASC Topic 605, Revenue Recognition. This ASU requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In addition, an entity is required to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU was amended by ASU No. 2015-14, issued in August 2015, which deferred the original effective date by one year; the effective date of this ASU is for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017, using one of two retrospective application methods. In addition, the FASB issued other amendments during 2016 and 2017 to FASB ASC Topic 606 that include implementation guidance to principal versus agent considerations, guidance to identifying performance obligations and licensing guidance and other narrow scope improvements. We adopted these new standards on January 1, 2018 using the modified retrospective application method which required a cumulative effect adjustment recognized in equity at such date. The standard has been applied to all contracts at the date of initial application. No adjustment to revenue for periods prior to adoption were required. We have not identified any material differences in our revenue recognition methods that required modification under the new standards. Additionally, our internal control framework did not materially change as a result of the adoption of these new standards. The impact of adopting these new standards on our condensed consolidated financial statements is a cumulative effect adjustment to decrease our equity attributable to Icahn Enterprises and Icahn Enterprises Holdings as of January 1, 2018 by $20 million, primarily relating to our Automotive segment.

As of January 1, 2018, our Automotive segment increased each of inventories, net and accrued expenses and other liabilities by $26 million for product returns to reflect the value of inventory to be returned and to record a liability. Previously, product returns were recorded as a reduction to revenue. In addition, our Automotive segment increased accrued expenses and other liabilities by $30 million and decreased deferred tax liabilities by $7 million for certain extended warranties to reflect the revenues from these plans as deferred revenue. Previously, revenues from these plans were recognized upfront. Our Automotive segment also recognizes revenue from the sale of goods on a drop ship basis. Previously, revenues from these transactions were recognized gross. For the three months ended March 31, 2018, net sales and costs of goods sold would have been $18 million and $17 million higher, respectively, under prior accounting principles.

As of January 1, 2018, our Energy segment increased each of accounts receivable, net and accrued expenses and other liabilities by $21 million for customer prepayments prior to delivery and to gross up certain fees collected from customers to reflect a receivable and deferred revenue recorded at the point in time in which a prepaid contract is legally enforceable and the associated right to consideration is unconditional. Previously, deferred revenue was recorded by our Energy segment upon customer prepayment.

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In addition to the above, we increased assets by an aggregate $6 million and increased liabilities by $3 million as of January 1, 2018. For the three months ended March 31, 2018, the impact on revenues would have been immaterial under prior accounting principles.

Other Accounting Standards Updates

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall, which amends FASB ASC Topic 825, Financial Instruments. This ASU requires that equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes recognized in earnings. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. In addition, there were other amendments to certain disclosure and presentation matters pertaining to financial instruments, including the requirement of an entity to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this new standard on January 1, 2018 using the modified retrospective application method which required a cumulative effect adjustment recognized in equity at such date. The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that existed as of the date of adoption. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which amends FASB ASC Topic 230, Statement of Cash Flows. This ASU seeks to reduce the diversity currently in practice by providing guidance on the presentation of eight specific cash flow issues in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted this standard on January 1, 2018 using the retrospective application method. The adoption of this standard did not have a material impact on our condensed consolidated statements of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which amends FASB ASC Topic 230, Statement of Cash Flows. This ASU requires that the statement of cash flows explain the change during the period total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We have adopted this standard on January 1, 2018 using the retrospective application method. The impact of adopting this new standard is discussed above under "Reclassifications."

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which amends FASB ASC Topic 715, Compensation - Retirement Benefits. This ASU requires entities to present the service cost component of net periodic benefit cost in the same line item or items in the financial statements as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted this standard on January 1, 2018 using the retrospective application method. The impact of adopting this new standard is discussed above under "Reclassifications."

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, which amends FASB ASC Topic 718, Compensation - Stock Compensation. This ASU provides updated guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted this standard on January 1, 2018 which has been applied prospectively and which did not have a material impact on our condensed consolidated financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases. This ASU requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. In addition, among other changes to the accounting for leases, this ASU retains the distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous guidance. Furthermore, quantification and qualitative disclosures, including disclosures regarding significant judgments made by management, will be required. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The amendments in this ASU should be applied using a modified retrospective approach. Early application is permitted. We believe the most significant impact will relate to the recognition of right-of-use assets and lease liabilities on our condensed consolidated balance sheets for long-term operating leases. We

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anticipate our assessment and implementation plan to be ongoing during the remainder of 2018 and continue to evaluate the impact of this standard on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which amends FASB ASC Topic 326, Financial Instruments - Credit Losses. This ASU requires financial assets measured at amortized cost to be presented at the net amount to be collected and broadens the information, including forecasted information incorporating more timely information, that an entity must consider in developing its expected credit loss estimate for assets measured. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of this standard on our condensed consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Targeting Improvements to Accounting for Hedging Activities, which amends FASB ASC Topic 815, Derivatives and Hedging. This ASU includes amendments to existing guidance to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this standard on our condensed consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which amends FASB ASC Topic 220, Income Statement - Reporting Comprehensive Income. This ASU allows a reclassification out of accumulated other comprehensive loss within equity for standard tax effects resulting from the Tax Cuts and Jobs Act and consequently, eliminates the stranded tax effects resulting from the Tax Cuts and Jobs Act. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this standard on our condensed consolidated financial statements.

3. Related Party Transactions.

Our second amended and restated agreement of limited partnership expressly permits us to enter into transactions with our general partner or any of its affiliates, including, without limitation, buying or selling properties from or to our general partner and any of its affiliates and borrowing and lending money from or to our general partner and any of its affiliates, subject to limitations contained in our partnership agreement and the Delaware Revised Uniform Limited Partnership Act. The indentures governing our indebtedness contain certain covenants applicable to transactions with affiliates.

Investment Funds

During the three months ended March 31, 2018 and 2017, Mr. Icahn and his affiliates (excluding us) invested $280 million and $600 million, respectively, in the Investment Funds, net of redemptions. As of March 31, 2018 and December 31, 2017, the total fair market value of investments in the Investment Funds made by Mr. Icahn and his affiliates (excluding us) was approximately $4.9 billion and $4.4 billion, respectively, representing approximately 60% and 59% of the Investment Funds' assets under management as of each respective date.

We pay for expenses pertaining to the operation, administration and investment activities of our Investment segment for the benefit of the Investment Funds (including salaries, benefits and rent). Effective April 1, 2011, based on an expense-sharing arrangement, certain expenses borne by us are reimbursed by the Investment Funds. For the three months ended March 31, 2018 and 2017, $1 million and $2 million, respectively, was allocated to the Investment Funds based on this expense-sharing arrangement.

Hertz Global Holdings, Inc.

As discussed in Note 4, "Investments and Related Matters," the Investment Funds have an investment in the common stock of Hertz Global Holdings, Inc. ("Hertz") measured at fair value that would have otherwise been subject to the equity method of accounting. Icahn Automotive provides services to Hertz in the ordinary course of business. For the three months ended March 31, 2018, revenue from Hertz was $6 million. Additionally, Federal-Mogul had payments to Hertz in the ordinary course of business of $1 million for the three months ended March 31, 2018.

In addition to our transactions with Hertz disclosed above, in January 2018, a wholly owned subsidiary of ours entered into a Master Motor Vehicle Lease and Management Agreement with The Hertz Corporation, a subsidiary of Hertz Global Holdings, Inc. (collectively, "Hertz"), pursuant to which Hertz granted us the option to acquire certain vehicles from Hertz at rates aligned with the rates at which Hertz sells vehicles to third parties. Under this agreement, Hertz will lease the vehicles purchased by us from Hertz, or from third parties, under a mutually developed fleet plan and Hertz will manage, service, repair, sell and maintain those leased vehicles on behalf of us. Additionally, Hertz will rent the leased vehicles to transportation

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network company drivers from rental counters within locations leased or owned by us. This agreement has an initial term of 18 months and is subject to automatic six-month renewals thereafter, unless terminated by either party (with or without cause) prior to the start of any such six-month renewal. Our agreement with Hertz was unanimously approved by the independent directors of Icahn Enterprises' audit committee. Transactions with Hertz in accordance with this agreement were immaterial for the three months ended March 31, 2018.

ACF Industries, Inc.

Our Railcar segment has certain transactions with ACF Industries LLC ("ACF"), an affiliate of Mr. Icahn, under various agreements, as well as on a purchase order basis. ACF is a manufacturer and fabricator of specialty railcar parts and miscellaneous steel products. Agreements and transactions with ACF include the following:

- Railcar component purchases from ACF
- Railcar parts purchases from and sales to ACF
- Railcar purchasing and engineering services agreement with ACF
- Lease of certain intellectual property to ACF
- Railcar repair services and support for ACF
- Railcar purchases from ACF (prior to June 1, 2017)

Purchases from ACF were $1 million and $2 million for the three months ended March 31, 2018 and 2017, respectively. For each of the three months ended March 31, 2018 and 2017, revenues from ACF were not material.

Insight Portfolio Group LLC

Insight Portfolio Group LLC ("Insight Portfolio Group") is an entity formed and controlled by Mr. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. Icahn Enterprises Holdings has a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses. In addition to the minority equity interest held by Icahn Enterprises Holdings, certain subsidiaries of ours, including Federal-Mogul, CVR Energy, PSC Metals, ARI, ARL (prior to June 1, 2017), Tropicana, Viskase and WPH also acquired minority equity interests in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses. A number of other entities with which Mr. Icahn has a relationship also have minority equity interests in Insight Portfolio Group and also agreed to pay certain of Insight Portfolio Group's operating expenses. For each of the three months ended March 31, 2018 and 2017, we and certain of our subsidiaries paid certain of Insight Portfolio Group's operating expenses of $2 million and $1 million, respectively, in respect to certain of Insight Portfolio Group's operating expenses.

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4. Investments and Related Matters.
Investment
Investments and securities sold, not yet purchased consist of equities, bonds, bank debt and other corporate obligations, all of which are reported at fair value in our condensed consolidated balance sheets. These investments are considered trading securities. In addition, our Investment segment has certain derivative transactions which are discussed in Note 6, “Financial Instruments." The carrying value and detail by security type, including business sector for equity securities, with respect to investments and securities sold, not yet purchased held by our Investment segment consist of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Assets		
Investments:		
Equity securities:		
Basic materials	$705	$ 1,170
Consumer, non-cyclical	2,628	2,551
Consumer, cyclical	1,261	777
Energy	1,453	1,489
Financial	149	2,185
Technology	956	833
Other	208	372
	7,360	9,377
Corporate debt securities	158	155
	$7,518	$ 9,532
Liabilities		
Securities sold, not yet purchased, at fair value:		
Equity securities:		
Consumer, non-cyclical	$86	$ 101
Consumer, cyclical	127	667
Energy	—	110
Industrial	68	110
	281	988
Corporate debt securities	18	35
	$299	$ 1,023

The portion of trading gains that relates to trading securities still held by our Investment segment was $175 million and $444 million for the three months ended March 31, 2018 and 2017, respectively.
As of March 31, 2018, the Investment Funds owned approximately 28.0% of the outstanding common stock of Hertz. Our Investment segment recorded net losses of $52 million and $94 million for the three months ended March 31, 2018 and 2017, respectively, with respect to its investment in Hertz. As of March 31, 2018 and December 31, 2017, the aggregate fair value of our Investment segment's investment in Hertz was $465 million and $517 million, respectively.
The Investment Funds also owned approximately 20.9% of the outstanding common stock of Herbalife Ltd. ("Herbalife") as of March 31, 2018. Our Investment segment recorded net gains of $544 million and $182 million for the three months ended March 31, 2018 and 2017, respectively, with respect to its investment in Herbalife. As of March 31, 2018 and December 31, 2017, the aggregate fair value of our Investment segment's investment in Herbalife was approximately $1.8 billion and $1.2 billion, respectively.

Herbalife and Hertz each file annual, quarterly and current reports, and proxy and information statements with the SEC, which are publicly available.

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Other Segments
With the exception of certain equity method investments at our operating subsidiaries disclosed in the table below, our investments are measured at fair value in our condensed consolidated balance sheets. The carrying value of investments held by our other segments and our Holding Company consist of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Equity method investments	$417	$ 430
Other investments (measured at fair value)	429	407
	$846	$ 837

5. Fair Value Measurements.
U.S. GAAP requires enhanced disclosures about investments and non-recurring non-financial assets and liabilities that are measured and reported at fair value and has established a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments or non-financial assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.
Investments and non-financial assets and/or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:
Level 1 - Quoted prices are available in active markets for identical investments and non-financial assets and/or liabilities as of the reporting date.
Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies where all significant inputs are observable. The inputs and assumptions of our Level 2 investments are derived from market observable sources including reported trades, broker/dealer quotes and other pertinent data.
Level 3 - Pricing inputs are unobservable for the investment and non-financial asset and/or liability and include situations where there is little, if any, market activity for the investment or non-financial asset and/or liability. The inputs into the determination of fair value require significant management judgment or estimation. Fair value is determined using comparable market transactions and other valuation methodologies, adjusted as appropriate for liquidity, credit, market and/or other risk factors.
In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the investments', non-financial assets' and/or liabilities' level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment. Significant transfers, if any, between the levels within the fair value hierarchy are recognized at the beginning of the reporting period when changes in circumstances require such transfers.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following table summarizes the valuation of our assets and liabilities by the above fair value hierarchy levels measured on a recurring basis as of March 31, 2018 and December 31, 2017:

	March 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets	(in millions)							
Investments (Note 4)	$7,361	$266	$302	$7,929	$9,378	$264	$279	$9,921
Derivative contracts, at fair value (Note 6)[1]	22	3	—	25	—	1	—	1
	$7,383	$269	$302	$7,954	$9,378	$265	$279	$9,922
Liabilities								
Securities sold, not yet purchased (Note 4)	$281	$18	$—	$299	$988	$35	$—	$1,023
Other liabilities	—	19	—	19	—	1	—	1
Derivative contracts, at fair value (Note 6)	—	972	—	972	36	1,239	—	1,275
	$281	$1,009	$—	$1,290	$1,024	$1,275	$—	$2,299

[1] Amounts are classified within other assets in our condensed consolidated balance sheets.

Assets Measured at Fair Value on a Recurring Basis for Which We Use Level 3 Inputs to Determine Fair Value
The changes in investments measured at fair value on a recurring basis for which we use Level 3 inputs to determine fair value are as follows:

	Three Months Ended March 31,	
	2018	2017
	(in millions)	
Balance at January 1	$279	$212
Net unrealized gains	23	1
Transfers in	—	1
Balance at March 31	$302	$214

Net unrealized gains during the three months ended March 31, 2018 relates to a certain equity investment which is considered a Level 3 investment due to unobservable market data and is measured at fair value on a recurring basis. We determined the fair value of this investment based on recent market transactions. As of March 31, 2018 and December 31, 2017, the fair value of this investment was $297 million and $274 million, respectively.

Assets Measured at Fair Value on a Non-Recurring Basis for Which We Use Level 3 Inputs to Determine Fair Value
Certain assets measured at fair value using Level 3 inputs on a non-recurring basis have been impaired. During the three months ended March 31, 2017, we recorded impairment charges of $3 million relating to property, plant and equipment. We determined the fair value of property, plant and equipment by applying probability weighted, expected present value techniques to the estimated future cash flows using assumptions a market participant would utilize. In addition, during the three months ended March 31, 2017, we recorded a loss of $5 million from marking inventory down to net realizable value at our Automotive segment. There was no impairment recorded for the three months ended March 31, 2018. Refer to Note 12, "Segment Reporting," for total impairment recorded by each of our segments.

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6. Financial Instruments.
Overview
Investment
In the normal course of business, the Investment Funds may trade various financial instruments and enter into certain investment activities, which may give rise to off-balance-sheet risks, with the objective of capital appreciation or as economic hedges against other securities or the market as a whole. The Investment Funds' investments may include futures, options, swaps and securities sold, not yet purchased. These financial instruments represent future commitments to purchase or sell other financial instruments or to exchange an amount of cash based on the change in an underlying instrument at specific terms at specified future dates. Risks arise with these financial instruments from potential counterparty non-performance and from changes in the market values of underlying instruments.
Credit concentrations may arise from investment activities and may be impacted by changes in economic, industry or political factors. The Investment Funds routinely execute transactions with counterparties in the financial services industry, resulting in credit concentration with respect to the financial services industry. In the ordinary course of business, the Investment Funds may also be subject to a concentration of credit risk to a particular counterparty. The Investment Funds seek to mitigate these risks by actively monitoring exposures, collateral requirements and the creditworthiness of its counterparties.
The Investment Funds have entered into various types of swap contracts with other counterparties. These agreements provide that they are entitled to receive or are obligated to pay in cash an amount equal to the increase or decrease, respectively, in the value of the underlying shares, debt and other instruments that are the subject of the contracts, during the period from inception of the applicable agreement to its expiration. In addition, pursuant to the terms of such agreements, they are entitled to receive or obligated to pay other amounts, including interest, dividends and other distributions made in respect of the underlying shares, debt and other instruments during the specified time frame. They are also required to pay to the counterparty a floating interest rate equal to the product of the notional amount multiplied by an agreed-upon rate, and they receive interest on any cash collateral that they post to the counterparty at the federal funds or LIBOR rate in effect for such period.
The Investment Funds may trade futures contracts. A futures contract is a firm commitment to buy or sell a specified quantity of a standardized amount of a deliverable grade commodity, security, currency or cash at a specified price and specified future date unless the contract is closed before the delivery date. Payments (or variation margin) are made or received by the Investment Funds each day, depending on the daily fluctuations in the value of the contract, and the whole value change is recorded as an unrealized gain or loss by the Investment Funds. When the contract is closed, the Investment Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
The Investment Funds may utilize forward contracts to seek to protect their assets denominated in foreign currencies and precious metals holdings from losses due to fluctuations in foreign exchange rates and spot rates. The Investment Funds' exposure to credit risk associated with non-performance of such forward contracts is limited to the unrealized gains or losses inherent in such contracts, which are recognized in other assets and accrued expenses and other liabilities in our condensed consolidated balance sheets.
The Investment Funds may also enter into foreign currency contracts for purposes other than hedging denominated securities. When entering into a foreign currency forward contract, the Investment Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed-upon future date unless the contract is closed before such date. The Investment Funds record unrealized gains or losses on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into such contracts and the forward rates at the reporting date.
The Investment Funds may also purchase and write option contracts. As a writer of option contracts, the Investment Funds receive a premium at the outset and then bear the market risk of unfavorable changes in the price of the underlying financial instrument. As a result of writing option contracts, the Investment Funds are obligated to

purchase or sell, at the holder's option, the underlying financial instrument. Accordingly, these transactions result in off-balance-sheet risk, as the Investment Funds' satisfaction of the obligations may exceed the amount recognized in our condensed consolidated balance sheets.

Certain terms of the Investment Funds' contracts with derivative counterparties, which are standard and customary to such contracts, contain certain triggering events that would give the counterparties the right to terminate the derivative instruments. In such events, the counterparties to the derivative instruments could request immediate payment on derivative instruments in net liability positions. The aggregate fair value of all of the Investment Funds' derivative instruments with credit-risk-related contingent features that are in a liability position at March 31, 2018 and December 31, 2017 was zero and $17 million, respectively.

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Automotive

Federal-Mogul is exposed to market risks, such as fluctuations in foreign currency exchange rates, commodity prices and changes in interest rates, which may result in cash flow risks. To manage the volatility relating to these exposures, Federal-Mogul aggregates the exposures on a consolidated basis to take advantage of natural offsets. For exposures not offset within its operations, Federal-Mogul enters into various derivative transactions pursuant to its risk management policies, which prohibit holding or issuing derivative financial instruments for speculative purposes, and designation of derivative instruments is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. Federal-Mogul assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy.

Energy

CVR Refining enters into commodity swap contracts in order to fix the margin on a portion of future production. Additionally, CVR Refining may enter into price and basis swaps in order to fix the price on a portion of its commodity purchases and product sales. The physical volumes are not exchanged and these contracts are net settled with cash. The contract fair value of the commodity swaps is reflected on the condensed consolidated balance sheets with changes in fair value currently recognized in the condensed consolidated statements of operations. Quoted prices for similar assets or liabilities in active markets (Level 2) are considered to determine the fair values for the purpose of marking to market the hedging instruments at each period end. At March 31, 2018 and December 31, 2017, CVR Refining had open commodity swap instruments consisting of 2.9 million and 14.3 million barrels of crack spreads, respectively, primarily to fix the margin on a portion of its future gasoline and distillate production. Additionally, as of March 31, 2018 and December 31, 2017, CVR Refining had open forward purchase and sale commitments for 4.2 million and 5.8 million barrels, respectively, of Canadian crude oil priced at fixed differentials that are not considered probable of physical settlement and are accounted for as derivatives.

Consolidated Derivative Information

Certain derivative contracts executed by the Investment Funds with a single counterparty, by our Automotive segment with a single counterparty or by our Energy segment with a single counterparty are reported on a net-by-counterparty basis where a legal right of offset exists under an enforceable netting agreement. Values for the derivative financial instruments, principally swaps, forwards, over-the-counter options and other conditional and exchange contracts, are reported on a net-by-counterparty basis. As a result, the net exposure to counterparties is reported in either other assets or accrued expenses and other liabilities in our condensed consolidated balance sheets.

The following table presents the consolidated fair values of our derivatives that are not designated as hedging instruments in accordance with U.S GAAP:

	Asset Derivatives[1]		Liability Derivatives	
Derivatives Not Designated as Hedging Instruments	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	(in millions)			
Equity contracts	$15	$ —	$959	$ 1,159
Credit contracts	—	—	—	17
Commodity contracts	24	7	27	106
Sub-total	39	7	986	1,282
Netting across contract types[2]	(14)	(7)	(14)	(7)
Total[2]	$25	$ —	$972	$ 1,275

(1) Net asset derivatives are located within other assets in our condensed consolidated balance sheets.

(2) Excludes netting of cash collateral received and posted. The total collateral posted at March 31, 2018 and December 31, 2017 was $295 million and $542 million, respectively, across all counterparties, which are included

in cash held at consolidated affiliated partnerships and restricted cash on the condensed consolidated balance sheets.

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The following table presents the amount of gain (loss) recognized in the condensed consolidated statements of operations for our derivatives not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income[1] Three Months Ended March 31,	
	2018	2017
	(in millions)	
Equity contracts	$58	$(573)
Credit contracts	53	(25)
Commodity contracts	95	(5)
	$206	$(603)

(1) Gains (losses) recognized on derivatives are classified in net gain (loss) from investment activities in our condensed consolidated statements of operations for our Investment segment and are included in other income (loss), net for all other segments.

The volume of our derivative activities based on their notional exposure, categorized by primary underlying risk, is as follows:

	March 31, 2018		December 31, 2017	
	Long Notional Exposure	Short Notional Exposure	Long Notional Exposure	Short Notional Exposure
Primary underlying risk:	(in millions)			
Equity contracts	$171	$ 5,715	$243	$ 6,660
Credit contracts[1]	—	—	—	391
Commodity contracts	30	387	20	911

(1) The short notional amount on our credit default swap positions was approximately $2.5 billion as of December 31, 2017. However, because credit spreads cannot compress below zero, our downside short notional exposure to loss is $391 million as of December 31, 2017.

Non-Derivative Instruments Designated as Hedging Instruments

As of March 31, 2018 and December 31, 2017, Federal-Mogul had foreign currency denominated debt, of which $901 million and $884 million, respectively, was designated as a net investment hedge in certain foreign subsidiaries and affiliates of Federal-Mogul. Changes to its carrying value are included in other comprehensive loss as translation adjustments and other. The amount recognized in accumulated other comprehensive loss for the three months ended March 31, 2018 was a loss of $24 million.

7. Inventories, Net.

Inventories, net consists of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Raw materials	$588	$ 531

Work in process	378	338
Finished goods	2,531	2,392
	$3,497	$ 3,261

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8. Goodwill and Intangible Assets, Net.
Goodwill consists of the following:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value
	(in millions)					
Automotive	$1,803	$ (537)	$ 1,266	$1,798	$ (537)	$ 1,261
Railcar	7	—	7	7	—	7
Food Packaging	7	—	7	7	—	7